



Ref: ASCL/SEC/2024-25/52

November 8, 2024

1. To,  
The General Manager  
Department of Corporate Services  
**BSE Limited**  
1<sup>st</sup> Floor, New Trading Ring  
Rotunda Building, P. J. Tower  
Dalal Street, Fort  
**Mumbai - 400 001**  
**BSE Scrip Code: 532853**
2. To,  
The General Manager (Listing)  
**National Stock Exchange of India Ltd**  
5<sup>th</sup> Floor, Exchange Plaza  
Plot No. C/1, G Block  
Bandra - Kurla Complex  
Bandra (East)  
**Mumbai - 400 051**  
**NSE Trading Symbol: ASAHISONG**

**SUB: TRANSCRIPT OF CONFERENCE CALL HELD ON NOVEMBER 06, 2024 WITH INVESTORS AND ANALYST ON THE FINANCIAL PERFORMANCE OF Q2FY25**

**REF: REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith the transcript of Conference Call held on Wednesday, November 06, 2024 at 4:00 p.m. (IST) with investors and analyst on the financial performance of Q2FY25.

The said transcript will also be made available at the website of the Company at [www.asahisongwon.com](http://www.asahisongwon.com).

This is for your information and records.

Thanking you,

Yours faithfully,  
For, **ASAHI SONGWON COLORS LIMITED**

**SAJI JOSEPH**  
**Company Secretary and Compliance Officer**

Encl: As above

**Asahi Songwon Colors Ltd.**

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**“Asahi Songwon Colors Limited  
Q2 & H1 FY25 Earnings Conference Call”  
November 06, 2024**



MANAGEMENT: **MR. GOKUL M. JAYKRISHNA**  
JOINT MANAGING DIRECTOR & CEO  
ASAHI SONGWON COLORS LIMITED

**MR. ARJUN G. JAYKRISHNA**  
EXECUTIVE DIRECTOR  
ASAHI SONGWON COLORS LIMITED

**MR. MITESH PATEL**  
EXECUTIVE DIRECTOR  
ASAHI SONGWON COLORS LIMITED

**MR. PRATIK SHAH**  
CHIEF FINANCIAL OFFICER  
ASAHI SONGWON COLORS LIMITED

**MR. SAJI JOSEPH**  
COMPANY SECRETARY & COMPLIANCE OFFICER  
ASAHI SONGWON COLORS LIMITED

## Asahi Songwon Colors Limited

Q2 & H1 FY2025

November 06, 2024

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**Moderator:** Ladies and gentlemen, good day and welcome to the Asahi Songwon Colors Limited Q2 and H1FY25 earnings conference call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*', then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors. Thank you and over to you, Sir.

**Sayam Pokharna:** Good evening, ladies and gentlemen. Welcome, everyone, and thank you for joining this Q2 and H1FY25 conference Call of Asahi Songwon Colors Limited. The results and investor updates have been emailed to you and are also updated on the Stock Exchange and on the company website. In case anyone does not have a copy, please do write to us and we will be happy to send it over to you.

To take us through today's results for the quarter and half here and answer your questions, we have with us from the management team, Mr. Gokul Jaykrishna - Joint Managing Director and CEO, Mr. Arjun Jaykrishna - Executive Director, Mr. Mitesh Patel - Executive Director, Mr. Pratik Shah - Chief Financial Officer and Mr. Saji Joseph - Company Secretary and Compliance Officer. We'll be starting with a brief overview on the quarter from Mr. Jaykrishna, which will be followed by the Q&A session.

I would like to remind you all that anything and everything that is said on this call reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. These uncertainties and risks are included, but not limited to what has been mentioned in our annual reports.

With this, I would now like to hand over the call to Mr. Jaykrishna, over to you, Sir.

**Gokul Jaykrishna:** Good afternoon, everyone. I thank you all for attending this call. Wishing you all a very happy Diwali and a warm Saal Mubarak. A very warm welcome from the entire Asahi team. I'm very happy to share with you the Q2 and H1 performance numbers for Asahi group and briefly some idea on the business outlook going forward. Also, I will add a couple of challenges that we face that we need to take care of to take the company to new heights. After which we will open the floor for questions.

On the consolidated basis, quarter two revenues stood at 143 crore, a growth of 6% QoQ. EBITDA stood at 14.51 crores which was flat compared to the previous quarter and EBITDA margins on a consolidated basis was 10.2%. Consolidated numbers on H1 basis, revenue stood at 278 crores, a growth of 40% year on year with an EBITDA of 29 crores, a growth of 391% year on year.

PAT stood at 7.7 crores, a growth of 229% year on year, excluding exceptional items. Please note that this in our history is the record best ever quarter on revenue and EBITDA basis. We hope to continue and build upon this performance.

A few words on working capital, our working capital turn at the quarter stood at 3.36 turns. This compared favorably to 2.84 turns for March 24. Of a cash conversion showed at 86 days, which also compares favorably as compared to 109 days on a group basis for March 24.

Now I will put forward a few developments that we have had during the last six months. Asahi blue division has done quite well despite a still very, very tough demand environment. We have been able to improve gross and EBITDA margins. As a leader in this segment globally, we have

been an outlier and done much better compared to others, especially the unorganized sector, which continues to suffer.

At ATC, our utilization levels continue to inch up month on month every month since the last three to six months. However, it is below our satisfaction and we need to ramp up the utilization, growth and revenues in this area. We have embarked upon a small debottlenecking exercise with the CapEx of 10 crores, which should be completed by March or April of 25. This 10 crore CapEx should increase above pigment capacity by 720 tons per year. This should add a revenue of 30 to 35 crores per year on the top line. For ATC and the pigment business are last time we hope to see improved demand from what was absolutely a terrible last year, year and a half from Europe since now President Trump will be back in office early next year. With that, we probably may see end to the Ukraine-Russia war and improve business from Europe.

On Atlas, the pharma business, the API business of a new intermediate plant is running well. In this quarter, as anticipated in the earlier call, we are now completely self-sufficient for the backward integration stage 1 and stage 2 for our main API product. This gives us satisfaction.

Now a few lines on the business prospects and challenges. We have to continue to improve our ATC revenues by going into new markets and new customers and ramp up revenues and capacity faster than we've been able to do in the past. At Atlas, our main challenge will be over the next 12 months to get a decent utilization from our new API facility in Chattral. The future for Asahi Group looks solid. The team is very excited as we come to the end of our CapEx cycle of the last three years and start the deleveraging process. The CapEx we have done are starting to deliver top line growth and will continue to do this for the year 25-26 and year 26-27, we hope to start improving on our bottom lines as well as we enter 2025. With this, we open the floor for questions.

**Moderator:** Thank you very much. The first question is from the line of Shreya Jain from Naivasha. Please go ahead.

**Shreya Jain:** Hello, Sir. Thank you for the opportunity. So, my first question is around the consolidation that is taking place in the industry right now. Recently a leading India's pigment company has acquired a global major in this industry. So, what is your take on this? How will this change the competition scenario in the industry and how does this have any direct bearing on Asahi blue or AZO business? And sir, my second question is regarding the are we looking, are we open to such inorganic growth within the pigment industry itself given a large inorganic growth transaction was directed outside treatment into APIs?

**Gokul Jaykrishna:** Thank you, Shreya, for your questions. The first one there is definitely quite a bit of consolidation happening at the global scale as you refer to the large one. I touched upon the consolidation happening in my opening remarks as well, where we mentioned that blue business where we are global leaders, we have been like outlier in terms of performance, which is the demand environment remains very benign and very actually very bad and yet we've been able to do good business. This reflects also on some of the other major large companies in the sector and the unorganized, this business consolidation is happening at the cost of either the unorganized sector or weaker companies, and this may probably be towards the end of the cycle, and it augurs well for the well-managed, organized players and the consolidation will also result for Asahi in various newer opportunities globally as well. Now to take the second question, we are not at this point of time considering any inorganic growth in the pigment business. This does not mean we may not revisit that in the future, but as of today, the board is not entertaining any thoughts of inorganic growth for the pigment business as such. The pigment business environment remains quite challenging and only very well managed good businesses are doing well, but they are doing quite well as you can see also from our results, we have delivered better results than we had in the previous year, year and a half. This does not mean we are not open to inorganic growth. We could look at inorganic growth in the Pharma or API segment. But nothing right now. Right now, we are focused on consolidating, deleveraging, getting utilization up, getting into new geographies and new customers and ramp up revenues. So, this will be our moto for you know 2025.

**Shreya Jain:** Got it. Sir. Sir. Also, are there any updates on the pickup in the red pigment business within Asa. This really hasn't progressed as much in the last two years as it was expected.

**Gokul Jaykrishna:** AZO, I mean I also refer to this, but we are internally not very happy with the progress we are making, we are making progress month to month, but the progress is probably slower than anticipated because of very, very poor demand environment. However, we are seeing improvement not only on the top line but also on the gross margin front and they should continue. About the red business, we are getting our foot well into the door now. It was a tough challenging year and a half and we feel that the next six months should be much better than the previous.

**Shreya Jain:** Thank you so much for. That that helps a lot.

**Gokul Jaykrishna:** Thank you.

**Moderator:** Thank you. The next question is from the line of Dhwani Desai from Turtle Capital. Please go ahead.

**Dhwani Desai:** Hi, good afternoon, Sir. So, my first question is on the blue business. I think, you know, we alluded in our press release that is quite well in this business, but you know one of the contributing factor was RN volatility and in the opening remarks, you also talked about debottlenecking. So, we are we used to do around you know 370 to 400 crore revenue from blue business and we are close to that number on our quarterly basis around 100 crore. So, you know how do we see growth from here on in this business, and is this number largely because of the price realization increase or the volume growth, both QoQ, YoY?

**Gokul Jaykrishna:** So, on the blue business, I you know about growth, I will take that question first. We may not see any really big or rapid growth because we are at about 80-85% utilization in the blue business. We have, I would like to clarify you refer to the debottlenecking. The debottlenecking is not in the blue segment, it is in the ATC AZO business. So, we are not doing any CapEx's, new Capex's, except the maintenance required CapEx on an annual basis at the blue plant. So, we are not adding or debottlenecking in any new capacities as of now, we have 15 to 20% free capacity, but beyond that, so that that is something that you could at some point factor into potential growth. Over a period of couple of years, you could probably see in you know the Hindu growth rate of three to 5% kind of thing over there, but nothing more exciting in that area. The other question you asked was regarding?

**Dhwani Desai:** Where you know the volume growth, YoY...

**Gokul Jaykrishna:** So basically, you refer to the raw material pricing volatility. So, this is part and parcel of the pigment business. It's nothing new and we are not very concerned with it, I mean every quarter, every six months, the prices are volatile. It's a built-in mechanism in the system where, you know, any price increases are passed on any price decreases are also passed on. So, they do have an impact on quarter to quarter. But on a year-on-year basis, those in fact seem to kind of iron themselves out.

**Dhwani Desai:** Second question is on the blue margins, but I think we also mentioned that you know it's below our expectation or our stated goal of achieving 13 to 15% which we had earlier indicated. And historically we have been able to do that. So how you know how do you see the journey from where we are to that 13 to 15% range from here on and any timelines you can give for that?

**Gokul Jaykrishna:** It would be difficult to give a timeline because it's a lot is depending on how demand comes back. However, there is a lot in our control as well, which we can do better, which we have been doing better, so our margins are actually inching up and are quite close to our to reasonable margins. We are well into the double digits on the blue business and we hope to build upon this and so we are kind of close to where, you know the 13-15 you indicated and we should, of course we would like to get to that 13 to 15 and that should be possible. Like I said, you know, there could be various different triggers that could just make that happen. But demand is still bad. The debottlenecking the destocking on a global basis has already taken place. The bottoming out of prices has taken place, so two things are out of the way now, but now we need to see demand. Once demand comes back, you could easily see us going back towards the margins you referred to.

- Dhwanil Desai:** One question on the API and then I'll come back in the queue. On the API side, as you indicated both CMH, RCMH you know the capacity has been, you know, commercialized and stabilized. So, you know what is the progress in terms of moving the API production from Odhav to Chattral site in terms of Pregabalin. Another product, if you can give some sense on that and also you know margins have been you know little on the lower side and we were you know saying that when fully integrated and when we scale up the production, we you know we can go to 12-13% kind of a margin range. So how do you see again the trajectory on margin and you know pregabalin production from Chattral ramping up from here on?
- Gokul Jaykrishna:** So, we are now self-sufficient for those two raw materials for our main API. This is of course you know one barrier that we needed to cross and crossing that has given us a good bit of comfort. The numbers in terms of margins still remain work in process though they have improved from the previous 4%, 5% margins, we are much better margins in the API business because of the backward integration. However, the utilization of the API capacity in the new Chattral facility remains a challenge and this is what I mean it always was going to be, it wasn't going to be an easy challenge, but that capacity utilization should start happening gradually over the next 12 to 18 months and as we do that. It will show improvement in top line as well as improvement in the EBITDA margins as well. As far as you're referring to moving the PG Pregabalin productions from Odhav to Chattral, we are not doing this because the Odhav plant is actually operating very well. When we took over the plant, we thought it that you know there's a small plant, it may do well, may not do well. We have a state-of-the-art new facility, but now when we run the plant, we see that this what we require is actually a small jewel so we would right now not want to disturb that and probably focus our strategy on ramping up the API facility at the Chattral new facility with added new products. This of course is new challenge and it will take time. So, it won't happen like you know in quarter or two, but it is work in progress and our major strategy over the next 12 months will go in that area. And that is where you know earlier this the lady referred in the first question to growth in the blue business. And I said, you know Hindu growth rate, so the growth rate in the top line which I referred to over the next couple of years or two, one to three years should be coming out of the ATC business of AZOs, which continues to improve utilization and has free capacity where we have growth prospects and also from the new plantings for Atlas the API sector.
- Dhwanil Desai:** One follow up on this, on Pregabalin. You know I think if I remember correctly Chattral when we move to Chattral the capacity you know pick up team was to double and now we are saying that probably we'll move go with newer API. So, are we you know now not intending to double the production of pregabalin, you know company as a whole?
- Gokul Jaykrishna:** Good Dhwanil, you dropped this question. I should have probably touched upon it. So no, that it is not intention to just do new products. I mean Pregabalin increasing or you know of a revenues from pregabalin and improving the volumes of pregabalin by adding production of pregabalin at Chattral is definitely a possibility. So, it is going to be a combination of you know making pregabalin, we had by the way started making some pregabalin so the API facility at Chattral is currently utilized only 10 to 15% and this 10-15% is coming from Pregabalin So it is not we don't have intention to make Pregabalin. What I meant is we don't have any intention to, you know, not use the Odhav plant which we were earlier questioning because it was a small plant. It is a nice plant. So, we will continue to utilize that, we will probably make additional pregabalin and other molecules, other APIs in the Chattral facility to utilize that. That's what I meant.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thanks for the opportunity. My question was on the API segment, you know, continuing the previous caller's question, you know earlier, we were planning to ship our entire Pregabalin facility from Odhav to Chattral and utilize order for you know manufacturing other APIs. So now we have changed our plan that will continue to manufacture Pregabalin at Odhav and Chattral will be used to manufacture additional quantities of Pregabalin plus new API that we are developing.
- Gokul Jaykrishna:** So, we are, I probably need to clarify this a little better for the benefit of our groups. So, we have not actually changed the plans. We just found that the Odhav plant is actually a little

jewel, which is doing quite well. So, we would not like to disturb it. The plan what we refer to that we may move the APIs we manufacture at Odhav to Chatral could still play out in the future. It is part of the strategy. So let me put it this way. So, we have an option now. It is a clear strategic option whether to continue to make the same APIs that we make at Odhav or to move those eventually and get higher value products at Odhav. Now, see this will depend on the kind of products that we will go into. So, how your clarification is the end up shortlisting as part of our strategy, higher volume, lower value products, then we would move those APIs to Chatral because the facility is larger. If we go in for lower volume, higher value products which are for example in the range of ₹50,000 a kilo and more, then those will certainly go to Odhav, in which case if we get hold of such molecules or start making that or strategize to make that, then we will have the option to move the existing APIs from order to, etcetera. So, this is a very nice ability that we now have. So, it is up to the board and the management team now to consider you know what kind of APIs will fill up, Will generate newer revenues over the next three years. So, depending on that we will decide which APIs will be made there. I hope this clarifies both of your questions, Dhwanil and yours as well.

**Ankit Gupta:**

Sure Sir. Sir, API sales, despite coming in and you know like of course that is largely for our backward integration, but API sales for many quarters has remained around 2327 crore. So, when do you see you know, jump in the revenues maybe primarily driven by you know more sales of Pregabalin or the other products or the running products coming in the API segment?

**Gokul Jaykrishna:**

I could not gather it. Arjun, can you take this and Ankit you can go a little light on the earlier question about strategy as well.

**Arjun Jaykrishna:**

Right. So, I think you know from our side I think my answer will actually end up covering both questions in one shot. You know so in the API business, the company we took over and what we have been working on, you know we reported earlier that we have done some changes in you know the finance side, the procurement side. We have added efficiencies from the Asahi group into Atlas which, you know, gave us slightly better performance you know, a few quarters back. We are far from where we want to be and the reason for the performance of Atlas over the last quarter or you know say in the coming quarter would not be to the level where we have said we will be and we are still confident of reaching is because of the nature of that business. So, to go a little bit more in depth, see, these are obviously much more certified and much more complicated products to get approvals for and by this, I mean whether it is certifications of several global regions, whether it is within India, pharmaceutical companies, as we target more better customers, a higher level of a customer base, whether it is in India or elsewhere as well. There is a lot of certifications that need to be done in terms of validations of new products, in terms of validations of plants and so on. So first to answer the last question little bit. About the moving of Pregabalin, you know this is still a strategic discussion, but it is not something that can be done overnight in any case because the customer base we have, even our customer base within India, the formulators where they cater to, they need regulations, they need validations of several months of the product and of the plant. So, all of that is strategically coming into place, but it is not something that can play out within just a few months. It is a slightly longer and validated process that we have follow and as a API player, our goal and our vision is to move from just a small local player to being a more reputed being, a more certified player. Again, this is not a matter of weeks or months. It is probably a matter of years, but we are already on that track and we are making sure that you know at our new plant in Chatral, we follow systems and we make sure despite in the short term maybe we don't see the numbers being as lucrative in the one quarter, but we want to make sure that we are building towards the next few years and we can put ourselves at Atlas in a position where we are a strong reputed player that can cater to you know higher regulated formulators in market. So, this will take a little bit of time. And same goes for these new products as you mentioned you know we have working quite a bit within our R&D setup you know, and the strategic think tank for the new products, whether it is other Odhav or Chatral both sides. As that said, eventually we plan to utilize and the goal is simple that we have to utilize the production facility we have set up and the validations and the processes that we are following in this new product entry is following more regulated systems which take a little bit more time, but it will help set up over the next several quarters us in a better position and keep them better ready for the long-term. I hope that gave a little bit of light on the timeline and why it is taking a little

bit more time for new products as well to kick in because of the validations and procedure we are we are following it as.

**Ankit Gupta:** So, when do you see the revenues, you know revenue was growing in the segment and are margins, you know touching or aspirational levels of you know low teams?

**Arjun Jaykrishna:** So, you know it is very tough to give an exact timeline on it. So, I can comment for sure that the margins, you know the margins should definitely taken faster as our CEO said, you know we are already self-sufficient in the next quarter we would be the whole quarter you know should be self-sufficient for our main API, so that should help with margins. But then as I said, you know as we move for more accreditations as we try to be more systematic, you know we have to make sure that our procedures and our systems are following those levels and that is the only way we'll be able to cater to the more qualified and higher regulated customers. So, you know while I can say that over the you know next two or three quarters, we would be able to show better margin, it is not something that we will be able to show immediately and not a jump that one can expect for directly to come to the number that we have, you know, given it is more of a gradual thing and probably we should be reaching you know better EBITDA margins and higher turnover not for the next two, two quarters, but probably following that.

**Gokul Jaykrishna:** I entirely agree with what Arjun said, so precisely what he meant is after two quarters we would start seeing improvement in revenues coming out of new APIs hopefully by the first quarter of the next financial year. That is starting 1<sup>st</sup> April.

**Ankit Gupta:** But the Pregabalin demand for the customers or the markets that that we serve remains a bit challenging is what you are indicating.

**Arjun Jaykrishna:** No, the Pregabalin demand right now I mean what we are making we are selling, I mean that is how our revenues are not falling.

**Ankit Gupta:** But you know the demand is also not growing there. And the prices have also are also under a bit of pressure.

**Arjun Jaykrishna:** Demand is growing. Demand is growing. Pregabalin demand is estimated to grow about 7% over the next five years. Prices continue to be under pressure so that we will see now with China plus one also how it plays out now that Trump is in office will also put an interesting aspect to it, but demand for pregabalin will probably do decently well 5 to 8% over the next five years compounded, but the prices you are absolutely right this quarter, last quarter we had decent pricing, this quarter pricing are slightly under pressure. It doesn't always auger battery like you saw in the pigment business we had a very, very challenging one year because we were below cost and you know very, very tough time. But then it the industry as somebody you are saying or somebody earlier than you refer went into consolidation and lot of people kind of. Got into trouble. So, the consolidation of, you know, price pressure just makes you a little more efficient. So, we have to embrace it in the meantime.

**Moderator:** Thank you. The next question is from the line of Prolin Bharat Nandu from Edelweiss. Please go ahead.

**Prolin Bharat Nandu:** Yeah. Hi, team. Thank you for taking my question. I'll start with the API, because last two questions were also more focused on API. So just to understand it correctly, while you mentioned that the margins have improved, but if I look at your reported numbers, quarter on quarter, they are down right for that matter year on year also they are down, right? I mean in API when I look at the segmental results, so are we both referring to the same numbers when you said that margins have improved in API.

**Gokul Jaykrishna:** I meant half year.

**Prolin Bharat Nandu:** OK, alright. OK.

**Gokul Jaykrishna:** But you're right. I mean, you know, otherwise it's been flattish. You're right. A quarter it's better and again, the quarter it's challenging. I refer to the half year because I was talking to.

**Prolin Bharat Nandu:** All right, all right. So, the larger and the more strategic question is this right I mean that in API we got into it. This was a completely new segment for us. We did not have any experience as



such in this segment. We must have done our own industry demand supply analysis to get into this segment and the time that you referred to in getting approval, is it something which we have to endure because of our, I mean, you know, lack of experience in this segment or that's how the segment works, right? It takes time for to get approval. What I'm trying to understand is that had a company Atlas being held by the old promoters or being acquired by somebody who would have an experience within the pharma space. Would the time to go to the market with the new products would have been, would it have been shorter or would it be taking a similar time as to what it is taking for us?

**Gokul Jaykrishna:** That is tough to answer, but this I can say that you know our lack of experience in the pharma business is not an excuse and should not be an excuse to you know, take longer. So, I would not expect my team to take longer than what it would take anybody else I mean definitely we should be doing it better and faster than the previous promoters, that's why we took over the company and that's why they sold it. But you know, we have to ramp up our strategy and team to an extent where we are able to handle those compliances at par with any other pharma player. So, when we budget the time it would take, it would be the same as anybody else. Having said that, like you said that and Arjun referred to earlier, that in the Pharma API space there is a time lag that happens I mean, you know accreditations like European or other countries, they have a certain time that it would take because you have to do stability runs you have to, you know do various formalities, procedures which we have to adhere to and comply to. So, at that time it should take but it should not be any more than what it should take anybody else in the industry.

**Prolin Bharat Nandu:** Fair point but Gokul all these things we would have already accounted for when we acquired, right, because we were, we were aware into what we get. So again, maybe some strategic insights from you as to is there somebody, some sector expert who is leading the team helping us understand the nuances of the business, can you some light on the manpower or the executives who are people probably handling this business and helping us in terms of compliance, getting the European approval US approval, so on and so forth?

**Gokul Jaykrishna:** Yeah. So, we have a very good what we inherited from the previous management was a very well-lit and well-run team to be able to run that operation as it was, Now, we have gone in for a Greenfield operation which is far larger and with like Arjun referred to with which we have expanded in our mind the horizon of the business that we want to do. So, the challenges are new strategically I think Arjun has already roped in along with his team in and R&D consultant who is working on strategy in terms of honing down on specific products. So, this should take about six months to pick up specific products. On the HR side, we are, I don't want to talk right now too much, but in the next call I would be able to definitely tell you that we would be having one senior appointment which is very close to happening and likely 2. And these would take care of what you are saying in terms of our capabilities to you know, to adhere to the compliances and the ramping up of the facility.

**Prolin Bharat Nandu:** Sure. So, what I understand is that when you talk about new product apart from Pregabalin, which was our core product, what Atlas was into, that is even deciding on which product to get into is a six-month journey, right? I mean only then we will decide as to which product we will get into. Is that a fair way to think of?

**Gokul Jaykrishna:** OK, so maybe it happens in one month. We don't know. I mean it is a so I'm saying it should take I mean, even if we were to identify a product in one month, it's not going to generate revenues in one month.

**Prolin Bharat Nandu:** Yeah. Yeah. Correct.

**Gokul Jaykrishna:** So, you know, the identification process, you know we have given ourselves now, until six months to identify that product. Now it could happen anywhere during the period. It depends on the kind of products, the accessibility of the technology. There are also products that our team is working on in our we have an independent R&D center as well at Odhav which is away from the plant and we are in the process of, you know, developing new molecules there as well. We have already developed 2 molecules and launched them and two new are underway, but these are, you know, not going to have a major revenue or EBITDA impact in the coming financial year. Even forget about a quarter or two. So, I didn't refer to that. But what we are

now looking for is strategically to get a higher volume product or two products which can help us ramp up utilization of the API facility faster.

**Prolin Bharat Nandu:** Sure, understood. And when we talk about backward integration in the N-1, N -2 and we are self-sufficient there, but we also had plans to sell that N -1, N -2 in the market because in the interim, by the time we have full utilization of our end API facility, we would have excess capacity of N-1, N-2 if I'm not wrong. So where are we there in terms of selling it to the outside market?

**Gokul Jaykrishna:** We have not yet made any very serious effort or inroads into doing that and we don't intend to do it, at least for the next quarter because our efforts will go into selling more Pregabalin. So, if because you know if you start selling take the easier route and reach out to other makers of disabling with these backward integrated, you cannot do that and then stop in a few months because you have more demand for Pregabalin. So, we are playing a little cautious role there rather than just sell you know a little more, get a little more revenue out of sales of those products to outside the players. We are playing a little longer-term strategy where we want to reach out to newer customers in the pregabalin business itself, whereby then we will need that backward integration for our own Pregabalin. So, we haven't made any serious efforts to sell those products outside and like, I said that we are even if we were to do that, we are at a stage where we are just self-sufficient. So, this will be the first you know quarter that we will be fully self-sufficient. So, we are just coming to that case. So, the question of selling that outside has not yet arisen in this quarter or in the next quarter.

**Moderator:** Thank you. The next question is from the line of Rupesh Tatia from IntelSense capital, please go ahead.

**Rupesh Tatia:** Hello Sir. So, my first question, I have questions from all three segments. My first question is on AZO. So, in AZO, what is the capacity utilization of yellow and red separately? And when are we likely to, you know, hit, let's say 25 crore quarterly revenue in the as business?

**Gokul Jaykrishna:** So, Arjun you want to take this, then I'll finish it.

**Arjun Jaykrishna:** Yeah. So, I will take the utilization and those numbers where you are. So, we you know, we would just for competition in general, we will refrain from giving too much product wise or color wise information about utilization. What we can say is and what was highlighted in the first question as well, you know the yellow line we have reported has done well you know over the last few quarters and we have seen the utilization for that line go up for the red line as well if you see QoQ, we are improving every single quarter and we are making sure this this last half year has been better than the substantially better than the half year before and we can see as opposed to before that we are seeing a higher utilization now in the red line as well. It is not where we needed to be, but we are hopeful that in the coming quarter we are now at a position where we will really be pushing that and pushing it fast within the next two quarters. So, utilization of both red and yellow should now both should proportionally go up in the coming quarters and the margin improvement that we have seen over the last three quarters will certainly continue in this quarter as well.

**Gokul Jaykrishna:** Our overall capacity utilization for the AZO business stands at about 66 percent, 65%.

**Rupesh Tatia:** OK, so 25 crore quarterly run rate when can we reach there?

**Gokul Jaykrishna:** I think we should be able to reach there in the first quarter of the next financial.

**Rupesh Tatia:** OK. And Sir, how is the update from the TTC account because I think we have some guaranteed uptake from the tenants so how is the situation there?

**Gokul Jaykrishna:** So, it is not as much as we expected, but it is decent. I mean, so they are buying products that you know they need. Unfortunately, what happened over the last 1 and a half years, one, the global demand itself and the pigment industry you all know went through a terrible time and Europe was the worst with this Ukraine, Russia war. So, I mean you can't blame them for not because their own demand kind of, you know, crashed substantially. So, let's see, I think it's bottomed out. We are seeing improvement and we should be so, you know to be specific, we haven't been able to sell to TTC what we had targeted to. However, this quarter there is improvement. Last quarter was very poor in fact and this quarter there is some improvement

and we are hoping that over the next few quarters it will continue doing so. And Europe also, like I said earlier, with Trump coming back to office, you may see the war in Ukraine get over and Europe start doing much better in 25. If that happens, then we could be at normal with TTC what we at end results.

- Rupesh Tatia:** OK, OK. Sir, and then in API business, what is the top line needed to go to let's say 13-14% margin? Can we do that at 150 crore? Because there will be fixed cookies and other things, right? Yeah.
- Gokul Jaykrishna:** You meant that 100 at you meant 150 crores turnover.
- Rupesh Tatia:** Yeah, at 150 crore turnover, can we hit 13-14% margins?
- Gokul Jaykrishna:** Yes, yes, absolutely, yes, that is, that is our internal target that we reach of turnover of 150 crores and we hit 13-14% margin EBITDA.
- Rupesh Tatia:** And we can achieve that next year FY26?
- Gokul Jaykrishna:** See, I've been like, you know, I've been wrong earlier with the ATC numbers because of the market and other situations. So, I'm a little reluctant to put a, you know timeline on it, but yes that I mean internally that is for sure our goal that next year we should be, you know, by end of the financial year, we should be at a full year of 150 crores and close to 13 crores of EBITDA.
- Rupesh Tatia:** OK. And Sir, I mean, now that pregabalin at order will continue, I think that was one of our major operational targets when we started the year. So now that Pregabalin will continue that Odhav, so, have you I mean, where are we on, you know, commercializing non pregabalin from Chattral and then we also have a unit for high pressure high value APIs or intermediate so that plan now should get accelerated, right?
- Gokul Jaykrishna:** Absolutely. So, I mentioned that the biggest challenge going forward and the highest opportunity comes from here. I said it even in the opening, the two challenges one ramping up faster on the ATC AZO pigment capacity utilization and revenue is 1 and the second and the biggest would be from utilization of the API facility at the new plant in Chattral to strategically introduce new products to strengthen the team at senior level and ramp up capacity of the API unit there, ramp up as in utilized I mean, we already have a capacity now.
- Moderator:** Thank you. The next question is from the line of Tanish Mehta from ithought. Please go ahead.
- Tanish Mehta:** Yeah. So, my first question was with regards to the blue segment. So, if you could just mention what is your revenue potential from the existing capacity and I think you had mentioned that you don't have any plans for expansion in the segment, right?
- Gokul Jaykrishna:** Yes, that's correct.
- Tanish Mehta:** So, what is the revenue potential there in the existing capacity?
- Gokul Jaykrishna:** So about, you know, it depends a bit on the pricing as well, but anywhere between 350 to 425 crores from the blue segment. We have reported on a standalone half year basis, I think 192 cores.
- Tanish Mehta:** OK, OK. Yeah. Thank you. So, the second question was from the API segment. So, I think you had mentioned earlier that you are looking to do the 200 crore API in FY 2026. And I think in H1 you have done 52 crores. So, by next year will you to double this number?
- Gokul Jaykrishna:** See, it's going to be a challenge, but that is the aim we would like to and like Arjun has referred earlier, if he gets our strategy right and play our cards properly, we should probably be able to do that. We have the capacity, we have the opportunity now we have to work over there. But yes for 25-26 that is a real possibility.
- Tanish Mehta:** OK. And if you could just mention a little bit about what would be your growth strategy for the same?
- Gokul Jaykrishna:** For the API, Arjun.

**Arjun Jaykrishna:** Yeah, I think you know this will come back to the earlier question and it's difficult to give an exact timeline or exact route plan. But in general, I think you know what we are doing as a company and what we want to achieve over the next, say 2 years is to be known for a more, you know accretive validated type of plan, this will allow us to not only increase our volumes in the product we are strong in which is pregabalin by catering to the more accredited markets, which would in turn help us with, you know, better numbers, better bottom line as well, as well as in new products where we would be able to cater to customers that require a certain level of system, certain level of validation we are well on our way to achieving those systems and those validations while they take time. And it is a cumbersome process as our CEO said, we are working towards it. We are working with the internal team. We have some consultants that are helping get our plant and our systems in line as well. We are doing several internal audits. We are doing several processes inside which are making sure that our core getting stronger and hence as we move to new products as we move to new markets and segments for even pregabalin, we will be well set because in this API business for all players us as well as everyone else having a very strong core and having very strong data integrity is at the crux of the whole business and that is what we are establishing and we want to make sure we are known for that and we are known to be that kind of player. So, you know I cannot give a that strategy, but this is largely what we plan to do. This is what we plan to follow. And we will be using internal as well as outside the consultants and we will be using all the resources we have to push Atlas in the direction. So, over the next two years we are able to achieve you know the plan that that we have laid out as well as you know hopefully the numbers that we are hoping to get over the next two years.

**Tanish Mehta:** OK, great. Thanks. That was helpful. Also, if you could just mention what are your top three drugs and the contribution to the and their contribution to API revenues if you could give us the same?

**Gokul Jaykrishna:** So, 1 is pregabalin which is more than half of the revenue of the API business. Second is Levosulpiride. Can you tell the other two?

**Arjun Jaykrishna:** Yeah. So, as you mentioned, we probably refrain from giving exact numbers, but pregabalin is our largest, as you said, more than half. We also have Levosulpiride which is our second biggest and then we have a mix of five others which are all not very large that all are contributing in their own small which is about 25%.

**Moderator:** Thank you. The next question is from the line of Ishit Desai from Forge. Please go ahead.

**Ishit Desai:** Yeah. Thank you for the opportunity, Sir, and congratulations on good set of numbers. Sir, my first question is on the AZO business. Since our capacity, if we look at in terms of global market size, right, and the kind of relationship we have with some of the global players is still very small, right? So, and first one or two years we had some challenges in terms of product quality and output issues. Now, given that most of that is behind us, how you in your commentary also you have mentioned that you are witnessing increasing inquiries. So, could you throw some color in terms of what kind of size, scale, players are interacting with and once the demand scenario starts becoming a little normalized, do we see this ramp up much faster than what we have seen in last one or two years?

**Arjun Jaykrishna:** Yeah. So, but thank you for the question. Yeah. So basically, to answer backwards from the last one, yeah, we definitely should be a faster growth as the demand picks up. You know, as we described generally you know still even today that the global demand situation has not improved too much, we are marginally improving, but the rate of improvement in AZO business is far from where we would be happy with and far from where we wanted to be. So, we are working every day to help move that faster as markets improve and hopefully the demand improves the next quarter, we should certainly be seeing a faster rate of grow. And in terms of customers and segments here, you know we are, we are working on several different opportunities for several products and we are working with partners and channels that we will look to open over the next few quarters and help boost this growth faster than it has been for the last two years.

**Gokul Jaykrishna:** Ishit, this is a good question that you've asked. Basically, you know we would be as of right now we are doing mostly local business, exports is very contributing, not significantly like in the blue

business, exports contributes more than half and significantly to our top line and bottom line. In this we have not started yet. We were slow to get started but now we have started making in growth into the same customers. So now there is tremendous customer synergy when we talk about exports between the blue business and the AZO business, which has not been leveraged yet. I hope this answers your question. So then yeah, if we are..

**Ishit Desai:** But, any traction on that?

**Gokul Jaykrishna:** Yes, there is traction. The traction is slow, but if it ramps up the opportunity, there is traction on three accounts actually to be very specific. I don't want to name them because it is too early in the game. But if one of them even ramps up, it could be you know helping us do the revenue numbers that we were talking earlier for the full year, 25-26 of 150 crores then would look very, very doable very easily in fact. And if we get 2 accounts cracking which is also a question of time. But if that happens, the earlier it happens, the easier it gets to ramp up revenue and the business.

**Ishit Desai:** Great. Thank you. And my second question.

**Gokul Jaykrishna:** Yeah, good question.

**Ishit Desai:** My second question is on the API business. Since you are now focusing on getting your products in the basket, I understand that you will not be able to name it, but more in terms of product mix I mean, what kind of products are we looking at, are we continuing to look at cost leadership sort of model? Let's say pressure being sort of very large market size molecule, or are we looking at more niche sort of high value mall type, I know as a basket you want to cover more but more in terms of thought process I mean are we looking at complex high value more molecules as a as a larger basket or our focus will still be on cost leadership and then we want to kind of gather more market share in some of those molecules and in some color on those aspects. And again, and at what stage are we I mean when we are saying that we are trying to finalize product basket. So, have we kind of taken feedbacks or some of the potential where do we sit in terms of stage of development or stage of finalizing crystallizing some of those products?

**Gokul Jaykrishna:** So Ishit, we would be using both the strategies and we would need to use both the strategies the higher volume, lower margin, lower value you know products to fill up capacity and the high value lower volume, higher margin products to you know, get a name in the market. At current stage we are concentrating strategically more on getting the cost efficient, the lower value higher volume product so that we can fill up our capacities, utilize what our and what strength we bring in as a management straight away where we are cost efficient and then we will start looking at products into the higher value chain category. And when that comes then that ramp up earlier couple of questions somebody refer to about Odhav to Chattral will crop up and that's why we put it on hold because right now we are not chasing the see what happens if you chase the high value products right away, they are not going to you know they are going to take much longer. So, it will not even if we were to even develop one and we have internally developed one product. So, this product has been internally developed commercially launched, but it's not going to have any impact because it's going to take a long time. It's at ₹25,000 a kilo, ₹30,000 a kilo product, but the volumes are nothing that I can talk to you about. So, but we are not concentrating on getting more high value molecules like that, more on the high-volume molecules where we build cost advantages and go into backward and also where possible which again is about natural strength.

**Moderator:** Thank you. The next question is from the line of Hemish Shah, an individual investor. Please go ahead.

**Hemish Shah:** Yeah. Good afternoon, Sir. I just want to get a sense of, you know, how is the business looking and you know your outlook probably for the rest of the year and next year, you know when you compare it with the first two quarters of this year, how are different segments looking pricing and demand wise?

**Gokul Jaykrishna:** So generally, the second-half of the year I would say would probably look similar in terms of top and bottom-line. Segment wise you know we have 4 facilities and it would probably differ segment wise. We would clearly want to see the reasonable improvement from two of the four

plants, which is both the new plants. 1 the pigment plant at Dahej, the AZO plant and the intermediate and API facility in Chattral. So, from these two we should see certainly improve the second-half as compared to the first half. However, that may not be a game changing big thing on a on half to half year basis, but it should definitely be better than the previous half. And we hope to maintain our position in the blue business and the Odhav's API facilities and the numbers as well.

**Hemish Shah:** So, even margin wise, I think the blue business should look stable. You think over the next I mean six months to one year?

**Gokul Jaykrishna:** Yeah.

**Hemish Shah:** OK. OK. Thank you, Sir, all the best.

**Moderator:** Thank you. Ladies and gentlemen, this will be the last question which is from the line of Aryan Oswal from Finterest Capital. Please go ahead.

**Aryan Oswal:** Good afternoon, Sir. Sir, my question is on the line of tax rate. So why is the tax rate so higher and do we have any DTA available?

**Gokul Jaykrishna:** Pratik bhai, can you take that?

**Pratik Shah:** Yeah, we do not have significant amount of DTA available. Yes, we do have some portion of it, but that is not as high as to compensate on the overall tax rate.

**Aryan Oswal:** OK. OK, Sir and Sir, any comments on the tax rate, the higher tax rate?

**Pratik Shah:** Tax rate is uniform for all the entities. There is no changes in any of the entities for any of the tax rate.

**Aryan Oswal:** OK. Thank you so much.

**Gokul Jaykrishna:** So, on the tax front, I mean the you know, it's both the entities which are generating majority of the profit are both in a higher tax bracket than the newer entity. Both the new plants, the ATC AZO plant and the Chattral plant which are in the lower tax bracket range, but they are not yet in the PAC positive territory and hence it may look that so it should improve over the next few years as we get these two in a profit.

**Aryan Oswal:** OK. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, as that was the last question for today, I now hand the conference over to Mr. Gokul Jaikrishna for closing comments.

**Gokul Jaikrishna:** Thank you everyone for joining the concall this afternoon and taking your precious time out. It was wonderful interacting with you and I hope to come back to you with the Asahi team for the next half year as well with better numbers and better brighter prospects and we bring also the hope of deleveraging, consolidating and growth. Thank you everyone.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Asahi Songwon Colors Ltd. that concludes this conference. Thank you for joining us and you may now disconnect your lines.