



Atul
touching lives...

ENDEAVOUR

Efficient Eco-friendly Interdependent

Atul Ltd | Annual Report 2015-16

We have depicted a leaf on the cover page for it is worthy of emulation: as very aptly described by Mr Eric Drexler, a pioneer in Nanotechnology, ‘... a leaf is more sophisticated than a spacecraft, more finely patterned than the latest chip from Silicon Valley ...’. A leaf signifies efficiency – it does not require baking, grinding, stirring or human labour, but it gathers solar energy and with that processes carbon dioxide and water into oxygen and molecular building blocks; a leaf is eco-friendly – it does not generate heat or toxic materials; and finally a leaf symbolises interdependence — it does not exist in isolation, but instead co-exists synergistically with the rest of the tree. In many ways, a leaf emphasises the endeavour of the team Atul.



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When the root is deep, there is no need to fear the wind.

~ A Chinese Proverb

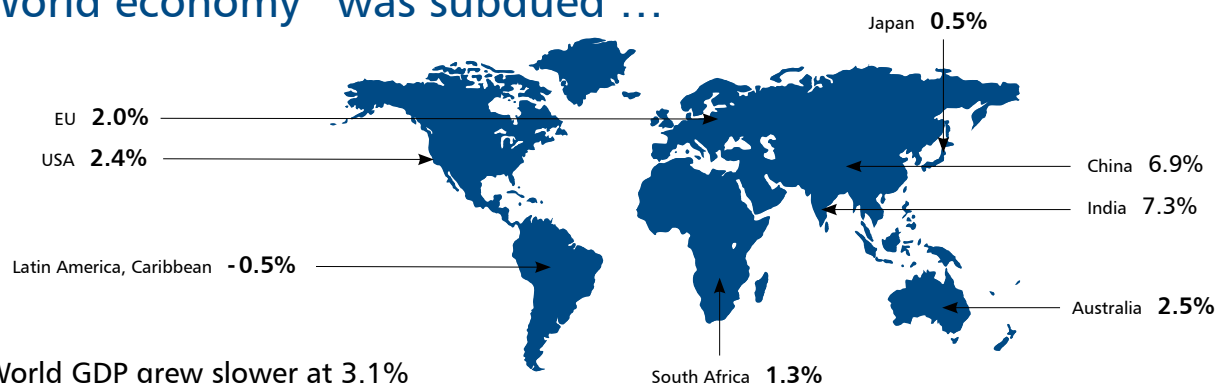
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Forward looking statements

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 statements that we 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.

Looking back | 2015-16

World economy* was subdued ...



World GDP grew slower at 3.1%

Crude oil and steel prices and forex rates moved widely ...



Between US\$ 26
and
US\$ 66 per barrel



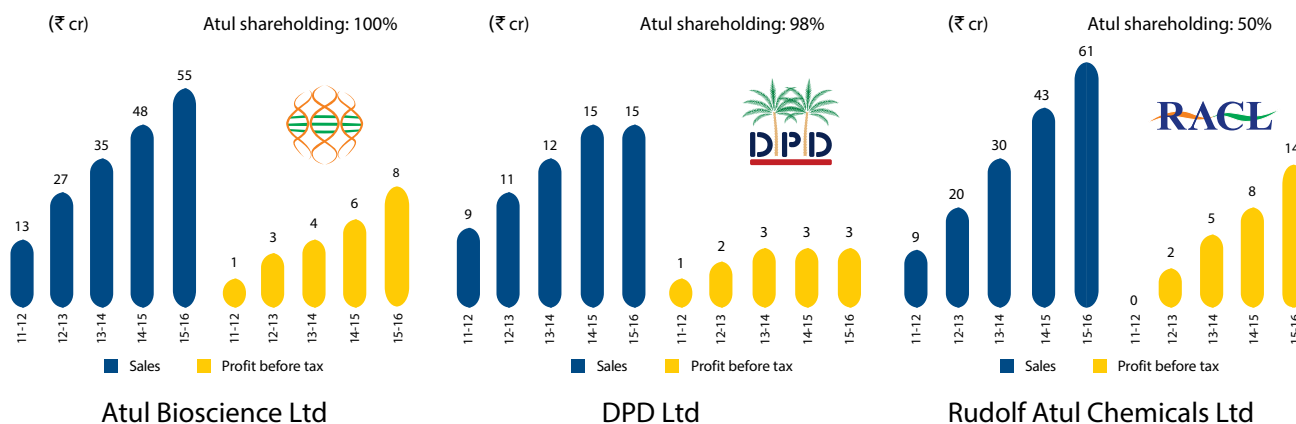
Between ₹ 32,500
and ₹ 39,800 per MT

US\$ v/s ₹

Between ₹ 62.16
and ₹ 68.78

Our Company continued to grow in a balanced way ...

- » Increased sales volume by 3% and profit before tax from operations from ₹ 312 cr to ₹ 390 cr
- » Undertook capex of ₹ 203 cr
- » Served the society with 23 initiatives



* Calendar year 2015 for all the countries except India where the year is April 2015 to March 2016

Corporate identity

Climb the mountain so you can see the world, not so the world can see you.

~ David McCullough



Himalayas

A mountain has the height, but not the depth; an ocean has the depth, but not the height. Let our thinking encompass the height of a mountain and the depth of an ocean.

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, 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 2 reporting segments, namely Life Science Chemicals and Performance and Other Chemicals, under 7 Sub-segments (interchangeably called Businesses), namely Aromatics, Bulk Chemicals and Intermediates, Colors, Crop Protection, Floras, Pharmaceuticals and Polymers – these in turn are managed through a matrix organisation structure for achieving all-round functional excellence.

Pioneering past

- » Founded by an enterprising leader, Mr Kasturbhai Lalbhai, on September 15, 1947
- ...
- » First private sector Company of India to be inaugurated by its first Prime Minister, Mr Jawaharlal Nehru
- » A company that has manufactured several value added products for the first time in India

Persistent present

- » Increasing efficiency and productivity, and strengthening people and business processes
- » Broadening and deepening its presence in the marketplace and building its brands business
- » Serving the society in the areas of education, empowerment, health, relief, conservation and infrastructure

Purposeful future

- » Developing broad product portfolio to serve industries with good growth potential
- » Leveraging depth in science and technology and having integrated manufacturing
- » Endeavouring sustainable growth through people and processes

Promoter group shareholding of ~51%

Equity share capital of ₹ 30 cr, net worth of ₹ 1,287 cr and debt equity of 0.24
Paid uninterrupted dividend since commencement of operations (except 1999-2000)



Serving diverse industries

there is a bit of Atul in ...



Agriculture



Composites



Construction



Cosmetic



Dyestuff



Electrical and Electronics



Fragrance



Glass



Home Care



Horticulture



Paints and Coatings



Paper



Personal Care



Pharmaceutical



Rubber



Soap and Detergent



Textile



Tyre

- » 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 6,000 customers in 68 countries
- » Owns 69 brands

Amsac

Convo

Cyno

Loxo

Rhyzo

Rugo

Rymix

Salix

Zura

LAPOX
Epoxy Adhesive

LAPOX
ULTRA
ULTIMATE STRENGTH EPOXY

LAPOX
CRAFTO
SUPREME

polygrip
Synthetic Rubber & PU Adhesives

LAPOX
ULTRA SEAL

LAPOX
MULTIGRIP

LAPOX
ULTRA
RAPID & CLEAR
ULTIMATE & FASTEST EPOXY

LAPOX
ULTRA QUICK

LAPOX
MARBOBOND
CLEAR

Resolute in Purpose

We are committed to significantly enhancing 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 practice 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 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 Balwantrai Mazumdar
(1902 – 1981)

An economist, 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 of its kind in the world. He remained with the Group till the end of his life, as did most of the people who worked with our Founder.



Mr Siddharth Kasturbhai
(1923 – 1998)

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



Rooted in 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 institutionalising 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

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

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

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

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,

We live in a time of extraordinary change – a change that is reshaping the way we live, the way we work. It is a change that is promising amazing breakthroughs, but also economic disruptions. It is a change that is broadening opportunities, but also widening inequalities. The constants which help us face the change are the eternal **Values**. The legendary Founder of our Company, Mr Kasturbhai Lalbhai, lived his life founded on integrity, discipline, perseverance, respect, simplicity and larger purpose, and we will nurture and promote these time-tested Values which also help businesses sustain and create value over time.

In 2015, the **world GDP** (size US\$73.2 tn) increased by 3.1%: GDP of – the USA (size US\$17.9 tn) increased by 2.4%, European Union (size US\$16.2 tn) increased by 1.6%, China (size US\$10.9 tn) increased by 6.9%, Japan (size US\$4.1 tn) increased by 0.5% and India (size US\$2.1 tn) increased by 7.3%. These numbers ultimately reflect the combined will of the respective Governments and people to perform. With forward looking policies of its Government and the aspirations of its people, India has the potential to sustain and increase its GDP, and we in our small way will work to make the 'Made in India' label proud.

World Chemical industry (size US\$4.4 tn) grew by 2% in 2015: Indian Chemical industry (size US\$103 bn) grew by 3%, but is still ranked 7 after China (size US\$1.5 tn), the USA (size US\$630 bn), Germany (size US\$198 bn), Japan (size US\$190 bn), South Korea (size US\$165 bn) and France (size US\$107 bn). According to a leading consulting firm, India has the potential to grow its Speciality Chemicals industry at 9%. Our Company has an advantage that its Businesses have good potential to grow (as the industries they serve are growing) and its manufacturing blueprint is reasonably complex (not complicated) and integrated, therefore not easily replicable.

Our Company maintained improvement trend in its **performance** – EBITDA margin increased to 20% (16%) and sales volume increased by 3% though sales value decreased to ₹2,407 cr (₹2,510 cr) mainly on account of poor performance of Colors Sub-segment and decrease in selling prices arising from lower prices of raw materials ... PBT from operations increased to ₹390 cr (₹312 cr) ... RoCE increased

to 31% (27%) ... Debt equity ratio improved to 0.24 (0.28) ... interest coverage ratio improved to 18.1 (16.3) ... Earning per share increased to ₹90 (₹73). The Board has recommended dividend of 100%, the highest so far.

During 2015-16, our Company completed **5 expansion projects** with an investment of ₹213 cr and invested ₹27 cr in the areas of environment and safety; it undertook 3 expansion projects with an investment of ₹98 cr which will be commissioned in 2016-17. We will take up new expansion projects for implementation in 2016-17 mainly to grow in existing, downstream and related products - we will make these investments mainly through internal accruals. As I had mentioned in my letter last year, we will aim for achieving sales of ₹4,000 cr in 2017-18; it is a stretched number – nonetheless, sin is not to fail, but to aim low!

The **subsidiary and associate companies** also maintained improvement trend in their performance – Atul Bioscience, DPD, Rudolf Atul Chemicals and Amal have all increased their sales and PBT from operations. Atul Rajasthan Date Palms commenced sales in the last quarter by selling about 300 tissue culture raised date palms. The subsidiary companies in Brazil, China, the UAE, the UK and the USA, established over a span of last 20 years, will be strengthened by way of additional HR support, as required. A professional was appointed in the Netherlands for growing a set of new products introduced by the Company.

In 2015-16, **Atul Foundation** (Trust) took up projects in Gujarat, Rajasthan and Tamil Nadu. In times to come, the number of states where Atul will serve the society will only increase. DPD, a subsidiary company based in the UK, also spent 1% of its profit before tax for the local community (though not called for by any guidance or law) keeping in step with the tradition of conducting business with a larger purpose. Atul Bioscience and Rudolf Atul Chemicals also contributed to Atul Foundation for serving the society. During the year, Atul Foundation built and handed over 624 toilets to those families who had no such facility ever.

As our Company grows, it is becoming more diverse, particularly in terms of nationalities – it already has **people** of different origins – American, Brazilian, Chinese, Dutch, English, French and of course Indian – all working for a common purpose. The