

# Management Discussion and Analysis

## Overview

Asahi India Glass Limited (AIS) is a well-known integrated glass solutions provider featured amongst the leading players in the industry. Its portfolio includes the complete range of glass products, solutions and services for the automotive, architectural and consumer segments. With over three decades of experience, the Company has built strong brand equity, led by innovative and superior quality products and unmatched customer service.

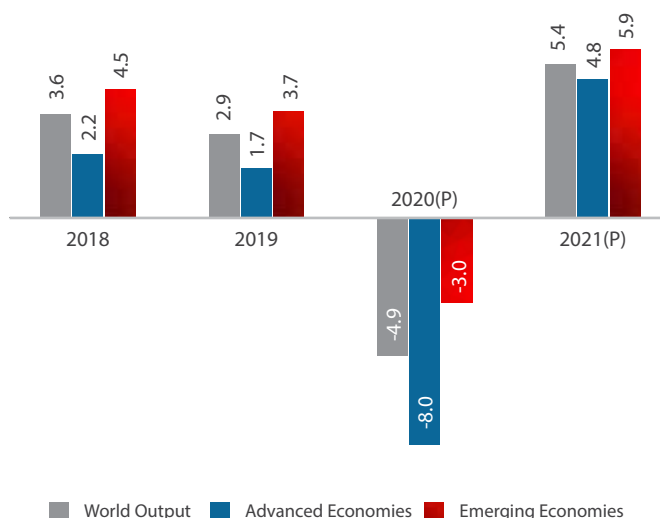
## Macro-Economic Review

### Global Economy

During the calendar year, the world continued to witness the tumultuous US-China trade war with the imposition of tariffs by US and retaliation by China, impacting both countries. According to the International Monetary Fund (IMF), US's GDP growth for Calendar Year (CY) 2019 grew much slower at 2.3% as compared a 2.9% growth for CY 2018. On similar vein, China also faced the impact of the trade war as it posted a growth of 6.1% for CY 2019 as against 6.7% a year earlier. Beyond the most visible trade war between the two economic giants, geopolitical tensions and stress in key emerging market economies like India weighed on global economic activity - especially manufacturing

### Global Economy

(changes are in percentage)



and trade- in the second half of 2019. While some countries faced social unrest, other countries saw weather-related disasters - from hurricanes in the Caribbean, to drought and bushfires in Australia, floods in eastern Africa and drought in southern Africa – continued to pose new challenges for the global economic growth. All these impacted the growth rate of Advanced Economies, and Emerging Markets & Developing Economies which slowed to 1.7% and 3.7% respectively from 2.2% and 4.5% respectively in CY 2018, taking the global economic growth to 2.9% for CY 2019, a far cry from the robust growth of 3.6% for CY 2018.

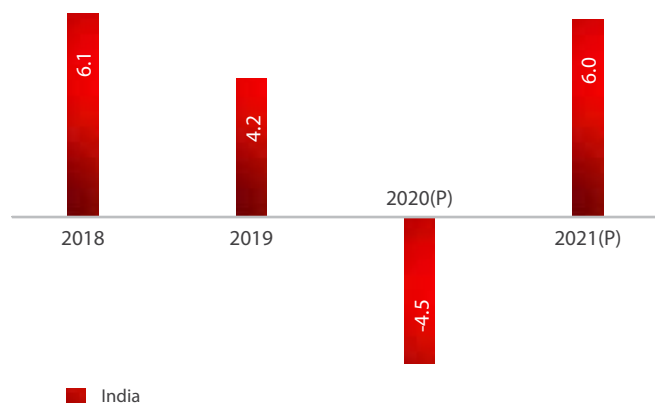
### Indian Economy

FY 2019-20 was an uncertain, challenging and an extremely tough year for the Indian economy. The economy has been growing at a stellar pace in the fast few years and was amongst the fastest growing economies in the world. While FY 2018-19 closed at a sub 7% GDP growth rate, it was expected that the economic powerhouse will outshine its previous year and be back on a northward trajectory.

But the year began on an uncertain note as the country saw a general election resulting in a complete lull in the economic activity during its first quarter. Even as the results came in, there was widespread hope on strong economic growth in the next quarters, given the overwhelming mandate for the ruling party. However, the economy continued to face tough and challenging conditions as it was facing a liquidity crisis of the previous financial year. This continued crisis choked the credit flow to the

### Indian Economy

Changes in percentage for Fiscal Year





economy, especially the Micro, Small and Medium Enterprises (MSME) sector impacting the economy. The repercussion was that consumer sentiments took a beating, resulting in low demand in the economy. There were some green shoots emerging in the third quarter of the financial year, the news of COVID-19 pandemic and its quick spread in parts of the world and India dashed all hopes of the economic gains in the quarter and the whole financial year. According to data released by the National Statistical Office, India saw its economy growth hitting a 11-year low of 4.2% for FY 2019-20.

## Industry Overview

### Automotive

The Indian Automotive industry faced one of its most difficult years in FY 2019-20. The overall slowdown in demand, BS-VI compliance burden on costs and timeline, and outbreak of COVID-19 pandemic weighed heavily on the entire industry. Consequently, it witnessed negative growth in all its key categories. As per data from Society of Indian Automobile Manufacturers, Passenger Vehicles closed the financial year with a de-growth in production by 13%. Commercial Vehicles production recorded an even sharper contraction of 32.4%. In a year that witnessed even Medium & Heavy Commercial Vehicles (MHCVs) and Light Commercial Vehicles (LCVs) post negative growth of 47.3% and

22.5% respectively, the overall industry production posted a drop of 17%.

### Construction

In the residential real estate segment, the uncertainties in the Indian economy coupled with poor consumer sentiment dampened any chance of growth. COVID-19 pandemic further deteriorated the fortunes of the segment as consumers were keen to focus solely on ready-to-move-in or almost-complete homes. According to data from PropTiger, housing sales declined by 11% during the fiscal to 3.22 lakh units across nine cities, but demand for ready to move in flats increased by over 19%, driven by NIL GST and no risk of any delays. This is despite the announcement of the alternative investment fund of ₹ 25,000 crores to facilitate the completion of stuck affordable and mid-segment homes. The Retail growth continued to remain subdued.

In the Retail segment, the situation was no different as consumer spends took a major hit during the financial year. This resulted in a drastic reduction in the retail leasing activity. According to ANAROCK Property Consultants, the top 7 cities saw retail leasing activity drop by 35% in FY 2019-20 over FY 2018-19 - from 5.5 mn sq. ft. in FY 2018-19 to 3.6 mn sq. ft. in FY 2019-20. It is only the Commercial segment which did better than the other segments of the real estate industry. As per estimates, commercial realty

attracted the maximum private equity investments, totalling nearly \$3 billion in the first three quarters of the financial year. Demand came in from new segments of the economy co-living, warehousing, data centres, etc.

#### Drivers for the Glass industry in India

- Increasing trend of replacing brick and granite building exteriors with laminated flat glass.
- Glass is harder to break and provides enhanced protection against attempted break-ins, accident injury and severe weather conditions.
- Preferred choice of material in offices to reduce stress as it allows the propagation of natural day light and enhances lightening conditions.
- Rapid urbanization causing increased demand for urban office space, malls and residential properties.
- Growing popularity of high-performance glasses in buildings, led by hot climatic conditions.
- Government's push for solar energy, coupled with growing environmental concerns leading to the growing demand for solar glasses.

#### Financial Performance

The Company posted ₹ 2,656.13 crores net revenue for FY 2019-20 as against ₹ 2,931.91 crores for the previous year.

Operating profit (before interest and depreciation) was at ₹ 453.81 crores for the financial year as against ₹ 534.12 crores for FY 2018-19.

The Company's net profit before tax reduced to ₹170.69 crores in FY 2019-20 from ₹280.39 crores in FY 2018-19.

The Company's Net Profit (before OCI) for the year saw a 19.17% drop to ₹ 153.72 crores as compared to ₹ 190.18 crores in FY 2018-19.

The Company's Earning Per Share for FY 2019-20 was ₹ 6.32 as compared to ₹ 7.82 for FY 2018-19

### Automotive Glass

#### Industry Structure and Development

The fortunes of Automotive Glass segment is directly linked with the performance and growth of the auto industry. The Indian auto industry witnessed a volume drop of 17.0% in overall production in FY 2019-20. Domestic sales of passenger vehicles dropped by about 13.0% while that of commercial vehicles also dropped by about 32.4%. Subsequently, the Automotive Glass segment faced one of its most difficult years in FY 2019-20.

#### Performance

During the financial year, the Company continued to be the dominant player in the automotive glass segment thanks to its undisputed leadership in the Cars segment where it has a 73% share of the business and is the preferred supplier for all leading car makers. The impact of the slowdown in the automotive segment was evident as revenue slipped by 12.32% to close at ₹ 1,519.20 crores as compared with ₹ 1,752.25 crores recorded in FY 2018-19. The operating profit for FY 2019-20 recorded a drop of 34.64% to come down to ₹ 193.26 crores from ₹ 295.68 crores for the previous year.

#### Product Portfolio

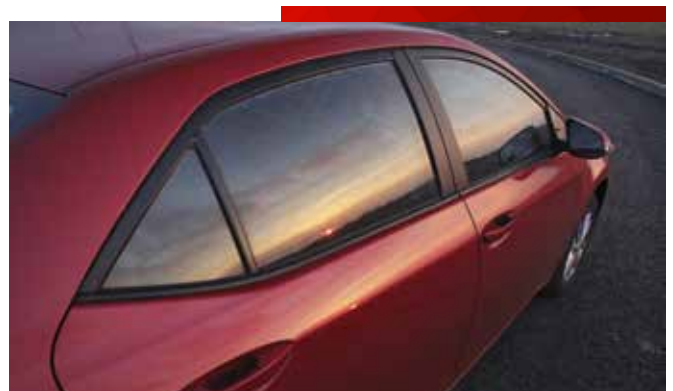
The Company has over three decades of experience in manufacturing and selling high-quality glass product to global and Indian OEM customers in India. It has emerged as the preferred vendor of choice of automotive glass for passenger and commercial vehicles, railways, metros, tractors and off-highways.

AIS Auto's product portfolio encompasses IR cut glass, UV cut glass, Solar control glass, Encapsulated glass, Laminated windshield, Defogger glass, Tempered glass for sidelites and backlites, Rain sensor windshield, Heated windshield, Plug-in window and several other value-added products.

The Company focuses on innovation and designing as per the transforming needs of the automobile manufacturers globally. It has world-class manufacturing facilities with in-house research, design and development of new products, production technologies and equipment.

#### Operations

During the financial year, AIS saw its auto glass products on most of the new launches including S-Presso from Maruti Suzuki; Venue, Grand i10 Nios and Aura from Hyundai Motors; Seltos from Kia Motors; Altroz from Tata Motors; Triber from Renault and Hector from MG Motors.





The Automotive Glass SBU received multiple accolades from its customers. A few are mentioned below...

From	Award
MSIL	Shield for Overall Excellence
Honda	Gold award for Quality
SMG	Performance award
TML	Quality Excellence award
GM	Supplier Quality Excellence award
M&M	Sustainability Award (M&M Automotive and Farm Division)
HMIL	Best Performer award - 2019 HMI Vendor Logistics Excellence award
TKML	Zero Defect Supplies award Certificate for Quality Achievement Certificate for Delivery Achievement Certificate for Extraordinary Performance
Ashok Leyland	Silver trophy for Best Performance in Development
Daimler	Certificate for Excellence in Partnership

## Outlook

Despite the offer effects of a servence slowdown followed by a lockdown, the automotive industry in witnessing good growth in demand and the same is all round and inclusive. Overall the outlook remains positive.

## Architectural Glass

### Industry Structure and Development

Despite the slowdown in the construction segment, a supportive demand from the aftermarket, helped the float glass market to post a good show during the financial year. The domestic industry saw a growth of 6% during FY 2019-20 with a total sales of 20.26 lakhs MT, as against 19.12 lakhs MT for the previous year. Imports form a major component of the industry's sales and accounted for 20.12% of the total market of 25.36 lakhs MT for the financial year.

### Performance

During the year, the Company continued to expand its network, bring in new products for the segment. All these saw the Company close the year with a 13% share of the business of the total market, including imports and a 16% share of the domestic industry. The segment's revenue dropped by 4.17% to reach ₹ 1,077.45 crores for FY 2019-20, down from ₹ 1,124.36 crores recorded in the previous year. The operating profit dropped by 0.27% to reach



₹ 130.93 crore, marginally lower than ₹ 131.29 crores recorded in FY 2018-19.

### Product Portfolio

The Company has over three decades of experience in manufacturing and selling high-quality glass product to Indian construction segment. Over the year, it has been inching up its market share steadily. The Company has a rich range of products ranging from Annealed (Clear, Tinted and Frosted glass) to Coated (Ecosense, SunShield, Decor, Opal and Mirror) to Processed Glass (Laminated, Tempered and Value-added Laminated Glass).

### Operations

The Company launched the AIS Neo Pearl Grey and 34 new shades in Décor category including Amazon Green, Autumn Orange, Azure Blue and Bright Green. It strengthened its relationship with whole sellers and semi-whole sellers by implementing relationship building and market development activities at selected dealers in order to improve their wallet share. It conducted a wide variety of customer meets and dealer engagement programs to promote products, receive industry insights and learn about the latest technological developments.

The focus on customer facing initiatives like Mobile and VR app to help them experience the wonderful world of the Company's architectural glass solutions. The Company has developed four apps - AIS World of Glass, AIS Glass Simulator, AIS World of Shades and AIS Virtual World - for different purposes

- The AIS World of Glass helps enables a customer to experience glass like never before.

- AIS Glass Simulator helps the customers get the right glazing solution at their fingertips and choose an ideal energy efficient glass solution for their architecture.
- A virtual reality app, the AIS World of Shades helps the customers choose the perfect glass for their space in virtual reality and gives them the ability to visualize the perfect glass colour scheme for their home or office from the comfort of the smartphone.
- The Company's virtual reality app, the AIS Virtual World gives a whole new way to experience the wonderful world of architectural glass. Customers can do a virtual villa and explore the innovative glass products in an immersive tour.

## Outlook

The country's real estate sector has seen a slump since late 2016 due to demonetisation and a stricter housing law protecting buyers against fraud. COVID-19 only has added to the situation dealing with it a fresh blow. A KMPG's report estimates that the Indian real estate sector will face losses of as much as ₹ 1 lakh crore by the end of the current FY 2020-21 due to the COVID-19 pandemic.

The Company is hopeful that working from home will put in more money in the hand of people and spurring the demand for architectural glass for residential homes. Even the commercial sector is expected to see some demand as companies will have to be much more conscious of their responsibility and give sufficient space to the people. So, this might see an increased requirement for office space. Of course, demand from other real estate segments such as data centres, integrated supply chains, warehousing, self-sustaining industrial parks, etc. is expected to continue.

## Consumer Glass

### Operations

The Consumer Glass SBU offers customized solutions and services and reaches out to its customers via its multiple divisions including AIS Windshield Experts, AIS Glasxperts and AIS Windows.



It provides repairing and replacement of windshields and other allied services for the automotive solutions. Incidentally, this happens to be the only Company in India for such solutions.



A retail initiative in the Architectural Glass products segment, Glasxperts provide complete Glass, Window and Door solutions

for safety & security, energy efficiency and acoustic needs. Its team specializes in myriad of doors and windows solutions that includes slider windows, bay windows, sliding doors etc.



A service providing initiative in the Architectural Glass segment, AIS Windows offers a host of glass and windows solutions which include - noise cancelling glass windows, burglar-resistant windows, energy-saving windows, airtight windows and pollution-free windows. AIS Windows are produced with precision and are professionally installed.

## Quality

With a mission centered on "JIKKO" - Execution for Excellence, the Company further strengthened its established TQM practices in the financial year. It incorporated the improvement tools from Toyota Production System (TPS), Total Productive Maintenance (TPM) and Six Sigma in its various strategic business units. The Company focused on its improvement themes (Deep Analysis, Kobetsu Kaizen, PDCA) and have completed over 140 PDCA themes. It initiated a revised methodology of operator efficiency improvement under the guidance of DMD in the Automotive division resulting in a productivity gains of more than 10%. Further, the Company ensured a high participation of its employees and saw more than 80% engagement levels through Quality Circles (QC), JishuHozen Circles and CFT. The financial year saw the Company's continued focus on knowledge upgradation to increase the competence of its workforce for problem solving through different training program including Executive Course in TQM, Lean Manufacturing / Maruti Production System, etc.

During the year the Company's quality journey was recognized in various forums. It received the Silver award in the MACE quality Circle Competition for its QC initiatives in the Bawal plant by Maruti Center for Excellence. It was also recognised by the Honda Cars India Ltd. as a winner in Kaizen & QC competition in the Delivery category.

## Information Technology

The Information Technology (IT) is a core function at the Company providing strategic direction to the Group's IT initiatives. It ensures smooth functioning of offices and manufacturing facilities as it formulates and administers IT policies covering standards, information risk management and governance. IT plays a key role in the Company's quest to enhance efficiency and streamline

its processes by increasing automation across all the plants and offices. During the financial year, the function took multiple initiatives to support the Company's vision and mission. These initiatives included:

- Refreshing and upgrading the IT infrastructure to speed up digital transformation and deliver better end-user experience.
- Readyng a detailed IT security roadmap as per ISO 27001 for implementation.
- Preparing a complete strategy and roadmap for the Company's digital transformation.
- Conducting of a Proof of Concept for digital initiatives like IIoT, digital maintenance and track & trace in line with digital strategy.
- Ensuring a smooth transition from office to work from home during the pandemic and subsequent lockdown.

## Risks

The Company faces several risks due to various uncertainties in external and internal factors. It has put in place a prudent risk management framework to protect and strengthen its business operations.

## Human Resources

HR at AIS plays a pivotal role in managing, guiding and motivating the Company's workforce. It is a strategic business partner as the function continues to be aligned with business goals. For this,

the Company's ensures a safe, conducive and productive work environment across all plants and offices. Capability building and Talent management continued to be a key focus area for the Company and its HR launched multiple initiatives in training, learning and development areas.

Most of the programmes focused on specific requirements of the locations, functions or company-wide and were accordingly designed and developed. In line with the Company's belief that it is important to support its people in realizing their career aspirations, as well as empowering them to contribute towards organizational growth, it gave opportunities for various people with lateral and vertical growth within the Company.

Employee engagement continued to be a key pillar for the Company's HR and leadership. Several initiatives were undertaken to increase the participation of employees. These included QC, kaizen and other suggestion schemes.

During the year, the Company ensured that its employees get together on various platforms including a visit to the day care centres for the underprivileged children or joining hands with the employees for tree plantation drives. Extending the initiatives to the larger AIS family, the Company regularly invites the children of the employees to work.

Ensuring an engaged workforce has brought in recognition to the Company. The Company was awarded an 'Appreciation Award-Leadership & Employee Development' at 3<sup>rd</sup> National Level, HR Circle Competition 2019.