Asahi India Glass Limited

October 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2,047.15 (Enhanced from 1,948.32)	CARE A+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	110.00	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Asahi India Glass Limited (AIS) factors in AIS's healthy busniess risk profile as characterized by its dominant market position, especially in the auto-glass segment with more than >70% market share and around 18% market share in the float glass segment and strong operating parameters and comfortable financial risk profile.

The ratings further continue to derive strength from the experienced and resourceful promoter group, its established track record of operations and sustained relationships with OEMs. The credit profile and ratings of AIS continue to factor in the strong financial flexibility due to continued support of the promoters in AGC Inc and Maruti Suzuki India Ltd who have strong credit profiles. The financial risk profile is further supported by adequate liquidity in the form of unutilised bank lines, which are available with AIS.

The operating margin of float glass segment has improved over the last two years, as float glass has benefitted from the anti-dumping duty levied on the glass imported from Malaysia in December 2020 (for a period of five years) along with reduced imports from China. This has resulted in improved demand-supply dynamics in the favour of domestic float glass manufacturers, which is expected to continue in the medium term. The operating margin in the architectural glass segment has improved over the past three fiscals with increase in price realisations.

AIS was expanding its automotive glass facility and also evaluating investment in solar glass plant. AIS last year announced the respective projects over the next 2 years entailing a total Rs 1900 – 2000 crores spend including the maintenance capex over next two years which will be funded through a mix of debt and internal accruals. With healthy cash accruals expected to be above Rs 500 - 550 crores, the net debt to PBILDT is expected to remain below 2.5 even after the debt for project capex is drawn. Any higher-than-expected debt-funded capex or moderation in the credit metrics of AIS on account of slowdown in the end-user industry remain a credit monitorable. The rating strengths are constrained by the exposure of the company to foreign exchange fluctuation risk and volatility in the fuel prices, project risk related to large debt-funded capex and inherent cyclicality in the end-user industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to profitably increase the scale of operations from its current levels while achieving cash accruals over Rs. 600 crore on sustained basis.
- Total adjusted net debt (for all debt including contingent liabilities) /EBITDA less than 2.5x on a sustained basis.

Negative factors

- Any time & cost overrun in the planned capex which may significantly impact AIS's ROCE.
- Total adjusted debt/EBITDA over 3x on a sustained basis.

Analytical approach: Consolidated

CARE has consolidated the business and financial risk profiles of AIS and its subsidiaries (AIS Glass Solutions Ltd, Integrated Glass Materials Ltd, GX Glass Sales and Services Ltd) as these are integral part of AIS's operations. The ratings also factor in the strong business linkages with promoters AGC Inc. (erstwhile Asahi Glass Co Ltd, Japan – 22% stake) - a global leader in architectural and automotive glass and MSIL (erstwhile Maruti Udyog Ltd. – 11% stake)- a market leader in the domestic passenger car industry.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

List of entities being consolidated are as under: -

Name of companies/ Entities	% of holding
AIS Glass Solutions Limited	83%
Integrated Glass Material Limited	100%
GX Glass Sales & Services Limited	93%
Shield Autoglass Limited	100%

Outlook: Stable. CareEdge believes that AIS's credit risk profile will continue to benefit from its established market position and is likely to maintain its comfortable financial risk profile over the medium term due to healthy demand prospects.

Detailed description of the key rating drivers:

Key strengths

Improvement in operational and financial risk profile: During FY23, AIS' total income increased by 26.76% y-o-y to Rs. 4,018.76 crore from Rs. 3,170.41 crore in FY22, on account of increase in sales volumes primarily in the auto segment and realisation increase in both auto and float glass segments. Revenue grew 26.76% y-o-y to Rs. 4,018.76 crore led by 35% growth in Automotive and 15% in Float (building) glass segment. Operating profitability moderated on a year-to-year basis from 23.99% in FY22 to 19.78% in FY23. The margin declined because of elevated Raw material costs primarily raw glass, high fuel and logistic expenses in the auto glass segment but margins have sequentially improved in Q1FY24 in the auto glass segment after the price hikes to AIS and with cooling of the raw material cost. In the float glass segment, the company had benefitted by the imposition of anti-dumping duty on imports of float glass from Malaysia during H2FY21, which had led to improvement in the prospects of domestic industry along with reduced imports from China on account of the decarbonisation drive taken by the country.

Operating profitability was healthy at 18-20.0% over the past three years despite the impact of covid, and its impact on end user segments and also consequent high raw material costs. The margin is expected to remain over 20% with profit of over Rs 800 crore over the medium term.

As on March 31, 2023, overall gearing stood at par level to 0.76x from 0.75x as on March 31, 2022. Debt equity ratio has improved to 0.59x from 0.7x. However, leverage levels of the company continue to remain moderate on account of past capex activities especially establishment of greenfield plant at Gujarat. The phase I of tempered glass production started in Feb 2021 and laminated glass started in Apr 2021. The company is expected to commission phase-II and III of the Patan project by FY24 & FY26, respectively. AIS is also setting up a greenfield project for a 3rd float glass plant, to be used mainly for internal consumption towards localisation of raw glass for auto & architectural processing. Overall Gearing is expected to remain below 1 time in medium term but is unlikely to show any major improvement due to expected debt funded capex over FY24-25. AIS's debt to earnings before interest, tax, depreciation, and amortisation is expected to remain below 2.5 times over the next two years even after factoring in the project related debt. Debt coverage indicators as well improved y-o-y as interest coverage stood at 7.60x (PY: 6.29x) and total debt/GCA at 2.89x (PY: 2.55x).

In Q1FY24, AIS reported 18% growth in its topline y-o-y and stood at Rs 1091 crore for Q1FY24. EBITDA margins stood at 20% vis-à-vis 24.1% in Q1FY23.

Experienced and resourceful promoter group: AIS is promoted by the Labroo family (shareholding of 21%), AGC Inc., Japan (formerly known as Asahi Glass Co. Ltd; shareholding of 22.21%), and Maruti Suzuki India Ltd (MSIL; shareholding of 11.11%). AGC is the one of the leading manufacturers of glass globally. AGC Inc, which is the leading glass manufacturer in the world with 12% global market share in the float glass segment and 30% in the auto glass segment, provides technical support to AIS. The promoters have supported AIS in the past when it was faced with liquidity stretch. The operations of AIS are being managed by Sanjay Labroo (Chairman & Managing Director) has dual degree in Finance and Management from Wharton School of Business and Finance, USA. He is a former Director of Central Board of Directors of the Reserve Bank of India (RBI). The Board of AIS has representatives from AGC, MSIL, Mitsubishi Corporation (I) Private Limited, Subros Limited among other independent directors.

Long track record of operations and established market position in both auto and float glass segment: AIS started operations in March 1987, with a sole manufacturing facility for toughened glass products for automotive windshields at Bawal (Haryana), and over the years, AIS has enhanced its production facility by setting up more manufacturing facilities at Roorkee (Uttarakhand), Chennai (Tamil Nadu), Taloja (Maharashtra) and Patan (Gujarat), and three sub-assembly units/ warehouses at Pune (Maharashtra), Bangalore (Karnataka) and Anantapur (Andhra Pradesh). The plants and sub-assemblies are strategically located in proximity to India's automotive glass manufacturing hubs. Over a period, AIS has diversified auto-glass product portfolio to include laminated windshields, tempered glass for side and backlite, defogger glass, solar control glass, etc. Furthermore, with high potential for growth in automotive segment, AIS has expanded into the commercial vehicle segment, adding customers and products for "off highway"segment like tractors, earthmoving equipment, city trains, etc. Today, AIS is the market leader in India across the automotive segments — from passenger cars and commercial vehicles to railways and Earth-moving vehicles, and has maintained good relationships with various Original Equipment Makers (OEMs) and currently has market share of >70% in auto glass. AIS entered the float glass segment after acquiring Float Glass India Limited with its manufacturing facility at Taloja (Maharashtra) in 2001. Over the years, AIS has expanded to other manufacturing facilities at Roorkee (Uttarakhand) with enhanced production capacities for float glass. AIS' Float Glass units produce a wide range of value-added varieties of glass, such as heat reflective glass, heat absorbing glass, solar control glass, coloured glass, and mirrors and is the second-largest player in terms of production capacity in the float glass industry in India.

Sustained relationship with OEMs: AIS supplies auto glass to a majority of leading OEMs in the domestic market, including MSIL, Suzuki Motors, Hyundai Motors India Ltd, Kia Motors, MG, Honda, Tata Motors Ltd, Mahindra & Mahindra Ltd, Toyota Kirloskar Motors Pvt. Ltd., Volkswagen India, Ford India, Skoda Auto and Fiat India, and has sustained good relationships with them throughout the years. MSIL is also co-promoter of AIS with 11.11% equity stake and contributed for around 35% of automotive glass sales in FY23.

Key weaknesses

Exposure to foreign exchange fluctuation risk: The company remains exposed to the risks associated with volatility in foreign exchange rates, mainly on account of import of raw materials, stores and spares and foreign currency term loan payments. The net exposure of the company in foreign currency stood at ₹590.14 crore as on March 31, 2023 (₹518.77 crore as on March 31, 2022). However, the foreign currency term loan (₹95.33 crore as on March 31, 2023) of the company is fully hedged (company has entered into Currency Interest Rate Swap (CIRS) against any rupee vs dollar movement in the future.

Large capex requirement: Glass is a capital-intensive industry where a downturn in the end-user industry may affect its profitability. AIS is actively pursuing on plans to undertake a capex in the range of ₹1,900-₹2,000 crore over fiscals 2024-2026 for capacity expansion (including capex of ₹300 crore on phase-2 and phase-3 of auto glass plant in Gujarat) to be funded by a mix of debt and internal accrual. Any time and cost overrun in the project which may have an impact on profitability will affect debt protection metrics, and hence, remains monitorable for AIS's credit profile.

Volatility in fuel cost of the company and Susceptibility to inherent cyclicality in the auto industry: The glass industry is highly energy extensive industry with power and fuel costs constituting a significant portion of the total cost and fluctuations in the cost impact its overall profitability AIS is generally able to pass on any cost escalation in the auto glass segment given its market position but that is with some lag and in flat glass segment the same is dependent on the market scenarios.
AIS derives 50-55% of its revenue from the Auto OEM segment, which is inherently cyclical. Auto OEMs were adversely hit by the ongoing coronavirus pandemic as well as slowdown in the Indian economy, and growth recovered only H2FY21. Shortage of semi-conductor chips has also impacted auto industry in FY23. The performance of AIS remains vulnerable to economic downturns.

Liquidity: Adequate

The company's liquidity position is expected to remain adequate with sufficient accruals to meet its repayment obligations. Cash accrual, expected over Rs 500 - 550 crore each in FY24 and FY25 should comfortably cover debt obligations of Rs 378 crore and Rs 357 crore, respectively, and the surplus will support liquidity. AIS has historically been able to refinance its debt in case of shortage of cash accrual against debt payments. The total fund-based limit of Rs 535 crore had modest average utilisation of 22% over 12 months till June 2023. The current ratio is expected to remain low at ~1.1-1.2 times in the medium term with high current portion of long-term debt and high inventory requirements which AIS has to keep in auto glass segment to cater to OEM's as the OEM's operate on Just in time strategy and for the float glass it needs to maintain different types of coloured glass inventory. Further AIS has unsecured limits as well for Rs 950 crore which can be availed anytime and provides further cushion to the liquidity.

Assumptions/Covenants: NA

Environment, social, and governance (ESG) risks

CareEdge Ratings believes the ESG profile of AIS supports the company's strong credit risk profile. AIS has continuously focused on mitigating its environmental and social impact.

Environmental: AIS continues to remain committed to all ESG goals and strives to enhance the use of sustainable practices in all areas of operations across all plants – water consumption, ZLD, extensive use of renewable energy, reduction of emissions, reduction in use of plastics, using Miyawaki concept of afforestation and measurement and reduction of carbon footprints.

To ensure environmental compliance, the Company monitors key environmental parameters, including air quality in factories and water analysis, through NABL-accredited labs. As per management, the environmental management practices align with ISO 14001, while the energy management practices align with ISO 50001.

Social: AIS is committed to ensuring safety and security of its employees. AIS major focus areas are on education, health, water and sanitation, women empowerment, covid protection, support for pandemic, livelihood development and disaster management. AIS will continue to invest in knowledge, manpower resources and technologies to achieve to its ESG goals for itself and its supply chain.

Governance: AIS recognizes and embraces the importance of a diverse Board in its success. Board comprises of 50% of independent directors and also has three Women Directors on the Board.

Applicable criteria

Policy on default recognition
Rating Outlook and Credit Watch
Policy on Withdrawal of Ratings
Consolidation
Manufacturing companies
Auto ancillary companies
Financial ratios – non-financial sector
Liquidity analysis of non-financial sector
Short term instruments
Factoring linkages Parent Sub JV Group

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Glass - Consumer

About the company

Asahi India Glass Ltd (AIS) was formed in 1984 as a Joint Venture between the Labroo Family, Asahi Glass Co. Limited and Maruti Suzuki India limited. Initially known as the Indian Auto Safety Glass Private Limited, the company changed its name to Asahi India Safety Glass limited (AIS) in 1985. It started operations with the manufacture of toughened glass for MSIL. Subsequently, with the acquisition of Float glass India limited, it forayed into the construction glass business and changing its name to Asahi India Glass limited in September 2002. AIS is promoted by Labroo family (21%), Asahi Glass Company Limited, Japan (AGC; 22%) and Maruti Suzuki India Limited (MSIL; 11%). AIS operates under two strategic business units (SBUs) namely AIS Auto Glass (laminated and tempered glass) and Float Glass (Architectural Glass and Consumer Glass). As on March 31, 2023, total installed capacity stood at 12.90 million square metres for tempered glass, 7.2 million pieces for laminated glass and 78.32 million Converted Square metres (CSQM) for float glass. The manufacturing facilities of AIS are strategically located at Haryana, Uttarakhand, Tamil Nadu, Maharashtra and Gujarat.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	3170	4019	1091
PBILDT	761	795	215
PAT	343	362	103
Overall gearing (times)	0.75	0.76	NA
Interest coverage (times)	6.29	7.6	NA

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	535.00	CARE A+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	440.00	CARE A+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	85.00	CARE A+; Stable
Non-fund-based-LT/ST		-	-	-	110.00	CARE A+; Stable / CARE A1+
Term Loan-Long Term		-	-	31-03-2027	167.25	CARE A+; Stable
Term Loan-Long Term		-	-	31-03-2027	819.90	CARE A+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Term Loan-Long Term	LT	819.90	CARE A+; Stable	-	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)	1)CARE A-; Negative (02-Sep-20)
2	Fund-based - LT-Working Capital Limits	LT	535.00	CARE A+; Stable	-	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)	1)CARE A-; Negative (02-Sep-20)

3	Fund-based - LT-Working Capital Limits	LT	440.00	CARE A+; Stable	-	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)	1)CARE A-; Negative (02-Sep-20)
4	Non-fund-based-LT/ST	LT/ST*	110.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (23-Aug-22)	1)CARE A; Stable / CARE A1 (03-Aug-21)	1)CARE A-; Negative / CARE A2+ (02-Sep-20)
5	Term Loan-Long Term	LT	167.25	CARE A+; Stable	-	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)	1)CARE A-; Negative (02-Sep-20)
6	Fund-based - LT-Working Capital Limits	LT	85.00	CARE A+; Stable	-	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)	1)CARE A-; Negative (02-Sep-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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