"Asahi Songwon Colors Limited
Q2 & H1 FY'26 Earnings Conference Call"
November 13, 2025

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Moderator: Ladies and gentlemen, good day and welcome to the Asahi Songwon Colors Limited Q2 and H1 FY'26 Earnings Conference Call.

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 "*", then "0" on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you, sir.

Abhishek Mehra: Thank you, Bhumika. Good morning, ladies and gentlemen. Welcome everyone and thank you for joining this Q2 and H1 FY'26 Earnings Conference Call of Asahi Songwon Colors Limited. The Results and Investor Updates have already been emailed to you and are also available on the stock exchange.

To take us through the Results we have with us from the Management, Mr. Gokul Jaykrishna – Joint Managing Director and CEO, Mr. Arjun Jaykrishna – Executive Director, Mr. Mitesh Patel – Executive Director, Mr. Pratik Shah – Chief Financial Officer and Mr. Saji Joseph – Company Secretary and Compliance Officer.

We will be starting the call with a brief overview of the quarter from Mr. Jaykrishna, which will be followed by the Q&A session.

Before we proceed ahead, I would like to remind you all that anything said on this call reflecting any outlook for the future, which can be construed as a forward-looking statement, must be viewed in conjunction with the risks and uncertainty that the company faces. These risks and uncertainties have been entailed in our annual reports.

With that said, I will now hand over the call to Mr. Jaykrishna. Over to you, sir.

Gokul Jaykrishna: Good morning, everyone. And it is a pleasure for me to welcome you to Asahi Songwon Colors numbers for Q2 and H1 FY'26.

Overall, our consolidated revenues stood at Rs. 271 crores and consolidated EBITDA stood at Rs. 23 crores. I will just run you through the quarterly as well as the H1 comparisons vis-à-vis the previous. Revenues stood at Rs. 121 crores, Q-On-Q decrease of 19% and a year-on-year decrease of 15%. EBITDA stood at Rs. 11 crores during the quarter under review, a Q-on-Q decrease of 7% and a year-on-year decrease of 23%. EBITDA margin stood at 9% for the quarter as compared to 8% in Q1'26 and 10% in Q2'25. Net profit stood at Rs. 2 crores, a Q-On-Q decrease of 19% and a year-on-year decrease of 35%.

Consolidated financial highlights for the half year ended September'30 are as follows:

Revenues stood at Rs. 271 crores, a year-on-year decrease of 2% so we were able to generally for the half year maintain revenues. EBITDA stood at Rs. 23 crores during the half year under review, a year-on-year decrease of 20%. EBITDA margin stood at 9%, 8.5% to be precise for H1 FY'26 as compared to 10.5% in H1 FY'25. Net profit stood at Rs. 5 crores, a year-on-year decrease of 35%.

General business environment and conditions continue to remain globally very, very challenging. The US tariffs had a significant impact on our blue business particularly which does have a significant portion of exports to the US and because our customers in the US were very nervous during these last three months and continue to be so even during November, we are really hoping that the situation sorts itself out and we have already seen early indications from President Trump that he may be probably looking to see an end to the 25% penal tariff at least and this should be a good reply for the entire industry. Generally, as you all know that the chemical industry as such has been suffering and notable companies have come up with weak numbers. We are also no exception. Having said that, I would request everyone to investors and analysts all to view our numbers not only in comparison to the previous year where we had a stellar year. We had a 60 crore EBITDA on a consolidated basis last year. So, that was a significant improvement on FY'24 ended and FY'23 ended where our EBITDAs were Rs. 22 crores. EBITDA for consolidated in March'24 and 11 crores in March'23 Vis-a-vis that, we did Rs. 60 crores in March'25 and we are likely to, we are doing H1 Rs. 23 crores and likely to do about close to Rs. 50 crores for the full year. So, I would request everybody to look at it in light of the overall business environment. Having said that, there is no doubt that the business has been subdued and slow and we have various challenges. Our team has done significant efforts to mitigate some of the margin challenges which are posed due to decreased demand and volume and increased general overheads by doing de-bottlenecking exercises and particularly cost saving exercises from the engineering standpoint.

Having said that, I would like to mention three notable positive observations:

- Number one, I am very happy to report that the ATC, Dahej plant, which has been a drain on the consolidated business of Asahi and the balance sheet for three years has now turned the corner and has become clearly cash contributive and positive. We hope to now over the next two quarters look to turn this into PAT neutral to PAT positive. So, this is a good sign. We seem to have turned the corner year finally despite a very benign business environment and poor demand and yet with exports contributing only 19% to overall sales.

- The second thing I would like to highlight is again about the ATC, Dahej plant. Our team is now very well formed. We have beefed up our team with additional strength in the product development area and also in the engineering optimization area. Both of these things now put together make a complete team and for the whole pigment business as such, Asahi's blue business and ATC's yellow and red business, I think we find that we are well placed in terms of HR and manpower in terms of meeting the challenges and growing over the next three to five years.

- The third significant point is that despite a weak H1 and also the quarter, our cash flows continue to remain exceptionally strong. Both the AZO pigment business as well as the API business have seen strong cash flow generation during the quarter. Despite not yet contributing significantly to net profit, both businesses are generating considerable operating cash flow now. This was not the case for the previous half year ended last year. We had almost no cash flow contribution from either of the two sectors. It was very minimal. During September'25, our operating cash flows more than doubled or even tripled compared to the same period previous year, rising from Rs. 15 crores to Rs. 36 crores. Importantly, while Rs. 14 crores of the cash flow of the Rs. 36 crores came from the blue business, Rs. 19 crores of cash flow came from API and AZO segment. So, this was heartening to see.

And then finally, I would like to name the two challenges. Of course, as a company and as a business, we are hoping to do much better going forward. I think the cycle should be bottoming out sooner than later. The tariffs also should sort itself out soon. And that should again get us back to some sort of normalcy.

Two challenges I would like to name:

- Number one, the Atlas new plant in Chhatral, utilizations remain a challenge. So, we have to improve our basic team over there so that we are able to create new markets, enter new products and utilize the plant better. We have a good plant. The utilization is not up to the mark at all. And this is our big challenge.
- The second challenge is ATC is now well poised and we need to ramp up over the next two years our export business. It has grown from 10% in previous half year compared to that we have done 19% of exports in this half year. And we hope to over the next two years, take it to 50:50 export and local.

With that, I would like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Bhavik Narang from Bastion Research. Please go ahead.

Bhavik Narang: Hi, good morning and thanks for the opportunity. So, the first question I had was on capacity utilization level at our facility. So, what is the utilization levels that we have and what is the peak revenue potential from our existing asset base?

Gokul Jaykrishna: So, utilization levels at the blue plant have come down and that has been a little bit of an issue because of poor demand. The main reason for that has been the US tariffs. I mean, we export pigments as well as blue crude to the United States and the CPC blue crude is not subject to tariffs. However, the pigments are. Generally, more than that, the customer nervousness in the US is significantly high and they seem to be quite spooked by the unpredictable tariff situation and that has brought down our utilizations. So, basically, we are looking at about 70% utilization in this quarter as compared to 95% earlier. And we are hoping that by January, February, and March quarter, we should be back at our normal 85% to 90% utilizations in the blue business.

Bhavik Narang: And what would the peak revenue potential be?

Gokul Jaykrishna: The peak revenue potential would depend a bit on the pricing, but I would say in the band of about Rs. 400 crores to Rs. 450 crores would be the peak revenue potential of Asahi Songwon, the blue business.

Bhavik Narang: Okay, and on the AZOs business?

Gokul Jaykrishna: I will just talk you through the utilization on the AZOs. Here, of course, we have seen improvement here. H1 FY'25 had a utilization of 45%. We have now achieved a utilization level of about 57% in H1 FY'26. So, the utilization levels there have improved. Pricing has remained the same. Hence, the top line has slightly improved because of that. So, as the bottom line, the bleeding has stopped. And we hope that by around 60% utilization, we should be PAT breaking up. So, we are nearing that.

Bhavik Narang: And when do we expect the optimal utilization?

Gokul Jaykrishna: We hope to continue to ramp up utilization steadily as we continue to break through new customers. Because we are a new company in the AZO business, it does take time. It is not like the old AZO business where we are market leaders. And if the business comes back in the last quarter of this financial year, blue business could probably get back to 90% or even 95% utilization within weeks. It is not the case with this. However, here the predictability is now very clear that Q-on-Q we should continue to improve. And our target would be going closer to about 85% utilization levels. So, I would assume that the utilization levels should continue to improve by 5% to 10% every quarter.

Bhavik Narang: And in the AZO business, in the capacity, how much is dedicated to yellow and red? Are these capacities fungible? If we are not able to go for red business can we go for yellow?

Gokul Jaykrishna: So, I will first give you the basic fact. So, we are doing about 70% to 75% of the revenue is coming from yellow. And about 20% to 25% is coming from the red. Second question, whether it is fungible? Yes. Capacities are fungible. Are we using them fungibly? No, we are not. So, if we decide and want to convert the entire facility within a couple of weeks or a month, we could convert the entire plant into all yellow or all red plant if we like. However, we have no such plan. So, we are not using the capacity fungibly. While we very easily could.

Bhavik Narang: Okay. And any update on CAPEX on this part?

Gokul Jaykrishna: So, the CAPEX cycle for the entire group is now pretty much over. So, barring small CAPEXs here and there, of course, there would be maintenance CAPEXs that could happen which are very minimal and very easily financed out of internal accruals. Apart from that, we may have some CAPEX coming up over the next 12 months in ATC because I think we should be hitting 85% utilization within the next few quarters. As soon as we do that, two things will happen. One, it will turn PAT positive. We have to see how much PAT positive it is depending on the market, but we should be comfortably PAT positive. Once we get to 85% and PAT positive, we would probably need to expand a bit because we will eventually run out of capacity. So, our capacity is 2,400 tons per annum between the yellow and the red combined for the plant. And we need to, over the next 12 months, come address it at some point. We would hope to do it by internal accruals more or less.

Bhavik Narang: Actually, my next question was on the API business. So, given that the realization has been sliding down and the entire industry is under pressure, have you seen any smaller players going out of business or any signs of consolidation there? If so, what gives you the confidence that we are near to the bottom of this down cycle? Any thoughts on that?

Gokul Jaykrishna: This is a very good question. So, yes, there is consolidation happening, not only in the API business, but it goes pretty much for the pigment business as well, where consolidation is happening because the market is very poor and quite a few of the smaller players who are not financially strong or well-managed are either closing down or are forced to close down or sell. So, it is also true to the API business where we see that in pregabalin, particularly our main molecule, the business is so unattractive right now that new capacities coming up has completely dried up. This is good news and that would probably answer your other previous question. Do I see the cycle bottoming out? Yes, I think the business cycle in the API and the chemical sectors, and generally the chemical sector across India seems to be bottoming out. Now, the question remains how long we stay at the bottom is another matter because demand does not seem to be popping up. But the bottoming out is evident because you really cannot go much lower than where the industry is. So, that is good news, some consolidation taking place and weaker players going out.

Bhavik Narang: That is good news. And lastly, I just wanted to get a perspective on the AZO and API growth opportunities. So, overall these two, that has really worked out well like we have wanted to now. Due to the factors beyond our control and cycles, but given the situation that is now and the unit economics present, do you feel that we have gone a bit wrong in our capital allocation in this business? Like, at the board level, do you relate the performance of this asset? And secondly, as you said, you are generating strong cash flow as you highlighted. So, are we looking for any prepayment of debt or considering if there is no major defects aligned in the coming year?

Gokul Jaykrishna: Second question first, we continue to deleverage. As I said, the cash flows, despite the business being poor, I mean, weak, not poor, but it is not that bad. But despite business being weaker than the previous year, this year, our cash flows continue to be equally strong and we continue to deleverage. So, we are on target for our guidance to deleverage towards March'26, as we had earlier guided, no change in that guidance. And CAPEX needs are less so more or less should be managed from internal accruals. But if we want to, it should be easily Rs. 10 crores a year and there should be easy to manage even while we deleverage. So, that is not an issue. On our CAPEX decision, two parts to it, our CAPEX was executed at great cost. So, the time of execution of the CAPEX was actually quite good for the company. So, if you look at the replacement cost of our API facility, if I were to put up that plant today, it would probably cost me 35% to 40% more money than what we spent on the Dahej plant. So, the timing and execution of the CAPEX was good. Then the API facility, also the CAPEX was generally good. And there also the replacement cost, if you were to put it up today, would be about 10% higher. So, land, building, plant, machinery, if you value both the CAPEXs, would cost significantly more today than it did then. The second part of the question where we got it wrong was the timing of getting up and running. So, when both the plants came into the CAPEXs, kicked in, the plant started, the market conditions and timing was terrible. So, we have seen since they started both the plants three years, I mean, both the businesses and generally all chemical businesses have gone through a terrible, terrible time. So, the timing of starting the plants was bad, but then that is how business is. I mean, it is a long-term game. We are in it for the long term and we are able to see that consolidation gives us opportunities. So, we have to just wait it out, be patient, and we have the financial muscle to be able to be patient and wait it out.

Bhavik Narang: Understood. Thanks for taking my question and have a good day.

Gokul Jaykrishna: Thank you.

Moderator: Thank you. The next question comes from the line of Arham Gandhi from Molecule Ventures. Please go ahead.

Arham Gandhi: Thank you for the opportunity. My first question is regarding the API business. If you could please explain the current situation and the realization using the actual realization and the drop-in realization. The reason I am asking is that we have invested significant amount of money in the new facility. However, neither has the sale moved up nor the margin trajectory has changed. So, just want to get a perspective as to what is the update on the API CAPEX.

Gokul Jaykrishna: So, as I already said in the opening statement, one of the two main challenges for me as the CEO is to get the API business utilization at the new Chhatral plant going. Here, we have not, honestly, I have to admit that we have not done very well. The utilizations have, and we have done all the needed and it is required that we beef up our general business and marketing efforts and team as well. So, we will be beefing up our team in terms of HR so that we are able to get new businesses, geographies, companies, as well as products and able to utilize a facility which is really top-class. So, we have a top-class asset on hand and we have not done justice to it and not utilized it. So, the utilization levels are low and the API utilization levels at the new Chhatral facility are about 15%. So, I mean, that is terrible. But that does give us an opportunity if we do get it right. Whenever we do, the asset is really top-class. So, that gives us an opportunity to mend what we have not done right. And on terms of realizations, I mean, and margins are down also because of realizations. Generally, the prices of, say, the main molecule have come off by 35% over the last two years. And so, significant erosion of prices. So, this is a challenge. I mean, and we do not see any real up move in prices coming this quarter. But we definitely see a bottoming out. So, there is not any worsening happening.

Arham Gandhi: Okay, sir. Well covered. My second question was on the API product pipeline. So, you had earlier guided towards a business transitioning from single product dependency to multiple products. So, while we are now in a downturn, but what are the steps you have taken in terms of creation of product pipelines so that we can scale things up faster once the demand scenario improves? Also, please, if you could give updates on the work that we are doing to ensure that we are on track with the regulatory filing for the regulated markets? And by when can we see those sales coming?

Gokul Jaykrishna: So, Arjun, can you take these two?

Arjun Jaykrishna: Yes. So, I will take them both. So, to start with the new products, I think, as we guided in the last call, I think, in terms of new products and getting them commercial to follow the right protocol and to do it in a fashion where we can entertain the reputed companies in India and abroad, it takes quite a bit of time. So, I am happy to say that we have launched one of the products that we had worked on in R&D on the commercial scale as well. We have gone through the process, the stability studies, etcetera. Similarly, we are working on a few products. So, now that we have launched it, I can mention Etoriocoxib is the name of the API. So, we have launched that, and we will now look to start sales for that within the next quarter. This is obviously going to be, again, a gradual process as now we have completed our processes with stability. And now, once we get small orders from customers, they would complete their stability studies and processes and testing, and we will look to gain decent volumes in the next year. But we will start the sales next quarter. So, that is a small positive, but it will not impact the balance sheet substantially yet.

Talking about the other question you asked, so I am happy to inform that we have successfully filed the European filing, the CEP filing to the EDQM. And we have done that month and a half back already. So, we are waiting now for them to review the dossier and come back to us. And we are hopeful that within the next seven to eight months, we should have that approval, which will not only open the doors for us to Europe, but the CEP certification that is provided through EDQM opens the doors to several other global countries as well. So, in Pregabalin, while we are a dominant volume within India, we have no real volume of business in any of the reputed and higher regulated countries. So, we will look for Pregabalin to add this, and this should hopefully, once we get that certification and are able to engage with customers, put us in a good position as we would be strongly positioned because of our backward integration at Chhatral and a good strong volume backup, which will allow us to be price comparative and grow that market with better realizations than we currently have. So, once again, this will take a little bit of time as we have learned everything does in the pharma space, but we have now officially filed. We have got the response from EDQM, acknowledging the filing, giving us the CEP file number as well. So, we are hopeful that within the next seven to eight months, we should have that approval from them and look to tap these new markets in the next year.

Arham Gandhi: Okay, sir. Thank you. One last question is on the Odhav and Chhatral side. If I remember correctly, you had mentioned about shifting the Pregabalin production to the new site to get better efficiencies. How is the progress on that front? Has that already been shifted? And if yes, what are the updates on the Odhav side now?

Arjun Jaykrishna: So, here again, as you said, that was a plan and a strategy that is a little bit floating, but that continues to somewhat be what we want to do. So, we have shifted some of it. Again, the thing here is regulation. So, we have a substantial volume in India, part of which is to highly regulated companies. And some of them, we cannot immediately shift. So, we have already gone into the process. We have discussed with several of our customers, some of them have seen the new plan shifted already. Some of it continues to be from Odhav, but that shift from Odhav to Chattral has allowed us to add, for example, Etoriocoxib, which is not as high volume as Pregabalin. So, that has been taken in the Odhav plant. So, that kind of room and the room for new products being taken is only allowed because we have the Chattral plant and we have already partially shifted some of the Pregabalin business there. So, we will continue to do it in a stepwise and very transparent fashion with all our customers. And we will continue to also devise that strategy as it goes by as to which products are where, what is best, efficiency-wise and regulatory-wise for Atlas. We will continue to do it in that way.

Arham Gandhi: Okay, sir. Thank you. That was well covered.

Moderator: Thank you. The next question comes from the line of Vishal Sethia, an individual investor. Please go ahead.

Vishal Sethia: Good afternoon and thanks for the opportunity.

Moderator: I am sorry to interrupt you, Mr. Vishal, but your voice is not clear. Can you please speak through handset?

Vishal Sethia: Good afternoon and thanks for the opportunity. My question is on the impact of tariffs. While you mentioned that the blue business should largely be unaffected, but we have witnessed a decline in sale in the US markets. So, what has caused this? And also, if you could share how the tariffs impacted the other two businesses?

Gokul Jaykrishna: So, the blue business has not been spared. I mean, the blue business has been significantly impacted, as I said in the opening remarks and later on as well. And the reason is, earlier we would think, see, our two paths to the blue business, the pigment and the crude. The crude is not subject to tariffs. Pigment is. So, pigment is directly impacted. But even the crude business is impacted because the customers are very nervous and their customers and the passing on of the prices to their customers, the uncertainty of, you know, if they place major orders and get material and then the tariffs are brought down, then they would be hit by the material. So, they are all trying to destock and there is a nervousness. So, the blue business has been impacted significantly due to the tariffs and more so because the tariffs are becoming uncertain. I mean, everybody expected that the tariffs will not come. They came, then they expected they did not go away, but they did not go away. And then China's disappeared. I mean, disappeared in the sense they struck a trade deal with China before they did with India. So, this was all pretty unexpected. As far as the impact on the other two segments, not much because we do not have any U.S. business in either of the two segments. So, actually, no impact of tariffs on those two segments.

Vishal Sethia: Good. So, my second question from an outlook perspective, given the current scenario, if you were to put out a number on the sales number for each of the business segments for the next year, what would that be?

Gokul Jaykrishna: So, it is difficult to, you mean for March'26 or you are meaning the year after that?

Vishal Sethia: Can you put out both those numbers?

Gokul Jaykrishna: So, March'27, very difficult to put out a revenue number, but I will give you a basic one that we should end the full year at pretty much the same revenue as last year is what our hope is. We still have pinned our hopes on the last quarter of the financial year where I do see significant recovery compared to our H1. So, I would say revenue-wise, we should be there and thereabouts 5% around what we earlier. So, not much of a drop. EBITDA would probably come down by about 20%. We had a Rs. 60 crore consolidated

EBITDA earlier. And similarly, PAT would come down by about 20% in line with, this is the consolidated numbers I am giving you overall. EBITDA margins on a consolidated basis, EBITDA margins, which were at about 11% would probably end up at full year at 9%.

Vishal Sethia: So, are there any internal targets for each business segment that you are working with?

Gokul Jaykrishna: Yes, we definitely have internal targets for each of the segments, but they are so dynamic that to break them down in detail over a call would be difficult. The one I would give you is about ATC, where we see that the capacity ramp up will continue. And as I said, we are at 57% for this quarter. And we should be, by December end, we should be at 65%. And by March end, we should be at about 70 plus percent, hopefully, if everything goes per plan. And I am pretty confident on this that it should go as per plan. As far as the ATC, the Atlas business is concerned, Arjun, can you talk through the Odhav facility? I think there we are already at very good utilization levels.

Arjun Jaykrishna: Yes, so I think as we have also mentioned in the past, and I briefly mentioned, we are at good utilization levels at Odhav. There is a lot of, again, as CEO said, difficult to give exact things, especially in Atlas, because it is a very evolving situation, even with the product mix and so on. So, you know, it is difficult to comment. But in terms of utilizations, we can say that we believe and are confident that the Odhav utilization will continue to stay at very strong levels. And we will look to amp up the utilization at Chhatral. And as mentioned earlier, you know, we will look to beef up our team and our efforts to try and get utilization there, which will drive the numbers better at Atlas.

Gokul Jaykrishna: Having said that, our challenge is that, driving up the utilization levels at Atlas' new Chhatral plant. That is a challenge. And we need to do significantly more towards that and build up a team that can deliver on that. We are, in the ATC and Asahi, we have a team which is extremely well positioned to deliver. We have to create a team for Atlas as well.

Vishal Sethia: So, just wanted to understand on the sales part, what would be the aspirational target you could see? By when do we see Asahi cross the Rs. 1000 crore in sales mark? And in your opinion, which of the current business has the potential to drive that growth?

Gokul Jaykrishna: So, I think we should end the year at about 550 to 570. So, it should take probably three years to get to a Rs. 1000 crore. It would predominantly come from ATC, which has significant room to grow. Even over three years, double the business quite easily. And then also from Atlas, where there is not even a need of a CAPEX. We just need to improve our utilization of the API facility at Chhatral, which is working at 15%. So, if we improve the utilization, Mitesh can you throw a number on the optimal utilization what Atlas could possibly deliver? Of course, it is a challenge to get there, but Mitesh will throw light on your question.

Mitesh Patel: So, without adding any CAPEX, our optimum turnover would be Rs. 750 crores to Rs. 800 crores. And if we put Rs. 15 crore or Rs. 20 crore at ATC, then it will give Rs. 100 crores to Rs. 150 crores more. So, at optimum after CAPEX, it would be Rs. 900 crores.

Vishal Sethia: Okay. So, ATC is the business segment that you would be willing to invest more capital in?

Gokul Jaykrishna: We will have to. It is not going to be significant capital. It will come mostly from internal accrual, but yes, because it is starting to do well now. So, it will require, not now, probably in six months' time that we start addressing capacity there.

Vishal Sethia: Okay. So, that is it from my side. Thank you.

Gokul Jaykrishna: Thank you, Vishal.

Moderator: Thank you. The next question comes from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good morning, everyone. So, Gokul bhai, my first question is, when we were looking at the API and pregabalin link part and we did the CMH, RCMH part, you know, in our earlier conversation, we were talking that because we will be one of the very few backward integrated players and hence will be very cost competitive. So, I understand the challenges on the realization side, but on the sales side, despite being very cost competitive, we are not able to ramp up the sales and utilization is pretty low. So, what has led to this part despite being backward integrated?

Gokul Jaykrishna: So, Dhwanil, basically, sales is actually not doing too badly. If you look at our pregabalin sales, that sales has done better than we used to do before. The problem is we have put up a new capacity in Chhatral and that capacity is not utilized. So, the challenge is to probably end up finding new customers and new products. So, it is a business challenge. And to be able to then utilize an asset which is of top quality so that we can, you know, I mean, it is not possible to double the volumes of pregabalin per se. But otherwise, on the absolute numbers of the API sales, we are not doing too badly. I mean, we are doing, Mitesh, can you throw a little light on our sales numbers on the API?

Mitesh Patel: Currently, we are around 30, 32 ton APIs per month.

Dhwanil Desai: Okay.

Gokul Jaykrishna: So, this is more than what we used to do earlier, but our capacity is now close to 60 tons overall, as a group level, maybe even 65 depending on the molecules. Arjun, am I right?

Arjun Jaykrishna: Yes, the capacity is, depending on molecules. And to answer, to put a little numeric, we have almost one and a half times the sales of the API. So, the volume has grown substantially compared to before. It is not that we are struggling with that volume. As mentioned, the capacity has grown much larger than the growth in volume, which is why we are seeing this. But stand alone, the volume of pregabalin, we have grown over the last two years pretty well. It is the price pressure and realizations that have come down. And that is why we are hopeful that the CEP and entering the better, more regulated markets will help us add that volume and also help with realization.

Gokul Jaykrishna: And we have been able to sustain this downtrend in the prices, 35% knockoff on the prices of the APIs due to the backward integration and pregabalin. So, that has worked all right. I mean, there are people who just stopped their business and have gone out in the consolidation phase.

Dhwanil Desai: Got it. So, again, a question then on is that how do we move from 15% utilization to more respectable numbers? Is it that we will have to wait till we enter regulated market on the pregabalin side or the new products, you know, again, they are probably low-volume, high-value products. So, utilization may increase incrementally, but not substantially. So, how should we look at this 15% moving to a much better number? What are the things that we need to do?

Gokul Jaykrishna: Three ways to look at it. One, with regulated markets coming in, it should help us, of course. The problem is that is going to take time. The second is the molecules that Arjun talked about, we have one which is commercialized and four under commercialization. However, those are not going to be significant. So, then it comes to basically finding a way in which we get a couple of people into the organization who can drive the business in terms of getting new molecules which bring volume to fill up the capacities or some other strategic way of doing some contract manufacturing for larger companies. So, those are strategic things that I will not have an answer for right now. But the third way is to beef up the business side of it.

Dhwanil Desai: Okay. So, is it fair to assume that at least for this year, the capacity utilization will remain at similar levels, maybe incremental 3%, 4%, 5% but nothing substantial?

Gokul Jaykrishna: Yes.

Dhwanil Desai: Okay. The second question is on AZO. I think you sound very confident on AZO side. If you can talk about, you know, we have been trying to, you know, get some large customers product approvals and a commercial supply both in the US and Europe. So, any progress on that? That is what is giving you this confidence or are you kind of banking more on the domestic market growing?

Gokul Jaykrishna: So, we are getting the confidence. We are doing whatever we are doing right now is without the export business. So, that is not what is giving us the confidence. We are just having our team is starting to deliver better, our products are doing better. In the local market, we have made significant inroads. And when nobody else in the pigment space in India is growing, we continue to grow every quarter, though marginally, but in the right direction. Arjun can talk a little more about what we can do in exports and once we kick in exports, and this may take another year or so, but then the opportunity would be significant once we do that.

Arjun Jaykrishna: Yes. So, just to give a quick light on the exports, I think, you know, we continue to work with several of our partners about the AZO. Once again, here, one of the large markets was the US and with any new demand and any new kind of introduction of a product, because of the tariffs, we have obviously faced a setback in terms of timeline and interest. But this is, again, a short-term thing, we continue to work, and they are as well long-term thinkers. So, we continue to work and we hope that that export business would start at ATC. However, we are not using that to hide and just say that so we are working hard on the local business and we are confident, as mentioned, that we will continue to keep incrementally pushing ahead and pushing forward. And whenever we get that export jump as well, that would be welcome, but we will continue to work hard and make sure that we move ATC in the right direction and we are confident of doing that.

Gokul Jaykrishna: Our exports have moved from 10% to 19% if you compare between the two halves. This is, of course, not good yet. We need to continue to move it upwards towards my stated goal of 50-50. And there, as Arjun rightly said, if you get to 50-50, US will play a significant role, which is completely solved. So, once the tariffs sort itself out, we will, at a group level, do a significant effort within the United States by appointing somebody there or doing some work directly there, whereby we can target small direct users in the US as well.

Dhwanil Desai: Okay. But this entire idea of going from, let us say, 57% to 85% in, let us say, next four to six quarters, that is not dependent or subject to export large customer kind of kicking in. Is that the right way to look?

Gokul Jaykrishna: That is the right way to look at it.

Dhwanil Desai: Okay. And last question, sir. I think we mentioned in the commentary that from Q4, we may see some sales uptick on the blue business. So, is this kind of, again, contingent on the tariff getting resolved or are we getting some input from customers when they are actually talking about increasing the uptake from the Q4?

Gokul Jaykrishna: This would be dependent on tariffs, unfortunately. But we hope that by then it should be sorted. And once they are, then it should come back quick.

Dhwanil Desai: Okay. Got it sir. Very clear. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Rudraksh Raheja from Ithought PMS. Please go ahead.

Rudraksh Raheja: Yes. Thank you. So, many of my questions have already been answered. Just a couple of questions more. So, what is our exposure to US within our blues business in general? How much do we sell to US?

Gokul Jaykrishna: About 7% to 10%, 7% to 9%. It depends quarter-to-quarter, but it varies on a low of 6% to a high of 10%.

Rudraksh Raheja: Got it. But, sir, the decline in the standalone sales or what you call as your blue business is much more than 7% or 9%. So, what led to this?

Gokul Jaykrishna: So, see, what has happened is, first of all, the 10% US business has taken a direct full hit. So, that just, it has not declined, it has evaporated for now. And that should hopefully come back as it is evaporated straightaway whenever it does. But other than that, also the business environment in the rest of the world remains even more sluggish than the US. For example, where our main markets are in Europe and in Japan and Korea, these markets also have seen slowdowns. And they have also seen their own uncertainties due to their own issues with Trump. So, due to that, the general global trends have also been weak. Then if you look at even whatever business we have in India, which is also very strong, and it has grown over the last five years in India, that business also, you know, my customers also would be impacted due to the US tariff. So, all of that uncertainty as well as the direct impact of the strongest country, the biggest consumer in the world, having this kind of tariff, which are unsustainable at 50%, has had an impact overall as well. So, you take the 10% out and then another 10% odd from the rest of the business, that brings you to a good 20% downtick, which we have seen.

Rudraksh Raheja: Understood, sir. Sir, what would be the CPC crude price on a per kg or per ton basis for this quarter?

Gokul Jaykrishna: So, the prices in the pigments business have remained stable. And this is because it has bottomed out. So, there is not a concern in terms of pricing on either of the blues, reds or the yellows. They remain stable, not significantly, but it is not going to go down anymore. So, the revenue drop has not, in the blue, has not been on account of pricing, it has been on account of volume drop.

Rudraksh Raheja: Understood, sir. And sir, when we say that the peak potential of this division is Rs. 400 crores or Rs. 450 crores, is that calculated on the bottomed out prices? Would that be a fair understanding?

Gokul Jaykrishna: If you do 95% or 100%, then it would be on the bottomed out prices.

Rudraksh Raheja: Yes. So, let us say if prices rise in, let us say, next six to eight quarters, this number could be even higher than this.

Gokul Jaykrishna: Then it could be on the upper side of the range 450 or it could push, I mean, you know, with prices higher, it could definitely push beyond 450 as well.

Rudraksh Raheja: Understood, sir. And sir, coming to the AZO business, how much sales did we do in H1 FY26?

Gokul Jaykrishna: It grew, Pratik, do you have an exact number? I do not have an absolute exact number.

Pratik Shah: Somewhere around the range of Rs. 40 crores, would that be a fair assumption?

Gokul Jaykrishna: Pratik Bhai can you--

Pratik Shah: Yes, that is the right ballpark figure.

Rudraksh Raheja: Understood. And that would be at around 50% capacity utilization for this plant?

Gokul Jaykrishna: 55.

Rudraksh Raheja: Got it, sir. Sir, what kind of EBITDA can we expect from this segment once we reach this 85% level?

Gokul Jaykrishna: Our stated target has always been, about, the good industry standard of 13 to 15, depending on market conditions.

Rudraksh Raheja: Understood, sir. Okay, sir. Coming to the API segment, correct me if my understanding is wrong, the approval that we have applied for, that you have been talking in the last two months that we have applied, is that a drug specific or that is the plant approval that we have applied for?

Arjun Jaykrishna: That is specific for pregabalin.

Rudraksh Raheja: Pregabalin, okay. So, whenever that kicks in, we are eligible to sell our products in that market. There would be no delay after that.

Arjun Jaykrishna: Yes, so we are eligible, as soon as that kicks in, we are eligible to sell in that market. Obviously, that does not mean that it will move to commercial orders with customers immediately. But yes, we are eligibility is immediate and then you would work with customers to get it approved in their dossier and which process is only allowed once we get this EDQM certification. So, again, it is not a very, like a momentary addition. It is something that goes into, obviously, the human body and hence, there is a lot of regulation to it. But this will be what will allow us to approach and get into those markets. And the big advantage of the CEP filing is that it not only opens the door to Europe, which is the body that gives us the certification, but there are several other countries like Australia, parts of Africa, parts of the Middle East, which all accept this filing, because there is a certain amount of respect for CEP and EDQM. So, if you are able to get that, lot of countries are also okay to take your product based on that. So, that is the additional benefit and hence, we will be, for pregabalin itself moving very aggressively in these markets as soon as we get the certification, not only limited to one specific country or even continent.

Rudraksh Raheja: Understood, sir. And sir, how many drugs are currently in our pipeline that we are actively working on?

Arjun Jaykrishna: So, again, this is a slightly difficult question to answer because there are different stages, but as mentioned by CEO, so as I said, we launched one and there are four which we are working on since a while and on a level where we will look within the next few quarters also to try and launch at least two of them. Apart from that we have worked to slightly try to beef up our efforts in R&D, work on a few products which may not immediately give us a benefit, but slightly, long-term thinking with a few products which will hopefully, as we work them out at this moment of time, will give us and help us reap benefit three, four years later, but that would be obviously a better and more substantial thing at that point. So, we are working on slightly longer-term projects for two molecules and we have three or four which we will look to launch within the next year or so. So, it is a varied effort and also then we are working on some products which are higher volume and not very high technology or new products. We are working on them with backward integration where we make the intermediates as well. So, we may look to sell the intermediates in the market. So, we are exploring all opportunities and as our CEO said, we have not done enough justice to utilization of the new plant. So, we will now work much harder on that and hopefully be able to get molecules, business, everything so that we can start to slowly ramp up capacity in the coming quarters.

Rudraksh Raheja: Understood. And sir, when you say that these four molecules that you are looking to launch in the next upcoming quarters, is that on the high volume side or high value side kind of a drug?

Arjun Jaykrishna: So, it is a mix. So, two of them are decent volumes and two of them are volumes are small, but they would be better margin products.

Gokul Jaykrishna: Having said that, the impact of that on the overall business revenues and the profile is not going to be significant in any way for the next one year. Okay.

Rudraksh Raheja: Understood sir. And sir, the hiring and marketing and the other things that we are going to focus on, have you already started that or I just wanted to understand when should we expect that kind of a thing hitting our P&L?

Gokul Jaykrishna: So, we have already started the process and it will probably take three to six months to run through the process and then to get somebody then to have impact. So, I would say P&L impact in about a year's time.

Rudraksh Raheja: Understood, sir. And just circling back, I missed one question on the AZO side. Are we still facing any product development consistency or any kind of issues that is hampering AZO plant?

Gokul Jaykrishna: This business is going to be ongoing thing, but Arjun will take it.

Arjun Jaykrishna: Yes, I was just going to say something. So, pigments, while a lot of them have been thought of as commodity and have in terms of the supply demand, the supply probably being higher than demand has led it to work monetarily as slightly commoditized products, but they are very, very specialized products actually and pigments are very tricky to make and this is the reason why we have seen certain trends happen over several years like even the Halo versus AZO, India versus China, different technologies and different dominance over the country is because of the way the pigments are made. It is a very specialized process. So, you know, it will continue to be, it is not going to be solved overnight and it is not even for the largest pigment companies in the world. What we can say though is that we have got, at APC, we have now a stronger team, we have more dedicated product development as well as operational consistency, responsible people who are experienced in the field and they are already starting to add value and we will continue to push towards more and more consistency and better and faster new products. It will not stop and it will not be immediate, but we can say with certainty that the consistency has started improving, will continue to improve and product development will be better and more systematic than it has been in the past. But it will not become perfectly consistent and no pigment company can be like that.

Rudraksh Raheja: Sure sir, understood. Sir, just one small clarification on this. I think this is the first time we have been very confident that we will get to this 85% mark and that too on the account of we are getting a very healthy response from the domestic market. So, just to get better clarity on this, like, what is it like? Have we already grabbed a lot of product and it would be easy to add more customers or is it the other way around? That we have added customers and now we can sell more products to them?

Arjun Jaykrishna: So, this is, actually it is a catch-22 and it is both those things. We realized and we have changed the way we look at business in the past year. You know, it is something that has helped us and helped the whole group in thinking of it, I think, the right way as opposed to halo here. As you said, we have a lot more number of products. So, we may be one-fifth the volume, but we have 10 times the amount of products already. And in terms of customers, the same thing. There we would have the top four customers in the world who take 80%. Here, we would have 70 different customers. It is a very different kind of a business. The way it is done is different. And why we are confident is a bunch of reasons all coming to this. One is obviously a larger product profile, which always helps the larger product basket. Second is having a reputed name and thing in the local market. We are starting to slowly build a reputation in the, as well as APC being a good, strong player. And as mentioned by CEO, you know, we may still be small and we are making incremental advances, but we are the only AZO maker that is growing in size, albeit slowly. So, that is the perception starting to build in the local Indian AZO customers market as well. And that is the reason that we are confident that we will continue to use that, use the better consistency, better work at the plant, coupled with larger number of products, a good, strong set of varied customers. And then obviously, it goes without saying that, as our CEO mentioned, 10% to 19% growth we have done. We are not satisfied and we will continue to push that number as high as we can. And we are working on it. There are certain things that are not in our control, but there are a lot of things that are in our control. So, we will continue to push in that direction and make sure that we are prepared in terms of products, in terms of consistency, when the opportunities come in terms of higher demand or lower tariffs. So, we will put ourselves in a good position. And to answer your question, while we are confident, I think earlier asked that, domestic business gives us the confidence, 100% it does. But at the same time, our confidence is also relying on the fact that we are confident of eventually continuing to grow our exports as well. So, it may be a little slower than expected, but we will continue to push that direction that will further help us grow and help boost our confidence as well.

Rudraksh Raheja: Understood, sir. Sir, some time back, Government of India announced an ADD on few of the AZO products. Is that also a contributing factor in our increased confidence for our domestic business?

Gokul Jaykrishna: No, because that has not materialized yet.

Rudraksh Raheja: Yet, but as and when, if it comes, would that help our business?

Gokul Jaykrishna: Of course, certainly, it will help Indian AZO industry itself. But zero impact yet, because it has not happened. And we are not factoring it till it happens.

Rudraksh Raheja: Fair enough. Understood, sir. Thank you so much for answering my question.

Moderator: Thank you. The next question comes from the line of Ashok Gupta from AG Investments. Please go ahead.

Ashok Gupta: Can you hear me?

Gokul Jaykrishna: Yes, Ashok bhai. Go ahead.

Ashok Gupta: Okay, good. Sir, my first question is about the Chhatral Utilization. Now that we have applied for the certification a month or so back, and it is expected to take minimum seven to eight months. And thereafter, getting the approval from the customers, which would again take, I do not know, three to six months or so. So, that means even considering that we may not be able to supply to the regulated market in the next financial year also. So, you have outlined two, three more other ways of increasing the capacity utilization. Keeping that in mind, what can be the capacity utilization of Chhatral plant by end of next financial year?

Gokul Jaykrishna: So, this is a difficult one. As I said, this is one of the main challenges that we have. And still we find an internal answer to it. It will be difficult to put a number on it. Our effort would obviously be to continue to utilize the capacity more. As soon as we do that, we should do better. But very difficult to put a timeline on when because there is a business development factor attached to it. And on the other side, the compliance side and the product development side, it takes a very long time to kick in. So, very difficult to put an exact number on this, unfortunately.

Ashok Gupta: Okay, so at Chhatral, the 60 tons per month capacity is only the pregabalin, right?

Gokul Jaykrishna: No, I mean, when I said 60, it is general capacity. That is a layman kind of language. The capacity here is talked about in, you know, Arjun or Mitesh can take this in terms of capacity. 60 tons is not pregabalin. We could do 60 tons of pregabalin. We could do 60 tons of a mix of different molecules. The total or even depending on the molecules, even possibly 65 tons. That is a combined capacity between the two plants.

Ashok Gupta: 65 tons including Odhav also?

Gokul Jaykrishna: Yes, both the plants. Both the plants.

Ashok Gupta: Okay, fair enough. And Odhav, you said that the utilization is at a good number. So, as per your standard, good number is what?

Gokul Jaykrishna: 95%.

Ashok Gupta: Okay, so this Chhatral, even when we reach good utilization, do we have space to increase the capacity in future?

Gokul Jaykrishna: Yes, we have significant space there. Land is, it is a nice plot and there is significant room for, you know, so there are two paths to it. We can increase capacity within the building block we already invested in. So, the second phase of CAPEX would be much more return on investment. I mean, investment to turnover ratio there would be much better than the first phase. And then we could have the third phase where we could replicate the whole capacity identically a twin capacity right next to it.

Ashok Gupta: Okay, so since you are not able to give a timing of the higher utilization of Chhatral, so my question is, irrespective of its utilization, if our AZO dyes picks up and so is the blue color, would it be possible for the company to reach 11% to 12% of EBITDA margin as and when it happens if both blue and AZO starts doing well?

Gokul Jaykrishna: Yes, that is possible.

Ashok Gupta: Okay, so last question on the AZO dyes, you said you would kick start as and when it reaches more than 80% capacity utilization. So, my understanding is I think 2400 is the capacity there. You would be adding an additional 2400 there?

Gokul Jaykrishna: I would not comment on it right now. We will eventually add 2400 additional. This we know, but that will not be in the next phase. In the next phase, we may up it by gradually because as I said earlier, we will not be embarking upon a major CAPEX. Most of it will be small CAPEXes where incremental capacity is added and we have some room to add some capacity within the existing building block itself. So, this would not be doubling the capacity or it will be smaller expansions in capacity as we need with very, very small CAPEX requirements.

Ashok Gupta: Okay, but there also you have sufficient space to go up to maybe three times or four times more than the current capacity, right?

Gokul Jaykrishna: Yes, we do. Yes, significant space.

Ashok Gupta: Okay, sir. Thank you very much and wish you all the best.

Gokul Jaykrishna: Thank you very much.

Moderator: Thank you. The next question comes from the line of Prashant Kumar Uttamlal, an investor. Please go ahead.

Prashant Kumar Uttamlal: Hello.

Gokul Jaykrishna: Yes I can hear you.

Prashant Kumar Uttamlal: Yes, good afternoon, sir. So, my question is like, we were already at 95% last year, right? And we used to do 13% to 14% kind of operating margin before three years or four years kind of, and we were at 9% or 10% last year. So, how do we see this segment operating margin will go ahead?

Gokul Jaykrishna: Arjun?

Arjun Jaykrishna: So, yes, you are right. We were seeing higher margins earlier. We are confident of increasing our margins to slightly higher numbers realistically to around 12%, 13%. We feel that the industry and the supply and demand situation is such that it would not allow for margins at some of our previous levels, but we are confident of raising it by a few percentage points next year itself and hoping to then make that a standard thing for coming few years.

Prashant Kumar Uttamlal: What was the reason for this to go down? Because blue segment, we are market leader and we have seen good environment, like economic environment, then what we have seen in 2016-17 right? So, still, we are below our 2016-17 years, like 2016-17 years margins, right? So, what could be the reason, right? Why we were at 9% or 8% once in a while, we were at 6% kind of thing. So, what was the reason? We used to say that we are leader.

Gokul Jaykrishna: So, we still say we are the leader. There is no change in that. Our margins are still leader margins. I mean, nobody in the industry is at 10% margins right now, EBITDA. So, we continue to remain leaders. The 2016-17 you are referring to was an aberration year with lower volumes and very high margins. And then we have had consistently good margins, just now the business environment is not good. It is actually, last three years, it has been a very, very poor business environment. It definitely bottomed out. And we should see an improvement at some point. But as of now, last three years, we have seen a very, very, very poor demand in business environment, where consolidation happens, and a lot of smaller players in the blue segment have gone, been pushed out of business also, which augurs well for the longer term health of the business.

Prashant Kumar Uttamlal: So, do you see like, overall capacity in India has gone down from what it was three years before?

Gokul Jaykrishna: There was overcapacity anyways. And from this overcapacity, quite a bit of that overcapacity has gone out. Yes.

Prashant Kumar Uttamlal: Right. So, now we are already working with 95% kind of like capacity utilization in the blue segment.

Gokul Jaykrishna: Not right now. Right now, we have dropped down to 70%.

Prashant Kumar Uttamlal: I know, I know. This is an aberration kind of thing. So, we are working with 90% to 95% kind of capacity utilization. So, are we seeing any CAPEX in this segment?

Gokul Jaykrishna: No. Not planning anything.

Prashant Kumar Uttamlal: Why so?

Gokul Jaykrishna: Because we would not want to deteriorate the quality of the business that we have. It is, see, there is already overcapacity in the industry. And that is why a lot of the small companies are going out of business. In that kind of environment, if you add capacity, it would be detrimental to my existing business, and would create unhealthy competition. Basically, I will be deteriorating the quality of my own earnings stream.

Prashant Kumar Uttamlal: Right. So, we are not going to see much kind of revenue increment from this capacity. We are looking for operating margin improvement from this.

Gokul Jaykrishna: Correct. So, no major revenue increase guidance, it would come to either improved prices or improved utilization, and absolutely no CAPEXes in the blue segment at all.

Prashant Kumar Uttamlal: Right. So, my next question is on AZO. So, how much CAPEX we have done for AZO's capacity?

Gokul Jaykrishna: I partly understand. I mean, you mean when? Now we are already done with the CAPEXes. There is no CAPEX happening.

Prashant Kumar Uttamlal: How much total we have spent for this capacity?

Gokul Jaykrishna: Mitesh?

Mitesh Patel: What?

Gokul Jaykrishna: The total CAPEX spent on the plant at Dahej would be about Rs. 85 crores?

Mitesh Patel: Rs. 85 crores, yes. Including some basic infrastructure.

Prashant Kumar Uttamlal: Right. So, on Rs. 85 crores, what kind of ROE we can expect? Because you say that after 60% kind of utilization, we will be at 80%. And then we are expecting up to 85% of capacity utilization with 12% to 13% kind of operating margin, right?

Gokul Jaykrishna: Correct. Not operating, EBITDA margins.

Prashant Kumar Uttamlal: EBITDA margins.

Gokul Jaykrishna: Operating would be upwards of 30%.

Prashant Kumar Uttamlal: Okay, EBITDA margin, right. So, with 85% kind of capacity utilization, we can be around Rs. 100 crore or Rs. 110 crore kind of revenue.

Gokul Jaykrishna: Rs. 110 crore, Rs. 120 crores also is possible, yes.

Prashant Kumar Uttamlal: Right. So, with 12% to 13%, it will come around Rs. 15 crore kind of thing. And then we have depreciation and inflation and everything else is going from that. Right. So, what kind of like, we are working for 6% to 7% kind of ROE?

Gokul Jaykrishna: So, ROCE we are expecting would be, should be about 11%, 12%. What happens is when we expand further, as we expand the capacity, the investment to turnover there is going to be significantly better. We are having right now on a Rs. 85 crore investment, a possibility of 1.3x or 1.4x turnover. In the next phase, the CAPEX that we do will have probably a 1 to 3 investment to turnover ratio. And hence the ROCE in phase 2 over the next two to three years will continue to improve there.

Prashant Kumar Uttamlal: So, we can see a good profitability after next expansion only, right?

Gokul Jaykrishna: Yes, in terms of, if you are talking about major improvement in ROCE and ROE, that would come as we expand, definitely. I mean, there would be unlock of ROCE and ROE as we improve our current business also, but that would not be magical. I mean, I would not double my ROCE straight away. That would happen quickly when we expand.

Prashant Kumar Uttamlal: Right. Sir, in this segment, how is the pricing like? It has bottomed out or it is like as usual, it has not gone through the pain or like, how do you see this?

Gokul Jaykrishna: It has already gone through substantial pain. Last three years, the pain has been significant. We have also bled and as many others in the industry. So, it looks like it bottomed out. Having said that, it is not like it is already starting to go up. There is enough uncertainties and benign demand that it is not going up, but there is no room for going down. So, that is comforting. I mean, the prices have bottomed out.

Prashant Kumar Uttamlal: Right. And the same question for API, right? So, like, how much CAPEX we have done for our new facility, Chhatral?

Gokul Jaykrishna: About Rs. 75 crores. Rs. 70 crores to Rs. 75 crores, yes.

Prashant Kumar Uttamlal: Okay. And we have bought this Atlas. Atlas capacity is from there only, right? The Odhav capacity is from only, we have not done anything in this Odhav capacity, right?

Gokul Jaykrishna: No, no.

Prashant Kumar Uttamlal: No, right? So, how much we have spent for that?

Gokul Jaykrishna: So, we acquired it at Rs. 56 crores.

Prashant Kumar Uttamlal: Rs. 56 crores plus Rs. 75 crores, so it is almost Rs. 121 crore directly.

Gokul Jaykrishna: Yes, about that.

Prashant Kumar Uttamlal: Right. And the same thing, like how much ROCE, ROE we are expecting from this?

Gokul Jaykrishna: So, there, so if we get to neutralize it.

Prashant Kumar Uttamlal: I think it is also going to take at three years from here, right?

Gokul Jaykrishna: Exactly. The turnover from this should be upwards of Rs. 250 crores over the years, and maybe even Rs. 300 crores depending on the product mix. So, the ROE and ROCE, they would be healthy. It would be probably 15% or 17% at Rs. 250 crores revenue.

Prashant Kumar Uttamlal: So, like all this product that comes from this, our API, right? So, they are considered as a commodity kind of thing, or it is like anything we have, we have some specialized product from there?

Gokul Jaykrishna: The pigments, as Arjun said, the pigments are absolutely specialty products. Extremely difficult to replicate and make. So, it is an entry barrier. And there is a substitute for these pigments. So, they are classic in nature. Even in 10 years, I would be, you know, the ink, paint, plastic industry would be using the same pigments because there is no competition in terms of product substitution. With the APIs, there is always a challenge of product substitution, though pregabalin per se is a product that does not have anything in terms of product substitution for the next five years. But you know very well with the API, the obsolescence in terms of product life cycles are there. So, you have to keep on, you have a capacity which is multi-product, and you can get new product and molecules ramped up in those capacities.

Prashant Kumar Uttamlal: All right. So, what I have noticed from this whole conference call is like we are working in the right path, but it will take at least two to three years to get to some point of like a some like good point of revenue and operating margin, right? That is true?

Gokul Jaykrishna: Yes, from the ROCE point of view, it is true. I mean, it will take two years to get to good ROCE numbers. Over the two years, within the two years, even next year, the ROCE should be much better than what we have now. So, the improvement in ROCE is not going to happen at the end of two years. It is a continuous process. We should be pushing to improve our ROCE through the two years as well. But the significant improvement would come once the ROCE kicks in, and that could take another year or so to start kicking in, then two years to show up.

Prashant Kumar Uttamlal: So, is there an internal target for ROCE, like after two years, how we can see a 18%, 20% kind of ROCE or like?

Gokul Jaykrishna: Yes, so upwards of 15%. Upwards of 15% ROCE. Definite internal target.

Prashant Kumar Uttamlal: So, last year, we already had 12%, right?

Gokul Jaykrishna: Yes.

Prashant Kumar Uttamlal: All right, all right. Okay, no problem. Thank you very much and all the best.

Gokul Jaykrishna: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Gokul Jaykrishna for the closing comments.

Gokul Jaykrishna: Thank you everyone for attending the conference call today. It was a pleasure interacting with you, some very interesting and very good questions today. And on behalf of our entire team, it was a pleasure interacting with you. Thank you and have a great day.

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