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Report



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Asahi India Glass Limited (AIS) is on a journey that is rife with possibilities. Over the years, AIS has thrived in its objective of shareholder value creation through a vision to succeed, strategy to outperform, character to implement and spirit to riposte.

The journey so far, of becoming the largest integrated glass company in India, has been full of learnings – from within and from outside. AIS's core strengths of thinking ahead of time, immaculate planning and timely execution combined with in-depth understanding of the glass business have resulted in profitable growth.

With the changing business environment, AIS has accelerated its learning curve, pushing all boundaries, be it scale, integration, value addition, processes and technology.

With over twenty one years of technological expertise, enviable performance from a first generation automotive safety glass manufacturer to an end-to-end integrated solutions provider, AIS is the first choice of its customers and investors.



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
- ☐ Customer Satisfaction
- ☐ Respect for Environment
- ☐ Use of Facts
- ☐ Continuous Improvement
- ☐ Strengthening of Systems
- ☐ Upgradation of Human Potential through education and training
- ☐ Social Consciousness

Chairman's Letter



Dear Stakeholders,

2007-08 was a year when the country had its highs and lows. India achieved an inflation-adjusted real GDP growth of 9%, the third straight year in which the Indian economy grew at 9% or better. However, the last quarter of 2007-08 and the first quarter of 2008-09 reflected a slowdown in the Indian economy. Manufacturing growth during the last quarter of 2007-08 at 8.1%, was lower than the same period in the previous year, prices of crude oil have nearly tripled in the seventeen months since January, 2007 and inflation has crossed 10%.

All these posed a very challenging operating environment for AIS. During 2007-08, gross sales at a consolidated level grew 29% from Rs. 91,897 lakhs in the previous year to Rs. 1,18,317 lakhs. Operating profit, after taking into account gain on foreign exchange fluctuation of Rs. 5,269 lakhs, increased 21% from Rs. 16,630 lakhs in the previous year to Rs. 20,059 lakhs.

2007-08 also saw AIS face considerable pressure on profit margins due to unexpectedly high input costs, especially fuel and soda ash. Additionally, 2007-08 also witnessed the impact of depreciation and interest charges on account of first full year of operations of the new Roorkee plant, which heavily impacted the financial results.

In times of change, Companies with accelerated learning will inherit the future. Learning from the adverse impact of wagering oil prices on AIS in 2007-08, your Company is exploring viable alternative technologies for ensuring dependable and stable sources of energy.

The scale of our business has changed. With the commissioning of the architectural glass unit in September, 2007 and the auto glass unit in October 2007, the Integrated Glass Plant (IGP) at Roorkee is fully operational with manufacturing capabilities of float glass, auto glass, architectural processed glass, reflective glass and mirror, all under one roof. This plant is a strategic fit in AIS's long term objectives.

As the new plants become even more efficient and result in economies of scale, the average cost of production will start decreasing at an increasing rate. The technological breakthroughs on which the Company is working and hopes to deploy within a short span of time will accelerate the 'efficiency curve' and will ensure that AIS maintains its leadership position in the future.



Over the last year, AIS received many accolades in recognition of its impeccable operations. While a comprehensive list of awards received by the Company is available in the Report of the Directors, I would like to take this opportunity to highlight some of the most prestigious ones.

2007-08 was a landmark year in AIS's quality journey. AIS's Auto Glass Division was conferred the prestigious Deming Application Prize, 2007 for "achieving outstanding performance by practicing Total Quality Management (TQM)". I am proud to say that your Company is one of the just fourteen Indian companies and the only Indian glass Company to have won this award. The Deming Application Prize reflects our passion for quality and constant efforts to create customer delight.

AIS Auto Glass also received the 'Hyundai 5 Star Award' - a signal mark of acknowledgement of quality from a global customer. AIS is just the fourth Indian company and the only glass company to have been awarded the '5 Star Award' by Hyundai Motors.

AIS was also conferred Construction World's Award for the largest and most profitable glass company for the third consecutive year in October, 2007.

AIS completed a number of ongoing projects during the year. The auto glass unit at IGP Roorkee is a state-of-the-art plant, with capacity for manufacturing 5,00,000 windshields and 4,00,000 tempered sidelites per annum and will cater to our customers in that area, as well as in the after-market. At the Company's Chennai auto glass plant, a sidelite tempering furnace was installed, which is capable of producing 1.2 million high quality complex shaped sidelites sets per annum. At Rewari auto glass plant, a large sized laminated windshield furnace has been installed. This furnace, designed for producing laminated windshields for commercial vehicles, was developed indigenously by your Company, bearing testimony to AIS's capability for in-house design and development not only for products but also for equipment.

During the year, consequent upon his retirement from Maruti Suzuki India Limited (MSIL), Mr. Jagdish Khattar resigned from the Board of Directors of AIS and was replaced by Mr. Shinzo Nakanishi, the current Managing Director & C.E.O. of MSIL. Mr. Kazumi Yoshimura returned to Japan post completion of his tenure in India and consequently resigned from the Board of Directors of AIS. Mr. Yoshimura is replaced by Mr. Keichii Nakagaki, the current Chairman & Managing Director of Mitsubishi Corporation India Pvt. Ltd. I sincerely thank the outgoing Directors for their valued contribution and guidance provided to AIS and warmly welcome the new Directors on Board.

The Board of Directors of AIS has not recommended any dividend for 2007-08. AIS has always paid rich dividends to its shareholders. However, 2007-08 has been a year when there was considerable pressure on margins. Hence 2008-09 is slated as year of re-consolidation which will make AIS stronger & fitter to face the external challenges. I value the continued patronage, unstinted support and patience of our esteemed shareholders and assure that rich dividends shall follow from a well nurtured AIS in future.

With the growth rates slowing down, the Indian economy is likely to get more competitive in the coming years. Companies who have the size and capabilities to generate cost efficiencies, eliminate production wastages and create value chain synergies will be the ones who will grow and flourish; others will find the going difficult. I believe that your Company has all the characteristics that will allow it to exploit the future competitive external environment.

The economy is forecasted to grow between 7.5-8% during the coming few years. Though this is not the 9% plus growth rate that India has seen during the last three years, it will still make India the second fastest growing economy in the world. With the spread of urbanisation and construction along with the growth of the retail sector, the demand for glass and value added glass products is expected to grow. Your Company, with its synergistic advantages, significant market share, efficiencies of production and passion for quality is well positioned to grow its topline, bottomline and market share.

Before I conclude, I would like to thank our valued shareholders for their continued support. I would also like to thank our customers, collaborators, bankers, suppliers and the entire AIS team for their contribution and support.

Yours sincerely,

B.M. Labroo
Chairman



AIS – At a Glance

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

AIS has a strong strategic position in the Indian glass industry. AIS is a leader in auto glass & architectural processed glass segments and has a prominent position in float glass market.

AIS is jointly promoted by the Labroo family, Asahi Glass Co. Ltd., Japan and Maruti Suzuki India Ltd. The promoters jointly hold 55.24% of paid up equity capital of AIS, with remaining 44.76% held by public.

Being a widely held listed public limited company with close to 62,000 shareholders, AIS remains committed to maintain the highest standards of corporate governance and shareholder accountability. The equity shares of AIS are listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India.

AIS has the following three Strategic Business Units (SBUs):

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



AIS Auto Glass

AIS Auto Glass is the most reputed and trusted supplier in Indian automotive glass industry having over 21 years of technological expertise and is the largest manufacturer of world-class automotive safety glass in India.

AIS Auto Glass has been awarded the prestigious Deming Application Prize, 2007, certifying the outstanding performance improvements achieved by it through application of Total Quality Management (TQM).

Today, AIS Auto Glass has a 'body of knowledge' to be able to deliver 'cutting edge' auto glass solutions and value addition to its customers, most of whom are global and demanding players.

AIS Auto Glass is overwhelmingly the 'first choice' supplier for most automotive manufacturers in India. Hence, AIS Auto Glass is either the sole or a leading supplier of auto glass to most passenger car manufacturers in India, supplying about 80% of their auto glass requirement.

Apart from supplying to OEMs in India, AIS Auto Glass has significant presence in the domestic after-market with a market share of 43%. It also exports auto glass to the after-markets in Europe and Pakistan.

AIS Auto Glass has state-of-the-art plants located at Rewari-Haryana, Roorkee-Uttarakhand (North India) and Chennai- Tamil Nadu (South India) with a combined capacity to produce 2.81 million car sets per annum.

AIS Auto Glass has a well balanced product portfolio including:

- Laminated windshield
- Tempered glass for side and backlites
- Plug-in windows
- IR cut glass
- UV cut glass
- Reflective (PET) windshield
- Flush fitting glass
- Encapsulated glass
- Solar control glass
- Water repellent glass
- Rain sensor windshield
- Glass Antenna
- Heated windshield
- Defogger glass
- Extruded windshield

AIS Auto Glass' customers include OEMs like Maruti Suzuki, Hyundai Motors, Tata Motors, Toyota Kirloskar, Mahindra & Mahindra, Honda Sael, General Motors, Ford India, Hindustan Motors, Reva Motors, Eicher Motors, Piaggio, Fiat India.



AIS Float Glass

AIS Float Glass is a premier manufacturer of international quality float glass and value-added glass like reflective glass and mirror.

AIS Float Glass has state-of-the-art glass manufacturing plants located at Talaja near Mumbai (West India) and Roorkee (North India) with a total production capacity of 1,200 tons per day (TPD). Its newly commissioned unit at IGP Roorkee has manufacturing facilities for float glass, superior quality heat reflective glass and new generation environment friendly mirror.

AIS Float Glass enjoys 31% market share in the Indian float glass market.

Its product portfolio includes:

- AIS Clear Float Glass - provides perfectly clear and distortion free vision.
- AIS Tinted Float Glass - heat absorbing tinted glass available in variety of shades and colours.
- AIS Supersilver - heat reflective float glass manufactured through superior CVD technology and is available in variety of shades and colours.
- AIS Decor - high quality lacquered glass for use in interior decorations and is available in variety of colours.
- AIS Krystal - frosted translucent glass for use in various interior applications.
- AIS Mirror - copper & lead free, environment friendly mirrors.

AIS Float Glass sells and distributes the above products throughout India through a wide network of 586 authorised stockists, including major glass processors across the country. It has zonal sales offices in Delhi, Mumbai and Chennai, along with a spread of area representatives in all the major cities across the country.

In India, AIS Float Glass is also the commercial agent of AGC Flat Glass, Europe - the European flat glass leader, producing and marketing flat glass, mainly for the construction sector with external glazing and internal decorative glass. As commercial agent, AIS has been selling the entire range of products of AGC Flat Glass, Europe in India since April, 2007.

AIS Glass Solutions

AIS Glass Solutions is the face of the architectural glass processing business of AIS. As a separate business unit, AIS Glass Solutions focuses on offering innovative architectural glass solutions to customers.

AIS Glass Solutions aims at raising per capita consumption of glass in the country to bring it at par with the other developed countries in the world. It disseminates knowledge for increased awareness of the use and application of architectural glass through innovative offerings.

AIS Glass Solutions has been supplying a wide range of high quality architectural processed glass, comprising of toughened glass, laminated glass, insulated glass units and value added glass products. It also caters to the project segment, meeting glass and related requirements of construction projects.

Its product portfolio includes:

- AIS Stronglas - impact resistant glass.
- AIS Securityglas - burglar resistant glass.
- AIS Acousticglas - sound resistant glass.
- Glass products like shower enclosures, tabletops, shelves.

The state-of-the-art architectural glass processing facilities are located at Talaja (West India), Chennai (South India), Rewari and Roorkee (North India). The Roorkee facility is the largest architectural glass processing facility in the country.



The Future is Bright

Glass – in all its forms and applications makes our life pleasant and comfortable. Glass helps us to see through – see more, to stay in touch and to communicate. It connotes openness – an important trend in today's life.

Use of glass 'creates space' - not only does it bring the external environment, the skies and greenery outside, into the spaces near us, it opens up spaces inside. Glass 'connects' with transparency and openness.

Today there is so much more that can be done with glass due to technological advances - in terms of enhanced strength, increased safety, superior acoustics, exceptional energy control, better sound insulation etc that it has permeated to every corner of our lives. With enhanced, exceptional and cutting edge technology – Glass transcends the divide of art and industry. At AIS we understand this. From improving its strength to finding innovative uses at the frontiers of design, AIS is intimately aware of every little nuance of this fascinating material.

AIS's omnipresence in the entire glass value chain brings it closer to its customers, shareholders and people at large enabling them to do more with glass, feel secure, see more. Through all its innovative products and solutions, AIS touches the lives of millions everyday, everywhere and in every way.

The Indian glass industry is poised at an interesting point. It is directly linked with the 2 most growing sectors of the Indian economy – automotive and construction.

The future is bright – The future is glass.



AIS: Reflections

AIS has, for over 21 years of its operations now, pursued profitable growth, consistently build capacities and capabilities, spreading across the entire glass value chain to become the country's largest integrated glass player and an admired corporate citizen. AIS has built its strategic position through diverse product portfolio, penetrating distribution network, focus on world-class quality and operational excellence.

The standards of quality and operational excellence set by AIS are unmatched in the industry. AIS is the only glass company in India to have received the prestigious 'Deming Application Prize' in 2007 – one of the highest and most accredited Total Quality Management (TQM) honour across the globe and the Hyundai 5 Star Award – one of the highest award for excellence in quality and delivery.

With the commissioning of all the facilities of the Integrated Glass Plant-Roorkee (IGP Roorkee) in 2007-08, AIS is now on a higher growth trajectory. The added capacities of all the facilities of IGP Roorkee - float glass, auto glass, architectural processed glass, mirror and other value added glass products, strengthens the position of AIS as an integrated glass player.

2007-08 was yet again a testing year for AIS which put its capabilities to stern assessment. The year witnessed unprecedented increase in the costs of key inputs - fuel, soda ash and PVB, which severely impacted operating margins. Input costs pressures coupled with dumping of cheap Chinese float glass into the country multiplied the stern effect on AIS's operations. Unfavorable external pressures have affected profitability in the current year's results as a visible outcome but they have accelerated the learning curve of AIS.

Brand AIS continues to extend its product portfolio, visibility and reach across the glass value chain enabling its customers to see more through knowledge-led innovation, world-class quality, operational excellence and continuous improvement.



AIS Today: Competitive Advantages

AIS has 11 state-of-the-art manufacturing plants and 2 sub-assembly units spanning across 6 states in India.

AIS's strategy is to move up the value chain and capture more profitable markets. With the commissioning of Roorkee plant - the largest integrated glass plant in the country - AIS is now well on its way to becoming a 'fully integrated glass solutions provider' across the entire glass value chain. AIS now has the scale, size and efficiencies that will enable it to grow both its topline and bottomline.

AIS has over two decades of knowledge, technical expertise and experience in catering to the needs of demanding and quality conscious customers, both in the original equipment market and in the retail segment. AIS brands have high recall amongst its customers.

AIS Auto Glass has about 80% market share for supply of auto glass in the passenger car industry and has consistent acceptance as a quality supplier to all major automobile manufacturers. Multiple plant locations and sub-assembly units cater to 'just in time' customer needs, including sudden changes in demand, without sacrificing quality and delivery schedules. Through value engineering, design optimisation, localisation of child parts and working with customers from the design stage, finished products are delivered to customers

on time, every time and at competitive costs. AIS proactively develops value added auto glass, familiarises target customers about their benefits and thus creates demand.

AIS Float Glass today commands 31% share in the Indian float glass market and is India's second largest manufacturer of international quality float glass. The new plant at Roorkee caters primarily to the north Indian market, which has the highest demand growth for float glass, allowing it to supply to customers within a shorter time span and with lower logistics costs. AIS Float Glass has also, over a period of time, developed a strong pan-India sales and marketing network of 586 authorised stockists along with numerous sales personnel and area representatives which gives it the breadth and depth to reach its products to any part of India.

AIS Glass Solutions is the face of the architectural glass business of AIS which has, in a very short period of time, become the market leader in architectural glass processing industry in India. Its architectural glass processing plants are located in proximity to AIS's float glass plants which ensures lower logistics costs and lesser turnaround time for processing raw glass into value added products. With its national footprint, AIS Glass Solutions can obtain and execute contracts with large construction companies faster and more efficiently.

