



ASAHI INDIA GLASS LIMITED

29<sup>th</sup> Annual Report 2013-14

A close-up photograph of several hands stacked on top of each other, symbolizing teamwork and resolve. The hands are of various skin tones and are positioned in a way that suggests a unified effort. The word 'RESOLVE' is overlaid in large, white, bold, sans-serif capital letters across the lower portion of the image.

**RESOLVE**

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## *Caution regarding Forward-Looking Statements*

*This Annual Report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates', or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements.*

*Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performances or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Company has sourced the industry information from the publicly available sources and has not verified those information independently.*

# RESOLVE

*Resolve is about being determined and firm towards a purpose. It is constructed with Sustained Effort, Controlled Attention and Concentrated Energy. It is about daring to take on challenges and attacking to leverage opportunities rather than waiting.*

While the last few years have been tough for AIS, the Company has remained steadfast in its resolve to achieve its long term strategy of value addition and integration to make profits and generate positive cash flows. AIS has displayed resilience against all odds and continued to focus on effectively servicing its customers, developed new products, widened its customer base and enhanced customer relations.

Today, with strong inner resolve AIS is poised to script its resurgence story – to get back to the growth path it had envisioned when embarking on the rapid expansion strategy. The Company has accepted stretched targets to make up for lost ground and laid down specific plans and processes to meet these targets. This is translating into sustained efforts that focus on all aspects of the business cycle including strategy, operations, innovation, design and development as well as profits and cash flows. Much of this is about determination to make incremental improvements in day to day operations across the organization that will drive the whole entity towards its long term goals.

**“I believe life is constantly testing us for our level of commitment and life’s greatest rewards are reserved for those who demonstrate a never-ending commitment to act until they achieve. This level of resolve can move mountains, but it must be constant and consistent...”**

*Anthony Robbins*

# VISION

See More

This byline captures AIS's culture:

- It describes AIS's products and services which delight customers by helping them see more in comfort, safety and 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 in detail.

To transcend the ordinary.

# MISSION

"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

# FINANCIAL HIGHLIGHTS

(₹ Lakhs)

PARTICULARS	FY14	FY13	FY12	FY11	FY10
Gross Sales	229688	212918	181668	170907	142971
Other Income	559	1076	1196	1667	3443
Total Income	230247	213994	182864	172574	146414
Operating Profit (PBDIT)	29045*	19410*	20598*	27253	25137
Interest	16250	16915	14743	12780	12783
Gross Profit	7445*	898*	5855*	14473	12354
Depreciation	13707	14857	12653	11837	12448
(Loss)/Profit Before Tax	(6262)	(13959)	(8675)	2631	(179)
Tax	(2240)	(4780)	(2802)	1116	(302)
(Loss)/Profit After Tax	(4022)	(9179)	(5873)	1515	123
Paid-up Equity Capital	2431	1599	1599	1599	1599
Advance against Share Application Money	-	5000	-	-	-
Reserve & Surplus #	25021	5185	14364	20237	18848
Shareholders' Funds #	27452	11784	15963	21836	20447
<b>Loans</b>					
- Interest Free Sales Tax loan	-	-	-	110	550
- Unsecured Foreign Currency Loan	28602	25914	24287	21290	21435
- Other loans	110899	128440	131899	132088	125078
Capital Employed	162681	162879	170037	165082	162236
Net Fixed Assets	116978	121362	128012	122366	122710
Net Current Assets	35713	32640	36973	50504	41404
Earning per equity share (₹) @	(1.96)	(5.68)	(3.67)	0.95	0.08
Cash Earning per equity share (₹)	7.11	7.54	5.67	9.03	7.68
PBDIT/Average Capital Employed (%)	18	12	12	17	15
ROACE (%)	6	2	4	9	7
(PBIT /Average Capital Employed)					
ROANW (%)	(21)	(66)	(31)	7	1
(PAT /Average Net Worth)					
PBDIT to Net Sales (%)	14	10	12	18	20
Gross Block to Net Sales (%)	118	125	142	136	159
Gross Block to PBDIT	8.56	12.37	11.31	7.60	7.98

- Previous years' figures have been regrouped/rearranged, wherever found necessary, to make them comparable with those of current year

- Capital employed is arrived after deducting capital work-in-progress and miscellaneous expenditure not written off

\* Before exchange rate fluctuation

# Exclusive of FCMITD A/c

@ Post Rights Issue

# ABOUT AIS

AIS is an integrated glass company manufacturing a wide range of international quality glass to suit various applications across multiple industries. Incorporated in the year 1984, AIS is the outcome of the cooperative joint venture between the Labroo family, Asahi Glass Co. Ltd. (AGC) and Maruti Suzuki India Limited (MSIL). Certified as an ISO 9001 and ISO 14001 company, AIS has continued to innovate and add to its portfolio of comprehensive glass solutions. Listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE), AIS epitomizes the highest standard of transparency, integrity and accountability.

As one of the integrated glass manufacturers in India, AIS along with its Subsidiaries and Associates, offers a wide range of glass products and end to end solutions across the entire glass value chain to its customers, through the following Strategic Business Units (SBUs).

## Automotive Glass SBU

AIS Auto Glass is one of the pioneers in the automotive glass business in India and has continued to maintain its lead position for over 25 years. The Automotive Glass SBU enjoyed 70% of the market share in the OEM segment for passenger vehicles. This SBU received the Deming Application Prize in 2007 certifying the outstanding performance achieved through application of Total Quality Management (TQM). The Bawal manufacturing unit of Automotive Glass SBU was also honoured with the 'TPM Excellence Award-2010' from Japan Institute of Plant Maintenance.

AIS is a dominant brand covering the entire spectrum of the auto industry which includes market leaders like Maruti Suzuki, Hyundai Motors, Tata Motors, Mahindra & Mahindra, Toyota Kirloskar,



Honda Cars India, Volkswagen India, Ford India, Skoda Auto and Fiat India.

## Product Portfolio

- Laminated Windshields
- Tempered Glass for Sidelites and Backlites
- Defogger Glass
- Glass Antenna
- Encapsulated Glass
- Plug-in Window
- Solar Control Glass
- IR Cut Glass
- UV Cut Glass
- Flush Fitting Glass
- Rain Sensor Windshield
- Heated Windshield
- Extruded Windshield
- Glass with Assembly

## Architectural Glass SBU

This SBU was formed as a result of management merger of Float & Glass Solutions (Processed Glass) SBUs. Strategically



located at the fulcrum of Company's business, Architectural Glass SBU manufactures quality float glass, makes captive supply to Automotive Glass SBU besides stock feeding its own processing requirements towards a range of high-end Architectural Glass products. Architectural Glass SBU deploys an extensive network of 4 zonal offices and over 1000 distributors. It also markets the entire range of AGC products in India as its distribution partner.

### Product Portfolio

- AIS Clear™ - Clear Float Glass
- AIS Tinted™ - Heat Absorbing Glass
- AIS Supersilver™ - Heat Reflective Glass
- AIS Opal™ - Affordable Priced Solar Glass
- AIS Mirror™ - Distortion-Free Mirrors
- AIS Décor™ - Lacquered Glass in Vibrant Colours for Interiors
- AIS Krystal™ - Only Branded Frosted Glass
- Ecosense™ - High Performance Energy Efficient Reflective Glass
- AIS Stronglas™ - Impact Resistance Glass
- AIS Securityglas™ - Burglar Resistant Glass
- AIS Acousticglas™ - Sound Resistant Glass
- Solar Low-e Glass
- AIS Ceramic Printed Glass

### Consumer Glass SBU

Consumer Glass SBU is AIS's primary interface with end-consumers for its range of automotive and architectural glass offerings. Consultation-led, customized offerings bring together the diverse AIS portfolio to the end-user's doorstep. Providing consumer-centric solutions is the key differentiator of this SBU.

**GlasXperts:** Brings together an integrated approach and specialized knowledge to glass consultancy, product selection and installation to transform living and commercial spaces. As a glass lifestyle solutions provider, GlasXperts is devoted to meet customer



requirements for modern, eco-sensitive aesthetics with a full spectrum of world class, high-quality, branded glass products, fittings and systems with assured safety and hassle-free services.

**Windshield Experts:** It is dedicated solely towards repair and replacement of automobile glass with speed, efficiency and highest standard of quality. Being part of AIS that holds 70% of Auto Glass market share, Windshield Experts is uniquely placed to leverage from AIS lineage and to further penetrate in the After Market segment.

### Solar Glass SBU

This SBU has been established considering the current situation of diminishing fossil fuels and increasing dependence on renewable power generation. It caters to renewable energy markets with its solar glass offerings. As AIS has always been committed to the philosophy of sustainable development, this SBU not only represents a promising business avenue but also an opportunity to pursue sustainability measures.





## CHAIRMAN'S MESSAGE

### *Dear Shareholders,*

I am glad to write to you at the end of a year with somewhat satisfactory performance. Having been confronted by a series of adversities over the last five years – both external and internal – AIS had to get back to the drawing board and redraft a story of revival. As a Company, we have always had resilience ingrained in our DNA having overcome several challenges in the past like the negatives of the yen effect (1986), collapse of manufacturing in India (1987), collapse of raw materials supply (1990), the strike (1991) and the challenge of newly acquired FGI (2001). Today, the challenge is of a higher magnitude with severe liquidity crunch arising out of slowdown in demand at a time when your Company has undertaken a massive debt funded expansion. But, the team at AIS has risen to the challenge with great determination and resolve. There has been determined focus on building efficiencies across the process chain – much of which is to do with the day to day functioning of the Company. Not much can be written about these improvements but the continuous process of incremental gains that is being implemented has already started impacting the Company's financial results in a positive way. Clearly, for your Company, FY14 has been a confident step in the right direction.

### **Let us look at the year in some greater detail.**

During FY14, world output growth continued to fall for the third successive year. Worse still, the emerging markets, whose higher growth performance in the past used to put a brake on global economic decline, also faced difficult times with subdued demand and lack of sufficient credit to fuel growth. Moreover, oil prices remained at over US\$100 a barrel for most of FY14. As I write to you, matters have worsened with violent political unrest in Iraq having pushed global oil prices to over US\$115. Such high energy costs are particularly worrisome for glass manufacturers as these have a large impact on operating costs.

Economic conditions in India remained very subdued. Business environment in India continued to be very challenging owing to various global and local issues. With eight straight quarters of low growth between April 2012 and March 2014, the country recorded an annual GDP growth of 4.7% in FY14. Much of the year was characterised by stagnation in government decision making, as it was the year earlier. The investment climate deteriorated significantly. Only a small part of this is any longer attributable to global conditions. Much has to do with the significant deterioration in economic and political governance



**// The Company has managed to grow net sales by 10.06% to ₹2,140 crores in FY14. More importantly, with a focus on internal efficiencies, operating profit margin before forex losses (EBIDTA/Sales) has increased from 9.9% in FY13 to 13.4% in FY14 and EBIDTA before forex losses increased by 48.9% to ₹287 crores in FY14. //**

over the last few years. The era of over 8% GDP growth was on account of great Indian entrepreneurial skills in the milieu of a supporting governance environment. Without that critical governance input — so obviously missing over the last three to four years — there was only so much that entrepreneurial spirits could deliver.

Other than the state of governance, what has gone wrong is that resources have been wrongly deployed. The rates of savings and investment have dipped and their mix has deteriorated. High inflation has led households to buy gold, shifting money away from the banking system where it can be productively employed. A mixture of poor politics, a risk averse bureaucracy, excessive leverage and corruption has led to a virtual freeze on investments. Thus, GDP growth is at sub - 5% for two consecutive years — far too low to bring about the development that India so desperately needs; inflation is at 9% and rising; industrial production is declining; and public finances are in poor shape. Times have been really challenging for India.

Under such external adversities, AIS has delivered much improved financial results. The Company has managed to grow net sales by 10.06% to ₹ 2,140 crores in FY14. More

importantly, with a focus on internal efficiencies, operating profit margin before forex losses (EBIDTA/Sales) has increased from 9.9% in FY13 to 13.4% in FY14 and EBIDTA before forex losses increased by 48.9% to ₹ 287 crores in FY14. However, this still resulted into posting a consolidated net loss of ₹ 50 crores versus ₹ 99 crores in the last year.

At the outset, I would like to thank all our shareholders for continuing to repose faith in AIS by oversubscribing the ₹ 250 crores Rights Issue brought by the Company. This equity infusion has helped clean up the balance sheet to some extent and long term debt has reduced to ₹ 1395 crores by the end of FY14 as against ₹ 1546 crores at the end of last year.

As you are aware, our scale of operations is still well below the capacities that we have created in the recent past. Since much of these capacities were developed through debt financing, the persistent high rate of interest and rupee devaluation has made debt servicing very expensive.

While your Company has moved in the right direction, concerted efforts are being made to scale up business profitably as much as possible so that debt servicing can be covered and net profits become positive.



AIS's progress in FY14 has been on account of a series of incremental improvements — on account of focusing on details of day to day operations such as carefully identifying and removing inefficiencies on the shop floor, developing new products with short time to market, evolving better sourcing methods, legitimate pass-through of overdue cost escalations and focusing on lowering receivables through tighter collections. With these being systematically implemented, the changes are now becoming intrinsic to your Company and should remain so over the long run.

While the auto glass business has grown steadily in a very difficult market registering growth in both revenues and profits, there has been good pick up in architectural glass business. In fact, with relatively high growth, the architectural glass business has turned around and generated positive segmental profits before interest and un-allocable assets. The consumer glass segment — comprising businesses like GlasXperts, Windshield Experts and glass processing — are still in the development stage where they continue to face teething problems and need further focus as well as investments.

The last five years have been difficult for your Company. Having said so, many of your Company's key employees stood firm and took on adversity to make AIS even stronger in terms of its capabilities, internal processes and competitive positioning. Today, we are confident of progressing in the right direction and the worst seems behind us. Now we have entered a phase where our resolve and determination will be the critical factors to take us to the next round of profitable growth. I have immense confidence in the ability of our team to achieve it.

While significant expansion in the past put pressures on the finances of the Company, it has also established a wide spectrum of capacities and capabilities within AIS. Today, there is a healthy flexibility in the product mix and specialisation in niche product segments. Most importantly, your Company is present across the entire value chain of architectural and automotive glass which would be leveraged for maximum long term sustainable profits. With such diversity in place, we are working on optimising an enterprise-wide integrated approach to create competitive advantages. Thus, I believe that