

Ref: ASCL/SEC/2024-25/17

June 4, 2024

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 03, 2024 WITH INVESTORS AND ANALYST ON THE FINANCIAL PERFORMANCE OF Q4FY24

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 Monday, June 03, 2024 at 11:00 a.m. (IST) with investors and analyst on the financial performance of Q4FY24.

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**

**JOSEPH SAJI
VARGHESE**

Digitally signed by JOSEPH
SAJI VARGHESE
Date: 2024.06.04 18:31:01
+05'30'

SAJI JOSEPH
Company Secretary and Compliance Officer



Encl: As above

Asahi Songwon Colors Ltd.

CIN: L24222GJ1990PLC014789

Regd. Office: "Asahi House", 20, Times Corporate Park, Thaltej - Shilaj Road,
Thaltej, Ahmedabad - 380 059, Gujarat, India.

Tele : 91-79 48239999, 29617815 • Fax : 91-79 6832 5099 • Web Site: www.asahisongwon.com





**“Asahi Songwon Colors Limited
Q4 & FY’24 Earnings Conference Call”
J une 03, 2024**



MANAGEMENT:

MR. GOKUL M. J AYKRISHNA
JOINT MANAGING DIRECTOR & CEO
ASAHI SONGWON COLORS LIMITED

MR. ARJ UN G. J AYKRISHNA
EXECUTIVE DIRECTOR
ASAHI SONGWON COLORS LIMITED

MR. MITESH PATEL
EXECUTIVE DIRECTOR
ASAHI SONGWON COLORS LIMITED

MR. ALOK J HAWAR
CHIEF FINANCIAL OFFICER
ASAHI SONGWON COLORS LIMITED

MR. SAJ IJ OSEPH
COMPANY SECRETARY & COMPLIANCE
OFFICER
ASAHI SONGWON COLORS LIMITED

Asahi Songwon Colors Limited
Q4 & FY24 Conference Call
June 03, 2024

Moderator: Ladies and gentlemen, good day and welcome to Asahi Songwon Colors Limited Q4 and FY24 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 this conference call, please signal an operator by pressing *, then 0 on your touchtone phone. Please note that this conference is being recorded. And now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you, Mr. Mehra.

Abhishek Mehra: Thank you. Welcome, everyone, and thank you for joining this Q4 and FY24 Earnings Conference 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 the 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 results of this quarter and answer your questions, we have with us today and Mr. Gokul Jaykrishna - Joint Managing Director and CEO; Mr. Arjun Jaykrishna - Executive Director; Mr. Mitesh Patel - Executive Director; Mr. Alok Jhawar - Chief Financial Officer and Mr. Saji Joseph - Company Secretary and Compliance Officer. We will be starting the call with a brief overview of the business and the financial performance in Q4 and FY24, 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 construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks are included, but not limited to what we have mentioned on our annual reports, which you will find on our company website. With that said, I will now hand over the call to Mr. Gokul. Over to you, sir.

Gokul Jaykrishna: Ladies and gentlemen, welcome to Asahi's Conference Call for FY24 March ended quarter as well as the FY24 March ended full year. Ladies and gentlemen, I am happy to finally bring some good news to all the analysts as well as more importantly to all our investors after a long period of almost 4-5 quarters when the company has not been able to do too well because of various macroeconomic demand and global concerns as well as industry specific concern, I am happy

to report this quarter has come out with a much better and improved performance and the coming year looks substantially better compared to the March 23 and March 24 years.

I will just quickly touch upon the macro numbers of turnover on a quarterly basis for the standalone Blue division as well as the consolidated division and then, I will give you a general overview of the four segments and then we will have Arjun give us some update on some of the businesses and then we will open the floor for question and answers where I will be happy to take your questions.

So, on the standalone basis at the Blue, the mother plant, Asahi's main plant in Baroda, the Blue plant has started performing reasonably well. We have recorded a turnover of Rs. 83.84 crores compared to Rs. 69.94 crores in the previous quarter and we have recorded the profit before exceptional item of Rs. 5.57 crores as compared to Rs. 1.4 crores. On a full year basis, on the standalone thing in Blue business, we have recorded a turnover of Rs. 276 crores and a profit before exceptional item of Rs. 5.10 crores. This compares with a loss of Rs. 4.64 crores in the full year on the standalone basis for the Blue business in 23 March. Apart from that, we had a onetime profit of Rs. 25.6 crores coming out from the sale of land, which worked out extremely profitably. So, the full year numbers on a standalone basis or even on a console basis look much better than the business actually offered. So, the full year profit would be Rs. 30.7 crores as compared to a loss of Rs. 4.64 crores in the previous year. This is on the standalone basis.

Now, I will just run you through the console numbers as well. You already have looked at these numbers. I just wanted to open the call with giving a perspective and then I also make a comment on what to look forward for the next year and the next quarter because that is probably what all of you would be looking forward to because you have access to the numbers because they have been published. But again, macro numbers on a console basis we have done a turnover of Rs. 126 crores as compared to Rs. 102 crores which is about 23% improvement over the previous quarter on a console basis. And on a console basis, profit before tax stood at Rs. 1.5 crores as compared to Rs. 1.3 crores of loss in the previous quarter.

So, overall, now just to give a comment on how this quarter has gone by for all the four segments standalone, I already told you as started doing reasonably well. We are back to double digit EBITDA numbers as well and hope to improve slightly on this performance in the coming quarter and the year as well. On the console basis, all the four segments, all the four units rather, the two segments, the two units for pigments which is in Baroda and Dahej have done slightly better than the previous year and this quarter looks better than the quarter that I am reporting right now.

The Atlas segment, both the plants, the Odhav plant has started, the old plant that we acquired, Asahi acquired has started doing better and we are coming back to normalcy there and the Chattral plant, the intermediate section has commenced the operations and there at about

50% to 55% utilization, we are in a position to the PBT breakeven. So, this is very good news for the Chattral plant because we were expecting that we would probably PBT break even in about a year or a year and a half of operations. While we are now looking to PBT and even PAT breakeven, maybe this quarter which is just 3 months into operation, so this augurs well. We have not yet commissioned the API plant at Chattral. This plant is likely to be commissioned in the next month, but utilization in the API plant will take a little time to ramp up. We are in no rush because we are more concerned or more concentrated or focused on upping the performance of the intermediate plant because this makes us self-reliant at the Odhav plant in terms of buying our intermediate and we hope to get completely self-reliant in the current quarter, April, May, June as in we should not be buying Stage-1 and Stage-2 raw materials for the main molecule, Pregabalin for the main Odhav plant and we should be able to get all of our supplies from our Chattral plant. This should augur well for the EBITDA in the coming quarter as well.

And now, just a quick note on what to expect in this quarter, for the full year, I would still be a little cautious in giving any guidance or idea because you are aware that lot of things are quite uncertain, but the general macros for the chemical industry in general, the API and intermediate industry also seem to be improving, not just for us, but even for the industry. If we take and touch upon the main things that were hindering performance over the last 5 quarters, it was one the global inventory pipeline was completely choked up. This is the inventory pipeline now, I am glad to inform everyone is now, very light and free. So, everybody has destocked and there is very little inventory in the global inventory pipeline. This augurs well because now we are starting to see some orders coming in which were stalled because they were destocking inventory.

Point two, on a macro basis, raw material prices have started to bottom out, not only bottom out, but now we have seen over the last couple of months that we are starting to inch up. This is good news because for the last 4-6 quarters and we have reported this and all of you are aware that we took a lot of inventory loss because raw materials and finished goods prices kept nose diving every single month for the last 12 to 16 months. Thus, we had to take non-business inventory carrying cost risk as well and customers were unwilling to take any price even to cover cost and that is why we had a terrible 12 to 16 months. This seems to be over because the prices have now started to bottom out and even go up and hence customers are now starting to buy ahead of time and thus this means that we have some advantage of carrying inventory now because we will have some profits from inventory over the next couple of quarters. We haven't seen that in the March quarter, but we are likely to probably see that in the April, May & June quarter.

And just to comment on the EBITDA margins, consolidated EBITDA margin stood at about 2% in March 23. They moved to about 4.9% in March 24 for the full year and we are hoping that we should be getting to double digit, so about 10% for the full year this year. So, that should be getting us back generally on a consolidated basis to decent business levels again.

With that, I will let Arjun give you a few comments and then we can take question and answers.

Arjun Jaykrishna:

Thank you. I think as already has been described and discussed, I think generally we have had a slightly better performance than earlier and in regards to our Phthalocyanine Blue business, I think we have covered it. There is not much for me to discuss. In terms of the Azo business which we have discussed in previous calls as well, we have made an improvement to the past. We have been doing slightly better, however, not at the speed we would have wanted to, but quarter-on-quarter we have seen growth and for the full year as well as opposed to last year, we have seen improved numbers and we hope that this trend continues and while the demand has not picked up, we have gotten internally stronger. We have built up a slightly better quality of products, slightly larger range of products and hope we are continuing this trend of month to month growth and we are now at around 65% utilization. So, we will look to improve on this and continue to do that in the in the coming quarter which we foresee to see the continued growth happen from last year performance.

And for the API as well, happy to take any specific questions, but overall, as already described, we have made movements with the new intermediate plant which is up and running and we are focusing on getting the right quality and right volumes there, which will help us in our internal backward integration, which is the reason we put it up and we are working towards and on track to soon be opening the API facility as well. We have been now even audited by the local FDA and all the things are going as per schedule and as per track with the new API plant. So, happy to report and hopefully we can report to you some positive on that in the coming few quarters as well.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth Advisors. Please go ahead.

Rahul Jain:

Sir, first question is on the Blue segment or typically as you mentioned, things are improving and demand seems to be back, so 2-3 parts to that. One is in your assessment what segment, what geography seems to be where the demand is coming back and what is the sustainability of the demand revival if you could talk on that and also with regards to Blue at current levels or in the quarter gone by and plus at the current levels, how far the prices are away from the peak levels and what kind of volume growth we have seen in quarter 4 and for FY24 as a whole?

Gokul Jaykrishna:

I will take this question. So, Rahul, I just wanted to just probably make a comment on what you said about demand. So, I should have probably referred to it in my introduction that demand is actually not that strong yet and I cannot claim that the demand is back. So, I will clarify to answer your question what has helped the Blue business. There are three areas or three aspects to business improving from the doldrums in which it was or the terrible times that it saw. One as I referred in the introductory speech is inventory pipeline which was completely choker block for over a year and that was a huge overhang. The number two is raw material prices continuing to fall like a falling knife sharpened down month-on-month. Both of these

problems have been arrested, so the inventory pipeline is now clean. Interest rates peaked in the European and Western countries, US and all and with the higher interest rate, everybody panicked and destock at a time when demand crashed and raw material prices were falling, so it was like a perfect storm. So, now, we have two of the three business aspects, which is inventory pipeline is clean and raw material price falling has been arrested, even started to go up, which augurs very well for business going forward. The third aspect is what you are referring to and what your question to me is on demand. So, demand is not yet back in a strong way. What we are seeing right now which is causing the reasonably good improvement in business is because of the inventory pipeline drying up, lot of people who were not buying at all have started buying. So, it is not actually big with demand has improved by 20% I would say, it is still far from normal. So, if demand were to improve over the next few quarters, then that should add to the improvement in business. I hope I am making this clear because demand is not yet very strong, though we are seeing improvement in our prices because we are able to pass on the raw material increases or even improving our margins both ways into the prices that the customers are willing to accept because now raw material prices and finished goods prices have started going up. And then also to refer to your question, how far are we from the peak pricing? We are not that far because now since prices are starting to come up, say we must be about 20% away from the peak prices of Blue products. Already prices have gone up by 20%. We were caught about 30%-35% lower than peak. We covered about 15% of that pricing power back partly because of increased cost and partly because of the improved margins, both of which are now starting to reflect in our margins as well.

Rahul Jain: And sir, volume growth for FY24 as a whole and typically again in volume terms also what are the peak volumes and today at what volumes do we stand or maybe you can give a broad range of percentage terms?

Gokul Jaykrishna: So, broadly for the full year, there hasn't been any real improvement in volume growth. The business quality has improved, the margins have improved, pricing has improved, volume growth is starting to improve from this quarter. So, this quarter we have seen, March end quarter has seen volume growth. For the full year, I cannot claim any real volume growth. If the March quarter is reflective and it looks like so far so good and then the volume growth in 25 would be seen over 24. So, I would probably guide for improved volume as well as turnover for the full year 25 as compared to 24. In 24, my volume and turnover has not improved against 23, but my numbers have improved substantially. My EBITDA margin consolidated has gone from up 2% to 4.9% in 24 and I am hoping on a console, I am talking about console, not the Blue, the Blue business is a little higher. But on a console basis we moved from 2% to 4.9% and we are hoping to hit double digit this year. The improvement that I am now seeing will come with some volume and turnover growth as well.

Rahul Jain: And sir, with regards to the prices of raw materials, you mentioned that they have been moving up. So, some of the raw materials where imports are there and what we have been hearing for last month or so, the problems with regards to reverse trade from China. So, is it that some of

these raw materials, including, say, Phthalic Anhydride, the prices have moved up because of this reason, and probably as the problem eases from China reverse state side in a month or so, will that again drift downwards?

Gokul Jaykrishna:

So, see, we are quite well insulated from this China problem that you are referring to because even we are importing duty free. So, we are free to import Phthalic from anywhere in the world, whether it is Thailand, Taiwan, Korea, anywhere and buy from the local players here, so even China for that matter. So, we are not, we are kind of insulated from that issue; however, Phthalic prices have gone up, according to me, because again, the same situation was there with Phthalic where OTTO, the raw material of Phthalic was at a price which was higher than the Phthalic prices itself. So, the Phthalic prices what we saw earlier were not sustainable. As the Blue prices, or for that matter, even the red and yellow prices they were not sustainable. They had to go up because the raw material prices were at or higher than the selling prices. This has been corrected. So, the Phthalic prices are moving up more as a correction because we can't sustain business at the prices at which they were selling. So, they had to raise the prices to meet their cost. Then it is not a demand push, it is a cost push that has shown improvements. The demand pull has been there about 20%-25% generally whether it is Phthalic or Blue or Azo's or even for that matter, API intermediate. If we see the demand pull coming in which we will eventually, demand has to globally come back at some point, some macro indicators may change or whatever. Then, we will see actual improvement in business environment and demand.

Rahul Jain:

So, one last question on Azo and then I will come back in the queue. Sir, on the Azo side with regards to approval from some of the large MNC customers, two parts to that one, we understand we had approvals from some of these large MNC customers, but probably on the pricing front those comfort from our side was not there given the current prices are much lower than the normal prices. So, where do we stand in terms of that aspect as we speak?

Arjun Jaykrishna:

I think one, I think more than just the price front, I think for us since we are new, I think it is about following market prices and then whatever the price may be, a sustainable market price is the price we have to work at. So, more than the price front, I think the whole thing that we have discussed for more than the last year about reduced demand and the large MNC's that have post COVID piled up pretty much very large amount of inventory is the reason they weren't buying more. So, as you rightly said, we did have a few, not many, but we had a few already approved products which they were not able to buy at that time because of inventory management. So, we will look to start supplying to the MNC's now. We have started with some commercial, so after approval we will move to commercial orders where they will use our product commercially and use that in the end product and see whether the customer is okay. We have already moved to that stage for a few products with some MNC's and hopefully in the next quarter, Q2, we would hope to see reflection of this in our EPC numbers and volumes and hopefully have the MNC volume showing by then and have that boost from our large MNC customers where we have seen initial approvals happen already.

Moderator: Thank you. Next question is from the line of Ankit Gupta from Bamboo Capital Partners. Please go ahead.

Ankit Gupta: So, my question was on the Azo side, we have now deferred bottlenecking for our Yellow plant as well and I think we are still not breaking even in this segment. So, how do we see this segment going for us over the next two-three quarters, do you think we will be able to break even in a quarter or two or it will take more time for us to break even in this segment?

Gokul Jaykrishna: So, basically, Azo business has suffered a lot for the same reasons as generally what I spoke about in Blue added to that was even worse situation with demand there, so demand still remains very weak. However, as Arjun already referred to it, we have made good customer additions. So, we have added new customers to our market. We have also made very good improvements in introducing new products and our quality approvals are going quite well. So, our marketing team is putting all its efforts and because of that, we are seeing reasonable improvement in the utilization finally and we should be at 65% odd in the current quarter and that means it will be an improvement compared to the last year and the last quarter, the March ended quarter as well. So, to answer your question over the next 2 or 3 quarters, we definitely expect to break even in this segment. Once we start doing that, the prices are also now starting to improve, show improvements. As soon as some demand comes back, I think this segment should turn out to be reasonably promising because we have laid a pretty good bit of groundwork to set it up. As far as your reference to debottlenecking or expansion of the yellow line is concerned, we have just deferred because of the terrible market conditions and we did not want to jump the gun and add further cost and burden to our capacity as well as financials. However, financially we are in a very comfortable position with our debt equity, a consolidated debt equity ratio at 0.34 times debt to equity which is under 0.5 which is very conservative and now the cash flows have turned very positive as well in all the four plants and both the segments. This gives us a lot of encouragement as we up the utilization to 70%, we will go back on the board to do the debottlenecking or expansion of the line.

Ankit Gupta: And Red segment was doing pretty badly for us, that continues or we have seen some improvement in the Red segment as well on the Azo side?

Gokul Jaykrishna: Arjun, if you can comment on both the Yellow and the Red in a macro way, just for your reference, we won't be talking in details in terms of the numbers, but we will give you a macro outlook. Arjun, over to you.

Arjun Jaykrishna: So, rightly put I think earlier we were struggling a bit with Red, the reasons we thought that was happening also given then. But to answer your question, we have worked hard on the Red, we have worked on the products, we have worked with customers, and we have definitely seen a substantial improvement. On the macro level, I can say that, yes, we are not specifically struggling with the Red anymore. Volume-wise, the Yellow continues to be the larger volume, but the Red has started to do much better than before and we have a few good products that

have picked up both in volumes and also we are not struggling as much with price as we were earlier with the Red. So, it has much improved from before.

Ankit Gupta: What will be the capacity utilization of the Red as of now?

Arjun Jaykrishna: So, now, we are at a similar capacity utilization from both the Red and the Yellow. So, we have reached the level, the plant is designed such that the red line is smaller because we have larger capacity of the Yellow side, but percentage utilization is similar now both on the Red and the Yellow.

Gokul Jaykrishna: Mr. Gupta, to just add a comment the improvement in utilization from 65% to 70%, we are expecting it to come from the Red line, this may answer your question.

Ankit Gupta: So, that is a significant improvement that we have seen in the Red segment?

Gokul Jaykrishna: Yes.

Ankit Gupta: So, my second question was on the API part, we have seen some improvement in our topline in this quarter and given the Chattral plant has also started, the backward integration coming and how do you see next year panning out for us in terms of growth as well as on the margins front, if you can talk about that?

Gokul Jaykrishna: So, I will take the question on basically in terms of turnover, we may not see a marked improvement because right now, the intermediate plant of Chattral, the intermediate Stage-1 and Stage-2 of Pregabalin that we are making there will be used by the Odhav plant and then we will start making the Pregabalin at Chattral itself, eventually during this financial year. As soon as that happens, the intermediate consumption will not reflect in the turnover. So, there may not be a vast improvement in the turnover, but there will be a substantial improvement in the margin. Arjun, you want to comment on the other part of his question.

Arjun Jaykrishna: What was the other part if you can just repeat it?

Ankit Gupta: With the intermediate plant at Chattral operating and as we endeavor to use the entire intermediate requirements of the Odhav plant from the Chattral plant from the in-house capacity, so how do you see the margins panning out for us for FY25 in the API segment?

Arjun Jaykrishna: He has already answered it. I think we will definitely see a bottomline improvement because of the intermediate facility we use and in terms of the topline, we will try and streamline our marketing and approaches as best possible and hopefully slide it, but the other bottomline will be better improved of the two. So, I will just echo what has already been answered.

Ankit Gupta: So, are we targeting, let us say low double digit kind of margins in our API segments for FY25?

Gokul Jaykrishna: Yes, we are looking at the Atlas, the API and the Intermediate business as one business and then when we look at it, we acquired this business with EBITDA margin of about 5.5%. We continue to operate at about that level over the last 1 to 1-1/2 years and now that is showing a substantial improvement and we are already at about 8%-9% and with intermediate facility, what you are referring to, we should obviously be in double digit. That should not be different.

Ankit Gupta: Can you also talk about the new product development which we are doing on the API side, any new product that we are planning to launch in FY25 or anything else, anything planned for FY26 as well?

Gokul Jaykrishna: Arjun will talk about it. Arjun is looking after new product development at the R&D Center that we have at Odhav. However, we cannot, for competition and business reasons, be specific in terms of naming the products that have been under research, but we will talk about in terms of some of the products without naming them.

Ankit Gupta: I do understand, if you can just think about number of launches for FY25 and FY26 and what can be the potential revenue that we are targeting from them?

Arjun Jaykrishna: Yes. So, I will give a quick macro idea of what we are doing on the R&D side to answer your question. So, we have been working on a good number of products and we have identified a few of these products, things including what we see our current customers buy as well as general market demand and how we foresee the demand for these products to be in the coming few years. So, currently, we have developed and commercially launched a new product recently. Apart from that there are three products and one KSM that we have already developed and would be looking to commercialize in the coming months. Obviously, with the APIs, these products take time to commercialize even after development. So, we have kept that in mind and we don't have an exact timeframe of when you would be launching them, but this is what we have been working on. Apart from this, we have a pretty decent pipeline of products that we are working on. Again, as I repeated in different from the chemical segment here, there are several challenges in the development of these products from the lab stage to even developing on the lab moving to the plant. So, we are confident in a few of these products and we believe that in the next year, we will be launching these products for sure and we are specifically looking forward to three of the products which would be launched in the coming few months.

Ankit Gupta: And how big can this product be like? What can be the revenue potential for these products in FY25?

Gokul Jaykrishna: We are not currently looking too much at the revenue potential because these are low volume, high value products. So, they may not contribute in a large way to the revenue right now. I understand what you are asking. So, basically the products that our team is working on are not the same Rs. 5,000-Rs. 6,000 per kilo products, but higher value products Rs. 10,000 to Rs.

20,000 or even Rs. 40,000 to Rs. 50,000 per kilo products, some of them. So, the volumes will be slow and the reflection in the topline because of the products introduced or the ones in the pipeline will not be large. However, because it takes a lot of time in this API business, as Arjun already mentioned, to commercialize them and after commercialization even to substantially get volumes out of it takes a bit of time. So, I would not rely on additional turnover in terms of volumes and turnover from these launches in this financial. That would come in the financial after 2025 March month and the reflection of that will come more in the margins than in the topline. This year, we will concentrate more on the intermediate section and improving our EBITDA margin, which historically the Atlas business we acquired was at 5%-5.5%, we are looking to get it to 12% and that should be done easily without new launches.

Moderator: Thank you. Next question is from the line of Dhwani Desai from Turtle Capital Management. Please go ahead.

Dhwani Desai: Sir, my first question is on the Blue segment, historically before the market turmoil, we were doing gross margin in the range of 38% to 42% and maybe 40% was a mid number. Currently, our gross margins are still well below that number, so as the market environment normalizes, do we see progression towards those numbers in the FY25?

Gokul Jaykrishna: Yes, you have studied your numbers well, so you are pretty accurate with the gross margin. That is what we were 28% odd, 39%. Of course, you are referring to the Blue business only. So, those have had in this time dropped substantially, of course. We have already seen good bit of recovery in this quarter itself and that recovery should continue and yes, our internal targets would be to get back to the 38% gross margin. That do not happen immediately, but we are inching towards it for sure. So, we are already seeing improvement in March and we probably continue to see some improvement in June as compared to March as well, or at least maintain the March.

Dhwani Desai: Second question is on Azo business, so globally again if we look at it, one of the larger players had filed for bankruptcy and generally there was a feeling that that may have a positive rub off on the other players because even though they may not be out of the business, but they may be restructuring some of their business operation. So, do you actually see positive impact of that happening or maybe some negative rub off because they may be our customer also, so how do you look at that development and are you seeing any opportunities emerging out of that development?

Gokul Jaykrishna: So, I don't want to comment too much because it is related parties. I don't want to comment. Of course, the news is out in the public. I can tell you there is no negative impact at all on our business because of this. One, you were referring to the German bankruptcy, we have 0 for clarification, we have 0 exposure or zero business with that entity in the last 5 years, nothing at all, so no outstanding, our bad debt outstanding would not be affected or impacted at all. Coming to the second part of it, what would be the advantage or opportunity, there would

obviously be good opportunities for the other players in this segment, not only us, but generally all the main players, the 4 or 5 global players including us and we are actively approaching this opportunity in a way where we can improve our business with these opportunities.

Dhwanil Desai:

And last question on API. So, as we move our production from Odhav to Chattral, essentially the capacity there is much higher than the Odhav, so what are we doing in terms of leg work to ensure that when we move the production and then over, let us say, next quarter, we stabilized, the market is not a problem and we are able to market much higher capacity. So, if you can talk a bit about that and in line with that, once the capacity on the Odhav side is empty, how do we intend to fill that up?

Gokul Jaykrishna:

So, both are very relevant questions to our business going forward. However, I will be very honest and candid, our concentrations for this financial year that is March '25 will probably not be on those two areas. We will be working on both these areas. Your question is too strong, one, with the capacity of APIs in Chattral coming into play, how we see it going forward in terms of improving volumes and second when that happens, what we do with the older capacity, so both are questions which we are not going to talk much about this here, because we are already doing a lot of internal work on these two questions. So, I would not be publicly able to comment on it and financially neither of these two points will have much impact on the performance this financial year. So, where our concentration will be there which will impact the numbers of the API business for this financial year will be one on the intermediate section which is already showing very positive results. So, our concentration will and should be on that area so that we improve somebody in the earlier question I think, one of the two other Mr. Gupta or Mr. Rahul referred to it very well that our margins were very low in the API business and our first duty to our shareholders is to make sure that we have acquired this business. Yes, we have acquired it at very good value, but that is only half of the chapter. The other half is, you acquire a business which is 5%-5.5% EBITDA, this isn't good. We acquired it with the idea of getting it to double digit EBITDA. So, this year, we will focus on getting it to double digit EBITDA, which we are confident that under the strategy that we have implemented, the intermediate plant and concentration on the six main molecules of the Odhav plant which both Arjun and Mitesh are very actively pursuing these strategies and we should be able to get to double digit without the new product pipeline at Odhav or the API plant at Chattral. Without utilizing this, we should be double digits. Those two things are more longer term and that definitely augurs very well because that is going to be a big strategic thing for our company, but that will take longer. I won't be in a position to answer that question sharply as of now.

Dhwanil Desai:

Both RCMH and CMH at Chattral plant, have they stabilized at the production level or we are still kind of doing the titrations there?

Gokul Jaykrishna:

So, to answer your question, we are now producing them and they have stabilized. However, I won't go as far to say that yes, everything is set and it is good. We are continuously looking to improve them on every aspect, whether it is quality, whether it is heal and we will continue to

do so. But to answer your question, like are we producing it now week-on-week, month-on-month from now? Yes we are, we have been producing it this one and we are set in it, we are using it internally for our Pregabalin as well, but at the same time, I won't say that yes, it is all set and all perfect. We are continuing to improve our yields or continuing to push ourselves in our team and we are seeing improvements, and we will hopefully continue to see improvements in our RCMH and CMH in the coming months as well, but yes we are producing them and it is going well and as per plan and schedule.

Gokul Jaykrishna:

As you said, our philosophy is that continuously we should push to improve all parameters. Having said that, the quality and the yield, both have started coming out very well. This is very good news. So, yes, both RCMH and CMH production is stabilized in terms of quality and yield and supply to Odhav is nearing full independence, so we will probably, as I said earlier in my introduction, not need to buy Stage-1 and Stage-2 Pregabalin raw materials, maybe in a quarter's time, we will be completely independent because Chattral is already pushing out these intermediates of very high quality comparable to the best quality and good yields. That is why we are almost a year ahead of our own expectations in terms of PBT breakeven and what such comment you made about the Odhav plant and the API plant. So, apart from the R&D work that our team is doing, I am also working actively with a consultant in Bombay to kind of help us get and hone in on some of these products and that should augur really well because I am getting into it too.

Moderator:

Thank you very much. Next question is from the line of Rupesh from Intel Sons Capital. Please go ahead.

Rupesh:

Most of my questions have been asked, so I just have a few clarifications. Sir first is, Clariant was acquired by Heubach. So, considering all that, can you let me know what percentage of our revenue comes from Heubach group?

Gokul Jaykrishna:

So, we have been doing business with Clariant and it is a legacy business for us. It is over 20 years, probably one of our first customers and this pigment business of Clariant, as you rightly referred to, was acquired by Heubach and currently, if you talk about the revenues of Blue because Blue is the only business where we have exposure there. We have 0 exposure to Heubach Germany or Europe for that matter or US, anywhere internationally. We only have exposure to Heubach India which was a legacy Clariant and that company is a listed company and is doing quite well, our revenue percentage is about 5% coming out of it.

Rupesh:

Second question sir is, what is our capacity utilization in Blue pigments as of today?

Gokul Jaykrishna:

We are at about 70% in Blue overall.

Rupesh: I think we did Rs. 277 crores revenue in Blue in FY24, is it too much to expect that we will go back to let us say Rs. 350 crores in FY25 given that realization will improve, capacity utilization will improve?

Gokul Jaykrishna: So, it is difficult to comment whether we will get back to 350. It is not impossible, but will we be ahead of 300 or 325, yes, we usually will be.

Rupesh: And another thing, sir, Phthalic Anhydride, I think we have discussed, but can you also talk about our other two raw materials, one is Urea and other one is Curpuros Chloride and second one in particular, because I think copper prices have been going up significantly. So, can you talk about these two raw materials?

Gokul Jaykrishna: So, the basic three raw materials, Phthalic Anhydride, Urea and Copper because of Curpuros Chloride. So, Phthalic prices, I have already referred to earlier, it is a cost push thing because our OTTO prices are going up globally and Phthalic prices had to move up and they have moved up which is good because neither can Phthalic people sustain selling at lower prices, nor can pigment players like us sustain it selling at the prices we used to sell earlier. Our prices have improved, Phthalic prices have improved. Copper has been on the move. It has moved from \$8,000 to \$10,000 and that has been built into our cost as well as passed on to our customers and as I said, absorption of prices in terms of customers absorbing any cost increases has gone up tremendously over the 2 or 3 months.

Rupesh: How about Urea, sir?

Gokul Jaykrishna: Urea had a move up and now it has stabilized. It is probably just going down a bit, if at all, but now it is very stable. But all of these raw material movements are part and parcel of business. We normally wouldn't worry much about. Last 1 to 1-1/2 years had become a worry because it became month-on-month and very sharp reduction. That is a worry because that creates inventory overhang which builds up any inventory you are holding because there is a sharp decline in the prices over the next month and next quarter, it builds up into your loss. So, this has completely bottomed out. So, we don't have any overhang left now. Even this quarter, some of the overhang, the Azo plant performance is better than what it reflects because we had overhang of inventory that we had to get rid of, which was higher cost inventory. But that all is seeming to come to an end probably in this quarter. By end of this quarter, we should generally be through with the inventory overhang in Dahej as well.

Rupesh: Sir, other question is for March 25, can you give some view on where would our long-term borrowings and short-term borrowings would be?

Gokul Jaykrishna: That is a simple one. Basically, our total borrowings are at around Rs. 190 - Rs. 195 crores and out of this, Alok bhai, can you give the exact number of the long and the short?

Alok Jhavar: Yes, just a minute. On a consolidated basis, our short-term borrowings are around Rs. 124 crores and long-term borrowings are Rs. 56 crores totaling to around Rs. 197, so Rs. 128 + 70, so around Rs. 197 crores standing at March'24.

Gokul Jaykrishna: As I said, Rs. 195 odd crores is a total borrowing of which Rs. 125 is short term and the long term is very small and when we see this going, we see it topping out at the current levels of Rs. 195 - Rs. 200 crores and now all the four units are cash positive and probably we will see some reduction going forward. Unless, of course, we deploy that money into further CAPEX, which small CAPEX may come up in the pigment plant at Dahej as well as probably in a 12-month period in the Atlas, new plant at Chatral as well. But yes, we see them easily starting to come off.

Rupesh: Sir, the related question to this is sir, the debtor days I think had gone up quite significantly in March 24. I think they are at 105 days compared to 77 days and 80 days in last two years, so why the increase? Some parts can be explained by commissioning of the plants and where do you see them stabilizing?

Gokul Jaykrishna: So, the number by itself is not very reflective. What happened in the year end number is particularly towards the year end, coincidentally the numbers seemed higher. If you look at it right now, we are again back to below 90. So, it is not that we have done anything magically, we have just improved it a bit. But general payment cycle is starting to improve as well, so we should internally target that we should be at about our long-term cycle again in terms of number of days.

Rupesh: And then sir, last question is, in the Tennants balance sheet there is item of Rs. 19 crores which is right-of-use assets, so can you maybe explain that a little bit? I don't think we have any lease or land or anything like that, but what is this right-of-use use asset number of Rs. 19 crores?

Alok Jhavar: This is GIDC land, where the plant is constructed. So, basically GIDC land was acquired at one shot payment, and we keep amortizing it every year-on-year in our books. So, these are the long-term lease contracts for 99 years. These are accounted for as ROU assets only.

Rupesh: And then final question sir, is what sort of gross margin and EBITDA margin can we expect in Azo business in FY25?

Gokul Jaykrishna: We should be looking at about 30%.

Rupesh: 30% gross margin?

Gokul Jaykrishna: Yes.

Rupesh: And that would result into what 7%-8% EBITDA margin?

Gokul Jaykrishna: Yes, 5% this year or 7%, somewhere in that range.

Moderator: Thank you very much. Next question is from Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: I have three questions on each of your businesses. The first question is on Blue. While you mentioned that we should look forward to reaching 13%-14% EBITDA margin in this year, can you help us understand from a supply side, how is this situation in domestic market because what I understand is that since China has put some import duty, there is lot of dumping which is happening in the domestic market especially for the Blue segment and also if you look at your Blue portfolio, how much of that is price sensitive or let me put it other way, how much of that is something where a customer that we have will not be able to switch from us to any other supplier? That is my number one question?

Gokul Jaykrishna: So, the first question first, the product that we make is under a licensed technology and is a very different kind of product in the Blue business and hence it is not an easily replaceable product and that is why we are the market leaders in this segment. That is why we are #1 in the Blue segment globally and we will continue to be that internally, despite any of the macro difficulties in the business as we have over the last one to two years. Because we are market leaders in this segment, we have been able to come out of it early and now of course coming back to normalcy. The second part, the impact of the downturn was severe on a lot of players and the China thing kind of exaggerated it over the last one year the duty that you refer to. However, this has already been built in. The good news is that in the Blue business, Indian makers rule. Globally, Indian makers are the only suppliers for the entire global Blue business. This augurs very well for generally India as a country. The difficulties were on the macro business model over the last because like I said, it was a perfect storm, perfect tsunami kind of situation over the last 12 to 16 months. However, most of these things, including inventory overhang, raw material prices falling and the China duty on the Blue have all been built in. The only factor now remaining is the demand. We have seen some pickup but not substantial. If we see substantial pickup, you will see things returning to normalcy. Because we are market leaders, we should be able to take advantage of it.

Prolin Nandu: Taking a leaf out of what you mentioned in terms of our leadership in Blue, not just as a company, but as a country as well. Now in the past conference call, you have also alluded to when it comes to Azo, especially the Yellow color, there are two since domestic capacities of raw material have been coming up, we are in a way reaching that kind of efficiency which we have in Blue segment. Now if I look at your overall Azo numbers, as per my calculation, while the volumes or topline has gone up, but when it comes to the margins, they are still quite at substantially in a negative kind of territory. So, if we were to break up this between Yellow and Red and the rest of the segment, is it fair to comment that in Yellow, maybe soon we should be looking at a Blue kind of margins in terms of efficiency. Is that a fair comment to make?

Gokul Jaykrishna: Two parts to it. First, probably you can't compare it to Blue margins, generally it should be comparable. So, your question is very fair and valid. The reason in our case, one cannot compare because in Blue we are market leaders, in Azo, simply we are not and we are new. So, it will take us a couple of years to find our feet, which we are starting to do very well. The second part, so margins wise to close the first part, our margins in Azo's will improve. I already referred to a number earlier, but it won't be, I am talking about this year. So, this year it won't be at par with the Blue margins, but yes, long term there is obviously an opportunity to get it at par with the Blue margin. Generally, the margins of the Blues, Reds and Yellows should be similar. So, I spoke very clearly and specifically about our situation because we are market leaders in Blue. So, that business is easier for us that is legacy businesses and we have fantastic customer base also which is not easy to replace because of the technology that we have. As far as you said about utilization, you asked the second part of the question?

Prolin Nandu: No, I was more talking about in terms of backward integration, in terms of raw material?

Gokul Jaykrishna: So, what has happened is with the supplier of raw materials coming out of India, things have become much easier now for Indian makers and this will continue. So, what overhang, yes, now I got it, you refer to why our margins have not improved despite volumes. So, the answer for that is very specific and very clear. So, basically the raw material prices kept dropping and the demand was very weak. So, we continued to hold very heavy inventory in both, the Blue as well as the Azo business, which continued to reflect losses in the next quarter. This has happened in this quarter as well for the Azo business. So, we had to sell some inventory for finished products, which were at a higher cost, but we had to sell it at the current market prices and hence we have to take that kind of inventory loss which is actually not a business loss. So, your question is absolutely valid despite improvement in volumes and turnover. We haven't seen improvement in the bottomline precisely because of only one and simple reason because of inventory overhang of higher cost inventory. This is more or less over, but not totally over. By end of June, July, our team expects the inventory overhang will be completely over. For the Blue, this inventory overhang got over sometime in January, February.

Prolin Nandu: So, just some double clicking on this, right, in this business we have a tie up with a global kind of a company. So, how much of that tie up has helped us in terms of technology? And I mean in terms of getting the approval for getting that inroads into some of these MNC customers, so has it reduced the kind of time that we would have required to reach the kind of efficiencies that we have reached today in Yellow and also has it made it easier for us to probably target some of these MNC customers, if you can just help me to understand the advantages of this JV, that would be very helpful? And how will you evaluate, right, your foray into Azo that will also be very helpful?

Gokul Jaykrishna: So, first, our partners Tennants of UK is a fantastic JV partner. So, I have a lot to thank them for, both Azo and Tennants have worked very closely on this project and yes, we have done their best to help us with technically on some of the products and some of it is working out

quite well. The product requirements that they demand is very high quality products and they have a very high quality standard internally which should augur well long term because once it is through their technical filter, it probably should be good for more or less any one globally, so that is the good part of it. From the demand point of view, the offtake that Tennants would do from the products that we make has not been as much as both of us had expected because of globally weak demand, but that is improving now and we are working closely and that Tennants business is also starting to pick up. But overall great experience working with Tennants, we are happy with them, they are happy with us and the opportunity for this business going forward should be very bright.

Prolin Nandu: Very encouraging to hear that Gokul, just one last point on API, if you can help us, what is the price and demand of our end product that is Pregabalin and also if I understand it correctly, will the realization per kg of N-1, N-2 be higher than realization per kg of Pregabalin, is my understanding correct there? Once you sell it outside, once you have consumed it for in-house consumption, the additional or the excess N-1, N-2, when it is sold outside, will it be giving us higher realization than our core product?

Gokul Jaykrishna: I don't get it. What do you mean by higher realization in Pregabalin? The price of N-1, so RCMH & CMH N-1, N-2, if we were to sell it outside, would be at market prices, our products are coming up quality wise very well, both our RCMH, CMH. So, we should have no difficulty to sell those products because we are at par with the top suppliers of RCMH in India or CMH in India, so no difficulties on the quality side. I didn't get it exactly what you mean higher than, the price won't be higher than Pregabalin, of course.

Prolin Nandu: No. In terms of per kg, right, would it be lower or higher than Pregabalin in terms of per kg realization?

Gokul Jaykrishna: Mitesh, can you take this question?

Mitesh Patel: Simply, our margins will improve because of CMH and RCMH. So, the margins are almost the same as Pregabalin which we are getting right now.

Prolin Nandu: And just lastly, on the Pregabalin demand and price trend, if you can help us that could be great?

Gokul Jaykrishna: For Pregabalin, I think the prices have been going down like everything else over the last 12 to 16 months. This price decrease has been arrested and prices are stable now. So, we are expecting some improvement in the prices, but we would probably expect improvement in volumes coming ahead of improvement in prices and with the N-1, N-2 out of Chattral, the margin improvement should come in very quickly and substantially.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Gokul Jaykrishna for closing comments.

Gokul Jaykrishna: So, thank you, ladies and gentlemen for attending the conference call today. It was a pleasure interacting with all of you and your valuable questions were very useful for not only us internally, but also for analysts and investors to give a perspective of the business. It was a pleasure to interact after a while and report some good numbers and the signs in the market and generally macro environment seem very encouraging. So, as we know with the results for the election in India, we may be looking at a very positive majority for BJP and NDA and this would also augur very well over the next 5 years for generally demand within India and we are well placed to take advantage of that as well as global demand. Global demand is likely to come back and come back strongly, I think in the year 2025 calendar after the US elections in November where I expect that most likely and hopefully Trump will triumph and we will have an end to the Ukraine war, which I hope by early next year and global demand, particularly out of Europe should surprise on the positive side. This also augurs very well for our business and our company. And with the API, as I said, we are working at the R&D Center and with the consultant help as well to own in on new products and new chemistries to ramp up our topline in that business over the next 3 years. As a group, that makes it very encouraging. Thank you to all my shareholders who have stayed with the company for this difficult period which is now coming to an end or already started improving and also to my whole team, my employees, and all of our team who has put in tremendous effort over this difficult period and now they are in a position to strengthen the company over the next year or two. The young team that we are building at Asahi is getting stronger by the quarter and this should augur well for our future as well. Thank you all for attending.

Moderator: Thank you very much. On behalf of Asahi Songwon Colors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.