

22nd Annual Report 2006-07



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", "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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Asahi India Glass Ltd. (AIS) is India's largest integrated glass company.

The Company commenced operations in 1987 as an automotive glass manufacturer and has since grown to its dominant market position across the entire glass value chain with a diversified product portfolio.

The transition from an auto glass manufacturer having a single customer to the country's largest integrated glass company has been a result of AIS's innovative initiatives taken in every single year of its operations.

AIS's growth has come through its consistent endeavour to improve its competitive position, lower its risk profile, strengthen its business model and invest in profitable growth opportunities in the field of glass and its applications.

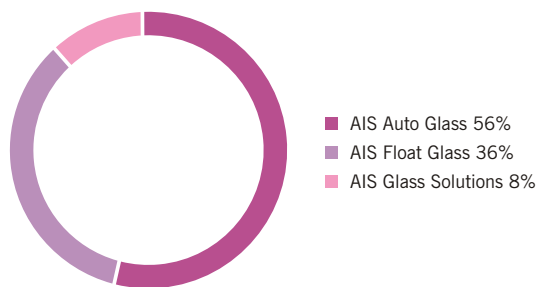
AIS firmly believes in the paramountcy of shareholder wealth creation. AIS remains committed to pursue profitable growth to enhance shareholder value on a sustainable basis.



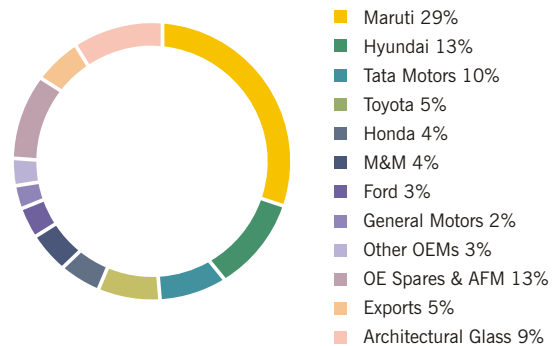
Performance at a glance

Financial Year : 2006-07

AIS (Consolidated) : Sales Distribution



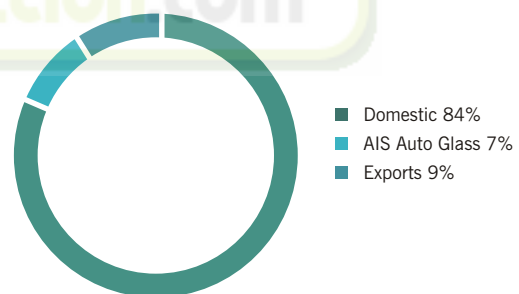
AIS Auto Glass : Sales Distribution



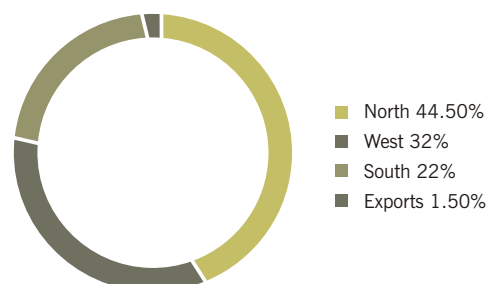
Financial Highlights (Consolidated)

	(Rs. Lakhs)	
	2006-07	2005-06
Gross Sales	91,897	71,517
Net Sales	76,656	59,123
Operating Profit	16,630	12,052
Gross Profit	13,083	10,962
Net Profit	4,332	8,630
Net Worth	28,434	25,243
Capital Employed	1,32,791	63,968
Ratios (%)		
Operating Profit Margin	21.7	20.4
Gross Profit Margin	17.1	18.5
ROANW	16.1	40.3
PBDIT / Average Capital Employed	16.9	21.1
Per Share (Rs.) (Face Value of Re. 1/-)		
Cash Earning Per Share	7.8	6.4
Earning Per Share	2.7	6.2
Dividend Per Share	0.65	0.60

AIS Float Glass : Sales Distribution



AIS Glass Solutions : Sales Distribution



Chairman's Letter to Stakeholders



Dear Stakeholders,

The year 2006-07 was excellent for the Indian economy. Beating its own forecast, it recorded its fastest growth in the past 18 years and became a trillion dollar economy, making India only the 12th nation to cross this milestone. The domestic economy grew 9.4 percent in 2006-07. Manufacturing sector grew 12.3 percent, while the service sector grew 11 percent. This was to me the crowning year of an up cycle, which will go a long way in redefining India.

The year 2006-07 was a breakthrough year for AIS also. It marked the commissioning of the second float glass plant of AIS at Roorkee on the 1st of January, 2007.

The float plant, with a capacity of 700 tons per day, forms part of the largest Integrated Glass Plant in the country set up by your Company at Roorkee in the State of Uttarakhand. The Integrated Glass Plant has the state-of-the-art manufacturing facilities for float glass, reflective glass, mirror, automotive safety glass and architectural processed glass. With its auto glass and architectural glass processing facility getting commissioned soon, the benefits of this Plant will start showing in the near future. This Plant is a critical fit to our strategy of building value chain and scales with forward and backward linkages, which will significantly help AIS in realizing operational synergies and reducing costs.

During the year 2006-07, AIS's consolidated gross sales and operating profit grew 28 percent and 38 percent to Rs. 91,897 lakhs and Rs. 16,630 lakhs respectively. Profit after tax at Rs. 4,208 lakhs was impacted primarily due to higher incidence of deferred tax provision, depreciation and interest. The architectural glass processing business performed very well. The gross sales in the business increased 251 percent to Rs. 5,500 lakhs. It made a maiden operating profit of Rs. 419 lakhs.

The interim dividend of Re. 0.65 per equity share has been recommended as final dividend for the year 2006-07.

AIS continued to maintain its leadership position in the auto glass and architectural glass processing businesses. The excellent performance of your Company is reflected in the commendations received from its customers - Maruti Udyog, Hyundai Motors, Toyota Kirloskar, Mahindra & Mahindra and Ford India. AIS was rated as the "Best Indian Company in Glass and Ceramics Category" by Dun & Bradstreet. Our corporate brand - AIS was chosen as a "Superbrand" during the year.



The Mid Term Plan (MTP) of AIS, spanning through the five year period from 2006-07 to 2010-2011, targets a top line growth at a CAGR of over 20 percent and an operating profit growth at a CAGR of over 25 percent. This Plan will give us Scale, Decommoditization, Customer Intimacy and Operational Excellence. Essentially, it will result in an orbital change for us wherein we will transform ourselves into a multi location, totally integrated value added glass company with leadership in technology and product range at the lowest cost.

We have redefined our Vision and Mission for this MTP.

Our Vision is to “SEE MORE” - captures AIS culture.

Our Mission is “EXECUTION FOR EXCELLENCE”.

The year 2007-08 is the 20th year of our operations. This year will witness the completion of all our ongoing expansions, enabling AIS to offer “technologically demanding” higher value-added products, and improve its position of being among the lowest cost, high quality, full solutions provider to its customers.

By focusing on accomplishing these goals, there is no limit to the value that we can create today, tomorrow and in the years to come. I am convinced there is no better company, no better team and no better time to address the significant opportunities ahead. We recognize the faith you have in us and feel a deep obligation to return that honour with stronger and more sustainable performance in the years ahead.

AIS is ready to play its role in the growth story of the country. As in 1987, 1996 and 2001, it is again a defining time for AIS to surge ahead with breakthroughs and create value for its shareholders.

As I conclude, I would like to express my sincere thanks to all our business partners for their continued belief in AIS's abilities and potential. I would also like to complement the entire AIS team for their relentless participation in the AIS growth story.

B.M. Labroo

Chairman

VISION

AIS's Vision is to "SEE MORE"

This byline captures AIS's culture :

- It describes AIS's products & services which delight its customers by helping them see more in comfort, safety & security.
- It expresses AIS's corporate culture of merit and transparency.
- It defines the qualities of AIS's people to want to see, learn, and do more, in depth and detail. To transcend the ordinary.

MISSION

AIS's Mission is "JIKKO" - Execution for Excellence

With major investments in place, the time is now to reap the benefits by execution for excellence.

GUIDING PRINCIPLES

All actions of AIS are driven by the following guiding principles :

- | | |
|--------------------------------------|---|
| • Creation of Value for Shareholders | • Strengthening of Systems |
| • Customer Satisfaction | • Upgradation of Human Potential through education and training |
| • Respect for Environment | • Social Consciousness |
| • Use of Facts | |
| • Continuous Improvement | |



AIS Story : Foreseeing Opportunity, Creating Value

AIS started its journey 20 years back with a paramount objective of shareholder wealth creation. Over the next two decades, AIS's journey traversed 4 major phases - The Four Waves. The intrinsic trait of foresight, acumen to invest in emerging opportunity and the motivation of generating superior returns and creating value for its stakeholders, has driven AIS's operations since then.

The First Wave : 1984 - 90

The story begins in the mid 1980's. Maruti Udyog Ltd., (Maruti) was seeking to set up joint ventures for some key components in an effort to establish indigenous sourcing of quality components for its vehicles. Safety Glass was one of these components.

Foreseeing the country's economic potential and anticipating a strong growth in the Indian passenger car industry in the years to come, the idea of entering the safety glass business in the auto-components industry took shape in the minds of Mr. B. M. Labroo and Mr. Sanjay Labroo (AIS's current Chairman and Managing Director & C.E.O. respectively).

Key actions :

- Investment in top technology through technical collaboration with Asahi Glass Co., Ltd., Japan, the world's largest safety glass manufacturer.
- Public listing of the Company to ensure good governance and accountability to stakeholders.
- Funding with a debt - equity structure of 5.5 : 1.

Results :

- AIS came into existence as Asahi India Safety Glass Ltd., as a joint venture between Labroo Family, Asahi Glass Co., Ltd., Japan and Maruti Udyog Ltd., and commenced commercial production of automotive toughened glass in March, 1987 at its Plant at Bawal (Rewari).
- The Initial Public Offer of AIS in April 1987, offering 40 percent of the total equity of Rs. 185 lakhs, was oversubscribed by 6.89 times and the shares were listed at Delhi, Bombay, Ahmedabad and Calcutta Stock Exchanges.
- AIS earned its maiden profit and paid dividend to equity shareholders in the year ended March, 1990.
- Expanded capacity by 70 percent to meet growing requirements of its sole customer, Maruti.
- Commenced supplies of automotive safety glass to its second customer, DCM Toyota Ltd. for its car.
- Obtained 'E' Mark Certification (European Standards) to facilitate its use in vehicles for export market.



- Established an Engineering Section at the Plant to ensure full absorption of the imported technology and to carry out R & D activities in the areas of indigenization of imported machinery and components.
- Installed first printing line to produce automotive safety glass with black ceramic and heat-lite printing, a first in the country.

The Second Wave : 1991 - 95

The Gulf crisis leading to steep increase in fuel cost, adverse BOP situation leading to stringent import restrictions, withdrawal of OGL facility for import of float glass, falling rupee exchange rate, and credit squeeze by banks resulted in tough economic conditions in the early part of this period. Subsequently, this phase witnessed sweeping economic reforms in the country with effects on foreign exchange, foreign direct investment and money supply.

AIS engineered its way forward with strategic alignment of its business goals with the prevailing conditions.

Key actions :

AIS's strategy in this period was directed at :

- Diversifying its sales base.
- Consolidating its current position by focus on building operating efficiencies.
- Conserving capital by judicious investment.
- Reducing imports.

Results :

- Made first export sales of automotive safety glass to Europe, mainly as original parts on exported Maruti vehicles. The export sales recorded significant increase subsequently.
- Extended customer base with commencement of supplies to new customers - TELCO (now, Tata Motors), Mahindra & Mahindra and General Motors.

