

24th Annual Report 2008-09

Look Within : Look Beyond



Asahi India Glass Ltd.



Forward - Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable stakeholders to comprehend the prospects of the Company and take informed decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements which may set out anticipated results based on the management's plans and assumptions. Wherever possible, we have tried 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 statement, whether as a result of new information, future events or otherwise.

Asahi India Glass Limited (AIS) was established in 1987 with the prime objective of providing international quality automotive safety glass to the rapidly expanding automobile industry in India. Over the years, AIS has grown from a one-customer one-plant setup to being the largest integrated glass company in India, manufacturing a wide range of automotive safety glass, float glass, architectural processed glass and glass products spanning across the entire glass value chain.

AIS has always believed that companies who deliver superior value to their shareholders are the ones which consistently deliver superior value to their customers and other stakeholders. In a difficult operating environment, AIS continued to do so, though in the process, incurred its first ever loss in 23 years of existence.

Being largely driven by domestic demand and consumption, the Indian economy seems to be recovering from the spill over effects of the global mayhem and with it, changes in the mindset of the investor. This is a positive sign for AIS which could not be decoupled with the global currents. AIS has crystallised the old adage – when the going gets tough, the tough gets going – in its operations and consequent thereto, has made numerous changes within itself which has further streamlined the flow of internal energy to synergise AIS to weather the global storm.

The time is ripe. There is light at the end of the tunnel opening up to a whole new world of great opportunities which shall be available to those who come out from the global grind with ease, those strengthen who utilise their core strengths. Those who swim against the tide. Those who 'Look Beyond' the end of the tunnel.

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

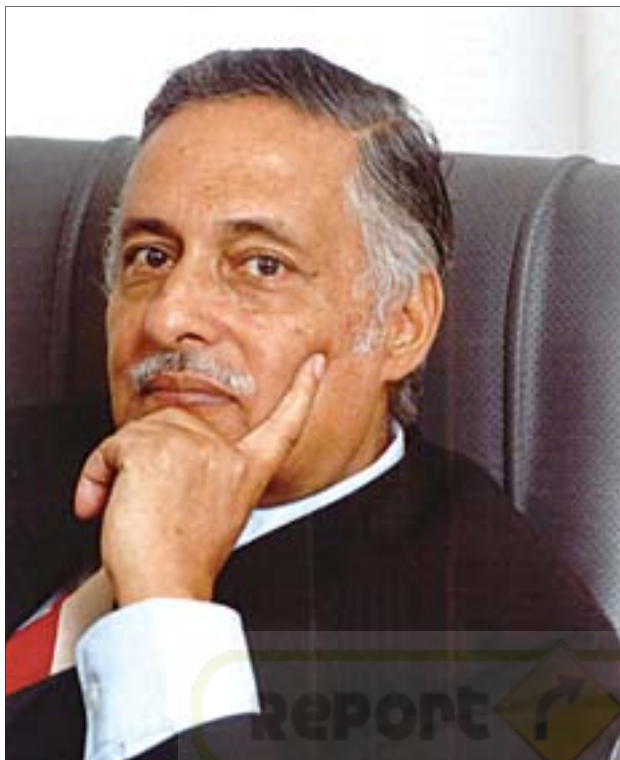
With major investments in place, the time is now to reap the benefits by execution for excellence.

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,

2008-09 was a year of two phases. While, the first half of the year witnessed sharp increases in the prices of all commodity classes, with inflation reaching new highs (11%) and crude oil touching US\$145 per barrel, the second half of the year witnessed a financial turmoil in the western world leaving its scars on the Indian economy. What started as a housing crisis and the sub-prime crisis in the US has unexpectedly been contagious to all economies of the world, sucking out liquidity and severely restricting credit. Although Central Banks across the world intervened in an unprecedented manner hitherto, the crisis is yet to abate fully.

The Indian economy has also been negatively impacted with the global mayhem. From an average GDP growth of over 9% during the last three fiscals, India is estimated to grow around 6.5% in 2008-09 and forecast is that it will be around the same in 2009-10 also. Manufacturing growth touched an all time low at 2.4% during the above period. The automobile and the construction sectors of India – major customer sectors of your Company's products – have been severely affected by the economic slowdown.

Your Company has not been immune to the economic effects of 2008-09. During the first half, when demand was relatively buoyant, AIS faced soaring prices of key inputs and during the second half, when commodity prices stabilised, demand stagnated.

During 2008-09, the consolidated figures of AIS reflected gross sales growth at 17% to reach Rs. 1,38,387 lakhs, while net sales, at Rs. 1,23,831 lakhs, reflected a year-on-year growth of 24%. Earning before interest, depreciation and taxes (EBIDTA) declined by 27% to Rs. 14,583 lakhs, mainly due to increase in material costs and power & fuel costs compared to the previous year and impact of foreign exchange fluctuation. Profit after tax (PAT) went into negative territory with a loss for the year amounting to Rs. 4,270 lakhs (profit after tax of Rs. 807 lakhs in 2007-08). The significant contributors to this were an increase in depreciation of 15% (Rs. 11,706 lakhs in 2008-09; Rs. 10,183 lakhs in 2007-08) and 50% increase in interest costs (Rs. 12,698 lakhs vis-à-vis Rs. 8,492 lakhs). AIS has also been negatively impacted by 30% depreciation of Indian rupee against US Dollar in 2008-09. The Company reported losses of Rs. 3,833 lakhs on account of foreign exchange fluctuation in 2008-09 vis-à-vis foreign exchange gains of Rs. 5,269 lakhs in 2007-08.

In spite of the above financials, there are quite a few things of which your Company can be proud of. AIS's Auto Glass SBU continued its dominance as the premier supplier of auto glass products.



Nearly, every automobile manufacturer in India considers AIS to be a 'vendor of choice' not only for its existing models but also for the new models that are developed or brought into India. During the year, your Company gained new customers and deepened its relationship with existing ones. AIS Auto Glass has also been appreciated by its customers for its quality and delivery. Maruti Suzuki India Ltd. awarded AIS for 'Outstanding Overall Performance' and Mahindra & Mahindra Ltd. and Tata Motors Ltd. have separately certified your Company's quality excellence. Toyota Kirloskar Motors Ltd. has selected your Company as one of the seven Original Equipment (OE) vendors to set up a sub - assembly unit in their proposed supplier park for their upcoming small car project.

Size, scale and presence across the entire value chain - from float glass to value-added glass and overall glass solutions - are some of the fundamentals of AIS that is unmatched by any other player in India. The skills and knowledge base that your Company has developed over the years, especially for engineered glass products, is second to none. And, most importantly, it continues to deliver on the trust and confidence reposed by its customers.

2008-09 was a tough year - no doubts on that. But great companies use tough times to learn and improve themselves and, in this, your Company is no exception. We have, therefore, embarked on a special program of 'Look Within'. Through the 'Look Within' initiative, AIS is focussing on several stiffer internal targets in productivity, inventory management, receivables management, product mix and cash flow management to optimise efficiencies. Thereby, the Company is examining and adopting all possible internal measures that will enhance productivity, save costs, reduce all overheads wherever feasible and maximise working capital utilisation and cash flow. This is not a mere cost-cutting exercise - every process and activity within the organisation is being re-examined and re-worked with the ultimate objective of getting the best return from every rupee of capital employed.

With the advent of 2009-10 there are some signs of revival in the Indian economy. There is a stable government and the fiscal & monetary policy measures initiated during the past few months are starting to show results. There is hope that the economy and demand will grow stronger, probably by the third quarter of the current financial year.

With its inherent advantages and the efficiency measures being brought about through the 'Look Within' program, I feel confident that your Company can 'Look Beyond' - to a better and brighter future. 'Look Beyond' shall ensure that in this temporary-difficult phase, AIS does not lose sight to continue to position itself as "concept-to-completion" player

in the entire glass value chain and thereby tread its focussed growth path set before the global mayhem. The 'Look Within' concept shall ensure that AIS emerges as a stronger and leaner Company. The focus therefore is: Look Within - Look Beyond.

During the year, Mr. P. L. Safaya, aged 62 years, resigned from the Company as Director & C.O.O. (Float) w.e.f. 17th November, 2008 after a stellar career of 23 years with AIS. On behalf of the Board of Directors of AIS, I thank Mr. Safaya for his valued contribution in the success and growth of AIS.

In conclusion, I would like to express my most heartfelt thanks to all our business partners, customers and bankers for their faith in us. My special thanks to the entire AIS team for all their valued sacrifices and unitedly facing an incredibly difficult year. I believe that, together, we will succeed in our efforts to sail through this rough tide.

Yours sincerely,

B.M. Labroo
Chairman

reportjunction.com

About AIS

AIS is the largest integrated glass company in India manufacturing a wide range of automotive safety glass, float glass, architectural processed glass and glass products spanning across the entire glass value chain. AIS has the distinct advantage of being the dominant supplier in the auto glass industry with back-to-back support from indigenous manufacturing of high quality float glass. From basic raw glass to the highly complex and engineered value added glass, AIS has world-class in-house manufacturing capabilities.

Jointly promoted by Labroo family, Asahi Glass Co. Ltd. (AGC), Japan and Maruti Suzuki India Ltd. (MSIL), AIS has emerged from a single-plant single-customer company in 1987 to a world class integrated glass company having 11 plants spanning across India.

AIS is a widely-held public limited Company listed on the National Stock Exchange and Bombay Stock Exchange with around 60,000 shareholders and stands committed to maintain highest standards of corporate governance and shareholder accountability.

AIS has 3 Strategic Business Units (SBUs):

- ▶ AIS Auto Glass – glass used in automotive applications
- ▶ AIS Float Glass – basic raw glass used for value addition
- ▶ AIS Glass Solutions – glass used for architectural applications

All the 3 SBUs are arched by the corporate functions of AIS which manage, support and coordinate the activities of the SBUs.



AIS Auto Glass

What started as a Company in 1987, is now the Auto Glass SBU of AIS having the distinct identity of being conferred the 'DEMING APPLICATION PRIZE'. The Deming Prize certifies the outstanding performance improvements achieved through application of Total Quality Management (TQM).

AIS Auto Glass continues to be India's largest manufacturer of automotive safety glass in India supplying high quality auto glass to almost the entire passenger vehicles industry in India. AIS Auto Glass commands almost 80% share of auto glass requirement of the passenger car industry. In addition, AIS Auto Glass also exports its products in the after-markets of Europe, South East Asian and other neighbouring countries.

Having been awarded the Deming Prize, AIS Auto Glass is committed to take forward its legacy of TQM and to continue to meet the higher aspirations and demands of its esteemed customers. AIS Auto Glass today, is the 'first choice' vendor for nearly all the Indian passenger car manufacturers.

AIS Auto Glass has 3 plants located in Bawal, Haryana & Roorkee, Uttarakhand (North India) and Chennai, Tamil Nadu (South India) and 3 sub-assembly units / warehouses at Halol, Gujarat & Pune, Maharashtra (West India), Bangalore, Karnataka (South India).

In 1987, AIS Auto Glass started operations with manufacturing toughened glass for automobiles. Today, it produces a complete range of automotive safety glass, engineered to the highest global quality standards. Among the products that AIS Auto Glass manufactures are included the following:

- ▶ Laminated windshield
- ▶ Tempered glass for sidelites and backlites
- ▶ Silver printed defogger glass
- ▶ Antenna printed backlites
- ▶ Black ceramic printed flush fitting glass
- ▶ Encapsulated fixed glass
- ▶ Solar Control Glass
- ▶ IR Cut Glass
- ▶ UV Cut Glass
- ▶ Reflective (PET) Windshield
- ▶ Water Repellent Glass
- ▶ Glass Antenna
- ▶ Extruded Windshield

Customer portfolio of AIS Auto Glass includes the major automobile companies in India like, Maruti Suzuki India Ltd., Hyundai Motors India Ltd., Tata Motors Ltd., Toyota Kirloskar Motors Ltd., Mahindra & Mahindra Ltd., Honda Sael Cars Ltd., and many others.



AIS Float Glass

AIS began its float glass operations in 2001, when it took over the erstwhile Floatglass India Ltd., with its operations in Taloja, Maharashtra (West India). What was a separate company before the merger is now the Float Glass SBU of AIS.

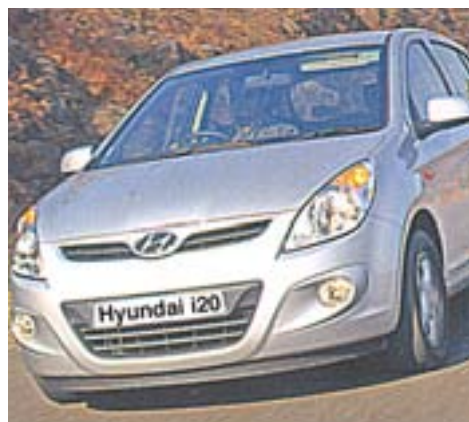
With the commissioning of its second float glass plant in Roorkee, Uttarakhand (North India), AIS Float Glass has the capacity of producing various forms and value-added varieties of glass such as heat reflective glass, coloured glass & mirror for various architectural and automotive applications. AIS Float Glass commands nearly 34% share in the Indian float glass market. In addition, AIS Float Glass also sells the entire range of AGC products in India, which cater mainly to the realty sector.

AIS Float Glass has the distinct advantage of superior technology from AGC and ready customer in the form of AIS Auto Glass.

AIS Float Glass manufactures the following products:

- ▶ 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.

In India, the products are distributed through a pan-Indian network of over 700 stockists. AIS Float Glass zonal offices in Chennai, Delhi and Mumbai, along with field and area representatives, ensure that AIS Float products reach across the country.



AIS Glass Solutions

AIS Glass Solutions was set up in 2004 as a subsidiary of AIS, with the objective of growing the group's presence in architectural glass solutions and value added glass products and services. Over the last 5 years, AIS Glass Solutions has emerged as India's biggest organised player in the architectural glass segment – manufacturing branded, value-added glass products and offering end users a complete solution for all their glass needs. AIS Glass Solutions supplies the following products:

- ▶ AIS Stronglas™ - impact resistant glass
- ▶ AIS Securityglas™ - burglar resistant glass
- ▶ AIS Acousticglas™ - sound resistant glass
- ▶ Glass products like AIS Shower Enclosure, AIS Tabletops, AIS Shelves etc.
- ▶ Solar-low-fe glasses

AIS Glass Solutions has 4 state-of-the-art glass processing facilities located at Bawal, Haryana & Roorkee, Uttarakhand (North India), Taloja, Maharashtra (West India) and Chennai, Tamil Nadu (South India).

The unit's distribution chain spread and initiatives ensure that the right glass and its most appropriate application are made available to the customer in the shortest possible time. To that effect, the sales people of AIS Glass Solutions are not only sellers of products; they also educate, suggest and partner with the customer for maximum value addition.

Look Within : Look Beyond

2008-09 has been one of the most turbulent and challenging years for most businesses. The global economic impacts have been sudden and deleterious both for Indian economy and India Inc. AIS is no exception.

During the economic boom from 2004-05 till the middle of 2008-09, AIS concentrated on increasing its size and capacities, creating 'best-in-class' quality products, expanding its footprints into various geographies instead of only improving its bottom line.

When a market so quickly and radically changes, it becomes impossible to carry on as before. Unless a company modifies speedily and use moments of challenge to introspect, improve performance and emerge stronger – ready to seize the opportunities when the tides of fortune turn. AIS recognises the same and in order to be able to maximise returns on all its internal assets – manufacturing, financial and human, the first and most important prerequisite is to : Look Within.

The 'Look Within' program in AIS is to introspect in areas

where AIS can improve upon what it has been doing over the

stellar growth path. It is another form of preparation for the

future. Through the 'Look Within' program, AIS is preparing

to 'Look Beyond' – to growth, prosperity and enhanced

shareholder value in the coming years. There are great

opportunities within distress – and AIS wishes to seize them

to grow stronger.



LOOK WITHIN

The Sales Cycle

AIS Auto Glass

AIS Auto Glass has taken several key initiatives to maximise its revenues and meet customer expectations. In this difficult year, AIS Auto Glass made good headway in the exports after-market and has also commenced supplies to the commercial vehicles segment of the automotive industry. In the passenger car segment, where AIS Auto Glass has been the premier supplier in India, it has succeeded in procuring orders from global auto majors entering the Indian market during the last year. Besides, AIS has also deepened its relationship with its existing customers, partnering with them to supply auto glass for their new model launches. AIS Auto Glass has also executed long-term contracts for supply of glasses for the next round of metro coaches to be introduced in Delhi Metro. The 'Look Within' program has enabled AIS Auto Glass not only to broaden relationships, but to focus on steps that deepen existing relationships and develop new markets.

AIS is transforming itself from being a component supplier to becoming a systems supplier providing complete product solutions to its customers. To do so, the 'Look Within' program has also adopted three more areas: product innovation, improving design capabilities and optimising the outbound supply chain mechanism.

AIS Auto Glass has always focussed on constant innovation and has time and again delivered high quality innovative products that are admired by customers. These innovative products ensure that apart from meeting the standards of safety, comfort and design, meet the customer expectations. Following the tradition of innovation, AIS, in 2008-09, has developed plug-in windows, bullet resistant glass and similar engineering breakthrough products that have been well accepted by customers.

Customers in Original Equipment Manufacturers (OEM) segment are the major automobile companies in India who require 'Just in Time' supplies at their manufacturing lines. The situation gets even more complex given the volatility of the automobile industry, where manufacturers either introduce new models or upgrade existing models on demand patterns. To ensure that the right product reaches the customer at the right time, AIS has improved its outbound supply chain mechanism. In particular, an appropriate mix of the transportation alternatives has been utilised to ensure that deliveries are in tune with customer needs.

AIS Float Glass

AIS Float Glass primarily caters to the construction and interior decoration sectors which were adversely affected by the slowdown in the Indian economy. Moreover, clear float glass is more of a commodity item, where margins are relatively lower—especially compared to more 'sophisticated' value-added forms of glass. During these difficult times, AIS Float Glass is actively looking at new markets for its products and developing value-added products for customers. During the year, AIS Float Glass leveraged its capabilities to launch several new product categories and ensured that it has a right product mix to cater to the fast changing market. There were numerous new product launches—AIS Krystal™, AIS Opal™, AIS Décor™ range of value-added glass, which were well accepted by the customers. The increased portfolio of 'value-added' products from AIS Float Glass not only provides innovative and superior products to the customers but also yield healthier margins. With the market migrating towards these high value-added products, AIS has an inherent advantage and is better placed to cater to this market.

AIS Float Glass has also intelligently expanded its customer base to several export markets, especially the countries which were relatively less affected from the global meltdown. This has not only helped AIS to generate superior realisations but also helped to reduce inventory in a stagnant domestic market.

