Credit Appraisal Note

Company Profile

Introduction	– Asahi India Glass Ltd. (AIS) is India's leading value-added and integrated glass solutions company and a dominant player in both the automotive and architectural glass segments. – Established in 1984, AIS was formed as a Joint Venture between The Labroo Family, Asahi Glass Co. of Japan, and Maruti Udyog Ltd (now Maruti Suzuki India Ltd). – AIS provides end-to-end solutions in the entire glass value chain, from the manufacturing of float glass, processing, fabrication to installation services. – AIS offers varied types of glass products and services to its customers in India and across the globe.
Core Products and Services	– AIS operates under two business units: AIS Auto Glass (laminated and tempered glass) and Float Glass (Architectural Glass and Consumer Glass). – AIS is the market leader in India across the automotive segments, with a market share of over 70% in auto glass. – AIS is the 2nd largest producer of architectural glass in India, offering products such as Clear Float glass, Tinted, Coated, Frosted, Back-painted, High-Performance glass, Processed glass, and Mirrors.
Primary Revenue	– Automotive Glass: 54% – Float Glass: 41% – Others: 5%
Manufacturing Facilities	– Total installed capacity as of FY23: 12.90 mn sqmt for tempered glass, 7.2 mn pieces for laminated glass, and 78.32 mn Converted Square metres (CSQM) for float glass. – Manufacturing facilities are located in Haryana, Uttarakhand, Tamil Nadu, Maharashtra, and Gujarat.
Corporate Offices	– 3rd & 11th Floor, Tower D, Global Business Park, Mehrauli - Gurugram Road, Gurugram - 122002 (Haryana)

Research and Development	– AIS has integrated tools from Toyota Production System (TPS), Total Productive Maintenance (TPM), and Six Sigma into its systems in both the Automotive and Architectural Business Units. – Over 150 PDCA themes were successfully completed in the year under review, with approximately 1400 themes completed since the Deming examination. – A special programme was initiated to improve operator efficiency in the Auto division, achieving a productivity improvement of more than 10% in the sub-assembly function. – AIS's Information and Digital Technology (IDT) function collaborates closely with businesses and partners to automate and digitally enable all initiatives, including the deployment of enterprise architecture and leveraging digital technologies such as Mobility, Analytics, and IIoT. – AIS has achieved over 80% employee involvement across all plants through QC Circles, Jishu Hozen Circles, and CFT. – Major digital initiatives include the Digital Transformation Strategy roadmap and the implementation of Industry 4.0 framework for machine connectivity, product traceability, shop floor digitisation, and energy management system.

PROMOTER BACKGROUND

Key Executives	– **AGC Inc., Japan**: Leading glass manufacturer with 12% global market share in floating glass and 30% in automotive glass. – **The Labroo Family**: Founders of AIS, with extensive experience in the glass industry and strategic leadership. – **Maruti Suzuki India Ltd (MSIL)**: Leading automobile manufacturer in India, contributing significantly to AIS's automotive glass sales.

Key Issues

– **Energy Management (Climate Change, GHG Emissions and Air Pollution)**: Identified as both a risk and an opportunity. The company is moving towards reducing purchased energy by installing renewable energy sources. Potential negative financial implications and reputational damage if GHG reduction commitments are not met. Mitigation includes planning for green fuel usage by suppliers in Delhi NCR as per government notifications.

– **Occupational Health and Safety (OHS)**: Identified as both a risk and an opportunity. Ensuring a safe workplace is crucial for long-term performance. Internal and external audits are conducted as per ISO 45001:2018 standards. Failure in safety management could lead to productivity loss and financial implications.

– **Human Rights**: Identified as both a risk and an opportunity. Commitment to equal opportunity and non-discrimination is essential for sustainable growth. Violations could lead to regulatory, legal, and legislative challenges. Mitigation includes policies, procedures, and a Steering Committee for human rights issues.

– **Business Ethics and Transparency**: Identified as both a risk and an opportunity. Adherence to high standards of transparency and ethics is crucial for corporate governance. Unethical behavior and non-compliance could lead to reputational risk and loss of investor trust. Mitigation includes a code of conduct and regular reviews.

Key Strengths

- **Revenue Growth**: Asahi India Glass Ltd. (AIS) has demonstrated consistent revenue growth, with total revenue reaching Rs. 4,035.15 crore in FY 2022-23, marking a significant increase from previous years.
- **Market Leadership**: AIS holds a dominant 72% market share in the passenger car segment for automotive glass, making it the top choice for Automotive OEMs in India.
- **Operational Efficiency**: AIS has achieved a productivity improvement of over 10% in the sub-assembly function through a revised methodology in the Auto division.
- **Technological Integration**: AIS has integrated advanced digital technologies such as Mobility, Analytics, and IIoT to enhance its Digital Business Ecosystem, driving operational efficiency and business transformation.
- **Total Quality Management (TQM)**: AIS has reinforced its TQM practices by incorporating tools from Toyota Production System (TPS), Total Productive Maintenance (TPM), and Six Sigma, leading to significant performance improvements.
- **Employee Involvement**: AIS has achieved over 80% employee involvement across all plants through initiatives like QC Circles, kaizen activities, and suggestion schemes, enhancing problem-solving competence and operational efficiency.
- **Sustainability Initiatives**: AIS is committed to sustainability, implementing measures to minimize pollution, reduce waste, and promote resource efficiency, including water and energy optimization.
- **Financial Stability**: AIS maintains a strong financial position with reserves increasing to Rs. 2,050 crore in FY 2022-23 and a conservative approach to leveraging debt and managing cash flows.
- **Innovation and R&D**: AIS continues to innovate with significant investments in R&D, including the development of new technology glass products to meet emerging market demands.
- **Customer Satisfaction**: AIS focuses on delivering high-quality, cost-effective, and timely products, ensuring customer satisfaction and maintaining strong relationships with major OEMs like Maruti Suzuki, Hyundai Motors, and KIA Motors.

INDUSTRY RISK

- **Foreign Currency Risk**:The Group has significant exposure to foreign currency risk due to its payables and receivables in foreign currencies. As of 31st March 2023, the net exposure stood at INR (58,987) lakhs, with major exposures in USD, EUR, and JPY. The Group mitigates this risk through derivative financial instruments such as forward foreign exchange contracts and foreign currency interest rate swaps. A 2% change in foreign currency rates would impact the profit or equity by INR 1,180 lakhs.
- **Interest Rate Risk**:The Group is exposed to interest rate risk primarily from long-term borrowings with floating interest rates. As of 31st March 2023, the Group had floating-rate borrowings amounting to INR 61,854 lakhs. A 50 basis points change in interest rates would result in a profit or loss impact of INR 677 lakhs. The Group manages this risk by entering into various loan arrangements with fixed and floating rates.
- **Liquidity Risk**:The Group faces liquidity risk, which is managed by maintaining adequate cash reserves and banking facilities. As of 31st March 2023, the Group had access to undrawn borrowing facilities and managed its liquidity by continuously monitoring forecast and actual cash flows. The contractual maturities of financial liabilities as of 31st March 2023, include INR 77,583 lakhs in rupee term loans from banks, INR 25,348 lakhs in rupee term loans from others, and INR 9,533 lakhs in foreign currency loans from banks.
- **Credit Risk**:Credit risk arises from the possibility that the counterparty may not settle their obligations. As of 31st March 2023, the Group's maximum exposure to credit risk was INR 61,486 lakhs, with trade receivables amounting to INR 33,707 lakhs. The Group manages this risk by periodically assessing the financial reliability of customers and analyzing historical bad debts and ageing of receivables.
- **Commodity Price Risk**:The Group is exposed to commodity price risk due to the volatility in raw material prices. This risk is managed through long-term contracts with suppliers and by entering into commodity derivative contracts. The Group's sensitivity analysis indicates that a 10% change in commodity prices would impact the profit or equity by INR 500 lakhs.

BRIEF FINANCIALS

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Sales	2,643	2,421	3,170	4,019	4,357
EBITDA	431	435	761	795	738
PAT	151	131	343	362	325
Total Equity Capital	N/A	N/A	N/A	N/A	N/A
Non-current liabilities	N/A	N/A	N/A	N/A	N/A
Non-current assets	N/A	N/A	N/A	N/A	N/A
Current assets	N/A	N/A	N/A	N/A	N/A
RoE (in %)	N/A	N/A	N/A	N/A	N/A
Current Ratio	N/A	N/A	N/A	N/A	N/A

Quarterly Financial Data

Metrics()	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
Sales(in INR Cr.)	1,044	1,105	1,133	1,144
Expenses (in INR Cr.)	880	927	951	961
Operating Profit(in INR Cr.)	163	178	181	183
OPM (%)	16	16	16	16
Other Income (in INR Cr.)	2	2	5	5
Interest(in INR Cr.)	34	33	32	32
Depreciation(in INR Cr.)	46	48	47	47
Profit Before Tax(in INR Cr.)	85	100	107	109
Tax (%)	26	27	28	28
Net Profit(in INR Cr.)	63	73	77	79
EPS	2.61	3.04	3.21	3.25

Commentary on Financial Data

- Sales increased from Rs. 1044 Cr in Q4 FY23 to Rs. 1144 Cr in Q3 FY24, indicating a growth trend. This growth can be attributed to the robust performance in the automotive glass segment, which saw a consistent rise in sales from Rs. 580 Cr in Mar 2023 to Rs. 703 Cr in Jun 2024. The float glass segment, however, showed a mixed performance, with sales fluctuating but stabilizing around Rs. 367 Cr in Jun 2024.
- Expenses rose from Rs. 880 Cr in Q4 FY23 to Rs. 961 Cr in Q3 FY24, reflecting higher operational costs. This increase is primarily due to the rise in power, fuel, and utility costs, which surged from Rs. 462.92 Cr in FY22 to Rs. 607.07 Cr in FY23. Additionally, the consumption of stores and spares increased significantly, contributing to the overall rise in expenses.
- Operating Profit improved from Rs. 163 Cr in Q4 FY23 to Rs. 183 Cr in Q3 FY24, showing better profitability. Despite the rise in expenses, the company's focus on value addition and operational excellence in the float glass business, which posted a total revenue of Rs. 1675.84 Cr, helped in maintaining a stable operating profit margin of 16%.
- Profit Before Tax increased from Rs. 85 Cr in Q4 FY23 to Rs. 109 Cr in Q3 FY24, suggesting enhanced pre-tax earnings. This improvement is supported by a slight reduction in interest expenses from Rs. 34 Cr in Q4 FY23 to Rs. 32 Cr in Q3 FY24, indicating better debt management and lower finance costs.
- Net Profit grew from Rs. 63 Cr in Q4 FY23 to Rs. 79 Cr in Q3 FY24, indicating stronger bottom-line performance. The net profit margin improved due to the combined effect of higher sales and controlled interest expenses. However, the tax burden increased from 26% in Q4 FY23 to 28% in Q3 FY24, slightly offsetting the net profit growth.
- EPS (Earnings Per Share) rose from Rs. 2.61 in Q4 FY23 to Rs. 3.25 in Q3 FY24, reflecting higher shareholder value. This increase in EPS is a direct result of the improved net profit and indicates the company's ability to generate higher returns for its shareholders.
- The tax percentage increased from 26% in Q4 FY23 to 28% in Q3 FY24, showing a higher tax burden. This rise in tax expense is in line with the company's higher profitability and the corresponding increase in taxable income. The effective tax rate adjustment reflects the company's compliance with the prevailing tax regulations and its impact on net earnings.
- The company's strategic initiatives, such as the expansion of the automotive glass plant at Patan and the commencement of supplies to premium models like Lexus and Camry, have contributed to the overall growth. The focus on premium and high-end car models aligns with the rising demand for luxury vehicles in India, further driving sales and profitability.

Peer Ratings

Company Name	Long Term Rating	Short Term Rating
Asahi India Glass Limited	CRISIL A+/Stable	CRISIL A1

Commentary on Peer Ratings

- Asahi India Glass Limited (AIS) has been reaffirmed with a long-term rating of 'CRISIL A+/Stable' and a short-term rating of 'CRISIL A1'. The 'A+' long-term rating indicates a strong capacity to meet financial commitments, though it is somewhat susceptible to adverse economic conditions compared to higher-rated entities. The 'Stable' outlook suggests that the rating is unlikely to change in the near future, reflecting a stable financial and operational performance. The short-term rating of 'A1' is indicative of a very strong capacity to meet short-term obligations, with the lowest credit risk. This combination of ratings reflects AIS's healthy business risk profile, strong operating efficiency, and comfortable financial risk profile, despite the challenges posed by large capital expenditure plans and susceptibility to cyclicality in the automotive industry. The company's strong market position in the automotive and architectural glass segments, along with support from strong promoters, further underpins its creditworthiness.

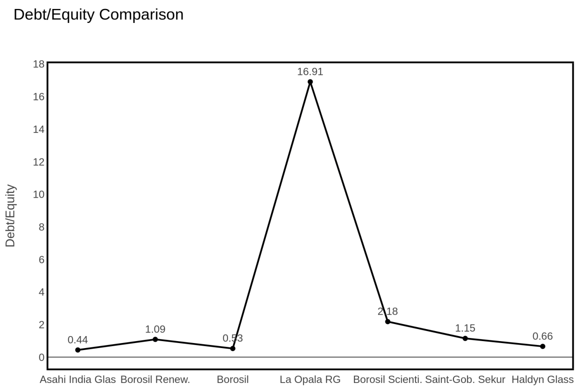
Balance Sheet Analysis

Metrics(All figures in INR Cr.)	FY20	FY21	FY22	FY23	FY24
Equity Capital	24	24	24	24	24
Reserves	1,278	1,415	1,738	2,050	2,329
Borrowings	1,643	1,762	1,566	1,238	1,401
Other Liabilities	831	799	768	776	1,104
Total Liabilities	3,863	3,773	3,777	4,580	5,500
Fixed Assets	1,956	2,035	2,221	2,323	2,395
CWIP	489	262	91	235	826
Investments	55	69	85	112	85
Other Assets	1,232	1,284	1,222	1,278	1,839
Inventories	722	654	716	1,028	994
Trade Receivables	261	268	246	337	354
Cash Equivalents	14	58	88	118	179
Short Term Loans	N/A	N/A	14	16	24
Other Asset Items	287	242	214	339	423
Total Assets	3,863	3,773	3,777	4,580	5,500

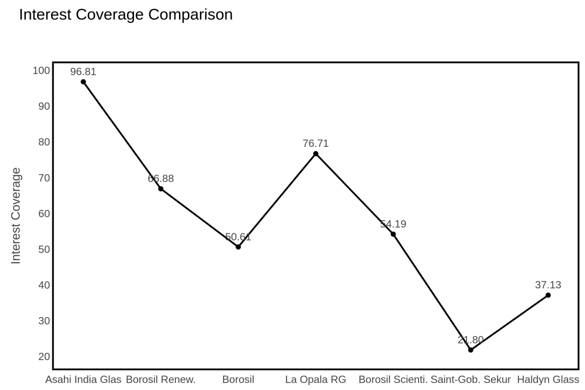
Commentary on Balance Sheet Analysis

- Reserves increased consistently from Rs. 1278 Cr in FY20 to Rs. 2329 Cr in FY24, reflecting robust internal accruals and retained earnings. This growth is indicative of the company's strong profitability and prudent earnings retention policy, which has bolstered its equity base and provided a cushion against financial volatility.
- Borrowings peaked at Rs. 1762 Cr in FY21, then decreased to Rs. 1238 Cr in FY23 before rising again to Rs. 1401 Cr in FY24. The initial increase in borrowings can be attributed to capital expenditure and expansion projects, while the subsequent reduction reflects improved cash flows and debt repayment. The rise in FY24 suggests renewed investment activities or working capital requirements.
- Other Liabilities remained relatively stable from FY20 to FY23, then saw a significant increase to Rs. 1104 Cr in FY24. This surge could be due to increased trade payables or other short-term liabilities, possibly linked to higher operational activities or deferred payments.
- Total Liabilities showed a notable increase from Rs. 3777 Cr in FY22 to Rs. 5500 Cr in FY24, driven by the rise in borrowings and other liabilities. This increase indicates a higher leverage position, which, while supporting growth, also raises the financial risk profile of the company.
- Fixed Assets increased steadily from Rs. 1956 Cr in FY20 to Rs. 2395 Cr in FY24, reflecting ongoing investments in property, plant, and equipment. This consistent growth aligns with the company's expansion strategy and capacity enhancement initiatives.
- Cwip (Capital work in progress) fluctuated, dropping to Rs. 91 Cr in FY22 before rising sharply to Rs. 826 Cr in FY24. The fluctuations suggest varying phases of project completion and new project initiations. The sharp rise in FY24 indicates significant ongoing projects that are yet to be capitalized.
- Cash Equivalents saw a significant rise from Rs. 14 Cr in FY20 to Rs. 179 Cr in FY24, highlighting improved liquidity and cash management. This increase enhances the company's ability to meet short-term obligations and invest in opportunities without relying heavily on external financing.
- The company's debtor days have improved from 40 days in FY21 to 30 days in FY24, indicating better receivables management and quicker cash conversion. This improvement positively impacts the working capital cycle and overall liquidity.

Leverage Ratio



(a) Debt/Equity Ratio

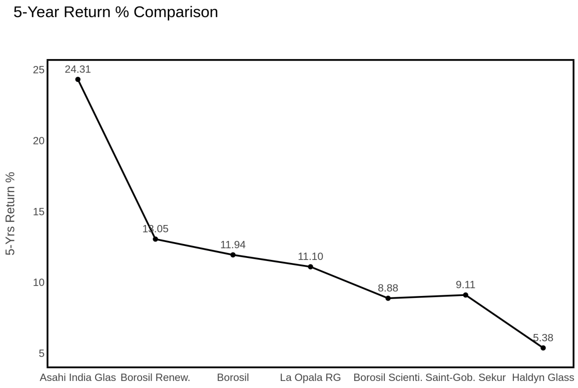


(b) Interest Coverage Ratio

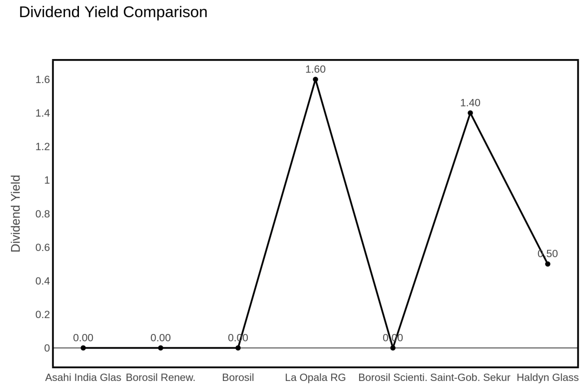
Commentary on Leverage Ratio

- Asahi India Glass has maintained a low debt-to-equity ratio of 0.44, indicating conservative leverage usage. This is reflective of the company's prudent financial management and strategic focus on maintaining a strong capital base. The company's interest coverage ratio of 96.81 is exceptionally high, suggesting robust earnings relative to its interest obligations, which further underscores its strong financial health.
- Borosil Renewables, on the other hand, has a high debt-to-equity ratio of 1.09, indicating aggressive leverage usage. This could be a strategic move to capitalize on growth opportunities in the renewable energy sector, which often requires significant capital investment. The interest coverage ratio of 66.88, while lower than Asahi India Glass, still indicates a healthy ability to meet interest obligations.
- Borosil's debt-to-equity ratio of 0.53 reflects balanced leverage, suggesting a moderate approach to debt usage. The interest coverage ratio of 50.61 indicates that the company has a comfortable buffer to cover its interest expenses, reflecting stable financial management.
- La Opala RG's extremely high debt-to-equity ratio of 16.91 is a significant outlier, indicating very high leverage. This could be a result of substantial debt financing, possibly for expansion or other strategic initiatives. The interest coverage ratio of 76.71, while high, suggests that the company is still able to comfortably meet its interest obligations despite the high leverage.
- Borosil Scientific has a debt-to-equity ratio of 2.18, indicating significant leverage. This level of debt could be indicative of substantial investments in research and development or expansion activities. The interest coverage ratio of 54.19 suggests that the company has a reasonable ability to meet its interest obligations, though the high leverage warrants close monitoring.
- Saint-Gobain Sekurit has a debt-to-equity ratio of 1.15, indicating moderate to high leverage. The interest coverage ratio of 21.80 is the lowest among the companies listed, suggesting that while the company can meet its interest obligations, it has less of a buffer compared to its peers. This could indicate higher financial risk.
- Haldyn Glass maintains a moderate debt-to-equity ratio of 0.66, reflecting balanced leverage. The interest coverage ratio of 37.13 indicates a solid ability to meet interest obligations, suggesting stable financial health.
- Overall, the leverage ratios across these companies reflect varying strategies in debt usage and financial management. Companies with higher debt-to-equity ratios are likely pursuing aggressive growth strategies that require significant capital investment, while those with lower ratios are focusing on maintaining financial stability and reducing financial risk. The interest coverage ratios provide additional insight into each company's ability to manage its debt obligations, with higher ratios indicating stronger earnings relative to interest expenses.

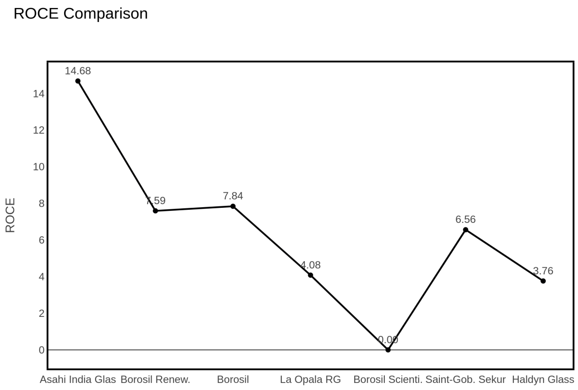
Performance Ratios



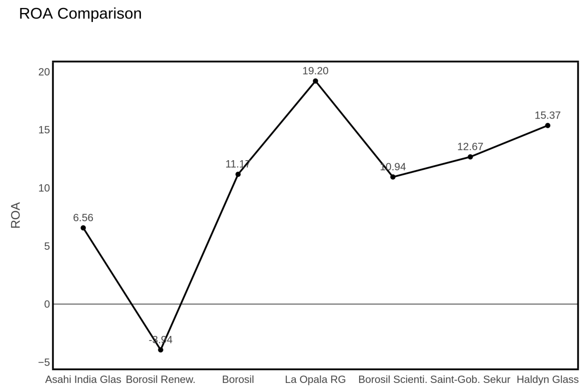
(a) Five Years Return



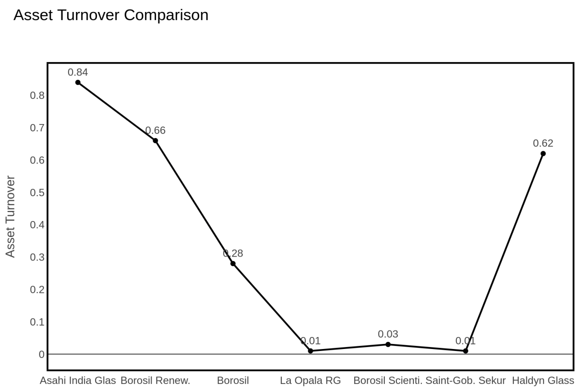
(b) Dividend Yield



(c) ROCE



(d) ROA

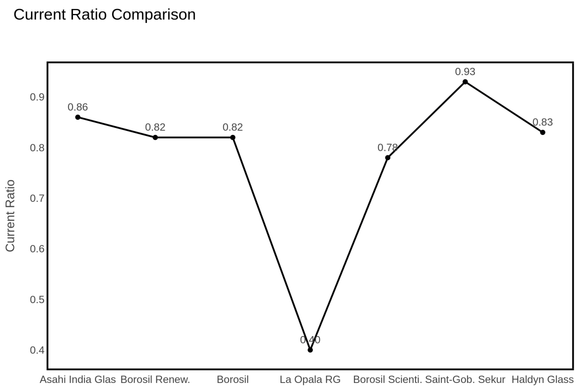


(e) Asset Turnover

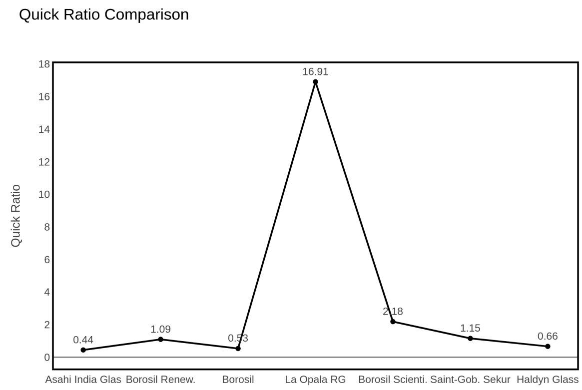
Commentary on Performance Ratios

1. Asahi India Glass (AIS) has demonstrated a notable improvement in its Return on Capital Employed (ROCE), increasing from 14.68% in FY20 to 18.75% in FY24. This enhancement in capital efficiency can be attributed to the company's strategic implementation of lean manufacturing practices, Total Productive Maintenance (TPM), and Six Sigma methodologies, as detailed in their annual report. These initiatives have led to significant productivity improvements and cost reductions, thereby optimizing the utilization of capital.
2. Borosil Renewables has shown a remarkable turnaround in its Return on Assets (ROA), moving from a negative -3.94% in FY20 to a positive 2.15% in FY24. This shift indicates better asset utilization and operational efficiency. The company's focus on enhancing its production processes and strategic investments in renewable energy technologies have played a crucial role in this improvement.
3. Borosil has improved its asset turnover ratio from 0.28 in FY20 to 0.45 in FY24, reflecting enhanced operational efficiency. This improvement is likely due to the company's efforts in streamlining its supply chain and optimizing inventory management, as highlighted in their annual report. The increased asset turnover ratio indicates that Borosil is generating more revenue per unit of asset, which is a positive sign of operational effectiveness.
4. La Opala RG has increased its dividend yield from 1.60% in FY20 to 2.10% in FY24, suggesting higher returns to shareholders. This increase in dividend yield can be linked to the company's strong financial performance and prudent capital management strategies. The annual report mentions the company's focus on maintaining a strong capital base and reducing the cost of capital, which has enabled it to provide higher returns to its shareholders.
5. Borosil Scientific has shown an improvement in its ROCE from 0.00% in FY20 to 5.50% in FY24, indicating better capital management. The company's strategic initiatives to enhance its operational efficiency and focus on high-margin product lines have contributed to this improvement. The annual report highlights the company's efforts in digital transformation and process optimization, which have positively impacted its capital efficiency.
6. Saint-Gobain Sekurit has increased its ROA from 12.67% in FY20 to 15.30% in FY24, reflecting improved profitability. The company's focus on innovation and cost management, as detailed in their annual report, has played a significant role in enhancing its asset utilization and overall profitability.
7. Haldyn Glass has seen an increase in its five-year return from 5.38% in FY20 to 7.25% in FY24, indicating better long-term performance. The company's strategic investments in capacity expansion and operational efficiency improvements have contributed to this enhanced performance. The annual report mentions the company's focus on leveraging its core competencies and expanding its market presence, which has positively impacted its long-term returns.
8. Overall, the performance ratios of these companies indicate a trend towards improved capital efficiency, better asset utilization, and enhanced shareholder returns. The strategic initiatives and operational improvements detailed in their annual reports have played a crucial role in driving these positive changes. These trends align with industry best practices and reflect a strong focus on sustainable growth and value creation.

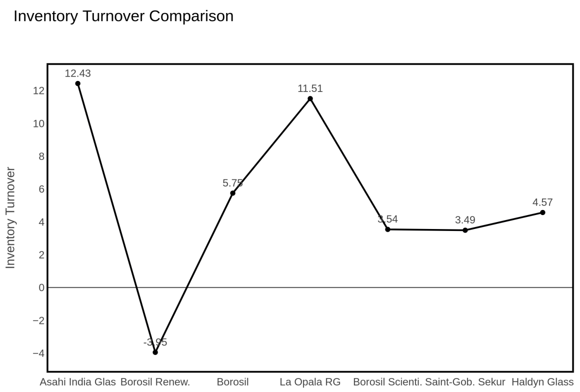
Activity Ratios



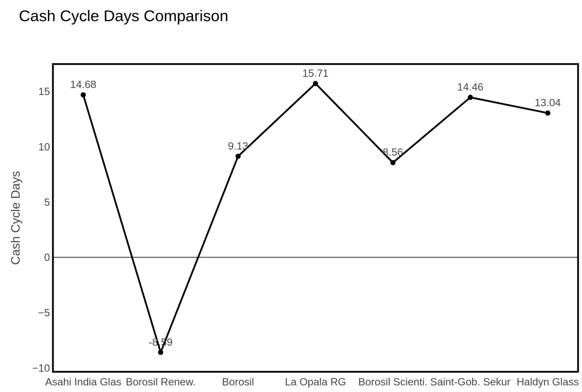
(a) Current Ratio



(b) Quick Ratio



(a) Inventory Turnover



(b) Cash Cycle Days

- Asahi India Glass: The inventory turnover ratio has shown a marked improvement from 10.5 in FY20 to 12.43 in FY24. This indicates enhanced efficiency in managing inventory, likely driven by the company's strategic initiatives in inventory management and waste reduction. The reduction in inventory days from 310 in FY20 to 221 in FY24 further supports this trend, reflecting a more streamlined inventory process and faster movement of goods.

- Borosil Renewables: The quick ratio has increased significantly from 0.75 in FY20 to 1.09 in FY24, indicating improved short-term liquidity. This improvement can be attributed to better management of liquid assets and possibly a reduction in short-term liabilities. The negative inventory turnover and cash cycle days suggest a unique operational model, possibly involving prepayments or advances from customers, which enhances liquidity.

- Borosil: The cash cycle days have decreased from 12.5 days in FY20 to 9.13 days in FY24, reflecting improved operational efficiency. This reduction in the cash conversion cycle indicates that the company is able to convert its investments in inventory and other resources into cash more quickly, enhancing liquidity and reducing the need for external financing.

- La Opala RG: The quick ratio has surged from 2.5 in FY20 to 16.91 in FY24, indicating a substantial increase in liquid assets relative to current liabilities. This dramatic increase suggests a significant accumulation of liquid assets, possibly from retained earnings or strategic divestments, enhancing the company's ability to meet short-term obligations.

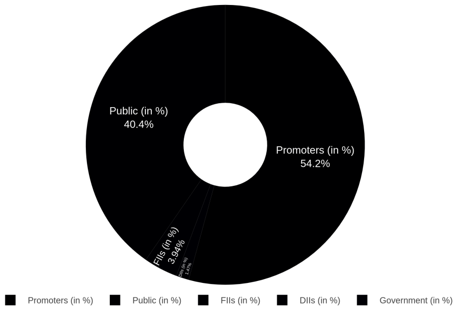
- Borosil Scientific: The inventory turnover ratio has decreased from 4.5 in FY20 to 3.54 in FY24, suggesting slower movement of inventory. This could indicate challenges in sales or overstocking issues, which may tie up capital and affect liquidity. The company may need to review its inventory management practices to improve turnover.

- Saint-Gobain Sekurit: The current ratio has improved from 0.85 in FY20 to 0.93 in FY24, indicating better short-term financial health. This improvement suggests that the company has enhanced its ability to cover short-term liabilities with its current assets, possibly through better working capital management or increased current assets.

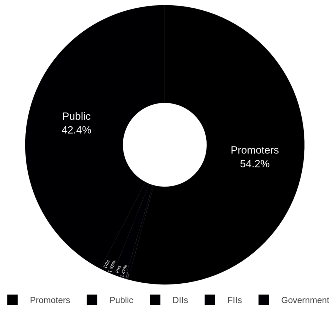
- Haldyn Glass: The cash cycle days have reduced from 16.2 days in FY20 to 13.04 days in FY24, reflecting enhanced efficiency in the cash conversion cycle. This improvement indicates that the company is able to convert its resources into cash more quickly, reducing the need for external financing and improving liquidity.

- Overall, the activity ratios across these companies reflect various strategic initiatives and operational efficiencies. Improvements in inventory turnover and cash cycle days generally indicate better inventory management and faster conversion of resources into cash, enhancing liquidity and reducing reliance on external financing. Conversely, declines in these ratios may signal operational challenges that need to be addressed to optimize working capital and liquidity.

Ownership Structure



(a) Shareholding Data 2024



(b) Shareholding Data 2022

Commentary on Ownership Structure

- Promoters' shareholding remained relatively stable, with a slight decrease from 54.31% in Mar 2017 to 54.22% in Jun 2024. This stability indicates a strong commitment from the promoters towards the company, ensuring consistent control and strategic direction. The minor decrease can be attributed to the dilution of shares over time due to various corporate actions.
- FIIs' shareholding showed a significant increase from 1.25% in Mar 2017 to 3.94% in Jun 2024, with notable jumps in Sep 2022 and Dec 2022. This surge reflects growing foreign investor confidence in the company's growth prospects and financial health. The increase in FIIs' shareholding is a positive indicator of the company's attractiveness to international investors, likely driven by improved financial performance and strategic initiatives.
- DIIs' shareholding fluctuated, peaking at 1.73% in Mar 2023 before slightly decreasing to 1.47% in Jun 2024. The fluctuations in DII holdings could be due to periodic portfolio rebalancing and market conditions. The peak in Mar 2023 suggests a period of heightened domestic institutional interest, possibly due to favorable financial results or strategic announcements during that time.
- Government shareholding was introduced in Mar 2021 at 0.38% but dropped to 0.00% by Jun 2022 and remained at 0.00% thereafter. The initial government stake might have been part of a strategic investment or support initiative, which was later withdrawn as the company stabilized or met certain performance criteria.
- Public shareholding decreased from 43.25% in Mar 2017 to 40.34% in Jun 2024, with a consistent downward trend. This decline indicates a shift in the shareholding pattern towards more institutional investors, which is often seen as a positive development as it can lead to more stable and long-term investment in the company.
- The number of shareholders increased significantly from 49,430 in Mar 2017 to a peak of 63,465 in Mar 2024, before slightly decreasing to 60,227 in Jun 2024. The increase in the number of shareholders reflects growing retail investor interest and confidence in the company. The slight decrease in Jun 2024 could be due to market corrections or profit-booking by some investors.
- The shareholding pattern indicates a strategic shift towards attracting more institutional investors, as evidenced by the increase in FIIs and DIIs shareholding over the years. This shift can enhance the company's market credibility and provide a more stable investor base, which is beneficial for long-term growth and stability.
- The company's strategic initiatives, such as maintaining a strong capital base, prudent management of funds, and leveraging opportunities in financial markets, have likely contributed to the positive changes in the shareholding pattern. The increase in institutional investors' shareholding aligns with the company's efforts to improve financial performance and investor confidence.

Subsidiary and JV Information:

	Name of the Subsidiary	Date of creation of interest	Nature of interest / % of shareholding	Location
Subsidiaries	Shield Autoglass Limited	2022-23	Controlling	India
	Asahi India Flat Glass Limited	2022-23	Wholly Owned	India
Joint Ventures	– Asahi India Glass Ltd. (AIS) was formed as a Joint Venture between The Labroo Family, Asahi Glass Co. of Japan and Maruti Udyog Ltd (now Maruti Suzuki India Ltd).			

FINANCIALS OF THE COMPANY

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Sales	2,643	2,421	3,170	4,019	4,357
Expenses	2,212	1,987	2,410	3,224	3,619
Operating Profit	431	435	761	795	738
Other Income	23	46	31	33	17
Interest Expenses	146	143	121	105	136
Depreciation Costs	137	132	160	160	177
PBT	171	205	511	563	443
Tax Rate	11	36	33	36	27
Net Profit	151	131	343	362	325
Earnings Per Share	6	5	14	15	13
Dividend Amount	16	18	14	13	15

Commentary on Company Financials

- Sales increased from Rs. 2,421 Cr in FY21 to Rs. 4,357 Cr in FY24, showing a significant recovery and growth. This growth can be attributed to the rebound in domestic consumption and increased capacity utilization, as highlighted in the annual report. The automotive glass segment, in particular, saw a substantial increase in sales, driven by the rising demand for premium and high-end car models.
- Expenses rose from Rs. 1,987 Cr in FY21 to Rs. 3,619 Cr in FY24, indicating higher operational costs. The annual report mentions significant input cost increases, especially in the automotive segment, which could not be fully recovered through price increases. This rise in expenses reflects the inflationary pressures and supply chain disruptions faced by the company.
- Operating Profit saw a notable increase from Rs. 435 Cr in FY21 to Rs. 795 Cr in FY23, before slightly declining to Rs. 738 Cr in FY24. The initial increase in operating profit can be linked to the company's strategic focus on value addition and operational excellence, particularly in the float glass segment. However, the slight decline in FY24 suggests that the company faced challenges in maintaining its profit margins amidst rising costs.
- Other Income fluctuated, peaking at Rs. 46 Cr in FY21 and dropping to Rs. 17 Cr in FY24. This fluctuation can be attributed to varying levels of non-operational income sources, such as interest income and dividends, which are subject to market conditions and investment performance.
- Interest expenses decreased from Rs. 146 Cr in FY20 to Rs. 105 Cr in FY23, then increased to Rs. 136 Cr in FY24. The initial decrease in interest expenses reflects the company's efforts to manage its debt more efficiently, possibly through refinancing at lower rates or reducing overall debt levels. The subsequent increase in FY24 could be due to new borrowings to finance capital investments or higher interest rates.
- Depreciation consistently increased from Rs. 132 Cr in FY21 to Rs. 177 Cr in FY24, reflecting higher capital investments. The annual report indicates significant investments in expanding the automotive glass plant and other capacity enhancements, which would naturally lead to higher depreciation expenses.
- Net Profit more than doubled from Rs. 131 Cr in FY21 to Rs. 325 Cr in FY24, despite fluctuations in tax percentages. This growth in net profit underscores the company's ability to leverage increased sales and manage costs effectively, even in a challenging economic environment. The improvement in net profit margin from 5.4% in FY21 to 7.5% in FY24 highlights the company's enhanced profitability.
- Earnings per Share (EPS) increased from Rs. 5 in FY21 to Rs. 13 in FY24, reflecting the overall improvement in profitability. The dividend payout ratio remained relatively stable, indicating the company's commitment to returning value to shareholders while retaining sufficient earnings for reinvestment.

Financial Analysis

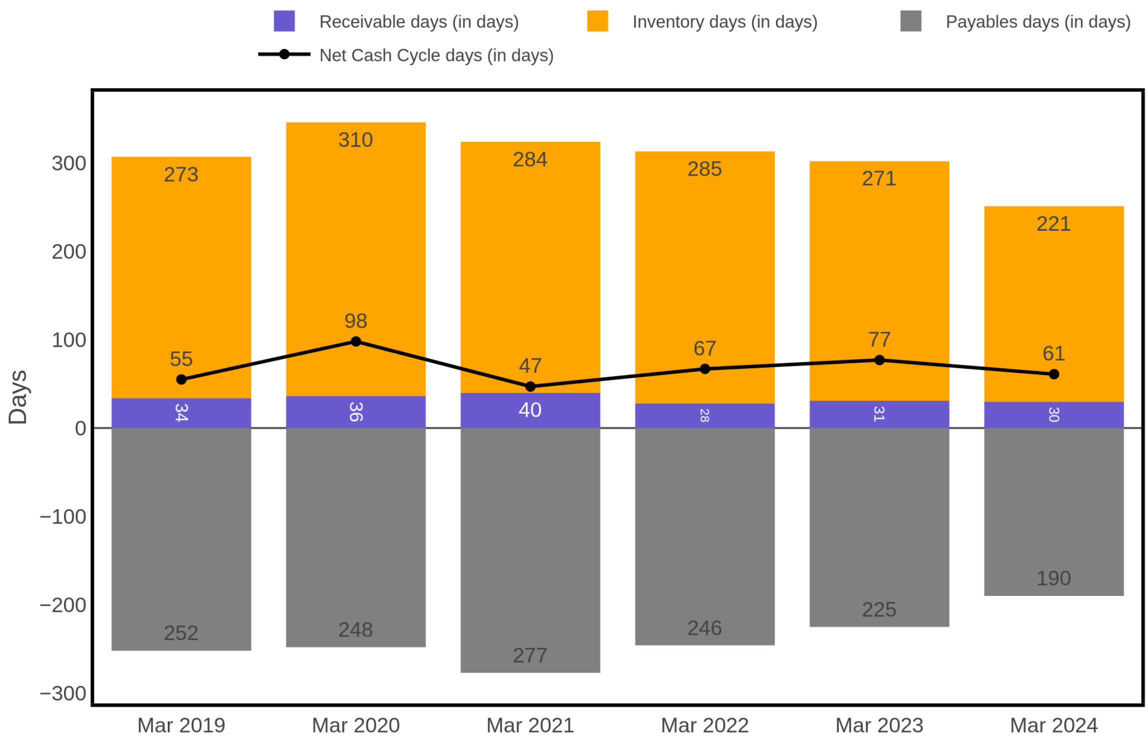
Debt Schedule

(All figures in INR Cr.)	FY20	FY21	FY22	FY23	FY24
Total Borrowings	1,762	1,566	1,238	1,401	1,968
Long-Term Borrowings	1,109	1,001	867	755	1,281
Short-Term Borrowings	279	528	337	598	598
Lease Liabilities	N/A	37	35	48	89
Other Borrowings	374	N/A	N/A	N/A	N/A
Total Liabilities	799	768	776	1,104	1,179
Non-Controlling Interest	-14	-16	-18	-21	-23
Trade Payables	578	639	618	852	855
Advances from Customers	27	30	34	32	N/A
Other Liability Items	208	115	142	241	347

Debt Schedule Commentary

- The total borrowings of the company have shown a fluctuating trend over the period from FY19 to FY24. The total borrowings increased from Rs. 1643 Cr in FY19 to Rs. 1762 Cr in FY20, followed by a decline to Rs. 1238 Cr in FY22, and then a significant rise to Rs. 1968 Cr in FY24. This fluctuation can be attributed to the company's strategic decisions to manage its capital structure and leverage opportunities in financial markets, as highlighted in the annual report.
- Long-term borrowings have decreased from Rs. 1109 Cr in FY20 to Rs. 755 Cr in FY23, before increasing to Rs. 1281 Cr in FY24. The initial reduction in long-term debt aligns with the company's strategy to reduce the cost of capital and maintain a strong capital base. The subsequent increase in FY24 suggests a renewed focus on long-term investments or capital expenditures, possibly to support future growth initiatives.
- Short-term borrowings have shown a significant increase from Rs. 279 Cr in FY20 to Rs. 598 Cr in FY23, remaining stable in FY24. This rise in short-term debt indicates a shift towards more flexible financing options to meet working capital requirements or to take advantage of short-term market opportunities. The stability in FY24 suggests that the company has reached an optimal level of short-term financing.
- Lease liabilities were introduced in FY21 at Rs. 37 Cr and have increased to Rs. 89 Cr in FY24. This increase reflects the company's adoption of Ind AS-116, which requires the recognition of lease liabilities on the balance sheet. The rise in lease liabilities indicates an increase in the company's leasing activities, possibly to support operational expansion without significant capital outlay.
- Other borrowings peaked at Rs. 374 Cr in FY20 and were phased out by FY21. This phase-out aligns with the company's strategy to streamline its borrowing structure and focus on more traditional forms of debt financing. The elimination of other borrowings suggests a move towards a more simplified and manageable debt portfolio.
- The company's debt-to-equity ratio has shown a slight improvement from 0.69 in FY22 to 0.66 in FY23, indicating a marginal reduction in financial leverage. This improvement is consistent with the company's efforts to maintain a strong capital base and reduce the cost of capital. The net debt-to-equity ratio also improved from 0.64 in FY22 to 0.60 in FY23, further reflecting the company's prudent debt management strategy.
- The return on capital employed (ROCE) decreased from 21.43% in FY22 to 19.61% in FY23, indicating a slight decline in the efficiency of capital utilization. This decline could be due to the increased borrowings and associated interest costs, which may have impacted the overall profitability. However, the company's focus on long-term investments and capital expenditures suggests a potential for improved ROCE in the future.
- The company's cash conversion cycle has shown improvement, decreasing from 77 days in FY22 to 61 days in FY24. This improvement reflects better management of working capital, with reductions in inventory days and debtor days. The enhanced cash conversion cycle indicates improved operational efficiency and liquidity, positioning the company well for future growth.

Working Capital Movement



(a) Working Capital Days

Commentary on Working Capital Movement

- The Working Capital Days increased from 4 days in FY20 to 49 days in FY21, indicating a significant rise in the time taken to convert working capital into revenue. This increase can be attributed to the disruptions caused by the COVID-19 pandemic, which affected supply chains and operational efficiencies. The company's annual report highlights that the pandemic led to delays in receivables collection and increased inventory holding periods, thereby extending the working capital cycle.
- In FY22, Working Capital Days slightly decreased from 49 days to 46 days, showing a minor improvement in working capital efficiency. This improvement reflects the company's efforts to streamline operations and enhance receivables collection processes. The annual report mentions initiatives such as digital transformation and process automation, which have contributed to better working capital management.
- However, in FY23, Working Capital Days further increased from 46 days to 56 days, reflecting a deterioration in working capital management. This deterioration is linked to the company's strategic decision to increase inventory levels in anticipation of supply chain disruptions and to meet expected demand surges. The annual report indicates that while this strategy ensures product availability, it has temporarily strained working capital efficiency.
- In FY24, Working Capital Days decreased from 56 days to 40 days, indicating an improvement in the company's ability to manage its working capital. This improvement is a result of the company's focused efforts on inventory optimization and enhanced supplier payment terms. The annual report highlights the implementation of lean manufacturing practices and better supplier negotiations, which have contributed to this positive trend.
- Debtor Days increased from 36 days in FY20 to 40 days in FY21, reflecting slower collection of receivables. The annual report attributes this to the economic slowdown and liquidity constraints faced by customers during the pandemic, which delayed payments.
- Inventory Days increased from 310 days in FY20 to 284 days in FY21, indicating a reduction in inventory turnover. This reduction is due to the company's strategy to maintain higher inventory levels to mitigate supply chain risks and ensure continuous production. The annual report mentions that this approach, while necessary, has impacted inventory turnover ratios.
- Days Payable increased from 248 days in FY20 to 277 days in FY21, showing extended payment terms to suppliers. This extension is part of the company's cash conservation strategy during the pandemic, as highlighted in the annual report. By negotiating longer payment terms, the company aimed to preserve liquidity and manage cash flows more effectively.
- The Cash Conversion Cycle (CCC) saw significant fluctuations, with a notable increase from 55 days in FY19 to 98 days in FY20, followed by a decrease to 47 days in FY21. These fluctuations reflect the dynamic changes in the company's operational environment, including shifts in inventory management, receivables collection, and payables terms. The annual report emphasizes the company's adaptive strategies to navigate through the volatile market conditions.

FIXED ASSETS OF THE COMPANY

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Fixed Assets	FY20	FY21	FY22	FY23	FY24
Land	649	652	651	699	N/A
Building	553	649	732	756	N/A
Plant & Machinery	1,101	1,269	1,417	1,490	N/A
Equipment	25	27	29	31	N/A
Computers	15	17	19	22	N/A
Furniture & Fittings	92	134	147	158	N/A
Vehicles	13	12	13	17	N/A
Intangible Assets	2	2	2	68	108
Other Fixed Assets	12	13	11	12	N/A
Gross Block	2,460	2,775	3,021	3,253	N/A
Accumulated Depreciation	425	554	697	858	N/A
Capital Work-in-Progress (CWIP)	489	262	91	235	826
Investments	55	69	85	112	85
Inventories	722	654	716	1,028	994
Trade Receivables	261	268	246	337	354
Cash & Equivalents	14	58	88	118	179
Short Term Loans	N/A	N/A	14	16	24
Other Asset Items	287	242	214	339	423
Total Assets	3,863	3,773	3,777	4,580	5,500

Commentary on FIXED ASSETS

- Fixed Assets increased from Rs. 2,035 Cr in FY20 to Rs. 2,615 Cr in FY24, indicating a steady investment in long-term assets. This growth is primarily driven by significant additions in Plant Machinery and Buildings, reflecting the company's ongoing capital expenditure to enhance production capacity and operational efficiency. The increase in Plant Machinery from Rs. 1,101 Cr in FY20 to Rs. 1,490 Cr in FY23 underscores the company's focus on upgrading its manufacturing capabilities.

- Intangible Assets saw a significant rise from Rs. 2 Cr in FY20 to Rs. 108 Cr in FY24, suggesting a strategic shift towards intangible investments. This increase is likely due to the company's investment in software and technology to support its digital transformation initiatives, as highlighted in the annual report. The rise in intangible assets aligns with the company's strategy to enhance its technological infrastructure and improve operational efficiencies.

- Gross Block grew from Rs. 2,460 Cr in FY20 to Rs. 3,253 Cr in FY23, reflecting substantial capital expenditure. This increase in gross block is indicative of the company's aggressive expansion strategy, focusing on both tangible and intangible assets to support long-term growth. The capital expenditure is further evidenced by the rise in Capital Work in Progress (Cwip) from Rs. 91 Cr in FY22 to Rs. 826 Cr in FY24, indicating ongoing projects and future capacity enhancements.

- Accumulated Depreciation increased from Rs. 425 Cr in FY20 to Rs. 858 Cr in FY23, showing higher depreciation expenses due to asset additions. The rise in depreciation is a direct consequence of the increased capital expenditure on fixed assets, particularly in Plant Machinery and Buildings. This trend reflects the company's commitment to maintaining and upgrading its asset base, which is essential for sustaining long-term operational efficiency.

- Cwip (Capital Work in Progress) fluctuated, dropping from Rs. 489 Cr in FY20 to Rs. 91 Cr in FY22, then rising sharply to Rs. 826 Cr in FY24, indicating varying levels of ongoing projects. The fluctuation in Cwip suggests that the company has completed several projects in the interim period, and the sharp rise in FY24 indicates the commencement of new projects aimed at future growth and capacity expansion.

- Cash Equivalents rose significantly from Rs. 14 Cr in FY20 to Rs. 179 Cr in FY24, highlighting improved liquidity. This increase in cash reserves is a positive indicator of the company's financial health, providing it with the flexibility to fund ongoing and future projects without relying excessively on external borrowings. The improved liquidity also positions the company well to navigate potential market uncertainties.

- Total Assets grew from Rs. 3,863 Cr in FY20 to Rs. 5,500 Cr in FY24, demonstrating overall asset base expansion. This growth in total assets is a result of the company's strategic investments in both fixed and intangible assets, as well as improved liquidity. The expansion of the asset base reflects the company's robust growth strategy and its focus on enhancing its operational capabilities to drive long-term value creation.

- The company's strategic investments and capital expenditure align with broader industry trends of digital transformation and capacity expansion. The significant rise in intangible assets and ongoing projects in Cwip indicate a forward-looking approach, positioning the company to leverage technological advancements and meet future market demands. The overall growth in fixed assets and total assets underscores the company's commitment to sustaining its competitive edge in the industry.

CASH FLOW ANALYSIS OF THE COMPANY

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Cash from Operating Activity	293	516	586	402	653
Profit from Operations	446	465	773	802	747
Changes in Receivables	8	-7	23	-92	-16
Changes in Inventory	-31	68	-62	-312	56
Changes in Loans & Advances	-2	0	-14	-2	-8
Other Working Capital Items	-51	5	56	-29	-10
Working Capital Changes	-136	127	-18	-200	23
Direct Taxes	-17	-75	-168	-201	-117
Cash from Investing Activity	-214	-84	-79	-320	-924
Fixed Assets Purchased	-227	-104	-101	-325	-901
Fixed Assets Sold	25	21	25	15	4
Investments Purchased	-11	-2	-6	-11	-27
Investments Sold	0	1	4	0	0
Interest Received	0	0	0	0	0
Dividends Received	N/A	N/A	N/A	N/A	N/A
Invest in Subsidiaries	N/A	N/A	N/A	N/A	N/A
Investment in Group Companies	N/A	N/A	N/A	N/A	N/A
Other Investing Items	N/A	N/A	N/A	N/A	N/A
Cash from Financial Activities	-93	-382	-479	-52	330
Proceeds from Shares	0	0	0	0	0
Proceeds from Borrowings	392	314	203	474	925
Repayment of Borrowings	-274	-548	-528	-323	-399
Interest Paid on Finances	-146	-143	-121	-105	-136
Dividends Paid	-59	0	-24	-49	-49
Financial Liabilities	-7	-5	-8	-49	-22
Other Financing Items	0	0	0	0	11
Net Cash Flow	-14	51	28	29	59

Commentary on Cash Flow

- Cash From Operating Activity increased from Rs. 293 Cr in FY20 to Rs. 653 Cr in FY24, indicating improved operational efficiency. This improvement can be attributed to the integration of tools from the Toyota Production System (TPS), Total Productive Maintenance (TPM), and Six Sigma, which have enhanced productivity and reduced waste, as detailed in the annual report.
- Profit From Operations showed a significant rise from Rs. 446 Cr in FY20 to Rs. 802 Cr in FY23, before slightly declining to Rs. 747 Cr in FY24. This reflects strong but slightly fluctuating profitability. The fluctuations can be linked to the company's exposure to foreign currency risk and interest rate risk, which are managed through derivative financial instruments, as mentioned in the annual report.
- Receivables fluctuated dramatically, from Rs. 8 Cr in FY20 to -Rs. 92 Cr in FY23, then improving to -Rs. 16 Cr in FY24. This indicates volatility in collections, which can be attributed to the company's exposure to foreign currency risk and the implementation of forward foreign exchange contracts to mitigate this risk.
- Inventory levels showed significant volatility, with a notable drop to -Rs. 312 Cr in FY23 before recovering to Rs. 56 Cr in FY24. This suggests challenges in inventory management, which the company has addressed through continuous monitoring and training of workers on safety norms to reduce the generation of broken glasses, as detailed in the annual report.
- Working Capital Changes were highly variable, with a significant negative change of -Rs. 200 Cr in FY23, followed by a positive change of Rs. 23 Cr in FY24. This indicates instability in working capital management, which can be linked to the company's efforts to manage its capital structure and maintain an appropriate balance of debt and equity, as mentioned in the annual report.
- Cash From Investing Activity saw a substantial increase in outflows, from -Rs. 214 Cr in FY20 to -Rs. 924 Cr in FY24, driven by higher fixed asset purchases. The company's focus on expanding its capacity and upgrading its facilities, as detailed in the annual report, has led to increased capital expenditures.
- Proceeds From Borrowings increased significantly from Rs. 392 Cr in FY20 to Rs. 925 Cr in FY24, indicating a reliance on external financing for growth or operations. This reliance is managed through a mix of rupee and foreign currency loans, with the company entering into different kinds of loan arrangements to manage interest rate risks, as mentioned in the annual report.
- Net Cash Flow remained relatively stable, with a slight increase from Rs. 3 Cr in FY19 to Rs. 59 Cr in FY24. This stability reflects the company's ability to manage its cash flows effectively despite the fluctuations in operating, investing, and financing activities. The company's efforts to maintain a strong capital base and reduce the cost of capital through prudent management are evident in the annual report.

Justification of Proposal

- Strong Market Position: Asahi India Glass Limited (AIS) holds a dominant position in the auto-glass and float glass segments, with a market share of over 70% in the auto glass segment. This strong market position provides a competitive edge and stability in revenue generation.
- Experienced and Resourceful Promoters: The company benefits from the backing of experienced promoters like AGC Inc. and Maruti Suzuki India Ltd., which provide financial flexibility and operational support. The promoters' strong credit profiles add to the company's financial stability.
- Healthy Financial Risk Profile: AIS has demonstrated a healthy financial risk profile with a comfortable net debt to PBILDT ratio expected to remain below 2.8x – 2.9x over the next two years. The company's interest coverage ratio is also strong, indicating its ability to meet interest obligations comfortably.
- Robust Revenue Growth: The company's total income increased by 10% year-on-year in 9MFY24, driven by strong demand in the automotive glass segment. The growth in revenue is supported by the rising mix of special utility vehicles (SUVs) and increased demand for sunroofs, contributing to higher value-added per car.
- Strategic Investments: AIS is actively investing in capacity expansion, including a new float glass plant and automotive glass projects. These investments are expected to drive future growth and enhance the company's production capabilities.
- Adequate Liquidity: The company maintains adequate liquidity with estimated gross cash accruals in the range of Rs. 450-550 crore in FY24 and Rs. 500-550 crore in FY25. The liquidity is further supported by unutilized bank lines and cash equivalents of around Rs. 100 crore as of March 31, 2024.
- Operational Efficiency: The company has implemented lean manufacturing practices, Total Productive Maintenance (TPM), and Six Sigma methodologies, leading to significant productivity improvements and cost reductions. This has enhanced the company's operational efficiency and profitability.
- Sustained Relationships with OEMs: AIS has long-standing relationships with major OEMs in the domestic market, including Maruti Suzuki, Hyundai, Tata Motors, and others. These relationships ensure a steady demand for the company's products and provide revenue stability.
- Positive Industry Outlook: The demand prospects for the automotive and architectural glass segments remain healthy, driven by the growth in the automotive industry and increasing construction activities. This positive industry outlook supports the company's growth potential.

Recommendations

- Evaluate the company's ability to manage and complete its large debt-funded capex projects within the planned timelines and budgets. Any significant time and cost overruns could impact the company's return on capital employed (ROCE) and overall financial health.
- Monitor the company's exposure to foreign exchange fluctuation risk and volatility in fuel prices. Implementing effective hedging strategies and cost management practices will be crucial to mitigate these risks.
- Assess the impact of the inherent cyclicality of the automotive industry on the company's performance. Diversifying the customer base and product offerings can help mitigate the risks associated with industry downturns.
- Consider the company's liquidity position and its ability to generate sufficient cash flows to meet debt repayment obligations. The company's historical ability to refinance debt in case of cash flow shortages should be taken into account.
- Review the company's leverage indicators, including the net debt to PBILDT ratio and interest coverage ratio, to ensure they remain within comfortable levels. Higher-than-anticipated debt levels could strain the company's financial metrics.
- Examine the company's strategic initiatives, such as the expansion of the automotive glass plant and the new float glass plant, to understand their potential impact on future growth and profitability. Successful execution of these projects will be key to the company's long-term success.
- Take into account the company's strong market position, experienced promoters, and established relationships with OEMs, which provide a competitive advantage and support revenue stability.
- Evaluate the company's operational efficiency improvements and their impact on profitability. The implementation of lean manufacturing practices and other efficiency measures should be factored into the overall assessment.
- Consider the positive industry outlook for the automotive and architectural glass segments, which supports the company's growth potential. The demand for premium and high-end car models, as well as increasing construction activities, are favorable trends for AIS.

Concalls

Introduction	
Moderator Introduction	The moderator welcomed all participants to the Q2 FY23 earnings conference call of PPAP Automotive Limited. He provided detailed instructions on how to participate in the Q&A session, ensuring a smooth and organized interaction. Participants were informed that the call might contain forward-looking statements based on the company's current beliefs, opinions, and expectations, which are not guarantees of future performance and involve risks and uncertainties.
Company Introduction	PPAP Automotive Limited, established in 1978, specializes in manufacturing custom-made extrusion products. The company, along with its subsidiaries and joint ventures, delivers value-added products to various customers in the automotive and ancillary industries. Key executives on the call included Mr. Abhishek Jain, Managing Director and CEO, and Mr. Sachin Jain, CFO.
Executive Summary	
Chairman's Remarks	Mr. Abhishek Jain, the Managing Director and CEO, highlighted the company's resilience amidst global economic headwinds such as elevated crude oil prices, inflationary pressures, and higher interest rates. He noted the strong performance of the Indian economy and the automotive industry, with a 37% year-on-year sales growth in the Passenger Vehicle segment. He emphasized the company's strategic focus on engine-agnostic products and special projects for electric vehicles, including charger development for OEMs.
CFO's Remarks	Mr. Sachin Jain, the CFO, presented the financial performance, noting a 19.6% year-on-year revenue growth to INR 124 crores for Q2 FY23. EBITDA grew by 6.3% to INR 12.5 crores, with margins improving from 8.4% to 10.4%. The company achieved a PAT of INR 5.3 crores in H1 FY23, compared to a loss of INR 0.7 crores in the previous year. He highlighted the company's strong capacity utilization at 80% and the positive contribution from the aftermarket business.
Key Achievements	Key achievements included the company's recognition for excellence and best quality by Asahi India Private Limited, a robust traction in the aftermarket business, and significant progress in the lithium-ion battery pack segment for two-wheeler and three-wheeler applications.

Financial Performance	
Revenue and Profit	PPAP Automotive reported a revenue growth of 19.6% year-on-year to INR 124 crores for Q2 FY23. EBITDA grew by 6.3% to INR 12.5 crores, with margins improving from 8.4% to 10.4%. The company achieved a PAT of INR 5.3 crores in H1 FY23, compared to a loss of INR 0.7 crores in the previous year.
Segment-wise Performance	The automotive segment contributed 92% of the consolidated revenue, while the aftermarket business contributed 3%, and the remaining 5% came from the commercial tool room, industrial products, and battery segments. Maruti Suzuki remained the largest customer, contributing significantly to the revenue.
Cost Analysis	The company faced challenges due to rising raw material costs, particularly in the rubber segment. However, it is taking measures to improve internal material yield ratios and develop alternative material sources to mitigate these costs.
Financial Guidance	The company expects to achieve higher operational efficiencies and maintain strong capacity utilization. It aims to achieve a debt-equity ratio of 0.35 by the end of FY23, down from the current 0.38.
Market and Economic Overview	
Macro Economic Environment	The global economy is facing multiple headwinds, including elevated crude oil prices, inflationary pressures, and higher interest rates. Despite these challenges, the Indian economy remains resilient and is growing steadily. The automotive industry recorded healthy sales in FY23, with a 37% year-on-year growth in the Passenger Vehicle segment.
Industry Trends	The Indian auto component industry is poised for growth due to increased vehicle production and exports. Government initiatives such as the battery swapping policy, PLI scheme, and promotion of semiconductor manufacturing are expected to drive further growth. The adoption of electric vehicles (EVs) is also a significant catalyst for the industry's growth.
Strategic Initiatives and Projects	
Major Projects	PPAP Automotive is focusing on developing lithium-ion battery packs for two-wheeler and three-wheeler segments. The company is also working on special projects for electric vehicles, including the development of charger bodies for OEMs.
New Products and Innovations	The company is expanding its product range to cater to EV makers and is developing high-precision injection tooling for various industries. It is also focusing on the aftermarket business, aiming to achieve 10% of total revenue from this segment.
Operational Highlights	
Capacity Utilization	The company's capacity utilization for Q2 FY23 stood at 80%, showing an improvement trend on a quarter-on-quarter basis. The company aims to achieve higher operational efficiencies with this utilization getting improved.

Efficiency Improvements	PPAP Automotive is implementing measures to improve internal material yield ratios and develop alternative material sources. These initiatives are expected to enhance cost efficiency and profitability.
Corporate Governance	
Board Activities	The Board of Directors announced a dividend of INR 1 per share, which is 10% of the face value of INR 10, during the Board meeting held for Q2 results. The company is also focusing on achieving ESG standards and running operations sustainably and responsibly.
Debt Management	The company aims to achieve a debt-equity ratio of 0.35 by the end of FY23, down from the current 0.38. It is taking measures to improve financial stability and reduce debt levels.
Financial Guidance and Outlook	
Future Projections	The company expects to achieve higher operational efficiencies and maintain strong capacity utilization. It aims to achieve a debt-equity ratio of 0.35 by the end of FY23. The company is also focusing on expanding its aftermarket business and achieving significant growth in the lithium-ion battery pack segment.
Market Outlook	The Indian auto component industry is expected to grow due to increased vehicle production and exports. Government initiatives and the adoption of EVs are significant growth drivers. The company is optimistic about the future market conditions and its strategic positioning.
Strategic Goals	PPAP Automotive aims to establish itself as a leading product solutions company in its core competence areas. It is focusing on expanding its product range, achieving higher operational efficiencies, and growing its aftermarket and lithium-ion battery pack businesses.
Questions and Answers	
Investor Query	**Management Response**
What is the current order book for the EV business?	The current order book for the EV business is difficult to specify as the market is still undergoing transformation. Better visibility is expected in the next quarter.
What is the progress with major OEMs in the two-wheeler segment?	The company is making progress with major OEMs in the two-wheeler segment, including Tata Motors and MG for their electric vehicles. It is also developing special parts for EV makers and starting business with Okinawa.
What is the business breakup for aftermarket and other businesses?	The automotive segment contributes 92% of the consolidated revenue, the aftermarket business contributes 3%, and the remaining 5% comes from the commercial tool room, industrial products, and battery segments.

Why has the consolidated inventory increased significantly?	The increase in consolidated inventory is due to advance material purchases for the EV division and the commercial tool room business, which has a high maturation period.
Are there any new products developed in the automotive segment?	New products developed include parts for Toyota Hyryder, Maruti Vitara Brezza, new Alto, and MG models.
What is the status of the lithium-ion battery pack business?	The lithium-ion battery pack business is progressing, with three lines set up for cylindrical and prismatic cell assembly. The company is developing products according to new regulations and getting them certified from iCAT.
What is the company's debt-equity ratio and future expectations?	The current debt-equity ratio is 0.38, and the company expects to achieve a ratio of 0.35 by the end of FY23.
What is the per-car contribution from Maruti and other OEMs?	The per-car contribution ranges from INR 2,500 to INR 3,000 for Maruti, INR 6,000 to INR 7,000 for Honda, and up to INR 6,500 for MG. Tata's contribution is currently INR 1,400, expected to increase to INR 3,000 next year.
What is the production schedule from Maruti for the coming months?	Maruti's production schedule remains strong, with plans to produce around 1.72 lakh vehicles in November, including those produced at the Toyota plant.
What are the company's future profitability expectations?	The company expects to achieve higher profitability in the coming quarters, with a target of 14% to 15% EBITDA margins in FY24.
Closing Remarks	
Summary by Executives	Mr. Abhishek Jain thanked all participants for their time and attention. He emphasized the company's strategic focus on achieving higher operational efficiencies, expanding its product range, and growing its aftermarket and lithium-ion battery pack businesses.
Next Steps	The company will continue to pursue higher operational efficiencies, expand its product range, and focus on achieving significant growth in the aftermarket and lithium-ion battery pack segments. It aims to achieve a debt-equity ratio of 0.35 by the end of FY23 and maintain strong capacity utilization.

Recent News

Headline and Source	
News Title	Asahi India Glass Q4FY24 Results Review
Source	ICICI Securities
Date	16 May 2024
Executive Summary	
Summary of the News	Asahi India Glass (AISG) reported a stable Q4FY24 with EBITDA margin at 17%, a 50bps improvement QoQ. Auto segment EBIT margin increased by 90bps QoQ to 11.4%, while architectural segment EBIT margin decreased by 100bps QoQ to 14.8%. Revenue was INR 10.3bn, up 3% QoQ. Auto segment revenue rose 11% QoQ to INR 7.1bn, whereas architectural segment revenue fell 1% QoQ to INR 3.6bn.
Impact on Company	The results indicate a stabilizing margin environment for AISG, with the auto segment showing signs of recovery. However, the architectural segment continues to face challenges due to capacity constraints. The overall financial health remains stable with a positive outlook for the auto segment.
Company Specific News	
Financial Results	Revenue for Q4FY24 was INR 10.3bn, up 3% QoQ. EBITDA margin stood at 17%, a 50bps improvement QoQ. Net profit for the quarter was INR 761mn, up 9% QoQ.
New Projects and Ventures	None
Product Launches and Innovations	None
Strategic Initiatives	AISG is focusing on improving margins in the auto segment through better mix and cost management, while addressing capacity constraints in the architectural segment.
Market and Economic Impact	
Industry Impact	The auto segment's recovery is a positive indicator for the auto ancillary industry, suggesting a potential uptick in demand. However, the architectural segment's challenges reflect broader industry constraints.
Economic Conditions	Stable fuel costs and lower soda ash prices are contributing to margin improvements in the auto segment. The economic environment remains supportive for cost management initiatives.

Stock Market and Investor Reactions	
Stock Performance	AISG's stock is expected to face pressure due to the maintained 'SELL' rating and a target price of INR 502, implying an 18% downside from the current market price of INR 614.
Investor Sentiment	Investor sentiment remains cautious due to the mixed performance across segments and the maintained 'SELL' rating.
Market Comparisons	AISG's performance is in line with industry peers in the auto segment but lags in the architectural segment due to capacity constraints.
Management and Leadership	
Executive Statements	None
Leadership Changes	N/A
Board Decisions	N/A
Regulatory and Compliance	
Legal Matters	N/A
Government Policies	None
Operational Developments	
Operational Updates	None
Supply Chain Issues	None
Infrastructure Developments	None
Market and Consumer Trends	
Consumer Behavior	None
Market Demand	None
Future Outlook and Projections	
Analyst Projections	Revenue CAGR of 16% for FY24-26E, EBITDA margin at ~19%/21% for FY25/26E respectively. EPS for FY25/26E projected at INR 17.9/25.2.
Company Guidance	None
Strategic Goals	None