



# FOCUS

People Processes Products



Atul Ltd | Annual Report 2013-14

Our emphasis on continuous improvement is depicted by the 'eye' and our commitment to serve our customers everywhere by the 'globe'. The blue contour signifying the sky denotes our aspiration to grow consistently and the brown contour symbolising the earth, our obligation to the planet.

We in Atul are many, but we are all endeavouring to focus on achieving one common purpose: to enhance performance of our Company and thereby the value of all its stakeholders, namely, customers, employees, society and shareholders.

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Every morning we are born again.  
What we do today is what matters the most.  
~ Buddha

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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', '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.

# 2013-14 in Retrospect

## World economy\* floundered, but started showing signs of recovery...

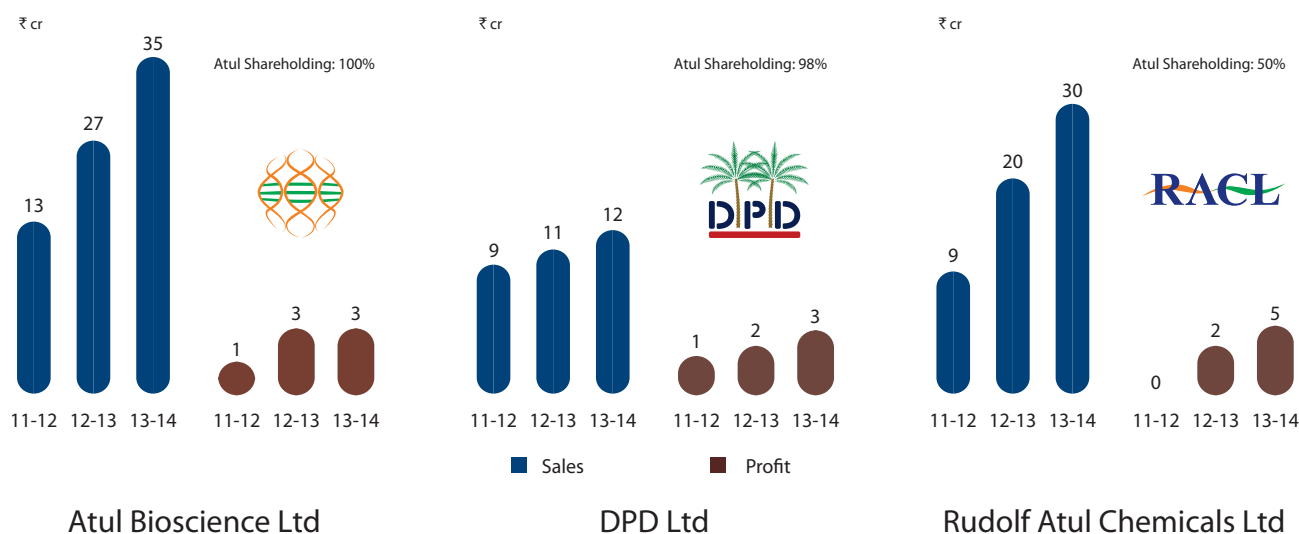
- World GDP grew slower at 3%
- GDP of China remained stable at 7.7%
- GDP of the USA and India grew slower at 1.9% and 4.4% respectively whereas that of Euro Area at -0.6% continued its decline

## Basic inputs and forex rates continued to remain unpredictable...

- Crude oil price oscillated between US\$ 97 and US\$ 117 per barrel
- Natural gas price moved between ₹ 31 per nm<sup>3</sup> to ₹ 37 per nm<sup>3</sup>
- Indian ₹ fluctuated between 53.73 and 68.36 against the US\$

## Our Company sustained its trend of consistent improvement...

- Increased sales by 17% from ₹ 1,964 cr to ₹ 2,307 cr and profit before tax from ₹ 192 cr to ₹ 297 cr
- Undertook capex of ₹ 100 cr
- Served the society with 22 projects in the areas of education, health and infrastructure



\* Calendar year 2013 for all countries except India where the year is April to March

# Corporate Identity



Buddha

Buddhism was founded in India by Prince Siddhartha in the sixth century B.C. After he gained the most supreme wisdom, he became Buddha, the awakened one and taught eternal Values.

We are a diversified Indian company meeting the needs of varied industries such as Adhesives, Agriculture, Animal Feed, Automobile, Composites, Construction, Cosmetic, Defence, Dyestuff, Electrical and Electronics, Flavour and Fragrance, Food, Glass, Home Care, Horticulture, Paint and Coatings, Paper, Personal Care, Pharmaceutical, Plastic, Polymer, Rubber, Soap and 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 and Other Chemicals under seven Businesses, namely, Aromatics, Bulk Chemicals and Intermediates, Colors, Crop Protection, Floras, Pharmaceuticals and Intermediates and Polymers. These Businesses are managed through a matrix organisation structure consisting of Divisions and Units for achieving all-round excellence.

## Privileged Past

- Founded by a legendary Indian, Mr Kasturbhai Lalbhai, on September 15, 1947
- ...
- First private sector company of India to be inaugurated by the first Prime Minister of India, Pandit Jawaharlal Nehru
- Part of Lalbhai Group, one of the oldest business houses of India with an enriching legacy of conducting business with a larger purpose

## Persevering Present

- Consistently increasing process efficiencies and people productivity
- Diligently recovering valuable products from and treating pollutants
- Steadily increasing sales of own brands, an initiative started in 2004-05

## Promising Future

- Growing in Life Science Chemicals and Performance and Other Chemicals Segments with numerous possibilities
- Having depth in science and technology and leveraging integrated manufacturing facilities
- Having the desire to take calculated and finite risks, courage to accept failures in such risks and commitment to build a learning organisation

Increasing shareholding of Promoter group 50.62% (March 31, 2014)

Consistently growing business with relatively small Equity Share capital: ₹ 29.68 cr (March 31, 2014)

Uninterrupted dividend since 1952 (except 1999-2000)





# Serving Diverse Industries



**Agriculture**



**Chemicals**



**Construction**



**Cosmetics**



**Dyes**



**Flavours and Fragrances**



**Home-Care**



**Horticulture**



**Paints and Coatings**



**Personal Care**



**Pharmaceuticals**



**Rubber**



**Soaps and Detergents**



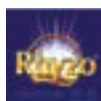
**Textiles**



**Tyre**

# Scope and Span

- 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)
  - 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 900 products and 450 formulations divided into Life Science Chemicals and Performance and Other Chemicals
  - Serves about 5,000 customers world-wide
  - Owns 67 brands in Crop Protection and Polymers



# Many Paths, One Purpose

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.



**Mr Balwantrai Mazumdar**  
(1902 – 1981)

An economist, Mr Balwantrai Mazumdar was a voracious reader, sound thinker, patient listener and farsighted professional. He created an atmosphere of camaraderie that brought out the collective best of the people of Atul. He was the moving force behind making Atul Complex one of the largest eco-friendly chemical sites. He remained with the Group till the end of his life as did most of the people who worked with the Founder.



**Mr Kasturbhai Lalbhai**  
(1894 – 1980)

The legacy of our Founder has been synonymous with 3 terms in the broadest sense: excellence, perseverance and trusteeship. We, the people of Atul, have the most onerous of responsibilities: to expand and diversify business footprints and follow his figurative footsteps. We will endeavour to achieve this remit in full measure.



**Mr Siddharth Kasturbhai**  
(1923 – 1998)

A chemical engineer, Mr Siddharth Kasturbhai dedicated his life in the development of Atul Conglomerate, according equal value to the creation of wealth and service to society. The principles he upheld of trusteeship in governance, the personal qualities he lived by of integrity, perseverance, low profile and simplicity and the single-minded devotion he gave to the tasks on hand will remain our guiding force.



# Many Views, 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. This certainly 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,

Our **legendary Founder**, Mr Kasturbhai Lalbhai, established Atul with an inspiring vision and eye for details. We are working with the realisation that we have the responsibility and privilege to be the reflection of his legacy and are endeavouring to carry it forward with passion - focusing on the Values exemplified by him and cherished by us: excellence, perseverance and larger purpose, as we pursue our goals.

In 2013, the **world GDP** grew 3% (from 3.2%). The GDP of the UK and Brazil registered a strong growth at 1.8% (from 0.3%) and 2.3% (from 1%) respectively whereas that of China was stable at 7.7%. The GDP of the USA and India grew slower at 1.9% (from 2.8%) and 4.4% (from 4.7%) respectively, but that of Euro Area at -0.6% (from -0.7%) continued its decline. It is expected that 2014 will overall be a better year for the world and also India.

The **World Chemical Industry\***, the size of which is US\$ 4.1 t, grew by 2.5% in 2013. The first five countries in terms of size of their Chemical Industry are China (US\$ 1,340 b), the USA (US\$ 598 b), Japan (US\$ 225 b), Germany (US\$ 211 b), and South Korea (US\$ 163 b). India (US\$ 108 b) comes at number 6! The size and the share of Indian Chemical Industry only mirrors the possibilities of our times to grow and contribute to the economic and social development of India.

Our Company **improved its overall performance** in 2013-14; it attained:

Sales of ₹ 2,307 cr (17% over 2012-13), EBITDA of 15%\*\* (14% in 2012-13), profit before tax from operations of ₹ 277\*\* cr (₹ 187 cr in 2012-13), GWC of 133 days (141 days in 2012-13) and RoCE of 26%\*\* (21% in 2012-13). More importantly, barring a small dip in 2011-12, our Company has been able to consistently improve its profit before tax from operations from ₹ 7 cr to ₹ 277\*\* cr over the last 11 years.

The Board of Directors has recommended the highest ever **dividend** of 75%, considering improved performance and also to commemorate the 90<sup>th</sup> birth anniversary of our second Chairman, Mr Siddharth Kasturbhai, who tirelessly worked for 45 years to build and strengthen the foundations of our Company and simultaneously nurtured the Values with exemplary leadership. I trust you will give your unanimous support to the recommendation.

We completed 8 debottlenecking and expansion **projects** during 2013-14 and got approval of the Investment Committee of the Board to undertake 8 modernisation & expansion projects involving an outlay of ₹ 370 cr: these comprise, mainly, 2 projects related to modernisation and 6 projects of expansion (existing and new). It will be well within reach for our Company to cross sales of ₹ 3,500 cr once the approved projects are completed.

The **subsidiary and joint venture companies** are growing steadily. In particular, Atul Bioscience Ltd has increased its sales from ₹ 0 in 2009-10 to ₹ 35 cr in 2013-14 and Rudolf Atul Chemicals Ltd (RACL) has increased its sales from ₹ 9 cr in 2011-12 (the year in which Atul acquired 50% shareholding) to ₹ 30 cr in 2013-14. The Board of RACL has proposed a maiden dividend of 15% for 2013-14. With their consistent performance, these companies will enhance the intrinsic value of our Company.

Our Company continued to take initiatives for **serving the society**, remaining in step with its enriching legacy. The erection of buildings of Atul Institute of Vocational Excellence (AIVE), a project based on Public Private Partnership model, began in Dharampur, Gujarat; AIVE is expected to impart training to about 1,000 tribal students per year. All the other initiatives are mainly directed towards education, health and infrastructure.

Our future aspirations outweigh our past achievements, and it is imperative we de-risk businesses, make them