Asahi India Glass Limited

September 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,404.80 (Enhanced from 2,163.37)	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

Reaffirmation in ratings assigned to bank facilities of Asahi India Glass Limited (AIS) factors in healthy business risk profile as characterised by its strong market position, dominantly in the auto-glass and float glass segments and its strong operating parameters and comfortable financial risk profile. Ratings continue to derive strength from experienced and resourceful promoters' group, AGC Inc. and Maruti Suzuki India Limited, established track record of operations and sustained relationships with original equipment manufacturers (OEMs). AIS' credit profile also draws comfort from the financial flexibility derived of the strong credit profile of the promoters' group. The financial risk profile is further supported by adequate liquidity in the form of unutilised bank lines. The company continues to have a healthy operational profile despite some moderation in operating margin of the float glass segment on a y-o-y basis attributable to rising imports at cheaper prices and domestic capacity additions in the industry. Since the beginning of FY25, prices have been stabilised. Glass being a capital-intensive industry, AIS is actively pursuing on plans to undertake a capex towards backward integration through setting-up a new float glass plant, which will boost the company's profitability by driving operational efficiencies in terms of reduced freight cost, localisation of raw material and import parity price. The plant is expected to be operationalised in FY25 and as of August 30, 2024, the company has expensed over ₹1000 crore towards its upcoming third Float Glass Plant, with the project progressing as planned. With healthy cash accruals, net debt to profit before interest, lease rentals, depreciation and tax (PBILDT) is expected to remain comfortable even after debt for project capex is drawn. Higher-than-anticipated debt-funded capex or moderation in credit metrics of AIS considering slowdown in the end-user industry remains a credit monitorable. However, these rating strengths are constrained by the company's exposure to foreign exchange fluctuation risk, volatility in fuel prices, project risk related to large debt-funded capex and inherent cyclicality of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Profitably increasing 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) to 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, significantly impacting AIS' return on capital employed (ROCE).
- Total adjusted net 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 (as given below in Annexure 6) as these are integral part of AIS' operations.

Outlook: Stable

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

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 in the medium term due to healthy demand prospects and its long-standing relationship with its customers.

Detailed description of key rating drivers:

Key strengths

Healthy operational and financial risk profile
AIS is the market leader with ~75% market share in the automotive glass segment (Indian passenger car glass segment) and 16% market share in the float glass segment. In FY24, the company reported a y-o-y improvement of 8% in the total revenue from operations at ₹4351.11 driven by an increase in sales from the auto glass segment of 21% against the previous year. The company registered a decline in sales of float glass by 13% considering fall in realisations, although volumes increased by 5% as float glass prices bottomed out during the year. This phenomenon was witnessed industry wide, as surge in imports at inherently cheaper prices and capacity additions in the industry led to a decrease in float glass prices. Operating profitability moderated and was impacted due to this and stood at 16.87% in FY24 against 19.78% in the previous year. However, prices have largely stabilised as seen since the beginning of FY25 and the company's operational profile is expected to remain healthy in the medium term. In Q1FY25, total revenue from operations stood at ₹1135.83 crore, a y-o-y growth of 4% and PBILDT margin stood at 16.25%.

The company's leverage indicators continue to remain moderate considering past capex activities. Phase I of tempered glass production started in February 2021 and laminated glass started in April 2021. The company commissioned Phase-II of the Patan Plant in FY24, and Phase III is expected to 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 over ~₹1000 crore till August 2024 on their upcoming third float glass plant, which is expected to be commissioned by the end of this fiscal. This project is funded by a mix of debt and internal accruals, therefore, overall gearing moderated as on March 31, 2024, at 0.97x against 0.76x in the previous year. Interest coverage moderated on a y-o-y basis, considering decrease in profitability, stood comfortable at 5.40x in FY24 (FY23: 7.60x). Going forward, overall gearing is expected to remain around 1x in medium term but is unlikely to show major improvements due to partially debt funded cold repair in its Roorkee Plant to be undertaken in FY25-26. AIS' total adjusted net debt to PBILDT is expected to remain below 3.5x in the next two years after factoring in project-related debt.

Experienced and resourceful promoter group
AIS is promoted by the Labroo family (shareholding of 20.9%), AGC Inc. (shareholding of 22.21%), MSIL (shareholding of 11.11%) as on June 30, 2024. AGC Inc. is the one of the leading manufacturers of glass globally with 12% global market share in the float glass segment and 30% global market share in the auto glass segment and 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 and 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 AIS Board 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 close to India's automotive glass manufacturing hubs. Over a period, AIS diversified its 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 expanded to the commercial vehicle segment, adding customers and products for "off highway" segments including 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 OEMs and currently has market share of 75% 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 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 commands a market share of 16% in the float glass industry.

Sustained relationship with OEMs
AIS supplies auto glass to majority leading OEMs in the domestic market, including MSIL, Suzuki Motors, Hyundai Motors India Limited, Kia Motors, MG, Honda, Tata Motors Limited, Mahindra & Mahindra Limited, Toyota Kirloskar Motors Private Limited, Volkswagen India, Ford India, Skoda Auto and Fiat India, and has sustained healthy relationships throughout the years. MSIL is

also a co-promoter of AIS with 11.11% equity stake and contributed for around 34% of automotive glass sales in FY24 (FY23: 35%).

Key weaknesses

Large capex requirement
Glass is a capital-intensive industry, where downturn in the end-user industry may affect its profitability. AIS is actively pursuing on plans to undertake a capex of around ₹1400 crore from FY25-27 towards backward integration (new float glass plant), cold repair of Roorkee plant and Patan Phase-III to be funded by a mix of debt and internal accrual. Time and cost overruns in the project, may have an impact on profitability will affect debt protection metrics, and hence, remains monitorable for AIS' credit profile. Its ability to draw benefits as envisaged from this project remains monitorable for its credit profile.

Exposure to foreign exchange fluctuation risk
The company remains exposed to risks associated with volatility in foreign exchange rates, mainly considering import of raw materials, stores and spares and foreign currency term loan payments. The company's net exposure in foreign currency stood at ₹413.47 crore as on March 31, 2024 (₹589.87 crore as on March 31, 2023). However, its foreign currency term loan (₹25.86 crore as on March 31, 2024) is fully hedged through currency Interest Rate Swap (CIRS) against rupee versus dollar movement.

Volatility in fuel cost 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 thereof impact its overall profitability. AIS is generally able to pass on cost escalation in the auto glass segment given its market position but that is with some lag and in flat glass segment, which depends on market scenarios. AIS derived ~64% of its revenue from the Auto OEM segment in FY24, 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, AIS' performance remains vulnerable to economic downturns.

Liquidity: Adequate
The company's liquidity position is adequate marked by gross cash accruals of ₹501 crore in FY24 (FY23: ₹522 crore) and it is expected to be in the range of ₹550-700 crore between FY25-27. Its cash and bank balance stood at ₹175 crore as on March 31, 2024, which will adequately meet the scheduled repayments amounting to ₹367 crore and ₹260 crore in FY25 and FY26 respectively.

Historically, AIS has been able to refinance its debt in case of shortage of cash accrual amid ongoing capex against debt payments, which gives comfort and has received support from its promoters in the past. The company has a high inventory requirement to keep in auto glass segment to cater to OEMs as they operate on just-intime strategy and for the float glass it needs to maintain different types of coloured glass inventory. However, total fund-based limit of ₹535 crore had modest average utilisation of 31% in 12-months ended June 2024. Further, AIS has adequate unsecured limits which can be availed anytime and provides further cushion to the liquidity.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks
CARE 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. Some initiatives include replacing diesel forklifts with battery forklifts to reduce greenhouse gas emissions, improve air quality, and decrease noise pollution in the workplace; adapting new processes for low suction pressure in blowers to reduce power consumption and installing Variable Frequency Drives (VFDs) to optimise motor speed and efficiency; converting low-efficiency motors to high-efficiency motors to enhance energy savings, reduce operational costs, and improve overall system performance; reducing leakage throughout the premises and other adoption of energy efficient technology. AIS has signed a 20-year contract with Inox Air to supply 95 tonnes of green hydrogen annually for their new greenfield float glass facility in Chittorgarh, Rajasthan. In AIS has also invested in a solar plant that will provide renewable energy for generating green hydrogen through the electrolysis process.

Social: Major focus areas are education, health, water and sanitation, women empowerment, livelihood development and disaster management with invests in knowledge, manpower resources and technologies to achieve to its ESG goals for itself and its supply chain.

Governance: The strength of the Board is nine Directors, of which, four are Independent Directors (including two Women Directors) and three are Non-Executive and Non Independent Directors (including one Woman Director) as on March 31, 2024.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic 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 manufacturing toughened glass for MSIL. 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 54.22% stake in the company - Labroo family (20.9%), AGC Inc. (22.21%), MSIL (11.11%) and others (5.41%) while the rest of 40.34% 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 June 30, 2024, total installed capacity stood at 13.83 million square metres for tempered glass, 8.3 million pieces for laminated glass and 78.32 million converted square metres (CSQM) for float glass. AIS' manufacturing facilities are strategically at Haryana, Uttarakhand, Tamil Nadu, Maharashtra and Gujarat.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	4018.76	4351.11	1135.83
PBILDT	795.08	734.17	184.58
PAT	361.67	325.05	76.69
Overall gearing (times)	0.76	0.97	-
Interest coverage (times)	7.60	5.40	5.72

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: NNot applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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		-	-	-	465.00	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	449.74	CARE A+; Stable
Term Loan-Long Term		-	-	31-03-2033	870.06	CARE A+; Stable

Annexure-2: Rating history for 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	870.06	CARE A+; Stable	1)CARE A+; Stable (30-Apr-24)	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 (30-Apr-24)	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	465.00	CARE A+; Stable	1)CARE A+; Stable (30-Apr-24)	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+ (30-Apr-24)	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	449.74	CARE A+; Stable	1)CARE A+; Stable (30-Apr-24)	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)
6	Fund-based - LT-Working Capital Limits	LT	85.00	CARE A+; Stable	1)CARE A+; Stable (30-Apr-24)	1)CARE A+; Stable (04-Oct-23)	1)CARE A+; Stable (23-Aug-22)	1)CARE A; Stable (03-Aug-21)

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

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please [click here](#)

Annexure-6: List of 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.	Integrated Glass Material Limited	Full	
3.	GX Glass Sales & Services Limited	Full	
4.	AIS Distribution Services Limited (w.e.f. 1st February 2024)	Full	
5.	AIS Adhesives Limited* (w.e.f. 1st February 2024)	Full	
6.	Shield Auto Glass Limited	Full	

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Akhil Kumar Associate Director **CARE Ratings Limited** Phone: 91-120-4451986 E-mail: akhil.kumar@careedge.in Bhoomika Sharma Analyst **CARE Ratings Limited** E-mail: bhoomika.Sharma@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in