



Lalbhai Group



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# Persistence

Catalysing growth

Atul Ltd | Annual Report, 2008-09



## Forward looking statements

In this Annual Report, we have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and comprehend our prospects. This report and other statements — written and oral — that we periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'plan', 'project' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward

looking statements will be realised, although we believe that we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated or projected. Readers may bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



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In the confrontation between the stream and the rock, the stream always wins;  
not through strength, but through persistence.

- Unknown

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## 2008-09 in retrospect

In a world marred by uncertainties...

- Indian Rupee depreciated by 27%
- Crude oil prices peaked to an unprecedented US\$147 per barrel
- Demand fell sharply in major economies

Atul improved its performance...

- Operating revenues grew by 17% to Rs1,181 crores
- EBIDTA (after providing for forex loss of Rs44 crores) increased by 18% to Rs118 crores
- PBT (after forex loss) rose by 20% to Rs46 crores

...and is persevering to sustain its momentum

- Enhancing customer focus
- Becoming process driven
- Investing in people development



## Corporate Identity

We are a diversified Indian company serving varied industries such as Aerospace, Agriculture, Automobile, Construction, Flavour & Fragrance, Paint & Coatings, Paper, Personal Care, Pharmaceuticals and Textiles. To enhance focus and efficiency, we operate through six business Divisions, namely Aromatics, Bulk Chemicals & Intermediates, Colors, Crop Protection, Pharmaceuticals & Intermediates and Polymers. We manage complex chemical processes in a responsible way.

Incorporation

1947

Commencement of  
operations

1952

Promoters' shareholding

39%

(March 31, 2009)





### Parentage

- Promoted by Shri Kasturbhai Lalbhai
- Part of Lalbhai Group, one of the oldest business houses of India
- First private sector Company to be inaugurated by the first Prime Minister of India

### Products

- Manufacturing of 700 products
- Reaching 2,500 customers
- Growing brand sales in chosen markets

### Presence

- 3 manufacturing sites in India
- Listed on 3 stock exchanges in India
- 4 100% overseas subsidiary companies and more than 1,000 distributors

### People

- Sales teams strengthened by addition of 42 employees
- Research & Development and Technology teams strengthened by addition of 38 employees
- 12 positions phased out

Number of employees

**2,746**

(March 31, 2009)

Operating revenues

**Rs1,181 crores**

(March 31, 2009)

Profit before tax

**Rs46 crores**

(March 31, 2009)





## Powered by Purpose

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

- |   |  |   |
|---|--|---|
| ■ Fostering a spirit of continuous learning and innovation, | services and becoming the most preferred partner,                    | and securing long-term success,                                   |
| ■ Using science and technology in a responsible way,        | ■ Having people who practice values and high standards of behaviour, | ■ Taking responsible care of the surrounding environment and      |
| ■ Providing high quality products and                       | ■ Seeking sustained and dynamic growth                               | ■ Improving the quality of life of the communities we operate in. |



## Driven by Values

The name Atul is a unique asset, which amongst others, connotes a rich heritage of Values. In an environment where change is a way of life, continuity of Values is fundamental to us. We have therefore formalised key Values and are committed to institutionalise them:



### Integrity

We will conduct our business fairly, with honesty and transparency and honour our commitments. Our actions will remain consistent with our thoughts and words. We will act as trustees of the resources managed by us.

### Understanding

We will show respect to and maintain the dignity of fellow human beings irrespective of their position, skill, qualification or culture. We will

encourage respect and use conflicting views to evolve the best solutions.

### Responsibility

We will give equal priority to Safety, Health and Environment Protection in our operations. We will serve the communities within which we operate and participate proactively in community development projects.

### Unity

We will work cohesively amongst ourselves, with our customers and with

others to harness the unique capabilities of each individual. We will proactively promote teamwork without losing individual creativity.

### Excellence

We will constantly strive to improve our manufacturing and other internal processes and achieve the highest standards in our day-to-day work and in the quality of products and services we provide. We will endeavour that all our actions, big or small, are driven by a passion for excellence.

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

## Overview by the Chairman

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“At Atul, we have interpreted the ongoing downturn in key markets as an opportunity: an opportunity to raise the efficiency and productivity bar; an opportunity to work more closely with end customers and an opportunity to introduce value added products. We are looking forward to the impending growth and at the same time we are fortifying the Company for the decades ahead by bringing out the best in us...”

- Sunil S Lalbhai

Dear friends,

The world passed through an unprecedented economic meltdown, reflected in the sharp decline in confidence, demand, earnings, fresh investments and growth across most sectors. This is evident from the performance of the major economies.

India though relatively less affected given the internal demand had to suffer because of the high price of crude oil for almost 3 quarters of the year. Indian Re moved differently against the US\$ than most anticipated. These two developments adversely affected many companies in India.

In the midst of these vagaries, we continued our drive to improve our performance. Even as our performance was nowhere close to where it ought to be, I trust you will take a note of the following numbers which reflect a change for the better:

- 1) Operating revenues grew by 17% to Rs1,181 crores
- 2) Contribution improved by 46% to Rs354 crores
- 3) Profit before forex impact and tax rose by 219% to Rs90 crores
- 4) Borrowing came down to Rs368 crores from Rs428 crores

What the numbers above do not reveal is that even while reducing the borrowing, we have already spent Rs72 crores during the year on several projects, the benefits of which will accrue in the years ahead. Please find below the increase in capacity in a few key products:

- 1) A crop protection product by 1500 MT or 14%
- 2) A fragrance intermediate by 2400 MT or 40%
- 3) A chemical intermediate by 1000 MT or 71%
- 4) A composite intermediate by 540 MT or 68%

More importantly, we remained steadfast in our resolve to build Atul for the coming decades and accordingly continued with several initiatives to secure the future. The numbers and the percentages above thus do not convey the real potential of the Company, and we are yet to witness the best.





I have in this communication focused on 6 key initiatives, mentioning in brief the logic behind them and the benefits expected from them. These initiatives may be seen as a continuation of the endeavours mentioned in my letter in the last Annual Report.

**Firstly**, we are hoping to establish 3 more 100% overseas subsidiary companies to reach out to new customers and serve them better. This reflects our keenness to work more closely with the customers and also enhance our market presence.

Essentially, we are committed to improve our customer service on the one hand and on the other, we are endeavouring to widen our customer reach. These initiatives are somewhat long-term in nature, but they will help boost sales as well as derisk the business.

**Secondly**, we are working to further improve our manufacturing efficiencies and also bring down other costs to enhance our competitiveness. During the year, we have improved yields, reduced utilities, brought down time cycles and cut down solvent losses.

We are reducing working capital and reviewing capex proposals with much more rigour. We are certain that this rigour will go a long way not only in optimising the resources used, but also in improving the quality of the decision making process.

**Thirdly**, we are introducing more value added products which comprise brands and non-brand products by leveraging our current product portfolio and strengths. During the year under review, for example, brand sales increased from Rs47 crores to Rs82 crores.

This is only a beginning of what we wish to do in brands. Our vision for the coming 5 years is to serve the end users by providing excellent products in a cost effective way. Through this initiative, we will seek sustainable growth.

**Fourthly**, we are putting in place systems and procedures across the Company to ensure that we become more process driven as we grow in terms of locations and size. We are amongst the first Indian companies to implement Oracle 12i and the latest version of PeopleSoft.

This will improve the quality of MIS in terms of accuracy and speed and thereby decision making and customer service. It will bring uniformity in practices and standardisation of processes. The quality of training and development will also get aligned with our aspirations.

**Fifthly**, we realise fully that our long-term future will be secure only if we are proactive and accord high priority to environment protection. During the year, we have taken major actions to reduce waste load and several new actions are underway.

This is an area where it is possible to strive for the theoretical potential. What are required are determination and a sense of responsibility. Atul set up treatment facilities long before the related laws were enacted, and this proactive approach continues.

Lastly and **sixthly**, we are in the process of formally integrating our social works projects under one umbrella. As a company founded by Shri Kasturbhai Lalbhai, Atul has the heritage and legacy of quietly fulfilling its social obligations; we remain committed to this cause.

A lot has been done, still much more needs to be done. For every generation and for every activity, there is scope to improve, and given the commitment and creativity of Atul people, there is every chance that we will, barring unforeseen circumstances, sustain the performance.

Established in 1947, Atul has survived the test of time, and I do expect that with every passing year, we will become better, grow faster and work smarter for all our stakeholders and thus give back much more than what we may take. In doing so, we will also fulfil the dreams of our life.

With best wishes,

Sincerely,

Sunil S Lalbhai

## Financial charts

### Improving numbers

