

01 August 2024

India | Equity research | Q1FY25 results review

## Asahi India Glass

Auto Ancillaries

### Profitability continues to be under pressure; valuation remains elevated

Asahi India Glass' (AISG) reported EBITDA margin, at 16.2%, was down 80bps QoQ, lower than our estimate of 17.2% due to ~200bps of one-off items at other expenses level in Q1FY25. Auto segment EBIT margin was flat QoQ at 11.3%, and architectural segment EBIT margin shrank ~150bps QoQ at 13.4%. We have built in AISG's revenue CAGR at 16% for FY24-26E, with new greenfield plant getting operational from FY26 and EBITDA margin at ~19%/21% for FY25/26E, respectively, assuming reversion in architectural segment margin from current lows. We have not changed our estimates considering the one-off impact in margins in Q1. Maintain **SELL** with DCF-based revised TP of INR 519 (earlier INR 502), implying 21x FY26E EPS.

### Takeaways from Q1FY25 result, and our views

- Auto segment revenue was up 13% YoY at INR 7bn, mainly driven by rising value addition per car vs volume. EBIT margin in this segment was down ~200bps YoY at 11.3%, which adjusted for the one-off, we believe, remained flat. 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 and scale.
- Architectural segment revenue was down 15% YoY at INR 3.7bn. 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 FY26 with fresh capacity coming in late FY25. As against the past 15-quarter mean EBIT margin in this segment, at ~24%, EBIT margin in Q1 was 13.4% (down ~150bps QoQ and on a declining trend for ninth consecutive quarter).

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#### Market Data

Market Cap (INR)	161bn
Market Cap (USD)	1,925mn
Bloomberg Code	AISG IN
Reuters Code	AISG.BO
52-week Range (INR)	722 /492
Free Float (%)	45.0
ADTV-3M (mn) (USD)	2.2

Price Performance (%)	3m	6m	12m
Absolute	10.2	26.3	15.5
Relative to Sensex	0.4	12.3	(7.3)

### 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)	43.8	48.0	37.1	26.3
EV/EBITDA (x)	21.5	24.4	20.0	15.4
RoCE (%)	12.0	9.7	10.3	12.4
RoE (%)	17.3	13.9	15.5	18.3

#### Previous Reports

15-05-2024: [Q4FY24 results review](#)

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

**Exhibit 1: Q1FY25 result review (standalone)**

INR mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Total operating income</b>	<b>10,631</b>	<b>10,526</b>	<b>1.0</b>	<b>10,299</b>	<b>3</b>
Raw material costs	4,126	3,939	5	3,807	8
as a % of Sales	39%	37%	139 bps	37%	184 bps
<b>Gross Profit</b>	<b>6,505</b>	<b>6,587</b>	<b>-1</b>	<b>6,491</b>	<b>0</b>
<b>Gross margin (%)</b>	<b>61%</b>	<b>63%</b>	<b>-139 bps</b>	<b>63%</b>	<b>-184 bps</b>
Employee costs	843	779	8	776	9
as a % of Sales	8%	7%	53 bps	8%	39 bps
Other expenditures	2,407	2,154	12	2,444	-2
as a % of Sales	23%	20%	217 bps	24%	-110 bps
Power & Fuel	1,543	1,544	-0	1,537	0
as a % of Sales	14.5%	14.7%	-15 bps	14.9%	-41 bps
<b>Total operating expenses</b>	<b>8,919</b>	<b>8,415</b>	<b>6</b>	<b>8,564</b>	<b>4</b>
<b>EBITDA</b>	<b>1,712</b>	<b>2,111</b>	<b>-19</b>	<b>1,734</b>	<b>-1</b>
<b>EBITDA margin (%)</b>	<b>16.2%</b>	<b>20.2%</b>	<b>-400 bps</b>	<b>17.0%</b>	<b>-83 bps</b>
Depreciation & Amortization	423	384	10	436	-3
Other income	47	35	36	38	26
Interest costs	307	333	-8	313	-2
<b>PBT</b>	<b>1,030</b>	<b>1,429</b>	<b>-28</b>	<b>1,023</b>	<b>1</b>
Taxes	263	368	-29	262	0
<b>PAT</b>	<b>767</b>	<b>1,060</b>	<b>-28</b>	<b>761</b>	<b>1</b>

Source: Company data, I-Sec research

**Exhibit 2: Quarterly segmental revenue and EBIT trends**

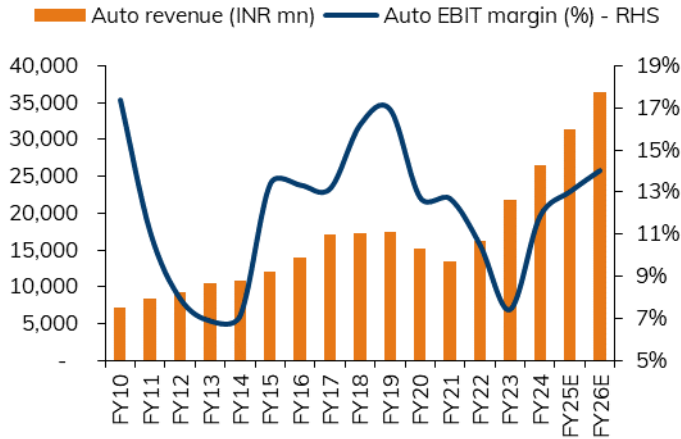
Particulars (INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Auto segment</b>					
Revenue	7,033	6,199	13	7,099	(0.9)
EBIT	798	835	(4)	809	(1)
EBIT margin(%)	11.3	13.5	-212 bps	11.4	-4 bps
<b>Architectural segment</b>					
Revenue	3,669	4,302	(15)	3,557	3
EBIT	492	916	(46)	528	(7)
EBIT margin(%)	13.4	21.3	-789 bps	14.8	-145 bps

Source: I-Sec research, Company data

**Upside risks**

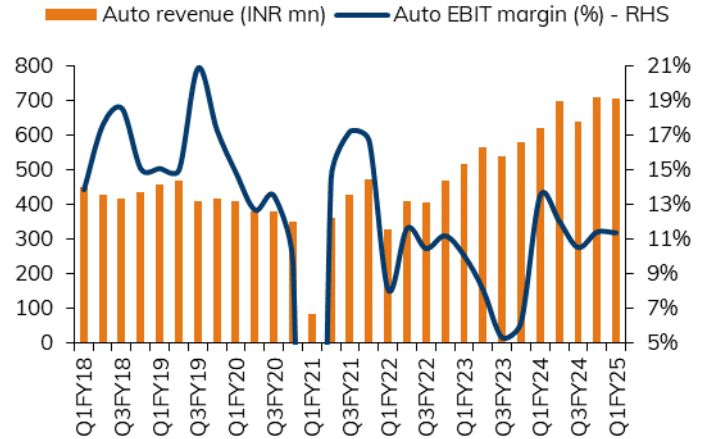
- Faster-than-expected decline in commodity prices is helping in reviving GM.
- Brisk uptick in imports with container supplies normalising, increasing the share of imports at the cost of domestic manufacturers like AISG. This would also result in weaker pricing power in architectural glass segment,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

**Exhibit 3: We are building recovery in automotive margin trajectory from FY23 lows**



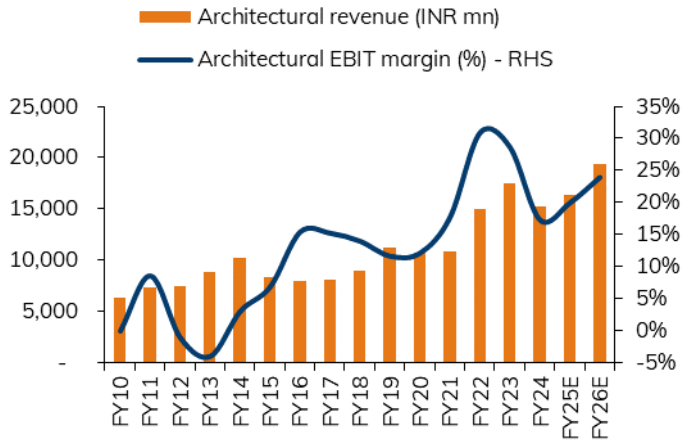
Source: I-Sec research, Company data

**Exhibit 4: Auto segment revenue vs EBIT margin trend**



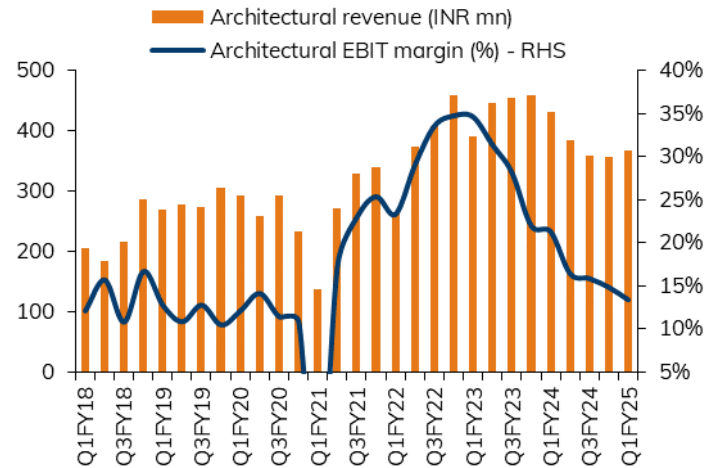
Source: I-Sec research, Company data

**Exhibit 5: Building-in architectural segment margin at 20%/24% for FY25/26E**



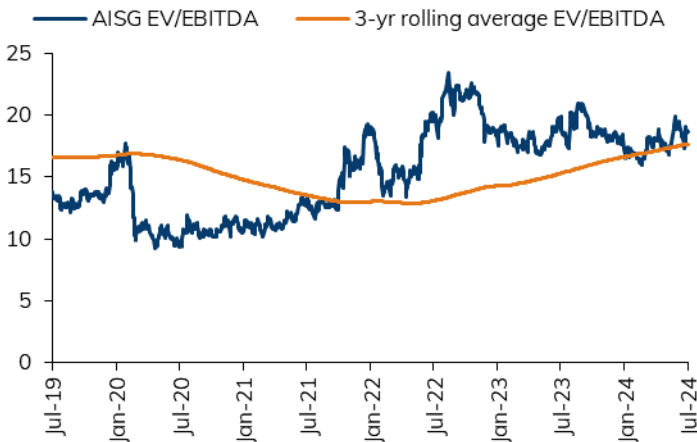
Source: I-Sec research, Company data

**Exhibit 6: Architectural segment revenue vs EBIT margin trend**



Source: I-Sec research, Company data

**Exhibit 7: Three-year moving EV/EBITDA**



Source: I-Sec research, Company data

**Exhibit 8: Three-year moving P/E**



Source: I-Sec research, Company data

### Exhibit 9: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	54.2	54.2	54.2
Institutional investors	5.6	5.4	5.4
MFs and other	1.9	1.4	1.5
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.0	0.0	0.0
FII	3.6	4.0	3.9
Others	40.2	40.4	40.4

Source: Bloomberg, I-Sec research

### Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	39,185	41,624	48,091	56,109
<b>Operating Expenses</b>	<b>17,705</b>	<b>18,811</b>	<b>20,809</b>	<b>23,833</b>
EBITDA	8,086	7,343	9,174	11,864
<b>EBITDA Margin (%)</b>	<b>20.6</b>	<b>17.6</b>	<b>19.1</b>	<b>21.1</b>
<b>Depreciation &amp; Amortization</b>	<b>1,537</b>	<b>1,647</b>	<b>1,900</b>	<b>2,200</b>
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
<b>Profit / Loss from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 12: 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
<b>Net Current Assets</b>	<b>9,484</b>	<b>8,155</b>	<b>8,568</b>	<b>10,721</b>
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	-	-	-	-
<b>Total Assets</b>	<b>36,370</b>	<b>44,791</b>	<b>53,652</b>	<b>59,038</b>
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
<b>Total Net Worth</b>	<b>21,270</b>	<b>24,135</b>	<b>27,995</b>	<b>33,381</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>36,370</b>	<b>44,791</b>	<b>53,652</b>	<b>59,038</b>

Source Company data, I-Sec research

### Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	10,809	9,989	10,299	10,631
% growth (YOY)	8.8	1.2	(0.3)	1.0
EBITDA	1,857	1,641	1,734	1,712
Margin %	17.2	16.4	17.0	16.2
Other Income	43	33	38	47
Adjusted Net Profit	852	682	761	767

Source Company data, I-Sec research

### Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>3,591</b>	<b>7,860</b>	<b>7,504</b>	<b>8,817</b>
Working Capital Changes	(2,635)	1,551	(342)	(1,149)
Capital Commitments	(2,850)	(8,777)	(10,000)	(5,000)
<b>Free Cashflow</b>	<b>741</b>	<b>(917)</b>	<b>(2,496)</b>	<b>3,817</b>
Other investing cashflow	(284)	(2,588)	(346)	(433)
<b>Cashflow from Investing Activities</b>	<b>(3,134)</b>	<b>(11,364)</b>	<b>(10,346)</b>	<b>(5,434)</b>
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)
<b>Cash flow from Financing Activities</b>	<b>(85)</b>	<b>3,726</b>	<b>2,915</b>	<b>(2,378)</b>
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 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
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
<b>Growth (%)</b>				
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
<b>Valuation Ratios (x)</b>				
P/E	43.8	48.0	37.1	26.3
P/CEPS	30.9	32.2	25.8	19.4
P/BV	7.6	6.7	5.8	4.8
EV / EBITDA	21.5	24.4	20.0	15.4
EV / Sales	4.4	4.3	3.8	3.3
<b>Profitability Ratios</b>				
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
<b>Operating Ratios</b>				
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

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