



PROACTIVE COLOR CHEMISTRY

ASAHI SONGWON COLORS LIMITED

FORWARD LOOKING STATEMENTS

IN THIS ANNUAL REPORT, WE HAVE DISCLOSED FORWARD-LOOKING INFORMATION TO ENABLE INVESTORS TO COMPREHEND OUR PROSPECTS AND TAKE INFORMED INVESTMENT DECISIONS. THIS REPORT AND OTHER STATEMENTS - WRITTEN AND ORAL - THAT WE PERIODICALLY MAKE, CONTAIN FORWARD-LOOKING STATEMENTS THAT SET OUT ANTICIPATED RESULTS BASED ON THE MANAGEMENT'S PLANS AND ASSUMPTIONS. WE HAVE TRIED WHEREVER POSSIBLE TO IDENTIFY SUCH STATEMENTS BY USING WORDS SUCH AS 'ANTICIPATE', 'ESTIMATE', 'EXPECTS', 'PROJECTS', 'INTENDS', 'PLANS', 'BELIEVES', AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE. WE CANNOT GUARANTEE THAT THESE FORWARD-LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE WE HAVE BEEN PRUDENT IN ASSUMPTIONS. THE ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES AND EVEN INACCURATE ASSUMPTIONS. SHOULD KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE OR SHOULD UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. READERS SHOULD BEAR THIS IN MIND. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

IN TODAY'S DYNAMIC BUSINESS LANDSCAPE, CHANGE IS THE ONLY CONSTANT.

NEW TECHNOLOGIES. INNOVATIONS. MARKET COMPLEXITIES. RISING COMPETITION.

INDUSTRIES ARE WITNESSING MASSIVE DISRUPTION.

IN SUCH A SCENARIO, IT IS OF UTMOST IMPORTANCE TO CHANGE BEFORE YOU ARE FORCED TO.

AT ASAHI SONGWON, WE UNDERSTAND THE CRITICALITY OF THIS. WE ARE PREPARING FOR TOMORROW BY DOING OUR BEST TODAY.

BRINGING IN MORE ACCOUNTABILITY WITHIN THE ORGANIZATION. ADOPTING A RESULT ORIENTED APPROACH. ENCOURAGING PEOPLE TO BRING IN FRESH IDEAS. MOTIVATING THEM TO PUSH BOUNDARIES. INCULCATING A CULTURE OF INNOVATION AND CONTINUOUS IMPROVEMENT.

WE ARE FOCUSED ON

SETTING NEW BENCHMARKS,
SURPASSING EXISTING ONES, AND
MORE IMPORTANTLY, PUSHING
BOUNDARIES...

PRO

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ACTIVELY.



IN OUR 27 YEARS OF EXISTENCE, WE HAVE CONTINUOUSLY EMBRACED CHANGES WHILE STEADILY INVESTING IN SCALING CAPACITIES, ENHANCING KNOWLEDGE AND PROCESS INNOVATION, BUILDING ROBUST TEAM, AND DEVELOPING EFFICIENT AND ENVIRONMENT-FRIENDLY PROCESSES.

TODAY, WE ARE AMONGST THE LARGEST AND MOST COMPETITIVE PHTHALOCYANINE MANUFACTURERS ACROSS THE WORLD, DEALING WITH WORLD'S MOST QUALITY-CONSCIOUS INTERNATIONAL CUSTOMERS.

WE ARE NOW GRADUATING TO THE NEXT LEVEL, BY BECOMING PROACTIVE AND LEADING THE CHANGE.

Profile

Asahi Songwon was established in 1990 by Mrs. Paru M. Jaykrishna to manufacture pigments. Headquartered in Ahmedabad, the Company has emerged as the country's leading manufacturers of phthalocyanine pigments and derivatives supplying products to demanding downstream customers. Its principal manufacturing facilities are at Padra (Vadodra).



Product portfolio

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

Products manufactured:

- CPC blue crude
- Beta Blue 15.3
- Beta Blue 15.4
- Alpha Blue 15.1
- Alpha Blue 15.0

Certifications

Stringent quality standards and compliance to all applicable health, safety and environmental norms has enabled the Padra Plant to receive the coveted ISO 9001:2008 and ISO 14001:2004 certifications.

Awards and accolades

- Award for outstanding export performance for consecutive five years from GDMA.
- Award for 'Outstanding performance in the export of dye and dye intermediaries' from CHEMEXCIL for four 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 was ranked 364 by the International Business Times in 1000 fastest growing companies in the world in their list published in 2012. IBT also ranked the Company as 18th Fastest Growing Company in Chemical Sector.

₹34,258 ^{LACS}

Market capitalisation as on March 31, 2017

35

No. of clients

11,400 ^{TPA}

Phthalocyanine pigments (blue) and derivatives manufacturing capacity

0.22

Debt: Equity as on March 31, 2017

72 %

Proportion of revenues from exports

Clientele



STRATEGIC FOCUS

OUR FOCUS IS
TO BECOME
THE MOST
RESPECTED
PIGMENT BLUE
COMPANIES IN
THE WORLD.

NOT BY
CHANGING
WITH THE
CHANGE,
BUT BY
**BECOMING
PROACTIVE
AND INITIATING
THE CHANGE.**

Strengthen client relationships

- Analyse client's product and their application areas to work on specific areas of improvement
- Strengthen R&D to manufacture products that client's may require in future
- Offer value-added services and competitively priced products

Grow shareholder value

- Scale-up production and add new products to enhance revenues
- Enhance operations and undertake optimum utilisation of resources to reduce costs
- Scale up proportion of value added products that offer better margins

Enhance environmental sustainability

- Proactively invest in cutting-edge environmental solutions to reduce carbon footprint
- Encourage employees to undertake proper discharge of wastes after treatment

Adopt long-term perspective

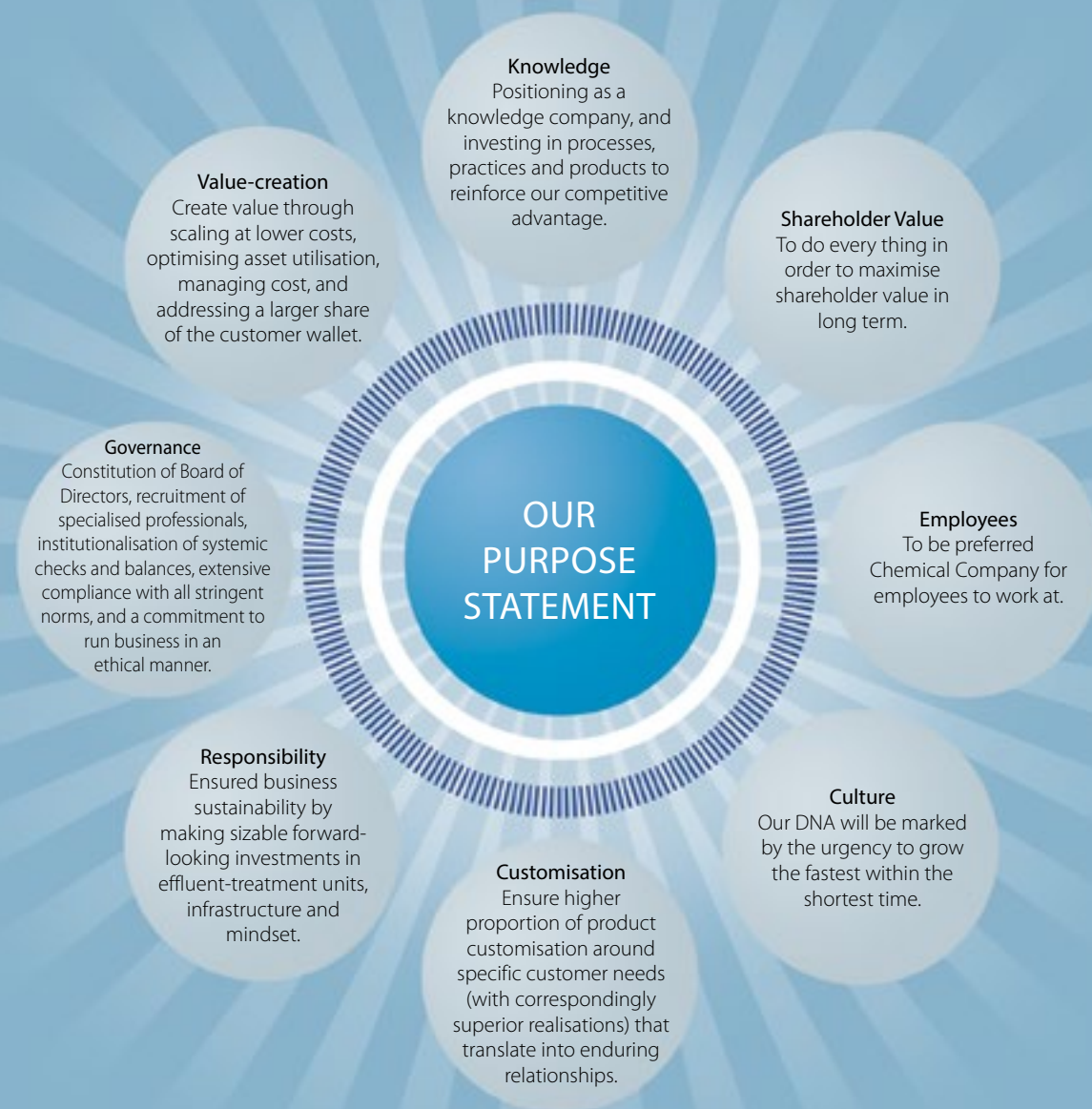
- Explore new geographies and new clients
- Encourage employees to participate in exhibitions and seminar to understand market trends
- Continuous focus on superior customer value

Leverage market opportunity

- Adopt strategies to maximise opportunities from on-going slowdown in China
- With robust growth expected in downstream client industries, focus on enhancing business with existing clients

BUILDING LONG-TERM BUSINESS SUSTAINABILITY. CREATING VALUE FOR ALL STAKEHOLDERS.

This is our purpose statement that defines our reason for existence and guides all our actions and decisions.





“BRINGING PASSION AT WORK ENABLED US TO DELIVER RECORD PERFORMANCE IN 2016-17; **ADOPTING PROACTIVE APPROACH SHALL ENABLE US TO SUSTAIN THIS OVER LONG TERM.**”

I am pleased to report to you at the end of what has been a splendid year for the Company. While the year has been great in terms of record performance, what makes it even better is the fact that industry dynamics have turned favourable for Indian pigment manufacturers. As regulators in China, the world's largest pigment manufacturer, initiated crackdown on local industries driven by environment pollution related concerns, several big players suffered set-backs and shutdown operations. Amidst this backdrop, the Indian manufacturers with better technical, environmental and operational technologies are in a sweet spot to capitalise on the opportunity.

Moreover, with global economic scenario likely to improve, downstream industries like printing ink, plastics, paint, coatings and textiles are expected to pick up. Research and Markets forecasts the global pigment market, pegged at USD 26 bn in 2016, and is expected to rise to USD 32 bn by 2023, growing at a CAGR of 3.8 %.

Performance review of the year

Talking of the financial performance, the year 2016-17 has been very satisfying. Our operational revenues recorded a 15% growth from ₹224.67 cr in 2015-16 to ₹257.84 cr in 2016-17 driven by a strong growth of 23% in production volumes to 1,644 MT. This was driven by the CPC Blue Crude capacity debottlenecking project that we undertook in the previous fiscal. With a mere ₹3.50 cr worth of investment, we have been able to increase capacities by 13% which has contributed towards an additional sale of ₹33 cr during the year. Interestingly, despite this 23% growth in production our overhead costs have in fact declined owing to several cost control measures implemented by us. So on one hand our capacity increased with practically no major investment, while on the other hand the overhead costs declined.

This was reflected in our even stronger growth in profitability as EBITDA and PAT increased by 19% each to ₹47.08 cr and

₹25.02 cr respectively. As a result, the EBITDA and PAT margins surged 58 and 36 basis points respectively to 18.26% and 9.70% respectively.

Key developments in 2016-17

While this kind of growth makes us proud, we are confident that this is just the beginning as we proactively pursue further improvement in efficiencies, productivity, and cost reduction. One of the most critical steps towards this is our initiative to increase accountability within the organisation and adopting a result oriented approach. I believe this approach shall facilitate us in becoming more mature, stable, and non-cyclical as an organisation along with enhancing our long-term business sustainability.

Some of the crucial proactive initiatives undertaken by us during the year include:

- Extending our product portfolio by adding two new products – the Alpha Blue and Beta Blue 15:4. For Alpha Blue, a new 600 TPA facility was set-up which has already commenced the trial shipments. For Beta



Blue 15:4, that finds application in publication gravure ink system, we have started supplies to leading customers on trial basis.

- Developed four new products (Phthalocyanine Blue 15.0 and 15.1, Orange 64 and Yellow 12) that would go into commercial production in the next fiscal.

- Installed a 128 kVA solar power plant that shall enhance our power reliability, and reduce carbon footprints and power costs.

- Increased focus on development of high performance pigments, raising product quality and enhancing productivity to become more competitive and earn higher margins.

- Continued efforts towards cost and carbon footprint reduction through process reengineering and improvement, cycle time reduction, preventing wastages and minimising energy consumption.

- Successfully completed installation of a comprehensive air pollution control system that shall further facilitate in reduction of pollution.

Employee initiatives

On our mission to become a proactive organisation, people would be the most critical element. We believe that as people within the organisation get accustomed to existing practices and conventions, it becomes necessary to have some disruption to bring them out of their comfort zones, push them to take on bigger challenges and change mind-sets. In view of this, each quarter we invite employees from top to bottom to bring in fresh ideas.

We are also encouraging employees to join external exhibitions and seminars to get better insight of the market scenario. The entire concept of proactive would revolve around fostering an open culture of brain storming, promoting team work and having a spirit built on an ethical work culture.

Outlook

I believe that Asahi Songwon is at an important inflection point in its existence whereby a combination of internal and external factors shall catalyse our growth momentum in

the coming years. We are also proactively working towards making the organisation more competitive through adoption of zero tolerance for quality and delivery schedule, introducing new pigment grades for different markets, improving logistics and enhancing regulatory compliance. Our proactive attitude is reflected in our robust three new product launches in the past two years as compared to no new launches in seven years prior to that.

With highly skilled team, robust manufacturing facilities and equipment, experience and expertise, we have everything in place. From here onwards our proactive efforts towards new product development, new market development and continuous improvement shall make a difference.

Message to the shareholders

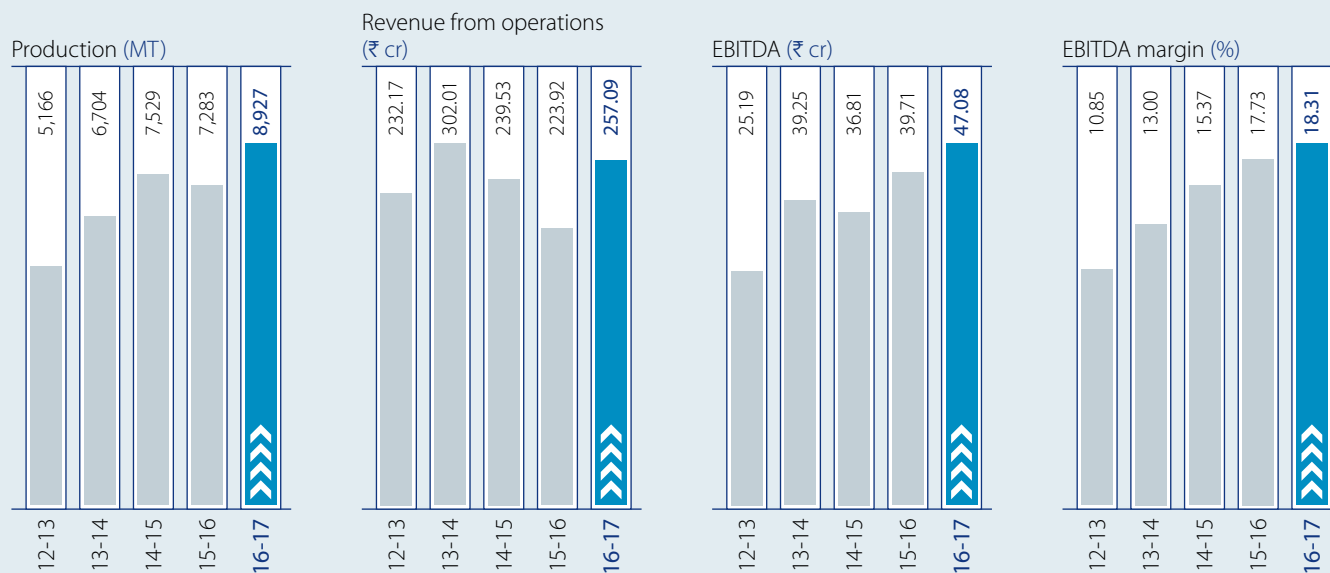
I, on behalf of the Board, am thankful to all our stakeholders who have continued to be with us over the years. The shareholders for believing in our growth story and investing in us, the suppliers for doing business with us, and the customers for having trust in us. Finally, I would like to appreciate the efforts of each of our employees, who have helped the organisation to reach its current level.

Warm regards,

Paru M. Jaykrishna,
Chairperson

REVIEW OF THE YEAR

With a record year-end production, sales and profitability, 2016-17 was one of the best years that saw us debottlenecking CPC Blue Crude capacity and setting-up a new Alpha Blue facility.



15%

Revenue growth
over 2015-16

2.06%

Revenue growth –
CAGR FY13-17

19%

EBITDA growth
over 2015-16

13.32%

EBITDA growth –
CAGR FY13-17