

In a challenging business environment in 2007-08...

- The US dollar depreciated around 12% against the Indian rupee
- Raw material prices increased multi-fold in the space of a mere six months
- Attrition rate remained high



Atul Ltd held its fort...

- Revenues grew by 11%
- EBIDTA grew by 10%
- PBT grew by 46%

...and is working towards an enriching future!

- We are creating an invaluable knowledge repository
- We are strengthening operations
- We are enhancing our focus on strategy
- We are building stronger teams

We are a diversified Indian chemical company engaged in the businesses of agrochemicals, bulk chemicals, intermediates, colors, pharmaceutical intermediates and polymers. We possess the competence to manage complex processes in line with global standards of safety, quality and efficiency.

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Parentage

- Part of the Rs 4000 crs [US\$ 1 billion] Lalbhai Group, one of the oldest business houses in India
- Promoters hold 39% stake in the Company (as on March 31, 2008)

Products

- Synthesis of complex chemicals used in diverse sectors
- Operations spread across six divisions (Agrochemicals, Aromatics, Bulk Chemicals and Intermediates, Colors, Pharmaceuticals and Intermediates and Polymers)



Presence

- Headquartered in Atul, Gujarat
- Present in China, Germany, the UK and the USA through subsidiary companies
- Manufacturing facilities at Atul and Ankleshwar in Gujarat and Tarapur in Maharashtra
- Growing presence in Africa, Europe, North and South America
- Shares listed on three major stock exchanges in India

Position

- Internationally recognised for quality and environmental practices
- Rated among the top five global producers in niche products
- Leading brands in key market segments

Incorporation

1947

Commencement of operations

1952

Number of employees

2697

(March 31, 2008)

Promoters' holding

39%

(March 31, 2008)

Revenue (Rs crs)

1014

(March 31, 2008)

Profit after tax (Rs crs)

37

(March 31, 2008)

Passion for excellence

Report



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Mission

We are a conglomerate committed to significantly enhance value for all our stakeholders by:

- fostering a spirit of continuous learning and innovation,
- having people who practice values and high standards of behaviour,
- providing high quality products and services and becoming the most preferred supplier,
- seeking sustained and dynamic growth and securing long-term success ,
- taking responsible care of the surrounding environment and
- improving the quality of life in the communities we operate in.

Values

The name Atul is a unique asset, which, among others, represents a heritage of values. For bringing clarity to the employees, old and new, and binding them, we have formalised these key values.

Integrity

We will conduct our business fairly, with honesty and transparency, and our actions will remain consistent with our thoughts and words, written or spoken.

Understanding

We will show respect to and maintain the dignity of fellow human beings irrespective of their position, qualification or skill and reject behaviour inconsistent with the agreed values.

Excellence

We will constantly strive to improve and achieve the highest standards in our day-to-day work and in the quality of products and services we provide and endeavour to deliver superior and consistent performance.

Unity

We will work cohesively amongst ourselves and with others and harness the unique capabilities of each individual. We will proactively promote teamwork without losing individual creativity.

Responsibility

We will be sensitive to the communities and countries in which we work and will take care of the environment. We will work in the spirit of trusteeship for the ultimate benefit of society.

Customer first

We will endeavour to meet the needs of our customers to the best of our abilities and will do so in the most cost-effective way. Our earnings will be the outcome of managing such needs.

Honouring commitment

We will always stand by the commitments we make to our customers, suppliers, lenders and others who work with us and take agreed actions without reminders.

We will seek to create an environment wherein the aforementioned values are consistently practised and nurtured and ensure that they are not compromised to realise short-term gains.

“We have been highly challenged in recent times, but this has become our biggest trigger for building a more resilient and growth-oriented Company...”

Sunil S Lalbhai reviews the performance and strategy of Atul

Dear friends,

At Atul, we encountered another difficult fiscal where we were hemmed in by a strengthening rupee on the one side and an unprecedented escalation in the costs of the key raw materials on the other. The impact is evident in the numbers:

- Revenues from operations grew only by 11 %
Contribution margin shrunk by 2%
- EBIDTA (from operations) decreased by 5 %
to Rs 82 crs

The higher net profit stated in the Annual Report was mainly because of a an unrealized translation gain on outstanding foreign currency loans and a refund which largely did not relate to the fiscal under review.

We are certainly not happy with the performance and realise the need and are committed to perform well even under adverse conditions. You may like to take note of the following:

- Revenues crossed Rs 1,000 crs for the first time
- Sales of branded goods though small in the overall context grew significantly

- Several projects were completed successfully across key divisions

In addition to the above, our optimism for the future is derived from the fact that we are quietly adjusting to the new realities, be it the volatility in exchange rates or the ever escalating input costs.

I am gratified to report that we, at Atul, have the resolve to stay on course and are taking actions and putting plans in place with an endeavour to significantly grow our sales and more importantly profit.

Initiatives

At Atul, we have identified distinct drivers to facilitate our prospective growth:

Maximize asset utilization and efficiency

Our huge manufacturing base has a tremendous untapped potential for increasing asset utilization and efficiency. We expect to unlock significant value by debottlenecking, cutting down time cycles, utility consumption and effluent generation and enhancing yield, batch size and productivity. The result will be a lower

capital and revenue cost per kg of output leading to a much superior return on capital employed.

Introduce down-stream products

At Atul, we have begun introducing value added down-stream products used by companies engaged mainly in the business of Flavours and Fragrances, FMCG and Pharmaceutical Industries. Since this calls for a lot more work in R&D and in the marketplace, this initiative is taking time to show result, but the benefits will certainly come.

Develop sales of branded goods

We expect to strengthen sales of branded goods wherever possible, following success in our Agrochemicals Division. We have also commenced such sales in Polymers Division. We have begun enriching our knowledge pool, commissioning depots and establishing channels, leading to accelerated growth. We have seen sales crossing Rs 50 crs since we first began such sales in 2004-05.

Build on people

The competition, ultimately, is between the people of different companies for they develop

and execute strategy, find innovative ways and establish systems. We are working to build Atul for the future by investing in people. We have evolved a mission and a set of values together which will help us to envision and achieve new landmarks as we continue to work to make the 'Made in India' label proud.

Strengthen Research and Technology

At Atul, a stronger research & development and technology agenda will catalyze change comprising modernization of the laboratory facilities, absorption of the latest technologies and equipments as well as enlistment of qualified experts. We expect that this group will contribute significantly in creating value by realizing the untapped potential.

Ensure sustainability

A chemical company cannot survive and progress without ensuring that its operations and products are environmentally friendly. At Atul, we have made huge investments and are continuing to invest in pollution treatment facilities and minimizing pollutants at the source itself. A lot has been done, but we do realise that a lot more is possible, and we aim to

continuously improve in this area.

At Atul, we are committed to ensure that the health and safety of the employees are accorded the same priority as conducting business transactions. Programs are regularly organised to enhance the standards of health and safety of our people.

We have also formalized the tradition established by the founder, Shri Kasturbhai Lalbhai, by redefining a set of values with which we will live and work. Integrity, respect, excellence, teamwork, customer first, care for environment and service to society are the key values we have undertaken to permeate across the organisation in a formal way.

In essence, I wish to assure the shareholders that we are actively engaged in strengthening the Company by becoming more efficient and growth oriented in pursuit of credible long term goals.

Tribute to Shri Arvind Lalbhai

Shri Arvind Lalbhai who became the 3rd Chairman of Atul on December 28, 1998 passed away on August 3, 2007. His passion to

grow, his support in overcoming difficult problems without fear, his ability to maintain relations, his compassion for the poor and love for the family will continue to motivate and guide us. In his death, I have lost a fatherly figure who always encouraged and stood by me.

As the succeeding Chairman of Atul, I feel privileged to have this responsibility. Atul has committed and competent people, and I am confident that together we will unleash its potential and explore opportunities of our times.

With best wishes,

Sincerely,

Sunil S Lalbhai
Chairman and Managing Director

A strong foundation

I am aware about the concern that despite being in existence for more than five decades, the performance of Atul is marginal. I wish to assure shareholders that my colleagues and I are acutely aware of the need to show a much better and consistently improving performance. Nonetheless, it will be relevant to recognise the following:

- Atul was founded with a dream to make India self-reliant, generate employment on a large scale and create wealth for the rural community. A huge infrastructure was built, close to 10,000 people were gradually employed and several products critically required by India were manufactured.
- Dyestuffs and their intermediates remained the only key business for Atul until 1980s, facing intense competition

from small scale industries due to an illogical excise duty structure. China gradually began to sell dyestuffs close to variable cost and the overall business was not able to demonstrate growth.

- Additionally, the two joint ventures (JVs) of Atul – Atic Industries Ltd and Cibatul Ltd (Cibatul) – were engaged only in manufacturing until the MNC partners decided to exit the respective businesses worldwide. These JVs came into the Atul fold without any marketing organisation.

But this is fast changing. We are leveraging our resources to meet the demands of the external environment

- Moving from basic building blocks to niche, value-added products
- Substantially increasing capacities via de-bottlenecking

- Suitably modifying manufacturing processes to suit our existing gross block
- Shifting production processes to fill the idle operating capacity in the facilities of other plants
- Analysing the external market, choosing only those products whose processes match our existing asset base
- Increasing branded sales, selling more in Africa and South America among others

I am therefore of the view that the best is yet to come and that we will unlock value for our stakeholders in an attractive way in the years ahead.

– **Sunil S Lalbhai**
Chairman and Managing Director

Tribute to Shri Arvind N Lalbhai



(1918-2007)

Shri Arvind N Lalbhai, Chairman passed away on August 3, 2007. Shri Lalbhai was a Director on the Board from October 30, 1998 and the Chairman of the Board with effect from December 28, 1998.

He was associated with several institutions and companies: Ahmedabad Education Society, Ahmedabad Textiles and Industrial Research Association, Ahmedabad Textile Mills Association,

Federation of Indian Chamber of Commerce and Industry, Gujarat Cancer & Research Society, Gujarat Chamber of Commerce and Industry, Gujarat Law Society, Indian Institute of Management, National Association of Blind, and several leading companies, Arvind Mills Ltd, Tata Chemicals Ltd, Grasim Industries Ltd and J K Industries Ltd are a few to name.

Shri Lalbhai made an invaluable contribution as the Chairman. With his deep knowledge of the Textile Industry and a rich experience in corporate management, he remained a guiding force particularly through the difficult period. He nurtured the high standards of ethics laid down by the Founder Shri Kasturbhai Lalbhai. His principles and philosophy will remain a guiding force for the Company.

En-hance

Realising a greater value!

