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Asahi India Glass Ltd.



## Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and

assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and

even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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## chairman's letter to shareowners



### Dear Shareowners,

The year 2003-04 was another significant year for us in terms of operational and financial performance and the progress we made towards realisation of our vision of being India's leading integrated glass Company.

Sales and profits reached record levels. Gross sales, at Rs. 588.42 crores, were 20 per cent higher than previous year and net profits, at Rs. 71.75 crores, increased by over 90 per cent.

To put the numbers into perspective, this performance has been similar to our past performance. Over the past 17 years of existence, sales and cash profits increased at a CAGR of 28 per cent and 30 per cent respectively, propelling Asahi India into India's largest glass Company, with a well balanced portfolio of products and strong market position spanning almost the entire glass value chain.

This transition was inspired and achieved every single year of our operations with innovative initiatives.

Let me explain the path that we have been following:

#### ♦ Value-creating growth

Our growth plans have been designed to create a stronger Company and enhance shareholder value. We have been guided by our financial goal of generating free cash flows from operations to earn a rate of return on capital employed (ROCE) of 40 per cent and to pay out 25 per cent of profits as dividends.

We achieved an ROCE of 33 per cent during the financial year 2003-04. Dividend pay out for the year was 28 per cent. We shall continue in our endeavour to follow and achieve our financial goal.

#### ♦ Business de-risking

Our transition from an automotive glass manufacturer supplying a single customer to India's largest integrated glass Company is reflective of our de-risking strategy. This has helped us improve our competitive advantage, significantly expand our business platform, reduce our business risk

and enhance our strategic position in the industry.

In 2003-04, we initiated steps to expand our business platform and lower business risk by:

- ♦ Setting up second automotive plant in the South near Chennai;
- ♦ Setting up architectural glass processing facility in the West near Mumbai.

#### ♦ Quest for excellence

We have benchmarked our operational performance to global levels and set out targets as milestones to achieve these levels. We have been constantly challenging these targets to better our performance.

Our shop floor performance in Automotive Glass SBU, for example, is in line with the best in class benchmarks on following parameters:

- ♦ Shop floor yields, at over 96 per cent;
- ♦ Customer claims, within 100 ppm;
- ♦ Machine uptime, in the range of 98 per cent.

The Float Glass SBU achieved a record production of 31.36 million csqm., against rated capacity of 29 million csqm. At this level, production was up by over 37 per cent from year 2000-01, the last year before the take over of the erstwhile Floatglass India Ltd.

All our efforts in raising efficiencies have been carried out under the umbrella of Total Quality Management, which has been spread through all processes in the Company.

#### ♦ Building and developing 'relevant' technology

We have timed our investments to capture and capitalise the emerging opportunities, to further improve our cost structure and to better our technical and product development capabilities.

Going beyond just the manufacturing of glass, we have taken initiatives in developing self-sufficiency in "relevant" technology in-house.

We have succeeded in building self-sufficiency in the area of product

development. We have even gone beyond this into the area of developing and building glass processing equipment.

We are optimistic that the industry uptrend will sustain well into the long-term. The outlook in the current fiscal looks good.

Balance of payment, with FII inflows, is very positive. Interest rates remain low. Consumer culture is spreading. Roads are being built. Despite change in the political set up, there is no significant apprehension about policy reversals. Exports, especially auto and auto components, are doing well.

Over the medium to long term period, we expect growth in our businesses in the 10 -15 per cent range.

At Asahi India, we are strengthening our capabilities to meet the emerging opportunities and challenges through:

- ♦ Completing transition from only product manufacturing to providing solutions delivery;
- ♦ Building a meaningful presence in every part of the automotive;

and architectural glass value chain;

- ♦ Attacking niche markets;
- ♦ Blanketing the market with product and services for the final consumers;
- ♦ Localising more machines and toolings;
- ♦ Product rationalisation;
- ♦ Improving internal efficiencies.

We shall continue our endeavours for sustained profitable growth by effectively serving our customers, maintaining operational excellence in all our functional areas and building our meaningful presence in every part of the automotive and architectural glass value chain. We are committed to pursue profitable growth to enhance shareholder value.

We are thankful to all our shareowners for the unstinted support and the trust placed in the Company. I would also like to thank our customers, collaborators, suppliers and employees for their continued support and contribution.

**B.M. Labroo**  
Chairman



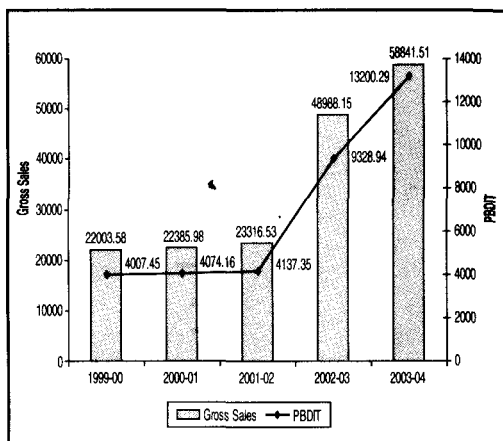
# Value through

improved numbers

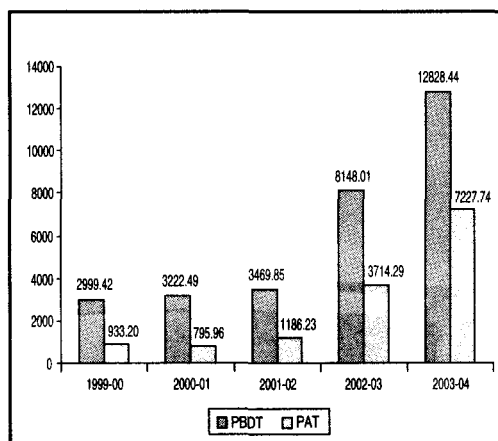
"Price is what you pay. Value is what you get."

Warren Buffett

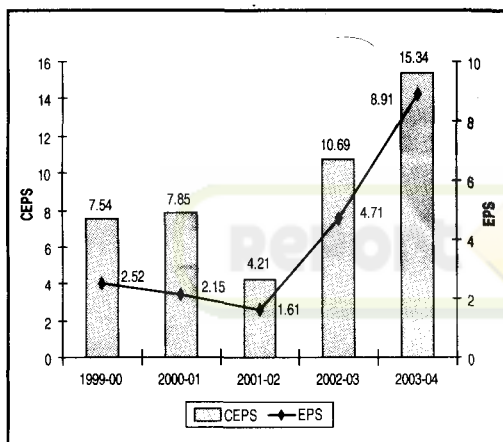
Gross Sales & PBDIT (Rs. Lakhs)



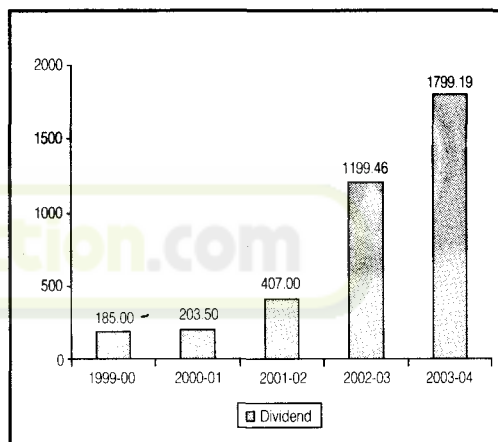
PBDT & PAT (Rs. Lakhs)



CEPS & EPS (Rs.)



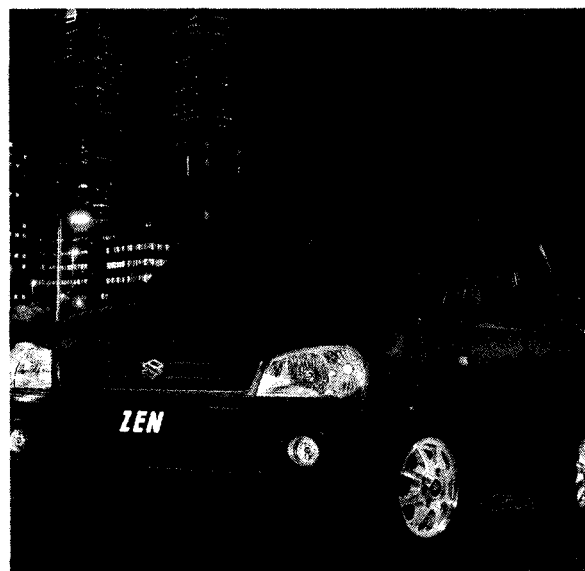
Dividend (Rs. Lakhs)



- Profitability figures inclusive of exchange rate gain.
- Results of erstwhile Floatglass India Ltd. included, post merger w.e.f. 1.4.2002
- Earnings/Dividend on expanded equity capital, post bonus and merger.
- Face value of equity shares taken at Re. 1 each.

## Creating shareholder value

- ◆ An investment of Rs. 1,000 in equity shares at the time of the IPO in 1987 had grown over 500 times into a holding of Rs. 5 lakhs at the close of 2003-04.
- ◆ This investment of Rs. 1,000 in the IPO would have generated dividends of Rs. 22,406 until 2003-04.
- ◆ A holding of 100 equity shares of a face value of Rs. 10 each would have grown into a holding of 4,000 shares of a face value of Re. 1 each as on 31.3.04, through bonus issues and a sub-division in the face value of the Company's equity shares.







Value through

sustainable growth

"Without continual growth and progress, such words as improvement, achievement and success have no meaning."

— Benjamin Franklin



At Asahi India, we live by the philosophy that sustainable - and only sustainable - growth enhances value for shareholders and other stakeholders on a continuous basis.

Over the years, sustainable growth at the Company has been driven by the following actions:

- ◆ A meaningful presence in every part of the automotive and architectural glass businesses leading to the eventual effective capture of value across our complete chain.
- ◆ The acquisition and merger of the erstwhile Floatglass India Ltd., leading to the widest value proposition in the glass business, coupled with a strategic integration of our supply chain.
- ◆ A progressively de-risked business model, strengthening the Company's capability in surviving downturns in any one segment.
- ◆ A rapid scale-up of business capability, enhancing the maximum value in a minimum timeframe through new products and fresh revenue streams.
- ◆ An expanding customer base that covers the entire automotive segment coupled with an expanding presence in the float glass segment.
- ◆ A widening distribution network that effectively covers the entire market in India.

Report

## Continuous improvement

- ◆ Topline and profitability growth across every single year since 1987.
  - A 28 per cent CAGR topline growth.
  - A 30 per cent CAGR cash profit growth.





Value through

knowledge-led innovation

"Knowledge has to be improved, challenged and increased constantly, or it vanishes."

— Peter Drucker