



RESOLUTE

Reflect Resolve Reaffirm

Atul Ltd | Annual Report 2017-18

Sea water experiences continuous resistance as it approaches land and tries to move up the coast – this is a natural phenomenon. A wave symbolises the appetite for adventure over the fondness for ease. Human life, personal or professional, too faces its own trials and tribulations. Once there is this realisation that where there is life, there is struggle, it becomes easier to prepare for it through knowledge, skill and attitude. Incorporated in 1947, Atul completed 70 years last year – each difficulty, internal or external, has made it a stronger company and given the energy to move ahead. The team Atul will work with this understanding and grow the Company in a sustainable way.

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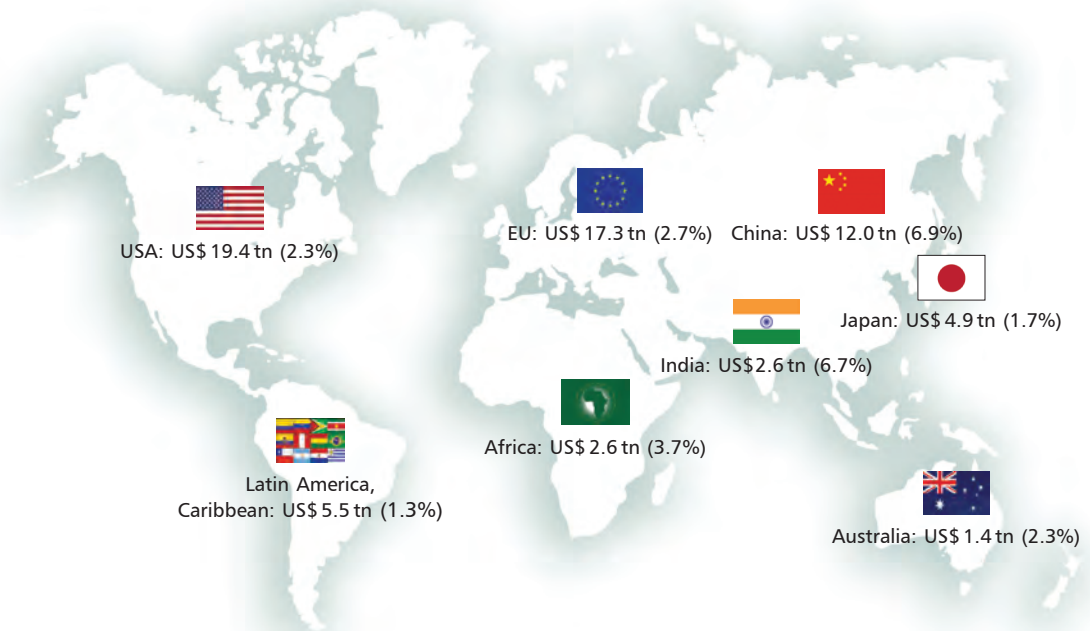
On the other side of resistance
is the flow.
~ Guy Finley

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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 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* grew by 3.7%



Crude oil and steel prices increased while forex rates fluctuated



between
US\$ 43.98 and
US\$ 71.08 per barrel



between
₹ 36,000 and
₹ 48,250 per mt



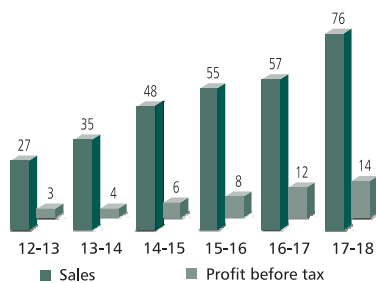
between
₹ 63.35 and
₹ 65.76 per US\$

Atul strengthened itself further

- Increased sales volume by 12% and maintained profit before tax at ~ ₹ 400 cr
- Other equity (Reserves and surplus) crossed ₹ 2,000 cr
- Served the society through 28 initiatives



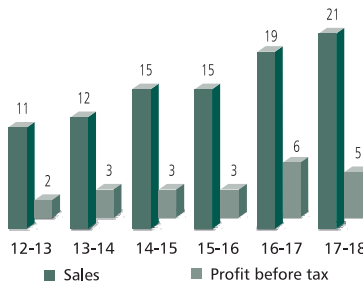
Atul shareholding: 100%
(₹ cr)



Atul Bioscience Ltd



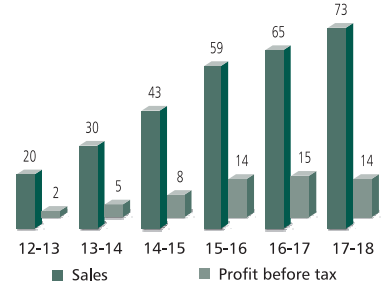
Atul shareholding: 98%
(₹ cr)



DPD Ltd



Atul shareholding: 50%
(₹ cr)



Rudolf Atul Chemicals Ltd

* Calendar year 2017 for all except India where the year is April 2017 to March 2018

Corporate identity

Music sets us free to dream. It can unite us to sing with one voice.
Such is the value of music.

~ Nelson Mandela



Sitar

Sitar is one of the most popular string instruments of Indian classical music. The instrument is believed to be a modification of Veena, the divine instrument of Saraswati, the Goddess of knowledge. It has evolved over centuries and, through the magic of its strings, continues to raise one's inner being. The strings may be many, but the music reflects harmony – it best represents the beauty of unity in diversity. The team Atul consists of people of different nationalities – American, Brazilian, Chinese, Dutch, English, French and of course Indian, but together, we will work in harmony for a larger purpose.

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 Adhesive, Agriculture, Animal Feed, Automobile, Composite, 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, Sport 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.

Enriching past

- Founded on September 15, 1947 by Mr Kasturbhai Lalbhai, a legendary Indian, to create wealth in rural India, generate employment on a large-scale and make India self-reliant
-
- First private sector company of independent India inaugurated by Mr Jawaharlal Nehru, the first Prime Minister of the country
- A company that has manufactured many products for the first time in India

Evolving present

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

Enterprising future

- Seeking growth through existing, downstream, related, value added and diversified product portfolio
- Leveraging depth in science and technology and having integrated manufacturing
- Developing and growing a retail product portfolio to participate in the full value chain

Promoter group shareholding of ~ 45%

Equity share capital of ₹ 30 cr, net worth of ₹ 2,198 cr and zero debt as on March 31, 2018

Paid uninterrupted dividend since commencement of operations in 1952 (except 1999-00)



Serving diverse industries

touching lives in many ways ...



Agriculture



Composite



Construction



Cosmetic



Electrical and Electronics



Fragrance



Glass



Home Care



Horticulture



Paint and Coatings



Paper



Personal Care



Rubber



Soap and Detergent



Sport and Leisure



Textile



Tyre



Wind Energy

- Production facilities in India (Ankleshwar, Atul, Panoli and Tarapur)
- Subsidiary companies with production facilities in India (Ankleshwar and Atul) and 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 (São Paulo), China (Shanghai), the UAE (Dubai), the UK (Wilmslow) and the USA (Charlotte)

... ..

- Manufactures about 900 products and 450 formulations
- Serves about 6,000 customers in 85 countries
- Owns 114 retail brands



Steered by 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 a high standard 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



Kasturbhai Lalbhai (1894 – 1980)

The legacy of our Founder has been synonymous with three terms: excellence, perseverance and trusteeship. At Atul, we have the most onerous responsibility to expand and diversify our footprint and follow his figurative footsteps. We are endeavouring to achieve this remit in full measure.

Balwantrai Mazumdar (1902 – 1981)

An economist, Balwantrai Mazumdar was a voracious reader, sound thinker, patient listener and a 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.



Siddharth Lalbhai (1923 – 1998)

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

The name 'Atul' is a unique asset, which represents a rich heritage of Values. In an environment where change is a way of life, continuity of Values provides stability and 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.



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 a spirit of trusteeship not only for the Shareholders and other Stakeholders, 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,

On September 15, 2017, our Company completed 70 years of incorporation – we reflect, with a sense of respect, upon how our predecessors built its foundations and with humility, upon how it has withstood the test of time. We do realise the responsibility we have to secure its future. The life of our illustrious Founder, Mr Kasturbhai Lalbhai, who perceived and perfected potential of the body to become an outward expression of the mind within, has left an enduring **legacy** of Values – integrity, humility, perseverance, excellence and larger purpose. The onus on the team Atul is to grow the business while nurturing this legacy.

The **world economy** at US\$ 79.8 tn grew by 3.8%, the fastest since 2011 – the USA, China and Japan remained at the top. Indian economy – ranked number six in the world – at US\$ 2.6 tn – grew by 6.7%, faster than it did in 2016. The world economy is likely to grow by 3.9% in 2018 as per estimate by IMF in April 2018. Favourable conditions are not likely to last beyond 2019, and now may be the moment for countries to get ready for leaner times as per IMF – investing in people, committing to clean environment and cooperating in trade so that the fruits of growth are widely shared. These, in a small way, are also efforts by our Company.

The world **Chemical industry** at US\$ 4.3 tn grew by 7%. The world Pharmaceutical industry at US\$ 1.75 tn grew by 6%. The two industries combined are ranked number 3 in the world economy. The Indian Chemical industry at US\$ 123 bn, grew by 11% and the Indian Pharmaceutical industry at US\$ 16 bn, grew by 8%. Chemical reactions occur when we breathe, exercise, eat, sleep and think. Almost all products we use in our daily life are enabled by chemistry! With depth in science and technology, our Company is well placed to expand its existing portfolio safely in an environment-friendly way and responsibly integrate in the journey of India.

Our Company achieved i) sales of ₹ 3,050 cr, higher by 16%, ii) volume growth of ₹ 350 cr or 16%, iii) EBITDA margin of 16%, lower by 2.5% points (mainly because of a stronger Rupee against the US\$) and iv) profit before tax of ₹ 396 cr, lower by 1%,

as compared with 2016-17. I obviously cannot justify stagnant **results** given the potential, but you may like to see them against the abysmal performance in the 1st quarter. Our Company repaid its entire debt – it became debt-free, for the first time since 1950. The Board has recommended dividend of 120%, the highest so far.

Subsidiary and associate companies are doing well – Atul Bioscience Ltd (100% Atul) and DPD (98% Atul) achieved PBT of ₹ 14 cr and ₹ 5 cr respectively, Amal Ltd (63% Atul) achieved PBT of ₹ 10 cr. Rudolf Atul Chemicals Ltd (50 – 50 joint venture company with Rudolf GmbH) achieved PBT of ₹ 14 cr. Atul Rajasthan Date Palms Ltd (74% Atul) is absorbing new technology and will take time to reach anticipated capacity utilisation. Anaven LLP (50 – 50 joint venture partnership with Akzo Nobel Chemicals International BV) is expected to commission its project in the last quarter of 2018-19.

The true measure of a company is determined by how it impacts others. **Atul Foundation Trust** continued in its own small way to work in the areas of national priorities – education (building and managing schools upto class 12), empowerment (building and managing institutions for skill development), health (organising medical camps), infrastructure (building toilets for the rural poor, installing street lights, repairing roads), conservation (greening through plantation) and relief (supporting cancer patients, other NGOs, etc) – our Company is continuing the legacy of its founding fathers of serving the society.

For **near-term**, the team Atul is working with rigour in three ways: firstly, it is improving existing processes (including their adherence) and institutionalising new ones to achieve higher levels of discipline, ownership and empowerment; secondly, (as I have stated earlier) it is possible to achieve sales of ₹ 4,000 cr without significant investments so the team Atul is working to make this happen soon and thirdly, it is debottlenecking and (or) expanding capacities of existing products of which it is unable to meet the current demand. Our Company is striving to achieve zero liquid discharge for all its key products.