

16 May 2024

India | Equity research | Q4FY24 results review

Asahi India Glass

Auto Ancillaries

In-line operating performance; margin stabilising at current levels

Asahi India Glass' (AIGS) EBITDA margin, at 17%, improved 50bps QoQ, in line with our estimate. Auto segment EBIT margin improved ~90bps QoQ to 11.4%, but architectural segment EBIT margin decreased ~100bps QoQ at 14.8%. Revenue was also largely in line with estimate at INR 10.3bn, up 3% QoQ; auto segment revenue was up 11% QoQ to INR 7.1bn and architectural segment revenue was down 1% QoQ to INR 3.6bn. We raise our FY25/26E EPS by 4%/6% driven by better outlook from auto segment on the back of current launches in UV segment. We have built in AIGS's revenue CAGR at 16% for FY24-26E and EBITDA margin at ~19%/21% for FY25/26E, respectively. Maintain **SELL** with a revised DCF-based target price of INR 502 (earlier INR 475), implying 20x FY26E EPS.

Takeaways from Q4FY24 result, and our views

- Auto segment revenue was 11% higher QoQ at INR 7.1bn. EBIT margin in this segment was up ~90bps QoQ at 11.4%. We are building in a recovery in automotive margin trajectory from FY23 lows with margin at ~13%/14% in FY25/26E, respectively. With support from lower soda ash price and stable fuel costs, we are building in better margin in this segment, amidst improving mix.
- Architectural segment revenue was 22%/1% lower YoY/QoQ at INR 3.6bn. Growth in non-auto segment was limited due to capacity running at full utilisation and little scope for further enhancement in value-added products such as coated glass. We expect non-auto revenue growth to pick up only from FY26E with fresh capacity coming in late FY25. As against the past 15-quarter mean EBIT margin in this segment, at ~23%, EBIT margin in this quarter was 14.8% (down ~100bps QoQ and on a declining trend for eighth consecutive quarter).
- We raise our FY25/26E EPS by 4%/6% driven by better outlook from auto segment on the back of current launches in UV segment. We have built in AIGS's revenue CAGR at 16% for FY24-26E and EBITDA margin at ~19%/21% for FY25/26E, respectively. We do not envisage any debt reduction in FY25-26E due to cashflow continuing to be impacted by elevated capex and subdued margins.

Basudeb Banerjee

basudeb.banerjee@icicisecurities.com
+91 22 6807 7260

Vishakha Maliwal

vishakha.maliwal@icicisecurities.com

Market Data

Market Cap (INR)	149bn
Market Cap (USD)	1,787mn
Bloomberg Code	AISG IN
Reuters Code	AISG.BO
52-week Range (INR)	660 /445
Free Float (%)	45.0
ADTV-3M (mn) (USD)	1.7

Price Performance (%)	3m	6m	12m
Absolute	13.6	7.1	26.2
Relative to Sensex	12.3	(4.0)	9.2

Financial summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	39,185	41,624	48,091	56,109
EBITDA	8,086	7,343	9,174	11,864
EBITDA %	20.6	17.6	19.1	21.1
Net Profit	3,678	3,355	4,346	6,116
EPS (INR)	15.1	13.8	17.9	25.2
EPS % Chg YoY	5.8	(8.8)	29.5	40.7
P/E (x)	40.6	44.5	34.3	24.4
EV/EBITDA (x)	20.0	22.8	18.7	14.4
RoCE (%)	12.0	9.7	10.3	12.4
RoE (%)	17.3	13.9	15.5	18.3

Earnings Revisions (%)	FY25E	FY26E
Revenue	(0.2)	0.7
EBITDA	(2.5)	(2.5)
EPS	3.6	6.0

Previous Reports

26-01-2024: [Q3FY24 results review](#)

04-11-2023: [Q2FY24 results review](#)

Exhibit 1: Q4FY24 result review (standalone)

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Total operating income	10,299	10,334	-0.34	9,989	3
Raw material costs	3,807	4,113	-7	3,641	5
as a % of Sales	37%	40%	-283 bps	36%	52 bps
Gross Profit	6,491	6,221	4	6,348	2
Gross margin (%)	63%	60%	283 bps	64%	-52 bps
Employee costs	776	786	-1	807	-4
as a % of Sales	8%	8%	-6 bps	8%	-55 bps
Other expenditures	2,444	2,256	8	2,297	6
as a % of Sales	24%	22%	190 bps	23%	74 bps
Power & Fuel	1,537	1,445	6	1,603	-4
as a % of Sales	14.9%	14.0%	94 bps	16.1%	-113 bps
Total operating expenses	8,564	8,599	-0	8,349	3
EBITDA	1,734	1,735	-0	1,641	6
EBITDA margin (%)	17.0%	16.8%	18 bps	16.5%	54 bps
Depreciation & Amortization	436	386	13	423	3
Other income	38	58	-35	33	14
Interest costs	313	249	26	328	-4
PBT	1,023	1,158	-12	923	11
Taxes	262	463	-43	241	9
PAT	761	695	9	682	11

Source: Company data, I-Sec research

Exhibit 2: Quarterly segmental revenue and EBIT trends

Particulars (INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Auto segment					
Revenue	7,099	5,797	22	6,392	11.1
EBIT	809	360	125	672	20
EBIT margin(%)	11.4	6.2	519 bps	10.5	88 bps
Architectural segment					
Revenue	3,557	4,582	(22)	3,575	(1)
EBIT	528	1,006	(48)	567	(7)
EBIT margin(%)	14.8	21.9	-710 bps	15.9	-101 bps

Source: I-Sec research, Company data

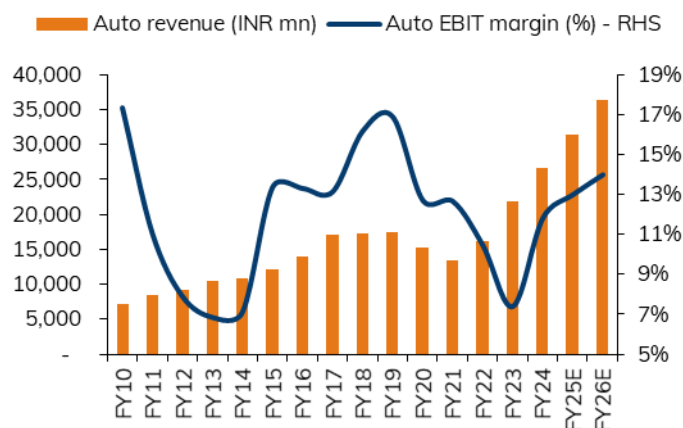
Exhibit 3: Estimates revision

	FY25E			FY26E		
	Previous	New	Chg (%)	Previous	New	Chg (%)
Sales (INR mn)	48,195	48,091	(0.2)	55,726	56,109	0.7
EBITDA (INR mn)	9,409	9,174	(2.5)	12,164	11,864	(2.5)
EBITDA (%)	19.5%	19.1%	-45 bps	21.8%	21.1%	-68 bps
PAT (INR mn)	4,194	4,346	3.6	5,772	6,116	6.0
EPS (INR)	17.3	17.9	3.6	23.8	25.2	6.0

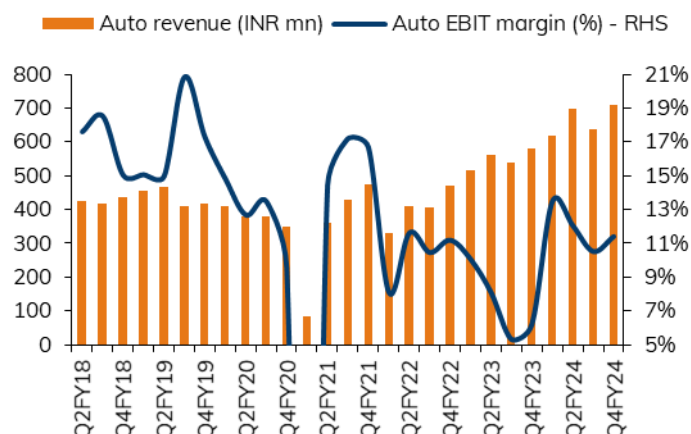
Source: I-Sec research, Company data

Upside risks

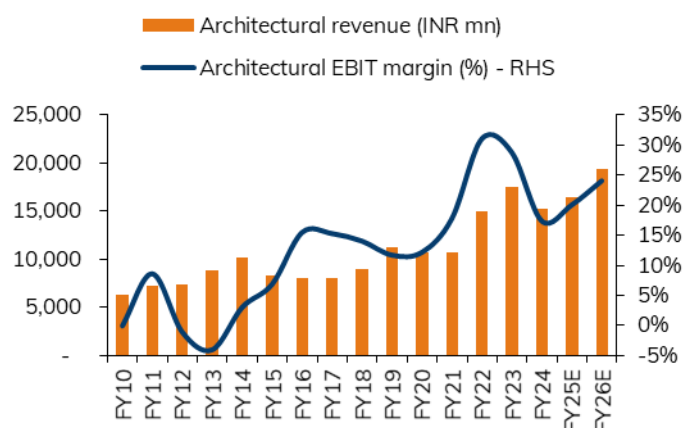
- Faster-than-expected decline in commodity prices, helping GM to revive.
- Brisk uptick in imports with container supplies normalising, increasing the share of imports at the cost of domestic manufacturers like AISG. This would also result in weaker pricing power in architectural glass segment, which helped AISG report robust profitability in FY22 and H1FY23.

Exhibit 4: We are building recovery in automotive margin trajectory from FY23 lows


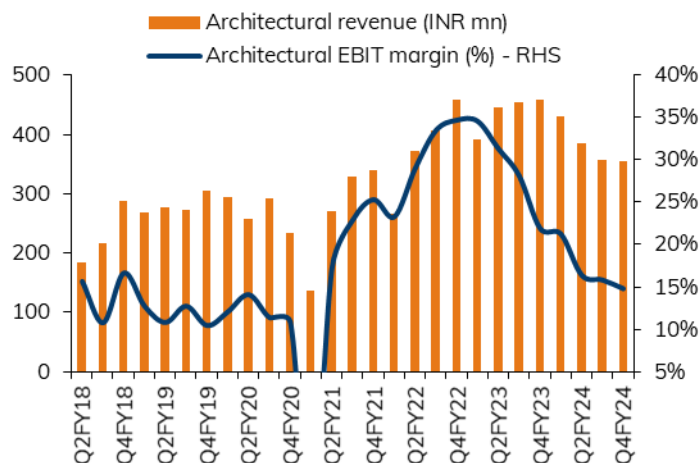
Source: I-Sec research, Company data

Exhibit 5: Auto segment revenue vs EBIT margin trend


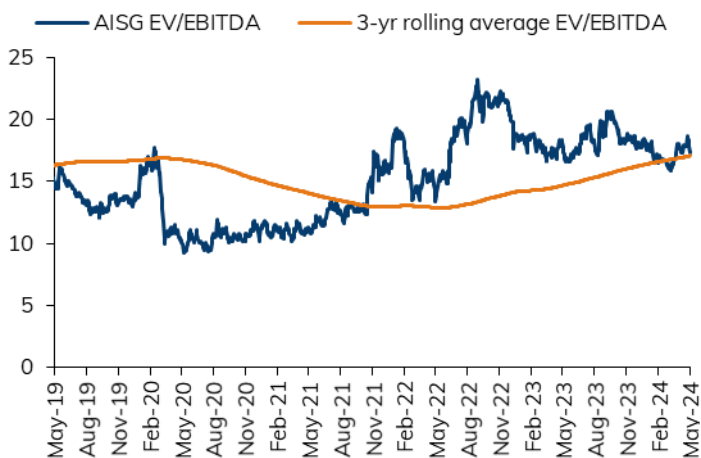
Source: I-Sec research, Company data

Exhibit 6: Building-in architectural segment margin at 20%/24% for FY25/26E


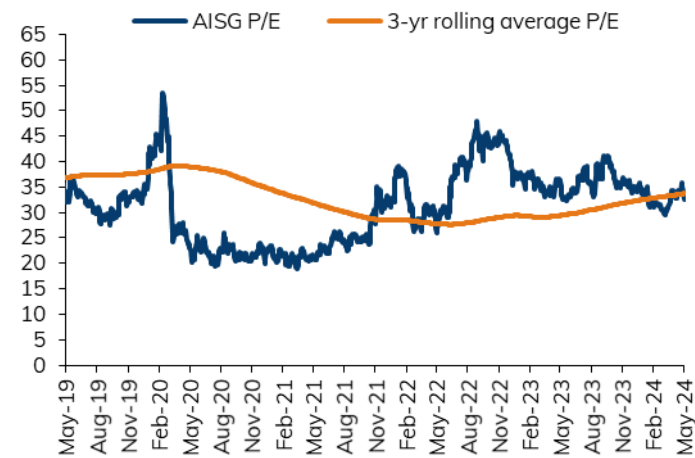
Source: I-Sec research, Company data

Exhibit 7: Architectural segment revenue vs EBIT margin trend


Source: I-Sec research, Company data

Exhibit 8: Three-year moving EV/EBITDA


Source: I-Sec research, Company data

Exhibit 9: Three-year moving P/E


Source: I-Sec research, Company data

Exhibit 10: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	54.2	54.2	54.2
Institutional investors	5.5	5.6	5.4
MFs and other	1.8	1.9	1.4
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.0	0.0	0.0
FII	3.7	3.6	4.0
Others	40.3	40.2	40.4

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	39,185	41,624	48,091	56,109
Operating Expenses	17,705	18,811	20,809	23,833
EBITDA	8,086	7,343	9,174	11,864
EBITDA Margin (%)	20.6	17.6	19.1	21.1
Depreciation & Amortization	1,537	1,647	1,900	2,200
EBIT	6,549	5,695	7,274	9,664
Interest expenditure	1,011	1,306	1,600	1,650
Other Non-operating Income	213	149	200	250
Recurring PBT	5,751	4,538	5,874	8,264
Profit / Loss from Associates	-	-	-	-
Less: Taxes	2,073	1,183	1,527	2,149
PAT	3,678	3,355	4,346	6,116
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,678	3,355	4,346	6,116
Net Income (Adjusted)	3,678	3,355	4,346	6,116

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	19,196	18,531	21,111	25,428
of which cash & cash eqv.	1,159	1,380	1,452	2,456
Total Current Liabilities & Provisions	9,712	10,377	12,543	14,706
Net Current Assets	9,484	8,155	8,568	10,721
Investments	1,145	2,440	2,440	2,440
Net Fixed Assets	22,548	23,814	31,914	34,714
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,268	8,132	8,132	8,132
Total Intangible Assets	13	13	13	13
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	36,370	44,791	53,652	59,038
Liabilities				
Borrowings	13,712	19,235	24,235	24,235
Deferred Tax Liability	1,336	1,359	1,359	1,359
Provisions	52	62	62	62
Other Liabilities	-	-	-	-
Equity Share Capital	243	243	243	243
Reserves & Surplus	21,027	23,892	27,752	33,138
Total Net Worth	21,270	24,135	27,995	33,381
Minority Interest	-	-	-	-
Total Liabilities	36,370	44,791	53,652	59,038

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	10,450	10,809	9,989	10,299
% growth (YOY)	15.7	8.8	1.2	(0.3)
EBITDA	2,111	1,857	1,641	1,734
Margin %	20.2	17.2	16.4	17.0
Other Income	35	43	33	38
Adjusted Net Profit	1,060	852	682	761

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	3,591	7,860	7,504	8,817
Working Capital Changes	(2,635)	1,551	(342)	(1,149)
Capital Commitments	(2,850)	(8,777)	(10,000)	(5,000)
Free Cashflow	741	(917)	(2,496)	3,817
Other investing cashflow	(284)	(2,588)	(346)	(433)
Cashflow from Investing Activities	(3,134)	(11,364)	(10,346)	(5,434)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	1,454	5,523	5,000	-
Dividend paid	(486)	(486)	(486)	(729)
Others	(1,053)	(1,311)	(1,599)	(1,649)
Cash flow from Financing Activities	(85)	3,726	2,915	(2,378)
Chg. in Cash & Bank balance	372	222	73	1,005
Closing cash & balance	1,158	1,380	1,453	2,457

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	15.1	13.8	17.9	25.2
Adjusted EPS (Diluted)	15.1	13.8	17.9	25.2
Cash EPS	21.5	20.6	25.7	34.2
Dividend per share (DPS)	2.0	2.0	2.0	3.0
Book Value per share (BV)	87.5	99.3	115.2	137.3
Dividend Payout (%)	13.2	14.5	11.2	11.9
Growth (%)				
Net Sales	25.9	6.2	15.5	16.7
EBITDA	5.0	(9.2)	24.9	29.3
EPS (INR)	5.8	(8.8)	29.5	40.7
Valuation Ratios (x)				
P/E	40.6	44.5	34.3	24.4
P/CEPS	28.6	29.8	23.9	17.9
P/BV	7.0	6.2	5.3	4.5
EV / EBITDA	20.0	22.8	18.7	14.4
EV / Sales	4.1	4.0	3.6	3.0
Profitability Ratios				
Gross Profit Margins (%)	65.8	62.8	62.3	63.6
EBITDA Margins (%)	20.6	17.6	19.1	21.1
EBIT Margins (%)	16.7	13.7	15.1	17.2
Net Profit Margins (%)	9.4	8.1	9.0	10.9
RoCE (%)	12.0	9.7	10.3	12.4
RoE (%)	17.3	13.9	15.5	18.3
Dividend Yield (%)	0.3	0.3	0.3	0.5

Operating Ratios

Fixed Asset Turnover (x)	1.6	1.3	1.2	1.3
Inventory Turnover Days	92	82	83	83
Receivables Days	47	45	45	45
Payables Days	77	73	77	77
Effective Tax Rate (%)	36.0	26.1	26.0	26.0
Net Debt / Equity (x)	0.6	0.7	0.8	0.7
Net Debt / EBITDA (x)	1.6	2.4	2.5	1.8

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Basudeb Banerjee, MBA (Finance); Vishakha Maliwal, MBA (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
