



ATUL LTD

29th Annual Report 2005-2006

Directors :

Mr A N Lalbhai
(Chairman)

Mr N N Wadia

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

Dr K Aparajithan
(Additional Director)

Mr R A Shah
(Alternate Director)

Company Secretary :

Mr T R Gopi Kannan

Auditors :

Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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u/s 212 of Consolidated Accounts.	

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
State Bank of Saurashtra
UTI Bank
Export Import Bank of India
ICICI Bank
Karur Vysya Bank
Uco Bank

NOTICE

NOTICE is hereby given that the Twenty-Ninth Annual General Meeting of the shareholders of the Company will be held on Friday, August 4, 2006 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, 2006 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 Hasmukh S Shah, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
- 4 To appoint a Director in place of 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.
- 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 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 Dr K Aparajithan retiring at this Annual General Meeting having been appointed as an Additional Director, who being eligible offers 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 the approval to the re-appointment of Mr Samveg A Lalbhai as Managing Director of the Company and his receiving of remuneration including minimum remuneration for a period of 5 years with effect from December 15, 2006, 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 authorized 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 a Special Resolution :

"RESOLVED THAT pursuant to the authority vested by the Article 50 of the Articles of Association of the Company and subject to regulatory approvals, if any, the Board of Directors of the Company be and is authorized to dispose of 29991 forfeited equity shares at the prevailing market price on the date of disposal to any person/firm/ entity "

By Order of the Board

T R Gopi Kannan
President, Finance &
Company Secretary

May 26, 2006



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, 2006 are enclosed herewith.
- 3 **Book Closure** : The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2006 to July 05, 2006 (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, 2006. 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 unpaid dividend payable to the shareholders in respect of the 12th Dividend onwards i.e. from the year ended March 31, 1999, shall be transferred to the Investor Education and Protection Fund under the provisions of the Companies Act, 1956. Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below :

Dividend	Accounting Year ended	Date of declaration of Dividend	Dividend payment %	Approx. Date of Transfer of Unpaid Dividend to Investor Education Protection Fund
12 th	March 31, 1999	29-9-1999	15	25-10-2006
13 th	March 31, 2001	08-08-2001	10	04-09-2008
14 th	March 31, 2002	07-08-2002	15	03-09-2009
15 th	March 31, 2003	06-08-2003	20	02-09-2010
16 th	March 31, 2004	06-08-2004	15	02-09-2011
17 th	March 31, 2005	05-08-2005	20	01-09-2012

No claim will lie from a Member once the transfer is made to the said Fund. Members who have not encashed their dividend warrants are requested to encash the same before the said transfer in their own interest.

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, 1999.

- 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 Asoka 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 Hasmukh S Shah, Mr J L Shah and Mr Nusli N Wadia, retire by rotation and being eligible offer themselves for reappointment. The information or details required to be furnished under the Listing Agreement pertaining to a Director seeking re-appointment.

Particulars	Information of a Director seeking re-appointment
Name	Mr Hasmukh S Shah
Date of Birth	October 4, 1934
Brief Resume	Mr Hasmukh S Shah has over four decades of experience in senior administrative/ management position in Government of India and Industry. Mr Shah was formerly Chairman and Managing Director of IPCL, Chairman of GLIC, Vice Chairman, G E Capital and Advisor to GE in India. Also Mr Shah was Joint Secretary to the Prime Minister and Secretary P & T Board.

	Mr Hasmukh 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.
Directorship in other Companies	Shaily Engineering Plastics Limited - Chairman Gujarat Gas Co Limited - Chairman Oswal Multimedia K.I.D. Limited - Chairman Supreme Petrochem Limited Micro Inks Limited Dinesh Remedies Limited Sun Pharmaceuticals Industries Ltd Cosmo Films Limited Deepak Nitrite Limited
Position in Committees of other Companies	Chairman of Committees : Sun Pharmaceuticals Industries Limited- Shareholders / Investors Grievance Committee, Micro Inks Limited- Shareholders / Investors Grievance Committee and Audit Committee Sun Pharmaceuticals Industries Limited - Remuneration Committee Atul Limited- Remuneration Committee Supreme Petrochem Ltd- Remuneration Committee Member of Committees : Sun Pharmaceuticals Industries Limited- Audit Committee Dinesh Remedies Limited – Audit Committee. Cosmo Films Limited – Remuneration Committee
Number of shares held in the Company	90

Name	Mr J L Shah
Date of Birth	July 19, 1951
Brief Resume	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. He is overseeing Polymers, Pharmaceuticals and Colors business of the Company apart from being involved in various corporate functions.
Directorship in other Companies	Atul Bioscience Limited
Position in Committees of other Companies	Nil
Number of shares held in the Company	560



Name	Mr Nusli N Wadia
Date of Birth	February 15, 1944
Brief Resume	Mr Nusli N Wadia 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.
Directorship in other Companies	The Bombay Dyeing & Mfg Co Ltd - Chairman The Bombay Burmah Trading Corporation Ltd - Chairman Britannia Industries Ltd - Chairman Wadia BSN India Ltd - Chairman Nowrosjee Wadia & Sons Ltd - Chairman & Managing Director Go Airlines(India) Private Limited - Chairman Britannia New Zealand Foods Pvt Ltd - Chairman Gherzi Eastern Ltd Tata Steel Ltd Tata Chemicals Ltd Tata Motors Ltd Associated Biscuits International Ltd U.K. ABI Holding Ltd U.K. Leila Lands SDN Bhd. (Malaysia) Naira Holdings Ltd (B.V.I.)
Position in Committees of other Companies	Chairman of Committees : Tata Motors Limited – Remuneration Committee Britannia Industries Limited – Investment Committee Member of Committees : The Bombay Dyeing & Mfg. Co Ltd - Remuneration Committee Britannia Industries Ltd- Remuneration Committee
Number of shares held in the Company	50

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 Sr No 7 to 9 mentioned in the accompanying Notice dated May 26, 2006 :

Item No 7 :

Dr K Aparajithan was appointed as an Additional Director on February 11, 2006. He was previously on the Board from May 24, 1996 to June 30, 2002. Dr K Aparajithan is well qualified and has wide and varied experience in the areas of production, technical, R&D and business management. The Board of Directors is of the opinion that Dr K. Aparajithan with his knowledge, experience and insight of chemical industry would be a valuable asset to the Company. Your Directors recommend passing of this resolution.

Name	Dr K Aparajithan
Date of Birth	December 24, 1935
Brief Resume	Dr K Aparajithan , 70, is well qualified and has wide and varied experience in the area of production, technical, R & D and business management. He was also Managing Director of erstwhile Atic Industries Limited. He was on the Board of the Company during the period May 24, 1996 to June 30, 2002.
Directorship in other Companies	Nil
Position in Committees of other Companies	Chairman of Committees : Nil Member of Committees : Nil
Number of shares held in the Company	600 shares

No Directors except Dr K Aparajithan is interested in or concerned with this Resolution.

Item No 8 :

This Resolution relates to your approval for reappointment of Mr Samveg A Lalbhai as Managing Director of the Company for a period of five years from December 15, 2006, and his terms of reappointment including remuneration. Mr Samveg A Lalbhai has been Managing Director of the Company since December 15, 2001. The term of his office is due to expire on December 14, 2006.

Considering the contribution made by the Managing Director in the management of the affairs of the Company, it is in the interest of the Company that he be reappointed for a further period of five years as mentioned above.

Name	Mr Samveg A Lalbhai
Date of Birth	June 4, 1961
Brief Resume	Mr Samveg A Lalbhai , 44, is a Director of the Company since January 21, 2000. Previously, he was a Managing Director of The Arvind Mills Limited. He is actively associated with Ahmedabad Textile Mills Association, Gujarat Chamber of Commerce and Industry, Federation of Indian Chamber of Commerce & Industry, Indian Cotton Mills Federation, Ahmedabad Textile Industry's Research Association.
Directorship in other Companies	Arvind Worldwide Inc Arvind Worldwide (M) Inc Arvind Products Limited Arvind Overseas (M) Limited Anup Engineering Limited Gujarat Tool Room Limited Bengal Tea & Fabrics Ltd Arvind Farms Pvt Limited Saumya Farms & Organic Products Pvt Ltd Sneh Farms Pvt Limited



Position in Committees of other Companies	Chairman of Committees : Arvind Products Limited – Shareholders’ Grievance Committee Member of Committees : Arvind Products Limited – Committee of Directors
Number of shares held in the Company	203165

The terms and conditions of the reappointment 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 Samveg A Lalbhai is reappointed as Managing Director of the Company. As Managing Director he shall work closely with the Managing Director & 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 & CEO.
- 2 Period of office of the Managing Director, is five years with effect from December 15, 2006.
- 3 Remuneration payable to the Managing Director -
 - (a) Basic salary of Rs172500/- (Rupees one lakh and seventy two thousand five hundred 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 Rs400000/- (Rupees Four Lacs only) per month.
 - (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 10% of the Basic salary. 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 which shall not exceed Rs5 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 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 upto Rs5000/- 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.
- 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 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 on business of the Company. Use of Car for personal purposes shall be recovered 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.

CATEGORY – “D”

“The Managing Director shall be entitled to commission at the rate of 0.50% of net profits of the Company provided that the commission shall not exceed eighteen months’ (18) Basic salary as referred to in Clause 3 (a) above. When payable for part of the year, commission shall be payable on pro rata basis.

- 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 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 shall be entitled to the aforesaid remuneration excluding commission 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 expenses incurred by him in connection with the business of the Company.
- 8 The Directors are at liberty to appoint more than one Managing Director.
- 9 The Managing Director may resign office, subject to three calendar months’ notice.
- 10 In the event of termination of office, the Managing Director is 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 by a Sole Arbitrator 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 Samveg 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 Arvind N Lalbhai who is a relative, 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 9:

This Resolution relates to your approval for disposal of 29991 forfeited equity shares at the prevailing market price on the date of disposal to any person/firm/entity. The Company had forfeited above mentioned shares due to non-payment of allotment/call money by various applicants in the year 1994/1995. The Company had received an amount of Rs1.31 lacs from such applicants. As per Article 50 of the Articles of Association, the Board of Directors has authority to dispose of the forfeited shares and accordingly the Board of Directors



had passed a resolution in its meeting held on March 24, 2006 to dispose of the 29991 forfeited shares at the prevailing market price subject to approval of Members in ensuing general meeting and any other approval of any regulatory authorities. As per clause 23 of the Listing Agreement this item requires approval of members Further as per Section 81 of the Companies Act, 1956, this requires approval of members by way of Special Resolution.

No Director is interested in or concerned with this Resolution.

By Order of the Board

Registered Office :
Ashoka Chambers,
Rasala Marg,
Ahmedabad - 380 006.
May 26, 2006

T R Gopi Kannan
President, Finance &
Company Secretary



A TEN YEAR REVIEW

(Rs in lacs)

OPERATING RESULTS:	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
REVENUE	84057	71012	60359	61865	60263	59336	53491	56776	47400	48635
OPERATING PROFIT (PBITD)	14120	6794	5580	9890	8937	9050	7397	11372	8980	8503
INTEREST	2946	2179	2157	3293	3928	4733	4884	5209	4770	4614
GROSS PROFIT	11174	4615	3423	6597	5009	4317	2513	6163	4210	3889
DEPRECIATION	2873	2738	2728	2702	2801	2837	3016	3064	2381	2161
TAXATION	(128)	251	469	489	225	5	5	235	136	207
NET PROFIT	8429	1626	226	3406	1983	1475	(508)	2864	1693	1521
DIVIDENDS (* Inclusive of Dividend Tax)	1015	676	502	728	449	383	85	610	455	782
PROFIT RETAINED (a)	7414	950	(276)	2678	1534	1168	(1495)	2202	1219	523

FINANCIAL POSITION :

GROSS BLOCK	73034	68493	66647	61026	57245	55961	55500	54873	46564	44177
NET BLOCK	27331	24897	27604	24352	22344	23697	25809	27963	26291	26252
NET CURRENT & OTHER ASSETS	34850	31218	30957	32204	34861	35719	35969	35962	32837	31114
CAPITAL EMPLOYED	62181	56115	58561	56556	57205	59416	61778	63925	59128	57366
EQUITY SHARE CAPITAL	2967	2967	2967	2967	2967	2966	2966	2966	2966	2966
RESERVES AND SURPLUS (b)	24333	17044	25557	25724	22042	23667	22502	24003	19278	18087
SHAREHOLDER'S EQUITY	27300	20011	28524	28691	25009	26633	25468	26969	22244	21053
PREFERENCE SHARE CAPITAL	—	—	—	—	—	100	600	600	950	950
BORROWINGS	34881	36104	30036	27864	32195	32682	35708	36356	35934	35363

PER EQUITY SHARE :

DIVIDEND PER SHARE (Rs) (* tax free)	3.00	2.00	1.50	2.00	1.50	1.00	0.00	1.50	1.00	2.00
BOOK VALUE	92	67	96	97	84	90	86	90	75	71

- Notes : (a) After adjusting amounts in respect of previous year/s.
 (b) Including Revaluation Reserve created in 1985 Rs776 lacs.
 (c) 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.