

PROGRESS

Focusing on People Planet Profit



Atul Ltd | Annual Report 2012-13

On the cover page, the plants reflect our commitment to grow consistently and give back more than what we take, the earth signifies our commitment to environment and the sky our aspiration to grow. Thus, our purpose is larger and shared. We have inherited this enriched legacy from our predecessors and are privileged to carry it forward.

Contents

Our rewards will always be in exact proportion to our service.
- Earl Nightingale

02	Corporate Identity	18	Safety, Health and Environment
04	Serving Diverse Industries	20	Serving the Society
06	Purpose and Values	23	Directors' Report
08	Letter to the Shareholders	25	Management Discussion and Analysis
10	Operational Highlights	32	Report on Corporate Governance
12	Financial Charts	46	Notice
16	Research	54	Ten Year Review
17	Technology and Manufacturing	55	Financial Statements

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', 'believe', 'estimate', 'intend', 'plan', 'project' or 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 we have been prudent in our assumptions. The actual results may be affected because of uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialise or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, believed, 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.

2012-13 Looking Back

World economy* stayed subdued ...

- World GDP grew by 3.2%
- GDP of China, Indonesia and India grew by 7.8%, 6.2% and 5.1% respectively
- GDP of the USA grew by 2.2% and that of Euro Area declined by 0.6%

Basic inputs and forex rates remained volatile ...

- Crude oil price fluctuated between US\$ 87 and US\$ 124 per barrel
- Natural gas price reached a peak of ` 42.62 per nm3 (from ` 33.45)
- Indian ` vacillated between 50.56 and 57.22 against the US\$

Atul maintained its improvement trends ...

- Increased sales from ` 1,746 cr to ` 1,964 cr and Profit before tax from ` 122 cr to ` 192 cr
- Undertook capex of ` 137 cr of which ` 71 cr to enhance environment protection facilities
- Served the society with 38 projects in the areas of education, health and infrastructure



Honourable Chief Minister of Rajasthan, Mr Ashok Gehlot, inaugurated for the first time in India, tissue cultured date palm facility in Jodhpur on April 01, 2012



Honourable Chief Minister of Gujarat, Mr Narendra Modi, inaugurated the world biggest *p*-Cresol facility in Ankleshwar on April 06, 2012



Padma Vibhushan, Dr Manmohan Sharma, inaugurated 22,000 square feet R&D facility in Atul on June 21, 2012

* Calendar year 2012 for all countries except India where the year is April to March

Corporate Identity



Lotus is the national flower of India and is a symbol of purity, inner beauty and awakening.

We are a diversified Indian company meeting the needs of varied industries such as Aerospace, Adhesives, Agriculture, Animal Feed, Automobile, Composites, Construction, Cosmetic, Defence, Dyestuff, Electrical & Electronics, Flavour & Fragrance, Glass, Home Care, Paint & Coatings, Paper, Personal Care, Pharmaceutical, Plastic, Polymer, Rubber, Soap & Detergent, Textile and Tyre across the world. We manage complex chemical processes in a responsible way.

In order to enhance focus, we have placed the products belonging to the two Reporting Segments, namely Life Science Chemicals and Performance & Other Chemicals under seven Businesses, namely, Aromatics, Bulk Chemicals, Colors, Crop Protection, Floras, Pharmaceuticals and Polymers. These Businesses are managed through a matrix organisation structure consisting of Divisions and Units for achieving all-round excellence.

Illustrious Past

- Founded by a legendary Indian, Mr Kasturbhai Lalbhai, on September 15, 1947, soon after independence
...
- Part of Lalbhai Group, one of the oldest industrial houses of India with a legacy of conducting business with larger purpose

Industrious Present

- Consistently increasing process efficiencies and people productivity
- Steadily increasing breadth and depth in the marketplace
- Diligently identifying and striving to achieve hundreds of Key Initiatives to improve and grow

Invigorating Future

- Growing in Life Science Chemicals and Performance & Other Chemicals Segments with countless possibilities
- Having depth in science and technology and leveraging integrated manufacturing facilities

Shareholding of Promoter group 50.36% (March 31, 2013)

Share capital ₹ 29.68 cr

Uninterrupted dividend since 1952 (except 1999-2000)



Serving Diverse Industries



Aerospace



Agriculture



Automobile



Defence



Electrical & Electronics



Flavour & Fragrance



Paper



Paint & Coatings



Personal Care



Pharmaceutical



Textile



Tyre

Reach and Presence

- Production facilities in India (Ankleshwar and Valsad, Gujarat and Tarapur, Maharashtra)
 - Subsidiary company with production facility in the UK (Bristol)
 - JV companies with production facilities in India (Valsad, Gujarat and Jodhpur, Rajasthan), Germany (Düsseldorf), South Korea (Ulsan) and Switzerland (Lugano)
 - Distribution network for brand sales across India
 - Wholly-owned subsidiary companies in Brazil (Sao Paulo), China (Shanghai), the UK (Wilmslow) and the USA (Charlotte, North Carolina)
- ...
- Manufactures about 850 products divided into Life Science Chemicals (90) and Performance & Other Chemicals (760)
 - Serves about 4,000 customers world-wide
 - Owns 65 brands in Crop Protection and Polymers



Many Minds, One Purpose



Mr Kasturbhai Lalbhai
(1894 – 1980)

Our Founder, an institution builder par excellence, made seminal contributions, particularly in the fields of industry, education, culture and religion. He led a purposeful life imbued with integrity, discipline, excellence, perseverance and trusteeship. We as the people of Atul have the most onerous responsibilities and will endeavour to fulfill them.

We are committed to significantly enhance value for our Stakeholders by:

- Fostering a spirit of continuous learning and innovation,
- Adopting the developments in science and technology
- Providing high quality products and services, thus becoming the most preferred partner,
- Having people who practise Values and high standard 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.

Many Hearts, Same Values

The name Atul is a unique asset, which amongst others, represents 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. We will seek to create an environment wherein these Values are consistently practised and nurtured and ensure that they are not compromised to realise short-term gains.



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 we work with others depends on our ways to connect and this in turn is based on our level of Understanding of human relationships. Understanding does not mean that we accept poor performance, but that we do it the right way. Understanding is the external manifestation of internal realisation.



Unity ...

Unity means working together and taking advantage of synergy while harnessing unique abilities of each of us 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 purpose.

Responsibility ...

Responsibility means delivering value and taking ownership of actions. Responsibility must also give us the realisation that what is good for the business must be in the overall good. In essence, we must work with the spirit of trusteeship not only for the shareholders, but also for the other stakeholders. What comes to us must be returned many times over.



Excellence ...

Excellence is a drive that is more from inside than outside; it is about us seeking to continuously improve and develop an eye for innovation even in day to day work. Excellence is about excelling in everything we do and not giving up. Excellence is also a journey, not simply a destination in itself.

Letter to the Shareholders

Dear Shareholders,

As a company founded by a legendary Indian, Mr Kasturbhai Lalbhai, Atul has **a rich legacy** characterised by ethics, discipline, perseverance, excellence and larger purpose. With this awareness, we pursued our tasks passionately and imposed a demand on ourselves to enhance the current performance of our Company and build new foundations for its sustainable and purposeful future.

World GDP at US\$ 72 tn in 2012, grew by about 3.2% (4.0% in 2011) driven mainly by the USA and China in terms of increase in absolute value and China, India and Indonesia in terms of growth rate. The GDP of India at US\$ 1.8 tn in 2012-13 grew by 5.1% (6.9% in 2011-12), that of the USA at US\$ 15.7 tn grew by 2.2% in 2012 (1.8% in 2011) and that of Euro Area at US\$ 12.2 tn declined by 0.6% in 2012 (+1.4% in 2011).

World Chemical Industry, with a size of US\$ 3.4 tn in 2011 grew by about 3.3% in 2012 (4.8% in 2011). Chemical Industry of India at US\$ 83 bn in 2011 grew only by 6% in 2012 (7% in 2011) despite immense potential. We reaffirm our resolve to grow our Company bigger and better and will persevere in our own small way to reclaim a promising future for India.

Our Company has delivered improved **results for 2012-13** as under:

- Sales increased from ` 1,746 cr to ` 1,964 cr
- EBITDA increased from ` 215 cr (12.3%) to ` 266 cr (13.5%)
- Profit before tax increased from ` 122 cr to ` 192 cr
- Gross working capital decreased from 146 days to 141 days
- RoCE increased from 17% to 21%

What is more satisfying is that our Company has consistently been able to improve its performance since 2003-04 despite testing times. I take this opportunity to recognise the perseverance, determination and

commitment of every member of Atul family who is putting in his (her) best and is keen to **achieve new mile-stones**.

The Board recommended **dividend** of 60% (45% in 2011-12) to commemorate the diamond jubilee of operations on March 17, 2012. Notably, the year also marked the 110th birth anniversary of Mr Balwantrao Mazumdar who diligently developed our Company in the first 25 years of its long history with foresight and care. We are pleased with the recommendation of a higher dividend.

Our Company may have been able to perform even better, but for the closure of its manufacturing facility in *Atul* for almost a month because of malfunctioning of its main effluent treatment plant and its consequential effects. We took this not as a defeat, but preparation for the future; we undertook new projects at Ankleshwar and Valsad Complexes to further improve our performance in this vital area of **environment protection**.

Further, we took up about 500 **Key Initiatives** mainly in the following areas:

- Receivables and inventories
- Yields, solvents, utilities, pricing and products from pollutants
- Time cycle, debottlenecking, expansions and new products
- Safety, environment, Standard Operating Procedures (SOPs)
- Performance management and training and development

The above initiatives will help bring greater focus on efficiency, sustainability and growth, with resultant impact on the performance of our Company. We are developing SOPs in every area so as to institutionalise the learning process and encapsulate and methodically