Atul

# 1999-2000
# Annual Report



ATUL LTD

Atul 396020, Gujarat, India

A MEMBER OF LALBHAI GROUP

# MISSION

We are a chemical company committed to creating wealth for all our stakeholders.

We will strive for leadership in our chosen products and markets by providing high quality products and services to our customers. We will seek profitable growth by innovative application of science and technology.

We will pursue excellence in all that we undertake and take steps 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 LTD

**23rd Annual Report 1999-2000**

**Directors :**

Mr Arvind Narottam Lalbhai
(Chairman)

Mr Keshub Mahindra

Mr Nusli N Wadia

Mr Manan N Lalbhai
(Managing Director upto 21.12.1999)

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 J L Shah

Mr A N Palwankar
(Nominee of UTI)

Mrs Shalini S Shah
(Nominee of ICICI Ltd)

Mr Samveg A Lalbhai
(Additional Director)

**Secretary :**
Mr T R Gopi Kannan

**Auditors :**
Messrs Dalal & Shah
Chartered Accountants

**Cost Auditors :**
R Nanabhoy & Co

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**Registered Office :**
Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ellisbridge
Ahmedabad 380 006
Gujarat, India
E-Mail : sec@atul.co.in
Web Site : www.atul.co.in

**Bankers :**
State Bank of India
Bank of Baroda
Bank of India
Uco Bank
Credit Lyonnais
Dena Bank
Karur Vysya Bank
State Bank of Saurashtra
Banque Nationale De Paris
ICICI Bank

# NOTICE

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the shareholders of the Company will be held on **Friday, the 18th August, 2000** at 11.00 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380 006, to transact the following business:

***ORDINARY BUSINESS :***

1. To receive, consider and adopt the Balance Sheet as at March 31, 2000 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 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.
3. 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.
4. 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.
5. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

   "RESOLVED THAT Messrs Dalal & 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 Rs10,50,000/- (Rupees Ten Lacs Fifty Thousand only) plus applicable service tax and the reimbursement of expenses incurred by them for attending to the audit work of the Company."

**SPECIAL BUSINESS :**

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

   "RESOLVED THAT Mr Samveg A Lalbhai retiring at this Annual General Meeting, having been appointed as an Additional Director, being eligible offering himself for appointment and in respect of whom the Company has received a notice in writing under Section 257 of companies Act, 1956 from a member proposing his candidature, be and is hereby appointed a Director of the Company."
7. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :

   RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other permissions as may be necessary to be obtained from the concerned authorities, secured creditors and other relevant persons, if any, the Board of Directors of the Company be and is hereby authorised to sell, lease or otherwise dispose of the whole or a part of the undertaking of the Company known as "Atul Complex East Site" for such consideration and on such terms and conditions as it may deem fit.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform any act, deed, matter or thing as it may in its absolute discretion deem necessary and to execute any document or writing for the purpose of giving effect to this resolution.

By Order of the Board

**T R Gopi Kannan**
President, Finance &
Company Secretary

June 23, 2000

**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 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 Share 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, 2000 are enclosed herewith.
5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 17, 2000 to July 21, 2000 (both days inclusive).
6. **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, 1995. 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 items of Special Business under item Nos. 6 and 7 mentioned in the accompanying Notice, dated June 23, 2000.

**Item No. 6**

Mr Samveg A Lalbhai was appointed as an Additional Director on January 21, 2000. He has wide knowledge and experience in textiles and general management. The Company can substantially benefit from the experience and knowledge of Mr Lalbhai. Your Directors recommend the passing of this resolution.

No Directors except Mr Samveg A Lalbhai and Mr Arvind N Lalbhai, a relative of Mr Samveg A Lalbhai, are interested in or concerned with this Resolution.

**Item No. 7**

The undertaking referred to as "Atul Complex East Site" (the undertaking) includes the older business comprising of bulk chemicals, dye intermediates and commodity dyes. These businesses are not performing well and the resulting losses from operations are pulling down considerably the profits from other undertakings/businesses. Amongst bulk chemicals, the caustic soda business is adversely affected due to the problem of excess capacity in the industry and consequent low plant utilisation and increase in fuel prices resulting in increased cost of power which is the main input. The dye-intermediate industry has been severely affected due to the recession in Textile Industry worldwide. Fierce competition from China and the unorganised sector is compelling to discontinue certain commodity products leading to further lower capacity utilisation. Similar problems are experienced in commodity dyes. Any meaningful restructuring of the said loss-making undertaking would involve selling, leasing or otherwise disposing of the whole or a part of the said undertaking. The options available to the Company for restructuring also includes the hiving off of some of the said operations of the undertaking into a separate company, possibly as a joint venture with a strategic partner who can bring new technologies/products and/or superior marketing capabilities. The plants of the said undertaking are located at Atul, Dist. Valsad and charges have been created against the assets of the said undertaking in favour of secured creditors such as financial institutions and banks for obtaining loans from them. In terms of the agreements entered into with such creditors, their consent would be required to sell, lease or otherwise dispose of the said undertaking.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a public company shall not, except with the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking. The undertaking referred to above may be considered as an undertaking of the Company in terms of the said section and its sale, lease or disposal otherwise accordingly requires consent of the members of the Company at a general meeting.

The Directors recommended the passing of this ordinary resolution in order to improve the profitability of the operations of the Company.

None of the Directors is concerned or interested in this resolution.

By Order of the Board

**T R Gopi Kannan**
President, Finance &
Company Secretary

***Registered Office :***
Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ellisbridge
Ahmedabad - 380 006.

June 23, 2000

## A TEN YEARS' REVIEW

(Rs in lacs)

| OPERATING RESULTS: | 1999-2000 | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 | 1993-94 | 1992-93 | 1991-92 | 1990-91 |
|---|---|---|---|---|---|---|---|---|---|---|
| REVENUE | **53497** | 56776 | 47400 | 48635 | 42478 | 26726 | 26469 | 23923 | 21546 | 19343 |
| GROSS PROFIT | **2513** | 6163 | 4210 | 3889 | 3580 | 2564 | 2196 | 1495 | 1473 | 1676 |
| DEPRECIATION | **3016** | 3064 | 2381 | 2161 | 2086 | 984 | 768 | 791 | 691 | 482 |
| TAXATION | **5** | 235 | 136 | 207 | 5 | 32 | 2 | 2 | – | (4) |
| NET PROFIT | **(508)** | 2864 | 1693 | 1521 | 1489 | 1566 | 1426 | 702 | 782 | 1198 |
| DIVIDENDS | ***85** | *610 | *455 | 782* | 870 | 616 | 392 | 319 | 246 | 246 |
| (* Inclusive of Dividend Tax) | | | | | | | | | | |
| PROFIT RETAINED (a) | **(1495)** | 2202 | 1219 | 523 | 232 | 931 | 1034 | 383 | 536 | 952 |

**FINANCIAL POSITION :** (Rs in lacs)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| GROSS BLOCK | **55500** | 54873 | 46564 | 44177 | 40711 | 23082 | 19480 | 17408 | 14662 | 13243 |
| NET BLOCK | **25809** | 27963 | 26291 | 26252 | 24897 | 13842 | 11183 | 9609 | 7504 | 6755 |
| NET CURRENT & OTHER ASSETS | **35969** | 35962 | 32837 | 31114 | 29032 | 12917 | 12822 | 8368 | 8791 | 6182 |
| CAPITAL EMPLOYED | **61778** | 63925 | 59128 | 57366 | 53929 | 26759 | 24005 | 17977 | 16295 | 12937 |
| EQUITY SHARE CAPITAL | **2968** | 2966 | 2966 | 2966 | 2966 | 2593 | 1744 | 1363 | 982 | 982 |
| RESERVES AND SURPLUS (b) | **22502** | 24003 | 19278 | 18087 | 17627 | 13351 | 9472 | 7419 | 5149 | 4611 |
| SHAREHOLDERS' EQUITY | **25470** | 26969 | 22244 | 21053 | 20593 | 15943 | 11216 | 8782 | 6131 | 5593 |
| PREFERENCE SHARE CAPITAL | **600** | 600 | 950 | 950 | 900 | – | – | – | – | – |
| BORROWINGS | **35708** | 36356 | 35934 | 35363 | 32436 | 10816 | 12744 | 9195 | 10164 | 7344 |

**PER EQUITY SHARE :** (In Rupees)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| DIVIDENDS | – | *1.50 | *1.00 | * 2.00 | 3.00 | 3.00 | 2.75 | 2.50 | 2.50 | 2.50 |
| (*tax free) | | | | | | | | | | |
| BOOK VALUE | **86** | 90 | 75 | 71 | 69 | 61 | 64 | 64 | 62 | 57 |

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 in 1996-97.

(c) The figures of 1995-96 onwards include figures of erstwhile Atic Industries Ltd and the figures of 1998-99 onwards include figures of erstwhile Cibatul Ltd which amalgamated with the Company in the respective years.

# DIRECTORS' REPORT

Dear Members,

The Directors of Atul Ltd present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 2000.

**FINANCIAL RESULTS:**

(Rs in lacs)

| | 1999-2000 | 1998-99 |
|---|---|---|
| Sales and Operating Income | **52823** | 51241 |
| Other Income | **674** | 5529 |
| Total Revenue | **53497** | 56770 |
| Profit before taxation | **(504)** | 3108 |
| Taxation | **5** | 235 |
| Profit after tax | **(509)** | 2873 |
| Balance brought forward | **4361** | 2319 |
| Balance on 1/4/98 of erstwhile Cibatul Ltd | – | 1184 |
| Transferred from Debenture Redemption Reserve | **482** | 889 |
| (Debits)/Credits relating to earlier years | **(902)** | (61) |
| Disposable surplus | **3432** | 7204 |
| **Appropriation:** | | |
| Capital Redemption Reserve | – | 450 |
| Debenture Redemption Reserve | **535** | 782 |
| General Reserve | – | 1000 |
| Preference dividend paid | **76** | 106 |
| Proposed Dividend | – | 445 |
| Dividend Tax on above | **8** | 60 |
| Balance carried forward | **2813** | 4361 |
| | **3432** | 7204 |

**DIVIDEND:**

The Directors do not recommend any dividend on Equity shares in order to conserve resources and consolidate the improvement achieved in operations.

**PROFITABILITY:**

The profitability of operations continued to improve during the year. On a comparable basis (after excluding the non-recurring items of the previous year), the profit from operations (after interest but before depreciation and tax) improved from Rs 1170 lacs in the previous year to Rs 2512 lacs during the current year. During the past 3 years, operational losses were offset by non-recurring incomes with overall resultant positive net profits. However, during the current year, in the absence of any non-recurring incomes, though there was a significant improvement in the performance, the Company made an overall net loss, for the first time in its history.

***BUSINESS PERFORMANCE:***

**Agrochemicals Division:**

Agrochemical Industry is in a restructuring phase with various mergers and acquisitions witnessed during the last two years. Despite favourable seasons in various parts of the world, the industry as a whole is facing a slump, due to over capacities and severe competition from the manufacturers of generic products. Herbicides, the main area of focus for the Division, continue to grow in importance in India, with modern farming techniques being introduced and labour becoming more expensive.

The sales and internal transfers of the Division grew steeply by almost 50% to Rs 5338 lacs. Exports at Rs 2155 lacs showed an impressive growth of 115%. The Division enjoyed a significant improvement in gross margins. Phenoxy herbicides remained the star performer, constituting almost 65% of the turnover. New compounds like 2,4-D Isobutylester were launched in the international market. Efforts were made for continuous upgradation in quality and technology for 2,4-D. A public health and household insecticide - Propoxur was manufactured during the year for the first time in India and the Division was awarded a prestigious tender by the Government of India for supply of formulation of this insecticide to the Defence sector. The Division upgraded to ISO 9001 certification from ISO 9002 during the year in further adherence to internationally accepted systems and procedures.

Increase in input prices without commensurate increase in finished product prices continues to be an area of concern for the Division. Development of new sources of raw materials and entering new markets for better price realisation will be hence accorded top priority.

Though there has been some pressure on prices in the international market due to tough competition, the Division expects deeper market penetration in Latin America and Asia-Pacific regions in 2000-2001. The Division hopes to continue the high growth trend in the year 2000-2001 not only in sales but also in profits.

**Aromatics Division:**

The Division serves a diverse range of industries such as cosmetics/sunscreen agents, bulk drugs, colours & intermediates and anti-oxidants. Sunscreen agents and perfumery products are dominated by large world players from Europe and US. The major markets also are the US and Europe. The use of sunscreen agents will continue to grow in view of progressive decay of the ozone layer. The most important bulk drug where the key product is being used has entered the generic phase and is growing in view of its efficacy and cost effectiveness. The colour & intermediates and also the anti-oxidant markets have become mature and growth opportunities have become limited.

Sales and internal transfers at Rs 9221 lacs showed a growth of 7%. The Division has established itself as an undisputed global leader in para anisic aldehyde having more than 30% market share. The Division could achieve *this in the backdrop of economic recession in most part of* the world markets. Para cresol did not perform well and the sales dropped by about 50% mainly due to competition from Chinese manufacturers at unbelievably low prices and shrinkage in demand. The sales volume of para anisyl alcohol increased by more than 100% over the last year and that of para cresidine by about 25%. Considerable all-round improvement in operational parameters including improved working capital management has offset high raw material and utility costs triggered by an unprecedented *increase in international oil prices. Most of the plants were* operated almost at full capacity, which helped in better absorption of fixed costs. The Division has developed a technology for a vitamin intermediate on laboratory scale. Commercialisation of this process will open-up a huge growth potential for the Division. The Division has also developed a few perfumery grade products through collaborative efforts, and is poised to enter this market segment.

The outlook for para anisic aldehyde and para anisyl alcohol business for sunscreen, bulk drugs and perfumery market segments is bright. While outlook for colours and anti-oxidant market segments is not promising the bulk drugs and perfumery product market segments are expected to do well. There are opportunities for introduction of new products with related chemistry for the bulk drug / vitamin / perfumery industries. The major risks and concerns are the low-cost Asian manufacturers, particularly Chinese who can disturb the market and price structure by selling products at below the cost of manufacture.

**Bulk Chemicals and Intermediates Division:**

The caustic / chlorine business is plagued with the problem of excess capacity with low plant utilisation. Further, during the year there was a sharp increase in fuel prices both for naphtha and furnace oil resulting in increased cost of power, the main input cost. The recession in Textile Industry worldwide adversely affected the dye-intermediate business.

The sales and internal transfers were maintained at Rs 6225 lacs. Bulk chemicals registered a growth of 36% of which 19% was on account of higher price realisations. On the other hand, there was reduction in intermediates sales by 22% mainly due to lower volumes and conscious phasing out of unviable intermediates. During the year, certain cost-cutting measures and process improvements were carried out which resulted in lower consumption of power and fuel oil per ton of caustic/chlorine produced. The demand for chlorosulphonic and sulphuric acid was good during the year with better price realisation. Chlorosulphonic acid registered the highest ever sale of 21,250 metric tons mainly due to improved demand and focused marketing initiatives. The dye-intermediate business continued to remain under pressure due to fierce competition from China and the unorganised sector, compelling to discontinue certain commodity products. Renewed efforts were made for development and commercialisation of agro and other non-dye intermediates having better margins. Five new intermediates were commercialised during the year of which three were agro intermediates. However, the rate of introduction of value added new products has been slow which resulted in lower sales of intermediates.

The opportunities for the bulk chemicals will be limited as there are excess capacities chasing lower demand. The main concern for this businesss is the rising fuel prices and electricity cost which will have an adverse impact on the profitability. As China is strong in high-volume commodity dye intermediates, the opportunity lies in changing the product mix to non-dye intermediates which have higher growth rates. It is expected that business will improve during 2000-2001 compared to the year under review.

**Colors Division:**

Dyestuff Industry all over the world continues to languish under intense competitive pressure, arising mainly due to over capacities. Realignments, mergers and strategic alliances are emerging to determine ways and means of survival. Whilst these developments offer opportunities for enhancing certain areas of activities, the threats also loom large in other areas such as disperse dyes wherein competition from China is very compelling to warrant deployment of developmental resources for more remunerative endeavours.

Despite very adverse market conditions, the overall sales and internal transfers of the Division at Rs 23,077 lacs recorded a growth of 4.4% as compared to the previous year. National sales were lower by 9.3% compared to sales of the previous year due to weak demand and restrictive sales policy followed during the year to control overdues. International sales achieved a growth of 21% over previous year vindicating the strategy employed for restructuring of distribution channels. These actions had contributed to higher volumes and also laid a strong foundation to continue further growth in competitive and price sensitive markets. Realisation was stagnant in the national market whereas export realisation recorded downward trends as a sequel to aggressive pricing resorted to by local exporters as well as competitors from China and south east Asian countries. Favourable raw material prices, benefits from process and yield optimisation, full impact of savings from in-house generation of power, fixed cost control driven by economic / value justifications and lower interest cost substantially improved profitability. The steady improvement in profitability over the last four years confirm the correctness of the charted course of the Division, despite the turbulence experienced by the entire Dyestuff Industry world over.

In the domestic market, Textile Industry is the single largest consumer of dyes and accounts for nearly 80 per cent of the dye consumption in India, and trends in this industry will determine the major demand pattern for dyes in the country. The expected recovery in the demand from export oriented, high value added textile segment is likely to show a marginal growth over the previous year. Prices are under enormous pressure and are likely to continue through the year. Multinational companies with a strong base of local sales have also adopted matching pricing strategies to hold on to their market share. Export projections are that Dyestuff Industry will face slowing down of volume growth in North America and Europe, whereas other markets will show modest growth rates of around 2 per cent as compared to the previous year. In line with this forecast, the Division's international sales volume can be expected to grow through 2000-2001. The over capacities in Dyestuff Industry and the resulting price pressure continue to be a matter of concern. However, the Division with more than 70 per cent of total sales coming from high-value vat and reactive dyes and with encouraging results of volume growth during the year 1999-2000, expects to perform better in the coming year.

**Polymers Division:**

The epoxy business remains fragmented. The active players include a number of small scale local manufacturers and players from far east Asia apart from the world majors like Dow, Shell and Ciba. The supply remains far in excess of demand leading to depressed prices and margins. However, there are signs of consolidation and recovery in the market. The consolidation of expoxy business will result in better margins in the coming year. The local demand is set to grow by about 10%. The speciality products launched during 1999-2000 will lead to significant increase in exports and margins. The Division has entered into an agreement with Air Products Inc., USA who are the world leaders in speciality epoxy curing agents for worldwide sales of phenalkamine curing agents. The benefits of this agreement will accrue in 2000-2001. The raw material prices are expected to go up steeply and efficient procurement will play a key role in the profitability.

The formaldehyde business is also highly fragmented with both large and small scale manufacturers. There is a distinct shift to captive manufacture of UF resins by end users leading to pressure on prices. There are no imports of UF resins in view of the low prices of the products. The business will continue to remain fragmented mainly in view of the Government policy to encourage small scale manufacturers. The Division will rationalise the product mix and control costs to remain competitive in this business.

Sales and internal transfers of epoxy resins business at Rs 4571 lacs recorded a growth of 11% as compared to the previous year. The sales in the domestic market grew by 4% Exports recorded a notable growth of 45% with increasingly wider acceptance of Lapox as a brand in industrial market of epoxy systems.

Sales and internal transfers of formaldehyde group amounted to Rs. 1500 lacs.

**Pharma Intermediates Division:**

The Division currently has only a small business in pharma intermediates. Major growth area so far has been in chemicals such as DDS.

The market for bulk actives can be broadly divided into two parts :

(a) The supply of products to advanced countries, requiring stringent GMP and FDA approvals, and

(b) Supply to India and other third world markets.

The latter business is predominantly dependent on the extent of marketing network and financial risk-taking ability. With the advent of new patent regime, this part of the business is under threat and is likely to become extremely competitive as new product opportunities diminish. The opportunities for such business are significant, provided that necessary quality systems and fast customer response are demonstrated. This will be the focus area of activities during 2000-2001.

The market for advanced macrolides remains highly competitive and the Company was not able to make significant progress in this market due to heavy financial risks involved in the exports business.

During the year the business registered a growth of 11.5% over the previous year. The sales of Azithromycin & Roxithromycin suffered heavily due to glut in the market. Major highlight of the year was the successful signing of a contract for long-term supply of an intermediate to the aerospace Industry. This will ensure almost full capacity utilisation of the erstwhile Sulpha Plant leading to improved profitability. The DDS business showed a marginal decline due to price pressure from the European market.

The ASC activities showed some improvement and there was a 62% growth over previous year. Significant improvements were made in the stability of the product and the yield of the process. Future growth is likely to come through improved export marketing. The Company expects to add new specialty intermediates over the course of coming years which will accelerate the growth of the Division.

**Infrastructure Unit :**

Captive Power generation touched a record high of 1084 lac Units in 1999-2000 which was 39% higher compared to the previous year. The main factors responsible for increase in captive generation were stabilisation of the new 15MW TG Set and optimum capacity utilisation of Colors (West) TG Set in co-generation mode by making use of the newly commissioned HP steam interconnection line between East and West sites. Although this has improved the savings substantially, the unprecedented hike in the price of furnace oil and increase in the electricity duty on captive generation partly eroded the savings.

In order to reduce dependency on expensive oil-based steam a new IP steam line interconnecting East & West sites will be put in operation in the next year for drawing coal-based steam from West site, which is expected to give a further saving in operating cost.

Several energy conservation and water conservation and storage systems were put into operation. The Company received award for Excellence in Energy Conservation and Management from Indian Chemical Manufacturers Association during the year.

**DISPOSAL OF UNDERTAKING :**

The older businesses comprising of bulk chemicals, dye-intermediates and commodity dyes are not performing well and the resulting losses from operations are pulling down considerably the profits from other businesses. These older businesses are a part of the undertaking internally known as "Atul Complex East Site". In order to restructure these losing businesses, disposal of a part or the whole of the said undertaking may be necessary and the requisite approval of the shareholders will be sought in the ensuing Annual General Meeting.

**FINANCE:**

The Company continued to receive the support of financial institutions, banks and other investors for its various long-term and short-term requirements. Your Directors confirm that the proceeds of the various debentures issued were used for purposes stated.

The interest and finance charges (net) during the year amounted to Rs 4884 lacs as compared to Rs 5209 lacs during the previous year, a decrease of 6.2% compared to a sales growth of 5.3%. During the year, the Company undertook several efforts to reduce the interest cost such as substitution of high-cost lenders, availing cheaper suppliers' credit on imports whenever feasible and enhanced utilisation of concessional export credits from banks. The Company also converted a major portion of the rupee working capital funds to foreign currency loans to take advantage of the lower interest on these loans and the low forward premiums prevailing during the latter half of the year. These and the general reduction of interest rates in the economy have helped contain the interest costs during the year. Interest cost continues to receive the close attention of the management and opportunities for reduction are continuously explored and implemented, if advantageous.

**INSURANCE:**

The Company has taken adequate insurance to cover risks to its assets, profits and standing charges as well as employees. It has also taken adequate cover against liability to public over and above the statutory limits prescribed under the Public Liability Insurance Act, 1991. The above covers have been taken based on risk study.

**RESEARCH AND DEVELOPMENT:**

In line with the Company's strategy to move away from low-margin commodity products, R&D efforts were focused on developing processes for speciality products catering to customers' demands in the domestic and international markets. Several products/processes were developed including speciality intermediates for dyestuffs & pigments, liquid dyes, high strength dyes and certain low volume, high value fine chemicals. Some of the existing processes were improved with respect to yield, quality and productivity. Research effort for decolourising liquid effluent from dye-manufacturing plants was continued.

**PERSONNEL:**

In line with the business strategy, efforts continued to strengthen customer-orientation, enhance focus on results and upgrade managerial competence.

The Company has been able to prune its employee strength by 960. New recruitment is strictly restricted except that of Management trainees required for replacement and upgradation of managerial competence. The training efforts, resulting in an annual average of 5.3 training mandays per manager and 0.6 training man-days per employee for workmen and staff, are now focused more on upgradation of skills and improvement in customer service. The managerial compensation is now being linked closely to the achievement of objectives, which, in turn, are more closely aligned with the goals of the Company.

The industrial relations climate remained harmonious and steps have been taken to improve discipline and productivity. Negotiations for the settlement, to take effect retrospectively from April 1, 1997, are in progress.

**SAFETY, HEALTH AND ENVIRONMENT (SHE):**

The Directors are pleased to state that the Company continued its dedicated and meticulous approach to SHE management; very high priority was accorded to the safety and health of employees and environment protection.

Apart from intensive training a quarterly safety news bulletin has been introduced for improving awareness of safety amongst the employees. Frequent safety audis were carried out in all the plants for eliminating unsafe conditions, if any.

Each manufacturing plant incharge has taken his own target for waste reduction. The progress made in this direction is periodically reviewed by the Managing Director. Construction of a Secured Land Fill Site for disposal of hazardous solid wastes is nearing completion. A number of power saving devices such as Variable Frequency Drive (VFD), on-off timers, etc. have been introduced to improve the operation of ETP facilities.

Such efforts of the Company to maintain a clean environment have been helping to attract a number of migratory birds of different varieties inside the factory premises since several years.

**SOCIAL RESPONSIBILITIES :**

The Company continued its efforts in improving the quality of life of the weaker sections of the society particularly in the villages around its Atul factory. These included construction of a storm water drainage system, street light electrification, asphalting of village roads, renovation of drinking water system, conducting of self employment awareness camps for poor women, medical check up camps, vocational training camps, distribution of medicines, garments, etc. to the needy and distribution of note books. In addition the Company was instrumental in provision of drinking water to certain villages in the surrounding areas and grant of financial support to schools and hospitals. The Company also promoted sports and health activities for the benefit of the local populace. These initiatives were taken through trusts formed for the purpose.

**DIRECTORS:**

The directors are deeply grieved by the sad demise of Mr Manan N Lalbhai on December 21, 1999. Mr Lalbhai served as a Managing Director of the Company for almost 20 years. In addition to his official duties, Mr Lalbhai played an active role in cultural, sports and charitable activities connected with the Company as well as several other Institutions in the vicinity of Atul. The Board places on record its appreciation for the services rendered by Mr. Lalbhai during his tenure with the Company.

Mr Samveg A Lalbhai was appointed as an Additional director on January 21, 2000. Mr Lalbhai has wide knowledge and experience in textiles and general management and is presently working as a Managing Director of The Arvind Mills Limited. The Company will substantially benefit from the experience and knowledge of Mr Lalbhai. Mr Lalbhai will hold office up to the date of the ensuing Annual General Meeting and shall be eligible for election as a Director of the Company at that meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a member intending to propose the appointment of Mr Lalbhai as a Director of the Company at such Annual General Meeting.

According to Article 134 of the Articles of Association of the Company, Mr Manu R Shroff, Mr Hasmukh Shah and Dr H Kaiwar retire by rotation and being eligible offer themselves for reappointment.

**INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES:**

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219 (1)(b)(iv), the Report and Accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

**Y2K TRANSITION :**

The Company achieved Y2K compliance and had no problems on rollover to year 2000.

**AUDITORS AND AUDITORS' REPORT:**

Messrs Dalal & Shah, the Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if reappointed. Members are requested to reappoint them and fix their remuneration. The relevant notes forming part of the accounts are self-explanatory and give full information and explanation in respect of the observations made by the Auditors in their Report.

**ACKNOWLEDGEMENT:**

The Directors express their sincere thanks to all customers, employees and suppliers for their continuing support.

The Directors also take this opportunity to thank the Banks, the Financial Institutions and the Members for their continued confidence in the Company.

For and on behalf of the Board of Directors

Arvind N Lalbhai
Chairman

Mumbai
June 23, 2000

PS : Statements in this Report of projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these asssumptions are accurate or will be realised. The actual results, performance or achievements of the Company could thus differ materially from those projected or estimated.

## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of ATUL LTD as on 31st March, 2000 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report as under :

1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

2 In our opinion, proper Books of Account as required by law have been kept by the Company, so far as appears from our examination of the Books of the Company;

3 The Balance Sheet and Profit & Loss Account dealt with by the Report are in agreement with the Books of Account of the Company;

4 In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act 1956, to the extent applicable;

5 In our opinion and to the best of our information and according to the explanations given to us, the Accounts, read together with notes thereon give the information required by the Companies Act,1956, in manner so required

6 We draw reference to:

(i) Note No. 9(A)II(a), 9(A)III(ii), 9(B)II(a) & 9(B)III(a) relating to classification of goods,

(ii) Note no 9(a)-relating to change in the basis of accounting of Excise Duty issued by the Institute of Chartered Accountants of India, on closing stocks of finished goods as per revised guidance note on "Accounting Treatment of Excise Duty",

(iii) Note No 14-relating to revised basis of valuation of inventories to be in line with the requirements of Accounting Standard (AS-2) 'Valuation of Inventories' issued by the Institute of Chartered Accountants of India and its effect on year-end inventories and loss for the year by Rs 122.87 lacs;

(iv) Note No 15- relating to postponement of recognition of lease rentals due to significant uncertainties and its effect on lease income and loss for the year by Rs 107.88 lacs as detailed in the note;

We further report that the aggregate effect of paragraphs (iii) & (iv) above would have resulted in the loss for the year being higher by Rs 14.99 lacs.

Subject to what is stated above the Accounts present a true and fair view:

(a) In the case of the Balance Sheet of the state of affairs of the Company as at 31 st March, 2000; and

(b) In the case of Profit & Loss Account of the Loss for the year ended on that date. As required by the Manufacturing and Other companies (Auditor's Report) Order, 1988 and in terms of the information and explanations given to us and on the basis of such checks as we considered appropriate, we further state that:

i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. As explained to us, all the assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, no discrepancies have been noticed on such physical verification as compared to the records of the Company;

ii) None of the fixed assets have been revalued during the year;

iii) (a) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during the year and/or at the close of the financial year;

(b) As explained to us, the procedures of physical verification of stocks referred to in (a) above, followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;

(c) According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks referred to in (a) above, as compared to book records and the same have been properly dealt with in the books of account;

(d) We have examined and verified the stock verification records of the Company and also wherever necessary, we have physically verified the stocks and taken assistance from the technical staff of the Company to assess the utility of the stocks. On the basis of such examination, verification, technical assessment and also considering the accounting method adopted for accounting customs duty referred to in Note No.11(b) to the Accounts, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year, except the changes stated in note no 9(a) and 14 in schedule '19' to the Accounts.

iv) The rate of interest and the terms and conditions on which unsecured loans have been obtained from the parties listed in the register maintained under Section 301 of the Companies Act, 1956, are in our opinion, not prima facie prejudicial to the interest of the Company. The Company has not taken any loans, secured or unsecured, from the Companies and Firms listed in the said Register. As explained to us, there is no Company under the same Management within meaning of Section 370(1-B) of the Companies Act, 1956;

v) The Company has not granted any loan secured or unsecured to Companies, Firms or other parties listed in Register maintained under Section 301 of the Companies Act, 1956. As explained to us there is no Company under the same management within the meaning of Section 370(1-B) of the companies Act, 1956;