

PASSION AT WORK!

Trust. Transparency. Teamwork.

ASAHI SONGWON COLORS LIMITED
Annual Report 2015 - 16



FOR YEARS, WE INVESTED IN
PRODUCTS, PLANTS AND PROCESSES.

IN THE LAST COUPLE OF YEARS, WE
EMBARKED ON ADDING THAT FINAL
CAPITAL THAT IS NOW MAKING ALL
THE DIFFERENCE.

PASSION.

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THE RESULT OF A DISTINCTIVE
PASSION IS IN THE NUMBERS.
ASAHI SONGWON REPORTED
ITS FIFTH SUCCESSIVE YEAR OF
PROFITABLE GROWTH IN 2015-16.

UNDERLINING THE CONVICTION
THAT WHEN IT COMES TO
PASSION, THE GAINS DEFY THE
LAW OF DIMINISHING RETURNS.

At Asahi Songwon, *Passion* means...

Not asking '**Why?**' when someone comes up with a new idea but asking 'Why not?'

Not asking '**What's the need?**' but responding with 'How fast can you make it happen?'

Not thinking of all the reasons why an idea may fail but focusing on the one reason **why it may succeed**.

Not asking '**How will you make improvements happen?**' but trusting employee judgments to find the best possible way.

Not worrying as much about '**How much will it cost if it fails?**' but 'What will this do for us if it succeeds?'

Not penalising **those who experiment and fail** but recognising and appreciating those who try.

Not focusing on the 'cannot' but living the philosophy of '**can do**'.



At Asahi Songwon, we are investing in *passion* to transform our colours....

From commodity to semi-speciality and speciality products

From product replication to product development

From satisfaction with the status quo to impatience for change

From seeking profits from the marketplace to seeking them largely from within.

From capacity investments to prudent de-bottlenecking

From driven by volumes to driven by volume-value

From a high average employee age to younger organisation

From sporadic breakthrough to continuous improvement

From a top-driven company to people-inspired organisation

From generic employer to preferred employer



Asahi Songwon Colors is one of the most trusted phthalocyanine pigment manufacturers in the world.

Addressing the growing needs of some the largest downstream customers.

And intending to emerge as the largest in its space across the foreseeable future.

Demonstrating passion at work!

Corporate snapshot

The company was established by Mrs. Paru M. Jaykrishna to manufacture pigments in 1990.

The Company is the leading manufacturers of phthalocyanine pigments (Blue) and derivatives in

India and one of the fastest-growing in the world.

Asahi Songwon is engaged in the manufacture of phthalo pigments (one of the largest categories of pigments manufactured in India) comprising CPC blue crude and a range of beta blue pigments.

Products

Applications: About 40% of all phthalocyanine pigments are used in the manufacture of printing inks while the rest find application in paints, plastics, textiles and paper industries.

Manufacturing capacities: The Company's principal manufacturing facilities are at Padra (Vadodara), manufacturing CPC blue crude and a range of blue pigments (Blue Activated Blue, Beta 15.4 and Alpha Blue) with an installed capacity of 11400 tonnes per annum.

Brand-enhancing clientele

The Company's clientele comprises global giants like DIC (Japan), Sun Chemicals (USA), Clariant Chemical India Limited.

DIC: The Company was established in 1908 as a manufacturer of printing inks. Gradually DIC expanded its business in the organic and resin pigments, while leveraging technology to build a diverse product portfolio. The Company caters to electronics, automotive, food packaging, housing and various other industries. DIC has operations in more than 60 countries and territories, backed by its commitment to environment protection and sustainability.

Sun Chemicals: Originally incorporated in the year 1818 as Lorilleux & Cie, it is one of the first commercial producers of inks and specialty inks. Following successive years of development and

mergers, Sun Chemical is formed in 1945. In 1987, DIC acquired Sun Chemical and since then, the global conglomerate has been a leading producer of inks, coatings, supplies, pigments, polymers, compounds and application materials.

Clariant Chemical India Limited:

Clariant was founded in 1995, located in Muttentz, as an extension of the Sandoz chemical company, based in Basel. This alliance helped the Company acquire almost 150 years of knowledge and experience within the chemical industry. Following a series of mergers and acquisitions, the Company is now a leading specialty chemical company in the world. Clariant caters to four segments, namely Care Chemicals, Natural Resources, Catalysis and Plastics & Coatings.

Awards and accolades

- The Company's Padra plant is certified with ISO 9001:2008 and ISO 14001:2004 accreditations validating its stringent compliance with all applicable health, safety and environmental norms.
- Award for outstanding export performance for consecutive four years from GDMA.
- Award for 'Outstanding performance in the export of dye and dye intermediaries' from CHEMEXCIL for three years running.
- Award for 'Excellent Export Performance' in the 'Export House' category from FIEO in 2000-01.
- Award for 'Emerging SME' across all sectors in India by Dun and

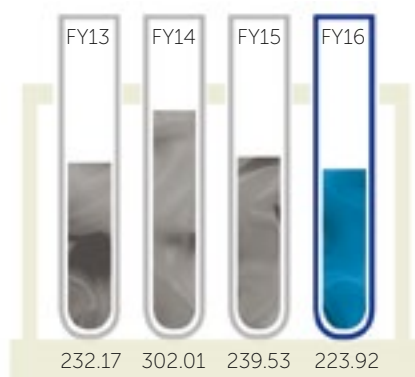
Bradstreet and Fullerton India in 2008; given an award for 'SMEs in the chemical and petrochemical sectors' by Dun and Bradstreet and Fullerton India in 2008.

- Award for 'International Trade' in the 'Chemicals' category by DHL-CNBC TV 18 in 2009 and 2010-11.
- Dun & Bradstreet Vyasa bank & S.M.E. Business Excellence Award - Entrepreneurial Spirit Award Woman Entrepreneur (Mid Corporate) in 2015-2016.
- The Company was selected in Forbes Asia July 2012 edition as the Asia's 200 Best Under A Billion Companies.

THE COMPANY
IS THE LEADING
MANUFACTURERS OF
PHTHALOCYANINE
PIGMENTS (BLUE) AND
DERIVATIVES IN INDIA
AND ONE OF THE
FASTEST-GROWING IN
THE WORLD.

Financial highlights

Sales



Definition

Sales growth net of excise duties.

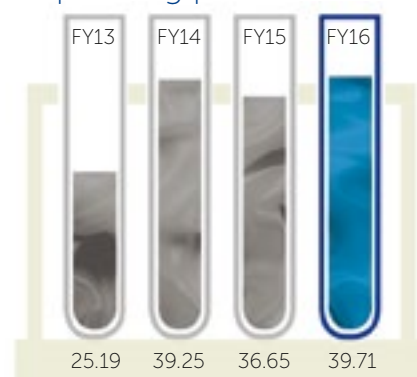
Why we measure

This measure reflects the result of our capacity to understand market needs and service them with corresponding manufacture, relevant brands, dealer engagement and supply chain – virtually the entire supply chain.

Performance

Our aggregate sales declined in revenue terms as realisations were based on declining crude prices.

Operating profit (Rs./crore)



Definition

What the company earned before the deduction of interest, depreciation, extraordinary items and tax.

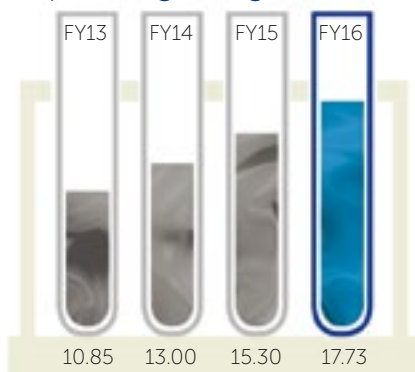
Why we measure

This measure is an index of the company's operating profitability (as distinct from financial), which can be easily compared with sector peers.

Performance

The company's operating profit grew steadily over the last five years. The company reported a 9% increase in its operating profit (record) in FY16, the result of capacity de-bottlenecking and enhanced asset utilisation.

Operating margin (%)



Definition

The movement in percentage points in operating profit before interest, depreciation, exceptional items and tax when divided by the company's revenues.

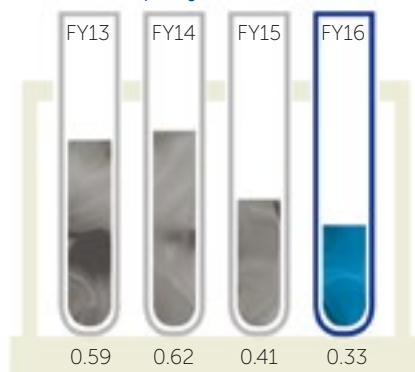
Why we measure

This movement indicates whether the business is becoming efficient. Asahi Songwon is focused on a consistent increase in operating margins.

Performance

The company's margin increased every single year through the last five years. The company reported a 243 bps increase in operating profit in FY16, the sharpest increase reported by the company in five years. This was the result of higher asset productivity across the business.

Debt-equity ratio



Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

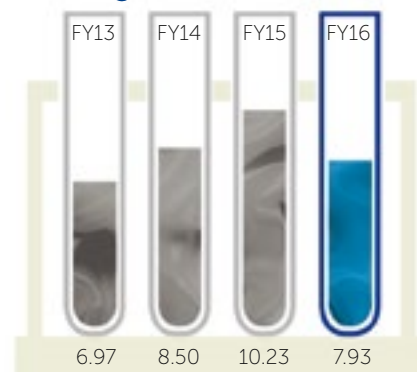
Why we measure

This is one of the defining measures of a company's financial health, indicating the ability of the company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the company to sustain growth in profits, margins and shareholder value.

Performance

The company's gearing moderated from a peak of 0.62 in FY14 to 0.33 in FY16.

Average debt cost (%)



Definition

This is derived through the calculation of the average cost of the consolidated debt on the company's books.

Why we measure

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

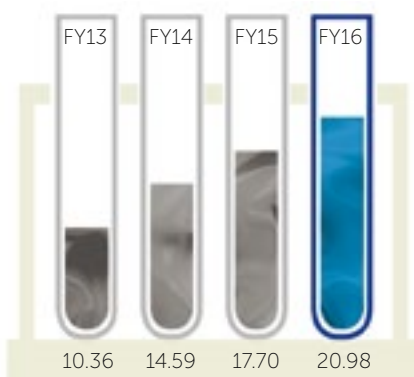
Performance

The company's debt cost has progressively declined from a peak 10.23% in FY15 to 7.93% in FY16. We recommend that this ratio be read in conjunction with our rising interest cover (rising, indicating higher liquidity).

Rs 136 Cr

The company's net worth increased from Rs.117.95 cr in 2014-15 to Rs.136.01 cr in FY16.

Profit after tax (Rs. crore)



Definition

This surplus is derived after all expenses and provisions have been deducted.

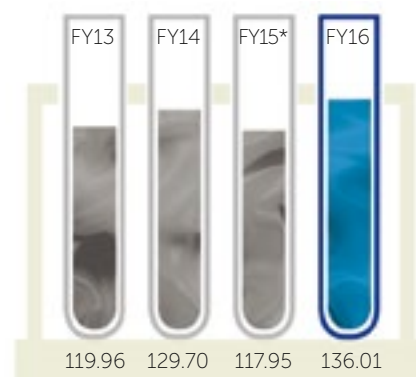
Why we measure

This indicates our surplus available for reinvestments and shareholder reward.

Performance

The company's profit after tax strengthened 19% in FY16, enhancing its accruals available for reinvestment.

Net worth (Rs. crore)



Definition

This is derived through the aggregation of equity capital and reserves.

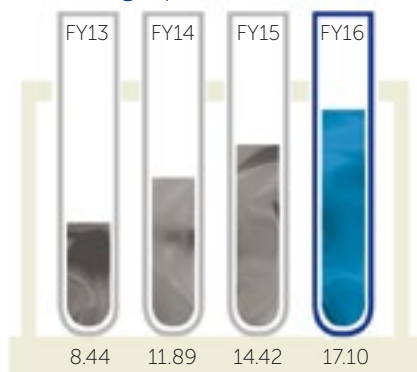
Why we measure

This indicates the resources owned by shareholders, indicating the available borrowing room.

Performance

The company's net worth increased from Rs.117.95 cr in 2014-15 to Rs.136.01 cr in FY16.

Earnings per share (Rs.)



Definition

This is derived by dividing profit after tax by the number of equity shares outstanding.

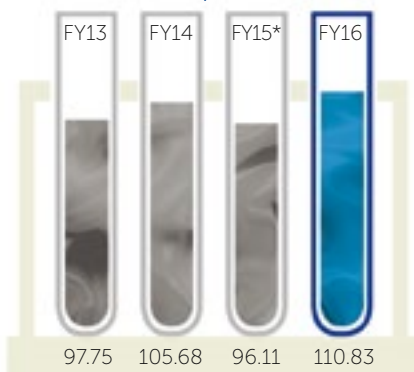
Why we measure

This represents a simple index of whether the company is enhancing value for shareholders or not.

Performance

The company's EPS strengthened from Rs.8.44 in FY13 to Rs.17.10 in FY16 following an increase in profit after tax and no equity dilution.

Book value per share (Rs.)



Definition

This is derived through the division of net worth by the number of equity shares outstanding.

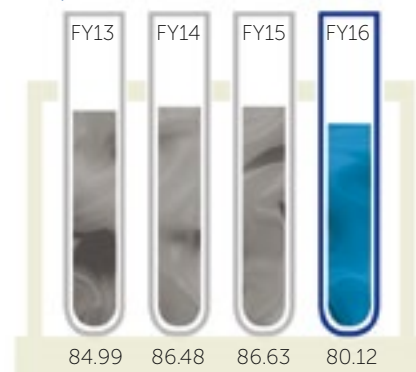
Why we measure

This indicates the net worth per share that makes it possible to compare the intrinsic value of the company's shares with its stock price.

Performance

The company's book value was an attractive Rs.110.83 in 2015-16.

Exports as % of revenues (%)



Definition

This is derived by dividing exports by revenues expressed as a percentage.

Why we measure

This indicates our export competitiveness and the ability to spread revenues across a larger customer and geographic spread.

Performance

The company's exports as a percentage of revenues have been consistently high, indicating superior quality and export competitiveness.

* During the year FY15, Green Division of the Company was demerged to AksharChem (India) Limited as per the order of the Hon'ble Gujarat High Court with an appointment date 01.04.2014

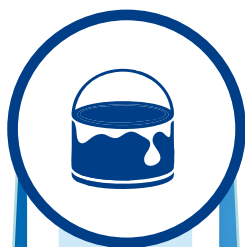
Our statement of purpose

We are in business to enhance stakeholder value in a sustainable way.



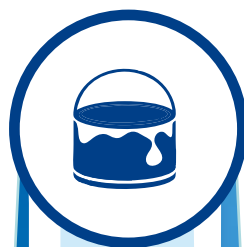
Culture

Our DNA will be marked by the urgency to grow the fastest within the shortest time.



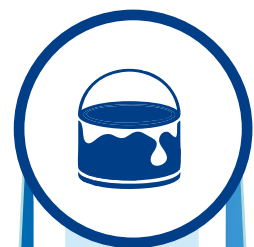
Value-creation

We intend to create value through capacity growth, high asset utilisation, cost management, ability to grow capacity at a cost lower than the industry average and addressing a larger share of the customer wallet.



Value-addition

Our product mix will progressively move towards value-addition, niche exploration and higher realisations



Knowledge

We are positioning ourselves as a knowledge company, investing in processes, practices and products to reinforce our competitive advantage.