



CONSOLIDATION

Foundation for Growth



Atul Ltd | Annual Report 2010-2011

Consolidation is essential to achieve sustainable growth, and we are committed to continuously improve and strengthen our processes, thus building foundations for the future. Established in 1947, our Company has survived the tests of time, and we are committed to solidly prepare it for the years ahead.

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Expansion is Life,
Contraction is Death.

- Swami Vivekananda

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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 thereby comprehend our prospects. Such and other statements - written and oral - that we may periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', '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 realized although we believe we have been prudent in our assumptions. The achievement of results is subject to uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialize or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

2010-11 in retrospect

Amidst macroeconomic recovery ...

- World output recovered with growth of 4% though riddled with inflation
- Oil price rose from US\$ 79 to US\$ 98 per barrel
- Indian ₹ fluctuated between 44.03 and 47.57 to the US\$

Atul maintained its improvement trend ...

- Sales in value grew by 29% to ₹ 1508 crores and volume by 16%
- Profit before tax increased from ₹ 80 crores to ₹ 139 crores
- Return on average capital employed moved up, consecutively for the 6th year, from 13% to 18%

... and is preparing for sustainable growth

- New initiatives to cut down pollutants are under implementation
- Several debottlenecking and expansion projects are being executed
- Business and people-related processes are continuously reviewed and renewed



... acquired 50% shares in a foreign company manufacturing dyes for synthetic fibres



... bought a (neoprene and polyurethane adhesive) brand



... tied up to exclusively distribute an anti-rust product in India



... continued greening the deserts with plantation of 60,000 more tissue cultured date palms

Corporate Identity

We are a diversified Indian company meeting the needs of varied industries such as Aerospace, Agriculture, Automobile, Construction, Flavour & Fragrance, Paint & Coatings, Paper, Personal Care, Pharmaceutical, Textile and Tyre across the six continents. We manage complex chemical processes in a responsible way.



To enhance focus and efficiency, we have placed the products belonging to our two business segments into seven product groups, namely Aromatics, Bulk Chemicals & Inters, Colors, Crop Protection, Floras, Pharma & Inters and Polymers. For achieving functional excellence and supporting the two business segments, we have established seven functional Units, namely Commercial, Finance, Human Resources, Information Technology, Infrastructure, Research and Technology.

- Founded by Mr Kasturbhai Lalbhai to create wealth in rural India, generate employment and make India self-reliant
- Incorporated on September 15, 1947 and commenced operations on March 17, 1952
- First private sector company of India to be inaugurated by the first Prime Minister of India, Mr Jawaharlal Nehru

.....

- Share capital of ₹ 29.68 crores
- Promoter shareholding of 45.66% (March 31, 2011)
- Uninterrupted history of dividend since start of operations except in 1999-00

.....

- Operating in 7 major product groups with high growth potential and having excellent infrastructure and depth in science and technology
- Envisioning becoming a financially robust, dynamic enterprise, known for its products, practices and services and respected for its Values
- Made of 2534 strong employees working as one team, based in 405 villages, towns and cities of India and 3 continents



ATUL LTD



ATUL BIOSCIENCE LTD



ATUL RAJASTHAN
DATE PALMS LTD



ATUL AMERICAS INC



ATUL BRASIL
QUIMICOS LIMITADA



ATUL EUROPE LTD



ATUL INTERNATIONAL
TRADING (SHANGHAI)
CO LTD

The modified logo of Atul largely preserves its original form: 'Atul' is now written in 5 major languages of the world instead of in 7 Indian languages, bringing it in tune with time and echoing our aspiration to better serve customers around the world.

The logo of Atul Bioscience signifies our desire to produce high quality life science chemicals using state-of-the-art facilities and that of Atul Rajasthan Date Palms reflects our endeavour to green the deserts with tissue cultured date palms.

The logos of the foreign subsidiary companies are similar: the southern hemispheric colours, those of Indian flag, depict our Indian roots and the northern hemispheric colours, same as those of the flags of the respective foreign countries, our respect for their people.

Serving Diverse Industries



Aerospace



Agriculture



Automobile



Flavour & Fragrance



Paper



Paint & Coatings



Personal Care



Pharmaceutical



Tyre

LAPOX®

LAPOX®
Bristlebond

Epoxy System
LAPOX®
Clearset
जोड बेजोड

Epoxy System
LAPOX®
Crafto
जोड बेजोड

Epoxy System
LAPOX®
Duratite
जोड बेजोड

Epoxy System
LAPOX®
FILLO
जोड बेजोड

LAPOX®
LAPOGRIP®
SYNTHETIC RUBBER BASED ADHESIVE

LAPOX®
Metalam

polygrip®

albu

AMISAC

Myza

RiBo

Spora

VINIA

XANTHO
PREMIUM

XyLo-5

Zura

- Manufacturing facilities in Gujarat and Maharashtra
- Base in the USA, the UK, China and Brazil, through subsidiary companies
- Distribution network across India

-
- Manufactures 750 products, divided into Life Science Chemicals and Performance & Other Chemicals segments
 - Serves more than 4000 customers world-wide
 - Owns 54 brands in Crop Protection and Polymers

Inspired by Purpose

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

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



*Mr Kasturbhai Lalbhai
(1894-1980)*

Our Founder was one of the foremost Indians of his times. He lived his life with larger purpose and considered business enterprises as means to serve the society. He led an exemplary life that was characterized by trusteeship, simplicity, humility, integrity and excellence. We are proud of this legacy and will endeavour to live up to it.

Bonded 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 formalized key Values and are committed to institutionalize them.

We will seek to create an environment wherein these Values are consistently practised and nurtured and ensure that they are not compromised to realize short-term gains.

Integrity

The foundation of every relationship is trust, and trust is based on Integrity. Integrity means working with honesty, following the highest standards of professionalism. Integrity is when our decisions and actions remain consistent with our thoughts and words, written or spoken.

Understanding

How well one works with others depends on his (her) ways to connect, and this in turn is based on his (her) level of Understanding of human relationships. Understanding does not mean accepting poor performance, but it means doing it the right way. Understanding is not only an external manifestation, but also an internal realisation.

Unity

Living in a state of oneness brings Unity. Unity means working together and taking advantage of synergy while harnessing unique abilities of each individual to achieve a larger goal. Unity is the realisation that though we may work in different areas, we are finally interconnected and that interdependence is a higher order of living than independence; though we may be many, we share a common destiny.

Responsibility

Responsibility implies doing whatever it takes to deliver value and taking ownership of our actions. Responsibility must also give rise to the realization that what is good for the business must be in the overall good; in other words, working in the spirit of trusteeship not only for the shareholders, but also for other stakeholders such that ultimately what comes from the society goes back to it many times over.

Excellence

Excellence is a drive that is more from inside than outside; it is about one seeking to continuously improve and better performance. Excellence means endeavouring to achieve the highest possible standards in our day to day work; it means to develop an inspiring vision and realise it. In many ways, Excellence is also a journey, not simply a destination in itself.

Overview by the Chairman

Dear Shareholders,

The **world economy** the size of which is of the order of US\$ 63 tn in 2010 showed signs of recovery and, according to IMF, grew by about 5.1% (-0.5% in 2009). GDP of India at US\$ 1.2 tn grew by 9%; agriculture, industrial and service sectors contributed 14%, 31% and 55% respectively. Emerging economies are likely to fuel growth in the foreseeable future.

During the same period, the **world Chemical Industry** with revenue of US\$ 3.4 tn grew by 5% driven mainly by China, Brazil and Korea. Indian Chemical Industry at US\$ 56 bn is at number 11, but this merely reflects the potential that still lies hidden to be realized rather than its rank. Chemical Industry in China for example is 11 times bigger than India!

The performance of our Company for the year in terms of sales and profit witnessed further improvement over the preceding year. Working capital in terms of number of days (NoDs) was better though in a small way. Our Company acquired for the first time in its history 50% shareholding in a foreign manufacturing company and established a marketing company in Brazil. Our Company built new foundations to improve performance of its subsidiary and associate companies.

To be specific, despite difficulties and uncertainties, our Company

- improved sales by 29% to ₹ 1508 crores
- improved profit before tax from ₹ 80 crores to ₹ 139 crores
- reduced gross working capital by 19 days to 179 days
- acquired and integrated Polygrip brand
- established Atul Brasil Quimicos
- took steps to implement projects in subsidiary and associate companies

Furthermore, our Company undertook more than 250 **Key Initiatives** (KIs) in the areas of HR Development, Systems, Operations, SH&E, Customer Satisfaction, New Business, Sales, Working Capital and Profitability. The KIs, some of which have been mentioned on pages 10 and 11, taken during the year will help us to strengthen the long-term performance and make our Company more resilient and robust.

During the year, our Company completed **capex** of ₹ 22 crores; of these, ₹ 12 crores were for debottlenecking and expansion, ₹ 7 crores to enhance SH&E and ₹ 3 crores for others. Capex of ₹ 36 crores are still under implementation which will be capitalized during **2011-12**. We are endeavouring to unfold the potential of our Company with relatively small capex, and the more we look within, the larger we see the possibilities to create value; this will help us to grow the business disproportionately higher when compared with the capex | capital employed.

During **2011-12**, we are taking up multifarious KIs to boost the long-term performance of our Company. The nature of these initiatives may be similar, but they are not the same. Our focus to improve the short-term performance without losing sight of the long-term growth will remain the basis of our working. Our **three key challenges** are to improve the contribution margins so as to improve the quality of profit, cut down working capital in terms of NoDs and make the manufacturing operations even more compatible with environment.

We are endeavouring to pursue several **KIs during 2011-12:**

- 51 to enhance efficiencies
- 18 to add new customers and enter new geographies
- 28 to introduce new products