

Growth + Free cash flows= Buy

- Asahi India Glass (AIS) posted inline numbers in 1Q. Revenue de-grew by 68% YoY to Rs.2.28bn (Vs. est. Rs.2.11bn) led by 53% YoY fall in Architecture glass division to Rs.1.37bn, and 80% YoY de-growth in Automotive glass division to Rs.839mn due to lockdown. EBITDA loss stood at Rs.310mn. (vs est. Rs.-83mn) due to negative operating leverage and one off Rs.300mn for furnace maintenance cost.
- We expect the company would be a key beneficiary of revival in volume of Automotive and Architectural glass segment from 2Q. Moreover, strong traction in aftermarket business will also aid profitability. In Automotive glass business, AIS would be the key beneficiary of uptick in volume of MSIL (current share of business from MSIL is above 90%).
- Architectural glass business has also shown strong recovery from July onwards, benefiting from reduced import in India from Asian countries. Prices are also firmed due to supply constraint.
- As most of the capex has already been incurred (~Rs.12bn over FY18-20), AIS is likely to generate strong free cash flow of Rs.11.8bn over FY21-23E (~20% of current EV) which would help to repay debt. We forecast a 110% CAGR in earning in FY21-23E, driven by 20% increase in Revenue, 300bps margin expansion and benefits from the fall in interest and tax.
- At CMP, the stock is trading at 21/15x for FY22/FY23E earning (versus 5 years' historical average of 38. We value the stock Rs.264 (based on 22x of FY23E EPS), and recommend BUY.

Well placed to ride on PV growth:

Asahi India Glass is India's largest manufacturer of automotive glass, and has a market share of 78%. It supplies to all the leading OEMs in the country. MSIL is one of AIS's major customers. The company supplies 92% of MSIL's requirements (rest 8% by Saint Gobain). Hyundai is another major customer, AIS's share of business in 60%. Continue...

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	2,282	7,143	(68.1)	5,998	(62.0)
Total Expense	2,592	5,910	(56.1)	5,105	(49.2)
EBITDA	(310)	1,234	(125.1)	893	(134.7)
Depreciation	301	327	(8.0)	365	(17.6)
EBIT	(611)	907	(167.3)	528	(215.6)
Other Income	10	25	(60.2)	13	(22.7)
Interest	369	364	1.5	350	5.7
EBT	(970)	568	(270.7)	192	(606.0)
Tax	(336)	201	(266.8)	(314)	7.0
RPAT	(637)	393	(261.9)	519	(222.8)
APAT	(627)	389	(261.3)	512	(222.5)
			(bps)		(bps)
Gross Margin (%)	56.1	66.3	(1020)	71.2	(1507)
EBITDA Margin (%)	(13.6)	17.3	NA	14.9	NA
NPM (%)	(27.9)	5.5	NA	8.6	NA
Tax Rate (%)	34.6	35.4	(81)	(163.7)	NA
EBIT Margin (%)	(26.8)	12.7	NA	8.8	NA

CMP	Rs 186
Target / Upside	Rs 264 / 42%
BSE Sensex	38,044
NSE Nifty	11,200

Scrip Details

Equity / FV	Rs 243mn / Rs 10
Market Cap	Rs 45bn
	US\$ 603mn
52-week High/Low	Rs 273/Rs 119
Avg. Volume (no)	32,628
NSE Symbol	ASAHINDIA
Bloomberg Code	AISG IN

Shareholding Pattern Jun'20(%)

Promoters	54.3
MF/Banks/FIs	2
FII	1
Public / Others	43

Valuation (x)

	FY21E	FY22E	FY23E
P/E	61.7	21.0	15.5
EV/EBITDA	18.0	11.3	9.2
ROE (%)	5.3	14.7	17.4
RoACE (%)	5.8	11.1	13.7

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	22,154	27,693	31,934
EBITDA	3,153	4,800	5,535
PAT	732	2,148	2,913
EPS (Rs.)	3.0	8.8	12.0

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DOLAT CAPITAL

We expect a gradual recovery in PV segment from Q2FY21 led by traction in entry-level cars and improvement in rural demand.

Enormous opportunity in architectural glass segment

Global average demand for sophisticated glass is higher than India. Value added glass is now becoming popular in residential buildings, apart from retail and commercial asset classes. India's climatic condition, being hot and sunny, is also driving demand for insulated and reflective glasses in buildings. Architectural segment should show a strong uptick in revenue, due to increasing demand for office space in urban and semi-urban areas as urbanisation accelerates.

Exhibit 1: Actual vs DART

Particulars (Rs mn)	Actual	Dart Estimates	VAR (%)	Comments
Revenue	2,282	2,114	8	
EBIDTA	(310)	(83)	(274)	Negative operating leverage and high FG cost
EBIDTA Margin (%)	(13.59)	(3.93)	NA	
PAT	(647)	(529)	(22)	

Exhibit 2: Assumption Table

Financial Year	FY18	FY19	FY20	FY21E	FY22E	FY23E
Automotive Glass (Revenue Rs. Mn)	17,296	17,523	15192	12457	15572	17752
Revenue Growth (%)	1	1	(13)	-18%	25%	14%
Architectural Glass (Revenue Rs. Mn)	8,927	11,244	10775	9,697	12,121	14,182
Architectural Glass Growth (%)	11	26	(4.2)	-10%	25%	17%
Segment Revenue	26,440	29,058	26,449	22,154	27,693	31,934

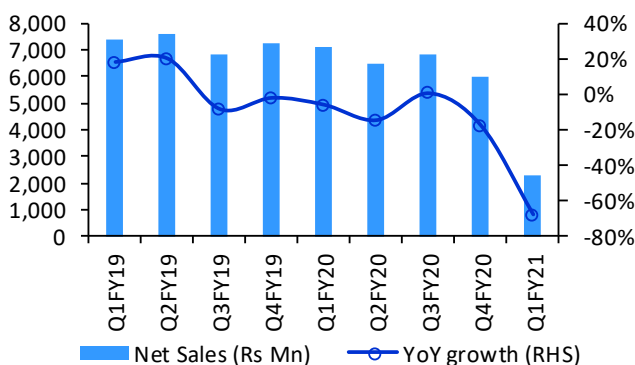
Source: DART, Company

Exhibit 3: Change in Estimates

Particulars (Rs. Mn)	FY21E			FY22E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	22,154	23,066	(4.0)	27,693	27,388	1.1
EBITDA	3,153	3,640	(13.4)	4,800	4,747	1.1
EBITDA margin (%)	14.2	15.8 (155.0)bps		17.3	17.3	(0.0)
APAT	732	986	(25.7)	2,148	1,869	14.9
EPS	3.01	4.06	(25.7)	8.84	7.69	14.9

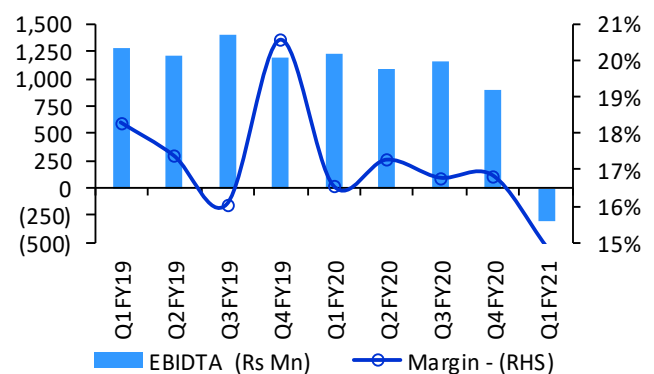
Source: DART, Company

Exhibit 4: Revenue fell YoY/QoQ due to lockdown



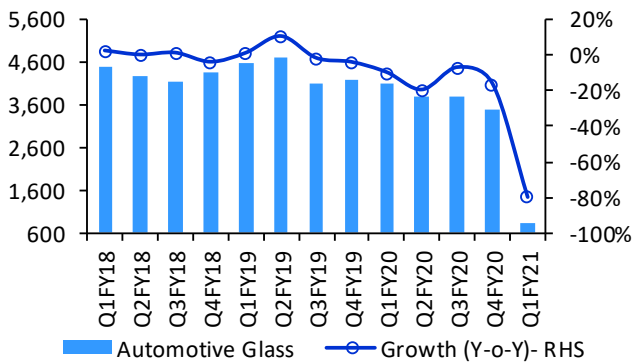
Source: Company, DART

Exhibit 5: Margin contracted YoY/QoQ



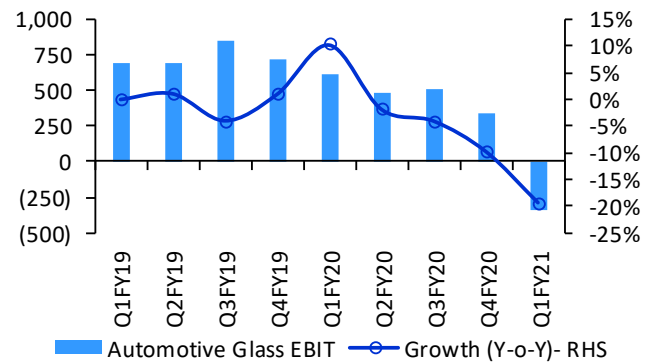
Source: Company, DART

Exhibit 6: Automotive revenue de-grew YoY/QoQ



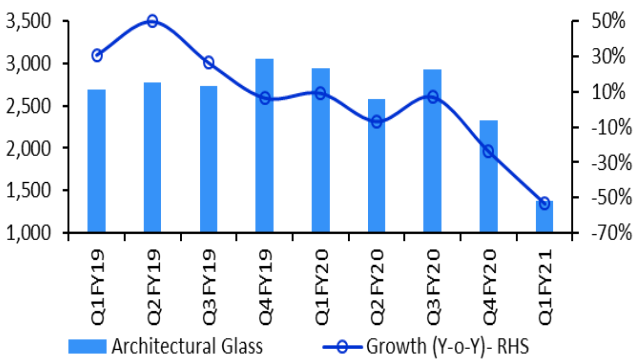
Source: DART, Company

Exhibit 7: Automotive EBIT margin contracted YoY



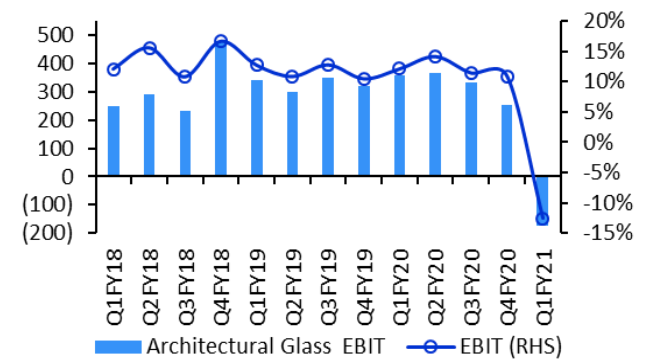
Source: DART, Company

Exhibit 8: Architecture revenue declined YoY/QoQ



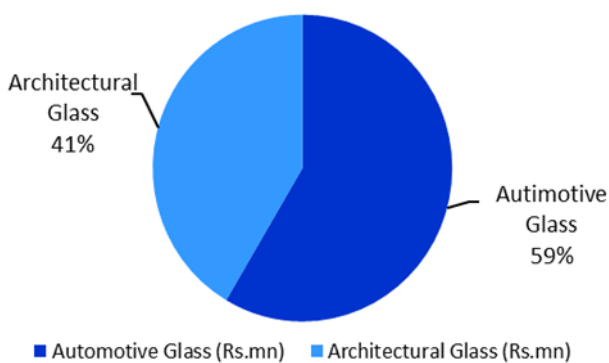
Source: DART, Company

Exhibit 9: Architecture EBIT margin drop QoQ/YoY



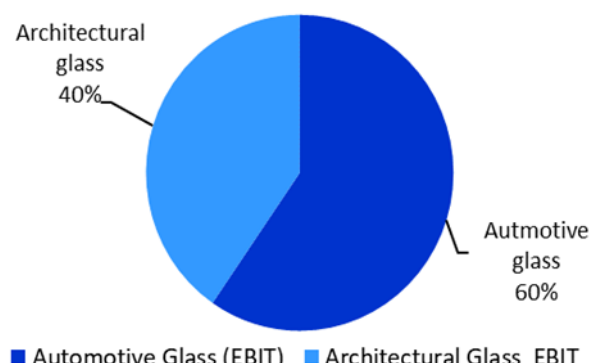
Source: DART, Company

Exhibit 10: Revenue Mix FY20



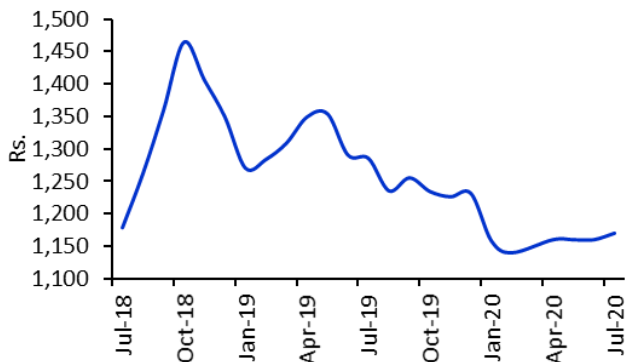
Source: DART, Company

Exhibit 11: EBIT Mix FY20



Source: DART, Company

Exhibit 12: Soda ash prices softened



Source: DART, Company (price/50kg. bag)

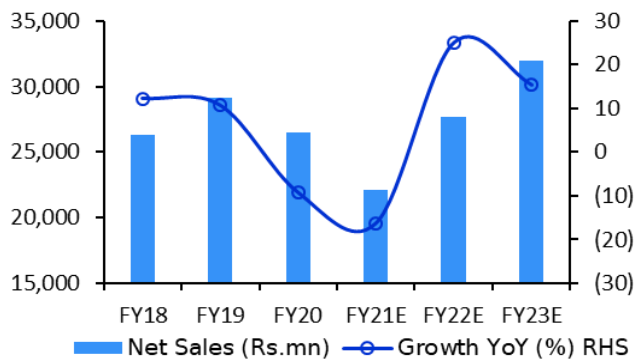
Exhibit 13: 1 yr Avg. fwd PE Band



Source: DART, Company

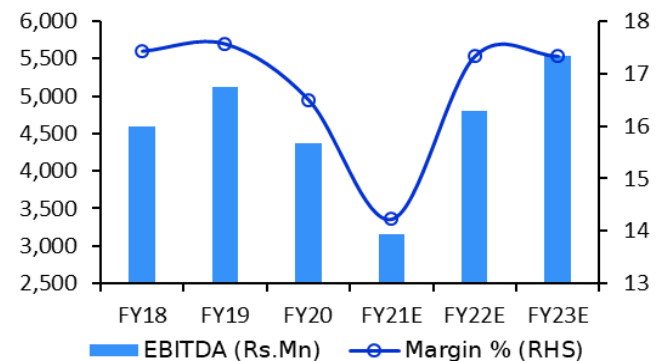
Annual Charts

Exhibit 14: Consol Revenue to grow at 20% CAGR



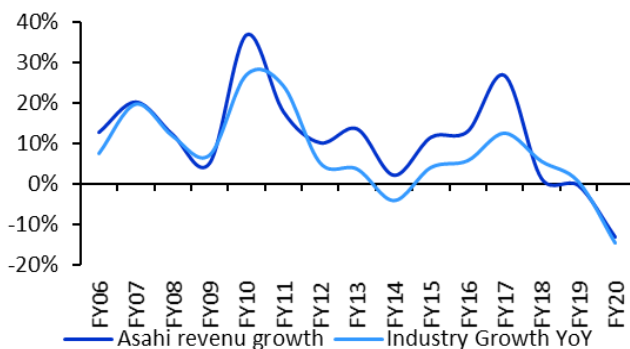
Source: DART, Company

Exhibit 15: EBITDA margin to improve on better utilization



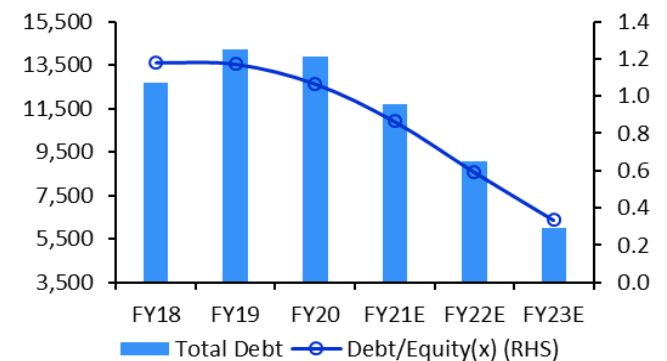
Source: DART, Company

Exhibit 16: Asahi Automotive v/s PV industry



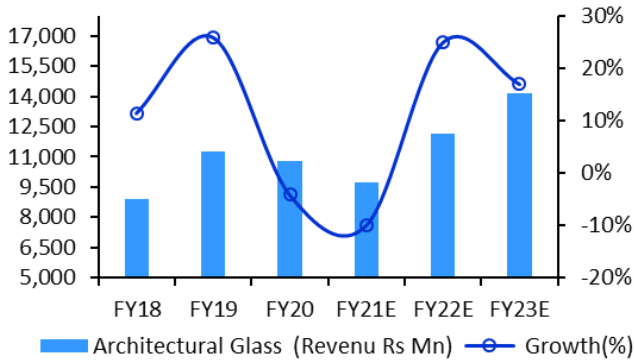
Source: DART, Company

Exhibit 17: Debt level to go down



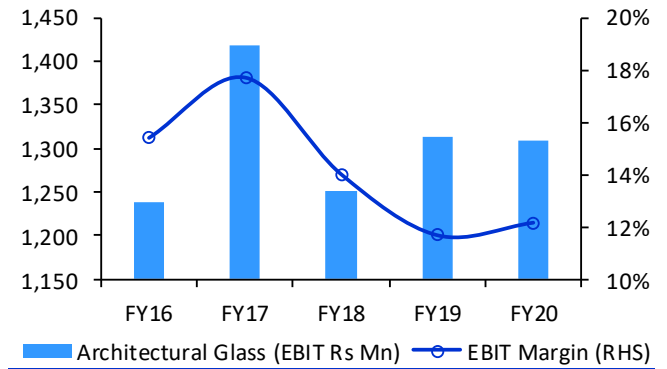
Source: DART, Company

Exhibit 18: Architectural revenue to improve from FY22



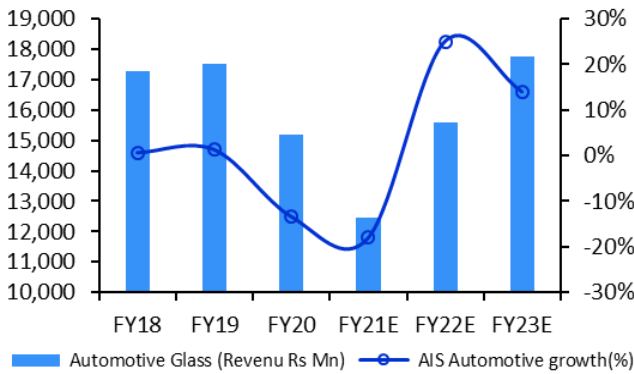
Source: DART, Company

Exhibit 19: Architectural EBIT margin remain flat



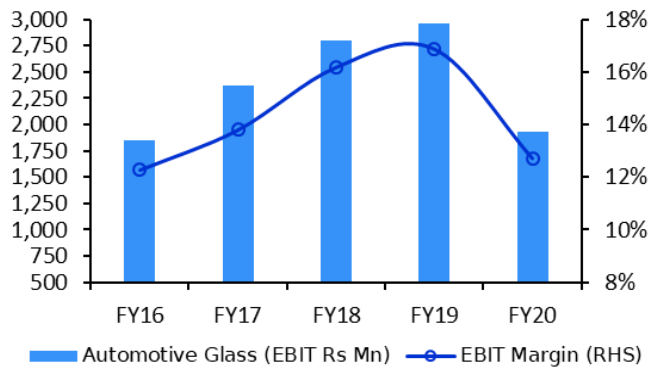
Source: DART, Company

Exhibit 20: Automotive revenue to benefit from PV recovery



Source: DART, Company

Exhibit 21: Automotive EBIT margin



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	26,449	22,154	27,693	31,934
Total Expense	22,085	19,002	22,893	26,399
COGS	8,897	7,533	9,333	10,762
Employees Cost	2,706	2,282	2,603	3,002
Other expenses	10,482	9,187	10,958	12,636
EBIDTA	4,363	3,153	4,800	5,535
Depreciation	1,371	1,323	1,364	1,385
EBIT	2,993	1,830	3,436	4,150
Interest	1,461	1,110	863	568
Other Income	210	225	270	290
Exc. / E.O. items	(35)	0	0	0
EBT	1,707	945	2,843	3,872
Tax	195	241	725	987
RPAT	1,512	704	2,118	2,884
Minority Interest	(25)	(28)	(30)	(29)
Profit/Loss share of associates	0	0	0	0
APAT	1,537	732	2,148	2,913

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	243	243	243	243
Minority Interest	(137)	(109)	(79)	(50)
Reserves & Surplus	12,779	13,269	15,052	17,552
Net Worth	13,022	13,512	15,295	17,795
Total Debt	14,581	11,681	9,081	5,981
Net Deferred Tax Liability	176	176	176	176
Total Capital Employed	27,643	25,260	24,473	23,902

Applications of Funds

Net Block	20,351	23,240	22,776	21,841
CWIP	4,886	1,000	500	500
Investments	916	907	897	887
Current Assets, Loans & Advances	11,811	9,229	11,358	12,758
Inventories	7,221	5,907	6,907	7,515
Receivables	2,612	2,185	2,731	3,150
Cash and Bank Balances	347	24	46	457
Loans and Advances	0	158	158	158
Other Current Assets	1,631	954	1,515	1,479
Less: Current Liabilities & Provisions	10,322	9,116	11,058	12,084
Payables	5,780	4,685	5,520	6,336
Other Current Liabilities	4,542	4,431	5,539	5,748
sub total				
Net Current Assets	1,489	112	300	674
Total Assets	27,642	25,260	24,473	23,902

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	48.7	49.0	48.2	48.2
EBIDTA Margin	16.5	14.2	17.3	17.3
EBIT Margin	11.3	8.3	12.4	13.0
Tax rate	11.4	25.5	25.5	25.5
Net Profit Margin	5.7	3.2	7.6	9.0
(B) As Percentage of Net Sales (%)				
COGS	33.6	34.0	33.7	33.7
Employee	10.2	10.3	9.4	9.4
Other	39.6	41.5	39.6	39.6
(C) Measure of Financial Status				
Gross Debt / Equity	1.1	0.9	0.6	0.3
Interest Coverage	2.0	1.6	4.0	7.3
Inventory days	100	97	91	86
Debtors days	36	36	36	36
Average Cost of Debt	9.9	8.5	8.3	7.5
Payable days	80	77	73	72
Working Capital days	21	2	4	8
FA T/O	1.3	1.0	1.2	1.5
(D) Measures of Investment				
AEPS (Rs)	6.3	3.0	8.8	12.0
CEPS (Rs)	12.0	8.5	14.4	17.7
DPS (Rs)	1.0	1.0	1.5	1.7
Dividend Payout (%)	15.8	33.2	17.0	14.2
BVPS (Rs)	53.6	55.6	62.9	73.2
RoANW (%)	12.0	5.3	14.7	17.4
RoACE (%)	10.3	5.8	11.1	13.7
RoAIC (%)	9.8	5.2	10.3	13.0
(E) Valuation Ratios				
CMP (Rs)	186	186	186	186
P/E	29.4	61.7	21.0	15.5
Mcap (Rs Mn)	45,166	45,166	45,166	45,166
MCap/ Sales	1.7	2.0	1.6	1.4
EV	59,401	56,823	54,202	50,691
EV/Sales	2.2	2.6	2.0	1.6
EV/EBITDA	13.6	18.0	11.3	9.2
P/BV	3.5	3.3	3.0	2.5
Dividend Yield (%)	0.5	0.5	0.8	0.9
(F) Growth Rate (%)				
Revenue	(9.2)	(16.2)	25.0	15.3
EBITDA	(14.7)	(27.7)	52.2	15.3
EBIT	(23.9)	(38.8)	87.7	20.8
PBT	(39.1)	(44.6)	200.7	36.2
APAT	(19.2)	(52.4)	193.3	35.6
EPS	(19.2)	(52.4)	193.3	35.6
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	4,770	3,500	4,188	4,883
CFI	(2,641)	(326)	(400)	(450)
CFF	(2,346)	(3,497)	(3,766)	(4,022)
FCFF	2,179	3,174	3,788	4,433
Opening Cash	564	347	24	46
Closing Cash	347	24	46	457

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	BUY	272	200
Nov-19	BUY	301	201
Feb-20	BUY	300	260
Mar-20	Buy	247	166
Mar-20	Buy	247	149
Apr-20	Buy	230	156
Jun-20	BUY	220	186
Jun-20	BUY	220	187
Jun-20	BUY	220	183

*Price as on recommendation date

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