



Amal Ltd

Annual Report 2021-22



The logo of Amal Ltd portrays a diya whose constituents are an earthen pot, ghee, a wick and a flame. Our actions (symbolised by the ghee) will remain within the boundary of ethics (symbolised by the earthen pot) and we will through hard work (symbolised by the wick) achieve our purpose (symbolised by the flame).

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A river cuts through a rock, not because of its power but because of its persistence.
~ Jim Watkins

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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.



Amal Ltd is engaged in manufacturing and marketing of bulk chemicals such as Sulphuric acid and Oleum and their downstream products such as Sulphur dioxide and Sulphur trioxide. The plant is located in Ankleshwar, Gujarat, India.

Amal Ltd was promoted by Piramal Group in 1974-75; the controlling interest of the Company was sold to Atul Ltd in 1985-86.

The Company has incorporated a wholly-owned subsidiary Amal Specialty Chemicals Ltd on October 12, 2020.

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 product and services, thus becoming the most preferred partner



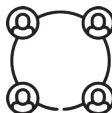
having people who practice Values and exemplify a high standard of behaviour



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



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 ensured 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 for the shareholders and 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

Fellow shareholders,

2021-22 may forever be remembered as amongst the most uncertain fiscal because of the pandemic and later the geopolitical conflict. Nonetheless, as we write this letter, we wish to find **reasons to be hopeful** – our Company wiped out the remaining carried forward loss of ₹ 0.29 cr which at peak was ₹ 56 cr. Amal Speciality Chemicals Ltd (ASCL), a 100% subsidiary, will soon commission its new manufacturing facility for 300 mt per day of H_2SO_4 equivalent products in Ankleshwar.

Financial performance in **2021-22** declined because of low demand of finished products (particularly H_2SO_4 and SO_3) and high input prices (particularly of Sulphur) for most of 2021-22 – sales rose by 43% to ₹ 45 cr; EBITDA decreased from 41% to 14%, PBT decreased by 69% to ₹ 3 cr and RoCE from 35% to 11%. The Directors did not recommend dividend consequent to a stipulation in the revival scheme; it is also prudent to wait till the new investment of ₹ 93 cr in ASCL delivers a positive impact.

During 2021-22, we adjusted the product portfolio which helped in preventing further fall in contribution margin by 1.2%. During the fiscal, we also completed further debottlenecking of the capacity of SO_3 , Oleum 25% and H_2SO_4 which will help increase contribution margin. Furthermore, we added 17 team members who will be required to take up responsibilities in sync with the forthcoming new manufacturing facility of Amal Speciality Chemicals Ltd.

Our Company along with ASCL is expected to achieve **consolidated sales** of ~ ₹ 135 cr at full capacity utilisation. The new manufacturing facility is expected to be commissioned during the second quarter of 2022-23. Our first task will be to streamline the parameters and achieve the projections. Thereafter, we will focus on a few proposals on hand to grow our Company beyond. We will execute proposals based on market attractiveness and ability to compete.

So far, **2022-23** has seen the highest price of Sulphur, the key raw material, in the last 12 years. On the other hand, it has so far been difficult to pass on the entire increase. It is therefore possible that 2022-23 may see a pressure on prices of finished products such as H_2SO_4 , Oleum, SO_3 and SO_2 . In our view, such a

situation is unsustainable and will change for the better. Meanwhile, team Amal is taking several actions at the workplace and marketplace to enhance performance.

Our Company contributed ₹ 26 lakhs towards fulfilling its **obligation to society** – it was used for improving infrastructure of five schools and providing relief to COVID-19 patients in four hospitals. The mandate is to take up projects, no matter how small, in step with national priorities. The initiatives were implemented by Atul Foundation – you may like to see the link at the end of the letter. The concept 'serve and grow' is robust; it makes our Company sustainable.

We are grateful to our **customers** for giving us an opportunity to serve and grow our Company – their expectations help us improve our standards. We recognise and appreciate every member of **team Amal** who is persevering to improve performance. We value the engagement, analysis, value addition and guidance of the **Non-executive Directors**. In order to maintain continuity, we have inducted Mr Jyotin Mehta as an Independent Director.

We again reiterate our five **everlasting mandates**: one – drive efficiency in manufacturing and other processes, two – become financially resilient, three – boost people productivity and remain lean in fixed costs, four – pervade R&D and information technology in every function and five – work with customers on ideas with high potential. We believe that the above mandates will help our Company grow better and faster as it turns yet another page in its never-ending journey.

Sincerely,

(Sunil Lalbhai)
Chairman

(Rajeev Kumar)
Managing Director

www.atulfoundation.org

Directors' Report



Dear Members,

The Board of Directors (Board) presents the annual report of Amal Ltd together with the audited Financial Statements for the year ended March 31, 2022.

01. Financial results

(₹ lakhs)

	2021-22	2020-21
Sales and other income	4,530	3,166
Profit before tax	332	1,086
Provision for tax	90	202
Profit for the year	242	885
Other comprehensive income (net of tax)	(1)	(1)
Profit after tax	241	884
Balance brought forward	(29)	(913)
Balance carried forward	212	(29)

02. Performance

During 2021-22, sales and other income increased by 43% (increase in selling price by 30% and sales volume of 13%) from ₹ 3,166 lakhs to ₹ 4,530 lakhs. The Company reported a profit before tax of ₹ 332 lakhs in 2021-22 against a profit before tax of ₹ 1,086 lakhs in 2020-21 due to high input cost.

03. Dividend

The Directors have not declared a dividend to partially meet the requirement of fund for the on-going project in Amal Speciality Chemicals Ltd, a wholly-owned subsidiary company.

04. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Information required under Section 134(3) (m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, as amended from time to time, forms a part of this report which is given at page number 12.

05. Insurance

The Company has taken adequate insurance to cover the risks to its employees, property (land and buildings), plant, equipment, other assets and third parties.

06. Risk management

Risk management is an integral part of business practices of the Company. The framework of risk management concentrates on formalising a system to deal with the most relevant risks, building on existing management practices, knowledge and structures. With the help of a reputed international consultancy firm, the Company has developed and implemented a comprehensive risk management system to ensure that risks to the continued existence of the Company as a going concern and to its growth are identified and remedied on a timely basis. While defining and developing the formalised risk management system, leading standards and practices have been considered. The risk management system is relevant to business reality, pragmatic and simple and involves the following:

- Risk identification and definition - Focuses on identifying relevant risks, creating | updating clear definitions to ensure undisputed understanding along with details of the underlying root causes | contributing factors.

- ii) Risk classification - Focuses on understanding the various impacts of risks and the level of influence on its root causes. This involves identifying various processes, generating the root causes and a clear understanding of risk inter-relationships.
- iii) Risk assessment and prioritisation - Focuses on determining risk priority and risk ownership for critical risks. This involves assessment of the various impacts taking into consideration risk appetite and the existing mitigation controls.
- iv) Risk mitigation - Focuses on addressing critical risks to restrict their impact(s) to an acceptable level (within the defined risk appetite). This involves a clear definition of actions, responsibilities and milestones.
- v) Risk reporting and monitoring - Focuses on providing to the Audit Committee and the Board, periodic information on risk profile evolution and mitigation plans.

Roles and responsibilities

Governance

The Board has approved the Risk Management Policy of the Company. The Company has laid down procedures to inform the Board on i) to iv) listed above. The Audit Committee | Risk Management Committee periodically reviews the risk management system and gives its recommendations, if any, to the Board.

The Board reviews and guides the Risk Management Policy.

Implementation

Implementation of the Risk Management Policy is the responsibility of the Management. It ensures functioning of the risk management system as per the guidance of the Audit Committee | Risk Management Committee. The Company has a risk management oversight structure in

which each sub-segment has a Chief Risk and Compliance Officer.

The Management at various levels takes accountability for risk identification, appropriateness of risk analysis, and timeliness as well as adequacy of risk mitigation decisions at both individual and aggregate levels. It is also responsible for the implementation, tracking and reporting of defined mitigation plans, including periodic reporting to the Audit Committee and Board.

07. Internal financial controls

The internal financial controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements. These include those policies and procedures that:

- i) pertain to the maintenance of records, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company,
- ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Financial Statements in accordance with Generally Accepted Accounting Principles and that receipts and expenditures are being made only in accordance with authorisations of the Management and the Directors of the Company,
- iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that can have a material effect on the Financial Statements. A reputed international consultancy firm has reviewed the adequacy of the internal financial controls with respect to the Financial Statements.



The Management assessed the effectiveness of the internal financial controls over financial reporting as of March 31, 2022, and the Board believes that the controls are adequate.

08. Fixed deposits

During 2021-22, the Company did not accept any fixed deposits.

09. Loans, guarantees, investments and security

Particulars of loans, guarantees, investments and security provided are given at page numbers 86.

10. Subsidiary, joint venture and associate entities

There is no change in subsidiary, joint venture and associate entities during 2021-22.

11. Related party transactions

All the transactions entered into with the related parties were in ordinary course of business and on arm's length basis. Details of such transactions are given at page number 99. No transactions were entered into by the Company that required disclosure in Form AOC-2.

12. Corporate social responsibility

Composition of the Corporate Social Responsibility (CSR) Committee, the CSR Policy and the CSR Report are given at page number 12.

13. Annual return

Annual return for 2021-22, is available on the website of the Company at www.amal.co.in/investors/information-for-stakeholders/annual-general-meeting/

14. Auditors

Statutory Auditors

Deloitte Haskins & Sells LLP, Chartered Accountants (DHS) were appointed as the Statutory Auditors of the Company at the 43rd Annual General Meeting (AGM) held on June 30, 2017, until the conclusion of the 48th AGM.

The first term of five years of DHS is expiring at the ensuing AGM. Pursuant to Section 139 of the Companies Act, 2013 and Rules made thereunder, the Company can reappoint DHS for second term of five years. Accordingly, based on the recommendation of the Audit Committee, the Board at its meeting held on April 22, 2022, recommended the reappointment of DHS, as the Statutory Auditors of the Company for a second term of five years. DHS will hold the office for a period of five consecutive years from the conclusion of the 48th AGM of the Company till the conclusion of the 53rd AGM to be held in the year 2027, subject to the approval of the members of the Company at the ensuing AGM. DHS has given its consent to act as the Auditors and confirmed its eligibility for reappointment.

The Auditor's Report for the financial year ended March 31, 2022, does not contain any qualification, reservation or adverse remark. The report is enclosed with the Financial Statements in this annual report.

Secretarial Auditors

The Board appointed SPANJ & Associates, as the Secretarial Auditors on January 21, 2022 and their report is given at page number 15.

15. Directors' responsibility statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Directors confirm that, to the best of their knowledge and belief:

15.1 In preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards have been followed and there are no material departures.

15.2 The accounting policies were selected and applied consistently and judgements and estimates thus made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.

15.3 Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

15.4 The attached annual accounts for the year ended March 31, 2022, were prepared on a going concern basis.

15.5 Adequate internal financial controls to be followed by the Company were laid down and they were adequate and operating effectively.

15.6 Proper systems were devised to ensure compliance with the provisions of all applicable laws and the same were adequate and operating effectively.

16. Directors

16.1 Appointments | Reappointments | Cessations

16.1.1 According to the Articles of Association of the Company, Mr Sunil Lalbhai retires by rotation and being eligible, offers himself for reappointment at the AGM scheduled on September 08, 2022.

16.1.2 Subject to the approval of the members in the AGM:

- a) Mr Rajeev Kumar was reappointed as the Managing Director for a period of five years, effective March 24, 2022.
- b) Mr Jyotin Mehta was appointed as an Independent Director for a period of five years, effective April 22, 2022.

In the opinion of the Board, the Independent Directors possess integrity, experience and expertise relevant to the Company.

16.2 Policies on appointment and remuneration

16.2.1 Appointment

While recommending appointment of the Directors, the Nomination and Remuneration Committee considers the following factors:

- i) Qualification: well-educated and experienced in senior leadership positions in industry | profession
- ii) Traits: positive attributes and qualities
- iii) Independence: criteria prescribed in Section 149(6) of the Companies Act, 2013 for the Independent Directors, including no pecuniary interest and conflict of interest

16.2.2 Remuneration of the Non-executive Directors
Sitting fees: ₹ 30,000 for attending a Board meeting and Audit Committee meeting, and ₹ 10,000 for attending any other Committee meeting.

16.3 Criteria and method of annual evaluation

16.3.1 The criteria for evaluation of performance of

- i) the Executive Directors,
- ii) the Non-executive Directors (other than Independent Directors),
- iii) the Independent Directors,
- iv) the Chairman,
- v) the Committees of the Board and
- vi) the Board as a whole are summarised in the table at the end of the Directors' Report at page number 10.

16.3.2 The Independent Directors have carried out annual:

- i) review of performance of the Non-independent Directors - Executive,
- ii) review of performance of the Non-independent Directors - Non-executive,
- iii) review of performance of the Chairman, assessment of quality, quantity and timeliness of the flow of information to the Board and
- iv) review of performance of the Board as a whole.

16.3.3 The Board has carried out annual evaluation of performance of: