Atul

2000-2001
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

24th Annual Report 2000-2001

Directors :

Mr Arvind Narottam Lalbhai (Chairman)

Mr Keshub Mahindra (Upto 23.03.2001)

Mr Nusli N Wadia

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

Secretary :
Mr T R Gopi Kannan

Auditors :
Dalal & Shah
Chartered Accountants

Cost Auditors :
R Nanabhoy & Co

Contents .... Page No.

Registered Office :
Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ahmedabad 380 006, Gujarat
India

Head Quarters :
Atul 396 020, 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
ICICI Bank

NOTICE

NOTICE is hereby given that the Twenty-Fourth Annual General Meeting of the shareholders of the Company will be held on Wednesday, the August 08, 2001 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, 2001 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 Bansi S Mehta, 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 G S Patel, 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 Nusli N Wadia, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. 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 Rs.12,50,000/- (Rupees Twelve 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."

7. **Reappointment of Directors :** At the ensuing Annual General Meeting Mr Bansi S Mehta, Mr G S Patel and Mr Nusli N Wadia, retire by rotation and being eligible offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under Corporate Governance Code are as under :

   (a) Mr Bansi S Mehta is a Director of the Company since April 16, 1992. He is a practising Chartered Accountant and is a past President of the Institute of the Chartered Accountants of India. He was involved in educational activities at the under graduate and post graduate levels at the University of Mumbai. He is a Director in the following companies : Allied Photographics India Limited, Bharat Bijlee Limited, Birla Sun Life Trustee Co Ltd, Century Enka Limited, CEAT Limited, Global Aviation Services Pvt Ltd, Housing Development Finance Coporation Limited, IL&FS Venture Corporation Ltd, Pidillite Industries Limited, Procter & Gamble Hygiene and Health Care Limited, Varun Shipping Co Limited, Sudharshan Chmeicals Industries Ltd, The Dawan Mills Co Ltd, Vinyl Chemicals (India) Ltd and Demech Contractros Limited. He is an alternate Director of the following companies : Chemetall Rai India Limited, J B *Chemicals & Pharmaceuticals Ltd, Procter & Gamble* Distribution Co Ltd, Udhe India Limited and Sasken Communication Technologies Limited. He is also a member of Compensation Committee of Housing Development Finance Corporation Limited and a member of Audit Committee of the following companies : Housing Development Finance Corporation Limited, Century Enka *Limited, Procter & Gamble Hygiene and Health Care* Limited, IL&FS Venture Corporation Ltd, J B Chemicals & Pharmaceuticals Ltd, Sudarshan Chemicals Ltd, Sasken Communication Techologies Ltd, Pidilite Industries Ltd and Atul Limited.

   (b) Mr G S Patel is an M.A. (Economics), LL.B. (Bombay), B Sc.(Economics) from London School of Economics and Bar at Law from Lincoln's Inn,London. He is ex-Chairman of UTI Limited and a Director of the Company since August 10, 1983.

   (c) Mr Nusli N Wadia 57, has been a director of the Company since March 22, 1978. Mr Wadia has contributed actively in the deliberations of various *organizations such as the Cotton Textiles Export* Promotion Council (TEXPROCIL), Millowners' Association (MOA), Associated Chambers of Commerce & Industry of India, etc. He is former Chairman of TEXPROCIL and also of MOA. He was appointed on the Prime Minister's Council on Trade & Industry in 1998, 1999 & 2000. He was the Convenor of the Special Group Task Force on *Food and Agro Industries Management Policy in* September, 1998. He was a Member of the Special Subject Group to review regulations and procedures to unshackle Indian Industry and on the Special Subject Group on Disinvestment. He has made a name for himself also in public affairs and has been actively associated with leading charitable institutions. He is also on the Managing Committee of the Nehru Centre. Outside Directorship: The Bombay Burmah Trading Corporation Ltd (Chairman), National Peroxide Ltd (Chairman), Citurgia Biochemicals Ltd (Chairman), Britannia Industries Ltd (Chairman), Wadia BSN Ltd (Chairman), Nowrosjee Wadia & Sons Ltd (Chairman & Managing Director), Gherzi Eastern Ltd, Tata Iron & Steel Co Ltd, Tata Chemicals Ltd, Tata Engineering & Locomotive Co Ltd (TELCO), Anil Starch Products Ltd and Atul Ltd and 5 foreign companies. Committee Membership : Remuneration Committees of the Boards of The Bombay Dyeing & Mfg Co Ltd, TELCO (Chairman) and Britannia Industries Ltd.

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

May 25, 2001

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. 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, 2001 are enclosed herewith.
4. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from June 27, 2001 to July 02, 2001 (both days inclusive).
5. **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 as on July 02, 2001. The members are requested to notify immediately any change in address.
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.

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

Registered Office :
Ashoka Chambers
Rasala Marg, Mithakhali Cross Road
Ahmedabad - 380 006.
May 25, 2001

A TEN YEARS REVIEW

(Rs in lacs)

OPERATING RESULTS:	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
REVENUE	59336	53491	56776	47400	48635	42478	26726	26469	23923	21546
GROSS PROFIT	4317	2513	6163	4210	3889	3580	2564	2196	1495	1473
DEPRECIATION	2837	3016	3064	2381	2161	2086	984	768	791	691
TAXATION	5	5	235	136	207	5	32	2	2	–
NET PROFIT	1475	(508)	2864	1693	1521	1489	1566	1426	702	782
DIVIDENDS	*383	*85	*610	*455	*782	870	616	392	319	246
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	1168	(1495)	2202	1219	523	232	931	1034	383	536

FINANCIAL POSITION : (Rs in lacs)

FINANCIAL POSITION	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
GROSS BLOCK	55961	55500	54873	46564	44177	40711	23082	19480	17408	14662
NET BLOCK	23697	25809	27963	26291	26252	24897	13842	11183	9609	7504
NET CURRENT & OTHER ASSETS	35719	35969	35962	32837	31114	29032	12917	12822	8368	8791
CAPITAL EMPLOYED	59416	61778	63925	59128	57366	53929	26759	24005	17977	16295
EQUITY SHARE CAPITAL	2966	2966	2966	2966	2966	2966	2593	1744	1363	982
RESERVES AND SURPLUS (b)	23667	22502	24003	19278	18087	17627	13351	9472	7419	5149
SHAREHOLDERS' EQUITY	26633	25468	26969	22244	21053	20593	15943	11216	8782	6131
PREFERENCE SHARE CAPITAL	100	600	600	950	950	900	–	–	–	–
BORROWINGS	32682	35708	36356	35934	35363	32436	10816	12744	9195	10164

PER EQUITY SHARE : (In Rupees)

PER EQUITY SHARE	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
DIVIDENDS	*1.00	–	*1.50	*1.00	*2.00	3.00	3.00	2.75	2.50	2.50
(*tax free)										
BOOK VALUE	90	86	90	75	71	69	61	64	64	62

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

(b) Including Revaluation Reserve created in 1985 Rs776 lacs.

(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 Limited present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 2001.

FINANCIAL RESULTS:

(Rs in lacs)

	2000-01	1999-00
Sales and Operating Income	**58704**	52892
Other Income	**633**	599
Total Revenue	**59337**	53491
Profit /(loss) before taxation	**1480**	(504)
Taxation	**5**	5
Profit after tax/(loss)	**1475**	(509)
Balance brought forward	**2813**	4361
Transferred from Debenture Redemption Reserve	**954**	482
(Debits)/Credits relating to earlier years	**75**	(902)
Disposable surplus	**5317**	3432
Appropriation:		
Capital Redemption Reserve	**500**	-
Debenture Redemption Reserve	**275**	535
General Reserve	**-**	-
Preference dividend paid	**46**	76
Proposed Dividend	**297**	-
Dividend Tax on above	**40**	8
Balance carried forward	**4159**	2813
	5317	3432

DIVIDEND:

The Directors of the Company recommend payment of dividend of Re1 per share on 2,96,61,653 Equity Shares of Rs10 each fully paid up as on April 1, 2000.

SHARE CAPITAL

During the year, the Company redeemed 3,00,000 12.5% Cumulative Redeemable Preference Shares and 2,00,000 13% Cumulative Redeemable Preference Shares of Rs100 each amounting to Rs500 lacs.

PROFITABILITY:

2000-01 was a path-breaking and watershed year for the Company; the operations resulted in a net profit for the first time since 4 years. The profit growth was mainly driven by the growth in sales and other operating income by 11.7% from Rs48,887 lacs to Rs54,594 lacs. While the Company made a net loss of Rs(509) lacs in the previous year, substantial improvement in operations resulted in a net profit of Rs1475 lacs during the current year.

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 Rs4733 lacs as compared to Rs4884 lacs during the previous year, a decrease of 3.1% compared to the sales growth of 11.7%. During the year, the Company undertook several efforts to reduce the interest cost such as substitution of high-cost loans and enhanced utilisation of concessional export credits from banks. The Company also converted a portion of the rupee working capital funds to foreign currency loans to take advantage of the lower overall costs of these loans including risk Cover. 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, when 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:

R&D efforts were geared towards timely development of efficient and environmentally sound processes for manufacturing speciality products conforming to specifications demanded by domestic and overseas customers. A variety of products – high strength dyes, liquid dyes, speciality chemicals and intermediates – were developed and commercialised. Yield, quality and productivity of a few existing processes were improved.

PERSONNEL:

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

New recruitment is strictly restricted except that of Management Trainees required for replacement and upgradation of managerial competence. The training efforts resulted in 2902 man-days of training. The training is focused more on upgradation of skills and improvement in customer service. The managerial compensation is 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.

The long pending wage settlement with the unions was signed during the year.

SAFETY, HEALTH AND ENVIRONMENT (SHE):

Environment protection and working towards long-term sustainable development is an integral business ethos of the Company right from the inception. The Directors are pleased to state that the Company continued its dedicated and meticulous approach in the management of SHE and to meet the norms specified by the local, state, central and other statutory authorities. The focus was to recycle or reduce waste at source and strive to reduce emissions.

The construction of a Secured Landfill Site with a capacity to store approx. 55,000 MT of hazardous waste has been completed. It is one of the biggest sites of its kind in the Private Sector.

In-plant safety training in respect of chemical handling as well as fire-fighting was regularly conducted. In order to keep the assets in good condition and to ensure safe running of the operations, a special task force has been constituted to conduct safety and house-keeping audits. Frequency of medical check-up has been increased from once a year to twice a year to strengthen the medical surveillance.

In recognition of its efforts, the Company was awarded the first prize for excellence in environment by the Indo-German Foundation for the Chemical and Bulk Chemical Sector.

SOCIAL RESPONSIBILITIES:

The Company implemented various rural development programs with the objective of improving the quality of life of the backward communities in the villages surrounding Atul Complex. The activities were in the area of infrastructure development, health care, education and drinking water. The Company undertook upgradation of village roads, streetlight electrification, renovation of village temples, organising medical camp for eye care, distribution of Vitamin 'A' tablets, notebooks, pencils and other school articles to poor students of primary schools and programs of vocational training and enterpreneurship for the poor unemployed to achieve self-employment and training to students.

The Company established a relief camp soon after the earthquake at village Chopadva near Bhachau (Kutch District) by deploying a team of dedicated professionals from Atul site along with requisite aid materials to provide relief to the victims affected.

DIRECTORS:

Mr Keshub Mahindra resigned as a Director of the Company with effect from March 23, 2001. The Board accepted the resignation with great reluctance and put on record its appreciation of his significant contribution as a director for 25 years. The Company greatly benefited from his business acumen, knowledge, experience and expertise in management.

According to Article 134 of the Articles of Association of the Company, Mr Nusli N Wadia, Mr Gopal S Patel and Mr Bansi S Mehta retire by rotation and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE

The Company has in place a sound system of Corporate Governance. A separate report on Corporate Governance forms a part of the Annual Report.

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.

RESPONSIBILITY STATEMENT

The directors confirm that:

i. In the preparation of the annual accounts, the applicable accounting standards have been followed except the following:

   The Company extends the benefit of encashment of leave to its employees while in service as well as on retirement. As the Company does not have any defined retirement benefit scheme in this respect, Accounting Standard AS-15 issued by The Institute of Chartered Accountants of India is not considered applicable. Leave accumulated while in service is, at the option of employee, enjoyed or encashed and is accounted for as and when encashed, hence not provided for (please refer to Note 16 under Schedule 19 – Notes forming part of Accounts).

ii. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.

iii. Proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and

iv. The attached statement of accounts for the year ended March 31, 2001 have been prepared on a going concern basis.

AUDITORS AND AUDITORS' REPORT:

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
May 25, 2001

Management Discussion and Analysis

Overview

It was a watershed year, an important milestone in the history of the Company. The 4-year long spell of net loss from operations was decisively and convincingly broken. It was a satisfying year that paved the way for a productive and an optimistic state of mind for pursuing an aggressive growth in future. The increase in revenue from operations by 11.7% to Rs54,605 lacs was notable particularly because it was accompanied by a steep rise in profit. The cash profit (profit before depreciation and tax) increased from Rs2513 lacs to Rs4318 lacs while against a net loss of Rs509 lacs in the previous year, the net profit for the year substantially improved to Rs1475 lacs.

Agrochemicals Division

(a) Review of Operations

The net sales and inter-divisional transfers of the Division at Rs61 crores grew by 8% as against the growth of almost 50% in the earlier year. Phenoxy herbicides accounted for more than half of the turnover. It was a difficult year – there was a demand slump in the first 3 quarters coupled with increase in prices of raw-materials which could not be passed on to the customers. The demand picked up in the last quarter and helped record small increases in sales and gross margins. Exports increased by 12% despite a poor season in many regions.

(b) Industry structure and developments

Over-capacities and severe competition still remain the two main threats which will be countered by becoming more cost-effective through improved yields and throughput. The other main concern is the increasing collection period in the international markets. To reduce risk, secured payment systems are being implemented for some markets. Competition from China is still an issue and the only remedy is to become more cost effective and quality conscious.

(c) Outlook

The outlook for the business is positive. Increased awareness of farmers will certainly increase the consumption of better molecules, and the Company is concentrating on developing new pesticides which have a high growth potential and offer better margins. The efforts made during the year on new registrations will make new markets accessible. New products are slated to be introduced to reduce the risk of over-dependence on phenoxy-herbicides.

Aromatics Division

(a) Review of Operations

Aromatics Division reported an impressive performance during the year. The net sales and internal transfers at Rs115 crores showed a growth of 19%, consequent to an improvement in local demand and substantially better exports.

The domestic demand for para anisic aldehyde and para anisyl alcohol in the bulk drug market segment grew substantially as manufacture of bulk drugs is gradually being shifted to India. The demand for para cresidine for the textile market segment remained more or less steady. However, demand for para cresol suffered a setback due to sluggish growth of BHT and trimethoprim coupled with cheaper imports.

Exports grew by 30% from Rs43 crores to Rs56 crores. The growth was primarily for para anisic aldehyde and ortho cresol in the sunscreen and resin market segments respectively. There was also significant export growth for para cresidine in both textile and pharma applications.

Major contributors to improved profitability were improvement in raw material and energy consumption norms and almost full utilisation of plant capacities. The prices for the major raw materials, toluene and caustic soda, were high, particularly in the second half of the year.

The Division has developed and initiated marketing of a number of perfumery products for fragrance industries. The Division has also developed a key intermediate for another sunscreen agent. Commercialisation of this process will be taken up next year which will open up significant growth opportunities for the Division.

(b) Industry structure and developments

The Division serves a wide range of industries including sunscreen, fragrance, bulk drugs, anti-oxidants, resins and agrochemicals. Sunscreen and fragrance industries are dominated by large world players. The major markets for sunscreens are the US and Europe, but other markets are growing at a faster rate. Sunscreens will continue to grow in view of progressive decay of ozone layer and favourable trend in lifestyle. Fragrances are used in a wide range of products. Although the major use is in the developed countries, the growth in other markets is also significant. Most of the bulk drugs where our products are used will grow. Manufacture of these bulk drugs is continuing to shift to India in view of cost-effectiveness. The major antioxidant, BHT, where our product is used, is almost stagnant, as new antioxidants are increasingly being used.

(c) Outlook

The outlook for sunscreens, bulk drugs and fragrance industries is bright. OMC and diltiazem, in particular, will grow in view of their efficacy and cost effectiveness. The relatively small domestic sunscreen market will be growing exponentially, consequent to the change in the lifestyle and awareness of protection of ultraviolet rays from the sun.

However, competition will be extremely severe which will drive down the prices. Sunscreen and bulk drug industries are likely to go through a consolidation process and the large players will gain in terms of market share at the expense of small players.

The Company with its strong market position and cost advantages will be able to retain the market share and grow. For the sunscreen and bulk drug market segments, the strategy of the Company will be to increase the market share with higher volumes and focus on cost reduction to improve margins.

The company will de-bottleneck capacities and develop new cost effective and environmentally friendly technologies. Tailor-made products and services will be offered to widen the customer base and to develop niche markets. Implementation of the integrated software system will enable the company to improve customer relationship management.

The company will focus on cost reduction and will implement various energy conservation measures. Mechanisation of various unit operations are contemplated to achieve higher labour productivity.

Bulk Chemicals & Intermediates Division

(a) Review of Operations

The sales and internal transfers achieved during the year of Rs58 crores was lower by 7% as compared to 1999-00. Bulk chemicals registered a growth of 9% of which 3% was on account of higher price realisations and 6% due to increase in volumes. On the other hand, there was reduction in Intermediate sales by 24% mainly due to lower volumes for agro intermediate and conscious discontinuance of unviable products.

The sales of caustic/chlorine increased by 20% to Rs22 crores. The increase was primarily due to increase in price of 18% and increase in volumes of 2% over 1999-00. During the year, process efficiencies further improved over 1999-00 achievements, which resulted in lower consumption per ton of production to the tune of 3% for power, 6% for fuel oil and 3% for Salt.

The sales of chlorosulfonic and sulfuric acid were lower by 4% at Rs15 crores despite increase in volume of 10% due to price erosion.

The Division made an operating loss and after high interest cost made a significant cash loss like in the previous year.

(b) Industry structure and developments

Caustic/chlorine industry in India is having production capacity in excess of the demand and hence the capacity utilisation continued to remain low. Continuous increase in prices of coal, lignite and diesel have pushed the cost of power generation, the main input for caustic/chlorine industry.

Caustic price firmed up during the year due to worldwide downturn in chlorine consumption. The Company remains unaffected owing to complete backward integration as far as chlorine consumption is concerned. Chlorosulphonic acid demand remained similar as last year. There was substantial price erosion in Sulfuric acid due to poor performance by fertiliser industry.

(c) Outlook

The bulk chemicals business is cyclical in nature, particularly chlorosulphonic acid. The demand for chlorosulphonic acid will go hand in hand with the demand for vinyl sulphone ester in the international market. Poor capacity utilisation in chlorosulphonic acid industry has threatened the margins but the Company has technology advantage vis-à-vis other manufacturers and hence should be able to see through the lean patch. The demand for caustic soda will continue to remain stable. Worldwide there is a downturn in consumption of chlorine due to partial phasing out of usage of chlorine in detergent industry and also partial replacement of PVC with non-chlorinated plastics. Complete captive consumption of chlorine has become a major opportunity for the Company to take advantage of rising caustic price.

The main concern for the industry is the rising coal, fuel and electricity prices. China continued to remain strong in high volume traditional dye intermediates. The opportunity lies in changing the product portfolio to non-dye intermediates having growing markets and better margins. Efforts are being put on search for a high tonnage non-dye intermediate with efficient technology.

Colors Division

(a) Review of Operations

Despite very adverse market conditions, the overall sales and internal transfers of the Division at Rs242 crores recorded a growth of 4.8 per cent as compared to the previous year. During the year, dyestuffs industry was squeezed from both sides; the input costs rose by an average of 8 per cent mainly due to unprecedented rise in petroleum prices and consequential cost escalation while selling prices continued their downward movement. The favourable dollar – rupee exchange rate during the year compensated only partly for these two adverse factors.

The Division has been focusing on sales of a better product mix with the objective of maintaining margin levels to the extent possible. Improvements have been achieved by a cost and asset optimisation drive.

A series of cost effective measures, economies in the manufacturing processes and better utilisation of the capacities with high value added products improved the performance of the Division during the year. These risk minimising measures would provide the required impetus to compete successfully in a surplus capacity environment prevailing in the industry.

(b) Industry structure and developments

The dyestuffs industry continues to face rough weather due to intense competitive pressure on products and prices and over-capacity. It does appear that with the observed decline in the capacity of certain classes of products, some opportunities would be available. The Division is seized of the situation and is taking effective steps in order to augment the supply of these classes of products. The continued price pressure certainly is a matter of concern but the Division is certainly confident of matching the prices and retaining the market share without seriously affecting the profitability.

(c) Outlook

Although apparently the textile industry seems to be in difficulties, the growth in the export of textiles certainly is a redeeming factor for the dyestuffs industry. Arising from this, it does appear that the high value products manufactured by the Division will continue to show an upward trend in sales. It is expected that the sales of the Division in the international market will grow rapidly, particularly in the Far East in addition to the US and Europe where the gap has taken place due to elimination of some capacities. The Division is in the process of building a substantial and flexible manufacturing base with minimum investment on which the Division will continue to grow and perform strongly in the years to come.

Polymers Division

(a) Review of Operations

Despite difficult market conditions the overall sales at Rs69 crores recorded a growth of over 15% with domestic sales recording a high growth of 24%. This was achieved through close interaction with the customers to understand and fulfill their requirements. The significant increase in input costs could not be fully passed on to the markets in view of the extremely competitive situation. This has resulted in erosion of margins. However this was made up by increase in sales volumes. The Export sales registered a marginal drop due to weakness of Euro and excess supply in the global markets.

(b) Industry structure and developments

The Epoxy business remains highly competitive and fragmented. The year witnessed reorganisation of at least 2 major global players. The supply remains far in excess of demand. The very weak Euro has made non European suppliers even more uncompetitive. The price of key inputs has gone up substantially on back of increase in crude prices and strong demand for other end products. The prices of Epoxies, however have increased only marginally creating an intense squeeze on the margins. This has also edged out a number of smaller players from the local markets.

The Formaldehyde business is very fragmented with a number of large and small scale manufacturers. The price of Methanol which is a major input went up by more than 40 % in line with global increase. However the entire cost increase was recovered from the market. The products are commodities and supply is in excess of demand. However product mix and customer base changes have enabled the business to perform satisfactorily during the year

(c) Outlook

The Division will focus on formulated products and specialties both in domestic and export markets . The company has introduced a number of formulated products in the export market and expects that the efforts made during the year for introduction of specialty Epoxies will result in good growth in export business in the current year. The Division will also change the product mix in local market in favour of formulated and specialty products to improve the margins.

The Division has established itself as a leading player in the domestic Epoxy market. In order to further increase the sales volumes and provide better service to the customers de-bottlenecking will be carried out during the current financial year. The pilot plant facilities will be further strengthened for quick scale up and commercialisation of new products . The Division expects to grow at a significantly higher rate than the market growth and increase its share in the domestic Epoxy market.

Pharma Intermediates Division

(a) Review of Operations

The overall sales of the Division at Rs31 crores recorded a steep growth of over 44%. This was made possible by the 'sweating out' of existing assets and quick implementation of de-bottlenecking projects. The successful commencement of a long-term contract for supplies of certain specialty intermediates acted as a major boost to sales. Facilities were created for captive production of the necessary intermediate materials starting from basic chemicals. This significantly improved the profitability of the operations, besides making the Company self-reliant in a critical business segment. The Division has strategised to leverage its intrinsic strengths in handling difficult chemistries and carve out a position for itself as a high quality manufacturer of specialty intermediates/bulk actives. During the year, phosgenation chemistry has been added to the Division's capability. Already a few phosgene based intermediates have been offered to both domestic and international customers. The quick and highly enthusiastic response from customers is an indication of the competitive strength the Division has developed in this segment.

(b) Industry structure and development

The Indian Pharmaceutical Industry is going through a period of high turbulence. On the one hand, there are opportunities coming up with the liberalization process and the new growth in biotech industry. On the other hand, the 'brick and mortar' pharma industry is buffeted by the problems of over-capacity, WTO and Patent Laws and economic swings.

The industry is divided into three categories of players: namely pure formulators, bulk/intermediate manufacturers and the hybrids. In the recent past, more and more of the bulk manufacturers have chosen to forward integrate into formulations.

(c) Outlook

With certain important long term supply contracts in hand, a rapid capacity build-up programme with minimum investment has been undertaken for intermediates. Efforts are also directed towards modernization and automation to realise consistency in quality and for improved productivity. This business is expected to grow significantly in the coming two years.

The Division is also upgrading a part of its current facilities to the International GMP standards. This investment, coupled with the necessary implementation of supporting systems, will create a strong foundation for enhanced participation in the Pharma Industry. Some new products are also slated to be produced in these facilities to generate volume growth. The facility is expected to become fully operational during the first half of the current financial year.

Infrastructure Unit at Atul Complex

Captive Power Generation in the financial year further improved by 3% (to 1115 lac Units – the maximum achieved so far) over and above the increase of 39% achieved in the previous year. Further significant increase in Captive Power Generation to become fully self-reliant can be achieved by installation of the 3rd Fluidised Boiler. Action has already been initiated for finalisation of the order for the same in the first quarter of 2001-2002. The new Boiler is expected to be fully operational by March 2003.

The focus on improving the operating efficiency of the 15 MW TG Set by improvement in the vacuum system and reduction in the usage of costly furnace oil led to substantial savings in the cost of generation of steam/power. The commissioning of 20 kg/cm^2 pressure interconnecting steamline between East and West Sites in the beginning of the year helped reduce energy cost - expensive furnace oil-based steam generation got substituted by economical coal-based steam generation from coal fired boilers of West site. Various actions initiated for optimisation of operating conditions like de-bottlenecking for achieving maximum capacity utilisation, reduction in manpower by automation and cost cutting measures have started yielding favourable results. While there was reduction in manpower to the extent of 30% during the last 4 years, the throughput increased in the same period by 110%. After commissioning of the proposed new boiler, power generation is expected to go up by another 35% without any increase in manpower.

Several energy conservation and water conservation measures were implemented successfully during the year.