

17
ANNUAL REPORT
18

ASAHI SONGWON COLORS LIMITED

SUSTAINABLE GROWTH

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.

PROACTIVENESS. PAS

CONTENTS

Corporate Snapshot	2
From the desk of Chairperson	8
Financial highlights	10
Competitive Strengths	16
Risk Management	17
Board of Directors	18
Notice	20
Board's Report	30
Management Discussion & Analysis	58
Report on Corporate Governance	61
Financial Statements	83

SION. PERSEVERANCE.

Three different words. But when you combine them together they become a powerful force. They form the foundation of our enduring and sustainable business model. They make us who we are.

And we are Asahi Songwon.

A Company that continuously strives to be the best. That is innovative and evolving, confident and committed. Unperturbed by external disturbances and trusted by world's top-notch chemical companies. That consistently outlives expectations.

It is a result of this, that despite a challenging FY2017-18, where input prices rose, raw material availability was impacted and rupee appreciated, we grew. Reporting a 13% growth in topline and adding more customers. Launching new products and building a steady pipeline for future.

OUR PERFORMANCE REINFORCES OUR BELIEF THAT WE ARE ON THE PATH OF SUSTAINABLE GROWTH.

A QUALITY-DRIVEN COMPANY TRUSTED BY QUALITY CONSCIOUS CLIENTS

ASAHI SONGWON COLORS IS ONE OF WORLD'S LEADING PHTHALOCYANINE PIGMENT MANUFACTURERS, WELL-POSITIONED IN THE DEMANDING CHEMICAL MARKET WITH ITS SCALE, PRODUCTS, TECHNOLOGIES, AND KNOW-HOW.

WE SHARE CLOSE RELATIONS WITH SOME OF THE WORLD'S LARGEST CHEMICAL COMPANIES, WHO HAVE BEEN DOING BUSINESS WITH US FOR YEARS.

WITH OUR PROACTIVE APPROACH AND PERSEVERANCE, WE ARE ALL SET TO DELIVER STRONG AND SUSTAINABLE GROWTH.

Legacy

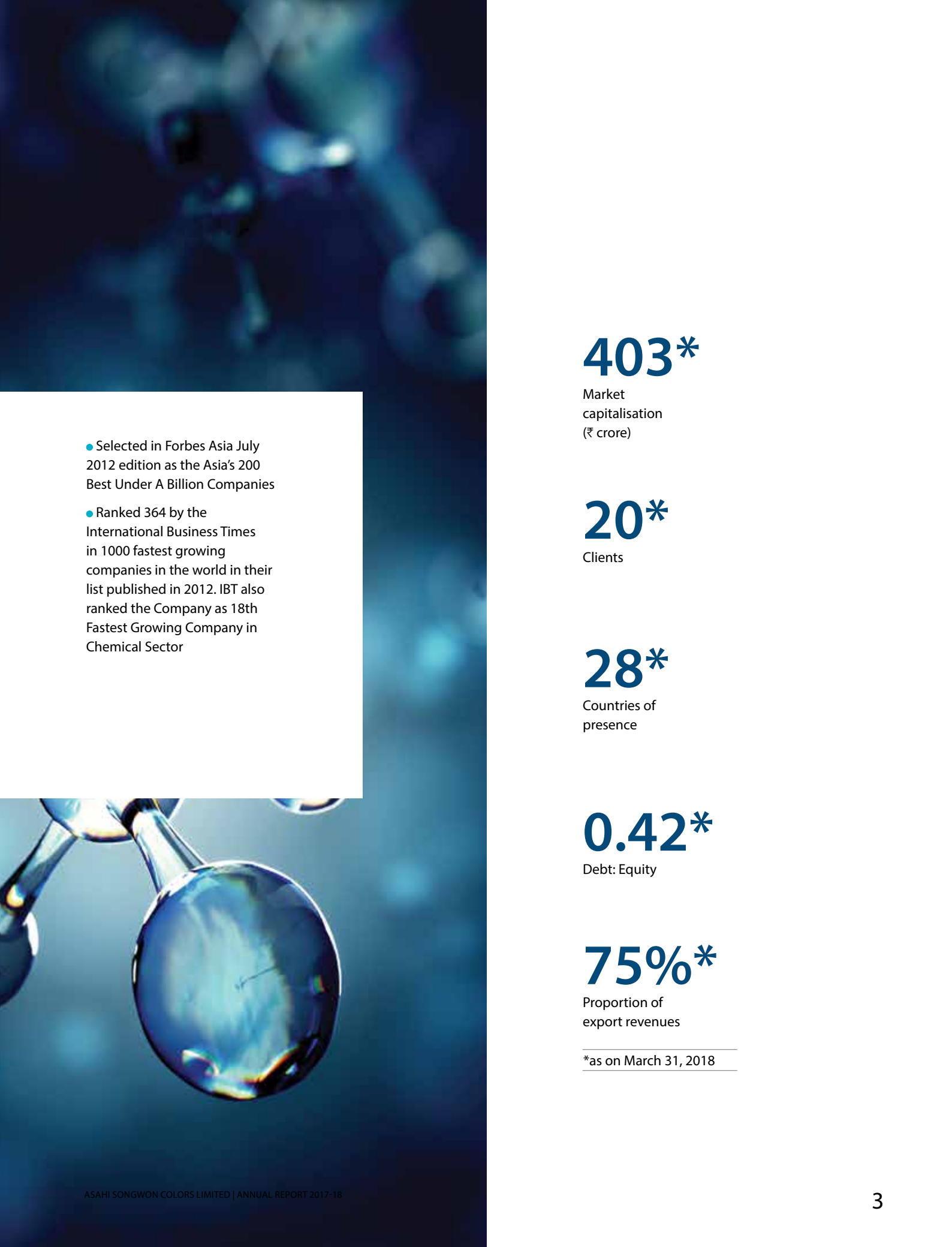
Asahi Songwon, headquartered in Ahmedabad, was established in 1990 by Mrs. Paru M. Jaykrishna. The Company engages in manufacturing and supplying phthalocyanine pigments and derivatives products, which is used in manufacture of inks and finds application across paint, plastics, textiles and paper industries. Its principal manufacturing facilities are at Padra (Vadodara). The Company's shares are listed in the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

Product portfolio

- CPC Blue Crude
- Beta Blue
- Alpha Blue

Awards and accolades

- Award for outstanding export performance for five consecutive 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 and '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 TV18 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



- Selected in Forbes Asia July 2012 edition as the Asia's 200 Best Under A Billion Companies

- 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

403*

Market
capitalisation
(₹ crore)

20*

Clients

28*

Countries of
presence

0.42*

Debt: Equity

75%*

Proportion of
export revenues

*as on March 31, 2018

STATEMENT OF PURPOSE

WE ARE DRIVEN BY THE VISION OF LONG-TERM SUSTAINABILITY.

IT IS THIS APPROACH, THAT ENABLES THE COMPANY TO DELIVER SUSTAINABLE GROWTH YEAR AFTER YEAR AND CREATE VALUE FOR ALL OUR STAKEHOLDERS.

Knowledge

We are a knowledge company. We will invest in processes, practices and products to reinforce our competitive advantage.

Culture

Our DNA will be marked by the urgency to grow in a sustainable and responsible manner.

Shareholder Value

We will make dedicated efforts towards maximising shareholder value over the long-term.

Value-creation

We will continue to create value by scaling prudently, enhancing asset utilisation, managing cost, and addressing a larger share of the customer wallet.



Employees

We will become an employer of choice by providing employees a platform to grow, build skills and contribute.

Customisation

We will develop products customised around specific customer needs to build enduring relationships, create business sustainability and garner superior realisations.

Responsibility

We will ensure business sustainability by making sustained investments in effluent-treatment equipments, infrastructure and mindset.

Governance

We will ensure highest standards of governance by constituting Board of Directors, recruiting specialised professionals, institutionalising systemic checks and balances, undertaking extensive compliance with all stringent norms, and a running business ethically.

STRATEGIES DRIVING OUR PERFORMANCE

Build relationships	Create shareholder value	Become environmentally sustainable	Think long-term	Leverage market opportunities
Enhance scope for sustained business	Position Asahi as a trusted brand	Ensure fulfilment of regulatory norms	Sustainable growth over the foreseeable future	Grow faster than the industry
<ul style="list-style-type: none"> ■ Understand client's requirements and deliver them with strengthened R&D and capabilities 	<ul style="list-style-type: none"> ■ Scale-up operations and add new products 	<ul style="list-style-type: none"> ■ Invest in technologies to ensure effective treatment of discharged effluents 	<ul style="list-style-type: none"> ■ Add more clients and geographies 	<ul style="list-style-type: none"> ■ Leverage advantage of high-quality and competitive pricing
<ul style="list-style-type: none"> ■ Enhance share in client's overall requirement 	<ul style="list-style-type: none"> ■ Enhance proportion of value-added products 	<ul style="list-style-type: none"> ■ Reduce carbon footprint and water usage 	<ul style="list-style-type: none"> ■ Think future, act today 	<ul style="list-style-type: none"> ■ Have geography specific strategies
<ul style="list-style-type: none"> ■ Ensure competitive pricing 	<ul style="list-style-type: none"> ■ Undertake cost optimisation and operational efficiency initiatives 	<ul style="list-style-type: none"> ■ Sensitise employees 	<ul style="list-style-type: none"> ■ Build strong intellectual capital 	



DELIVERING UNDAUNTED PERFORMANCE **IN A TOUGH MARKET**

OUR PERFORMANCE IN A CHALLENGING FY2017-18 REINFORCES THE STRENGTH OF OUR BUSINESS MODEL AND GIVES US THE CONFIDENCE OF SUSTAINABLE FUTURE GROWTH.

OUR RESPONSE TO A CHALLENGING FY2017-18

13%

increase in
turnover despite
pricing pressure

6.52%

growth in sales volume, indicating
strong resonance with customers

3

Valuable customers
added

₹35crores

Invested in procuring land for
setting-up specialty pigments
plants

₹1.75crores

Invested in product research and
development



"FY2017-18 WAS A YEAR THAT EXHIBITS THE INHERENT QUALITIES AND STRENGTHS THAT MAKES THIS ORGANISATION SUCCESSFUL. GOOD TIMES OR BAD, **WHEN YOUR CUSTOMERS STAY WITH YOU AND WHEN NEW CUSTOMERS COME TO YOU, IT ONLY GOES ON PROVE THAT YOU ARE ON THE RIGHT PATH."**

DEAR SHAREHOLDERS,

IT IS OFTEN SAID 'GET YOUR BASICS RIGHT, THE REST WILL FOLLOW'. THIS IS VERY APT IN OUR CASE.

Since our inception, we have maintained unwavering focus on quality and service reliability. These basic, yet most important element helped us in building the Asahi brand and create binding relations. They enabled us to consolidate our strengths and grow our business. The impact of this has been so profound that even amidst a challenging FY2017-18, the demand for our products remained strong and our customers stayed with us.

Performance review

Our operational revenue increased by 13% to ₹293.83 Crores in FY2017-18. However, pricing pressure driven by significant surge in raw material prices along with continuous appreciation of Indian rupees impacted our realisations and gross margins adversely. It is because of this, that despite a strong operating performance, our operating profit remained subdued. Our EBITDA and PAT declined by 19% and 16% respectively to ₹38.25 Crores

and ₹23.08 Crores respectively.

Having said that, it is important to understand that this decline was temporary and purely led by external conditions. Internally, the organization is in a stronger position than before and the demand for our products are rising, which can be seen in volume growth. So, when the prices stabilize, which is already happening steadily, our profitability will rebound strongly.

Now, when I say that the organization has strengthened, it is because there have been quite a few positive developments that panned out during the year. Our continuous efforts to undertake operational streamlining initiatives contributed to 5% improvement in CPC Blue capacity utilization enabling us to enhance production and sales volume. We continued with sustained marketing and promotional activities resulting in successful acceptance of our new product launched in FY2016-17 fiscal, among the customers. We expect it to start making contribution from the

next fiscal onwards. We added three new customers during the year, which shall provide us the opportunity to scale business with them and grow topline.

Focused on scaling-up

During the year, we invested ₹35 Crores to acquire two land parcels in Bharuch, Gujarat – a 60,000 sq mts land at Dahej and another 115,158 sq mts land at Saykha. We intend to set-up specialty pigments chemical plants here. This will strengthen our product offering and enable us to enhance value-added offerings, which will ultimately improve margins.

Strengthening product pipeline

R&D will be our important agenda. During the year, we spent a total of ₹1.75 Crores towards enhancing quality of existing products and developing new ones. We

developed few new products, while some are in pipeline. Our continuous efforts to reinforce portfolio with better products to meet customers requirement have been instrumental in gaining their trust and commanding their top of mind. We have Government approved R&D Center.

Environmentally responsible

It is our belief that nobody has the right to damage natural resources and that it is everyone's responsibility to protect them. We are already seeing the negative impact of climate change in unpredictable and extreme weather conditions. At Asahi, we have always considered environment sustainability as an equally important area as our business. While we have installed sustainable technologies to ensure effective discharge of effluents, every year we continue to

