



ATUL LIMITED

A MEMBER OF LALBHAI GROUP

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Report  junction.com

Annual Report
1996-97

CORPORATE MISSION

We are a chemical company in pursuit of creating wealth.

We will endeavour to become leaders in our chosen markets by providing quality products and services to our customers. We will seek profitable growth by innovative application of science and technology.

Our employees will strive for excellence in all that they undertake. We will support them to continuously improve.

We will take responsible care of the environment around us and improve the quality of life in the communities we operate in.



ATUL LIMITED

(Formerly Atul Products Limited)

20th Annual Report 1996-97

Directors :

Mr Siddharth Kasturbhai

(Chairman & Managing Director)

Mr Keshub Mahindra

Mr Nusli N Wadia

Mr Manan Lalbhai

(Managing Director)

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr Sunil S Lalbhai

(Managing Director)

Mr Manu R Shroff

Mr Bansi S Mehta

Mr Hasmukh S Shah

Dr H Kaiwar

Dr K Aparajithan

Mr A N Palwankar

(Nominee of UTI)

Mrs Shalini S Shah

(Nominee of ICICI Ltd.)

Secretary :

Mr T R Gopi Kannan

Auditors :

Messrs Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co.

Contents Page No.

Notice	3
A ten years' review	6
Directors' Report	7
Statement u/s 212	11
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules	16
Notes on Accounts	30
Statement of significant accounting policies	38
Balance Sheet Abstract	40
Cash Flow Statement	41
Subsidiary Companies :	
Ameer Trading Corporation Ltd.	43
Anusandhan Investments Ltd	51
Atul America Inc.	57
Atul Europe Ltd.	61
Cibatul Limited	64
Sharik Invesments Ltd	86

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ellisbridge
Ahmedabad 380 006
Gujarat, INDIA

Bankers :

State Bank of India
ANZ Grindlays Bank
Bank of Baroda
Bank of India
United Bank of India
Credit Lyonnais
Banque Indosuez

Atul® Limited

1. Notice of Twentieth Annual General Meeting of the Company to be held on Monday, September 29, 1997 at 10.30 A.M. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad - 386006, to transact certain ordinary and special business and explanatory statement in accordance with the provisions of section 173 of the Companies Act, 1956 are attached.
2. Members intending to require information about accounts to be explained in the meeting are requested to inform the Company at its registered office, at least 7 days in advance of the annual general meeting.
3. Members are requested to bring their copy of the annual accounts to the annual general meeting. It may please be noted that the same will not again be distributed at the time of the annual general meeting.

Distribution of Shareholding
(As on 31.03.1997)

No. of Shares	No. of Accounts	Total Shares
1 to 10	5,976	34,866
11 to 50	25,031	698,626
51 to 100	8,627	686,848
101 to 500	12,161	2,739,017
501 to 1000	1,760	1,220,509
1001 to 5000	1,039	2,015,902
5001 to 10000	96	683,956
OVER 10000	141	21,581,909
Total	54,831	29,661,633



NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the shareholders of the Company will be held on Monday, the 29th September, 1997 at 10.30 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380006, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at March 31, 1997 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Siddharth Kasturbhai, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr Hasmukh S Shah, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr Manu R Shroff, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. To appoint a Director in place of Dr H Kaiwar, who retires by rotation under

Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT Messrs Dala. & Shah, Chartered Accountants, be and they are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting, on a remuneration of Rs 6,00,000 (Rupees Six Lacs Only) plus the reimbursement of expenses incurred by them for attending to the audit work of the Company."

SPECIAL BUSINESS :

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

RESOLVED THAT pursuant to the provisions of Section 372 of the Companies Act, 1956 and subject to the previous approval of the Central Government under Section 372 and other applicable provisions, if any, of the Companies Act, 1956 or any amendments or modifications thereof and subject to such other approvals / permissions as may be necessary under any other law for the time being in force, the Board of Directors of the

Atul® Limited

Company be and is hereby authorised to invest upto 100% in the equity share capital of Atul Pharmaceuticals Limited, so as to make it a subsidiary of the Company notwithstanding that the investment made by the Company in Atul Pharmaceuticals Limited together with proposed investments may exceed the percentage(s) prescribed from time to time by and under the provisions of Section 372 of the Companies Act, 1956 or any amendments or modifications thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds or things as may be deemed expedient or necessary to give effect to this resolution.

By Order of the Board

T R Gopi Kannan

Vice President-Finance &
Company Secretary

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Roads
Ahmedabad - 380 006

June 27, 1997

N. B.

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

2. **Appointment of Auditors :** It may be noted by the members that a Special Resolution for the appointment of Auditors is to be passed pursuant to Section 224A of the Companies Act, 1956 as the Public Financial Institutions and Nationalised Banks together hold not less than 25% of the Subscribed Capital of the Company.
3. **Annexure :** An Explanatory Statement as required by Section 173 of the Companies Act, 1956, is annexed to this notice.
4. Printed copies of the Balance Sheet, the Profit & Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 1997 are enclosed herewith.
5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from August 8, 1997 to August 23, 1997 (both days inclusive).
6. **Distribution of Dividend :** Dividend on Equity Shares, if sanctioned by the General Meeting, shall be paid to those shareholders whose names appear on the Register of the Company on August 23, 1997. The members are requested to notify immediately any change in their address.
7. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and up to the financial year ended on March 31, 1993. The concerned members may therefore submit their claims to the Registrar of Companies, Gujarat, Ahmedabad.



EXPLANATORY STATEMENT :

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the item of the Special Business under Item No. 8 mentioned in the accompanying Notice dated June 27, 1997.

Item 8

Pursuant to Section 372 of the Companies Act, 1956, the Board of Directors of the Company is authorised to invest in the shares of any other body corporate upto 30% of the subscribed Equity Share Capital or the aggregate of Paid up Equity and Preference Share Capital of such other body corporate, which ever is less, provided that the aggregate of such investments in all such bodies corporate does not exceed 30% of the aggregate of subscribed capital and free reserves of the Company. In case of the investments by the Company in excess of the above prescribed limits, sanction of the Company in General Meeting and previous approval of the Central Government are required.

Atul Pharmaceuticals Limited (APL) has been formed with the main objective of manufacturing and selling pharmaceutical products. It presently has an authorised capital of Rs 10/- Lacs and subscribed and paid-up equity capital of Rs 70/-.

Atul Limited (Atul) is engaged in the business of pharmaceuticals. The existing pharma business of Atul is a meagre five percent of the turnover. By forming a separate company, it is hoped to bring about exclusivity in pharmaceutical sciences to achieve rapid growth. The technology involved is different from the existing high tonnage manufacture of dyes, intermediates and bulk chemicals. It will involve small tonnages of high value and purity. The chemistry involved in the manufacture of pharmaceuticals is research intensive and requires highly

skilled manpower. It is necessary to obtain US FDA approvals as well as set up GMP facilities with utmost speed which is possible in a small and well-knit company. It is felt that this can be achieved through a subsidiary of Atul Limited, which will have a sharper focus on pharmaceuticals. The project cost is estimated to be about Rs 10 Crores which is proposed to be financed in a phased manner through a suitable mix of equity and debt.

In order to make APL a subsidiary of Atul Limited, Atul Limited needs to invest in more than 30% of the subscribed equity capital of APL and under the provisions of the Companies Act, 1956 explained above, such investment is to be sanctioned by a resolution of the company in general meeting. It is considered desirable that the Board of Directors should be entitled to invest in the equity share capital of APL upto 100% of such equity capital. After obtaining the sanction of the members, an application will be made in the prescribed format to the Central Government for obtaining its previous approval for the aforesaid investment. The Board recommends this resolution for your acceptance.

None of the Directors of the Company except Mr Sunil S Lalbhai as a member holding one equity share of Rs 10/- each, and Dr H Kaiwar as a Director and as a member holding one equity share of Rs 10/- each of Atul Pharmaceuticals Limited, is in any way concerned or interested in the resolution.

By Order of the Board
T R Gopi Kannan
Vice President-Finance &
Company Secretary

Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Roads
Ahmedabad - 380 006

June 27, 1997

1987/1996-97 - ATENYEARS' REVIEW

(Rs in lacs)

OPERATING RESULTS:	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987
REVENUE	48635	42478	26726	26469	23923	21546	19343	17943	20149	10196
GROSS PROFIT	3889	3580	2564	2196	1495	1473	1676	1393	980	592
DEPRECIATION	2161	2086	984	768	791	691	482	736	545	403
TAXATION	207	5	32	2	2	-	(4)	70	45	(13)
NET PROFIT	1521	1489	1566	1426	702	782	1198	587	390	202
DIVIDENDS	782*	870	616	392	319	246	246	198	221	150
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	523	232	931	1034	383	536	952	389	169	52

FINANCIAL POSITION :

(Rs in lacs)

GROSS BLOCK	44177	40711	23082	19480	17408	14662	13243	10623	9816	7740
NET BLOCK	26252	24897	13842	11183	9609	7504	6755	4592	4455	3308
NET CURRENT & OTHER ASSETS	31114	29032	12917	12822	8368	8791	6182	5499	4975	4239
CAPITAL EMPLOYED	57366	53929	26759	24005	17977	16295	12937	10091	9430	7547
EQUITY SHARE CAPITAL	2966	2966	2593	1744	1363	982	982	786	786	750
RESERVES AND SURPLUS (b)	18087	17627	13351	9472	7419	5149	4611	3681	3291	4095
SHAREHOLDERS' EQUITY	21053	20593	15943	11216	8782	6131	5593	4467	4077	4845
PREFERENCE SHARE CAPITAL	950	900	-	-	-	-	-	10	10	-
BORROWINGS	35363	32436	10816	12744	9195	10164	7344	5614	5343	2702

PER EQUITY SHARE :

(In Rupees)

DIVIDENDS (e)	* 2.00	3.00	3.00	2.75	2.50	2.50	2.50	2.50	2.80	20
(*tax free)										
BOOK VALUE (b), (e)	71	69	61	64	64	62	57	57	52	646

Notes :- (a) After adjusting amounts in respect of previous year/s.

(b) Including Revaluation Reserve created in 1985 Rs785 lacs and Capital Reserve of Rs.678 lacs on amalgamation.

(c) The figures upto 1987 are of erstwhile 'The Atul Products Limited' only before amalgamation with the Company formerly named 'Gujarat Aromatics Limited'.

(d) Accounts for 1988-89 are for 15 months period.

(e) From the year 1988-89 the face value of Equity Share is Rs10/- each.

(f) The figures of 1995-96 onward include figures of erstwhile Atic Industries Ltd. which amalgamated with the Company w.e.f. 1.4.1995.



DIRECTORS' REPORT

To

The Members,

The Directors of Atul Limited present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 1997.

FINANCIAL RESULTS:

	(Rs in lacs)	
	1996-97	1995-96
Profit before taxation	1728	1494
Taxation	207	5
Profit after tax	1521	1489
Balance brought forward	2061	1604
Profit & Loss Account balance on 1.4.1995 of erstwhile		
Atic Industries Limited	-	414
Transferred from Export Profit Reserve	-	38
Transferred from Investment Allowance Reserve	40	538
(Debits)/Credits relating to earlier years	(216)	(387)
Disposable surplus	3406	3696
Appropriation:		
Debenture Redemption Reserve	1560	265
General Reserve	101	500
Preference dividend paid	129	37
Proposed Dividend	593	833
Dividend Tax on above	60	-
Balance carried forward	963	2061
	3406	3696

DIVIDEND:

The Directors recommend payment of dividend of Rs. 2/- per share on 2,96,61,633 Equity Shares of Rs10/- each fully paid-up as on April 01, 1996.

INCREASE IN CAPITAL:

During the year the Company issued 50,000 14% Cumulative Redeemable Preference Shares of Rs100/- each amounting to Rs50/- lacs.

PROFITABILITY:

The operating profit (profit before interest, depreciation & tax) increased from Rs5994 lacs during the previous year to Rs8503 lacs in the

current year, largely attributable to the operating income earned and received by restructuring selling arrangements in international markets for some products of the Company. Please refer to the elaborate details of such operating income given in Note No.14 of Schedule 17 of the Accounts.

The operating margins were under pressure due to higher input costs, inability to pass on cost increases to customers owing to market conditions, particularly the competition from cheap imports and stagnant sales in certain product groups which outweighed the growth in operating profits from Aromatics Division and improved profitability in some product group of Dyestuffs Division.

During the year, the net interest cost increased by Rs2200 lacs to Rs4614 lacs mainly due to the loans taken for acquisition of erstwhile Atic Industries Limited towards the last quarter of the previous year. After absorption of higher interest costs, the profit before tax increased by 16% from Rs1494 lacs to Rs1728 lacs. Due to the incidence of minimum alternate tax (MAT), the tax liability increased from Rs5 lacs to Rs207 lacs, further restricting the growth in profit at the profit after tax level to 4% only, from Rs1489 lacs to Rs1521 lacs.

BUSINESS PERFORMANCE:

Agro-chemicals and Pharmaceuticals Division:

The total sales of the Division were maintained at Rs33 crores during the year despite adverse market conditions. The Division experienced mixed results; while the agro-chemicals business recorded an appreciable volume growth of more than 15%, the pharmaceuticals business recorded an equivalent decline. The performance of the Division on the exports front was commendable. At Rs7.18 crores, exports grew a steep 34% with herbicides product group faring exceedingly well. Significant increases came from Belgium, Thailand, Germany and the U.K.. During the year, the Division obtained ISO 9002 certification for phenoxy and urea herbicides from TUV Bayern of Germany; this important milestone achieved will help in promoting the relevant products in the international markets in future. Two important

Atul® Limited

product registrations, namely, for a herbicide in Thailand and a pesticide in India were obtained. Work has commenced for further expansion of manufacturing capacity of herbicides from 1200 tpa to 2400 tpa.

Aromatics Division:

The Division continued to grow rapidly. The sales of own-manufactured goods at Rs6013 lacs was higher by over 60% compared to the previous year. This was achieved over the higher base reached after a growth of 48% achieved in the previous year. Significant breakthrough was achieved in exports which at Rs1666 lacs grew by 160%, mainly due to the performance of para anisaldehyde which found a very wide acceptance in the international markets, particularly in Germany and the USA. The new plant for manufacture of 3000 tpa of para cresol will be commissioned and commercial production will commence soon. The Division continued to be a leader in its chosen products.

Bulk Chemicals and Intermediates Division:

The sales of own-manufactured goods at Rs6602 lacs registered a growth of only 5% after achieving a growth of 14% last year. This tapering off was a fall-out of the sluggish conditions in both the domestic and export markets. Cheaper imports affected some products. The Caustic/Chlorine product group was affected by depressed selling prices resulting from excess capacity and increased input costs due to the steep increase of 28% in the price of electricity supplied by Gujarat Electricity Board from November 1996. High volume growth could have been achieved only by substantially reducing selling prices and sacrificing profitability, which the Division avoided. Chlorosulphonic acid was a star performer. It showed a sales volume growth of 47% over and above the growth of 50% achieved last year.

There was a wide fluctuation in the prices of imported raw materials like Beta naphthol and Naphthalene. The reduction in import duty of 10% for most of the imported materials was more than offset by the increase in price of purchased electricity. During the year, the Caustic/Chlorine plant was revamped to achieve significant reduction in the power consumption per ton of finished product.

Dyestuffs Division:

1996-97 was a year of consolidation for the Division, following the integration of the business of the erstwhile Atic Industries Limited with that of the Division. The total sales at Rs22605 lacs showed a modest growth of 4% compared to the previous year; however certain product groups recorded strong gains. Export of vat dyes grew by a significant 18% and the sales of sulfur dyes also recorded a like growth of 18%.

The performance improved due to continued focus on manufacturing efficiency and sales of high value-added dyestuffs both in domestic and export markets.

The Division is emerging from two years of restructuring with improved returns on both assets and sales. The increased emphasis on process developments, manufacturing technology, marketing and introduction of new products in the chosen areas would be reflected in better performance in the coming years.

Infrastructure Unit:

Management and operations of all infrastructural facilities of the erstwhile Atic Industries Ltd were integrated with those of the Company under the newly formed Infrastructure Unit (IA) with the purpose of bringing focus and achieving synergies. Under the purview of IA are included Water, Steam, Electricity, Captive Power Generation, Yard Services, general services, time-keeping, effluent treatment, SHE, Estate maintenance, House-keeping and community relations.

Captive power generation from existing TG Set was 593 lacs kwh units which was about 41% of total power consumed during 1996-97.

During the year, good progress was made on the Power Project started last year. All major imported as well as indigenous components of the new condensing/extraction 18 MW TG set has been received and installed. The machine is expected to generate full load which will meet full power requirement of Atul site of the Company by October 1997.

Actions were initiated for greater emphasis on energy conservation and reduction in water consumption.