



Consolidating the  
**core**

Creating the new

ANNUAL REPORT 2021

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## FINANCIAL STATEMENTS

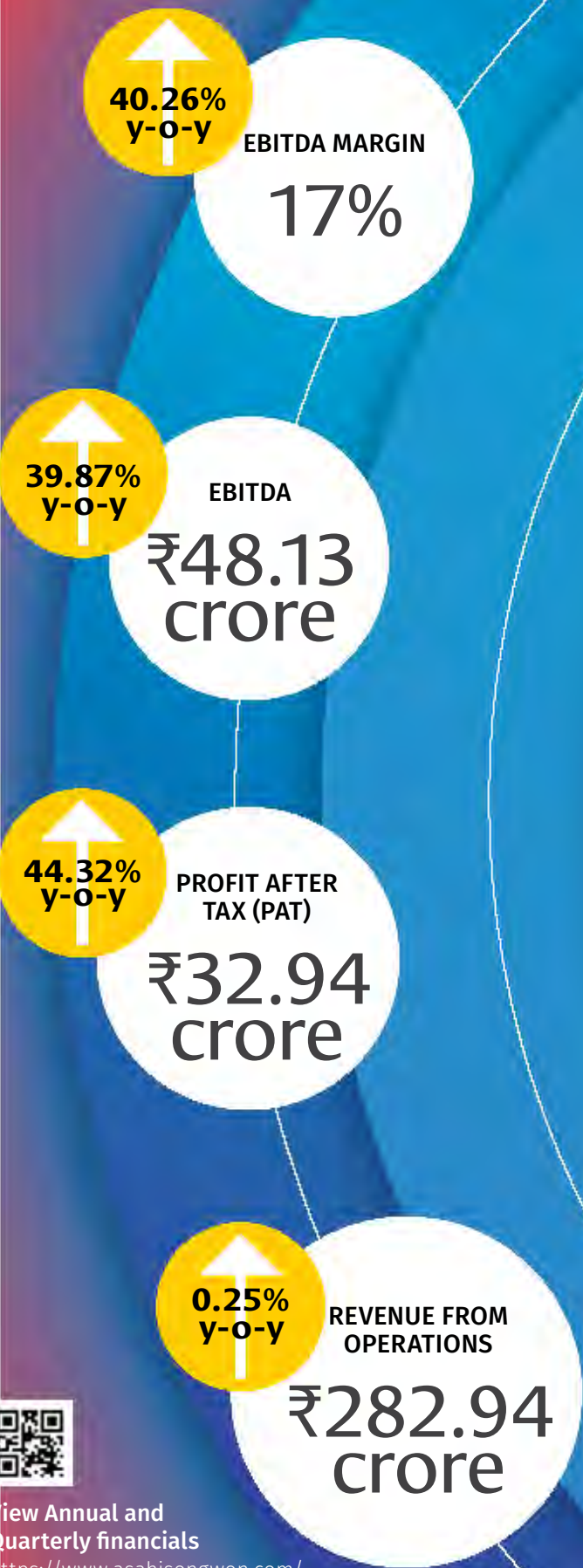
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### Forward looking statements

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 .



View Annual and  
Quarterly financials  
[https://www.asahisongwon.com/  
financials](https://www.asahisongwon.com/financials)



For a business to be successful, two things are crucial – a strong foundation and the will to innovate and expand.

This holds true for us at Asahi Songwon Colors Limited (ASCL), too.

Our blue pigments business has remained our foundation. We offer a whole range of blue pigments to customers world over and are known for our quality, technology and global benchmarked production processes. This forms the 'core' of our business.



### Creating the new

The next step was to strengthen our core. We made regular investments towards making our business sustainable. We ramped up operations while reducing costs and focused on diversification of end user industries.

After the foundation was made strong, we decided to venture into the azo pigments business and set up a new plant in Dahej to cater to potential demand. Since this is a new business for us, we innovate to develop a variety of products in this segment. This, for us, is 'creating the new'.

With our feet firmly on the ground we are taking steady strides towards becoming a global leader in the pigments industry, offering a full range of colours in organic pigments.



# About ASCL

Asahi Songwon Colors Limited (ASCL) is a leading player in the Indian pigment industry and is striving towards becoming a globally recognised pigment manufacturer. We are headquartered in Ahmedabad and manufacture phthalocyanine pigments, azo pigments and derivative products at our state- of-the-art plants at Padra and Dahej (Vadodara, Gujarat).

### What are pigments?

Pigments are colourants that are insoluble in water. They find application in various areas such as inks, paints, plastics, textiles, rubber, and paper.

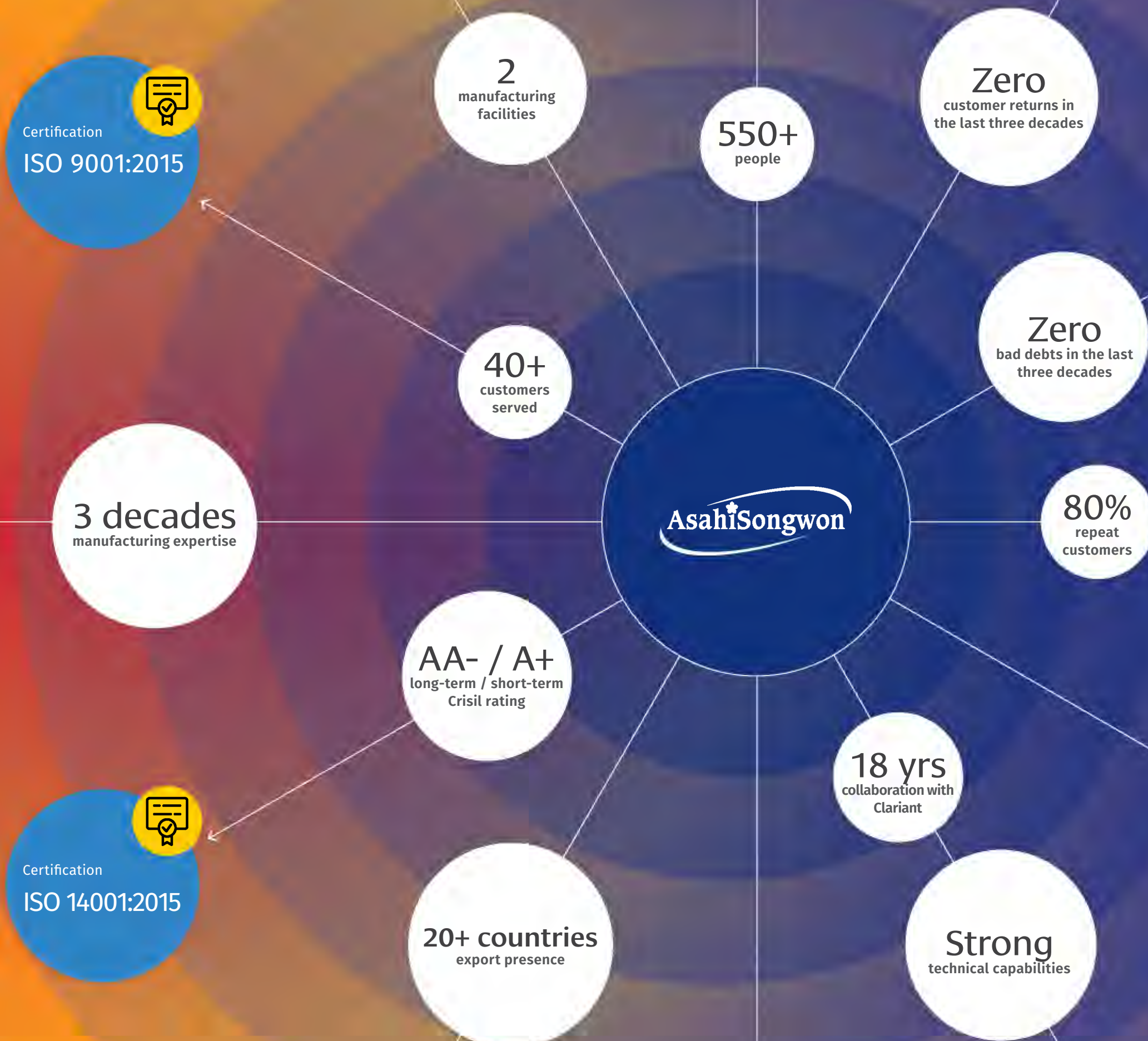
We began by manufacturing blue pigments and last year, started the manufacture of red and yellow azo pigments as well. Since our inception, we have invested in strengthening our manufacturing prowess. We entered into a technical collaboration with Clariant and DIC Japan to manufacture CPC blue crude. Today, we are one of the largest manufacturers of CPC blue crude globally and our technology to

manufacture CPC blue crude remains the best globally. Through forward integration, we also began producing beta and alpha blue pigments and are gradually enhancing our capacities in their production. We are an ambitious organisation and are well poised to leverage opportunities on the back of our deep technical expertise, experience, strong decision making and skilled workforce.

### VISION



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





# About ASCL continued

## OFFERINGS



### Phthalocyanine pigments

- Bulk pigments**
- CPC Blue Crude
  - Pigment Beta Blue 15.3

- High-end pigments**
- Pigment Alpha Blue 15.0
  - Pigment Alpha Blue 15.1
  - Pigment Beta Blue 15.4



### Azo pigments

- Bulk pigments**
- Pigment Yellow 12
  - Pigment Yellow 13
  - Pigment Yellow 14
  - Pigment Red 2
  - Pigment Red 48.2
  - Pigment Red 53.1
  - Pigment Red 57.1
  - Pigment Orange 5

- High-end pigments**
- Pigment Yellow 17
  - Pigment Yellow 74
  - Pigment Yellow 83
  - Pigment Yellow 151
  - Pigment Red 112
  - Pigment Red 146
  - Pigment Red 170
  - Pigment Orange 34

## END USER INDUSTRIES



## ESTEEMED CUSTOMERS

CLARIANT  
18 years of collaboration

Sant Chemical  
Supply agreement since the last 15 years

BASF  
Repeat business since last 10 years

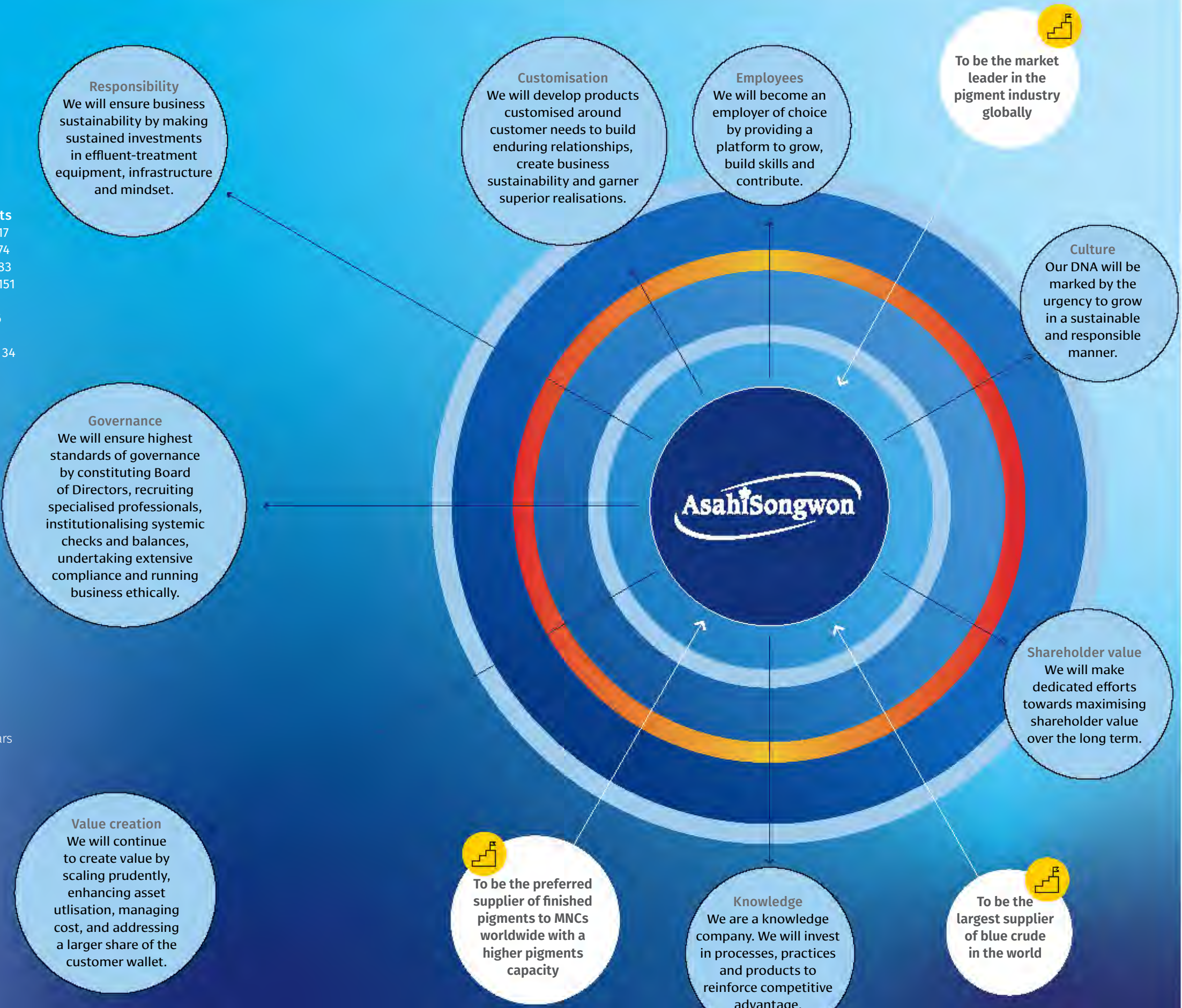
SIEGWERT  
Repeat business since last 9 years

TTC  
excellence in colour

KELAM

multicel

Purpose Mission





# Journey towards excellence

Our journey began with big aspirations and small steps. We gradually strengthened our balance sheet and established a robust business model, which allowed us to climb the ladder of success. Over 31 years of our operations, we have learned and grown to become one of India's leading and most trusted pigment manufacturer with a strong global presence.

31  
years of  
operations

HUMBLE  
BEGINNINGS

- 1990
- Incorporated in 1990

- 1993
- Commenced the manufacturing of green pigment

- 2003
- Entered into technical collaboration with Clariant for manufacture of CPC blue crude

- 2007
- Entered into a technical collaboration and supply agreement with DIC Japan
  - Went public and successfully raised ₹33.50 crore from IPO

- 2008
- Enhanced capacities of CPC blue crude from 3,000 TPA to 7,000 TPA and set up new capacity of 1,200 TPA for beta blue as forward integration

- 2010
- Enhanced beta blue capacity from 1,200 TPA to 2,040 TPA

- 2014
- Demerged the green pigment segment

STRENGTH-  
ENING OUR  
POSITIONING

- 2016
- Undertook debottlenecking of CPC blue crude capacity to 10,200 TPA
  - Set up capacity of 600 TPA for alpha blue as forward integration

- 2018
- Enhanced beta blue capacity to 3,600 TPA

AsahiSongwon

POISED  
FOR  
GROWTH

- 2019 onwards
- Entered into a joint venture (JV) with Tennants Textile Colors Limited (TTC) UK for manufacturing red and yellow (azo) pigments at Dahej
  - Set up the infrastructure necessary to enhance this capacity to 10,000 TPA
  - Undertook plans to enhance alpha blue capacity to 840 TPA

- 2019 onwards
- Set up 2,400 TPA azo pigment capacity equally distributed between red and yellow pigments
  - Working on high- value complex azo pigments



# Expanding presence

We have established long- lasting relationships with global organisations and have been serving superior quality pigments to customers in the US, Japan, Kora, Italy and South Africa, in addition to other countries. Our focus is to continue improving our products, expanding our presence and creating sustainable value for all our stakeholders.

- |                 |            |                 |
|-----------------|------------|-----------------|
| 1. US           | 8. Germany | 15. Hong Kong   |
| 2. Mexico       | 9. Belgium | 16. Vietnam     |
| 3. Brazil       | 10. UK     | 17. Singapore   |
| 4. South Africa | 11. China  | 18. Malaysia    |
| 5. UAE          | 12. Korea  | 19. Indonesia   |
| 6. Italy        | 13. Japan  | 20. Philippines |
| 7. Spain        | 14. Taiwan | 21. Australia   |

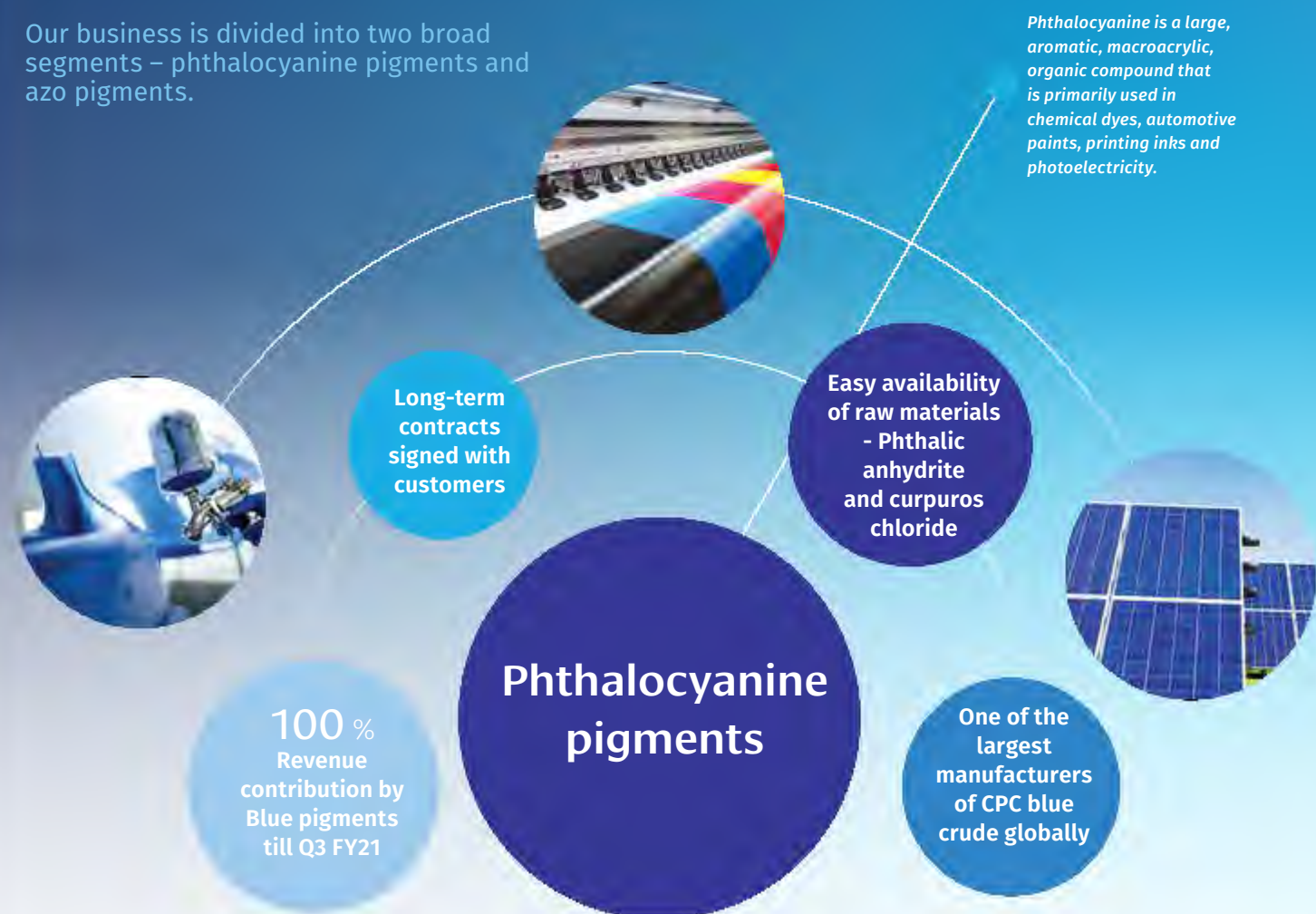
Manufacturing infrastructure  
Padra | Dahej |  
Ahmedabad (head office)

60%  
Revenue contribution from exports in FY2021



## Businesses

Our business is divided into two broad segments – phthalocyanine pigments and azo pigments.



### PHTHALOCYANINE PIGMENTS

Phthalocyanine pigments are our primary growth driver. They are used in printing ink, packaging ink, paint, plastic and textile industries.

The global phthalocyanine pigments market was valued at US\$ 133.49 million in 2020 and is expected to grow at a CAGR of 4.78% from 2020 to 2027 (Source: MarketWatch). In 2016, China dominated the global phthalocyanine pigments market. However, in the recent years, the situation has changed, with countries looking up to India for the product. Today, India caters to more than 70% of phthalocyanine pigment requirements across the globe.

We have been in the business for 18 years and have created a strong foothold. We have built a strong track record over the years, have established enduring relationship with our customers and have earned their trust. This segment is our growth driver and will allow us to grow further and expand over the years.

#### Quick facts about the market

- Manufacturing 1 tonne of beta and alpha blue requires 1 tonne of CPC blue crude
- Getting approval from customers is a long process and can sometimes take years
- The switching cost for customers is high
- The market for phthalocyanine pigments comprises established players.

*Azo pigments are colourless particles (typically earths or clays) that have been coloured using azo compounds (compounds that have a specific formula). Azo pigments are important in a variety of paints, including artist's paints. They have excellent colouring properties, again mainly in the yellow to red range, as well as lightfastness (that is, colourfast when exposed to light).*



Azo pigments take the largest share of \$5 billion (55%) in the global organic and specialty pigment market. Until recently, China was dominating the market in the production of these pigments. However, recently, due to the anti-China policies, India has come to the fore as the most suitable manufacturer of quality azo pigments. Hence, the country and, in turn, the Company are witnessing a rise in the exports of these pigments.

We have entered into a joint venture with UK's leading colour manufacturer Tennants Textiles Colours Limited (TTC) – Asahi Tennants Color Private Limited – to manufacture red, yellow and orange azo pigments. It is a 51:49 Asahi

TTC JV with a total investment of ~₹82 crores. At optimum capacity utilisation, this facility can achieve ₹140-150 crore of turnover. We have also invested in the necessary infrastructure for further expansion, so we can double our capacity of azo pigments with an incremental capex of ~₹40 crores

Our cost competitiveness, domestic market knowledge and strong business relations, combined with TTC's expertise in red and yellow pigments, makes us well poised to capitalise growth opportunities in the organic pigments market. Our initial outreach to the customers in the azo pigments segment has been favourable and we

#### Quick facts about the market

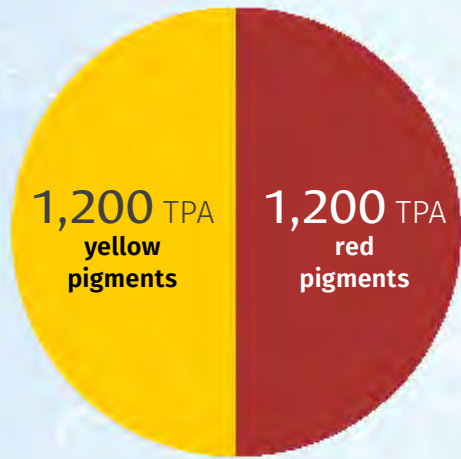
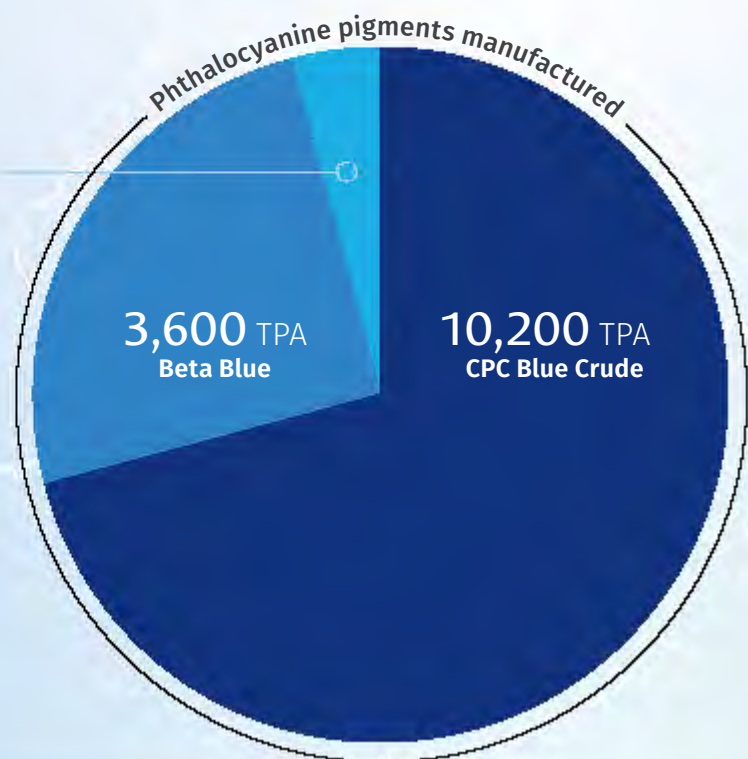
- Manufacturing in India will ensure lower cost of production
- Few operational players in the segment
- Customer are gradually shifting away from China to India

are now focusing more on the complex products in this segment.

We also have a land parcel available at Saykha, which we will use for further growth plans.

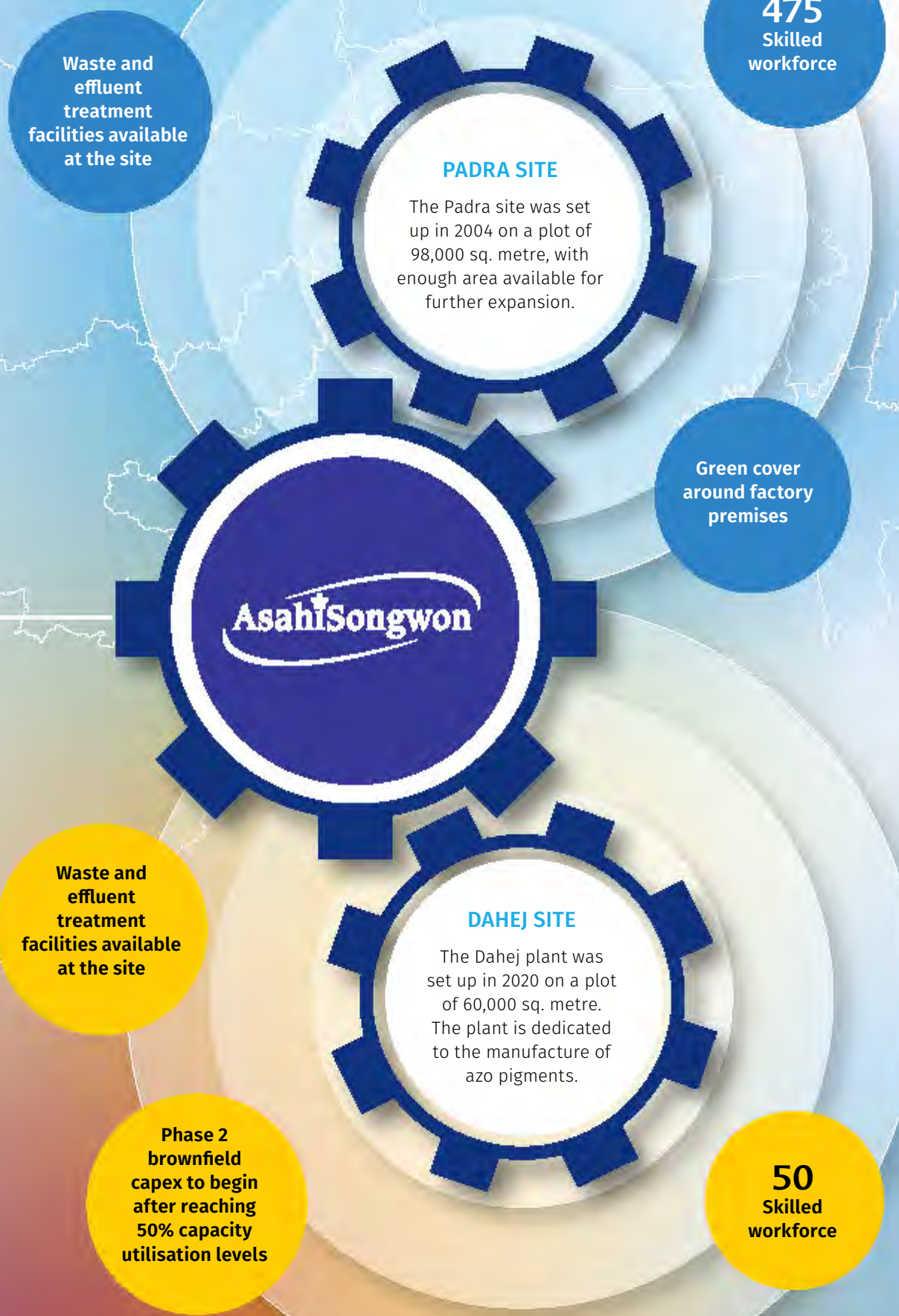


# Manufacturing capabilities



Padra & Dahej

We are a truly global pigments manufacturer with over three decades of experience and expertise. Customers around the globe trust our world-class portfolio of pigments. All this has been possible due to our well-equipped, state-of-the-art manufacturing facilities. We have two manufacturing facilities in Padra and Dahej in Gujarat.





# Chairperson's communique



Indian pigment companies are also more cost efficient and environmentally conscious



Dear Shareholders,

The year gone by has been one of great stress and uncertainty. The COVID-19 pandemic disrupted lives and businesses alike. Just when the world was dealing with the first wave, the second wave of the pandemic wreaked greater havoc, once again bringing the world to a standstill.

While it has been a year of anxiety, it has also been a year when our strengths came to the fore. At ASCL, we strongly believe that testing times bring out the best in organisations and we witnessed the adage come true for us. Despite the odds stacked against us, I am proud of the way the entire team came together, reacted swiftly to the challenges and continued to deliver excellence.

## THE MACROECONOMIC ENVIRONMENT

Due to the pandemic, businesses across the world had to rethink their operating models to adapt and survive in the new normal. Central banks and governments across the world have provided stimulus worth US\$ 15 trillion to revive economies. Further, the speedy development and rollout of vaccines is expected to bring the global economy back on the path of normalisation. The pandemic rendered a double blow to the Indian economy, which was already witnessing subdued growth. The nationwide lockdown helped curb the spread of the virus to some extent, but significantly impacted various facets of the society and economy, including consumer behaviour, logistics, industrial production, construction activities, government earnings and overall trade activities. In the second half of the year, favourable government policies, GST collections and increased demand for steel and power pushed the GDP growth to positive territory.

In the pigments industry, China dominated the market until recently. However, Indian pigment companies are also more cost efficient and environmentally conscious. As a leading player in the Indian pigments market, your Company has a sea of opportunities to leverage and is well positioned to soon become the world leader in pigments.

## PRIORITISING EMPLOYEE AND CUSTOMER WELLBEING

We have grown to what we are today because of the determination and perseverance of our people and the trust of our customers. They are our growth drivers and we put both our people and customers first. We seamlessly transitioned to work from home for our employees and continued to leverage technology to engage with our customers. Every member of the ASCL family believes in the philosophy of the three Ts – trust, transparency and teamwork. Our employees are

passionate about what they do and continued to provide seamless services to the customers even from home. We set up strict COVID- related SOPs to ensure sanitisation and social distancing. We have maintained enduring relationships with our customers, which helped us earn their trust even during these difficult times.

## PROGRESSING AGAINST ALL ODDS

While business was subdued in the first half of FY21, it picked up pace in H2 FY21. I would like to credit all the people at the plants and the head office for this turnaround of performance. We recorded an EBITDA growth of 44% to ₹49.5 crore and

Every member of the ASCL family believes in the philosophy of the three Ts – trust, transparency and teamwork



which are far less polluting compared to blue pigments. Further, we are focusing on reducing particle matter and are recycling and reusing water.

We seek to ensure sustained growth and profitability, while staying committed to achieving the highest standards of corporate governance. We undertake fair and ethical business practices, maintain transparency and ensure diversity and inclusion among our people. Our robust corporate governance framework allows us to continue creating long- term sustainable value for all our stakeholders.

As we enter the new financial year, we continue to evolve, learn and grow and build our leading track record when it comes to customer relationships and sustainability. I would like to thank all employees who persevered against the challenges and maintained customer expectations. For myself and the Board, it continues to be a privilege to be on this journey to become a world leader in the pigments industry.

Warm regards,

Paru M. Jaykrishna

PAT growth of 40% to ₹32 crore. Our balance sheet is strong with minimal long-term debts. The blue pigments business is our primary profit driver. We commenced trial production of azo pigments and have received positive response on the sampling. We are optimistic of fulfilling our vision of becoming a leading supplier of full range of pigments globally.

## BUILDING AN ENVIRONMENTALLY CONSCIOUS AND ETHICAL BUSINESS

Since inception, we have been a business that promotes green stewardship. Our plants are surrounded by a green cover. We have ventured into the organic azo pigments industry,



## From the CEO's desk



### Dear Shareholders,

FY2021 has been an unprecedented year that demonstrated the strengths of ASCL's business model and presented opportunities to advance in future.

As COVID-19 disrupted world economy, businesses and livelihoods, the value of our good planning came to the fore. We rapidly reassessed our business and operations, and accelerated the adoption of the digital to enable seamless work from home operations. This allowed us to continue delivering our best and earning customer trust in the 'new normal'.

We remained focused on our long-term growth and leveraged the strength of our global supply chain, operational efficiencies and strong balance sheet. As a result, we successfully mitigated short-term challenges and are well positioned to manage the long-term ones and thrive in the new economic landscape.

### BUILT ON STRONG FOUNDATIONS

From a small plant in Ahmedabad manufacturing green pigment in 1993 to manufacturing organic azo pigments on a global scale today, we have come a long way. In 2003, we entered into a technical collaboration with one of the world's leading specialty chemical companies, Clariant and began the manufacture of blue pigment in

*We will use our strong foundation and robust balance sheet to develop a more aggressive growth model and add more products to our basket. And while we focus on expansion, we will also continue our hard work towards become more environment friendly.*

**We successfully mitigated short-term challenges and are well positioned to manage the long-term ones and thrive in the new economic landscape**

Padra, Baroda. After our listing, we entered into a supply agreement and technical collaboration with DIC – the world's largest ink maker.

### OUR CAPACITIES



**17,040 tonnes/year Pigment capacity**

Today, we are globally recognised for offering the best quality blue pigments to customers leveraging the proprietary technology we acquired from Clariant.

### ROBUST PERFORMANCE AMIDST UNCERTAINTIES

In the first half of FY21, revenues remained subdued due to the impact of COVID, which resulted in factory shutdowns, raw material unavailability and labour shortages. As the cases began coming down gradually, we were the first pigment manufacturer to get back to production amidst the challenges of labor and logistics. This resilience in operations reinforced the faith of our MNC customers in us. Our consolidated revenues stood at ₹283 crore in FY21, the same as the previous year. We witnessed a jump in EBITDA to ₹49.5 crore against ₹34.5 crore in FY20. PAT stood at ₹32 crore compared to ₹23 crore in FY20, marking a growth of 40%. EPS also marked a 41% growth and stood at ₹26 this year compared to ₹18 in FY20.

We could achieve these numbers mainly due to the passion and perseverance of our people. The

team set up the plant in Dahej in a record time of 11 months during the COVID period. While companies around the world were sceptical about their employees working from home, our people managed customer expectations and relationships with ease, and delivered excellence.

### AZO PIGMENTS – A NEW OPPORTUNITY FOR US

In 2019, we entered into a joint venture (JV) with Tennants Textile Colours Limited (TTC) of the United Kingdom. We have set up a plant in Dahej for the manufacture of red, orange and yellow pigments – the plant has a capacity of 2,400 tonnes per year. Until recently, China was dominating the market with 70% share. However, as a result of the ongoing environmental and logistical issues in China, businesses throughout the world have started looking for a secondary source of supply. Making the most of this opportunity, India is gradually becoming the preferred exporter of organic azo pigments to countries across the globe. Today, India accounts for 75% of the global blue pigments market. We have started production of azo pigments at Dahej and have received very good initial response to the sampling.

However, we are aware of the challenges of being new entrants in the azo pigments market. Customer penetration can take some time. We have begun by focusing on new customers who are interested in buying our high-margin pigments

**We are well on our way to becoming one of the largest pigment players by enhancing our product basket to offer a full suite of colour range in organic pigments**

such as Yellow 83, Yellow 17, Red 146, etc. However, we are confident that in future, by leveraging the existing customers such as DIC, BASF, Clariant, Siegwark and Sun Chemicals, we will be able to gradually make a name for ourselves in the market. For now, to meet diverse customer needs, we must constantly innovate and undertake regular R&D efforts. We are working on developing several new types of azo pigments using the proprietary technology that we have and hope to make them available to our customers soon.

On a broad level, the azo pigments segment adds a new growth driver to our well-established blue business. I believe we are well on our way to becoming one of the largest pigment players by enhancing our product basket to offer a full suite of colour range in organic pigments.

**75% Global imports for the blue pigment come from India**

### TOWARDS A LUCRATIVE FUTURE

The Indian azo pigments market is a sea of opportunities and we are confident of leveraging our strengths to make the most of them. We hope that by the end of 2021, we would hit 30% utilisation and as soon as we reach 50%, we would want to double the capacity to 4,800 tonnes.

We will use our strong foundation and robust balance sheet to develop

**India is gradually becoming the preferred exporter of organic azo pigments to countries across the globe**

a more aggressive growth model and add more products to our basket. And while we focus on expansion, we will also continue our hard work towards becoming more environment friendly. We will strive to reduce water consumption and reuse and recycle as much as possible for use in gardening and production.

As I conclude, I would like to take a moment to express my gratitude to all those who make our success possible – our employees for navigating through challenges and continuing to deliver, our customers and investors for their unwavering trust in us, our communities for trusting us with the social license to operate and the Board and management for their contributions towards cementing ASCL's position as a leader in the industry.

We will continue to be resilient and deliver sustainable value to all our stakeholders.

Warm regards

**Gokul M. Jaykrishna**