



**2002-2003
Annual Report**

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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.



ATUL LTD

26th Annual Report 2002-2003

Directors :

Mr A N Lalbhai
(Chairman)
Mr N N Wadia
Mr R A Shah
Mr G S Patel
Dr S S Bajjal
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
(upto 30.06.2002)

Mr J L Shah
Mrs S S Shah
(Nominee of ICICI Bank Ltd)
Mr S A Lalbhai
(Managing Director)
Mr M K Tandon
(Nominee of UTI)
Mr S M Datta
(Additional Director)

Company Secretary :

Mr T R Gopi Kannan

Auditors :

Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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Atul Americas Inc	79
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Registered Office :

Ashoka Chambers
Rasala Marg
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
Karur Vysya Bank
State Bank of Saurashtra
ICICI Bank
UTI Bank

NOTICE

NOTICE is hereby given that the Twenty-Sixth Annual General Meeting of the shareholders of the Company will be held on Wednesday, the August 06, 2003 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, 2003 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. J L 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 Mr. Hasmukh S Shah, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of 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.
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 Rs15,00,000/- (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 Mr. S M Datta 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 the Companies Act, 1956 from a member proposing his candidature, be and is hereby appointed a Director of the Company."
8. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the company hereby accords its approval to the re-appointment of Mr. Sunil B Lalbhai as Managing Director & CEO of the Company and his receiving of remuneration including minimum remuneration, for a period of 5 years, with effect from July 01, 2004, as per the draft of agreement submitted to this meeting and for identification initialed 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 re-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 from time to time which may have the effect of increasing the remuneration and for considering modifications, if any, by the Central

Government in regard to the policy / guidelines pertaining to managerial remuneration and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company."

9. 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 approves the revision in the Basic Salary of Mr. J L Shah, a Director of the Company to Rs.1,40,000/- (Rs. one lac forty thousand only) per month AND FURTHER THAT he may be given interest subsidy not exceeding Rs.1,00,000/- (Rs. one lac only) per year on housing loan as may be availed by him from any Bank / finance company as per the Rules applicable to the Senior Executives of the Company with effect from April 01, 2003 AND FURTHER THAT the other terms and conditions of the existing agreement with him remain unchanged."

10. 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 approves the terms and conditions of re-appointment including remuneration of Mr. J L Shah, a Director of the Company, for a period of five years from January 22, 2004, as set out in the draft Agreement submitted to this meeting and for identification initialed by the Chairman, which agreement is hereby specifically sanctioned with power to the Board to alter or determine the conditions thereof, 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 from time to time which may have the effect of increasing the remuneration and for considering modifications, if any, by the Central Government in regard to the policy / guidelines pertaining to managerial remuneration and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company."

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

"RESOLVED THAT pursuant to Article 126 of the Articles of Association of the Company and in accordance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the Ordinary Directors of the Company be paid remuneration by way of commission over and above the sitting fees upto one percent of the Net Profits of the Company, computed in the manner laid down in Section 198 of the Companies Act, 1956, for each of the five financial years commencing from April 01, 2003 in such proportion and manner as the Board may from time to time determine."

By Order of the Board

May 26, 2003

T.R. Gopal Kanner
President, Finance &
Company Secretary

**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, 2003 are enclosed herewith.

5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2003 to July 05, 2003 (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 01, 2003. 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.

Transfer of unclaimed amount pursuant to Section 205C of the Companies Act, 1956 : The Company has credited into the Investors' Education & Protection Fund unclaimed application money upto the financial year ended on March 31, 1996.

8. Pursuant to the directions of SEBI vide circular No. D&CC/ FITTC/ CIR - 18/ 2002 dated February 12, 2003, the Company has appointed M/s. Pinnacle Shares Registry Pvt. Limited, Near Asoka Mills, Naroda Road, Ahmedabad 380025 (Pinnacle), an existing Registrar of Demat shares, as Registrar of physical shares and as such Pinnacle is a common agency for dealing with Demat and physical shares. The members are requested to deal with the aforesaid agency.

9. **Reappointment of Directors :** At the ensuing Annual General Meeting Mr. J. L. Shah, Mr. Hasmuikh-S. Shah and Dr. H. Kaiwar, 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. J. L. Shah is a Chemical Engineer from IIT, Mumbai and also had an extensive training in general management at I.I.M. Ahmedabad. He joined erstwhile Cibatul Limited (now PP Site of the Company) in the year 1974. He initially worked with several technical functions and subsequently was assigned responsibility of Marketing, Procurement and Business Development. In the year 1995 he became the Managing Director of erstwhile Cibatul Limited. On amalgamation of Cibatul Limited with Atul Limited, Mr. Shah became a Director on the Board of Atul Limited with effect from January 22, 1999. Since then, he has been looking after the Polymers and Pharmaceuticals businesses of the Company, apart

from various corporate functions. Presently, he is a Director of Atul Pharmaceuticals Limited, Amal Products Limited and AgriMore Limited.

- (b) Mr. Hasmuikh S. Shah has over four decades of experience in senior administrative/ management positions in Government of India and Industry. He is Chairman of Shaily Engineering Plastics Limited, Gujarat Gas Co. Limited and Oswal Multimedia K.I.D. Limited. Mr. Shah is also a Director in the following Companies : Supreme Petrochem Limited, Hindustan Oil Exploration Co. Ltd., Feedback First Urban Infrastructure Co. Limited, Hindustan Inks & Resins Limited and Sun Pharmaceuticals Industries Limited. He is Member of Audit Committee of Hindustan Inks & Resins Limited and Sun Pharmaceuticals Industries Limited. He is Chairman of Shareholders / Investors Grievance Committee of Hindustan Inks & Resins Limited and Sun Pharmaceuticals Industries Limited.

Mr. Shah was formerly Chairman and Managing Director of IPCL, Chairman of GILC, Vice Chairman, GE Capital and Advisor to GE in India. Also Mr. Shah was Joint Secretary to the Prime Minister and Secretary P & T Board.

Mr. Hasmuikh Shah is also holding steering position in several social, economic, cultural and other organizations such as Gujarat Institute of Desert Ecology, Gujarat Ecological Society, NID, IRMA, BAIF, Kachnar Trust, INTACH, GIDR, DSC etc.

- (c) Dr. H. Kaiwar is a Ph.D. in Dyestuffs Chemistry & Technology from the University of Leeds, England followed by Post-Doctoral Research Assistantship. He joined erstwhile Atul Industries Limited in 1957. In the year 1965, he was appointed as Managing Director of erstwhile Atul Industries Limited. After retirement Dr. Kaiwar joined the Board of Atul Limited in 1994 as an Executive Director and currently is a Non-Executive Director of the Company. Dr. Kaiwar is a Life Fellow of the Royal Society of Chemistry, London and a Life Member of the Indian Science Congress Association. He is the Chairman (Dyes & Intermediates) of Bureau of Indian Standards Institute. He is the Chairman of the Board of Atul Americas Inc. and of Atul Pharmaceuticals Limited.

10. The Draft Agreements relating to the reappointment of Mr. Sunil S. Lalbhai, Managing Director & CEO and Mr. J. L. Shah, Director of the Company referred to in Resolution No. 8 and 10 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 items Nos. 7 to 11 mentioned in the accompanying Notice dated May 26, 2003.

Item No. 7 :

Mr. S. M. Datta was appointed as an Additional Director on October 28, 2002. He has a wide knowledge and a varied and vast experience. Mr. Datta graduated with Honours in Chemistry and obtained the Post-graduate Degree in Science & Technology. He is a Chartered Engineer, Fellow, The Institute of Engineers (India), Fellow, Indian Institute of Chemical Engineers; Member, Society of Chemical Industry (London) and Hon. Fellow of All-India Management Association. He is the Chairman of the Board of Governors of I.I.M. Bangalore. He is associated with various other renowned and respected institute and committees.

Mr. Datta was Chairman of Hindustan Lever Limited as well as of all Unilever Group companies in India and Nepal from 1990 to 1996 and is Chairman of Castrol India Limited, Philips India Limited, IL&FS Investments Managers Limited and Tata TD Waterhouse Trustee Company Private Limited. He is director of EID Parry (India) Ltd, BOC India Ltd, TIL Limited, Zodiac Clothing Company Ltd., Peerless Gen. Fin. & Inv. Co. Ltd., Goodlass Nerolac Paints Ltd and Transport Corporation of India Ltd. He is the Chairman of Audit Committee of BOC India Limited and EID Parry (India) Ltd and member of the Audit Committee of Credit Analysis & Research Limited. He is the Chairman of Remuneration Committee of Philips India Limited and IL&FS Investment Managers Limited and Member of Remuneration Committee of TIL Limited and EID Parry (India) Limited and also the Chairman of Shareholders / Investors Grievances Committee of Castrol India Limited and Member of the Committee of IL&FS Investment Managers Limited. The Company will substantially benefit from the vast experience and knowledge of Mr. Datta. Your Directors recommend the passing of this resolution.

No Directors accept Mr. S M Datta is interested in or concerned with this Resolution.

Item No. 8 :

This Resolution relates to your approval for reappointment of Mr. Sunil S Lalbhai as Managing Director & CEO of the Company for a period of five years from July 01, 2004 and his terms of reappointment including remuneration. Mr. Sunil S Lalbhai has been Managing Director of the Company since July 01, 1989. The term of his office is due to expire on June 30, 2004.

The contribution made by the Managing Director & CEO in the management of the affairs of the Company is well known and it is in the interest of the Company that he be reappointed for a further period of five years as mentioned above.

The terms and conditions of the reappointment of the Managing Director & CEO 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. Sunil S Lalbhai is reappointed as Managing Director & CEO to carry out the management functions entrusted to him by the Board subject to the superintendence, direction and control of the Board. Certain special powers relating to the management are conferred upon him and enumerated in the draft agreement.
2. Period of office of the Managing Director & CEO, is five years with effect from July 01, 2004.
3. The Managing Director & CEO to devote his time and attention to the business of the Company as required by the Board and follow directions and instructions of the Board in performance of duties.
4. Remuneration payable to the Managing Director & CEO
 - (a) Basic salary of Rs.1,75,000/- (Rupees one lakh and seventy five thousand only) per month. The Basic Salary may be increased from time to time by the Remuneration Committee at its absolute discretion within the contractual period of 5 years, however, the maximum Basic Salary payable shall not exceed Rs.3,50,000/- (Rupees three lakhs fifty thousand only) per month.
 - (b) Perquisites : In addition to salary, the following perquisites shall be allowed to the Managing Director & CEO :

CATEGORY - "A"

- i) Housing :

The Company shall provide furnished accommodation to the Managing Director & CEO. If the Managing Director & CEO is having his

own accommodation, the Company shall pay house rent allowance at the rate of 10% of the Basic salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director & CEO at the entire cost of the Company which shall not exceed Rs.5 lacs.

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 & CEO and his family once in a year as per the Scheme of the Company.

- iv) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance premium 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 equal to 15 days' salary for each completed year of service as per Scheme of the Company 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 will be allowed to be encashed at the end of the term as per rules of the Company. The perquisites 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 & CEO at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.

CATEGORY - "D"

The Managing Director & CEO shall be entitled to commission at the rate of 0.50% of net profits of the company provided that the commission shall not exceed one year's Basic salary as referred to in Clause 4 (a) above.

5. The Managing Director & CEO 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.



6. The aforesaid remuneration 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 & CEO shall be entitled to the aforesaid remuneration excluding commission within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.
7. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.
8. The Managing Director & CEO shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.
9. The Directors are at liberty to appoint more than one Managing Director.
10. The Managing Director & CEO may resign office, subject to three calendar months' notice.
11. In the event of termination of office, the Managing Director & CEO is entitled to compensation in accordance with Section 318 of the Companies Act, 1956.
12. In the event of any dispute or difference arising out of this agreement between the parties, such dispute or difference shall be referred to arbitration in accordance with the provisions of The Arbitration And Conciliation Act, 1996 or any statutory modification or substitute thereof and all the provisions of that Act so far as are applicable or of any of them for the time being in force shall apply to every reference thereof.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr. Sunil S Lalbhai, Managing Director & CEO 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. Arvind N Lalbhai and Mr. Samveg A 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.

Item No. 9 :

This Resolution relates to your approval for increase in the Basic Salary of Mr. J L Shah, Director of the Company, to Rs.1,40,000/- per month with effect from April 01, 2003. The revision in Basic Salary is considered and recommended by the Remuneration Committee of the Company. Interest subsidy not exceeding Rs 1,00,000/- per year on housing loan as per the Rules applicable to the Senior Executives of the Company has also been recommended by the Remuneration Committee. The Members had vide resolution No.12 passed on September 29,1999 had fixed a limit of Rs.1,25,000/- per month in respect of Basic Salary which needs to be increased in line with market trend, performance and the responsibilities carried by Mr. Shah. The contribution made by Mr. Shah in the Polymers and Pharmaceuticals business of the Company is significant. The other terms and conditions of the agreement with him will remain unchanged.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr. J L Shah, Director of the Company is that the above resolution pertains to variation in the agreement with him and he will be receiving the remuneration as amended if approved. None of the other Directors of the Company, is interested in the resolution.

Item No. 10 :

This Resolution relates to your approval for re-appointment of

Mr. J L Shah, as Director of the Company for a period of five years from January 22, 2004 and his terms of appointment including remuneration. The terms and conditions of the re-appointment of the 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. J L Shah is hereby re-appointed as a Director in Whole-time employment of the Company to carry out such functions as entrusted to him by the Management.
2. Mr. J L Shah to devote such time and attention to the business of the Company as required by the Management.
3. Period of office of the Director is five years with effect from January 22, 2004.
4. Mr. J L Shah, Director, shall be entitled to the following terms of remuneration:
 - (a) Basic salary of Rs.1,40,000/- (Rupees One Lac Forty Thousand only) per month. The Basic Salary may be increased from time to time by the Remuneration Committee at its absolute discretion within the contractual period of 5 years, however, the maximum Basic Salary payable shall not exceed Rs.3,00,000/- per month.
 - (b) Commission : One per cent commission on the operating net profits of PP Site of the Company or one year's basic salary whichever is lower, subject to the ceiling specified in the Companies Act, 1956.
 - (c) Perquisites :
In addition to basic salary, the following perquisites shall be allowed :

CATEGORY - "A"

- (i) Housing :
A suitable residential accommodation will be provided by the Company. The residential accommodation will be provided with water, cooking gas / fuel, electricity and furnishings and will be valued as per the Income Tax Rules, 1962. If the Company does not provide residential accommodation, house rent allowance shall be paid in lieu thereof @ 50% of the Basic Salary.
- (ii) Medical Reimbursement :
Medical Expenses actually incurred shall be reimbursed as per rules applicable to the senior executives of the Company.
- (iii) Leave Travel Assistance :
The Company shall provide leave travel assistance for self and family once in a year in accordance with the rules of the Company.
- (iv) Personal Accident Insurance :
The Company shall pay Personal accident Insurance premium upto Rs.4,000/- per annum.
- (v) Club Fees :
The Company shall reimburse annual fees for a maximum of two clubs, provided that no life membership or admission fees shall be paid.
- (vi) Interest subsidy:
The Company shall give interest subsidy not exceeding Rs. 1,00,000/- on Housing Loan availed by him in a year as per the Rules applicable to the senior executives of the Company.

CATEGORY - "B"

- i) The Company shall contribute towards Provident Fund/ Superannuation Fund/Annuity Fund as per

rules applicable to senior executives of the Company, 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) Entitlement to Casual Leave, Sick Leave and Privilege Leave as per the rules of the Company as are applicable to senior executives of the Company.

CATEGORY - "C"

The Company shall provide a Car with driver for use on Company's business and telephone at residence. Personal long-distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director.

5. Mr. J L Shah 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 traveling, lodging, boarding and out of pocket expenses incurred by him for attending meeting of the Board of Directors and/or committees thereof.
6. The remuneration referred in Clause 4 and any alteration thereof from time to time 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 as computed in the manner referred to in Section 198(1) of the Companies Act, 1956. Provided, however, that in the event of absence or inadequacy of profit the Director shall be paid remuneration mentioned in Clause 4(a) and 4(c) as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.
7. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.
8. The Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.
9. The Director may resign by giving three calendar months' notice in writing to the Company.
10. In the event of termination of office, Mr. J L Shah would be entitled to compensation in accordance with Section 318 of the Companies Act, 1956.
11. In the event of any dispute or difference arising out of this agreement between the parties, such dispute or difference shall be referred to arbitration in accordance with the provisions of The Arbitration And Conciliation Act, 1996 or any statutory modification or substitute thereof and all the provisions of that Act so far as are applicable or of any of them for the time being in force shall apply to every reference thereof.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr. J L Shah, 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, is 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.

Item No. 11 :

Pursuant to Article 126 of the Articles of Association of the Company read with Section 309 of the Companies Act, 1956, the Ordinary Directors of the Company are entitled to receive commission upto one percent of the Net Profits of the Company in any financial year, with the authorization of the Company by way of a special resolution, which shall not remain in force for a period of more than five years.

Earlier the Twenty-First Annual General Meeting had authorised payment of such commission for a period of five years which expired on March 31, 2003 and the same requires further renewal.

In view of the time and attention which the Ordinary Directors of the Company are called upon to give for the purpose of the business of the Company it is considered that the payment of such commission to the Ordinary Directors as permitted by Article 126 aforesaid should be made for the period of five years from April 01, 2003.

All the Directors except Mr. Sunil S Lalbhai, Managing Director & CEO, Mr. Samveg A Lalbhai, Managing Director and Mr. J L Shah, Director in whole-time employment, may be deemed to be interested in this special resolution.

By Order of the Board

T R GOPI KANNAN
President, Finance &
Company Secretary

Registered Office :
Ashoka Chambers,
Rasala Marg,
Ahmedabad - 380 006.
May 26, 2003



A TEN YEAR REVIEW

(Rs in lacs)

OPERATING RESULTS:	2002-03	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
REVENUE	65738	60263	58336	53491	56776	47400	48635	42478	26206	26360
OPERATING PROFIT (PBITD)	9890	8937	9050	7397	11372	8980	8503	5994	3986	3514
INTEREST	3293	3928	4733	4884	5209	4770	4614	2414	1422	1318
GROSS PROFIT	6597	5009	4317	2513	6163	4210	3889	3580	2564	2196
DEPRECIATION	2702	2801	2837	3016	3064	2381	2161	2086	966	768
TAXATION	489	225	5	5	235	136	207	5	32	2
NET PROFIT	3406	1983	1475	(508)	2864	1693	1521	1489	1566	1426
DIVIDENDS	728	440	383	85	610	455	782	870	616	382
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	2678	1534	1168	(1495)	2202	1219	523	232	931	1034

FINANCIAL POSITION :

(Rs in lacs)

GROSS BLOCK	61026	57245	55961	55500	54873	46564	44177	40711	23082	19480
NET BLOCK	24352	22344	23697	25809	27963	26291	26252	24897	13842	11183
NET CURRENT & OTHER ASSETS	35355	37829	35719	35969	35962	32837	31114	29032	12917	12822
CAPITAL EMPLOYED	59707	60173	59416	61778	63025	59128	57366	53929	26759	24005
EQUITY SHARE CAPITAL	2967	2967	2966	2966	2966	2966	2966	2966	2593	1744
RESERVES AND SURPLUS (b)	25724	22042	23667	22502	24003	19278	18087	17627	13351	9472
SHAREHOLDER'S EQUITY	28691	25009	26633	25468	26969	22244	21053	20593	15943	11216
PREFERENCE SHARE CAPITAL	-	-	100	600	600	950	950	900	-	-
BORROWINGS	27864	32195	32682	35708	36356	35934	35363	32436	10816	12744

PER EQUITY SHARE :

(In Rupees)

DIVIDENDS (*tax free)	2.00	1.50	1.00	0.00	1.50	1.00	2.00	3.00	3.00	2.75
BOOK VALUE	97	84	90	86	90	75	71	69	61	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.
 - (d) Previous years' figures regrouped.

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, 2003.

FINANCIAL RESULTS:

	(Rs in lacs)	
	2002-03	2001-02
Sales and Operating Income	64437	59688
Other Income	1301	576
Total Revenue	65738	60264
Profit before taxation	3894	2209
Taxation	489	225
Profit after tax	3405	1984
Balance brought forward	5319	4160
Transferred from Debenture Redemption Reserve	625	100
Investment Allowance Reserve (Debits)/Credits relating to earlier years	281	-
	(65)	11
Tax adjustments and interest on refunds	1066	177
Provision for leave encashment for earlier years	-	474
Disposable surplus	10631	5958
Appropriation:		
Capital Redemption Reserve	1000	100
Debenture Redemption Reserve	250	-
General Reserve	400	90
Preference dividend paid	59	4
Proposed Dividend	593	445
Dividend Tax on above	76	-
Balance carried forward	8253	5319
	10631	5958

DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs2 per share on 2,96,61,733 Equity Shares of Rs10 each fully paid up as on April 1, 2002.

SHARE CAPITAL:

During the year, the Company redeemed 10,00,000 9.25% Cumulative Redeemable Preference Shares of Rs100 each amounting to Rs1000 lacs.

PROFITABILITY:

Mainly due to overall improvement in operations and lower interest burden the cash profit (profit before depreciation and tax) from operations increased from Rs50 crores to Rs62 crores not counting the non-recurring items i.e. capital gain on sale of investments Rs398 lacs. The profit before tax after non-recurring items increased from Rs 2209 lacs to Rs3894 lacs.

FINANCE:

The interest and finance charges (net) during the year amounted to Rs3293 lacs compared to Rs3928 lacs during the previous year, a decrease of 16.19%. As a result, the net interest cost fell to 5.11% of sales, down from 6.58 % in 2001-02 and 8.06% in 2000-01. During the year, the Company curbed interest cost further by conversion of select rupee loans into foreign currency loan, placing low cost commercial papers, substitution of high cost loans and enhanced utilisation of concessional export credits from banks. These and the general reduction of interest rates in the economy have helped contain the interest cost during the year. The Company is continuing with its endeavors to bring down these costs further.

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

During the year, the Company offered 3,84,160 shares held by it, under open offer by Syngenta India Ltd and realised Rs499 lacs.

The Board wishes to thank the banks and financial institutions for their continued support in meeting various long-term and short-term fund requirements.

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:

A major proportion of in-house R&D work was devoted to the development of high value pharmaceutical and fine chemical intermediates as well as some high performance agrochemicals. R&D efforts were also targeted towards utilising existing plant capacities for manufacturing high value dye intermediates. Procurement of key analytical instrumentation has substantially upgraded existing facilities, thereby helping R&D personnel develop products conforming to stringent customer specifications. A few R&D projects were sponsored at CSIR laboratories and some CSIR technologies are currently being evaluated for commercialisation.

SAFETY, HEALTH AND ENVIRONMENT:

The Company progressed further in its endeavor to achieve excellence in Safety, Health & Environment. The good work done in the past on waste minimization and resource conservation through various initiatives in manufacturing helped to further improve the environmental performance. Greentech Foundation, New Delhi, a renowned NGO recognized the Company's efforts and awarded the Gold Trophy for environmental excellence in the Chemical Industry Sector. Some of the business divisions have planned to get ISO 14001 certification and set up structured Environmental Management Systems in their areas.

The Company has chalked out ambitious growth plans with new projects and these plans require environmental clearance from the Ministry of Environment & Forests