

INCLUSIVENESS

Caring Growing Sharing



Atul Ltd | Annual Report 2014-15

We will be responsible towards nature and protect the environment (caring); build teams and expand our organisations (growing) and bring out our intrinsic goodness – to be unconditional givers – and create an integrated society (sharing). This approach of Inclusiveness where growing is synonymous with caring and sharing is what our Company has stood for since its inception in 1947. The world-famous mangoes come from Valsad (the district in which Atul established its first facilities); mango trees therefore are perhaps an apt metaphor to denote our endeavour of caring, growing and sharing.

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You are not a drop in the ocean. You are the entire ocean in a drop.
~ Jalāl ad-Dīn Rūmī

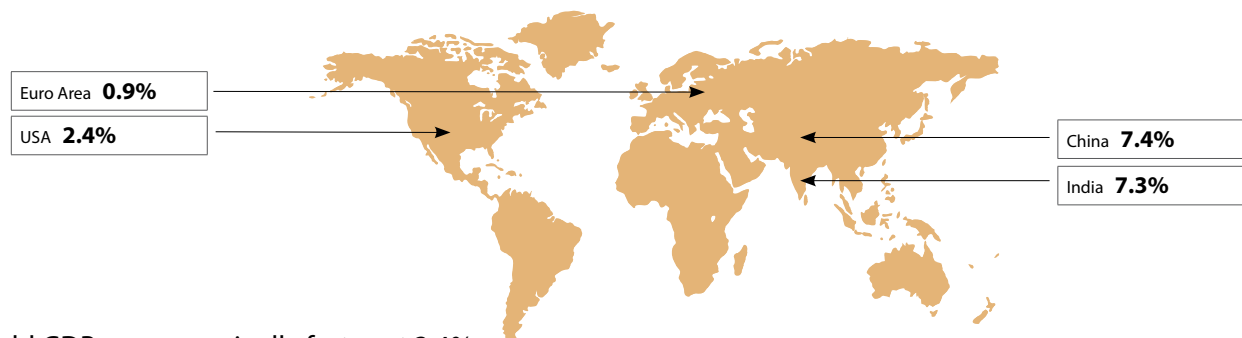
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Forward looking statements

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.

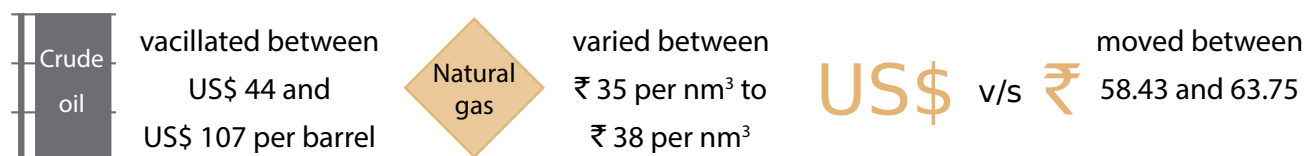
Reminiscing 2014-15

World economy* inched up ...



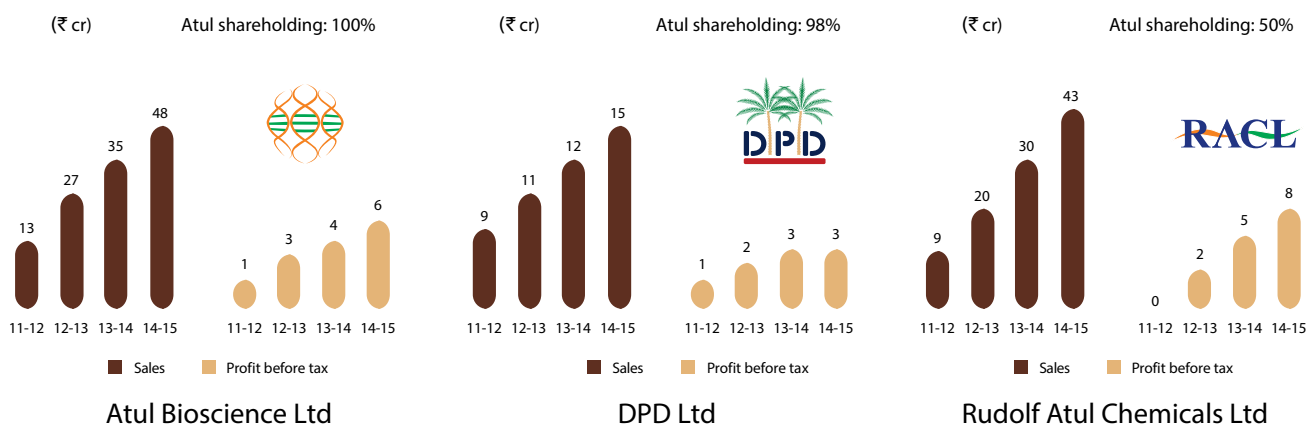
World GDP grew marginally faster, at 3.4%

Basic inputs and forex rates fluctuated wildly and remained unpredictable ...



Our Company maintained its trend of consistent improvement ...

- » Undertook 31 Key Initiatives to improve the environment
- » Increased profit before tax from operations from ₹ 277 cr to ₹ 312 cr and undertook capex of ₹ 354 cr
- » Served the society with 22 Key Initiatives in the areas of education, health and infrastructure



* Calendar year 2014 for all countries except India where the year is April to March

Corporate identity



Yoga

Plural, syncretic and beyond rituals of all hues and forms, Yoga is the art and the science of unleashing the infinite potentials of the human body, mind (and soul). The significance of Yoga for achieving peace and quiet from within is as powerful as its ability to enhance clarity and flexibility of action. Yoga is a gift of India to the world. United Nations, on December 11, 2014, established June 21 as the International Day of Yoga.

We are a diversified Indian company meeting the needs of varied industries such as Adhesives, Agriculture, Animal Feed, Automobile, Chemical, Composites, Construction, Cosmetic, Defence, Dyestuff, Electrical and Electronics, Flavour, Food, Footwear, Fragrance, Glass, Home Care, Horticulture, Hospitality, Paint and Coatings, Paper, Personal Care, Pharmaceutical, Plastic, Polymer, Rubber, Soap and Detergent, Sports and Leisure, Textile, Tyre and Wind Energy 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 functional excellence.

Inspirational 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, Mr 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

Industrious present ...

- » Consistently improving process efficiencies and recovering useful products from pollutants
- » Steadily enhancing presence in all key markets and increasing sales of own brands, an initiative started in 2004-05
- » Serving the society through Atul Foundation (Trust) in the areas of national priority, namely, Education, Empowerment, Conservation, Infrastructure, Health and Relief

Illuminating future ...

- » Expanding in life science, performance and other chemicals with abundant possibilities and seeding new businesses
- » Having depth in science and technology and having integrated manufacturing facilities
- » Willing to take calculated risks and is committed to learn from successes as well as failures

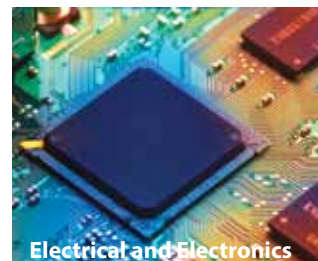
Promoter group shareholding of 50.72%

Relatively small Equity share capital of ₹ 29.68 cr compared to net worth of ₹ 1,016 cr

History of consistent dividend since commencement of operations in 1952 (except 1999-2000)



Serving diverse industries



Breadth and depth

- » Production facilities in India (Ankleshwar and Valsad, Gujarat and Tarapur, Maharashtra)
- » Subsidiary company with production facility in the UK (Bristol)
- » Joint venture 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 UAE (Dubai), the UK (Wilmslow) and the USA (Charlotte, North Carolina)

...

- » Manufactures about 920 products and 460 formulations divided into Life Science Chemicals and Performance and Other Chemicals Segments
- » Serves about 5,700 customers in 68 countries
- » Owns 68 brands in Crop Protection and Polymers Businesses



Energised by 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 exemplify high standards of behaviour
- » Seeking sustained, dynamic growth and securing long-term success
- » Taking responsible care of the surrounding environment
- » 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 and the elder son of our Founder, 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.

United by 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 Shareholder,

During the fiscal, we pursued the Purpose enunciated by our *karmayogi* Founder, Mr Kasturbhai Lalbhai, while endeavouring to imbibe, nourish and promote the Values he so fondly cherished. We remained committed to continuing his legacy of conducting business that reflects its true purpose. To actualise this, we prepared ourselves further for growing meaningfully in a more competitive world; simultaneously we worked so as to consistently and increasingly give back to each section of the Stakeholders.

2014 was a year of optimism for many economies – the **world GDP** grew by 3.4% to US\$ 77.3 t. The USA led the show – its GDP grew by 2.4% to US\$ 17.4 t, that of China grew by 7.4% to US\$ 10.4 t and that of Euro Area grew by 0.9% to US\$ 13.4 t. The GDP of India grew by 7.2%* to US\$ 2.1 t. 2015 has had a shaky start – many believe that recession is likely to plague some economies, and demand is likely to remain subdued at least in the first half.

World Chemical Industry, the size of which is US\$ 4.3 t, grew by 2.5%. India at US\$ 100 b* grew at 4% and continued to remain at number 7. China at US\$ 1.5 t grew at 5% and maintained its number one position. The other five countries ahead of India, namely the USA, Japan, Germany, South Korea and France, showed growth between -0.8% and 4% in 2014. The Industry is expected to grow slower at 2% during 2015; nonetheless we will work with focus and optimism and promote the 'Make in India' theme in our own small way.

Our Company put forward improved **results** for the fiscal: sales grew to ₹ 2,510 cr (↑9%), EBITDA increased to ₹ 391 cr (↑8%) and PBT from operations increased to ₹ 312 cr (↑13%). EBITDA margin remained unchanged because of increase in fixed costs. The increases in sales and profit were small – indeed, we believe that we have the potential to perform significantly better. The Board has recommended a dividend of 85%, the highest so far, reflecting confidence in the future.

*2014-15

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During the fiscal, our Company completed 4 **projects** with an investment of ₹ 33 cr which are expected to generate sales of ₹ 143 cr at full capacity utilisation; 7 projects with an investment of ₹ 321 cr are underway, which on completion, at full capacity utilisation, are expected to generate sales of ₹ 554 cr, and it will be within the reach of our Company to aim for achieving sales of ₹ 4,000 cr in 2017-18, as we see at present. In addition, we are continuously taking up small capital expenditure proposals for debottlenecking and upgradation as we believe we have a lot to harness and optimise from what we already have.

The **subsidiary and joint venture companies** have further improved their performance: Atul Bioscience grew its sales and PBT by 37% and 50% to ₹ 47 cr and ₹ 6 cr respectively. Rudolf Atul Chemicals increased its sales and PBT by 42% and 55% to ₹ 43 cr and ₹ 8 cr respectively. DPD grew its sales and PBT by 17% and 9% to £ 1.6 m and £ 0.3 m respectively. Atul Rajasthan Date Palms will commence sales only during 2015-16. The proposal to merge Amal Ltd, an associate company, was approved by the Board of our Company.

Atul Brasil Quimicos, a subsidiary of our Company, is expected to help grow sales in South America. Atul USA, Atul Europe and Atul China have further improved their sales and are expected to increase trading of products other than those manufactured by our Company. Our Company established Atul Middle East FZ-LLC for growing sales in that part of Asia and Africa. These actions reflect the aspirations of our Company to grow across the world and focus on better, more informed **service to our customers**.

Atul Foundation (Trust) under which all other trusts, institutions, etc promoted by our Company related to **social responsibility** are placed continued to serve the society mainly in the areas of education, empowerment, health, relief, infrastructure and conservation. Page number 18 will give a broad idea about some initiatives. The creation of Atul Institute of Vocational Excellence, replete with world-class infrastructure facilities (which