

Asahi India Glass

₹374

Glass Maker...!!!**Buy**

Oct 13, 2017

Company Background

Asahi India Glass is the largest integrated glass company in India. Company was incorporated in the year 1984. It manufacturing a wide range of international quality automotive safety glass, float glass, architectural processed glass and glass products. The company has three Strategic Business Units namely; AIS Auto Glass, AIS Float Glass and AIS Glass Solutions Ltd. AIS Auto Glass is the largest manufacturer of world class automotive safety glass in India and is one of the largest auto glass makers in Asia. Company has the manufacturing facilities is located at Rewari in Haryana, Chennai In Tamilnadu, Taloja in Maharashtra and Roorkee in Uttarakhand. In the year 1986, the company started commercial production of toughened automotive glass with installed capacity of 260000 sq.mtrs. In the year 1990, it installed first printing line to produce automotive glass with black ceramic and heat lite printing.

Key Highlights

- ➔ Company has three major products which are contributing more than 25% of turnover, namely Laminated Glass 31.39%, Float Glass 27.91%, Toughened Glass 27.09% for the year 2017.
- ➔ The company's top line item increased by 7.8% to ₹ 23361.80 mn, operating profit also rose by 11.8% to ₹ 4545.90 and financial charges lowered by 3.2% to ₹ 1388.50 for the March 2017.
- ➔ For June 2017 quarter company sales rose marginally by 0.20% to ₹ 5885.10 mn, financial charges down by 13.80% to ₹ 298.50 mn & depreciation also declined by 14.37% to ₹ 212.70 mn on QoQ basis.
- ➔ It has good customers include; Maruti Udyog, Hyundai Motors, Tata Motors, Toyota, Mahindra & Mahindra, Honda, General Motors Ford India, Hindustan Motors, Fiat India, Volvo, Eicher and Piaggio and is the OEM for them.
- ➔ Japanese promoter Asahi Glass is set to buy controlling stake in Asahi India from its Indian promoters, present Japanese promoters have 22% holding now they want to buy more than 20% and this deal will finish in current year.
- ➔ Asahi India Glass is a joint venture between BM Labroo & Associates, Asahi Glass & Maruti Suzuki.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	22,395.9	23,412.8	25,759.6
Rev. growth (%)	(2.73)	4.54	10.02
EBITDA (INR mn)	2,369.5	3,301.9	4,065.7
Net profit (INR mn)	502.1	972.7	1,306.8
Shares outstanding (mn)	243.1	243.1	243.1
EPS (INR)	2.1	3.9	5.2
EPS growth (%)	0.00	87.44	33.25
P/E (x)	69.64	39.05	41.96
RONW (%)	14.41	25.36	29.22
ROCE (%)	11.76	15.42	18.16

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Info Codes

Reuters	: AISG.BO
Bloomberg	: AISG IN
NSE	: ASAHIINDIA
BSE	: 515030

Market Data

52 Wk Range (₹)	: 163/438
Shares in Issue (mn)	: 243.1
Market. Cap (bn)	: 90.88
BSE 2 Wk Avg Vol	: 16000

Share Holding Pattern (%)

Promoters Holding	: 54.30
Public & Others	: 30.90
Corporate Holding	: 10.19
Foreign Institution	: 03.41
Institutions	: 01.20

Investment Theme

Company commands about 78% share in the Indian passenger car glass market and has an established track record of about 3 decades. AIS operates in three business segments namely, Automotive, Architectural and Consumer Glass. Company is a dominant player in the glass industry with ten manufacturing facilities and three warehouses cum sub-assembly units. Company maintain market share of 20% in Architectural segment, Indian glass industry is expected to grow by 10-12% in the next one year. GST will not be too much of an impact on the cost of the product but in the long term it is going to have a positive impact on the industry. The industry falls under the 28% tax slab which was the same tax company already paying, before GST as well. The glass industry is also effected by construction industry which is growing.

One of the Largest Auto glass maker in Asia...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	20,572.1	21,679.9	5.4	23,361.8	7.8
Other Income	176.3	61.2	(65.3)	293.7	379.9
Change in Stocks	(192.0)	(37.0)	(80.7)	318.6	(961.1)
Raw Material Con.	7,113.8	7,783.9	9.4	8,605.2	10.6
Employee Exp.	1,707.6	1,899.7	11.2	2,249.3	18.4
Indirect Taxes	1,647.5	1,671.7	1.5	2,104.1	25.9
Other Exp.	6,785.6	6,283.1	(7.4)	6,469.6	3.0
Operating Exp.	17,254.5	17,638.4	2.2	19,428.2	10.1
Operating Profit	3,301.9	4,065.7	23.1	4,545.9	11.8
Total Interest	1,593.3	1,434.0	(10.0)	1,388.5	(3.2)
Gross Profit	1,708.6	2,631.7	54.0	3,157.4	20.0
Net Dep.	1,071.8	1,053.2	(1.7)	1,051.2	(0.2)
Total Taxation	134.7	605.8	349.7	799.4	32.0
Net Profit/Loss	502.1	972.7	93.7	1,306.8	34.3

4 Years Balance Sheet

(₹ mn)

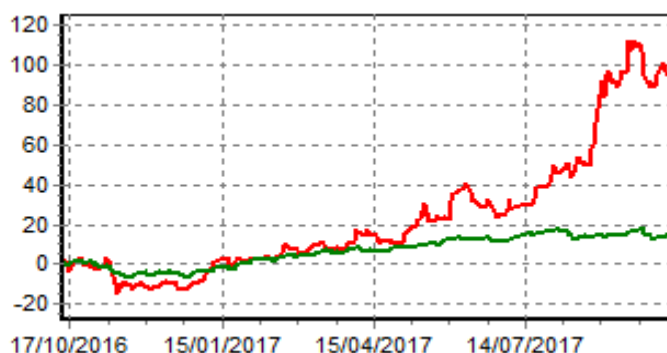
Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	16,729.7	19,266.7	19,192.8	19,304.7
Equity Share capital	243.1	243.1	243.1	243.1
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,383.5	2,866.8	3,698.0	4,759.8
Secured Loans	11,411.6	10,392.5	10,962.0	9,618.4
Unsecured Loans	2,691.5	5,764.3	4,289.7	4,683.4
USES OF FUNDS	16,729.7	19,266.7	19,192.8	19,304.7
Gross Block	24,831.5	22,008.7	22,999.3	24,145.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	13,560.9	11,039.7	12,083.5	12,582.6
Net Block	11,270.6	10,969.0	10,915.8	11,562.5
Capital Work in Progress	427.2	405.6	640.5	851.7
Investments	162.8	163.7	165.0	317.6
Current Assets	9,814.6	9,669.7	9,898.8	10,419.8
Less : Current Liabilities	6,514.9	3,544.6	3,818.2	4,926.7
Total Net Current Assets	3,299.7	6,125.1	6,080.6	5,493.1
Misc. Expenses not writtenoff	1,569.4	1,603.3	1,390.9	1,079.8
NOTE				
Book Value of Unquoted Investments	159.2	160.1	161.4	314.0
Market Value of Quoted Investments	5.9	19.9	23.0	35.0
Contingent Liabilities	1,190.7	1,081.5	1,017.6	1,221.6
Dividend (%)	0.0	0.0	60.0	100.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 16	Dec 16	Mar 17	Jun 17
Net Sales	6,084.3	5,726.9	5,873.1	5,885.1
Cost Of Sales	4,902.0	4,718.5	4,871.9	4,818.5
Operating Profit	1,182.3	1,008.4	1,001.2	1,066.6
Other Income	15.8	16.9	254.1	64.8
Adjusted PBDIT	1,198.1	1,025.3	1,255.3	1,131.4
Financial Expenses	357.7	344.9	346.3	298.5
Depreciation	264.8	276.0	248.4	212.7
Other Write Offs	(28.0)	0.0	0.0	0.0
Adjusted PBT	603.6	404.4	660.6	620.2
Tax Charges	238.8	145.7	245.6	205.7
Reported Profit	364.8	258.7	415.0	414.5
Extra Ordinary Items	(0.9)	(7.8)	(1.2)	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	365.7	266.5	416.2	414.5

52 Week Index Relative Percentage Appreciation



Asahi India Glass vs SENSEX

Risks Associated

- Lack of quality, retail real estate supply, non-supportive FDI policy, economic backdrop, regulatory issues are some of the factors acting as an impediment to the spread of organised retail in India. Since it is a capital intensive industry, access to capital also plays an important part for expansion in the space.
- Entry of foreign players in the market & e-retailers have intensified competition. Retailers have low switching costs, which make the supplier power low. Larger retailers can easily switch to different suppliers.
- Entry as a retailer is quite simple. However, players need to establish strong distribution channels & achieve economies of scale to compete. Threat of substitute products is low however, customers may purchase products from local store instead of purchasing from a retailer.
- Retailers provide more variety in private level brands to compete with other brands. Innovation, aggressive retail mix & everyday low pricing strategy help to get edge over supplier's brand.

Scope of Growth

- Company supplies the products to the manufacturers of electronics devices like mobile phones and digital cameras in countries like China, Japan and the United States, A good opportunity to the company arises, because many mobile companies are shifting their base to India.

In a Nutshell

Asahi India Glass is the largest integrated glass company in India. The company has the three Strategic Business Units names are AIS Auto Glass, AIS Float Glass and AIS Glass Solutions Ltd. It is the largest manufacturer of world class automotive safety glass in India and is one of the largest auto glass makers in Asia. Now company is looking to capture the growing demand for advanced glass products to be used in smartphones and other electronic devices. Its main customers, the automotive sector continued its positive momentum during the year with demand picking up across all segments. The passenger vehicle sales crossed the three million, milestones for the first time in 2016-17, growing by 9.23%, fastest in six years. The growth of the auto industry is expected to continue in 2017 across all vehicle categories. The Indian auto industry is amongst the largest globally, with an annual production of 2,53,16,044 vehicles in April-March 2017 as against 2,40,16,599 in April-March 2016, growing 5.41% annually. The industry accounts for around 7% GDP and employs over 25 mn people, directly and indirectly. Company's Net sales rose by 7.8% from ₹ 21679.90 mn in FY 2015-16 to ₹ 23361.80 mn in FY 2016-17. Operating profit increased by 11.80% from ₹ 4065.70 mn in FY 2015-16 to ₹ 4545.90 mn in FY 2016-17. Profit before tax jumped by 33.43% from ₹ 1578.50 mn in FY 2015-16 to ₹ 2106.20 mn in FY 2016-17. Net profit after tax sparked by 34.30% from ₹ 972.70 mn in FY 2015-16 to ₹ 1306.80 mn in FY 2016-17. Earnings per share increased from ₹ 3.88 in FY 2015-16 to ₹ 5.17 in FY 2016-17. For 2016-17 company has perform well in all respects. The Company declared a dividend of ₹ 1 per share. Company going to invest 500 cr to set up automotive glass plant in Gujarat.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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