AsahiSongwon®

Ref: ASCL/SEC/2021-22/16

June 11, 2021

1. To,
The General Manager
Department of Corporate Services
BSE Limited
1st 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
5th 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 JUNE 08, 2021 WITH INVESTORS AND ANALYST ON THE FINANCIAL PERFORMANCE OF Q4FY21

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 Tuesday, June 08, 2021 at 12:00 p.m. (IST) with investors and analyst on the financial performance of Q4FY21.

The said transcript will also be made available at the website of the Company at 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

ASAHI SONGWON COLORS LTD. AsahiSongwon

Encl: As above

“Asahi Songwon Colors Limited Q4 FY-21 Earnings Conference Call”

June 8, 2021

MANAGEMENT:	MR. GOKUL JAYKRISHNA – JOINT MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, ASAHI SONGWON COLORS LIMITED MR. ARJUN JAYKRISHNA – EXECUTIVE DIRECTOR, ASAHI SONGWON COLORS LIMITED MR. MITESH PATEL – SENIOR GENERAL MANAGER-COMMERCIAL & STRATEGY, ASAHI SONGWON COLORS LIMITED MR. SAJI JOSEPH – COMPANY SECRETARY AND COMPLIANCE OFFICER, ASAHI SONGWON COLORS LIMITED
MODERATOR :	ABHISHEK MEHRA – THE INVESTMENT LAB

Moderator: Ladies and gentlemen, Good day and welcome to Asahi Songwon Colors Limited Q4 and FY21 earnings conference call. As a reminder, all participant lines will be in 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. Abhishek Mehra from Investment Lab India. Thank you and over to you, sir.

Abhishek Mehra: Thank you, Steven. Welcome everyone. And thank you for joining this Q4 FY21 earnings call of Asahi Songwon Colors Limited. The results and investor updates have been emailed to you and are also available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we will be happy to send it over to you.

To take us through the result of this quarter and answer your questions, we have today with us Mr. Gokul Jaykrishna - Joint Managing Director & Chief Executive Officer; Mr. Arjun Jaykrishna – Executive Director; Mr. Mitesh Patel – Senior General Manager-Commercial & Strategy; and Mr. Saji Joseph – Company Secretary and Compliance Officer.

We will be starting the call with a brief overview of the company and the financial performance, which will be followed by the Q&A session. I would like to remind you all that everything said in this call reflecting any outlook for the future, which can be constituted as a forward-looking statement must be viewed in conjunction with uncertainties and the risks that the company faces. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports which you will find on our website. With that said, I will now hand over the call to Mr. Jaykrishna. Over to you, sir.

Gokul Jaykrishna: Thanks, Abhishek for the introduction. Good afternoon friends. It is my pleasure to welcome you to Asahi's first investor call. This will be the first of many calls to follow. Today, I will just give you a little brief of how I plan to break the speech up. I plan to do it in three phases. One, I will talk about where we are coming from and who we are. Two, I will talk about where we are going and what we aspire to be as a company at Asahi and three, of course about the Q4 FY21 numbers and the full year March 31st numbers as well.

I will be talking you through a bit of the history and a timeline just because it is our first conference call. And it will give you a good introduction to what Asahi, the philosophy and the businesses is like.

So, Asahi is a pigments company. We are in the business of making colorants. Everywhere you see around you, whether it is the paints on your walls, in your offices or homes, whether the ink that you are writing with or the printing ink, the newspapers or magazines or anything else that you read or packaging ink on any packaging or billboards or anything everywhere you see there is going to be pigment, including plastics, rubber, inks, paints, everything.

So, pigment is the only source of providing color to all of these varieties of materials that leaves textiles, where dyes are the colorant and the dominant supplier of color to textiles. Pigments do find small application in textiles as well. However, in inks, paints, plastics, rubber etcetera, it is exclusively pigments.

Our journey so far. So, Asahi was incorporated in the year 1991. We commenced our production of green pigment in 1993 in a small plant in Ahmadabad. In year 2003, we entered into a technical collaboration with Clariant to make intermediate glues. This was done in Baroda in Padra. This is where our current main facility which accounts for pretty much the entire numbers for the full year is coming from. So, that is a state-of-the-art facility for manufacturing blue pigment in the in Padra in Baroda.

Since 2007 was the second most significant year in Asahi's history. Two significant events took place. One in 2007 Asahi went public and got listed successfully. And second, even more importantly, Asahi entered into a supply agreement and technical collaboration with DIC of Japan which continues in a very healthy and strong way even today. DIC still owns 7% of Asahi stock. Most of you must be knowing that DIC is the world's largest ink maker with 35% market share in the world printing ink or packaging ink or whatever ink you say. In terms of inks, they are the largest and account for a disproportionately large 35% market share. This is likely to get even bigger because recently they have acquired the largest colors division of BASF.

So, BASF colors division has been acquired by DIC will make them even a bigger and more significant player and we have a very strong relationship as a customer, as a collaborator and even as a shareholder. Today we have a pigment capacity of totally of about 16,800 tons per year. This is divided broadly into two categories. One is 14,400 tons of blue, which is situated as I mentioned earlier at the Padra plant in Baroda and recently setup capacity under the JV with a British Company in Dahej with 2,400 ton capacity of Azo pigments, which is red, yellow and oranges making it a total of 16,800 tons per year.

Today, we offer a full range of blue pigments to global customers everywhere around the world. We are known for the best quality and it is a benchmark. And this is due to our history and the technology that we acquired from Clariant is a proprietary technology and nobody else has that in the world. So, we own that technology, we bought that technology. So, our quality for blue pigments is probably the best in the world. And we are also amongst the largest suppliers of blue in the world.

So, in terms of scale also we are now quite large. The blue business itself is now a cash cow, it will continue to be very strong as over the years because blue pigments do not have an alternative or no substitute. There is nothing under research that will make what we are doing today obsolete even in 10 years. So, it is a very unique kind of business. The flip side of it is the scalability is not very high. So, we would probably think that the Hindu growth rate 3% to 4%, or 5% is what we would probably aspire over the next 10 years from the blue business in Baroda.

However, the business is extremely strong, stable and consistent. It has become a very strong cash cow and would be the backbone of the company in leveraging growth in the future. I said earlier 2007 was the second most significant year. I would like to say 2019 is the most significant year in our history so far. After a phase of five years of good consolidation, where we strengthen the balance sheet we strengthen the cash flows, the relationships, everything about Asahi was strengthened in this case, though it came at a cost of growth, we did not grow much in this phase, but we became a much stronger company.

So, 2019 is very significant because we entered into a joint venture with a very large British conglomerate by the name of Tennants. So, the JV that Asahi set up with Tennants is owned 51% by Asahi and 49% by Tennants. The capacity is 2,400 tons per year of Azo pigments red, orange and yellow. This is put up in Dahej at a CAPEX of Rs. 82 crores completely financed internally by Asahi and Tennants from cash flows and zero debt.

ATC's plant in Dahej has been set up by our team in record time of 11 months from the date of Khad Muhurat and Bhoomi Poojan during this COVID period. So, we commenced production just a few months back. Trial production is already on and we are getting good response from the sampling that we are doing from the trial production to our customers. The plot size in Dahej is 60,000 square meters and gives us potential to probably make the capacity three to four times quite easily from what it is standing today.

We believe the philosophy of Asahi is always been believing in strong relationships and very stable business. So, our relationships with our employees, customers, suppliers and shareholders, we believe in very strong relationship with all these stakeholders. We have a philosophy of three T's, that is Trust, Transparency and Teamwork.

We like to enjoy doing business at Asahi, the culture of doing business is an enjoyable environment where people like to work and we are the first preferred employer in the pigment field in India. Locationally also we are in two very good locations with Baroda being one and Dahej which is the most sought after industrial destination now being the second gives us a good platform for future. Company's vision is to be amongst the leading suppliers of the full range of pigments globally.

Currently, the blue division is a strong cash cow, and it will remain so for the future financing and leveraging growth in other areas. Azos is the future growth area as China dominates this market globally with a 70% market share. And now suddenly, India is coming into the limelight and has its chance because global manufacturers, many of which we are dealing with on a very regular basis, I will name a few as well have been consistently asking for products from India now. And this is our chance. And it is a big chance because 70% of the market is in China, in blue 15 years back China had 75% of the market. India today accounts for 75% of the blue market.

So, just you can imagine the scope that we have in the red, yellow and orange business with China having 70% currently. Currently, the world's largest customers are our regular customers, since over a decade most of them, all of them actually. So, I will name a few, DIC of Japan, Clariant, Sun Chemicals of USA, and BASF. So, all of these are customers for us, ranging from over 10 years to, Clariant, which is the oldest at about 19 years or so. We hope to leverage these relationships going forward for our red, yellow and orange businesses as well, because the same customers are buying these products as well predominantly from China, but starting to do that from customers in India and they do not find many options, except a couple.

Now coming to what all of you are probably most interested in knowing and that is the future where we are going from here. So, we have consolidated well over the last few years, we have set up a base, very low debt, the balance sheet is strong, we have a double A credit rating, and a very strong customer reputation. We would be disappointed if we were not able to double our turnover in four to five years.

Internally, we would be happy if we would be able to double or even triple in five years in terms of our size and scale. This brings us to the financials for the quarter gone by as well as the full year before I open the floor for questions. So, I will run you briefly through it. And then of course we will talk about it later if you have questions. So, for the quarter ended March 31st, 2021, revenues on a consolidated basis stood at Rs. 90.5 crores as compared to Rs. 72 crores in Q4 FY20. This was a jump of 28%. EBITDA stood at Rs. 13.5 crores in Q4 FY21 as compared to Rs. 11 crores in Q4 FY20 which is a jump of 24%. For the full year, our consolidated revenues stood at Rs. 283 crores in FY 21 March ending as compared to Rs. 283 crores in FY20 so absolutely flat.

Halfway through the year, we had estimated because of COVID and the difficult situation and the disruptions that we would probably fall short by 10% or 15%. I had once even mentioned that on one of our interviews, but H2 was pretty strong. And our teams have done at the plant as well as at the head office in Ahmadabad have done a remarkable job to pull it up in the second half and EBITDA has gone to Rs. 49.5 crores in FY21 as compared to Rs. 34.5 crores in FY20, which is a growth of 44%. This is on a same base of turnover and PAT stands at Rs. 32 crores as compared to Rs. 23 crores in FY20 March ending, which is a growth of 40%. EPS is now Rs. 26 a share, as compared to Rs. 18 a share in FY20, a growth of 41%.

So, these are the broad numbers that I am sharing with you. We were happy to end the year with a flat top line and a strong improvement in the bottom line and EBITDA. This was achieved due to a few factors. One, of course, the fact that we were able to, our teams did a wonderful job at the plant as well as the head office, and also the new team at Dahej putting up the plant in this COVID period, they did a remarkable job of working from home many times and yet managing everything and our customers really appreciated our relationships and stood by us in a very strong way.

So, these two things significantly helped us in coming up with a strong year end this year. And we hope to use this as leverage now and as I mentioned earlier, over the next five years move the company into a growth phase. Our balance sheet has remained strong with minimal long term debt and total debt at about Rs. 30 crores which is a very low leverage. Our rating is double A we are getting debt also at a very attractive rate, rupee debt at 6% in those areas. Our balance sheet ratios remain reasonably strong.

We need to improve them and we are going after them. ROE stood at 12% this year and ROC stood at 14%. We also continued our 15 year old legacy of returning cash to shareholders by buying back 245,000 shares in Q3 FY21 and a final dividend of Rs. 3.5 in March this year. The outlook for the coming quarters remains steady and I am confident that we will continue the momentum that we have set forward and move the company to the next phase. With this said, I will be happy to take any questions from all of you. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Naushad Chaudhary from Systematix. Please go ahead.

Naushad Chaudhary: Just wanted to congratulate you on your Azo plant commencement. I remember we have been working on this product from last five, six years so congrats on that part. Couple of question on the Azo business. First thing, just wanted to understand as Azo pigment in India faces challenges in terms of raw material supply. So, I just wanted to understand how are we planning to tackle this problem? And then will ask further questions on this business.

Gokul Jaykrishna: Yes, I remember discussing some of the Azo business and our plans. We waited for the right opportunity in coming into Azo because China was so dominant. And now we see that India is prime for getting into the Azo business with a very, very large opportunity to get a part of the global market and hence the timing. The opportunity struck well with the opportunity coming up with one of our old customers which is Tennants in the blue business and our team. We were able to strike up relationship and set up a JV and thus we are now into the Azo's business.

Production has commenced, we are getting good initial response from sampling. To answer your question about raw material supply, it is a very good question. It is a very relevant question, one, which we have always debated over the years, while even taking the decision, because you are right, there is a lot of import of key raw materials from China making us kind of little dependent and even a little weaker in that sense. Having said that, Naushad, in the yellow pigment space, we find now that in India , you could do yellow business independently sourcing all materials from India.

So, this is a development over the last two, three years with capacities coming up with Laxmi Organics, or Aarti and some other companies coming up with raw materials for the yellows, which earlier were dependent on China. So, that is a significant factor and some of the strong companies that come into it, and I think this ball will keep rolling. So, we will see improved supply of raw materials coming out of India. The whole China story, which all of you are very well aware of is playing out in various areas in India, and intermediate is also one.

So, it is not only Azos, but also intermediates will play out at the same time making the raw material availability a little better. And thus kind of getting more leverage on the strength in the Azos. Having said that, you are bang on you are right that the reds, we are still dependent on some of the raw materials, not all but at least two or three, which we are very dependent. There is some small supplies here and there in India, but they are not cost effective, and they are not of good scale.

So, it is still over the next I would say three to five years, I would probably assume that at least in the reds business, we would be dependent on China for a few supplies, but we would we would use our procurement strength and do that procurements in the reds while concentrating also very well on the yellows where now we see that China is no longer a must have for raw materials supplier. I hope that answers your question?

Naushad Chaudhary: Yes, very much. Second thing on the client-side sir, as this is very high decision business, it takes long time from the client side to approve the product of new vendors. So, at what stage are we in terms of getting the orders from the client? Or is there any pre commitment to you from the client side? So, if you can talk on that part?

Gokul Jaykrishna: Yes. So, one on the client side, what you said is absolutely correct. It takes a lot of time to get approvals in pigments business, because lot of the pigments are specialty products, and they are not commoditized where you just make them and you have a ready market for it, you give a price and you get orders. It does not work like that. So, there is a very long gestation period. Normally, it could take upwards of even a year, in many cases, sometimes even 2 years to 2.5 years to get customers to start actually using your product because the cost of shifting supplier is significant, which becomes in itself kind of entry barrier and making this business that way a little more robust, longer term, once you do penetrate it.

However, with like, what is the advantage for us now in the blues is going to be a challenge in the Azos because we are new here, and we will have to go through the grind. And we will have to where time out and see how we penetrate customers. Having said that one significant advantage that we will have and we are already leveraging is about our existing customers. Since we have DIC and BASF and Clariant and Siegwerk and Sun Chemicals as our five top customers and relationships over 15 odd years with four of them and Siegwerk more than 10 years.

So, with these relationships, we will cut through the 2 years or 2.5 years to maybe hopefully six months, but we will have to work hard on that to become technically strong and get through. The process is already going on. To answer a little more in detail in a short way I will let our Executive Director Arjun Jaykrishna take that question because he is looking after the relationships with the new sampling and customers in the trial runs. Arjun, please?

Arjun Jaykrishna: Happy to take that question. I think dad pretty much covered it. I think It is the sampling and getting the customer order started is the most important part in these pigments. And that in turn works very well for a company like ours because it sets a barrier for entries, it is not easy for companies to change from customer to customer, and especially these big companies like the companies we are targeting, which would be the DICs or even companies such as Tennants, with whom we are partnered with, and also companies who we are planning to sell some higher quality higher margin products, which would be not commodity like the inks.

All these companies the processes they have, the testing they have is multifold in terms of lab as well as compliance. So, it takes several months for testing to happen. We have begun the process, like dad mentioned in his introduction, the people at the plant are working really hard despite all the circumstances in terms of Covid and what all has happened. We have got lot of success already for lot of the products on the production scale. As soon as we start getting success product-to-product, we are in contact and touch with our top customers and we have started already receiving feedback. We have already got acceptance for two of our main products.

And we have started shipments this month, albeit obviously very small and slow. But we have started commercial shipments of upwards of five tons for our main two products this month. And other people, other customers, we are still in process of testing. The damage has also meant that people across the world are also having a lot on their plate. For example, some of our European customers, they although the situation is much better now a lot of them are still working from home and hence there is much fewer people in the lab. So, testing all is a little slow because of the Asahi relationships, we have been able to get good feedback already and we are on act to get these customer approvals.

And as soon as we start making more products and developing more products on the plant scale, we will continue getting more and more approvals and increasing our basket of products. On the lab scale, we are working pretty well. The Azo products are such that it needs constant movement, constant innovation as well as a big bunch of products. So, we are working on several products in the lab as well, for which we have proprietary technology. And we hope to move them onto the production scale and release them to our customer sooner.

Gokul Jaykrishna: Thank you, Arjun. Naushad, is that good?

Naushad Chaudhary: Yes, very much clear.

Moderator: Thank you. The next question is from the line of Ankit from Bamboo Capital. Please go ahead.

Ankit: Given the gestation period, which is here for our new products on the Azo side, how do you see the ramp up happening for our JV over the next few years? And if you can talk about what can be revenues at optimal capacity, let us say 80%, 85% or even 90%?

Gokul Jaykrishna: So, yes, it would be difficult to answer this in a very sharp manner because we would not know because time will tell but I will try and answer it to the best of both your questions in the best manner I can. So, we are hoping that by year end, we will be at about 30% utilization. Hopefully, slightly better than that our capacity is 2,400 tons per year currently. As soon as we hit about 50% utilization, hopefully within a year, year-and-a-half, I do not know I mean how much it takes hopefully even a year.

As soon as we hit 50% we would want to double the capacity to 4,800 tons. That would be done at not a very large CAPEX. We put this plant up at a CAPEX of about Rs. 80 crores to Rs. 85 crores. That would be done at less than half of that CAPEX. So, that would, and it would put at double the capacity. Now talking about what would be at about say 80% or 90% of current capacity, our potential turnover, it should be in the area of Rs. 140 crores to Rs. 150 crores with the current capacity.

And if we get it to 50% and then we end up doubling it at a CAPEX of say roughly about Rs. 40 crores in that case, we could have a potential of about Rs. 250 plus crores of turnover.

Ankit: Okay. And in this, as you have been mentioning, what will be the margins in this segment, both on the gross side and on EBITDA levels, if you can talk about margins compared to our existing few new business?

Gokul Jaykrishna: So, we have done some work on it, we have even checked other manufacturers' margins. And I would say they would be kind of similar to what we have. So, 40% odd of gross margins and EBITDA should be about 15%. But having said that, I want to clarify that, of course, this year you cannot expect that because we will be at lower utilization levels. But once we ramp up to capacity at about 80%, I am talking about 15%, when we ramp up to 80%. And then when we double the scale to 4,800 tons, once we get past 50% utilization, then of course, we could get more knowledge and stabilize the EBITDA.

Ankit: So, most likely we will breakeven next year, or let's say hopefully (+40%), (+50%) kind of capacities?

Gokul Jaykrishna: Operationally we should breakeven in 2022. But on the bottom-line basis, we probably may not be breakeven in 2022 March.

Moderator: Thank you. The next question is from line of Aditya from Arcticlight Capital. Please go ahead.

Aditya: My question is regarding the red, orange and yellow opportunities. So, what is the opportunity size in that? And secondly, how much of that opportunity can we capture if we increase our Dahej capacity to 10,400 tons?

Gokul Jaykrishna: So, the opportunity side, in this business is going to be significant, because as I mentioned earlier, 70% of the global market is controlled by China. And the Azo business, red, yellow and oranges is in scale, I do not have the exact number, I will come back to you. But with a very specific number, because it is known industry number, but the size of that market is probably more than two times the blue market. And 70% of that is in the hands of China.

So, in terms of that the opportunity for Indian Azo makers would be significant, I mean, very significant opportunity, if even just if you assume even 10% of the capacity from China moving to India, and I would probably think that over a period of next five years or so, more than 10%, maybe 20% odd should gradually over a period of time flow into India. In that case, the opportunity with the Indian makers is significant.

If we look at our capacity at 2,400 tons and if we think that okay, of course, we already have clarity of when we would double, but then from that doubling point of view, if we want to reach again, a double at close to 9,000 tons, that would give us probably 4% or 5% market share.

Aditya: So, is it okay, if I take the question offline?

Gokul Jaykrishna: Yes. We will give you an idea of the scale as well.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: So, what is the difference between this blue pigments and yellow and red pigments? And why we are not expanding in blue pigments when you say the gross margins and EBITDA margins are same for both the businesses?

Gokul Jaykrishna: So, in the blue market, we are already very strong and we are one of the largest players. India itself is also very strong and accounts for 70%, 75% of the global supply of blues. So, it is not a very scalable business in the sense that is not growing at a significant pace where you could keep putting up more capacity. We are already in the top three in terms of scale in the blue, so I am not saying that we would not probably never consider doing an additional facility in blue. But there came a point of time in the thought process of the management that and at the board level, we had, by the way, a very strong board, who I report to.

So, it came into it has been like one of the earlier questions, the first question, I think, refer to that we were there always in blue, why not in red, yellow and oranges? And there were various reasons behind it. However, to answer your question, the blue business would probably grow at 3%, 4%. But we needed to take the company beyond that growth rate and into a more aggressive growth model. Because we have already laid a very strong foundation over the last five years, and the balance sheet is very strong. So, we needed to add products to our basket, and not only be known as a blue, only the best, but only in blue kind of player. So, now our aim is to be exaggerating that image through all range of colors.

And that is where we saw the opportunity of putting up the Azo. And on the final answer to your question, customers also would much rather prefer when they buy so much blue from us to why do not you give us red, yellow and oranges as well. So, that kind of so that is what capital allocation made more sense, at this point of time to diversify the range of colors that we make. So, as of right now, for the next couple of year or two, we would probably focus capital allocation within pigments on Azos.

Vipul Shah: And sir, second question relates to your tie up with Clariant and DIC. They both have subsidiaries in India. So, is not there any conflict of interest involved?

Gokul Jaykrishna: It is a very interesting question. I get this very often, actually. And the answer is no, there is no conflict of interests. This is been the case because these are globally very large companies, DIC is a mega company, Clariant is also very large, and both of them have had subsidiaries in India for a number of years, both of them are listed as well. So, we do not have any conflict with them. The Clariant subsidiary in India is one of our largest and most steady customers.

So, we have a fantastic relationship with them, we have had this relationship for over 19 years. So, we co-exist extremely well and a lot of trust. As far as DIC is concerned, there is no conflict because they are not into the manufacturing of pigments in India for blues, or for that matter Azos. They do not manufacturer Azo or blue pigments in India so no conflict with DIC India as well and our relationships have always been very strong with both.

Moderator: Thank you. The next question is from the line of Trisha Kansara from Molecule Ventures. Please go ahead.

Trisha Kansara: So, I have two questions. Since we are going ahead with the expansion in an Azo pigments, how have you taken into account the capacity that China already has? And how are we going to compete with it? That is my first question. The second question is that out of the total capacity of 2,400 tons per annum, how much is into high end pigments? Also, what revenues and margins are we expecting from this high end pigments? That is all from my side.

Gokul Jaykrishna: So, I will answer your second question first. I did not get the first question. So, after answering if you could just put up the first question again? So, the second question about 2,400 tons, Arjun, please correct me if I am wrong or just add if you have anything to say. But basically the distribution of how much we will go into high end or how much will go into bulk value volume pigments will depend as the product approvals go through. However, Arjun, can you take this bit?

Arjun Jaykrishna: So, I will answer both those questions. So, like that sir, I can answer the second one first. So, in terms of the product split between the 2,400 tons, no one can give an exact split as of now. We are too early in the product approvals and the production ramp up scale where I can accurately tell you which product will make up how much of it but like you rightly said it will be a blend of high-performance pigment as well as the traditional classical.

We are currently working on a mixture of both kinds of products. Some of the products we are working on are higher margin higher end products, which obviously have lower volume and the other products we are working on are the staples, high volume products, which obviously then have a low margin and a very, very cost competitive. Within the two the split is difficult to answer right now, but we will have more visibility on this as we start getting customer approvals and we can give you a more accurate answer.

All I can tell you right now is that from the board and management there is definitely put importance on the lab and production to also focus on the high-quality pigments and we have already have success in which two of the pigments that we are currently commercializing and have started taking orders for are slightly higher margin products. So, we are working on that, and we are working on the efficient split between the high margin and the high volumes to maximize the benefit for the company and have a good mix where we can ramp up volumes while also maintaining the higher margin technologies sensitive products where we have an edge on some others.

To answer your first question of how we are going to counter china. This is obviously a difficult question to answer really, but I will give you just a few pointers on what we are thinking. For one, I think that how the pthalocyanine in the blue and green how it has shifted over the years from being 80% from China to 80% in India. The Azo still are made 80% from China however, we as a company we are confident one in our technology. And two, we are we are also getting very good communication from our customers in the sense that earlier we have such good relationships with them that they will be very frank and honest with us in that India would not be competitive in the Azos.

However, in the last two years, because of stuff people in Europe and U.S. they are biased against the recent happenings in China as well as the push down in China to be more energy and environmentally efficient. There are many such factors which are possible play for India to start to more of a hold and start becoming more competitive. And lastly, earlier, all the former materials will be coming from China.

However, India now has some very strong players, which makes a lot of the raw material, especially for the yellow pigment. So, yellow pigments, for example, we were sourcing all our raw materials from India, which obviously is a benefit as compared to before, when everything has to come from China. So, things are moving in this direction. It is our company's hope that we will move in this regard, and at the same time, hope to set a good relationship with our customers and if not directly, but at least we are second supplier to the big Chinese suppliers as of now and slowly as we get the opportunity and chance to increase volumes.

Like said the total volumes just to give you guys a quick idea dad will answer it later with specific numbers, but basically the overall global volumes for reds and yellows are upwards of I would say around 250,000 tons. So, the volumes that we have made we will definitely be able to increase from the once we currently have we will be able to reach a higher level.

Gokul Jaykrishna: Thank you, Arjun. So, I will add to this a little more accuracy to your question. On the margin side, I would probably assume that the high end products the specialty products would have an EBITDA margin of 18% to 19% while the bulk values of high volume products would probably have an EBITDA of about 9% to 11%, say about 10% and right now, as Arjun said that we are working more specifically and more of our energies are going towards the high end because though they are difficult and lower volume and take more time to penetrate the aim of the company is to eventually become a leading player globally in a range of colors and then we have to get ourselves strong in this area.

Having said that, lower volume we have good customers that we can rely on quickly. So, we will obviously do that at some point of time. Just taking a wild guess, I would say probably the split would be 50:50 at some point in time. I hope that answers your question?

Trisha Kansara: That was helpful.

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

Aditya: So, one of one of the main questions I had was, if DIC, Clariant all of these guys are making their own pigments, why would they be buying for you? I think this might be a basic question, but still trying to learn about the industry?

Gokul Jaykrishna: Thanks, Aditya. So, Clariant makes their own pigments as in some of them own pigments, but they definitely do not have blue crude. So, first, to answer your question on why Clariant would want to have business with us or will continue to have business with us because for making the pigments they need the blue crude from us, for which we have acquired under proprietor ownership, their Clariant's own technology in 2003.

So, we own that technology makes the blue crude, and we supply that globally, not only to Clariant, but to DIC also for that matter. So, from that point of view, that answers your question why Clariant because Clariant and Blue Crude does not compete. In the finished pigments, they do make some of the beta pigments and alpha pigments that we make. However, they source these pigments from outside as well. And often enough, they are buying from us as well.

So, this is co-existed since a long time, and they are not expanding their capacities at all, because they do not find themselves cost competitive vis-à-vis. So, they have been in the business longer than us. But since we have come I mean, obviously the cost competitiveness is better, that is why they go deeper into relationship with us so that we could supply them with more competitive and very steady supply of these products, to be able to cater to their final products.

About the DIC, they are not into generally the full color ink manufacturing, they are predominantly an ink player, they have acquired a company, manufacturing some blues, in Indonesia, however, that company is not of course, it is not catering to their full supply. And also they find our quality as well as pricing attractive. And their needs are also much larger. So, being a big company and growing continuously, I mean, their needs are larger, and they need two suppliers at least, if not more.

Aditya: And sir, you had mentioned that the reason India was not competitive in the Azo pigments earlier was because of China having a much lower price point at which they could sell. Has anything on that front changed or is it just that your clients are looking for a plus one player?

Gokul Jaykrishna: So, it is a combination of both. It can never be just plus one. There is something got to change, because nobody is in today's DNA is going to pay significantly higher prices to have alternative supplier, but yes, they have suffered inconsistent supply out of China. These companies that we are talking about are very conscious of steady business and their business has affected due to volatility in supply in certain times. And they want to consciously create an alternative geographical supply, which enables them to be steadier and more stable in terms of sourcing the supply, and hence, India gets that opportunity.

On the cost side, one or two of the questions earlier addressed to me about the raw material side of it, that we were completely dependent at one point of time, in terms of importing raw materials for the Azos from China. Well, this has changed significantly in the last three years with Laxmi and Aarti and others putting up capacities which becomes raw material for the yellows, and hence now no dependence on China for the yellows. So, in that sense, now, of course, in the yellows, we are kind of competing neck-to-neck.

And the same thing may play out in the future with the reds as well. It is already happening. I mean there is an opportunity for various companies, whether it is even in the pigment space. Some of the players in the pigment space are stable, want to look to get into some intermediates or Aarti or Laxmi or maybe any other large chemical company may think of an opportunity that is large in China and they may want to leverage and bring up capacities like we did with yellow.

So, in that sense, we are starting to become more competitive. And also China is starting to face various environmental issues because they had taken all of that for granted. Their lower cost was coming at a huge cost to the water and rivers and other things. The government is cracked down now the laws have changed completely.

They have asked some of the units to geographically relocate, like literally stop their plants and move from that area. Some of them are very close to say, Shanghai or Beijing. So, these would not exist in five years. I mean, you all know what China has in mind in terms of their global ambitions. And that just does not go and fit well with that.

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

Bhavik Mehta: So, mine is a more macro question. So, given our capacity to expand say up to 10,000 tons in the say next four to five years, is it right to understand that this is primarily a Rs. 500 crores opportunity for us in the next five years in Azo pigment segment?

Gokul Jaykrishna: Yes, I mean, you have captured it well from what I have said. So, generally, in a macro sense, I would say that however, I would probably caution against thinking in terms of 10,000 tons. Right now, our clear vision is 4,800 tons so that I can talk in terms of clarity. What I meant is that with the kind of land that we have over there, yes. If you ask me, would it be possible to go to 10,000 tons, yes easily. I mean I will need to add the real infrastructure land, or drainage, or water.

We have also at Asahi acquired, by the way, extra land and drainage because these two things are infrastructure related issues. And tomorrow, if there is too much load in Dahej on these infrastructure related issues, the government may clamp down on it. So, we have taken a bold step and spend some money and acquired land, drainage and water for much higher capacity. But other than that, I mean, in terms of clarity, we are clear to go to 4,800 tons. But yes, there is a possibility to double from there.

Bhavik Mehta: My second question is that there have been repeated comparisons between Sudarshan Chemicals, which is a larger player within the same segment and the stage wise they were say seven or eight years ago, maybe you are there. So, is it a competitor, a peer or someone to emulate for us going forward?

Gokul Jaykrishna: Sudarshan is a great company. I mean, Mr. Rathi is created a great business with Sudarshan, great reputation, excellent products. So, yes, we look up to that kind of a company.

Bhavik Mehta: **So,** within organic pigments, do you think we can add a lot to our product basket in the next five years, which would be competitive to say Sudarshan, is that?

Gokul Jaykrishna: So, I would rather not answer questions on specific companies. I already once mentioned it, we look up to it, but yes, we are in the same space. But you could ask me a general question though. If you can rephrase the question generally I would be happy to answer.

Bhavik Mehta: Okay. So, would it be that other Indian players would there be a lot of product segments we can still cater to, and there is a long runway for us within organic?

Gokul Jaykrishna: Yes, so the piece of pigments generally is a good opportunity for generally Indian players. I mean, rather than pitting one against the other, it is an Indian opportunity, which the good players, pigment players in India, all of them can gain from it. It is not one against the other. So, in many cases, we could even be working together to leverage this opportunity that India as a country now has vis-a-vis China as a country. And with 70%, 75% of the Azo business being globally supplied out of China, it is matured strong players in the Indian market could work well together, rather than competitively to leverage its position and get strong. I see all of them getting stronger.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, the first question is just a curiosity question about our name. So, how come our name is Asahi Songwon? We have been in the business from past 30 years so just a curiosity question?

Gokul Jaykrishna: It is a good question, yes. So, it is a long history. I would not go too much into it. But I will just say that originally we were formed as Asahi Dyechem then the name change to Asahi Songwon. That story is simple because we entered into a collaboration with Songwon Colors of Korea, which is a 100% Clariant Company. So, that is our collaboration with Clariant, which I earlier referred to and that company Songwon, which belongs 100% to Clariant. That is how with the collaboration as part of that arrangement that name Songwon came to us. It is a good brand name. And we carried that forward.

Coming to Asahi, it is an Indian company. I get this question from many people because it is a Japanese name. There are two things to it. One, the main reason was my grandfather, late Mr. Jaykrishna Harivallabhdas. He was awarded the award of the Rising Sun by the Emperor of Japan. The name of that award was Asahi, which means in Japanese the Rising Sun. So, in honor of my grandfather, my parents, my mom who started the company decided to name the company Asahi. So, that is the name of the company and at the same time, if you actually put it in Hindi, it will be Asahi, only hope, in that sense. So, this is the background of the name.

My grandfather worked for number of years with Indo Japan relations, and he has been bestowed with quite a few awards in working in that area as well, including some philanthropic work as well.

Rohit Nagraj: Sir, the first question is in terms of Azos. So, we also know that a couple of our competitors are also entering into this space. So, what has changed in terms of dynamics that everybody's putting up the capacity and quite gung-ho in terms of utilization, like we also indicated that we have put up the capacity and probably will be able to double it within a short period of time?

So, in terms of global industry dynamics, maybe domestic industry dynamics, so what has really changed?

Gokul Jaykrishna: So, this is easy to answer because of the large scale of supply coming out of China, 75%. And if you couple that with global customers and MNCs wanting to have a second geographical source, and having existing relationships with companies in India, such as us. I mean, we have very strong global relationships, and 70% of our businesses over the last five, seven years, anywhere between 65% and 80% of our businesses exported. So, strong relationships can be leveraged and we could cater to them and when you look at this big pie of 75%, which is with China and for various internal reasons, if they were to lose competitiveness or you could say that India gains competitiveness and traction as.

See as soon as you start having facilities, you start getting raw material suppliers also putting up facilities and then it becomes like a rolling ball. And as you get that, and at the same time, if you put customers wanting India as a source and raw materials being available, you will see that the dynamic plays out, and that is what is just started now. I mean, it has been waiting to happen for a number of years and one wonders why it did not happen earlier.

That gives a good bit of scope as I said earlier, I mean, I would not think of this business in India as competing one against the other. I would probably think that the strong companies probably work hand-in-hand and grow together.

Rohit Nagraj: Right. Sir, the second question is in terms of our environmental policies. Now we understand that this is probably one of the most environmentally affecting segment. So, how are we placed in terms of both the facilities? And another just clarification, you indicated that with this current Azo capacity, the revenues will be about Rs. 150 crores but while doubling the capacity you gave the number of revenues of about Rs. 250 crores. So, why there is a disparity? Ideally it should be double the revenues?

Gokul Jaykrishna: There is no disparity. First of all, I mean, see I said about Rs. 140 crores to Rs. 150 crores and then I said over Rs. 250 crores. So, there is no disparity between the two numbers. So, the numbers are the same, I mean over Rs. 250 crores meaning anywhere between Rs. 250 crores and Rs. 280 crores.

It is I did not say Rs. 250 crores. So, the numbers are the same. The reason why we cannot put a fixation on it is because one of the ladies she asked a very good question about the mix of products. So, it will eventually depend whether we stand at Rs. 240 crores on a double capacity or Rs. 280 crores, it is difficult to answer because if we go with 70% of lower volumes, higher volumes lower value products, we could end up with Rs. 130 crores, Rs. 140 crores on this capacity. If we go with a mix of higher value added products and we are successful in that we could do Rs. 150 crores, Rs. 160 crores. So, we are in that range.

Rohit Nagraj: And sir, on the environmental side?

Gokul Jaykrishna: So, on the environment side, we have always had a very good track record, since the plant was conceived. It is, I mean, as investors, you will be welcome to go take a look at the plant, it is a state of the art plant, as well as it has got a very strong green cover. And we have always been very conscious about the environment from the beginning, the entire plant is surrounded by greenery, and there is a lot of greenery in the plant itself.

And that has sometimes in the past been a little expensive for us in terms of cost when we compete with low end manufacturers. However, in the consolidation that has taken place over the last three to five years, the low and small players have lost business to more organized, stable players, and hence that load of environment has in comparative terms reduced, and that enables us to be stronger in environment even than what we were before.

So, we have always been conscious, and we have never had trouble with the authorities in terms of environment over the past. We hope to maintain the same in the future. Of course, the future is not predictable, but we would aspire that we do environmentally sustainable and even responsible job. Having said that, Azo pigments are far less polluting than the blue pigments and pigments per se are substantially less polluting than dyes.

Many times people tend to mix that they put all of them in one basket that dyes and pigments are colorants and they are polluting. Yes, they are polluting every one of them. However the degree of pollution that is created, the quality of effluent that is generated from dyes is very different from that of pigments and in Azo it is lesser than the blues and then in blues it is lesser than the dyes.

Moderator: Thank you. The next question is from the line of Hitesh from AKSA Capital Advisors. Please go ahead.

Hitesh: Sir, I think Tennant already had two small capacities in India for making Azos. So, just wondering is that capacity is still running, or have they moved out of the operations?

Gokul Jaykrishna: So, Tennants did have a capacity. However, to my best knowledge, Tennants did not have a capacity in India. So, they did have a capacity, they had a capacity in Ireland, and they have stopped that capacity. And that is why they were sourcing a partner in India, or China and they decided to go with us.

Hitesh: So, I understand Tennants' rational in forming this JV. Probably what is the benefit that we get from Tennants in this JV?

Gokul Jaykrishna: So, one, the cultures of both companies are a great fit. Tennants is a great group, excellent reputation, almost leverage free company with 15 odd companies under Tennants' brand. Globally 12 of them I believe in the UK, of which TTC is one. And the fit was clear because they make dispersions, and they had a capacity to manage.

Hitesh: What Tennants will bring to the table?

Gokul Jaykrishna: The rationale behind the JV with Tennants, of course, the cultures are a fit. They are a great company. And we really work very well together. We did a lot of deliberation in terms of how the fit would be. Having said that it was natural extension, because they had a pigment plant, as you mentioned yourself and they discontinued making that pigments in Ireland. Since that time, they are in the business of making textile dispersions. And they are a very, very niche and strong player within Europe for textile dispersions with a fantastic reputation.

And they are looking to have a permanent strong base of supply of that pigments with these top manufacturing in Ireland. So, while they are now buying mostly from China, they wanted to set up their own facilities. And they found that to do that with an Indian company would be great. What does Asahi get from this? We get the technology of the products that they used to make in Ireland. So, that is a head start. These are for products which are not easy to make.

So, if we were to do it on R&D basis ourselves, easily could be three years if not more, and a lot more effort and a lot more questions while here we get technology, and they get the product from us. I mean, we have a buyback arrangement where they buy 20%, 25% of the existing 2,400 tons of capacity as well. And finally, besides that, they are dispersions player and financially a very robust and a strong company. And Asahi is also financially strong we could be looking to do something else in the future, one does not know. But all of this kind of things fits.

Hitesh: My second question is on the blue pigment. So, you did explain about the kind of long relationship that you have with most of these companies. Would we be the sole suppliers to Clariant, DIC, Sunshield for the products at least where we are catering to them?

Gokul Jaykrishna: So, we are not sole suppliers but yes, we are lead suppliers as in number one supplier. So, we are number one supplier to a few of these companies, yes absolutely all three.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Just to understand, I missed the figure with regards to the overall global capacity of red and yellow. I think Arjun did mention a number. So, I just missed that number. And accordingly, I have my question whether you mentioned that you have an arrangement where you will have about 20%, 25% buyback by your JV partner with regards to the new Azo pigments?

Now for the rest have you been able to enter into some so called long term contracts? And will you have like you have been working with great set of customers for not less than 8 to 10 years minimum with each of these customers. So, will these customers also be there for the red and the yellow one? And have you already entered in some kind of long term arrangement with some of these customers?

Gokul Jaykrishna: So, the second and the third questions would overlap. Currently, we have a buyback with only Tennants because that is our collaborator and we started with that. Having said that, to answer two and three of your questions, are we in talks or in sampling or in some sort of discussions with some other customers of us regarding setting up some longer term arrangements?

Yes, we are. Have we put them in place? No, we have not. Because there is a lot of customers, and we have to decide that we cannot get into long term arrangements with quite a few of them. We probably be likely to get into one or two only beyond Tennants.

So, that is sort of the arrangement. On the total scale of the business, Arjun, can you just re-ingrid the number?

Rahul Jain: In terms of the volume, the tonnage?

Arjun Jaykrishna: Yes, the numbers I have on hand I have basically the numbers, these numbers are obviously difficult to track. So, these are the 2018 numbers. I would say the global market for the reds and yellows put together would be approximately 250,000 metric tons. Out of which the rough distribution the Americas would be around 100,000 tons. Europe would be a similar scale and Asia would be also pretty evenly divided between the Asia Pacific, EMEA and the Americas. But that is the rough estimate so that is around double of the blues and greens volume.

Rahul Jain: And sir, with regards to the Azo pigment business, we have seen in blue, generally we had a concentrated sort of customers, roughly around 75% of the top line used to be coming from the top five customers. And we had about 60%, 65% exports. Did we observe a similar trajectory in also the Azo pigment business, or it will be much more widespread?

Gokul Jaykrishna: So, one, I think it will be much more widespread. Two, even in the blues, we have you are right, our concentration was 75% plus with our top four customers. This has come down to about 50% odd now. So, in that sense, we have even in the blues, I am just commenting on the side on the blues. So, in the inks, we were about 90%. Now we are about 50% in the blues. So, in that sense, we have come a long way in adding customers to the blue business as well to extend our reach and get stability in that business, though it was stable even with four customers because they were top quality customers.

And to answer your question in a very simple way in Azos do we expect a similar mix? We would probably say we would expect a more diverse mix of customers in a Azos as compared to the blue for sure. And one of the reasons also is that the range of Azos products is far bigger than the range of blue pigments.

So, we would be concentrating a lot on customers in the coatings and paint space, in the plastic space and the textile dispersion space as well.

Rahul Jain: And sir, in your initial remarks, Gokul Bhai, you did mention that you would not be happy or you would be quite disappointed if we are not able to double our turnover in next four to five years. Or also, you did hint that probably internally somewhere you might be targeting that you should be 3x of the current top line.

So, just to understand the roadmap for that. So, we have this JV where we have spoken that we plan to go up to around 4,800 tons, which could mean anything between Rs. 250 crores to Rs. 280 crores, Rs. 300 crores of top line. And out of which if I am right, so are you taking apart from that something more or should we consider in terms of tripling our top line? How do we try to understand the roadmap to that?

Gokul Jaykrishna: So, two things. One, yes, I would be disappointed if we would not double in four to five years. I mean, from the strong base that we have created now, that is the least we could expect. However, the other line was more internal aspirational thing that I just shared because I just believe in talking transparently. So, we are aiming for higher. I cannot promise anything on that. But yes, it would be nice if we could probably deliver higher growth than in five years than just doubling. How would we do that? Whether it is you already nailed out that 4,800 tons would take us to kind of double.

And then there are two or three avenues that we would probably have to leverage a further growth. One would be if we go beyond 4,800 tons, the land and the general infrastructure is already in place in Dahej to go beyond that. So, we would not need more land, space, or stuff like that. We would not require the more, I mean, just put up facilities kind of thing.

And that would probably give us an opportunity to, I mean, the scope of Dahej plant would be beyond Rs. 250 crores clearly, because Rs. 250 crores would come out of 4,800 tons odd. So, that is one. The second is we do own a parcel of land in Dahej in Saykha. You guys must be aware of that location as well. That is a one of the Dahej premier location. So, we have a large plot of land over there.

That land is owned completely by Asahi. And that is a potential Greenfield site where we do not have to invest in land because we own it, and it is a reasonable cost of the land that we could leverage for future growth. And then there is always the possibility of looking at a target company coming up for inorganic growth. But I do not want to comment on that. I am just saying these would be the different areas we could look at, to go beyond the AA.

Moderator: Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Sir, I am trying to understand that in FY12 we did Rs. 43 crores EBITDA, which you could only exceed after five years in FY17, when the EBITDA was Rs. 47 crores and which again we could only surpass just last year. So, basically, the apprehension is that since margins are volatile so now going forward, the margins might again contract and then it might again take a couple of years for us to again reach what we did last year. So, what do you have to say on that?

Gokul Jaykrishna: I am glad you brought this question up because we go back on the drawing board and look at those numbers that way. One very quick clarification, which will set the stage right for that. You mentioned FY12, right?

Keshav Garg: Yes, FY12, FY17 and FY21.

Gokul Jaykrishna: Yes, FY12, FY17 and FY21. So, first commenting on FY12, the number includes the business of green which has been completely demerged. So, I do not have the exact number, but I would say Rs. 80 crores, Rs. 90 crores, Rs. 100 crores odd going out. So, then it is not an apple-to-apple comparison. From FY12 we have come a long way because you have to take the green business out of top line as well as bottom line and then FY12 was looking much lower than what it actually does.

Keshav Garg: But going forward, you are confident that this approximately Rs. 50 crores of EBITDA that we did last year, we will at least hold on to that and grow on that?

Gokul Jaykrishna: Yes. So, we are, as I said in the commentary that the stage is set that we are quite confident of maintaining this kind of a base, and the blue business as a cash cow. So, I am not having any big aspirations or targets out of that business. So, I would not want to mislead investors. So, the blue business the plant in Baroda is a strong plant. It is a depreciated plant, it is a strong cash cow and it will remain so. However, it is not something which by itself is going to double out. But yes, will it hold stable? Yes, it will hold stable, I think.

Moderator: Thank you. The next question is from the line of Vishal Gupta from Phillip Capital. Please go ahead.

Vishal Gupta: Just wanted know that within the 50% is owned by Tennants so you are talking about doubling the revenue, so 50% contribution is only come to us in terms of profitability, although the revenue might account for it, but only 50% is come to us so additional?

Gokul Jaykrishna: Yes, absolutely. You are right.

Vishal Gupta: So, sir, then we should look at around Rs. 450 crores kind of numbers because Rs. 280 crores, Rs. 290 crores are already there so Rs. 150 crores, Rs. 140 crores which is the 60% of our share, right? The additional numbers that we were talking about that will come from your end, right? Maybe it would be (Inaudible 76:34) foray into newer segments?

Gokul Jaykrishna: Correct, yes you are right.

Vishal Gupta: And sir, I just wanted to know what is the share of specialized pigment as of now, value added or specialized pigment in the current business FY21?

Gokul Jaykrishna: Sorry, say that again? Your voice is not very audible. Please say that again?

Vishal Gupta: The share of specialized or value added pigment as of now, in FY21, on the overall business and how are we posting in next two, three years? What percentage of shared business to come from specialized or value added products?

Gokul Jaykrishna: Your question is it what percentage of the business over the next three years will come from specialty and value added products?

Vishal Gupta: Yes sir and as of now what is the contributions?

Gokul Jaykrishna: So, as of now, I would say about 25% of our turnover is coming from specialty kind of products and 75% more from the intermediates and base volume of value products. Going forward from this is all of course the blue because that is the only business we have. And going forward with the Azos probably we have spent time talking on this call about it. And as Arjun also rightly mentioned, it is very difficult to put a number but to the lady who had asked that question I did give a flying answer. I mean, I cannot be held to that, but we will probably be 50% odd on both hopefully.

That is the target but it could vary. I mean it depends on how things go. Going forward, see both scenarios, even if we do 70:30 or 30:70. If we do 70:30 or 70% odd with the high value products, it may take a longer time, but would result in a better EBITDA. If we do it with 70% with higher volume, lower value products, then business would be easier to get into utilization would come faster, but it will come at a cost of EBITDA. So, how to play that number and bridge it, we have to see as time goes by. But I would again in today's call, if you wanted a number I would say probably we aim for 50:50 going forward from the new business.

Vishal Gupta: And sir, the margins were I think 16%, 17% for FY21. Are we planning to hold on to this margin or still improve further with share of specialized pigment improving and capacity of Azo pigment ramping up?

Gokul Jaykrishna: So, we would always like to hold and even better. That is for any good company would aspire that this is very healthy set of margin numbers that about 17% to 18% EBITDA that we had this year. So, we would like to hold on to these. We are doing everything that we can to make them very sustainable. Would we aim for more, would we get more, yes possibly, but it would not be sustainably so. So, to be giving you honest answer sustainable number would be in the area of 15.5% to 16%.

It does go up and down by 1% or 1.5%. But however, when you look at our business and given the nature of the volatility of the raw materials, at Asahi we have on QoQ or year-on-year we do not have that much volatility. So, I would not expect the EBITDA margins to vary by more than 0.5% on either side too much except on one off year sometimes.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time that was the last question. On behalf of Asahi Songwon Colors Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.