



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", "expect", "project", "intend", "plan", "believe" 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 materialize, 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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AIS

Asahi India Glass Limited (AIS) is India's largest integrated glass company with a powerful and well balanced portfolio of products. AIS has a strong strategic position in the Indian glass industry. AIS is a leader in auto glass and architectural processed glass and has a prominent position in float glass. AIS is constantly seeking out profitable growth with a thrust on going up the value chain in both its core businesses— auto glass and architectural glass.



Vision

To continue to be India's leading integrated glass company.

Mission

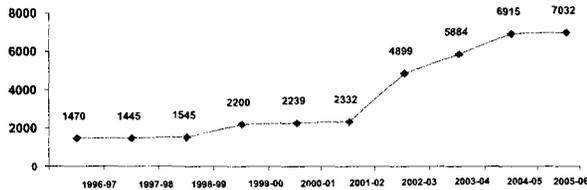
To provide VALUE to its stakeholders including its Shareholders, Customers, Employees and Society at large through delivery of products and services of internationally comparable QUALITY at globally competitive COSTS, DELIVERED optimally in a manner which promotes SAFETY and respect for the ENVIRONMENT.

Ten Years' Financial Snapshot

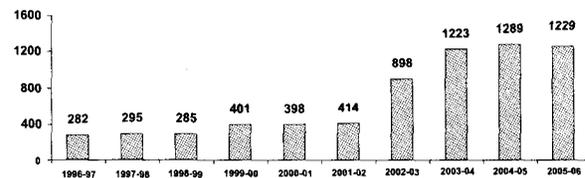
(Rs. Millions)

| Items | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross Sales | 1470 | 1445 | 1545 | 2200 | 2239 | 2332 | 4899 | 5884 | 6915 | 7032 |
| Other Income | 9 | 22 | 19 | 20 | 21 | 17 | 58 | 149 | 74 | 36 |
| Total Income | 1479 | 1467 | 1564 | 2220 | 2260 | 2349 | 4957 | 6033 | 6989 | 7068 |
| Operating Profit | 282 | 295 | 285 | 401 | 398 | 414 | 898 | 1223 | 1289 | 1229 |
| Interest | 99 | 97 | 93 | 76 | 58 | 49 | 79 | 24 | 32 | 108 |
| Gross Profit | 183 | 198 | 192 | 325 | 340 | 365 | 819 | 1199 | 1257 | 1121 |
| Depreciation | 115 | 154 | 137 | 161 | 193 | 174 | 438 | 501 | 403 | 63 |
| Profit Before Tax | 62 | 30 | 34 | 139 | 130 | 173 | 376 | 782 | 850 | 912 |
| Tax | 8 | 3 | 9 | 46 | 50 | 54 | 5 | 59 | 67 | 50 |
| Profit After Tax | 54 | 27 | 25 | 93 | 80 | 119 | 371 | 723 | 783 | 863 |
| Paid-up Equity Capital | 18 | 37 | 37 | 37 | 37 | 74 | 80 | 80 | 80 | 160 |
| Reserves & Surplus | 172 | 169 | 183 | 256 | 313 | 326 | 711 | 1221 | 1676 | 2349 |
| Shareholders' Fund | 190 | 206 | 220 | 293 | 350 | 400 | 791 | 1301 | 1756 | 2509 |
| Loans | | | | | | | | | | |
| - Interest Free Sales Tax Loan | 45 | 96 | 147 | 205 | 249 | 257 | 248 | 243 | 235 | 227 |
| - Interest Free Foreign Currency Loan | - | - | - | - | - | - | 2268 | 2088 | 2088 | 2130 |
| - Interest Bearing Loan | 803 | 735 | 647 | 498 | 633 | 920 | 854 | 373 | 2128 | 6311 |
| Capital Employed | 1005 | 971 | 936 | 932 | 1014 | 1327 | 4132 | 3961 | 5019 | 6380 |
| Net Fixed Assets | 618 | 578 | 530 | 716 | 915 | 893 | 3361 | 3042 | 4805 | 9718 |
| Net Current Assets | 381 | 387 | 413 | 230 | 286 | 583 | 886 | 1072 | 1401 | 1492 |
| Earnings per share (Rs.) | 29.42 | 7.16 | 6.63 | 25.22 | 21.51 | 16.03 | 4.71 | 8.91 | 4.86 | 6.17 |
| Cash Earning per share (Rs.) | 99.16 | 53.50 | 51.79 | 75.43 | 78.46 | 42.05 | 10.69 | 15.34 | 7.39 | 6.37 |
| Dividend Pay out (%) | 16.99 | 38.12 | 41.83 | 22.00 | 28.15 | 34.21 | 35.92 | 28.47 | 29.21 | 12.68 |
| PBDIT / Average Capital Employed (%) | 30.65 | 29.80 | 29.90 | 42.91 | 40.96 | 35.34 | 21.63 | 30.24 | 28.70 | 21.57 |
| PBIT / Average Capital Employed (%) | 17.53 | 12.81 | 13.31 | 23.01 | 19.31 | 18.89 | 10.96 | 19.93 | 19.63 | 20.44 |
| ROANW (%) (PAT / Average Net Worth) | 32.30 | 13.36 | 11.51 | 45.91 | 27.78 | 33.65 | 51.33 | 69.34 | 50.99 | 39.84 |

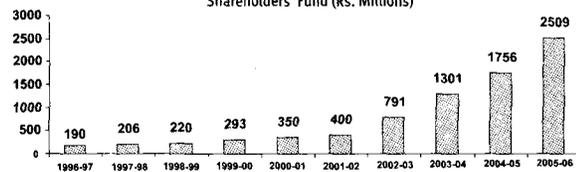
Gross Sales (Rs. Millions)



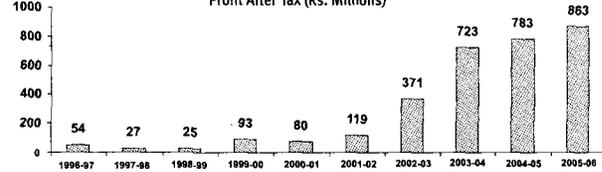
Operating Profit (Rs. Millions)



Shareholders' Fund (Rs. Millions)



Profit After Tax (Rs. Millions)



Notes:

* Previous period figures have been regrouped / rearranged, wherever required.

* Capital employed is exclusive of capital WIP and misc. expenses not written off.

* Profitability figures are inclusive of exchange rate gain and exclusive of expenses on extraordinary items.

* Earnings are taken on expanded equity capital, post bonus and merger.

* Face value of equity share is Re. 1/- from 2002-03 onwards.

Chairman's Letter

Dear Shareholders,

The year 2005-06 started on a positive note and we expected a splendid performance based on our forecast for the economy in general and the continued double digit growth in the automobile and construction sectors. An unexpected catastrophe hit Maharashtra in the form of a record rainfall on 26th July, 2005. The calamity was very severe in Taloja and our factory was massively flooded; the operations at AIS's Float Glass Plant came to a grinding halt. The entire AIS staff at the plant fought valiantly to prevent the closure of the factory operations. Unfortunately the damages were extensive and the furnace had to be closed down.

We sought the best expert advice that we could muster and their opinion was a minimum plant shut down of at least six months. This was an uphill task and a challenge that the entire team at AIS took on.

I am very pleased to inform our shareholders about the unrelenting loyalty of our staff working in Taloja and the full support they received from their colleagues from our other plants to re-start the operations. We are proud of the human resource in AIS. The production at Taloja Plant was restored in a record period of just over three months on 1st November, 2005 on the auspicious day of "Deepawali". This must be one of the finest displays of human spirit. I am happy to report that after the major repairs we now have a much better, efficient and rejuvenated Float Glass Plant at Taloja.

However, the floods severely effected our performance in the financial year 2005-06. AIS's gross sales at Rs. 7032 million remained virtually flat. Operating profits declined 4.7 per cent to Rs. 1229 million. Besides the flood losses, rising costs of certain inputs like oil, soda ash, etc. impacted AIS's profitability. In keeping with the Company's commitment to shareholders, your Directors recommended a dividend of 60 per cent on equity shares, notwithstanding the financial difficulties AIS faced in 2005-06.

The performance of AIS Glass Solutions, a subsidiary of AIS, was satisfactory. Month on month sales grew over 29 per cent to make AIS Glass Solutions as the largest architectural glass processor in the country by March, 2006. Total sales of architectural processed glass amounted to Rs. 140 million during the year.

Some of the highlights of the year are :

- Maintained leadership position, with over 81 per cent market share in the Indian passenger car industry;



unction.com

- Re-started exports of auto glass in the after-market to Europe and Pakistan;
- Received commendations from customers, including Maruti Udyog Ltd. and Mahindra & Mahindra Ltd;
- Completed Phase II and III expansions at the Auto Glass Plant at Chennai, adding capacities of 1-1.2 million tempered back door glass and another 500,000 laminated windshields respectively; and
- Set up two architectural processing facilities at the Auto Glass Plants at Chennai and Rewari, significantly increasing architectural glass processing capacity.

Apart from these, I am pleased to inform that the project work at AIS's Roorkee Plant, which is the largest Integrated Glass Plant in the country, is progressing well. This is the single largest investment by AIS. Commercial production at this plant is scheduled to begin by December, 2006.

These expansions will further strengthen AIS's competitiveness in the auto glass and the architectural glass value chains and improve its position of being among the lowest cost glass producers in the world.

We are on the threshold of a major growth phase. By the end of 2006-07, we would have completed the most of our scheduled expansions. Consequently much larger capacities will emerge to ensure AIS maintains its No. 1 position and set the stage for the most efficient operations to make it globally competitive, and financially rewarding. Our ability to utilize larger capacities, integrate our core businesses and increase our levels of value addition will be a key to our future excellence.

India's GDP growth over the past three years has averaged 8.1 per cent. In the past two years, growth in the manufacturing sector has outpaced GDP growth. Construction has grown at 11.8 per cent. This strong economic growth will directly impact AIS's core markets - automobiles and construction, which generally grow at over two times GDP. However, some other factors like weakening of rupee against dollar, hardening of interest rates, rising inflation and, more importantly, high oil prices that have risen to over US\$ 70/barrel, are a cause of concern.

India has to maintain its much applauded growth strategy despite some negative factors. AIS is in a vantage position. Per capita glass consumption in India is one of the lowest in the world, mainly because large parts of the country are still architecturally rural. However, the breathtaking urban growth during the last 20 years has opened up huge opportunities for the

new architectural designs, which are very highly glass oriented. Gurgaon, Noida, Bangalore, Pune, Hyderabad and Mumbai are throwing up a new skyline where AIS has the most prolific role to play.

We are steadfast in pursuing our long term strategy of growing revenues and profits by addressing all the markets in the glass value chain while aiming for operational excellence across our core businesses.

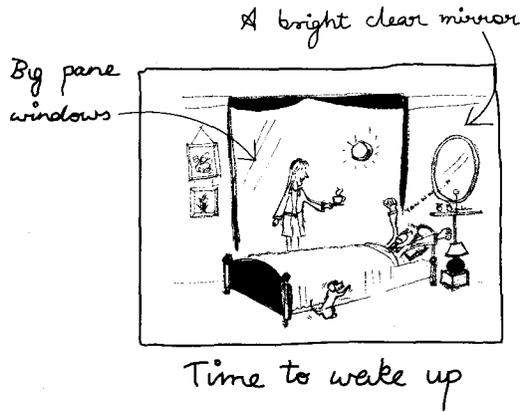
In conclusion, I would like to thank our shareholders and business partners for their overwhelming support to AIS. I would also like to convey my sincere appreciation for the efforts of the entire AIS team this year. I am confident AIS is on the path of realising its vision to continue to be India's leading integrated glass company.

B.M. Labroo
Chairman

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About AIS

Making glass a part of your life



AIS is the largest integrated glass company in India, manufacturing a wide range of international quality automotive safety glass, float glass, architectural processed glass and glass products.

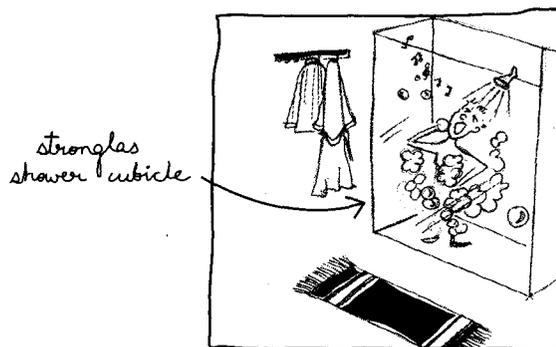
AIS is jointly promoted by Labroo family, Asahi Glass Co., Ltd., Japan, with Maruti Udyog Ltd. holding a minority stake. The promoters hold 55.3 per cent of the paid up equity capital of AIS, while the remaining equity is held by the public.



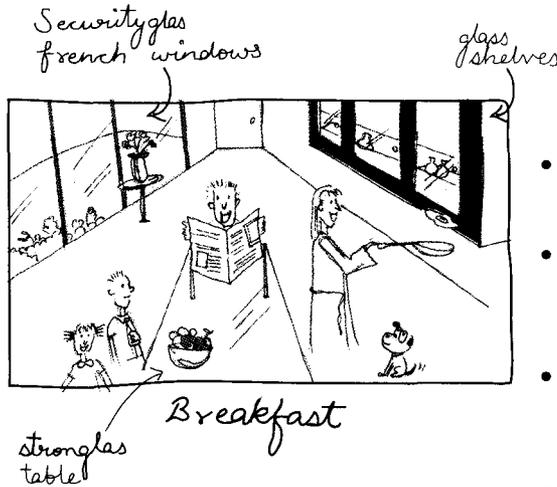
AIS is a widely held listed company with over 69,000 shareholders. The Company's equity shares are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

AIS is transforming itself from being a manufacturer of world-class glass and glass products to a solutions provider by moving up the value chain of auto glass and architectural glass and providing design, products and services that make glass more versatile and user-friendly.

AIS has the three Strategic Business Units (SBUs) through which it strives to deliver value and make glass a part of everyone's daily lives:

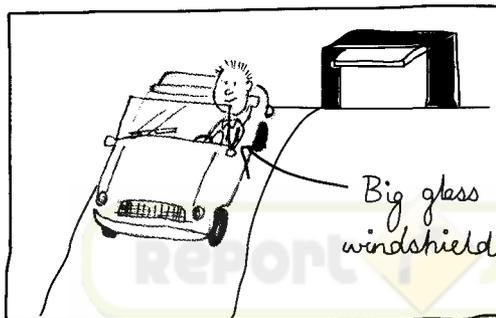


- AIS Auto Glass
- AIS Float Glass
- AIS Glass Solutions



AIS Auto Glass

- India's largest manufacturer of world class automotive safety glass.
- Total production capacity of 2.5 million car sets, with state-of-the-art manufacturing facilities at Rewari and Chennai.
- Sole supplier to almost the entire Indian passenger car industry, with a current market share in excess of 81 per cent.
- Offers the full range of automotive safety glass including laminated safety glass, tempered glass for side and backlites, value-added glass, defogger glass, encapsulated glass.
- Customers include India's leading automobile players like Maruti Udyog, Hyundai Motors, Tata Motors, Toyota, Mahindra & Mahindra, Honda, General Motors, Ford India, Hindustan Motors, Fiat India, Volvo, Eicher, Piaggio.
- Exporting auto glass to after-market in Europe and Pakistan.
- Significant presence in the after-market, with a market share of over 50 per cent.

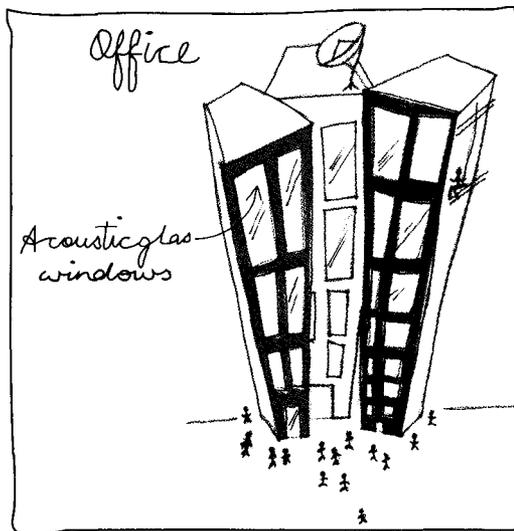


Off to work

- Sales and marketing network includes two nation-wide distributors with 27 depots located across the country to cater to the after-market.

AIS Float Glass

- Premier manufacturer of international quality float glass in India.
- State-of-the-art manufacturing facility at Taloja, near Mumbai, with a manufacturing capacity of 500 TPD.
- The second plant, which will be the largest Integrated Glass Plant in India with a float glass production capacity of 700 TPD, is being set up at Roorkee in the state of Uttaranchal in North India. The plant is scheduled to be operational by December, 2006.



- Market share of about 20 per cent of the Indian float glass market, which will increase to approximately 35 per cent, post commissioning of the Roorkee Plant.
- Product range includes float glass of thickness of 2mm–12mm, with products like clear float glass, tinted float glass, heat reflective glass and mirrors.
- Country-wide sales and marketing network, which comprises over 450 authorized stockists, field sales personnel, zonal offices and area representatives.

Customised Acousticglas & Securityglas

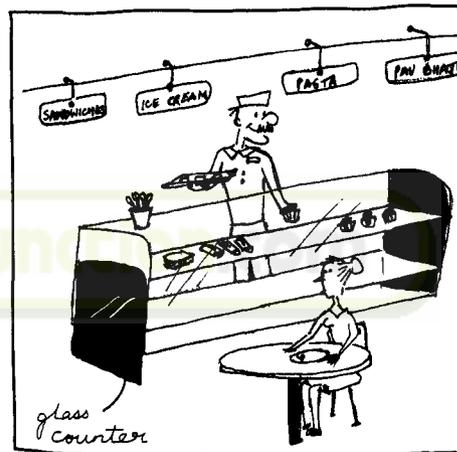


smart glass furniture

AIS Glass Solutions

- Emerged as a leader in architectural glass processing business in the country within first year of its operations.
- A subsidiary of AIS with focus on solving customer problems about glass and offering end-to-end glass solutions which enable customers to do more with glass.
- Architectural processing facilities at Taloja, Chennai and Rewari. The fourth facility, being set up at AIS's Integrated Glass Plant at Roorkee, will be the largest architectural processing facility in the country, and will be operational by February, 2007.
- Product range includes high quality architectural processed glass like AIS Stronglas™ (tempered glass), AIS Securityglas™, AIS Acousticglas™ (laminated glass), Insulated Glass Units and innovative glass products like windows, tabletops, partitions, shelves, shower cubicles, etc. Besides, it caters to projects segment, meeting glass and related requirements of projects.
- National sales force, comprising 32 sales personnel and over 65 channel partners, is among the most knowledgeable sales force in the country on glass.
- Long term objectives include :
 - To increase the captive consumption of float glass for architectural processing & glass products;
 - To raise glass consumption by disseminating knowledge and introducing innovative product lines.

Meeting time: the conference room!



glass counter

Cafeteria

Good to be back home!



light shining through

good night!