AsahiSongwon®

Ref: ASCL/SEC/2022-23/22

May 26, 2022

1. To,
The General Manager
Department of Corporate Services
BSE Limited
1st Floor, New Trading Ring
Rotunda Building, P. J. Tower
Dalal Street, Fort
Mumbai – 400 001
BSE Scrip Code: 532853

2. To,
The General Manager (Listing)
National Stock Exchange of India Ltd
5th Floor, Exchange Plaza
Plot No. C/1, G Block
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051
NSE Trading Symbol: ASAHISONG

SUB: TRANSCRIPT OF CONFERENCE CALL HELD ON MAY 23, 2022 WITH INVESTORS AND ANALYST ON THE FINANCIAL PERFORMANCE OF Q4FY22

REF: REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, we are enclosing herewith the transcript of Conference Call held on Monday, May 23, 2022 at 4:00 p.m. (IST) with investors and analyst on the financial performance of Q4FY22.

The said transcript will also be made available at the website of the Company at www.asahisongwon.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For, **ASAHI SONGWON COLORS LIMITED**

SAJI JOSEPH
Company Secretary and Compliance Officer

Encl: As above

"Asahi Songwon Colors Limited Q4 FY22 Earnings Conference Call"

May 23, 2022

MANAGEMENT: MR. GOKUL JAYKRISHNA – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, ASAHI SONGWON COLORS LIMITED

MR. ARJUN JAYKRISHNA – EXECUTIVE DIRECTOR, ASAHI SONGWON COLORS LIMITED

MR. PRATIK SHAH – CHIEF FINANCIAL OFFICER, ASAHI SONGWON COLORS LIMITED

MR. SAJI VARGHESE JOSEPH – COMPANY SECRETARY AND COMPLIANCE OFFICER, ASAHI SONGWON COLORS LIMITED

Moderator: Ladies and gentlemen, Good day and welcome to the Q4 and FY22 Earnings Conference Call of Asahi Songwon Colors Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Mehra. Thank you and over to you, Mr. Mehra.

Abhishek Mehra: Good afternoon and welcome everyone and thank you for joining this Q4 FY22 Earnings Conference Call of Asahi Songwon Colors Limited. The Results and Investor Updates have been emailed to you and are also available on the stock exchanges. In case anyone does not have a copy of the same please do write to us and we will be happy to send it over to you.

To take us through the results of this quarter and answer your questions we have today with us Mr. Gokul Jaykrishna – Joint Managing Director and Chief Executive Officer, Mr. Arjun Jaykrishna – Executive Director, Mr. Pratik Shah – Chief Financial Officer and Mr. Saji Varghese Joseph – Company Secretary and Compliance Officer.

We will be starting the call with a brief overview of the financial performance which it will be followed by the Q&A session.

I want to remind you all that everything said in this call reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risk that the Company faces. These uncertainties and risk are included, but not limited to what we have mentioned in the annual reports which you will find on our website.

With that said, I will now hand over the call to Mr. Gokul Jaykrishna.

Gokul Jaykrishna: Good Afternoon friends and welcome to our Conference Call. On behalf of Asahi, it is my pleasure to be talking to you this afternoon. You guys already have Investor Presentation which Abhishek has already forward it to you so you would have a good idea of what the numbers are looking like for the full year also since the numbers have been now publicly announced you would have accessed to our Result. So, I will not spend too much of your valuable time doing that so that we get more time for interactive question and answer. So, I will spend probably more time after giving a brief update on the financials about where we stand today as a Company and probably where we look to go as a Company over the next four years.

So, first of all this is a very eventful financial year for the Company. If you look back say a year or two years back Asahi was a single product, single location Company, single product being Blue, of course we are market leaders globally and one of the Blue companies in the world with the whole range of Blues, but only Blue Pigment and all of this is being manufactured at our

Baroda site. So, single location though three plants at the same location for CPC Blue crude, Beta Blue and Alpha Blue with the whole range, but one location and only Blue as a Pigment.

Today when I talked to you we are multi-location, multi-product Company so of course we have the three plants of Blues in Baroda apart from that we already have an existing the AZO plant manufacturing red, yellow and oranges in Dahej which is already commissioned and is going on now and recently we have announced acquisition of a pharmaceutical Company API manufacturer Atlas Life Sciences Private Limited. So, they have a range of 6 APIs so that comes into our basket so today we are a three location multi-product Company with the full range of colors the pigment color and one another good news that I want to share on the call now today is that when we did acquire 78% stake in Atlas for a consideration of Rs. 48 crores at that time in the announcement we had announced that we would probably be breaking ground on a new API plant in about 3 months' time from acquisition.

However, I am pleased to inform you that we had gone very fast with that progress and we have already broken ground in the Chhatral API new project for Atlas on 6th of this month. So, we are well on our way. We hope to commission this plant in October of next calendar year so October 2023 and this will be manufacturing not only the 6 APIs that we currently manufacture at Odhav, but also the downward the two of the raw materials the main raw materials for the main product Pregabalin and then we would also be introducing other products to the basket over there because we have approval for EC environment approval clearance for 42 products. So, this is the general map with that for next calendar year Asahi will from one product one location Company will be a multi-product four location Company and then so now let me just quickly run through the financials of all the three business units the Blue, AZO the new pharmaceutical Company so this pharmaceutical Company numbers are irrelevant for this financial year performance.

However, as investors are hearing me today you would be keen to know a little about that acquisition also. So, I will throw a little light on that and then I will give you a little idea of what CAPEX plans we have over the next say two years and what would probably likely come out of it. So, with the Blue business, standalone business we ended the year with a 43% increase in top line as compared to last year from 282 crores we are at 406 crores now. We achieve this on the back of about a 15% growth in sales volume and production and the remaining has come from increase in prices that our customers have given up as well input cost continues to increase consistently throughout every month of the 12-month year. So, 43% increase in top line, but bottom line is down by about 15%.

Margins which were very healthy at about 18% have dropped to about 11 and I would say this historically low margins for our company, and I do foresee that this should be bottoming out of the margin cycle and we should see a stability in margins going forward. As far as the AZO business in Dahej is concerned we have started getting some traction this is the first full financial year that we have completed the turnover is nothing to write home about 10 crores. So, the consolidated turnover stands at 415 crores for Asahi and we of course are bleeding right now over there which is well aware to everyone. We expect to EBITDA breakeven with the AZO business in this calendar year this is what we had also estimated previously. We are 3 months behind what we would have liked honestly, the challenges they have been getting consistent product quality after having achieved product quality to get consistence throughout the challenge particularly in the yellow I can confidently say now that we have achieved very consistent product so we have started to role good production and sales and in April and May we are doing about 50 tons each in each month. So, for the quarter we like to do a 150 tons of production and 150 tons sales and then of course do about 200 tons to 225 tons for the quarter after that in terms of sales and production and then just to give you a light on the acquisition that we made we acquired 78% of Atlas Life Science which is ongoing, well managed, well run profitable API business located with its manufacturing facility in Odhav.

The turnover this year ended is 119 crores and EBITDA of about 9 odd crores and we are at capacity of the Odhav plant along with this acquisition we also inherit 5,000 square feet corporate office for the pharmaceutical business in the heart of town and we inherit 4,000 square feet research center in Odhav apart from the plant and we also inherit 15,000 square meters of a plotted land in the industrial area in Chhatral which I just referred to you that we have just broken ground on starting work on the plant just now on the 6th of this month. So, with this background I think Abhishek we can open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: My first question is on the margins front I think this quarter we have seen almost visible is low margin for our Blue margin so if you could give the kind of inflationary environment we have as of now if you could give some perspective whether margins are here to stay for some time at these levels or are you witnessing some green shoots that give you comfort every margins will revert back to historical level job 13% or 14%?

Gokul Jaykrishna: You are right this is visible low margins in terms of EBITDA margins for the quarter I will just throw a little light on what was the reason behind it despite increase in 15% increase in volumes and 45% increase in top line why the margins are under pressure. So, the input cost prices and I am namely all the input cost particularly the three raw materials were critical in this particular quarter, but for the full year if we were to look at it urea prices have increased by 46% compared to previous year, copper prices have increased by 47% and Phthalic Anhydride prices have increased by 36% and urea as I said 102%. So, urea has double from previous year and these are the three main inputs and also steam coal which is predominantly our material that we use for energy is up 85% from previous year. So, due to this generally the margins are under pressure which is we have contracts with three-month customer orders lined up and prices of these material going up on a monthly basis put lot of pressure on our margins on an absolutely month-to-month basis. So, though we are able to pass on the prices we are passing it on four times a year, which is we price our customers every quarter, but prices of these three materials are going up every month. So, normally what happens historically and we have been in the business for long enough to pre cyclically raw material prices do go up, but they go down as well so we do not see 6 quarters 1.5 years in a row when every single quarter for every single month of the 12-month period of the year that prices of all three materials are consistently going up and going up substantially such as doubling of urea 50% increase in copper, 36% increase in Phthalic. These are not long-term sustainable price increases of course we are not going to see another year of increase such as we saw this year. So, to answer your question we will continue to pass on the price increases as and when they have been happening what will happen in the next couple of quarters difficult to say, but historically from the background and the knowledge that I have the pigment industry I can comfortably say that there is enough visibility to see that the margins are at the bottom and will bottom out now. So, we should see green shoots, we should see either stability or even improvement in margins going forward. This to me seems quite likely.

Prateek Chaudhary: Second question we saw good YoY growth in our base Blue business in this particular quarter and for the year as well, so just want to understand if you could break that up between say volume growth and value growth for the quarter and for the year?

Gokul Jaykrishna: So, for the full year volume in terms of productivity and sales have been similar 15% growth in volumes in terms of production, 15% in terms of sales. This is volume growth and the overall growth in terms of turnover is 43%. So, the balance of the difference is coming from price increases which is I think 27%.

Prateek Chaudhary: In your press release I guess there was a mention of you gaining market share in the Blue business as well?

Gokul Jaykrishna: We have increased the volume by 15% so in that sense we have captured some market share.

Prateek Chaudhary: And what would be our global market share in the Blue business as of now?

Gokul Jaykrishna: About 8% to 10%.

Prateek Chaudhary: And last question on the Atlas Life science acquisition. We had an aspiration to almost double our EBITDA margin and even historically the margins where Company has fluctuated quite a bit, so what gives us this confidence I mean are there any inherent inefficiencies in their business in the way it is being run as of now which the new management will significantly improve upon and hence, we are confident to significantly increase our EBITDA margin over there?

Gokul Jaykrishna: So, I will break this question into two parts. This is a very interesting question. I think everybody else will also gain from this question. I will take the second part that you had asked me and I will leave Arjun to give you the answer for how we project to double it. So, to answer your question first now the plant is pretty efficiently run currently so we do not see inefficiencies in the plant which will enable us to project doubling of EBITDA margin. This is clearly not the case. The plant is very efficiently run. The current team is running it very nicely. We are very happy with the operations at the plant level, administrative level, even at in terms of corporate governance, the balance sheet everything we are very satisfied on which is great. However, it is not very good because in that sense there is not much value that we will add in terms of improving either operations or finances or administration because I think it is a well-run business, well-run Company, well run plant and the plant is already at peak capacity right now. So, I would not forecast more than the turnover that we got last year from the current plant which is 119. So, my forecast for the pharma business would be the same as March 22 so in 23 March also I am escalating we should be in the area of 120 crores in terms of top line and similar bottom line for the current business. Now Arjun will take you through what is made it interesting for us to acquire this business and how we are confident of seeing the doubling of the EBITDA margin.

Arjun Jaykrishna: So, in terms of what will add and how we plan to double the EBITDA margin.one of the main and biggest reason is we will be in our new facility which we planned to put in, which we already started in Chhatral we will be backward integrated for our products. So, for example, our main product which is Pregabalin it is a four-step process currently only one step is being done in the facility and although it is very efficiently and very well run it is already being pushed to what max it can produce and what they have right now. So, some of it is being toll manufactured outside as well. So, firstly we are making everything in our own facility in Chhatral. Secondly, we will backward integrate and make the raw material for PG crude as well. This will be a very big EBITDA margin opener for us and this is something that is very clear as to something we will foresee and something we can plan to work so that will be the biggest one of the biggest reasons that we will be able to leverage the high EBITDA margin the backward integration for a product PG being the main one we will also backward integrate for some of our other products like Levosulpiride and improve efficiencies and process for gliclazide which is already going on with the R&D team and the current facility. Secondly, the other big reason other aspiration we have which we will add in the Chhatral unit is that we are currently catering largely into the low regulated and semi-regulated market. It is like Dad said very well run and it had WHO GMP and the statutory requirements and is very good in customer audit. However we are not this facility is not approved in Europe, for example, so in the new facility we aim to take European accreditation EDQM as well which will open up the market and put us into the high regulated market for example Europe which is known to be giving obviously higher margin so that will be another key thing we will go after as we will go after the highly regulated market and we hope that the growth that we are seeing in Pregabalin itself will further grow like for example currently Pregabalin worldwide is growing at 10% CAGR and Indian formulators are already at 28% of this and 28% of the market share and within India the Pregabalin formulation is growing at 18% CAGR. So, we will have a dual approach of going into the highly regulated market directly as an API which will add margins and within India to go for the formulated that are catering to the highly regulated market which will both allow us to get higher margins.

Moderator: Thank you. The next question is from the line of Navid Virani from Bastion Capital Management. Please go ahead.

Navid Virani: So, firstly wanted to understand from the strategic side so we were already in the process of ramping up AZO and now we have also taken up the API project on our plate so want to understand have we increased our management bandwidth to rightly serve both these projects properly?

Gokul Jaykrishna: We would not have taken both these projects simultaneously have they not increase management bandwidth. So, of course management bandwidth is increasing now that Arjun is full time working with Asahi that adds a lot of young enthusiasm to our team. Our new Vice President, Nitesh Patel, has been elevated and he is now running lot of the strategic decisions as Vice President now so that adds management bandwidth and with our new CFO as well. So, in that sense we have added management bandwidth in the marketing side we have also added serious management bandwidth in the marketing side where we have very thin marketing strength now we have added very senior member to lead AZO market in the Indian region as well as globally other than the Big Five where Big Five has seen our strength so now we will strengthen our backbone for the pigment business going forward in outside the Big Five globally and within India as well. So, we have done that however we cannot say that we have fully geared up the balance management bandwidth it is ongoing process and we will continue to work on it.

Navid Virani: Sir next up wanted to understand that we had this target in mind to know your 40% to 50% capacity utilization for AZO at the end of FY22 and currently we are far off that mark, so just want to understand as to what are the kind of challenges which we are facing and what are the kind of steps which we are taking to ensure that the ramp-up is well within our expectations?

Arjun Jaykrishna: Yes, I will start by saying that you are right we are little bit behind to what we hope to be at this stage. I will try to answer that and how we plan to make sure that going forward we were able to better reach the benchmark. So few things, one which we have discussed previously so I would not go much into it, but because what we saw in summer the big customers because there was still COVID prevalent and there was more than anything a lack of new products let us say new product approval .We face a little bit of a delay in getting our products approved that was one of the big things that we had seen, which is the reason why we have not reached the utilization that we should have yet. Recently we have had very good traction in the last few months, we have started getting approval even from the big customers. We have sent out some trial orders for production trial after approvals to some big customers as well. As soon as these start clicking it will immediately have to us reaching a goal as fast as possible The goal of the EBITDA breakeven as Dad mentioned at the start that still stays the same and we plan to still meet that with faster ramp up in the coming months, how we plan to do it is two fold, one we continue to focus on the Big Five customers continue to **(Inaudible) 26:24** them and now that COVID is reducing so even plant visits are starting to get in person engagement going on where we can faster approval and faster movement of products. Other than that, as Dad said we have added some marketing bandwidth and we are also looking to expand market because AZO is a little different to the Blues and we already do have a say for example 10 products that we are now consistently manufacturing which will keep increasing and we also will have a customer base as compared to what we have in the Blue. So, all of that is working side by side. We have setup at certain distribution channels and we hope that because of the approvals that are coming in within the last two months we will see a fast ramp up and we will hope to start matching our projections in fact within the coming few months.

Navid Virani: Last question if I may I would like to ask on the API side so the valuation of the deal was very compelling and so just personally understand how did we manage to get such good terms on the deal and secondly how are we trying to I mean what sort of payout are we looking to acquire the balance 22% and will that be debt funded or will be funded by internal approval?

Arjun Jaykrishna: Before Dad answers the question I will quickly just answer the first part of your question it is even a question that we had internally thought and the most of the credit for this goes to I mean it is difficult even to explain to you, but it literally is how the deal making has been done by the CEO and even as a Company while analyzing the deal, while analyzing weather would be right for us and right for the investors for us to go through it we felt the same thing glad to hear that and it is just how the whole setup and the whole valuation has been done by the CEO it is mostly to do with the negotiations skills and how they have managed to get that done. It is difficult to quantify how it is matching, but it is basically a long effort we worked very hard behind this and lot and lot of meeting behind the scenes and that is how we have come to these terms and these valuation for the Company and for all the shareholders involved.

Gokul Jaykrishna: I am happy that you feel that deal is good value. We did feel that I personally felt that it is I mean now people are aware I have spoken about it even on CNBC previously and even in just on interviews that last two, three years and we were looking for potential inorganic growth because financially we are a strong Company, cash flows are good, Blue is a good cash cow. So, we needed to find how to deploy these fund so that there ROC and ROE continue to improve and expand. So, I always had it clearly in the back of my mind that I ever had a deal unless I get a very good deal I am not going to do it, it should be very favorable for Asahi and it should be a win-win for the buyer as well as the seller, but definitely from Asahi point of view I was never willing to go into or rush into somewhere where I do not see value and we were able to negotiate good term and we got what I think in the end was a good deal with the turnover of 120 crores in acquiring 78% for 48 crore payout with 18 crores with that I thought was quite reasonable, but the second part of the question the balance 22% ,11 and 11 will be acquired over the next couple of years by March 25 we would have finished this acquisition and the payout against this 22% is based on the overall performance of Atlas the existing facility as well as the new facility in Chhatral. So, the management current management team or the previous management team of Atlas will continue to run the business for that period of time and what they will get in terms of the payout against the 11% and 11% total 22% will depend on the EBITDA performance of the business over the next two years.

Moderator: Thank you. The next question is from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.

Aashav Patel: My only doubt was that knowing the fact that older management at Atlas has been the business since last two decades then why are they not able to backward integrate the products and what different are we bringing on the table that we are deciding to backward integrate the same?

Gokul Jaykrishna: We have been there in this business for a long period of time particularly with this Pregabalin some of the APIs that they are making however it should be very clearly understand that they got into manufacturing only in 2019. So, they are just a two-year-old plant in that sense. So, earlier they started with trading and then once they got strength the management started to toll manufacture the products at different facilities and only when Pregabalin went off-patent this is Pfizer product and in 2018 it is known that it is going to go off-patent. So, they took advantage of their market reach in Pregabalin and decided to put up a plant and that plant is efficiently been put on in Odhav when it is a nice plant it is a good-looking well-run plants, but it is already fully utilized. So, that is why they could not go into backward integration because they do not have the space or the facility because they are already utilizing all the capacities that they have there. So, they had to buy as Arjun said earlier the four step processes we have only one step currently. The other two steps were being toll manufactured are bought from outside taking away all the juice out and making where the Company reliant on buying it from outside. We do have the technology for both the stage. We do 5%, 10% of that already at the current facility now we will just do 100% and also increase the existing capacity by 100%. So, you increase double the capacity of the pharma products and then get your entire raw material for Pregabalin self-manufacture that is the whole attractiveness of the proposition here that is why we were interested in this. We will not only for the value, but it was offering potential growth prospects and increase the EBITDA margins. As far as the other part why they are not able to do it? I am sure they would be able to do it, however, they do not have a succession plan and that is why the existing the MD is continuing as MD for another three years. He will be joint MD and my son Arjun will be the MD. So, the existing MD will also continue to run the business as he has been running it and he has been running it very well. However, he does not have a succession plan in his family and he is 75 so he would like to pass this on into good hands and see the business that he has been grown so well go into good hands and he is very happy to associate with us and take it to a new level. And then there is always the final thing about capital I mean being a self-made man, he did not have access to capital like we do Asahi is of course a larger Company in that and financially a much stronger Company with availability of very inexpensive bank finance as well as on **(Inaudible) 35.23**. So, we would add some value in terms of bringing this.

Aashav Patel: Another follow up question regarding the same was the fact that we do not have any experience of manufacturing raw material for Pregabalin in order to release any challenges in the ramp-up?

Gokul Jaykrishna: We have not stressed much upon it because we do very little, but we have experience in the current plant Atlas it already manufactures these products in the current plans except they are manufacturing it in very minuscule amount. So, the technology and experience on making these is there. So, now when we do it in Chhatral we do not have to go out and seek technology for the stage 2 and 3.

Aashav Patel: Another question doubling of the AZO capacity and the new Greenfield CAPEX at Chhatral side, can you please give timeline of both of the projects?

Gokul Jaykrishna: Currently we are at 25% utilization as already addressed we were targeting to be at about 40 by now, but unfortunately we are slightly behind target and we are at 25% utilization as soon as we reach 50% utilization we will give the green signal to the project scheme to go ahead. I think this should be early in the first half of the next calendar year for the last quarter of the current financial year that we kind of take a decision to give the go ahead for 45 crore expansion and doubling up the capacity and once we do that it should be over within 10 months or even less.

Moderator: Thank you. The next question is from the line of Pravin Sharma, Individual Investor. Please go ahead.

Pravin Sharma: I have three questions first is on this as per the agreement on this TTC for our ATC plant they were supposed to do a buyback of 20% which is around 480, 500 metric ton and as I understand despite being their own technology they are not being very aggressive enough to take that this thing and get the sample approved, so what was the challenge actually there in that front why did not they take at least their part being a joint venture partner last one full year of commercial operations?

Gokul Jaykrishna: So, it is very important question because we have agreement with them. So, I will just clarify this that from the TTC point of view or living by the agreement they are doing fine. They are already starting to take material. It is more a challenge that we found that after the product was established in the quality set we found a little challenge in getting the consistent quality batch to batch. This is the absolute honest truth and that is why while they kept taking material it was an as fast as we could have ramped up. So, I would not blame TTC for not living up to their end of the bargain of lifting the material they are actually demand material and they are starting to lift more as we get consistently in the yellows I think we will probably this quarter and my next quarter get the full business of TTC rest is still a work under process, but yellow has been achieved. So, soon enough we will be getting TTC to live by the agreement and they are definitely keen so it is not from their end it is more from our end from my end because of the little lack of consistency in products after having established the quality that we got a little stuck and in the yellow this challenge has been already overcome in red is under process and we are confident of it being overcome soon.

Pravin Sharma: Second point is during the ATC when we commercialize the plant at that time the discussion as per the discussion I could understand that demand for AZO is more than 2 lakh metric tons per annum and China is the Gorilla as far as AZO is concerned and as we had seen in Blue there was a shift in supply chain from China towards India and now India is a leader in Blue. So, similar shift was expected in AZO from China to India and tariff war being like two, three years there have been tariff war and we expected some kind of full demand the global buyers to shift from China towards India as far as AZO is concerned. Now what is your take on that means is it happening because I did not see it happening either in Sudharshan or anywhere else wherein there is a sudden even a 10% demand shift from China towards India would have been a very big game changer for ATC or Company like Asahi, so do you see that happening or do you see this is going somewhere in the cold bucket wherein the supply shift from China towards India the China plus one strategy and all those things happening or they are not happening the way we had envisage?

Gokul Jaykrishna: Pravin ji this is a very strategic question and it is very pertinent we had waited to get into the AZO business for many years because we have customers who have been buying Blue from us and saying that we buy AZO as well. However, China had been so dominant for all these 5 years, 7 years, 10 years that we did not venture into it. In the Phthalo as you rightly mentioned that whole thing of moving from China to India played out and while at one point China was majority India today stands at complete dominance and China probably has no business outside of China with the Phthalo business I would say zero so there is no exports of Blue now coming from China in competition with where we are going globally. We went into this AZO business strategically keeping in mind that China plus one could play out and that is the premise of us finally deciding that we should go into the AZO business. I think this premise is well in place we however when we decided to go into it we never had the impression that it would be a quick shift like the Blue. So, our idea was always that it will be a gradual shift. So, I do not think China is going to go away anytime soon maybe some other people may have projected slightly differently, but we had always projected a very gradual shift we do project that we actually are even seeing it even. We already seeing it happen in the last 6 months quite reasonably in the yellow business. So, how quickly this will happen is difficult to answer candidly I think China is not going to go away anywhere in the AZO business however even a 10% shift to India would double India's business and a 20% shift would be brilliant for India's AZO business because there is not many AZO players in India. So, how quickly or gradually it happens history has shown us that when it happens it normally happens a little fast and in a jerky manner. There would be a gradual shift which is already happening. There could be in the next three years of jerk which would move a global event I mean I do not want to speculate because this is not the platform to discuss global events, but if China were to invade Taiwan for example like Russia invaded Ukraine then it could be a trigger which could make China plus one, China plus two suddenly and then you could have the 10% happen in one year. So, if that want to happen on a gradual basis we will continue to see a very gradual shift towards India where Indian AZO business will continue to grow at a rate much faster than what India is growing at.

Pravin Sharma: My last question is on the API business when we are putting up this Chhatral plant are we looking only at Pregabalin as the product for backward or forward integration or are we looking at couple of more products which are going off patent and where Atlas has already done some more kind of research and which are ready to be launched. So, I hope we are not focusing only on Pregabalin only from next two, three years point of view and we are looking at other products also.

Gokul Jaykrishna: Whatever strategy is right now at least internally what we are thinking that this is a small business 120 crore business. We have obviously gotten into it with the idea of taking it to 510 beyond, but the first stage 300 crores would be our first target 500 would be the second cannot talk much beyond that, but when we look at 300 for which we have visibility we are very strong Atlas is very strong in India with Pregabalin. We want to establish excessive strength in

Pregabalin kind of globally. As Arjun referred more into the semi regulated and high regulated market because currently we are in the low regulated markets only. So, we would want to with the new plants concentrate on Pregabalin because we see a very clear niche in Pregabalin where we could dominate like in the Blue business it can go up and down, but it has become our strength and it is very difficult for competitors to come and compete against us in the Blue. Similarly, we want to create something like that in the pharma business with Pregabalin that is why the idea of going backward integrated even with the Blue if you see the strategy has played out that we are backward integrated and it is very difficult for competitors to actually compete hand-on-hand with us even the big boys. So, Pregabalin is a similar strategy having said that there is more research products in Atlas's table as 3 already on the card and 1 near the launch and so these products could be launched at any time we could opt to launch them at the existing facility once the new facility in Chhatral is ready and we concentrate on Pregabalin and the current products that we make we will make over here in Chhatral here as well and we could utilize the smaller facility which is in Odhav currently to move out of Pregabalin and into these new products which are low volume, high margin. So, because this is a small plant so we may choose to make instead of Pregabalin at the current facility once we have the new one ready and it is catering to our existing customers we could probably move that capacity to make new product three of them are under the research pipeline one is ready to launch in a few months.

Moderator: Thank you. The next question is from the line of Neha Idnany from Minerva Investments. Please go ahead.

Neha Idnany: My first question has to do with buyback itself considering that we have a significant CAPEX coming up in this current year and as we backward integrate just to try and understand why continue with doing buyback and secondly I see that the promoters are participating in the buyback if you could just comment on the same?

Gokul Jaykrishna: See the buyback has been well thought out I mean if you look at the overall cash position and the history of the Company we are very conservatively managed. Now we are entering growth phase so that is one thing I mean the total outgo of the buyback is in the area of 10 crores or something like that so it is not a massive dent. If you look at overall the past history of our dividend record we have been giving a payout of about 5 crores, 6 crores dividend anyways. So, what we are doing now is this year we have already declared the dividend and the buyback so everybody is aware that we have declared a very nominal dividend instead of a 5.5 crore outgo we will probably have a 50-lakh outgo. So, it is not the outgo of 10 crores is the absolute outgo it is instead of dividends partially so the net outgo due to the buyback will be only about 4 crores. Now today where we stand today financially 4 crores in our scheme of things is not a major thing the second thing if you look at now I am moving as the bandwidth is somebody else earlier referred is the management bandwidth increasing and I have said that yes management bandwidth is increasing and as the younger people take up more executive responsibilities I am seeing my role more as a capital allocator and when I study this role globally with companies which are very mannered and are investor friendly like we have Pravin was with us today he has been with the Company since many years. We have many investors like that. As a capital allocator as a CEO, it is my responsibility to make sure that the investors are well taken care of and giving a buyback is a clear indication one of the confidence of the Company, but two also there is a shrinkage in equity whereby our return ratios would increase in terms of return on capital employed and return on equity. So, our 2% buyback means a state 2% improvement in this ratio and hopefully and also finally to answer your question the buyback is a longer-term strategy. So, we do not see dividend or buyback as one of strategies we never have reacted historically also in a cyclical manner. We are more steady we have adopted this policies as we should be looking in a positive manner and reward investor who are with the Company and that includes the promoters as well. So, in that sense we have a clean balance sheet, we run a very clean operation we have always done that as a family for the Jaykrishna family from my grandfather times we have a legacy to protect the legacy to take forward even the next generation has this weight of the legacy and shoes to fill so I mean it is a clean operations. So, we also as a promoter are seeing ourselves as investors so what investors get as shareholders is what we get as well. So, in that sense the buyback comes about it is a good thing for everyone and the Company should be strong enough with the CAPEX plan and the projections that we have over the next four years we should be able to justify not only this buyback, but hopefully future buybacks as well.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: So, I just failed to understand the synergy between our life science business and our this Blue business so what is the synergy can you explain?

Gokul Jaykrishna: So, the first one is very easy I will tell you do not fail to understand it you understand it well there is no synergies.

Vipul Shah: So, we have gone ahead with this acquisition when it is relatively unrelated business?

Gokul Jaykrishna: It is not relatively it is completely unrelated to the business. The only related thing is that it is generally you could say that we are in the business of chemistry and API is also chemistry so that is the only relation otherwise you are absolutely right. It is not even remotely related or there is no synergy. So, we have not gone into this acquisition with that in mind. So, your question then becomes valid and important then why API or why diversification. So, then Vipul bhai I would just say generally that if you look at our business our investors all these years they have always been happy with the way the business has been run, the balance sheet corporate governance is good the problem has been growth. Now when we look at the pigment business we only have Blue and I could understand that we are number one in the Blue business, but again the question was and it was a valid question from analyst and rating agencies and investors alike that why not the full range of pigments. So, now we are in the full range of pigments and we could probably go into high performance pigments in the ever-future date as well. However, the universe of the pigment business if you look at a 10 year or 15 year starting of the Company in future would be limited. The growth rates that we could get or the traction we could get is going to be limited if I were to stick to this pigment business and continue to plough money into that business it would be not bad I mean because that is our we have synergies as we put up a plant in Dahej very senior synergies because all our customers are the same so that is a great starting point. However, the problem is then we will continue to remain on a national scale a small Company and we now have clearly gone into a path of growth with increased management bandwidth where we want to grow the Company a little more aggressively over the next 5 years or 10 years compared to what we have done in the past 5 years or 10 years. With that in mind it was very important at the board level we discussed this and I had as a CEO gotten a clear mandate from the board that we should look at a potential step up into something out of pigment. This was clear so it was a strategic move to start something that is outside of pigment and then of course API has various logics one it is in chemistry and we are into chemistry and then government is starting to appreciate the API business in India and the China plus one strategy is going to play out over the next 10 years. So, to take advantage of it and then finally when you come across a good deal as a CEO it is my responsibility to take it for the Company.

Vipul Shah: What will be the CAPEX for this Chhatral plant backward integration and it will be completed over what length of time and how we are going to fund it?

Gokul Jaykrishna: The CAPEX is going to be about 50 to 55 crores. This is going to happen over we just broke ground as I said on the 6th of this month. So, we hope to complete the project by Diwali next year and we hope to fund it 50-50 with internal accruals and debt.

Vipul Shah: Diwali '22 or Diwali '23?

Gokul Jaykrishna: '23 Diwali, it is just 4 months.

Vipul Shah: And on completion of this project what sort of increase in EBITDA you are penciling in sir?

Gokul Jaykrishna: Chhatral project by itself should be bringing in about 200 plus crores of turnover with this 50 to 55 crores of CAPEX and so the total business turnover of the entire Atlas acquisition should be in the range of 250 to 300 post completion of the project and the EBITDA margin should move from 8% to 16% double.

Moderator: Thank you. The next question is from the line of Aditya Shah an Individual Investor. Please go ahead.

Aditya Shah: Just a couple of questions one is on your AZO and Phthalo pigment side in terms of your percentage what are your main raw materials that you use let us say by value?

Gokul Jaykrishna: Sorry say that again please you want the AZO or the Phthalo which one you want?

Aditya Shah: For both?

Gokul Jaykrishna: So, I will answer for the Phthalo that is more relevant right now because all the revenues are mostly from there so I will answer that in detail and give you a little brief of the name to an AZO because the AZO ones is the list of raw materials is very long and probably not worth going into this call, but the Phthalo I will take you through in detail. Three main raw materials phthalic anhydride number one, urea number two and Cuprous Chloride you could think copper so these three are the main input raw material and as far as AZOs is concerned there is 3,3' DCB which is one of the primary raw material Arjun you want to throw some light on the names of the two or key raw materials there.

Arjun Jaykrishna: As you said the DCB series and the Arylate series as you rightly said it is long. You have some common one like you said the 33 DCB, AAOA, AAMX & AAA, but every product has different raw material. So, it would be difficult to ascertain as easily as we can in the Blue.

Aditya Shah: And then just on the Blue side let us say in terms of percentage Phthalic [Inaudible 1:00:25] urea and Cuprous Chloride like which one like how large would they be like your total RM cost?

Arjun Jaykrishna: So, within the RM cost Phthalic would be 50% roughly indicatively just to give you an idea. So, that is the dominant raw material Phthalic. So, not as part of the total cost the raw material cost of the raw material cost Phthalic is 50% and then urea at about 30% and Cuprous at about 15% the rest of them make about 5%. So, these three makes a 90%, 95% of RM cost.

Aditya Shah: On the Phthalic side only what would be the current total volume that you did for FY22 and what is the optimum utilization you guys could get to?

Arjun Jaykrishna: So, the total volume that we have done this year is 14,000 tons of production as compared to 12,000 tons in FY21.

Aditya Shah: Any reason why you expand the alpha Blue capacity versus the others?

Arjun Jaykrishna: I did not get it.

Aditya Shah: Adhere to the thought process behind expanding the alpha Blue capacity?

Arjun Jaykrishna: That is a very small expansion that has done at a couple of crores and there is nothing much to talk about in terms of their expansion. Our capacity there is about 60 tons per month we are expanding it slightly. So, not a game changer or a CAPEX vis-a-vis.

Aditya Shah: And as and when now moving to the AZO pigment side when you mentioned 35% utilization would this be majority coming from the yellow like after 50% we would be let us say 70% utilized?

Arjun Jaykrishna: Right now we are not at 35 we are at 25, but yes also 25 majority is coming from the yellow and as we target now to get to 40% and then 50 the majority will continue to come from yellow. The yellow is we are getting stronger quickly in yellow in terms of getting the products right as well as of course even longer term we feel that the yellows will be faster to play out the question that earlier Pravin bhai had asked I probably should have drawn attention that China plus one may play out faster than the yellow than the rest because we today can claims that since the last 6 months in all the raw material are indigenously available for the yellow which was not the case earlier red we are still dependent on imports.

Moderator: Thank you. The next question is from the line of Siddhant Dand from Goodwill Warehousing. Please go ahead.

Siddhant Dand: Most of my questions have been answered I just wanted to understand what will our peak debt be in our books and in our API subsidiary book?

Pratik Shah: Can you just repeat the question?

Siddhant Dand: What will our peak debt be in our books?

Pratik Shah: By which period of time, you mean?

Siddhant Dand: No at the peak at highest level?

Arjun Jaykrishna: I think Pratik he is referring to the highest peak debt that we will probably go into you mean this year or your question is going to be over the next five years?

Siddhant Dand: Over the CAPEX spending maybe like couple of years also would be a good enough guidance this year or the next year.

Arjun Jaykrishna: I think you can take it a four-year peak debt thing given the 50-50 crores of API CAPEX in Chhatral and the 35 crores, 40 crores of CAPEX for the AZO in Dahej.

Pratik Shah: So, you see with all this CAPEX including our working capital our peak debt would be in the range of around 250 to 260 crores and the peak would be somewhere in March 24.

Moderator: Thank you. The next question is from the line of Mitesh Jain Individual Investor. Please go ahead.

Mitesh Jain: So, my question was only on the AZO side of the business so in the opening remarks you said that we would be doing 150 to 200 tons per quarter this year, so basically what could be the revenue for this financial year and would we breaking even?

Gokul Jaykrishna: Sorry I probably was not clear enough I was thinking we would do in April, May, June about 150 tons of volume April, May, June. So, the full year volume would be at least four times so higher than that 150 so we would look at least 600 tons, but ideally we would probably look at substantially more than 600 tons for the full year. As far as breaking even, EBITDA breakeven we are hoping to achieve this calendar year we have not changed that because we are still hoping that once something clicks it could be three months here or there as long as we are comfortable we would not worry much about it, but yes hopefully this calendar year we should EBITDA breakeven.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Gokul Jaykrishna for closing comments.

Gokul Jaykrishna: Thank you friends. It was a very good interactive session I actually enjoyed it the questions were very constructive and productive. We always feel that there is a lot to learn from interacting with investors and we should continue this dialogue on a continual basis. So, that is the commitment I stand by. I will just have a very quick easy closing because I have already talked about quite a few things in the introduction remarks. So, I would leave you with a basic CAPEX plan that the Company has so over the next two years or say one year we would have a CAPEX of about 50 to 55 crores at Atlas Chhatral facility and CAPEX of about 35 to 40 crores at the Dahej AZO facility bringing the subtotal of the CAPEX to about 90 crores to 95 crores. So, about with this 90 crore CAPEX the 4 crores, 5 crore of CAPEX at the Chhatral capacity 2 crores would be routine CAPEX is that we do annually other than that the plant does not guzzle any cash at all, it just throws out free cash and about 2 crores our engineering team is doing some innovative project led by Arjun he is leading projects for improving efficiencies which will cost about 2 crores with a good nice payback, but no top line and then the 50 crores, 55 crores of API already talked about the top line possibility of 200 crores and 35 crores, 40 crores of AZO business will give us another 150 crore top line. So, our top line which looks at about 550 odd crores this financial year should be about 500 plus crores, should look at about 900 plus crores given all these CAPEX are completed and are operational four year, three year kind of idea to get to 900 plus crores. With that, I conclude my comment. Abhishek over to you.

Moderator: Thank you. Ladies and gentlemen on behalf of Asahi Songwon Colors Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.