

ATUL

MISSION

We are a chemical company committed to creating
Welth 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

28th Annual Report 2004-2005

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

Mr J L Shah
(Executive Director)

Mr S A Lalbhai
(Managing Director)

Mr S M Datta

Company Secretary :

Mr T R Gopi Kannan

Auditors :

Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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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-Eighth Annual General Meeting of the shareholders of the Company will be held on Friday, August 5, 2005 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, 2005 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 Baijal, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Manu R Shroff, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. To appoint Messrs Dalal & Shah, Chartered Accountants, as Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

“RESOLVED THAT the ordinary Directors be paid sitting fees not exceeding Rs.20,000/- per meeting as may be decided by the Board of Directors from time to time for attending the meetings of the Board or any Committee thereof and out of pocket expenses.”

By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

May 20, 2005

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. 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, 2005 are enclosed herewith.
3. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2005 to July 05, 2005 (both days inclusive).
4. **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, 2005. The members are requested to notify immediately any change in address.
5. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to Investors' Education & Protection Fund up to the financial year ended on March 31, 1997.

Transfer of unclaimed amount pursuant to Section 205C of the Companies Act, 1956: The Company has transferred to the Investors' Education & Protection Fund unpaid/unclaimed interest on debentures, unpaid/unclaimed fixed deposits and interest thereon upto the financial year ended on March 31, 1998.
6. 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 Ashoka Mills, Naroda Road, Ahmedabad 380025(Pinnacle) , as Registrar and Transfer Agents for physical and demat shares. The members are requested to deal with the aforesaid agency.

7. **Reappointment of Directors :** At the ensuing Annual General Meeting Mr. R A Shah, Dr. S S Baijal and Mr. Manu 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 : Fulford India Ltd. (Chairman), Godfrey Philips India Ltd. (Chairman), Pfizer Limited (Chairman), Roche Scientific Co. (I) Pvt. Ltd. (Chairman), Colgate Palmolive (I) Ltd. (Vice-Chairman), Abbot India Ltd., Atul Ltd., Asian Paints (I) Ltd., The Bombay Dyeing & Mfg. Co. Ltd., BASF India Ltd., Colour Chem Ltd., Clariant India Ltd., Deepak Fert. & Petrochemicals Corpn. Ltd., Jumbo World Holdings Ltd., Nicholas Piramal India Ltd., Procter & Gamble Hygiene and Healthcare Ltd., Philips India 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), Nicholas Piramal India Ltd. (Chairman), BASF India Ltd., Colour Chem Ltd., Abbott India Ltd., Procter & Gamble Hygiene And Healthcare Ltd.

(b) **Dr. S S Baijal** is an 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 the Director of the following public limited companies : Atul Ltd., DCM Shriram Consolidated Ltd., Max India Limited, DCM Shriram Credit & Investment Ltd., Rossell Tea Ltd., Bokakhat Tea Company Pvt. Ltd., Jyoti Holding Pvt. Ltd. . He is the Chairman of the Audit Committee of : Atul Limited, DCM Shriram Consolidated Ltd., Rossell Tea Ltd. and a Member of Max India Ltd. and also Chairman of Remuneration Committee of : DCM Shriram Consolidated Ltd., Max India Limited and a member Rossell Tea Ltd., and Atul Ltd., 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., The Great Eastern Shipping Co. Ltd. and Nirma Ltd. He is

also Chairman/ Member of Audit Committee of Atul Limited, The Great Eastern Shipping Co. Ltd. (Chairman), Nirma Ltd., and also a Member of Share transfer and Shareholder / Investor grievance Committee of Atul Limited and a Member of Remuneration Committee of The Great Eastern Shipping Co. Ltd.

EXPLANATORY STATEMENT :

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the item of Special Business under Sr. No. 7 mentioned in the accompanying Notice dated May 20, 2005 :

Pursuant to the directions of the SEBI, the Stock Exchanges amended Listing Agreements with the Company. The amendments include new Clause 49(I)(B) which requires that all the fees / compensation to the ordinary Directors require previous approval of the shareholders in General Meeting. The Company is paying commission, sitting fees and out-of-pocket expenses to the ordinary Directors. Payment of commission is already approved by the shareholders. For payment of sitting fees and out-of-pocket expenses, the approval of members is being sought.

Though, the amendments have been deferred till December 31, 2005, advance approval from the members is being sought.

All the Directors except Mr. Sunil S Lalbhai, Managing Director & CEO, Mr. Samveg A Lalbhai, Managing Director and Mr. J L Shah, Executive Director may be deemed to be interested in the Ordinary Resolution.

By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

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

May 20, 2005

Atul Limited

A TEN YEAR REVIEW

(Rs in lacs)

OPERATING RESULTS:	2004-05	2003-04	2002 - 03	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98	1996 - 97	1995 - 96
REVENUE	71012	60359	61865	60263	59336	53491	56776	47400	48635	42478
OPERATING PROFIT (PBIDT)	6794	5580	9890	8937	9050	7397	11372	8980	8503	5994
INTEREST	2179	2157	3293	3928	4733	4884	5209	4770	4614	2414
GROSS PROFIT	4615	3423	6597	5009	4317	2513	6163	4210	3889	3580
DEPRECIATION	2738	2728	2702	2801	2837	3016	3064	2381	2161	2086
TAXATION	251	469	489	225	5	5	235	136	207	5
NET PROFIT	1626	226	3406	1983	1475	(508)	2864	1693	1521	1489
DIVIDENDS	676	502	728	449	383	85	610	455	782	870
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	950	(276)	2678	1534	1168	(1495)	2202	1219	523	232
FINANCIAL POSITION:										
GROSS BLOCK	68493	66647	61026	57245	55961	55500	54873	46564	44177	40711
NET BLOCK	24897	27604	24352	22344	23697	25809	27963	26291	26252	24897
NET CURRENT & OTHER ASSETS	33101	34572	35355	37829	35719	35969	35962	32837	31114	29032
CAPITAL EMPLOYED	57998	62176	59707	60173	59416	61778	63925	59128	57366	53929
EQUITY SHARE CAPITAL	2967	2967	2967	2967	2966	2966	2966	2966	2966	2966
RESERVES AND SURPLUS (b)	17044	25557	25724	22042	23667	22502	24003	19278	18087	17627
SHAREHOLDER'S EQUITY	20011	28524	28691	25009	26633	25468	26969	22244	21053	20593
PREFERENCE SHARE CAPITAL		-	-	-	100	600	600	950	950	900
BORROWINGS	35548	30036	27864	32195	32682	35708	36356	35934	35363	32436
PER EQUITY SHARE:										
DIVIDENDS	2.00	1.50	2.00	1.50	1.00	0.00	1.50	1.00	2.00	3.00
(*tax free)										
BOOK VALUE	67	96	97	84	90	86	90	75	71	69

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 Atul 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, 2005.

FINANCIAL RESULTS:

	(Rs in lacs)	
	<u>2004-05</u>	<u>2003-04</u>
Sales and Operating Income	69939	59398
Other Income	1073	961
Total Revenue	71012	60359
Profit before taxation	1877	695
Taxation	251	469
Profit after tax	1626	226
Balance brought forward	8843	8253
Transferred from		
Debenture Redemption Reserve	-	800
(Debits)/Credits relating to earlier years	(50)	(38)
Tax adjustments and interest on refunds	223	162
Disposable surplus	10642	9403
Appropriation:		
General Reserve	135	58
Proposed Dividend	593	445
Dividend Tax on above	83	57
Balance carried forward	9831	8843
	<u>10642</u>	<u>9403</u>

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, 2004.

PROFITABILITY:

The Company recovered during the year from the decline in profitability during 2003-04,

mainly buoyed by higher sales (growth of 20%). The operations continued to be hit by a meteoric rise in key raw material prices, lower export incentive and a weak dollar. Though the gross margins stagnated or dipped, PBDT (profit before depreciation and tax) improved from Rs3423 lacs to Rs4615 lacs and PBT (profit before tax) recorded a notable rise from Rs695 lacs to Rs1877 lacs.

FINANCE:

The interest and finance charges (net) for the year was Rs2179 lacs compared to Rs2157 lacs during the previous year - an increase of 1.02% as compared to revenue growth of 17.75%. The net interest to sales ratio, as a result further came down to 3.1% from 3.6% last year. The year witnessed a sharp increase in the benchmark interest rates - Libor and 5 year government securities yields - of almost 2 % on year on year basis. The Company has however contained the increase to 0.31% on the outstanding loans. This was done by swapping most of the floating rate loans into fixed rate loans, since the interest rate outlook for the maturity profile of the loans was slated upwards. The Company has also raised the proportion of foreign currency loans, given their lower interest rates and the natural hedge afforded by export receivables which constitute more than half its sales.

Further efforts are on to shrink the interest costs as a % of sales by

better working capital norms and utilization of assets.

Loans borrowed have been used for the purpose for which they have been sanctioned by the respective banks or financial institutions.

The Company takes forward contracts and uses other basic derivative products from time to time as permitted by RBI to cover its imports and exports. These are purely based on the actual exposure or likely future anticipated export receivables, but never in the nature of speculation. The net effect of these is accounted as per the guidelines of the Institute of Chartered Accountants of India.

The Board wishes to thank the Banks and Financial institutions for their continued support in meeting various long term, short term and emerging credit needs.

INSURANCE:

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

SAFETY, HEALTH AND ENVIRONMENT:

During the year, in line with the Company's policy, great emphasis was placed on implementing the best practices on Safety, Health & Environment (SHE) management. Three-tier and follow-up audits were conducted combined with drill and demonstration in

presence of statutory authorities and community representatives to provide assurance that SHE elements and related operating practices responsible for better SHE performance were in place and monitored effectively.

The Directors are pleased to state that we continue to receive recognition and top awards for our various Safety, Health & Environment initiatives. We were awarded:

- **Gold excellence award** by Greentech Foundation, New Delhi.
- **Excellent Environmental and Ecological implementation Gold Award** from Jawaharlal Nehru Memorial National Awards, Hyderabad.
- Gujarat State **Shram Award** to our Mr Rameshchandra D. Lad, Electrical Section, Power House – East.
- **RoSPA** occupational Health and Safety **Gold Award** by **Royal Society for the Prevention of Accident, UK.**

The Company has stringently followed SHE norms at its manufacturing locations resulting in overall decline in injuries all around. Continuous effort is made to keep the dust, gas and noise levels at all the manufacturing locations to the minimum. All employees undergo periodic medical check up and so far no major occupational illness has been identified.

DIRECTORS:

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

CORPORATE GOVERNANCE:

A Report on Corporate Governance along with a Report from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC, EMPLOYEES AND SUBSIDIARIES

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(2A) 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.

The Company has five wholly owned subsidiaries namely, Ameer Trading Corporation Limited, Atul Deutschland GmbH, Atul Americas Inc., Atul Europe Limited and Atul International Trading (Shanghai) Co. Ltd. The Company has got exemption from attaching the details as provided under Section 212(1) of the Companies Act, 1956 in respect of the subsidiaries.

However, the investors may seek the copies of the annual reports and related detailed information of the subsidiaries by writing to the Company Secretary at the registered office of the Company.

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, 2005 and of the profit of the Company for the year ended on that date.