



2001-2002 Annual Report



ATUL LTD

Atul 396020, Gujarat, India
www.atul.co.in



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.

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ATUL LTD

25th Annual Report 2001-2002

Directors :

Mr A N Lalbhai

(Chairman)

Mr N N Wadia

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr S S Lalbhai

(Managing Director & CEO)

Mr M R Shroff

Mr B S Mehta

Mr H S Shah

Dr H Kaiwar

Dr K Aparajithan

Mr J L Shah

Mr A N Palwankar

(Nominee of UTI upto 28.01.2002)

Mrs S S Shah

(Nominee of ICICI Ltd)

Mr S A Lalbhai

(Managing Director)

Mr M K Tandon

(Nominee of UTI w.e.f. 28.01.2002)

Company Secretary :

Mr T R Gopi Kannan

Auditors :

Messrs Dalal & Shah

Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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Subsidiary Companies :

Ameer Trading Corporation Ltd 71

Atul Americas Inc 77

Atul Europe Ltd 81

Registered Office :

Ashoka Chambers

Rasala Marg

Mithakhali Cross Road

Ellisbridge

Ahmedabad 380 006, Gujarat

India

Head Quarters :

Atul 396020, 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

Karur Vysya Bank

State Bank of Saurashtra

ICICI Bank

UTI Bank

Article 134

NOTICE

NOTICE is hereby given that the Twenty-Fifth Annual General Meeting of the shareholders of the Company will be held on **Wednesday, the August 07, 2002 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, 2002 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 R A 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 S S Bajjal, 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 M 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 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 15,00,000/- (Rupees fifteen lacs only) plus applicable service tax and the reimbursement of expenses incurred by them for attending to the audit work of the Company."

SPECIAL BUSINESS :

7. 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 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the appointment of Mr S A Lalbhai as a Managing Director of the Company and his receiving of remuneration including minimum remuneration for a period of 5 years, with effect from December 15, 2001, as per the draft of agreement submitted to this meeting and for identification initialled by the Chairman, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed to between the parties and within the limits prescribed by the Central Government.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary any or all

of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or required for considering modifications by the Central Government as aforesaid, in accordance with any changes in the Government's policy on managerial remuneration and/or in the guidelines framed thereunder from time to time which may have the effect of increase in remuneration or perquisites or benefits."

By Order of the Board

T R GOPI KANNAN
President, Finance &
Company Secretary

May 27, 2002

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, 2002 are enclosed herewith.
5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2002 to July 05, 2002 (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 as on July 05, 2002. The members are requested to notify immediately any change in 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, 1995. The concerned members may therefore submit their claims to the Registrar of Companies, Gujarat, Ahmedabad.
8. **Reappointment of Directors :** At the ensuing Annual General Meeting Mr R A Shah, Dr S S Bajjal and Mr M R Shroff, retire by rotation and being eligible offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under the code of Corporate Governance are as under :



(a) **Mr R A Shah** is a leading Solicitor and a Senior Partner of M/s Crawford Bayley & Company, a firm of Solicitors & Advocates. He specializes in a broad spectrum of corporate laws. Presently he is the Chairman/ Director of the following public limited companies : Godfrey Philips India Ltd (Chairman), Pfizer Limited (Chairman), Colgate Palmolive (I) Ltd (Vice-Chairman), Asian Paints (I) Ltd, Atul Limited, The Bombay Dyeing & Mfg Co Ltd, BASF India Ltd, Colour Chem Ltd, Deepak Fert. & Petrochemicals Corpn. Ltd, Knoll Pharma Ltd, Procter & Gamble Hygiene And Healthcare Ltd, Nicholas Piramal India Ltd, Philips India Ltd, Prudential ICICI Trust Ltd. He is also Chairman/ Member of Audit Committee of : Pfizer Limited (Chairman), Colgate Palmolive (I) Ltd (Chairman), The Bombay Dyeing & Mfg Co Ltd (Chairman), BASF India Ltd, Colour Chem Ltd, Knoll Pharma Ltd, Procter & Gamble Hygiene And Healthcare Ltd, Nicholas Piramal India Ltd (Chairman).

(b) **Dr S S Bajjal** is a B.Sc., M.Sc., D.Phil and was a Lecturer in Organic Chemistry, Lucknow University. He joined Imperial Chemicals Industries (India) Pvt Ltd (ICI) and became a Whole-time Director and also CEO of Atic Industries Limited, a Joint Venture of ICI, U.K. and Atul Products Limited. He was appointed Managing Director of IEL Ltd, a subsidiary of ICI, U.K. and became Chairman & CEO of ICI Companies in India. Presently, he is a member of the Board of Governors of International Management Institute (IMI), New Delhi. Presently he is the Director of the following public limited companies : Atul Ltd, DCM Shriram Consolidated Ltd, Max India Limited, Russell Tea Ltd, Max New York Life Insurance Co Ltd, DCM Shriram Credit & Investments Ltd, Bokakhat Tea Ltd, Jenson & Nicholson (I) Ltd. He is the Chairman of the Audit Committee of : Atul Limited, DCM Shriram Consolidated Ltd, Russell Tea Ltd and also Member of Remuneration Committee of : Atul Limited, DCM Shriram Consolidated Ltd, Max India Limited and also Member of Investor/Shareholders Grievance Committee of DCM Shriram Consolidated Ltd.

In the past he also held directorships of ICICI Limited, CRISIL, Voltas Limited, EID Parry (India) Limited, Bharat Aluminium Company Limited, DCM Limited, SIEL Limited, Klockner Supreme Pentaplast Limited and he was a member of the Court, Jawaharlal Nehru University, New Delhi.

(c) **Mr M R Shroff** is a B.A. (Hons.), B.Sc. (Econ) London, Bar-at-Law and was Economist and Economic Administrator in Government of India for 20 years including as Additional Secretary (Banking) in the Ministry of Finance. He was a Professor of Economics, IIM, Ahmedabad, Editor of Economic Times and Advisor to Unit Trust of India. Presently he is the Director of the following public limited companies : Atul Ltd, Gujarat Alkalies and Chemicals Ltd, Gujarat State Electricity Corporation, Hindustan Oil Exploration Co Ltd, Nirma Ltd, The Great Eastern Shipping Co Ltd. He is also Chairman/ Member of Audit Committee of

Atul Limited (Chairman), Gujarat Alkalies and Chemicals Ltd, Gujarat State Electricity Corporation (Chairman), Hindustan Oil Exploration Co Ltd (Chairman), Nirma Ltd, The Great Eastern Shipping Co Ltd and also a Member of Shares and Debenture Committee of Gujarat Alkalies and Chemicals Ltd and also a Member of Remuneration Committee of The Great Eastern Shipping Co Ltd.

9. The Draft Agreement relating to the appointment of the Managing Director of the Company referred to in Resolution No. 7 would be available for inspection to the members of the Company at the Registered Office of the Company on any working day from 2.30 p.m. to 5.00 p.m. prior to the date of the meeting.

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 No. 7 mentioned in the accompanying Notice dated May 27, 2002.

This Resolution relates to your approval for appointment of Mr S A Lalbhai as Managing Director of the Company for a period of five years from December 15, 2001 and his terms of appointment including remuneration.

The terms and conditions of the appointment of the Managing Director are set out in the draft agreement, which is placed before the meeting. The material terms of the draft agreement are as under :-

1. Mr S A Lalbhai is hereby appointed as a Managing Director of the Company. As Managing Director he shall work closely with the Managing Director and CEO to assist him in matters related to overall policy making, corporate governance and review of operational performance and take up special assignments under the overall co-ordination and guidance of the Managing Director and CEO.
2. Period of office of the Managing Director is five years with effect from December 15, 2001.
3. Remuneration payable to the Managing Director-
 - (a) Salary Rs 25,000/- p.m.
 - (b) Perquisites :

In addition to salary, the following perquisites shall be allowed to the Managing Director.

CATEGORY - "A"

- i) Housing :

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of Rs 15,000/- per month.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

ARTICLE 10

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

ii) **Medical Reimbursement :**

Medical Expenses actually incurred for self and family shall be reimbursed by the Company.

iii) **Leave Travel Concession :**

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

iv) **Personal Accident Insurance :**

The Company shall pay Personal Accident Insurance upto Rs 5,000/- per annum.

v) **Club fees :**

The Company shall reimburse annual fees for a maximum of two clubs.

CATEGORY - "B"

i) The Company shall contribute towards Provident Fund/ Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

ii) The Company shall pay Gratuity at the rate applicable to Senior Executives of the Company.

iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

The perquisite under this Category shall not be included in the computation of ceiling on remuneration.

CATEGORY - "C"

i) The Company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of Car for personal purposes shall be billed by the Company.

ii) The Company shall provide telephone at the residence of the Managing Director at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.

4. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/or committees thereof.

5. The remuneration referred to in Clause 3 is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Directors and whole time Director(s) of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under 3(a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.

6. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.

7. The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.

8. The Managing Director may resign by giving three calendar months' notice in writing to the Company.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr S A Lalbhai, Managing Director of the Company is that the above resolution pertains to his agreement with the Company and he will be receiving the remuneration as stated therein if approved. None of the other Directors of the Company, except Mr A N Lalbhai and Mr S S Lalbhai who are relatives, are interested in the resolution.

The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

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.
May 27, 2002



A TEN YEAR REVIEW

(Rs in lacs)

OPERATING RESULTS:	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
REVENUE	60263	59336	53491	56776	47400	48635	42478	26726	26469	23923
GROSS PROFIT	5134	4317	2513	6163	4210	3889	3580	2564	2196	1495
DEPRECIATION	2801	2837	3016	3064	2381	2161	2086	966	768	791
TAXATION	225	5	5	235	136	207	5	32	2	2
NET PROFIT	2108	1475	(508)	2864	1693	1521	1489	1566	1426	702
DIVIDENDS	449	*383	*85	*610	*455	*782	870	616	392	319
(*Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	1723	1168	(1495)	2202	1219	523	232	931	1034	383

FINANCIAL POSITION :

(Rs in lacs)

GROSS BLOCK	57245	55961	55500	54873	46564	44177	40711	23082	19480	17408
NET BLOCK	22344	23697	25809	27963	26291	26252	24897	13842	11183	9609
NET CURRENT & OTHER ASSETS	37872	35719	35969	35962	32837	31114	29032	12917	12822	8368
CAPITAL EMPLOYED	60216	59416	61778	63925	59128	57366	53929	26759	24005	17977
EQUITY SHARE CAPITAL	2967	2966	2966	2966	2966	2966	2966	2593	1744	1363
RESERVES AND SURPLUS (b)	22042	23667	22502	24003	19278	18087	17627	13351	9472	7419
SHAREHOLDER'S EQUITY	25009	26633	25468	26969	22244	21053	20593	15943	11216	8782
PREFERENCE SHARE CAPITAL	-	100	600	600	950	950	900	-	-	-
BORROWINGS	32239	32682	35708	36356	35934	35363	32436	10816	12744	9195

PER EQUITY SHARE :

(In Rupees)

DIVIDENDS	1.50	*1.00	-	*1.50	*1.00	*2.00	3.00	3.00	2.75	2.50
(*tax free)										
BOOK VALUE	84	90	86	90	75	71	69	61	64	64

- Notes:- (a) After adjusting amounts in respect of previous year/s.
 (b) Including Revaluation Reserve created in 1985 Rs 776 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, 2002.

FINANCIAL RESULTS:

	(Rs in lacs)	
	2001-02	2000-01
Sales and Operating Income	59628	58696
Other Income	635	641
Total Revenue	60263	59337
Profit before taxation	2333	1480
Taxation	225	5
Profit after tax	2108	1475
Balance brought forward	4159	2813
Transferred from Debenture Redemption Reserve	100	954
(Debits)/Credits relating to earlier years	64	75
Provision for leave encashment for earlier years	474	-
Disposable surplus	5957	5317
Appropriation:		
Capital Redemption Reserve	100	500
Debenture Redemption Reserve	-	275
General Reserve	90	-
Preference dividend paid	4	46
Proposed Dividend	445	297
Dividend Tax on above	-	40
Balance carried forward	5318	4159
	5957	5317

DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs1.50 per share (including a special dividend of Re0.50 per share to commemorate the golden jubilee of operations) on 2,96,61,733 Equity Shares of Rs10 each fully paid up as on April 1, 2001.

SHARE CAPITAL:

During the year, the Company redeemed 1,00,000 13% Cumulative Redeemable Preference Shares of Rs100 each amounting to Rs100 lacs.

PROFITABILITY:

The rising trend of profitability from operations achieved during the last 5 years continued during the year despite only marginal growth in sales. The net profit during the year increased by around 43% to Rs2108 lacs as compared to Rs1475 lacs in the previous year, mainly due to improvement in operations and lower interest cost.

FINANCE:

The interest and finance charges (net) during the year amounted to Rs3803 lacs as compared to Rs4733 lacs during the previous year, a decrease of 19.65%. As a result, the net interest cost fell to 6.38% of sales down from 8.06% in 2000-01 and 9.23% in 1999-00. During the year, the Company curbed interest cost through several efforts such as substitution of high-cost loans, renegotiation of interest rate and enhanced utilisation of concessional export credit from banks.

The Directors confirm that the proceeds of the various debentures issued were used for purposes stated.

INSURANCE:

The Company has taken adequate insurance to cover the risks to its assets, profits, employees and third parties based on risk study.

RESEARCH & DEVELOPMENT:

In-house R&D efforts remained focused on developing processes for speciality products catering to customer demands in the domestic and international markets. Several new dyes, speciality products, perfumery and bulk drug intermediates were developed and commercialised. Certain processes and equipments were modified to bring about a substantial improvement in yield, quality and productivity. Several technologies developed at CSIR laboratories were explored and a few of these are in an advanced stage of commercialisation.

SAFETY, HEALTH AND ENVIRONMENT:

The directors are pleased to state that the Company continued its dedicated efforts towards proper management of Safety, Health and Environment. The focus on reduction of waste at source and recycling of waste wherever possible, were given importance by R & D and manufacturing. Recognizing its eco-friendly operations, two NGOs, viz. 1) Indo-German Greentech foundation, Delhi and 2) International Greenland Society, Hyderabad have awarded the Company with first prize for environmental excellence in the Chemical Industry Sector.

You will be pleased to learn that with continued focus on training in safety, the number of accidents and abnormal occurrences has reduced by 40 % over the previous year.

Regular medical examination of the employees has shown that there are no adverse effects of operations of the Company on their health.

With the courtesy of Indian Cancer Society, a two-day camp was held at Atul for cancer detection and promoting awareness amongst employees, which received an overwhelming response.

**DIRECTORS:**

Mr. S A Lalbhai has been appointed as a Managing Director of the Company with effect from December 15, 2001 subject to approval of the members and the designation of Mr. S S Lalbhai, Managing Director has been revised to Managing Director & CEO of the Company. Mr. M K Tandon has been appointed as a nominee Director of Unit Trust of India with effect from January 28, 2002. Mr. A N Palwankar resigned as a director with effect from January 28, 2002. The Board put on record its appreciation of the contribution made by Mr. A N Palwankar as a director.

According to Article 134 of the Articles of Association of the Company, Mr. R A Shah, Dr. S S Bajjal and Mr. M R Shroff retire by rotation and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE:

The Company believes that good corporate governance is the sine qua non for generation of value to all stakeholders on a sustained basis. 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 Company Secretary for a copy.

RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors confirm that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- 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 as on March 31, 2002 and of the profit of the Company for the year ended on that date.
- iii. Proper and sufficient care has 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 annual accounts for the year ended March 31, 2002 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, lenders and suppliers for their continuing support.

For and on behalf of the Board of Directors

Arvind N Lalbhai
Chairman

Mumbai
May 27, 2002

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ANALYSIS

Management Discussion and Analysis

Overview

It was a year of consolidation for the Company. While the long spell of net loss from operations was decisively broken last year, the current year witnessed further improvement in operations on the whole. While the cash profit (profit before depreciation and tax) increased from Rs4318 lacs to Rs5134 lacs, the net profit for the year improved from Rs1475 lacs in the previous year to Rs2108 lacs in the current year.

The business of the Company falls in 2 distinct segments, viz. Colors and Speciality & Other Chemicals. However, the Management Discussion & Analysis is more detailed and gives information on the different product groups within each segment.

1) Segment: COLORS

a) Industry structure and developments

The world market of dyes (including pigments) is estimated at 1.3 million tonnes valued at US \$ 16 billion.

Though overall growth of dyestuffs during last 5 years has slowed down, the industry is still expected to maintain a growth of about 2% per annum in the next decade. It is worthwhile to note that there has been a shift in the production centers from Europe, USA and Japan to non-traditional centers such as China, India, Taiwan, Thailand, Indonesia etc. Many of the traditional centers are no more interested in further growth of dye industry and have concentrated on sourcing their requirements from non-traditional centers like India, China, Taiwan, Korea, Indonesia etc. The reason could be attributed to high manpower cost and switching over to specialty products.

The Indian dyestuff industry comprises of about 950 units (organised sector 50 and unorganised sector 900). The over all production is about 1,30,000 tonnes per annum. Two western states of Maharashtra & Gujarat account for over 90% of dyestuff production in the country.

With increasing consumerism in the Indian market, the low per capita consumption of textile, leather, paint, printing inks, paper and plastics are expected to show higher than world average growth rates during the next decade.

b) Review of Operations

The sales and internal transfers of the Division at Rs 26,700 lacs recorded a growth of 8.1 per cent as compared to the previous year.

The volume of specialty segment increased whereas commodity registered negative growth on account of pressure on prices both in domestic and export markets. Domestic realisation was stagnant at the previous year's level. Export realisation improved mainly from favourable exchange rate movements and partly from marginal increase in prices.

The combined impact of growth in sales of value added products, saving from process and yield improvements, economical sourcing of raw materials, cost cutting through job works, very efficient, productive and synergistic use of utility facilities with highest ever in-house power generation substantially improved the performance of the Division during the year. The Division's best ever performance is attributable to successful introduction of in-house developed dyes, continuous modernisation and debottlenecking of the existing assets to bring in more flexibility in the manufacturing facilities and to minimise the need of new investment. This also enabled the Division to respond instantaneously to the unpredictable demand pattern of the textile industry which is the major user of the Division's products.

The Division achieved the best ever results largely through sustained volume growth in the premium and high value added specialty products. This performance gives continued confidence in developing the future business strategy which focuses on maximising returns with optimum use of the existing block of assets.

c) Opportunities and threats

The declining customs duties and the entry of China into WTO would need to be reckoned in the coming years in terms of competition, capacities and prices. The capacities in China are huge, unimaginable and frightening to visualise the existence of more than a few cost efficient dyestuff manufacturers in India. The survival strategy also calls for a concerted effort by the industry and the Government to derive a plan of action quickly to ensure a continuing place for our dyestuff industry in the world.

d) Risks and concerns

The dyestuff industry continues to reel under pressure of over capacity and declining prices. The slow down in the world economy and in particular in the USA obviously has added to the woes of the industry resulting in declining demand.

e) Outlook

The turnover is likely to grow by 8 to 10 per cent in F.Y. 2002-03 primarily driven by volume. The Division has been actively launching higher margin products and has moved up the value chain to offset the fall in realisations of the negative volume growth segment.

2) Segment: Speciality and Other Chemicals

2.1 Agrochemicals

a) Industry Structure and Developments

The current size of the Indian agrochemical industry is Rs4200 crores, out of which pesticides worth around Rs1200 Crores are exported annually. The industry is highly fragmented, with over 300 manufacturers of technical grade products and more than 1000 formulators. All the major multinationals have a significant presence in India and they have imported substantial quantities of technical pesticides into India in the last few years. The share of such new generation products is increasing rapidly and it now represents over 50% of the total Indian agrochemicals market. This has resulted in excess manufacturing capacities and reduced prices for the older molecules.

b) Review of Operations

The net sales and inter divisional transfers of the Division at Rs7700 lacs grew at 26% as against the growth of about 8% in the previous year. Exports at Rs4400 lacs recorded a steep growth of 68%. Phenoxo herbicides accounted for more than half of the turnover. The substantial increase in sales has been achieved due to de-bottlenecking of plants. A new fungicide, "Xantho" was launched in the Southern Market in India during the last quarter of the financial year. Xantho has received a good response.

c) Opportunities and threats

The farmers in certain states such as Andhra Pradesh, Punjab, UP, MP, Maharashtra and Gujarat are now willing to try out newer molecules. The right selection of niche products will throw up excellent opportunities.

With the shifting of the production base for many pesticides to India and China and with the inherent advantage that the Company has in certain selected chemistries, many export opportunities have opened up.