



Turning
Adversity into
Opportunity

Asahi Songwon Colors Limited | Annual Report 2019-20

Contents

Corporate Snapshot	02
Statement of Purpose	04
Competitive Strengths	07
Performance Review of the Year	08
Chairperson's Message	10
CEO's Message	13
Board of Directors	18
Risk Management	20
Notice	23
Directors' Report	33
Management Discussion & Analysis	57
Report on Corporate Governance	59
Financial Statements	85

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.

When the going gets tough...

Pessimism takes over business sentiments. Every growth and expansion plan is put on hold. Every business decisions starts with 'umm'. The cash box echoes. Liquidity becomes a luxury.

...the tough gets going

They stay resilient and look beyond the crisis for opportunity. They believe that this the right time to take decisions and starts drawing plans. They make every minute and every rupee count. They find out new ways of doing things.

This is what Asahi Songwon did in a challenging FY 2019-20. From high crude prices to weak global demand, trade wars to market volatility, liquidity crisis in India to the outbreak of one of the most deadly pandemics – COVID-19 – in recent memory, this year had it all.

However, we remained optimistic and took several defining initiatives. We ventured in the Azo pigments segment through a joint venture to diversify revenue stream and accelerate growth in the long term. We focused on improving and strengthening relationships with customers, suppliers and employees. We adjusted to a new normal and worked from home with minimal productivity loss. We improved operational efficiencies and gained market share. We managed cash flows efficiently and moved towards becoming a net debt free organisation.

At Asahi Songwon, we have turned around adversity and are geared for future opportunity. We are,

Turning **adversity** into **opportunity**

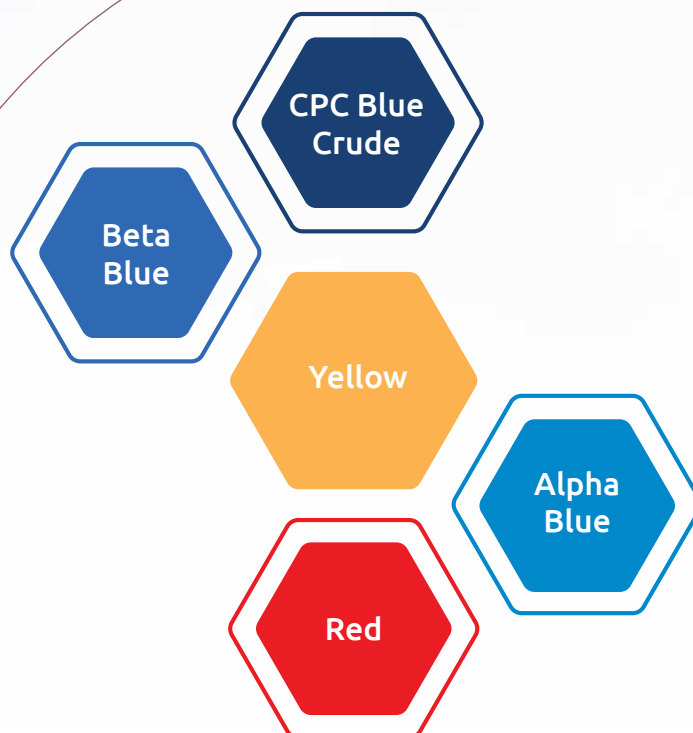
The World of Asahi Songwon

We are a globally leading integrated phthalocyanine manufacturer reputed for our quality, customer satisfaction, and cost efficiency. Our multiple years of experience, unparalleled know-how, talented manpower and robust technology infrastructure provide us a competitive edge in the industry. Over the year, we have transformed into an agile organisation, enabling us to respond with speed to the emerging opportunity.

Profile

We are a BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) listed company established in 1990 by Mrs. Paru M. Jaykrishna. Headquartered in Ahmedabad, we engage in the business of phthalocyanine pigments and derivatives products manufactured at our state-of-the-art plant at Padra (Vadodara, Gujarat). Our products are used in manufacturing ink paint, plastics, textiles and paper. During the year, we have ventured in the Azo pigments segments to manufacture red and yellow pigments.

Our product portfolio



Certifications

ISO
9001:2008

ISO
14001:2004

Our vision

To be the world leader in its field of pigments by supplying quality and environment friendly products to MNC's worldwide.

Our mission

To be the market leader in the Pigment industry globally.

To be the largest supplier of Blue crude in the world.

To be the preferred supplier of finished Pigments to MNC's worldwide with a higher Pigments capacity.

Our reputation

We have won the following 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

The Building Blocks of a Competitive and Futuristic Asahi Songwon

Our Statement of Purpose



Culture

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



Knowledge

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



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 a platform to grow, build skills and contribute



Customisation

We will develop products customised around 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 equipment, 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 and running business ethically

Our strategic approach



Build client relationships

We will build client relationships by delivering on their requirement, constantly engaging with them, enhancing share in their overall requirement and delivering competitively priced quality products



Maximise value creation

We will ensure sustained value creation for shareholders by adding new products, diversifying to newer segments, enhancing share of value-added products and optimising costs and processes. We will also look forward to scaling operations by leveraging quality and competitive to target business opportunity



Quality excellence

We set new standards of quality excellence by investing in better equipment and upgrading processes, training employees and adopting global best manufacturing practices.



Take a long-term perspective

We will introduce new products and enter new markets only if there is significant potential. We are continuously enhancing our business know-how by upskilling employees and encouraging them to participate in global forums.



Leverage market opportunity

We will leverage our product quality and competitive pricing to target new markets and have geography specific strategies.



Lead sustainability

We will invest in technology and processes to minimise our carbon footprint and water consumption, and ensure effective treatment of all disposals.



Enterprising Spirit in a Challenging Year

We encountered challenging market conditions in FY 2019-20



Yet, we responded with determination and agility to convert them into opportunity



Competitive strengths that enable us to win

Corporate strengths

- **Globally trusted brand** with over two decades of product quality and service reliability track record.
- **Stringent quality adherence** with ISO 9001:2015 and ISO 14001:2015 certified products that are registered with Department of Scientific and Industrial Research (Ministry of Science and Technology) and validated by leading ink, plastics and paint companies.
- **Diversified operations** with presence in phthalocyanine and Azo pigments.
- **Skilled manpower** who are highly experienced professionals and technologists.
- **Environmentally sustainable** with proactive investments in environment-friendly technologies.

Qualitative strengths

- **Zero tolerance** for errors supported through robust QMS (Quality Maintenance System), standard operating procedures, dedicated quality team and a culture of continuous improvement.
- **State-of-the-art infrastructure** comprising advanced quality testing equipment, muller machines and injection moulding machines.
- **Operational excellence** benchmarked to global best practices for stability, predictability and higher uptime.

Marketing strengths

- **Trusted global vendor** with 66% of our total revenues in FY 2019-20 coming from exports.
- **Marquee clientele** like DIC (Japan), Sun Chemicals (USA), Clariant Chemicals India and BASF who account for 58% of our FY 2019-20 revenues.
- **Robust customer relationships** leading to repeat business and revenue visibility.






Operational strengths

- **Strategically located** in India's chemical belt resulting in proximity to raw material suppliers and ready availability of skilled manpower.
- **Large scale** of operations accounting for ~5% of the world's organic pigment production.
- **Application diversity** of products across ink, plastics, paint and rubbers end user industries.








Performing Sustainably Over the Years






Revenue from operations (₹ Crore)

FY 2015-16		223.92
FY 2016-17		260.80
FY 2017-18		293.83
FY 2018-19		293.62
FY 2019-20		283.64






EBITDA (₹ Crore)

FY 2015-16		39.71
FY 2016-17		47.20
FY 2017-18		38.25
FY 2018-19		39.53
FY 2019-20		34.40

EBITDA Margin (%)

FY 2015-16		17.73
FY 2016-17		18.10
FY 2017-18		13.02
FY 2018-19		13.46
FY 2019-20		12.13

PAT (₹ Crore)

FY 2015-16		20.98
FY 2016-17		27.42
FY 2017-18		23.08
FY 2018-19		18.29
FY 2019-20		22.82

Strengthening
balance sheet in a
challenging year...