



DETERMINATION

Assimilate Grow Serve

Atul Ltd | Annual Report 2016-17

A coconut palm is considered a *kalpavruksha* (a tree that provides all the necessities of life) that stands tall through various seasons, with the support of its straight, columnar trunk and strong, fibrous roots. With each passing year, the palm rises towards the sky and sprouts leaves for shelter and bears fruit for nourishment. While this dynamic growth is noticeable, the fact remains that it firmly withstands the strongest winds with the help of its deep, well entrenched roots. It is the endeavour of team Atul to think deeply, grow sustainably and create value for its Stakeholders, all this by institutionalising processes and empowering teams to deliver innovative solutions.

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Every seed has the potential
to become a tree.

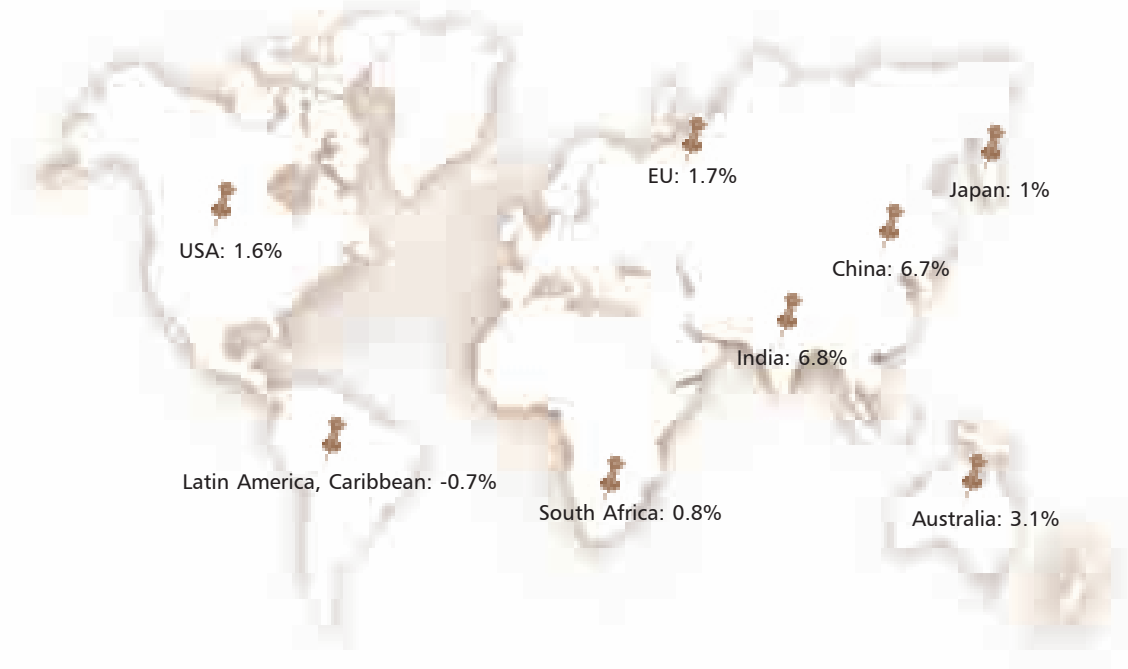
~ Gautama Buddha

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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 statements that we make are based on our assumptions. We have tried whenever 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 may 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.

World GDP* growth remained stable at 3.1%



Crude oil and steel prices and forex rates fluctuated widely



between
US\$ 35.88 and
US\$ 56.34 per barrel



between
₹ 34,000 and
₹ 45,000 per MT



between
₹ 64.84 and
₹ 68.70 per US\$

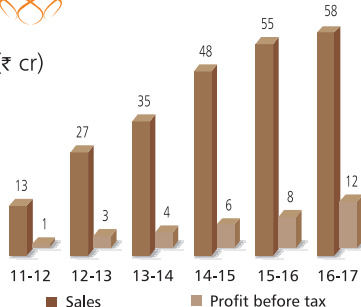
Performance of the Company remained stable

- Increased sales volume by 16% and maintained profit before tax at ~ ₹ 400 cr
- Undertook capex of ₹ 127 cr
- Served the society through 25 initiatives



Atul shareholding: 100%

(₹ cr)

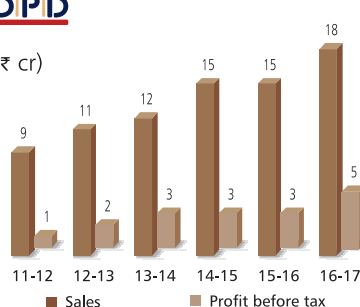


Atul Bioscience Ltd



Atul shareholding: 98%

(₹ cr)

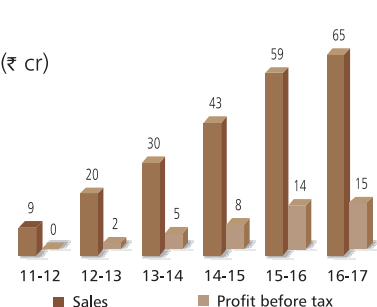


DPD Ltd



Atul shareholding: 50%

(₹ cr)



Rudolf Atul Chemicals Ltd

* Calendar year 2016 for all except India where the year is April 2016 to March 2017

Corporate identity

Adaptability is not imitation; it means power of resistance and assimilation.

~ Mahatma Gandhi



Dolphins

India declared the Ganga dolphin, a rare species of dolphins found only in India, as the National Aquatic Animal of the country. A part of the cetacean family, dolphins have abundant behavioural characteristics which enable them to adapt to varied environments. At Atul, it is our endeavour to continuously renew ourselves to broaden our horizon.

We are a diversified Indian company (a part of Lalbhai Group, one of the oldest business houses of India with a legacy of conducting business with a larger purpose) meeting the needs of varied industries such as Adhesives, Agriculture, Animal Feed, Automobile, Composites, Construction, Cosmetic, Defence, Electrical and Electronics, Flavour, Food, Footwear, Fragrance, Glass, Home Care, Horticulture, Hospitality, Paint and Coatings, Paper, Personal Care, Plastic, 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.

Purposeful past

- Founded by a legendary Indian, Mr Kasturbhai Lalbhai, on September 15, 1947
- ...
- First private sector Company of India inaugurated by its first Prime Minister, Mr Jawaharlal Nehru
- A company that has manufactured many products for the first time in India

Preparative present

- Increasing efficiency and productivity, and strengthening people and business processes
- Broadening and deepening its presence in the marketplace
- Serving the society in the areas of national priorities like education, empowerment and infrastructure

Progressive future

- Developing, amongst others, retail product portfolio with good growth potential
- Leveraging depth in science and technology and having integrated manufacturing
- Endeavouring sustainable growth through people, processes and products

Promoter group shareholding of ~ 44%

Equity share capital of ₹ 30 cr, net worth of ₹ 1,921 cr and debt equity of 0.08

Paid uninterrupted dividend since commencement of operations in 1952 (except 1999-2000)

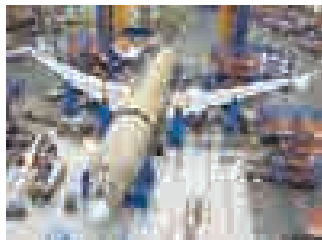


Serving diverse industries

touching lives in many ways ...



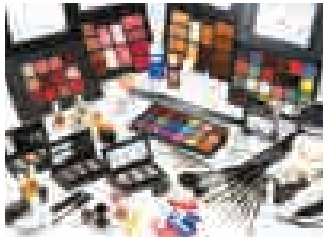
Agriculture



Composites



Construction



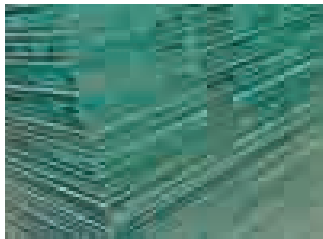
Cosmetic



Electrical and Electronics



Fragrance



Glass



Home Care



Horticulture



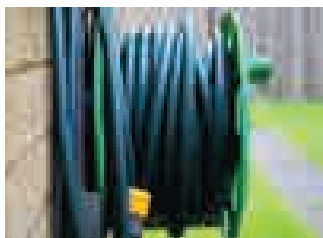
Paints and Coatings



Paper



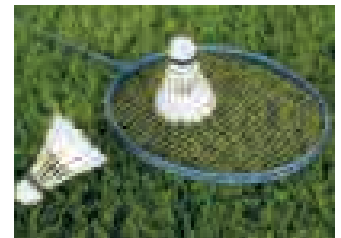
Personal Care



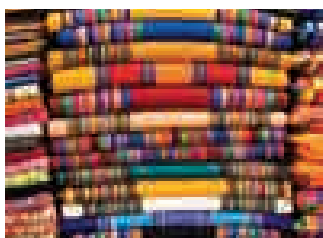
Rubber



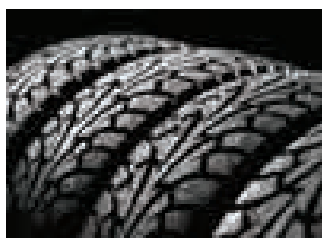
Soap and Detergent



Sports and Leisure



Textile



Tyre



Wind Energy

- Production facilities in India (Ankleshwar, Atul, Panoli and Tarapur)
- Subsidiary company with production facility in the UK (Bristol)
- Joint venture companies with production facilities in India (Atul and Jodhpur)
- Distribution network for retail sales across India
- Wholly-owned subsidiary companies in Brazil (Sao Paulo), China (Shanghai), the UAE (Dubai), the UK (Wilmslow) and the USA (Charlotte)

...

- Manufactures about 900 products and 450 formulations classified into Life Science Chemicals and Performance and Other Chemicals Segments
- Serves about 6,000 customers in 68 countries
- Owns 55 retail brands



Growing with Purpose

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

- fostering a spirit of continuous learning and innovation
- adopting 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 three 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)

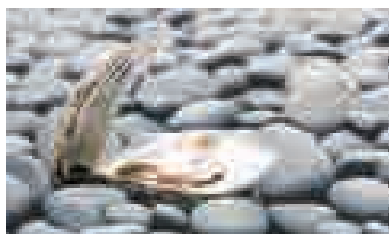
An economist, Balwantrai Mazumdar was a voracious reader, sound thinker, patient listener and farsighted professional. He created an atmosphere of camaraderie that brought out the collective best of the people of Atul. He was the moving force behind making Atul Complex one of the largest eco-friendly chemical sites. 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 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, a low profile, simplicity and the single-minded devotion he gave to the tasks on hand will remain our guiding force.



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.

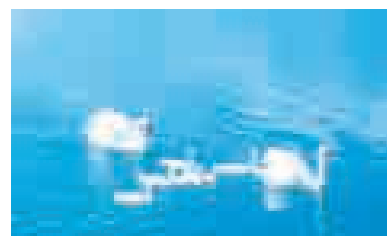


Integrity

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.

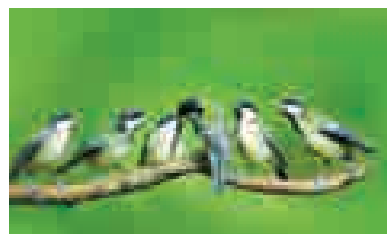


Unity

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,

2017 will mark the completion of **70 years** of Atul. Though our inspiring Founder, Mr Kasturbhai Lalbhai, is not in our midst, the Values he cherished and which have in fact equipped our Company to withstand the test of time – Integrity, Excellence, Humility, Hard work and Larger purpose – continue to guide us as we endeavour strengthening our people, processes and products, keeping in focus what our Company can and ought to be in the years to come.

The **world economy** at US\$75 tn grew by 3.1% – similar to that in 2016; the USA (US\$18.6 tn, 1.6%), China (US\$11.2 tn, 6.7%) and Japan (US\$4.9 tn, 1%) remained at the top. India (US\$2.3 tn, 6.8%) is fast moving forward, but has a long way to go economically and also environmentally – the dimensions of the work to be done are vast, giving us an opportunity to grow meaningfully – locally as well as globally – and thereby contribute in our own small ways to nation building.

The **Chemical industry** at US\$4.4 tn contributes 6% to the world economy; it grew by 1.5% – not very differently than it did in 2016. India (US\$1.20 bn, 7%) remains much behind the top 3 – China (US\$1.6 tn, 5%), the USA (US\$630 bn, 2%) and Germany (US\$120 bn, 1%). This calls for industry participants and the Government to work together as the Chemical industry was, is and will remain an integral part of the economy. Our Company, driven by science and technology, will continue touching lives in a responsible way.

Our Company achieved volume growth of 16%, but price and margin de-growth pulled down the **performance**; for the year, i) sales at ₹ 2,639 cr increased by 10%, ii) EBITDA at ₹ 512 cr increased by 6% though EBITDA at 19.4% decreased by 0.78 percentage point and iii) PBT at ₹ 400 cr remained unchanged; however PAT at ₹ 285 cr was higher by 4% on account of lower tax liability. Our Company decreased its borrowing from ₹ 302 cr to ₹ 155 cr.

Barring Atul Brazil, the operating **subsidiary and associate companies** improved their performance; Atul Bioscience and Rudolf Atul Chemicals declared dividend of 60% and 127.50% respectively.

AkzoNobel and our Company have formed a 50-50 joint venture partnership, named ANAVEN, to manufacture Monochloroacetic acid – the plant will not only be the biggest in India, but also the best in the world in terms of efficiency. The proposal to merge Amal with our Company has been dropped.

We are not happy with our performance in 2016-17 as our potential is much higher – we continued to perform poorly in Colors; our performance deteriorated in Crop Protection – Retail significantly and Polymers – Retail marginally. We believe the investments we have made and the path we are pursuing will deliver value, but I was perhaps too optimistic in my last letter wherein I had mentioned that we will try and achieve sales of ₹ 4,000 cr in 2017-18 – this will take some more time.

Over the last 3 years, we have made investments in projects (related to sales growth) totaling to ₹ 350 cr. We are taking time to achieve the expected rise in sales as some of the projects although completed are under stabilisation; it is also because of the time being taken to build more capabilities (in particular) for growing retail sales. During 2016-17, we have completed 3 expansion projects with an investment of ₹ 117 cr. In light of these facts, I believe higher sales will be realised in course of time.

Atul Foundation took up initiatives mainly in Gujarat and also in Jharkhand, Rajasthan and Uttar Pradesh. Atul Bioscience and Rudolf Atul Chemicals contributed to Atul Foundation. The initiatives which covered programs such as Education, Empowerment and Infrastructure were in step with national priorities. DPD, a subsidiary company in the UK, was recognised by the Community Council of Somerset for supporting a play park. Our people are also supporting the initiatives of Atul Foundation.

How well our Company will do in the times to come will depend on the competence, perseverance and teamwork of our **people** for it is they who institutionalise efficient processes and introduce new products & services. Our sustainability will depend also on how well we develop our people, old and new. We are therefore consistently focusing on enhancing 3 areas – performance management, people development and recruitment.