Asahi India Glass Limited

April 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,163.37 (Enhanced from 2,047.15)	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 ratings assigned to bank facilities of Asahi India Glass Limited (AIS) factors in AIS's healthy business risk profile as characterised by its strong market position, dominantly in the auto-glass segment and in the float glass segment and its strong operating parameters and comfortable financial risk profile.

Ratings continue to derive strength from the experienced and resourceful promoters' group, AGC Inc. and Maruti Suzuki India Ltd., their established track record of operations and sustained relationships with original equipment manufacturers (OEMs). The credit profile of AIS also draws comfort from the financial flexibility derived out of the strong credit profile of the promoters' group and the continued support extended by promoters. The financial risk profile is further supported by adequate liquidity in the form of unutilised bank lines.

The operating margin of the float glass segment registered a decline on a quarter-on-quarter basis, largely attributable to an industry-wide reduction in average float glass prices. Previously, average prices surged to unprecedented levels due to imbalances in demand and supply post the relaxation of COVID-induced lockdowns, compounded by the semiconductor issues. However, this situation has now stabilised.

Over years, AIS has expanded its automotive glass capacity and is also evaluating investment in solar glass plant. In FY22, the company announced new projects in automotive glass and float glass to be completed by FY25 entailing a total expenditure of ₹1,900 – 2,000 crore including the maintenance capital expenditure (capex), to be funded through a mix of debt and internal accruals. As of March 31, 2024, the company has expensed over ₹700 crore towards its upcoming third Float Glass Plant, with the project progressing as planned. With healthy cash accruals expected to be above ₹450 - 550 crore, the net debt to profit before interest, lease rentals, depreciation and tax (PBILDT) is expected to remain comfortable even after the debt for project capex is drawn. Higher-than-anticipated debt-funded capex or moderation in the credit metrics of AIS on account of slowdown in the end-user industry remain a credit monitorable.

However, these rating strengths are constrained by the exposure of the company to foreign exchange fluctuation risk, susceptibility to the volatility in the fuel prices, project risk related to large debt-funded capex and the inherent cyclicality of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to profitably increase the scale of operations from its current levels while achieving cash accruals over ₹600 crore on sustained basis.
- Total adjusted net debt (for all debt including contingent liabilities) /earnings before interest, tax, depreciation and amortisation (EBITDA) less than 2.5x on a sustained basis.

Negative factors

- Time and cost overrun in the planned capex which may significantly impact AIS's return on capital employed (ROCE).
- Total adjusted debt/EBITDA over 3x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) 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' operations.

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

Ratings also factor in the strong operational, financial and managerial 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.

Outlook: Stable

Care Rating believes that AIS' 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

Healthy operational and financial risk profile: In 9MFY24, AIS' total income increased by 10% y-o-y to ₹3,258.45 crore from ₹2,957.89 crore in 9MFY23. This is attributable to the ramp up in production by target OEMsprior to the festive season and rising mix of special utility vehicles (SUVs) in the market, resulting in a higher value-added per car. There was a notable upsurge in demand for sunroofs, contributing to the overall rise in glass content per car. Hence, the growth in revenue in the 9MFY24 period was led by 21% growth in automotive glass segment.
Operating profitability moderated on a y-o-y basis from 21.5% in 9MFY23 to 17.32% in 9MFY24. The margin declined largely due to the decrease in the average float glass prices resulting from market-driven price adjustments. Previously, the average prices surged to unprecedented levels due to imbalances in demand and supply post the relaxation of COVID-induced lockdowns, compounded by the semiconductor issues. However, this situation has now stabilised.
The profitability margin is expected to be in the range of 17.5%-19.5% over the medium term. The leverage indicators 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 February 2021 and laminated glass started in April 2021. The company has commissioned the phase-II in FY24 and phase III of the Patan project will be commissioned in the medium term. AIS is also setting up a greenfield project for a third float glass plant, to be used mainly for internal consumption towards localisation of raw glass for auto and architectural processing. The company has spent more than ₹700 crore till March 2024 on their upcoming third float glass plant which is expected to be commissioned in FY25. Overall gearing is expected to remain below 1x in medium term but is unlikely to show any major improvement due to expected debt funded capex in FY25. AIS' total adjusted debt to PBILDT is expected to remain below 2.8x – 2.9x over the next two years even after factoring in the project-related debt. In 9MFY24, the interest coverage though moderated on a y-o-y basis, on account of decrease in profitability, stood comfortable at 5.48x (9MFY23: 8.08x).

Experienced and resourceful promoter group: AIS is promoted by the Labroo family (shareholding of 21%), AGC Inc. (shareholding of 22.21%), MSIL (shareholding of 11.11%) as on December 31, 2023. 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. Promoters have supported AIS in the past when it was faced with liquidity stretch. Operations of AIS are being managed by Sanjay Labroo (Chairman & Managing Director) who 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 and 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). Plants and sub-assemblies are strategically 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 and solar control glass, among others. With high potential for growth in automotive segment, AIS has expanded into the commercial vehicle segment, adding customers and products for "off highway" segments like tractors, earthmoving equipment and city trains, among others. Today, AIS is the market leader in India across automotive segments — from passenger cars and commercial vehicles to railways and earth-moving vehicles and has maintained good relationships with various 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 yearss, 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 OEMsin 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 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 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 through currency Interest Rate Swap (CIRS) against any rupee vs dollar movement.

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 the 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 derived around 60% of its revenue from the Auto OEM segment in 9MFY24, which is inherently cyclical. Auto OEMs were adversely hit by the coronavirus pandemic and slowdown in the Indian economy, and growth recovered only in H2FY21. Shortage of semiconductor chips had also impacted the auto industry in FY23. Hence, the performance of AIS remains vulnerable to economic downturns.

Liquidity: Adequate

The company's liquidity position remains adequate, marked with estimated gross cash accruals in the range of ₹450-550 crore in FY24 (out of which ₹381 crore was achieved in 9MFY24) and ₹500-550 crore in FY25. The estimated gross cash accruals is lower than earlier envisaged due to the moderation in profitability in FY24 on account of decline in the average float glass prices, however, remains comfortable to meet the scheduled debt repayment obligations of ₹367 crore in FY25 and ₹260 crore in FY26. Further the liquidity is aided by cash and cash equivalents of around ₹100 crore as on March 31, 2024.
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 ₹535 crore had modest average utilisation of 31% over 12 months till March 2024. The current ratio is expected to remain low at around 1.1-1.2x 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 OEMs as the OEMs operate on just-intime strategy and for the float glass it needs to maintain different types of coloured glass inventory. AIS has unsecured limits as well for ₹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 recognises 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

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Auto Components & Equipments](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer durables	Consumer durables	Glass - Consumer

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. As on December 31, 2023, promoters hold 54.24% stake in the company - Labroo family (21%), AGC Inc. (22.21%), MSIL (11.11%) and others (4.76%) while the rest of 45.77% is with the public. 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 December 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 at Haryana, Uttarakhand, Tamil Nadu, Maharashtra and Gujarat.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	3,170	4019	3258
PBILDT	761	795	564
PAT	343	362	252
Overall gearing (times)	0.75	0.76	Not Available
Interest coverage (times)	6.29	7.60	5.48

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: 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 and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	535.00	CARE A+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	365.00	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		-	-	31-03-2033	472.25	CARE A+; Stable
Term Loan-Long Term		-	-	31-03-2033	706.12	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 2024-2025	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
1	Term Loan-Long Term	LT	706.12	CARE A+; Stable	-	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)
2	Fund-based - LT-Working Capital Limits	LT	535.00	CARE A+; Stable	-	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)
3	Fund-based - LT-Working Capital Limits	LT	365.00	CARE A+; Stable	-	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)
4	Non-fund-based-LT/ST	LT/ST	110.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (04-Oct-23)	1)CARE A+; Stable / CARE A1+ (23-Aug-22)	1)CARE A; Stable / CARE A1 (03-Aug-21)
5	Term Loan-Long Term	LT	472.25	CARE A+; Stable	-	1)CARE A+; Stable	1)CARE A+; Stable	1)CARE A; Stable

						(04-Oct-23)	(23-Aug-22)	(03-Aug-21)
6	Fund-based - LT-Working Capital Limits	LT	85.00	CARE A+; Stable	-	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

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

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	AIS Glass Solutions Limited	Full	Operational, financial and managerial linkages.
2.	GX Glass Sales & Services Limited	Full	
3.	Shield Auto Glass Limited	Full	
4.	Integrated Glass Materials Limited	Full	

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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