

BUILDING POSSIBILITIES

ATUL AUTO LIMITED
ANNUAL REPORT 2020-21



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VISION[➤]

Our vision is to contribute towards making the common people self-reliant, with our state-of-the-art technology, products and services. We strive to contribute in the eradication of poverty.



MISSION[➤]

Our mission is to fulfill our customers' needs and aspirations for mobility and solidity and to set benchmarks in technology, style and quality. We devote ourselves to cater to the common man's transportation needs by introducing environment friendly vehicles, empowered by technological advances.



CHAIRMAN'S LETTER



Dear Shareholders,

We are in the midst of unprecedented times due to the continued spread of COVID-19 pandemic all over the world. I would like to offer my sincere condolences to all who have suffered untimely bereavements and also salute the valor of all front-line workers and doctors who have continued to help us get through the tough times. I hope each of you along with your family members are getting vaccinated and continue to adhere to the various guidelines and are taking all necessary precautions.

Year FY 2021 has been the toughest for the automobile industry while the Indian Automobile industry closed with an overall decline of 13.6 percent. In March 2021, we were quite optimistic about the outlook for FY2021. The suddenness and ferocity of the second wave of the pandemic was a surprise to all, and led to lockdowns and restrictions in most parts of the country.

The COVID-19 pandemic took a heavy toll last year. The lack of any precedent or an adequate understanding of all the aspects of the virus, called upon our experts and policy makers to be extremely flexible and innovative in dealing with problems as they arose. I believe that despite our limitations of health infrastructure, we did very well to contain the adverse fall out. Our grateful thanks to all concerned.

Production and sales again dropped and the recovery that had started in the previous quarter suffered a setback. The performance in the next three quarters largely depends on how effectively all our citizens follow the government's advice to get vaccinated and observe safety protocols.

With 64.43 crore Indians Vaccinated (At least 1 dose) we can look ahead at a safer and better future.

Streamlining:

At Atul, we always look ahead while learning and growing from the past experiences. Atul is engineering the engine that will chart the future of the 3- wheeler

industry towards a brighter and better future. Other than upgrading our manufacturing facilities to comply with BS VI norms we have started on a journey to be a zero-emission society.

We now focus on creating the largest fleet of CNG variants which will help map the path towards less emission society.

The Electric Revolution

Crossing all the obstacles, we came a long way to building possibilities for the future with new technologies. We are determined to find solutions with our strong Research and Development of modern features for greater comfort and better performance.

After the launch of Elite - Electrical range of vehicles, we are looking at L5 engines which will further help mark greater profits for our customers.

The future at ATUL is blazing towards a new tomorrow of innovation.

Recuperate and bounce back

Even as we face the economic shock of COVID -19 pandemic, we at Atul are focused and looking at a brighter and bigger future. We are guided by our strong values and passion of innovation which pushes us to move forward each day.

We look forward to expanding the range of mid-sized passenger 3 wheelers segment to provide the much-needed last mile connectivity.

I believe in Atul's spirit to always come back stronger.

J J Chandra

Chairman & Managing Director

MANAGEMENT TEAM



Jayantibhai J Chandra
Chairman and Managing Director



Mahendra J Patel
Whole-time Director & CFO



Neeraj J Chandra
Whole-time Director



Vijay K Kedia
Non-Executive Director



Aarti J Juneja
Independent Director



Mohan Jit Walia
Independent Director



Jaichander Swaminathan
Independent Director



Vijay Kumar Goel
Independent Director
w.e.f. 25.08.2020



J V Adhia
President- Accounts & Finance



CORPORATE INFORMATION

AUDIT COMMITTEE

Aarti J Juneja, *Chairperson*
Mohan Jit Walia
Dr. Jaichander Swaminathan
Vijay Kumar Goel

NOMINATION AND REMUNERATION COMMITTEE

Mohan Jit Walia, *Chairman*
Aarti J Juneja
Dr. Jaichander Swaminathan
Vijay Kumar Goel

STAKEHOLDERS RELATIONSHIP COMMITTEE

Vijay Kumar Goel, *Chairman*
Aarti J Juneja
Mohan Jit Walia
Dr. Jaichander Swaminathan

CSR COMMITTEE

Jayantibhai J Chandra, *Chairman*
Aarti J Juneja
Mohan Jit Walia
Vijay Kumar Goel

RISK MANAGEMENT COMMITTEE

Mahendra J Patel
Neeraj J Chandra
Vijay K Kedia

STATUTORY AUDITORS

M/s. Kamlesh Rathod & Associates
Chartered Accountants

COMPANY SECRETARY AND COMPLIANCE OFFICER

Paras J. Viramgama

REGISTERED OFFICE & MANUFACTURING FACILITY

Atul Auto Limited
Survey No. 86, Plot No. 1-4,
National Highway 8-B,
Near Microwave Tower,
Shapar (Veraval),
Dist. Rajkot, Gujarat, India 360024
Phone: 02827-235500
E-Mail: investorrelations@atulauto.co.in
info@atulauto.co.in
Website: www.atulauto.co.in

REGISTRARS & SHARE TRANSFER AGENT

Link Intime India Private Limited
C101, 247 Park, LBS Marg,
Vikhroli West,
Mumbai, Maharashtra, India 400 083
Phone: 022 4918 6270
E-Mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in
SEBI Reg. No: INR000004058

BANKERS

IDBI Bank
EXIM Bank

STOCK EXCHANGES

BSE Limited
Script Code - 531795

National Stock Exchange
of India Limited
Script Symbol - ATULAUTO

OUR DIVERSIFIED PORTFOLIO OF PRODUCTS

ATUL // **Gemini**
(For export only)



PASSENGER 3+1



CARGO



PASSENGER 3+1

ATUL // **GEM**
DIESEL/CNG/LPG



CARGO



CARGO



PASSENGER

ATUL // **RIK**
CNG/LPG



PASSENGER



PASSENGER



PASSENGER

ATUL // **Elite**
ELECTRIC



PASSENGER



CARGO



DELIVERY VAN

ATUL // **Smart**
CARGO - CNG



CARGO



CARGO

ATUL // **Shakti**
3-WHEELERS
DIESEL CARGO



CARGO



CARGO

OUR PRESENCE

Overseas Presence

With quality and proven products, we have been expanding our reach in globe; the focus is to strategically enter the newer countries and expand the network in existing countries with product innovations and service commitment

India Presence

Within India, we are creating a stronger distribution network towards pan India presence. We are also creating a greater push towards the urban markets of our country with the product range of Diesel, Petrol, LPG, CNG and E- Rickshaw variants in addition to rural and semi urban markets.



INTERNATIONAL
presence in
15+ countries
and growing

DOMESTIC
Pan-India
Dealer network

FINANCIAL SCORECARD

(Rs. in Lacs except per share data, ratio and vehicles)

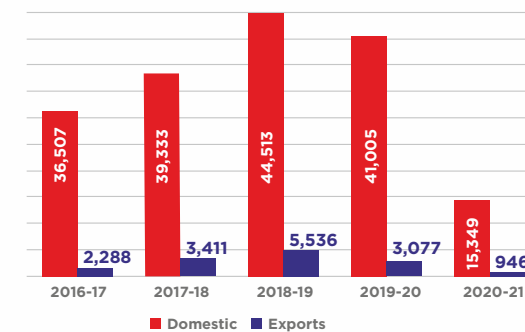
Particulars	2016-17*	2017-18*	2018-19	2019-20	2020-21
No. of vehicles sold	38,795	42,744	50,049	44,082	16,295
Total Revenue	47,779	55,855	67,363	62,848	29,776
Turnover (Net of Excise Duty & GST)	47,220	55,122	66,135	61,751	29,027
Profit before tax (PBT)	5,610	6,943	8,195	6,703	(1,320)
Profit before tax (%)	11.88%	12.60%	12.39%	10.85%	-4.55%
Profit after tax (PAT)	3,705	4,619	5,312	5,239	(1,020)
Net Profit Ratio	7.85%	8.38%	8.03%	8.48%	-3.51%
EBITDA	6,196	7,512	8,835	7,446	(576)
EBITDA Margin (%)	13.04%	13.51%	13.25%	11.91%	-1.95%
Paid up Share Capital (Equity)	1,097	1,097	1,097	1,097	1,097
Free Reserves & Surplus	17,327	20,842	24,763	29,228	28,226
Debt	-	-	-	-	1,500
Equity / Shareholders' Fund	18,425	21,939	25,860	30,325	29,323
Earnings per Share (Face Value Rs. 5/-)	16.88	21.05	24.21	23.88	(4.65)
Dividend %	85%	105%	80%	30%	-
Dividend Payout Ratio	30.08%	30.04%	19.92%	7.57%	--
Market Capitalization	102,464	96,813	74,596	30,578	39,223
No of vehicles manufactured	38,981	42,660	50,153	43,408	16,432
+Capacity Utilisation	64.96%	71.10%	83.59%	72.35%	27.39%

+ Installed Capacity: 60,000 Vehicles Per Annum

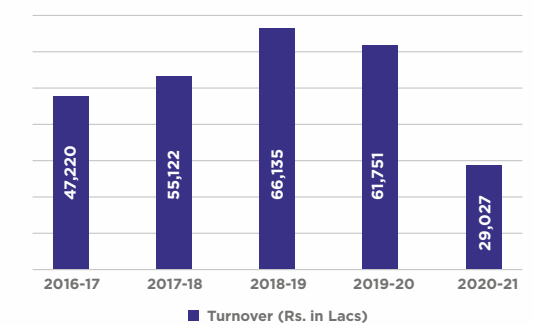
*Total revenue for the periods prior to GST implementation have been adjusted suitably for Excise duty on sale of goods, to enable comparability of Revenue for these periods. Hence these figures are not strictly comparable.

KEY TRENDS

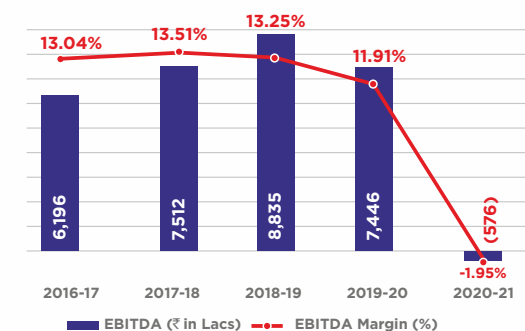
No. of Vehicles sold



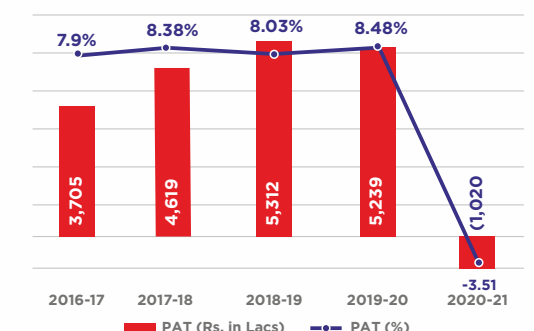
Turnover



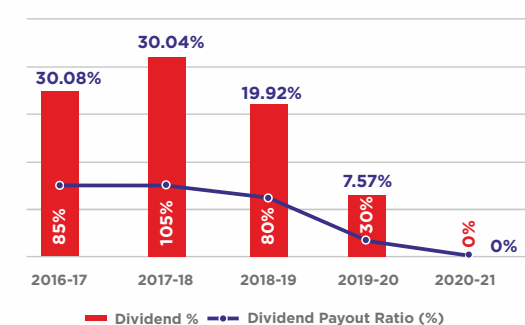
EBITDA



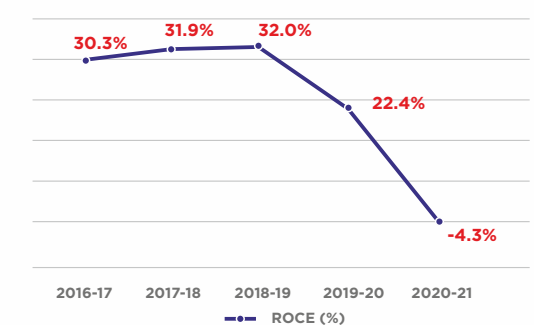
Profit After Tax



Dividend



ROCE



MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY DURING FISCAL 2021

Global

FY 2020-21 has been an unprecedented year, with the COVID-19 pandemic impacting human life extensively across the globe. Its impact on the economic front, too, has been significant. The slowdown across economies witnessed in late 2019 exacerbated further in 2020 due to the shock delivered by the pandemic. As a result, the global GDP is believed to have contracted by ~3.2% in 2020, with all major economies moving into negative territory. China was the only exception amongst the major economies to have posted a positive growth in 2020, albeit at a much lower rate of 2.3%.

Moreover, the worldwide inoculation drive has fostered hopes of a new beginning that has the potential to successfully curb the spread of the pandemic. However, caution prevails due to the resurgence of new variants of the corona virus in various countries. Additional stimulus and government support across the globe is likely to push the recovery closer, as witnessed in the Q3 GDP numbers, however the entire Q4 was again affected by new strains of the corona virus leading to another wave in many countries of the world.

The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The prospects of a global economic revival still remain uncertain due to the emergence of new corona virus strains in different parts of the world. However, the vaccination drive along with government support remains the key to navigate through these trying times.

Many emerging and developing economies were already experiencing weaker growth before this crisis, the shock of COVID-19 now makes the challenges these economies face even harder.

Indian

The Indian economy too witnessed similar stress, with the nationwide lockdown from end March 2020 bringing business activities to a standstill for the major part of April and May 2020. According to the National Statistical Office ("NSO"), India's GDP is estimated to contract by 7.3% in FY 2020-21, which is less than the earlier estimates of an 8% drop. An accommodative monetary policy from the Reserve Bank of India (RBI) and fiscal policy interventions by the central government, coupled with the gradual reopening of the economic activities from June 2020, have led to a sequential recovery in economic output. India's real GDP clocked a 0.4% growth in the October-December 2020 quarter on a year-on-year basis after a sharp fall in the first two quarters of FY 2020-21. However, the recovery is largely centered around the formal part of the economy. The informal players, especially the Micro, Small and Medium-sized Enterprises (MSMEs) in many industries have taken a disproportionately large hit. Inflation picked up over the year, despite the pandemic, primarily led by food inflation and higher fuel taxes. On the exchange rate front, post the initial bout of depreciation

in the Indian currency in the beginning of the financial year, the currency has been relatively well supported on account of robust portfolio inflows in the economy as well as a better current account position.

India has been severely affected by a second wave of the COVID-19 and hospitals in several states were under the shortage of health workers, vaccines, oxygen, medicines and beds. Several states have introduced varying levels of curbs on economic activity and public movement to stop the spread of the virus. The respective state governments have imposed restrictions as they were witnessing surges in the COVID-19 cases. Hence, we have witnessed weaker first quarter in FY 2021-22 on account of supply disruptions and COVID-19 pandemic in India as well as globe. We expect gradual sequential recovery as supply chain and COVID-19 situations improve.

AUTO INDUSTRY

Financial Year 2020-21 was a very challenging year for the Indian auto industry. The industry could produce a total 2,26,52,108 vehicles clubbing all segments i.e. Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycles as against 2,63,53,293 in FY 2019-20 and 3,09,14,874 in FY 2018-19, registering a de-growth of (-) 14.04 percent over the same period last year and (-) 26.73 percent over FY 2018-19.

Among this, three wheeler industry was the worst hit, which is explained in details as per below data of domestic market and international market:

Domestic Market

Three wheeler industry was worst hit by COVID-19. In FY 2021 intra and inter-city movements were significantly curtailed and buyers kept three-wheeler purchases in abeyance. Consequently, industry-wide domestic sale of three-wheelers crashed by 66% from 6,37,065 units to 2,16,197 units.

In this challenging industry situation, Atul sold 15,349 three wheelers in domestic market in FY 2021 against 40,711 units last year. Among this, the sales of passenger and cargo three wheelers de-grew by (-) 53.31% and (-) 71.51 % respectively whereas E-Rickshaw sales grew by 14.41%.

International Market

The international market for three wheeler industry showed de-growth of (-) 21.67% in FY 2021, in compare to FY 2020. Indian exports of three wheeler decreased from 5,01,651 in FY 2020 to 3,92,941 in FY 2021. This downfall was on account of global growth decelerated markedly in FY 2021 with continued weakness in global trade and investment due to wide spread impact of COVID-19 pandemic. Not only advanced economies, but Emerging Markets and Developing Economies also felt the jerk, which are the potential markets for three wheeler industry.

Atul's export declined sharply from 3371 vehicles in FY

2020 to 946 vehicles in FY 2021. This de-growth of (-) 71.94% is due to weak international demand due to COVID-19 throughout the year and supply-chain disruption. The Company continues its efforts to grow on-ground presence, to expand product portfolio and strengthen brand in key international markets.

RESEARCH AND DEVELOPMENT

Though the year was troubling through the impact of COVID-19, the Company has been strategically making required investment in Research and Development Activities. The main focus of the Company in sphere of R&D is on electric vehicle capable of providing the comfort that is being given by the alternate fuel three wheelers. The Company has also launched its new version of Atul Rik Alternate Fuel Three Wheelers with a strong support of R&D.

The R&D team continues their efforts in developing cutting-edge technologies that are relevant for the near and long-term requirements of the Company's business plans. These developments are centered on customers, emerging mobility needs, providing advanced safety systems and sustainability. The Company continues to leverage global talent through several co-operations with Indian and global expert organizations.

Alternate Fuel 3W

The Company has been moving steadily into Alternate Fuel 3W (Petrol/ CNG/LPG) space. As part of Company's commitment to make constant embellishments in its Alternate Fuel 3W space, the Company has launched its new range of Alternate Fuel 3W Atul Rik starting with the selected markets which is considered as best in class in terms of comfort and economy in 0.35 ton passenger segment.

Electric Vehicles (EV)

Backed with the rich experience in the three wheeler industry, the Company understands the need of the day, value of environment and importance of sustainability. The Board considers the introduction of Green 3 Wheeler a new era for the industry as well as for the Company. Considering the benefits provided under FAME II (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles) and rising fuel costs, the Boards believes in bright future of electric three wheeler and necessary developments are going into this segment. The Company has a set plan to develop Lithium-ion Battery Packs from its Wholly Owned Subsidiary. All together new model with upgraded features is under development to be powered with Lithium-ion Battery, which will be able to compete conventional 3 wheelers and will carry distinct advantages like low operating cost, less charging time and comfort for passengers.

OPPORTUNITIES AND THREATS

The whole automobile industry has been transforming towards greater safety and greener environment. Considering the importance of automobile industry to the economy, its potential for generating employment opportunities and its backward and forward linkage with several sectors, the Government is keen to support its development.

FY 2021 was the difficult year for the auto industry and FY 2022 seems more challenging one due to lockdowns

and uncertainties arising from second wave of COVID-19. The COVID-19 pandemic is causing paradigm shifts in consumer behaviour affecting many industries including the automobile Industry. Social distancing norms followed across the globe due to COVID-19, could become the new normal. People may move away from use of shared/ public transport solutions. This changed preference would lead to enhanced need for a separate mobility solution like three wheeler automobiles than travelling by local train/ buses.

The Government is actively pursuing the plan for electrification of the vehicle fleet and has announced the benefits under FAME II (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles) policy. The industry is gearing up for meeting this challenge on the technology and product fronts. Having required technology support and R&D strength, the Company is satisfactorily progressing to have electric three wheeler with Lithium-ion battery.

With new range of Alternate Fuel 3W (Petrol/ CNG/LPG) and recovery of economic activities in the world amongst COVID-19 pandemic, the Company expect to have deeper penetration in existing markets and entering into new countries to expand the international business.

RISKS AND CONCERNS

Uncertainty that rules the whole world in this health crisis put by COVID-19 and its possible waves. Though the Company's business is exposed to many internal and external risks, the risk posed by COVID-19 is so heavier that the Company as well as industry is strategically finding the ways to mitigate adverse results of it.

The state-led lockdowns that began in the first quarter of FY 2022 to contain the spread of second wave of corona virus stand still the economic activities in the Country. This resulted in very significant business in first quarter of the year which has a risk of negative growth in FY 2022.

The hit of COVID-19 and specifically its second wave on low income group families are very severe who the actual buyers of three wheeler automobiles are. They are more worried on satisfying their day to day needs. This may lead them to conserve cash and may delay their buying decisions of new vehicle.

Dealers of the Company are facing working capital stress since the cycle of retail sales are increased due to demand constraint. The Company provides the necessary support and consultation to secure the availability of dealer finance and minimize the risk. The results of measures taken by Government and RBI for enhancing availability of credit may help the dealers in managing working capital.

While more than 90% sales of three wheelers are dependent on finance by NBFCs & financial institutes like bank etc., the availability of retail finance has become the major concern. Right from the lockdown was declared in the last fortnight of March 2020, the collection cycle has been disturbed. On the other hand, the collection of existing loans by financiers is very insignificant due to moratorium announced by RBI as part of measures to revive the business activities in COVID-19 pandemic and the impact of second wave of COVID-19 on the income of