

ATUL

MISSION

We are a chemical company committed to creating  
Welth for all our stakeholders.

We will strive for leadership in our chosen products and  
markets by providing high quality products and services  
to our customers. We will seek profitable growth by  
innovative application of science and technology.

We will pursue excellence in all that we undertake  
and take steps to continuously improve.

We will take responsible care of the environment around  
us and improve the quality of life in the  
communities we operate in.

# **ATUL LTD**

## **28<sup>th</sup> Annual Report 2004-2005**

### **Directors :**

Mr A N Lalbhai  
(Chairman)

Mr N N Wadia

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr S S Lalbhai  
(Managing Director & CEO)

Mr M R Shroff

Mr B S Mehta

Mr H S Shah

Mr J L Shah  
(Executive Director)

Mr S A Lalbhai  
(Managing Director)

Mr S M Datta

### **Company Secretary :**

Mr T R Gopi Kannan

### **Auditors :**

Dalal & Shah  
Chartered Accountants

### **Cost Auditors :**

R Nanabhoy & Co

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### **Registered Office:**

Ashoka Chambers  
Rasala Marg  
Ahmedabad 380 006, Gujarat  
India

### **Head Quarters:**

Atul 396020, Gujarat  
India  
E-Mail: sec@atul.co.in  
Web Site: www.atul.co.in

### **Bankers :**

State Bank of India  
Bank of Baroda  
Bank of India  
Uco Bank  
Karur Vysya Bank  
State Bank of Saurashtra  
ICICI Bank  
UTI Bank

## **NOTICE**

NOTICE is hereby given that the Twenty-Eighth Annual General Meeting of the shareholders of the Company will be held on Friday, August 5, 2005 at 11.00 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380 006, to transact the following business :

### **ORDINARY BUSINESS :**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2005 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. R A Shah, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S S Bajjal, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Manu R Shroff, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
6. To appoint Messrs Dalal & Shah, Chartered Accountants, as Auditors and to fix their remuneration.

### **SPECIAL BUSINESS :**

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

“RESOLVED THAT the ordinary Directors be paid sitting fees not exceeding Rs.20,000/- per meeting as may be decided by the Board of Directors from time to time for attending the meetings of the Board or any Committee thereof and out of pocket expenses.”

By Order of the Board

**T R Gopi Kannan**  
President, Finance &  
Company Secretary

May 20, 2005

**N.B.**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Printed copies of the Balance Sheet, the Profit & Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 2005 are enclosed herewith.
3. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 01, 2005 to July 05, 2005 (both days inclusive).
4. **Distribution of Dividend :** Dividend on Equity Shares, if sanctioned by the General Meeting, shall be paid to those shareholders whose names appear on the Register of the Company as on July 01, 2005. The members are requested to notify immediately any change in address.
5. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to Investors' Education & Protection Fund up to the financial year ended on March 31, 1997.  
**Transfer of unclaimed amount pursuant to Section 205C of the Companies Act, 1956:** The Company has transferred to the Investors' Education & Protection Fund unpaid/unclaimed interest on debentures, unpaid/unclaimed fixed deposits and interest thereon upto the financial year ended on March 31, 1998.
6. Pursuant to the directions of SEBI vide circular No. D&CC/FITTC/ CIR – 18/ 2002 dated February 12, 2003, the Company has appointed M/s. Pinnacle Shares Registry Pvt. Limited, Near Ashoka Mills, Naroda Road, Ahmedabad 380025(Pinnacle) , as Registrar and Transfer Agents for physical and demat shares. The members are requested to deal with the aforesaid agency.

7. **Reappointment of Directors** : At the ensuing Annual General Meeting Mr. R A Shah, Dr. S S Baijal and Mr. Manu R Shroff, retire by rotation and being eligible offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under the code of Corporate Governance are as under :

(a) **Mr. R A Shah** is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Company, a firm of Solicitors & Advocates. He specializes in a broad spectrum of corporate laws. Presently he is the Chairman/ Director of the following public limited companies : Fulford India Ltd. (Chairman), Godfrey Philips India Ltd. (Chairman), Pfizer Limited (Chairman), Roche Scientific Co. (I) Pvt. Ltd. (Chairman), Colgate Palmolive (I) Ltd. (Vice-Chairman), Abbot India Ltd., Atul Ltd., Asian Paints (I) Ltd., The Bombay Dyeing & Mfg. Co. Ltd., BASF India Ltd., Colour Chem Ltd., Clariant India Ltd., Deepak Fert. & Petrochemicals Corpn. Ltd., Jumbo World Holdings Ltd., Nicholas Piramal India Ltd., Procter & Gamble Hygiene and Healthcare Ltd., Philips India Ltd. He is also Chairman/ Member of Audit Committee of : Pfizer Limited (Chairman), Colgate Palmolive (I) Ltd. (Chairman), The Bombay Dyeing & Mfg. Co. Ltd. (Chairman), Nicholas Piramal India Ltd. (Chairman), BASF India Ltd., Colour Chem Ltd., Abbott India Ltd., Procter & Gamble Hygiene And Healthcare Ltd.

(b) **Dr. S S Baijal** is an M.Sc., D.Phil and was a Lecturer in Organic Chemistry, Lucknow University. He joined Imperial Chemicals Industries (India) Pvt. Ltd. (ICI) and became a Whole-time Director and also CEO of Atic Industries Limited, a Joint Venture of ICI, U.K. and Atul Products Limited. He was appointed Managing Director of IEL Ltd., a subsidiary of ICI, U.K. and became Chairman & CEO of ICI Companies in India. Presently he is the Director of the following public limited companies : Atul Ltd., DCM Shriram Consolidated Ltd., Max India Limited, DCM Shriram Credit & Investment Ltd., Rossell Tea Ltd., Bokakhat Tea Company Pvt. Ltd., Jyoti Holding Pvt. Ltd. . He is the Chairman of the Audit Committee of : Atul Limited, DCM Shriram Consolidated Ltd., Rossell Tea Ltd. and a Member of Max India Ltd. and also Chairman of Remuneration Committee of : DCM Shriram Consolidated Ltd., Max India Limited and a member Rossell Tea Ltd., and Atul Ltd., also Member of Investor/Shareholders Grievance Committee of DCM Shriram Consolidated Ltd.

In the past he also held directorships of ICICI Limited, CRISIL, Voltas Limited, EID Parry (India) Limited, Bharat Aluminium Company Limited, DCM Limited, SIEL Limited, Klockner Supreme Pentaplast Limited and he was a member of the Court, Jawaharlal Nehru University, New Delhi.

(c) **Mr. M R Shroff** is a B.A. (Hons.), B.Sc. (Econ) London, Bar-at-Law and was Economist and Economic Administrator in Government of India for 20 years including as Additional Secretary (Banking) in the Ministry of Finance. He was a Professor of Economics, IIM, Ahmedabad, Editor of Economic Times and Advisor to Unit Trust of India. Presently he is the Director of the following public limited companies : Atul Ltd., The Great Eastern Shipping Co. Ltd. and Nirma Ltd. He is

also Chairman/ Member of Audit Committee of Atul Limited, The Great Eastern Shipping Co. Ltd. (Chairman), Nirma Ltd., and also a Member of Share transfer and Shareholder / Investor grievance Committee of Atul Limited and a Member of Remuneration Committee of The Great Eastern Shipping Co. Ltd.

**EXPLANATORY STATEMENT :**

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the item of Special Business under Sr. No. 7 mentioned in the accompanying Notice dated May 20, 2005 :

Pursuant to the directions of the SEBI, the Stock Exchanges amended Listing Agreements with the Company. The amendments include new Clause 49(I)(B) which requires that all the fees / compensation to the ordinary Directors require previous approval of the shareholders in General Meeting. The Company is paying commission, sitting fees and out-of-pocket expenses to the ordinary Directors. Payment of commission is already approved by the shareholders. For payment of sitting fees and out-of-pocket expenses, the approval of members is being sought.

Though, the amendments have been deferred till December 31, 2005, advance approval from the members is being sought.

All the Directors except Mr. Sunil S Lalbhai, Managing Director & CEO, Mr. Samveg A Lalbhai, Managing Director and Mr. J L Shah, Executive Director may be deemed to be interested in the Ordinary Resolution.

By Order of the Board

**T R Gopi Kannan**  
President, Finance &  
Company Secretary

**Registered Office :**  
Ashoka Chambers,  
Rasala Marg,  
Ahmedabad - 380 006.

May 20, 2005

Atul Limited

**A TEN YEAR REVIEW**

(Rs in lacs)

<b>OPERATING RESULTS:</b>	<b>2004-05</b>	2003-04	2002 - 03	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98	1996 - 97	1995 - 96
REVENUE	71012	60359	61865	60263	59336	53491	56776	47400	48635	42478
OPERATING PROFIT (PBIDT)	6794	5580	9890	8937	9050	7397	11372	8980	8503	5994
INTEREST	2179	2157	3293	3928	4733	4884	5209	4770	4614	2414
GROSS PROFIT	4615	3423	6597	5009	4317	2513	6163	4210	3889	3580
DEPRECIATION	2738	2728	2702	2801	2837	3016	3064	2381	2161	2086
TAXATION	251	469	489	225	5	5	235	136	207	5
NET PROFIT	1626	226	3406	1983	1475	(508)	2864	1693	1521	1489
DIVIDENDS	676	502	728	449	383	85	610	455	782	870
(* Inclusive of Dividend Tax)										
PROFIT RETAINED (a)	950	(276)	2678	1534	1168	(1495)	2202	1219	523	232
<b>FINANCIAL POSITION:</b>										
GROSS BLOCK	68493	66647	61026	57245	55961	55500	54873	46564	44177	40711
NET BLOCK	24897	27604	24352	22344	23697	25809	27963	26291	26252	24897
NET CURRENT & OTHER ASSETS	33101	34572	35355	37829	35719	35969	35962	32837	31114	29032
CAPITAL EMPLOYED	57998	62176	59707	60173	59416	61778	63925	59128	57366	53929
EQUITY SHARE CAPITAL	2967	2967	2967	2967	2966	2966	2966	2966	2966	2966
RESERVES AND SURPLUS (b)	17044	25557	25724	22042	23667	22502	24003	19278	18087	17627
SHAREHOLDER'S EQUITY	20011	28524	28691	25009	26633	25468	26969	22244	21053	20593
PREFERENCE SHARE CAPITAL		-	-	-	100	600	600	950	950	900
BORROWINGS	35548	30036	27864	32195	32682	35708	36356	35934	35363	32436
<b>PER EQUITY SHARE:</b>										
DIVIDENDS	2.00	1.50	2.00	1.50	1.00	0.00	1.50	1.00	2.00	3.00
(*tax free)										
BOOK VALUE	67	96	97	84	90	86	90	75	71	69

Notes:

- After adjusting amounts in respect of previous year/s.
- Including Revaluation Reserve created in 1985 Rs 776 lacs.
- The figures of 1995-96 onwards include figures of erstwhile Atic Industries Ltd and the figures of 1998-99 onwards include figures of erstwhile Cibatul Ltd which amalgamated with the Company in the respective years.
- Previous years figures regrouped.

## DIRECTORS' REPORT

Dear Members,

The Directors of Atul Limited present the Annual Report of the Company together with the audited Statement of Accounts for the year ended March 31, 2005.

### FINANCIAL RESULTS:

	(Rs in lacs)	
	<u>2004-05</u>	<u>2003-04</u>
Sales and Operating Income	69939	59398
Other Income	1073	961
Total Revenue	<u>71012</u>	<u>60359</u>
Profit before taxation	1877	695
Taxation	251	469
Profit after tax	1626	226
Balance brought forward	8843	8253
Transferred from		
Debenture Redemption Reserve	-	800
(Debits)/Credits relating to earlier years	(50)	(38)
Tax adjustments and interest on refunds	223	162
Disposable surplus	<u>10642</u>	<u>9403</u>
<b>Appropriation:</b>		
General Reserve	135	58
Proposed Dividend	593	445
Dividend Tax on above	83	57
Balance carried forward	<u>9831</u>	<u>8843</u>
	<u>10642</u>	<u>9403</u>

### DIVIDEND:

The Directors of the Company recommend payment of dividend of Rs2 per share on 2,96,61,733 Equity Shares of Rs10 each fully paid up as on April 1, 2004.

### PROFITABILITY:

The Company recovered during the year from the decline in profitability during 2003-04,

mainly buoyed by higher sales (growth of 20%). The operations continued to be hit by a meteoric rise in key raw material prices, lower export incentive and a weak dollar. Though the gross margins stagnated or dipped, PBDT (profit before depreciation and tax) improved from Rs3423 lacs to Rs4615 lacs and PBT (profit before tax) recorded a notable rise from Rs695 lacs to Rs1877 lacs.

### FINANCE:

The interest and finance charges (net) for the year was Rs2179 lacs compared to Rs2157 lacs during the previous year - an increase of 1.02% as compared to revenue growth of 17.75%. The net interest to sales ratio, as a result further came down to 3.1% from 3.6% last year. The year witnessed a sharp increase in the benchmark interest rates - Libor and 5 year government securities yields - of almost 2 % on year on year basis. The Company has however contained the increase to 0.31% on the outstanding loans. This was done by swapping most of the floating rate loans into fixed rate loans, since the interest rate outlook for the maturity profile of the loans was slated upwards. The Company has also raised the proportion of foreign currency loans, given their lower interest rates and the natural hedge afforded by export receivables which constitute more than half its sales.

Further efforts are on to shrink the interest costs as a % of sales by

better working capital norms and utilization of assets.

Loans borrowed have been used for the purpose for which they have been sanctioned by the respective banks or financial institutions.

The Company takes forward contracts and uses other basic derivative products from time to time as permitted by RBI to cover its imports and exports. These are purely based on the actual exposure or likely future anticipated export receivables, but never in the nature of speculation. The net effect of these is accounted as per the guidelines of the Institute of Chartered Accountants of India.

The Board wishes to thank the Banks and Financial institutions for their continued support in meeting various long term, short term and emerging credit needs.

#### **INSURANCE:**

The Company has taken adequate insurance to cover the risks to its assets, profits, employees and third parties based on risk study.

#### **SAFETY, HEALTH AND ENVIRONMENT:**

During the year, in line with the Company's policy, great emphasis was placed on implementing the best practices on Safety, Health & Environment (SHE) management. Three-tier and follow-up audits were conducted combined with drill and demonstration in

presence of statutory authorities and community representatives to provide assurance that SHE elements and related operating practices responsible for better SHE performance were in place and monitored effectively.

The Directors are pleased to state that we continue to receive recognition and top awards for our various Safety, Health & Environment initiatives. We were awarded:

- **Gold excellence award** by Greentech Foundation, New Delhi.
- **Excellent Environmental and Ecological implementation Gold Award** from Jawaharlal Nehru Memorial National Awards, Hyderabad.
- Gujarat State **Shram Award** to our Mr Rameshchandra D. Lad, Electrical Section, Power House – East.
- **RoSPA** occupational Health and Safety **Gold Award** by **Royal Society for the Prevention of Accident, UK.**

The Company has stringently followed SHE norms at its manufacturing locations resulting in overall decline in injuries all around. Continuous effort is made to keep the dust, gas and noise levels at all the manufacturing locations to the minimum. All employees undergo periodic medical check up and so far no major occupational illness has been identified.

#### **DIRECTORS:**

According to Article 134 of the Articles of Association of the Company, Mr. R A Shah, Dr. S S Bajjal and Mr. Manu R Shroff retire by rotation and being eligible offer themselves for reappointment.

#### **CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a Report from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

#### **INFORMATION REGARDING CONSERVATION OF ENERGY ETC, EMPLOYEES AND SUBSIDIARIES**

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, and the statement of particulars of employees. Any shareholder

interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

The Company has five wholly owned subsidiaries namely, Ameer Trading Corporation Limited, Atul Deutschland GmbH, Atul Americas Inc., Atul Europe Limited and Atul International Trading (Shanghai) Co. Ltd. The Company has got exemption from attaching the details as provided under Section 212(1) of the Companies Act, 1956 in respect of the subsidiaries.

However, the investors may seek the copies of the annual reports and related detailed information of the subsidiaries by writing to the Company Secretary at the registered office of the Company.

#### **RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2005 and of the profit of the Company for the year ended on that date.

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

Arvind N Lalbhai  
Chairman

Mumbai  
May 20, 2005

(iv) The attached annual accounts for the year ended March 31, 2005 have been prepared on a going concern basis.

**AUDITORS AND AUDITORS'  
REPORT:**

Dalal & Shah, the Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as Auditors of the Company for the current year, if reappointed. Members are requested to reappoint them and fix their remuneration.

The relevant notes forming part of the accounts are self-explanatory and give full information and explanation in respect of the observations made by the Auditors in their Report.

**ACKNOWLEDGEMENT:**

The directors express their sincere thanks to all customers, employees, lenders and suppliers for their continuing support.

For and on behalf of the  
Board of Directors

## **Management Discussion and Analysis**

### **Overview**

The down-trend suffered in the previous year after six years of consistent improvement was reversed and the Company returned to the path of an improving trend. While the net sales improved by 20%, the PBT (profit before tax) significantly improved from Rs695 lacs to Rs1877 lacs. It is heartening to note that the higher profitability resulted from a spurt in volume growth and that too despite a steep increase in key raw material prices and a weak dollar. Apart from higher sales, the growth in profitability was also due to savings in manpower cost resulting from rationalization of manpower. The results have vindicated the efforts made by the Company in the last two years to arrest declining margins through new products, rationalization of product mix, debottlenecking, intense efforts in yield improvement and cost cutting. Growth in profitability in future will depend on cost competitiveness, ability to deliver good value and superior customer relationship management. The Company took several actions during the year to secure future growth and profits. Launch of new agro branded products, stabilization of certain high volume intermediates, the new Para cresol project, the new Pharma intermediates project and the commissioning of Para cresol downstream projects and several small projects for cutting process cost and improving yields will result in growth in sales and profit in future. While rising input prices and adverse movements in exchange rates are definitely two vital areas of concern, barring unforeseen circumstances, the sales and profitability are poised for a consistent growth in the medium term.

### **1) Segment: COLORS**

#### **a) Industry structure and developments**

In view of the lifting of the quota restrictions under WTO from January 1, 05, the textile industry (a main user industry) in the country is undergoing a major structural change. Organized sector is making huge investments in anticipation of increase in demand from the overseas market. Simultaneously, the unorganized sector is experiencing intensive competitive pressure. Stringent implementation of pollution control norms are affecting the unorganized sector where by a number of units are forced to operate below capacity.

Globally, the trend of the shift of the market from the countries in the West to those in the East continued in 2004-05. China and other Asian countries are increasing their influence and gaining further shares in the manufacture and consumption of dyestuff.

The rise in the input costs in the manufacture of dyes has been significant. The Industry is not in a position to pass on the cost increase to the buyers resulting in a severe pressure on the profitability.

#### **b) Review of Operations**

In the domestic market the volume of Reactive dyes grew by about 11%. However, Vat dye sales remained stagnant.

In the international market Sulphur Black sales came down sharply, Reactive dye volume also declined while Vat dye sales improved in volume terms.

Due to increase in the input cost and reduction in finished product prices, the gross margin remained under severe pressure. Reduction in fixed cost helped improve the bottom.

#### **c) Opportunities and threats**

The withdrawal of the quota system is expected to result in major growth in the textile manufacturing activity in India. During the year, huge investments have been made in this sector to augment capacities. This is likely to result in significant increase in consumption of textile dyes.

Simultaneously, the threat of cheaper imports of textiles from China has intensified further. China is expected to garner a much higher share of the global textile business in the new scenario. In addition, China has also made huge investments in manufacture of textile dyes. With large-scale operations, it is expected that dyes at significantly lower prices will be imported into India from China. This is likely to adversely impact the profitability of the business.

#### **d) Risks and concerns**

A tremendous pressure on pricing (and hence on profitability) is expected in view of the end-customers trying to be globally competitive. With import duties going down, imports will be sizeable, and hence competition from MNCs as well as Chinese/Korean dyestuff suppliers may increase. The weakening of US dollar may affect the margins adversely.

#### **e) Outlook**

It is expected that we will be able to increase our sales during 05-06 due to increase in the domestic demand, coupled with higher sales in the hitherto unexplored geographical areas abroad.

## **2) Segment: Speciality and Other Chemicals**

### **a) Industry Structure and Developments**

The global market for conventional crop protection products is estimated to have risen by 13.6% to cross US\$ 35 billion at the distributor level.

The major user Industries for Aromatics range of specialities are sunscreens, bulk drugs, flavours & fragrance (F&F) and antioxidants and micronutrients. These Industries have a steadily growing demand and are generally controlled by a few European and American companies.

The Indian caustic / chlorine industry had a consecutive second good year with buoyant demand. The plant capacity utilization and price realization for caustic soda and chlorine improved during the year. The demand for chlorosulphonic acid remained stagnant, whereas sulphuric acid witnessed better price realization. Price of sulphur a key input for chlorosulphonic acid and sulphuric acid continued to rise in line with the crude oil prices.

The implementation of the new Patents Law is expected to throw up major challenges to the Indian pharma industry. Stronger entry of multinationals as also some amount of consolidation among the existing players is expected to occur over the coming years. As a supplier of Fine Chemicals, this is likely to benefit us by bringing up more opportunities.

The Epoxy business remains highly competitive and fragmented. The global demand was very strong leading to a balanced demand supply situation. The price of key inputs increased significantly during the year. A significant part of the increase was passed on to the market. The sales volume and value increased significantly during the year leading to improvement in profits compared to the previous year. The Formaldehyde business is also very fragmented with a number of large and small scale manufacturers. The price of Methanol which is a major input saw wide fluctuations. The margins and sales were adversely affected due to imbalanced demand supply situation. This has adversely affected the returns from this business.

### **b) Review of Operations**

The net sales and inter divisional transfers of the Agrochemicals Division grew by 27% as against the previous year. Sales in the domestic market recorded a substantial growth of 47%. Own channel of distribution was established for the first time in North India and sales of branded products have already reached a turnover of Rs10 crores in first year. Three new products were launched during the year and market penetration for these in the domestic market would be the

focus for next year. Gross margin was under severe pressure due to a sharp increase in the prices of key raw materials.

The net sales of the Aromatics Division grew by 27% during the year. The growth mostly came from sales of para cresol in the antioxidant market, and also from para anisic aldehyde for the sunscreen and F&F industries. The Division has become the preferred supplier for perfumery grade products to the major F&F companies. The Division faced unprecedented price increase in all the raw materials. The consequent increase in the cost could not be passed on to the customers in view of competitive pressure. Improvement in various operational parameters could not nullify the steep increase in the cost which resulted in decline in the operating margin. The Division has commissioned a 10,000 tpa para cresol plant and has been able to achieve and even surpass the targeted raw materials and energy norms. With this large capacity and competitive cost structure, the Division is making strong inroads in the antioxidant markets. The para anisic aldehyde capacity has also been increased to 6000 tpa, and the plant has been modernised with a distributed control system. With this, the Division has strengthened its competitive position further.

The total turnover of Bulk Chemicals & Intermediates Division including internal transfers and captive consumption grew by 30% as compared to the previous year. The value of bulk chemicals and intermediates increased by 32% and 19% respectively. The main reason for higher turnover was higher price realization for bulk chemicals and increased volume of intermediates. The gross margin improved substantially due to higher price realization.

The Pharma Intermediates Division achieved a sales growth of 26% over the previous year and the gross margin maintained at previous year level. Revival in global aerospace and other user industries resulted in improved demand for some products. This growth is expected to continue over the next year.

Epoxy - The Division was able to increase exports of Epoxies. This was achieved by establishing tailor-made products and close interactions with the customers to understand and fulfill their requirements. Incorporation of Atul Deutschland has helped achieve significant growth of Lapox in the European market. In the domestic market the Company has been able to achieve satisfactory growth in sales of curing agents for Epoxies. The margin as a percentage of sales was maintained. The overall profits from Epoxy business have increased. The volumes of formaldehyde dropped significantly due to price pressure. This has resulted in lower contribution and profits from this business.

### **c) Opportunities and threats**

Increasing acceptability and usage of GMO crops globally and establishment of the patent regime in India are two aspects being

studied carefully for its impact on the future plans of the Division. Improvement in cereals & cotton acreages as well as prices augurs well for the Division, as two significant product-launches planned for 2005-06 are targeted at these two crop segments. Chinese agrochemical exports in 2004 show an increase of 63.5% as compared to 2003. This suggests their taking a greater share of the global market. Chinese suppliers have increased supplies to hitherto untapped markets like USA, Australia, Latin America and have also increased their share of the South East Asian markets. Cheaper prices and improving quality from these suppliers require the Division to finetune an action plan to counter such threats.

Most of the markets, the Aromatics Division is serving, are expanding. However, availability of product information through the internet and development of super markets have put significant pressure in the prices of these formulations with consequent push for lower prices. Competition is likely to be severe in most of the markets, and further consolidation cannot be ruled out. Although there would be growth opportunities in these markets, the prices are likely to remain competitive.

The bulk chemicals business segment continues to be cyclical in nature. The demand for chlorosulphonic acid will depend on competitiveness of Indian manufacturers of vinyl sulphone ester based dyes. *If the price of chlorosulphonic acid exceeds a certain limit then there is a threat of replacement of chlorosulphonic acid.* The automobile and electronic sectors are witnessing growth and this affords an opportunity for the newer intermediates business segment.

For the Pharma intermediates Division a major growth in aerospace industry and advent of more advanced aircrafts such as A380 and Boeing 787 will result in new opportunities.

Indian Epoxy market is growing rapidly. The Company has established good presence in niche markets in Europe and USA. This alongwith new network in Middle East will allow the Company to grow rapidly in both the domestic and export markets. Free trade agreements with various countries could put pressure on the local Epoxy price and margins.

#### **d) Risks & Concerns**

With increasing number of product introductions, the need of the hour is to develop expertise for outsourcing of certain processes, technologies and packaging. Added focus would be placed in coming years on development and implementation of systems that can meet the routine demands of the growing business. With currently almost 50% of the turnover coming from 2,4-D product category, a sharp increase in the prices of almost all the raw materials has badly affected the margins. Furthermore, the increasing costs of registration in various countries, as well as their enhanced data requirements,

combined with stringent environmental regulations in most of these countries are areas of concern for the future growth.

The fine and speciality chemicals industries still have over-capacity and as most of the industries are controlled by a few large companies, the prices may not increase significantly despite the continued increase in the prices of crude oil, petrochemicals and other raw materials. Further weakening of US\$ against the Indian rupee is the other major concern which may affect the profitability in the export markets.

The delay in stabilization at full capacity of the two Intermediates projects, gradual strengthening of the Rupee against the US Dollar and the steep increase in the raw material prices are the areas of concern.

Successfully establishing the major markets for the new fine chemicals is the main concern. Present signs are that at least 1-2 major approvals should be in place shortly.

The raw material prices are expected to be volatile during the year. Significant consolidation is taking place in the industry resulting in a market dominated by a few big players. Some erstwhile commodity players are also entering into the formulated and specialty Epoxy markets further adding to the competitive pressure.

#### **e) Outlook**

The Agrochemicals Division expects to record a higher sales growth in the next year also. The year 2005-06 will see launch of at least 5 new products. A very detailed crop / pest strategy – with a specific focus on regional presence has been chalked out, for new product identification and launch. This is expected to consolidate the product portfolio of the Division, resulting in a growth spurt. Additional investments in establishing distribution network with forays into other regions of India would be planned. The anticipated sales from branded products are expected to be doubled next year. The Company has now been recognized by the global industry as a significant supplier of 2,4-D range of phenoxy herbicides. This gives the Division a platform to reach new heights for other product groups such as triazole fungicides and sulfonyl urea herbicides.

The Aromatics Division, with its strong focus on capacity, cost competitiveness, quality of products and services, and increase in the distribution network will be able to retain its leadership position. The Division is continuously working on development of new cost effective technologies and automation to become more competitive in the market place. The major thrust would be to improve the R&D and marketing capabilities significantly. Introduction of new products will be the key factor in improving sales and profitability in the coming years.

The Bulk Chemicals & Intermediates Division expects that the stabilization of the two Intermediates projects will occur in the third quarter of 2005-06 and will help in improving the profitability.

With the growth in aerospace markets as also the expectations for obtaining a few major customer approvals for fine chemicals, the outlook for next year is encouraging.

The demand for Epoxies is expected to go up. Increased sales of specialties and establishing presence in new Export markets like Middle East will improve the sales of Epoxy business. The Division has established itself as a leading player in the domestic Epoxy market. The Division expects to grow at a significantly higher rate than the market growth through superior quality of products and services. The overall profitability from this business is expected to grow during the current year.

### **Research & Development**

In-house R&D efforts were devoted for developing efficient and environmentally friendly manufacturing processes in the area of high value agrochemicals and their intermediates, fine chemicals, and high performance dyes and dye intermediates. Several running processes were improved with respect to yield, quality, cycle time, and waste generation. R&D work aimed at reducing effluent loads was continued. A number of projects, exploratory in nature, were sponsored at CSIR laboratories. A technology developed through CSIR was put through a detailed pilot plant study.

### **Social Responsibilities**

As a part of its corporate mission, the Company adopted a socio-cultural approach for development of the communities and over the years made systematic contact with the people and implemented various development activities customised to their needs. This sustainable approach of development has met significant success with change of heart from the people.

In the area of community health, focus has been on health awareness and eye care. The Company conducted three Medical Diagnostic Camps at Haria, Umarsadi and Magodh Dungri covering 50 villages and arranged medical examination of 1500 people with free medicines and back up facilities. The Company organized 10 free Eye Camps at different villages in tribal areas of Dharampur / Kaprada talukas where 3100 patients were examined, 1800 glasses provided and 270 cataract operations were successfully carried out in a modern eye- hospital in Valsad. There has been an increased emphasis on women's participation in income-generation activities. Towards this, the Company had undertaken skilled development vocational training programmes on various handicrafts for

ladies on regular basis. The Company conducted a total of eight classes each of 3 months' duration with participation of 180 ladies, 5 on Stitching and Sewing, two on Vermicompost and one on Jardoshi craft. The Company has also undertaken promoting the concept of community and household base RAIN WATER HARVESTING to arrest depletion of ground water resources. The Company constructed two RWH storage systems in Primary schools and identified a number of wells, borewells etc. for recharging ground water aquifers in the nearby villages. South Gujarat was devastated with heavy flood in August 2004. The Company along with other NGOs rushed to the rescue of flood affected people in different villages with relief materials and extended full co operation to the Govt. officials in distributing the materials. "Muktidham" the most modern crematorium built by the Company with active participation and cooperation from the villagers on the banks of river PAR at Atul was dedicated to people in February 2005. As an ongoing program, the Company conducted health awareness of adolescent children in schools, arranged science education classes, distributed note books, pencils etc. to 39 Primary schools and Balwadis. The Company continued up-gradation of village roads, repairs of schools buildings and development of drinking water systems by sinking more bore wells at villages in and around Atul.

### **Internal Control System**

The Company has over the years put in place a proper and adequate structure of internal controls for safeguarding the assets of the Company; ensuring transactions are duly authorised, recorded, reported and are in accordance with policies; preventing possibilities of fraud or any other irregularities. The adequacy, efficiency and effectiveness of controls are independently reviewed by the internal audit department, comprising qualified professionals, as part of their audit plan. As a process of continuous improvement of controls, remedial actions on the audit observations are committed and implemented by functional Heads. The annual audit plan is approved by the Audit Committee and major findings and actions taken / proposed to be taken are also reported to the Audit Committee.

### **Human Resources**

The Company recognizes good Human Resources Management as a key initiative. The Company believes that it is the people who make a substantial difference in an extremely competitive environment. The Company regards knowledge and talent as sources of competitive advantage.

Vigourous efforts were made to upgrade and improve skills and knowledge of managers and also to fill up specific knowledge and skill gaps in order to secure growth and overall success. The Company has been augmenting its Marketing and R&D. 2049 man days of training were imparted during the year so as to upgrade and enhance knowledge and skills of managers.

Performance Management System has started to yield the required benefit and is being further reinforced. The Company continues striving towards its objective of being a lean but effective organisation. Manpower was reduced by 532 during the year and the strength as on March 31, 2005 was 3415.

Industrial Relations continued to be cordial.

PS: Statements in this Report of projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these assumptions are accurate or will be realised. The actual results, performance or achievements of the Company could thus differ materially from those projected or estimated.

## REPORT ON CORPORATE GOVERNANCE

1) **A brief statement on Company's philosophy on code of governance:**

The Mission statement of the Company includes creation of wealth for all its stakeholders and the Company firmly believes that only good Corporate Governance will generate value on a sustained basis to all its stakeholders. Corporate Governance primarily concerns transparency, full disclosure of material facts, independence of Board and fair play with all stakeholders. The Company will endeavour to constantly comply with and to continuously improve on these aspects with an overall view to earn the trust and respect of the Members, lenders and other stakeholders.

2) **Board of Directors :**

Composition and category of directors:

The Board of Directors comprises **twelve** members, consisting of **eight** Non- executive Directors, **three** Promoter Directors and **one** Executive Director. Non-executive Directors account for 75% of the Board's Strength as against minimum requirement of 50% as per the Listing Agreement. Further, as against norm of one-third for independent Directors, the Board has two-third. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance, law & public enterprises.

(i) Attendance of each director at the Board Meetings and the last Annual General Meeting :

Sr. No.	Name of Director & Designation	Board Meetings held during 2004-05		Annual General Meeting on Dt. 06.08.2004
		Total	Attended	
1.	Mr. Arvind Narottam Lalbhai (Chairman)	6	6	Present
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	6	6	Present
3.	Mr. Nusli N Wadia (Director)	6	NIL	-
4.	Mr. R A Shah (Director)	6	6	-
5.	Mr. G S Patel (Director)	6	6	Present
6.	Dr. S S Baijal (Director)	6	6	Present
7.	Mr. Manu R Shroff (Director)	6	6	-
8.	Mr. Bansi S Mehta (Director)	6	6	-
9.	Mr. Hasmukh S Shah (Director)	6	6	-
10.	Mr. J L Shah (Executive Director)	6	6	Present
11.	Mr. Samveg A Lalbhai (Managing Director)	6	6	Present
12.	Mr. S M Datta (Director)	6	5	-

(ii) Number of other Board of Directors or Board Committees he is a member or Chairperson of :

Sr. No.	Name of the Directors	Category	No. of other Directorships held	No. of membership/ chairmanship on the Committee(s) of the Board
1.	Mr. Arvind Narottam Lalbhai (Chairman)	Promoter	8	1/-
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	Promoter	2	3/-
3.	Mr. Nusli N Wadia (Director)	Non Executive/ Independent	14	2/2
4.	Mr. R A Shah (Director)	Non Executive/ Independent	16	5/4
5.	Mr. G S Patel (Director)	Non Executive/ Independent	-	1/1
6.	Dr. S S Baijal (Director)	Non Executive/ Independent	6	4/5
7.	Mr. Manu R Shroff (Director)	Non Executive/ Independent	2	4/1
8.	Mr. Bansi S Mehta (Director)	Non Executive/ Independent	15	5/5
9.	Mr. Hasmukh S Shah (Director)	Non Executive/ Independent	9	2/4
10.	Mr. J L Shah ( Executive Director)	Executive	2	-
11.	Mr. Samveg A Lalbhai ( Managing Director)	Promoter	9	-/2
12.	Mr. S M Datta (Director)	Non Executive/ Independent	15	3/3

(iii) Number of Board of Directors meetings held, dates on which held:

Six Meetings of the Board of Directors were held on (1)21.05.04 (2)23.07.04 (3)24.09.04 (4)29.10.04 (5)28.01.05 and (6) 18.03.05.

### 3) **Audit Committee:**

#### A) Brief description of terms of reference

- i) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iii) Mandatory review of the following:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - Internal audit reports relating to internal control weaknesses; and
  - appointment, removal and terms of remuneration of the Chief Internal Auditor.
  - Management letters / letters of internal control weakness issued by the Statutory Auditors.
- iv) Reviewing with the management the quarterly financial statements before submission to the Board for approval.

- v) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on :
  - a) Any changes in accounting policies and practices.
  - b) Major accounting entries based on exercise of judgement by the management.
  - c) Qualifications in draft audit report.
  - d) Significant adjustments arising out of audit.
  - e) The going concern assumption.
  - f) Compliance with accounting standards.
  - g) Compliance with stock exchange and legal requirements concerning financial statements.
  - h) Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large.
  - i) Matters required to be included in the Directors' Responsibility Statement to be included in Boards Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
- (vi) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (vii) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (viii) Discussions with internal auditors on any significant findings and follow up thereon.
- (ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (x) Discussions with external auditors before the audit commences regarding nature and scope of the audit as well as to have post-audit discussion to ascertain any area of concern.
- (xi) Reviewing the company's financial and risk management policies.
- (xii) To look into the reasons for substantial defaults, if any in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (xiii) To discuss with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board.
- (xiv) To ensure compliance of internal control systems.
- (xv) To review the functioning of the Whistle Blower mechanism, if any
- (xvi) To frame code of conduct and related matters

- (xvii) To periodically review compliance reports of all laws applicable to the Company as well as steps taken to rectify instances of non-compliances.
- (xviii) To review the financial statements, in particular, the investments made by the Unlisted Subsidiary Company.
- (xix) To review all significant transactions and arrangements entered into by the Unlisted Subsidiary Company.
- (xx) To lay down procedures about the risk assessment and minimization and periodically review to ensure that the executive management controls risks through means of a properly defined framework.
- (xxi) To review uses/ applications of funds raised through public/right/preference issues by major categories vis-à-vis the purposes narrated in the offer document/prospectus/notice.

**B) Composition, name of members and Chairperson:**

Chair person- Dr. S S Baijal, other members: Mr. Manu R Shroff, Mr. Bansi S Mehta

All the members of the Audit Committee are Non- executive and independent Directors.

**C) Meetings and attendance during the year :**

Sr. No.	Name of Director & Designation	Audit Committee Meetings	
		Total	Attended
1.	Dr. S S Baijal (Chairman)	7	7
2.	Mr. Manu R Shroff (Member)	7	6
3.	Mr. Bansi S Mehta (Member)	7	7

The Board of Directors notes the Minutes of the Audit Committee Meetings at first following Board Meetings.

**4) Remuneration Committee :**

- (i) Brief description of terms of reference, composition, name of members and Chairperson, attendance during the year, remuneration policy:
  - (A) The Remuneration Committee shall determine on behalf of the Board and on behalf of the shareholders policy of the Company on specific remuneration packages for executive directors including pension rights and any compensation payment. The Committee shall also determine the remuneration packages of the executive directors.
  - (B) Composition, name of members and Chairperson:  
Chair person- Mr. Hasmukh S Shah, other members: Mr. G S Patel and Dr. S S Baijal.  
All the members of the Remuneration Committee are Non-executive and independent Directors.

(C) Meetings and attendance during the year : .

Sr. No.	Name of Director & Designation	Remuneration Committee Meetings	
		Total	Attended
1.	Mr Hasmukh S Shah ( Chairman)	1	1
2.	Mr. G S Patel (Member)	1	1
3.	Dr. S S Bajjal (Member)	1	1

(D) Remuneration Policy : The Remuneration Committee determines the remuneration of Executive Directors based on individual performance, qualifications and experience, Company performance, Comparable Industry practices etc.

(ii) Details of remuneration to all the directors, as per format in main report:

Sr. No.	Name of the Directors	Remuneration for 20042005			
		Sitting fees Rs.	Salary & perks Rs.	Commission Rs.	Total Rs.
1.	Mr. Arvind Narottam Lalbhai (Chairman)	60000	-	75000	135000
2..	Mr. Sunil S Lalbhai (Managing Director & CEO)	-	2829635	998980	3828615
3.	Mr. Nusli N Wadia (Director)	NIL	-	75000	75000
4.	Mr. R A Shah (Director)	62000	-	75000	137000
5.	Mr. G S Patel (Director)	75000	-	75000	150000
6.	Dr. S S Bajjal (Director)	137000	-	75000	212000
7.	Mr. Manu R Shroff (Director)	124000	-	75000	199000
8.	Mr. Bansi S Mehta (Director)	132000	-	75000	207000
9.	Mr. Hasmukh S Shah (Director)	65000	-	75000	140000
10.	Mr. J L Shah (Executive Director)	-	2850168	1860000	4710168
11.	Mr. Samveg A Lalbhai (Managing Director)	-	2262417	998980	3261397
12.	Mr. S M Datta (Director)	50000	-	75000	125000

5) **Disinvestment Committee** :

Brief description of terms of reference, Composition, name of members and Chairperson, Attendance during the year :

(A) The Disinvestment Committee reviews Investments of the Company. The Committee also decides on whether to hold the current Investments or to sell the same at the prevailing market price.

- (B) Composition, name of members and Chairperson:  
Chair person- Mr. R A Shah, other members: Mr. Bansi S Mehta, Dr. S S Baijal and Mr. Sunil S Lalbhai.

- (C) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Disinvestment Committee Meetings	
		Total	Attended
1.	Mr R A Shah (Chairman)	1	1
2.	Mr. Bansi S Mehta (Member)	1	1
3.	Dr. S S Baijal (Member)	1	1
4	Mr Sunil S Lalbhai (Member)	1	1

- (D) Disinvestment Policy: The Disinvestment Committee reviews the existing investments of the Company based on market information, company performance, comparable industry performance and future prospects of the companies.

**6) Share transfer and Shareholder / Investor grievance Committee :**

- Name of non-executive director heading the committee: Mr. G S Patel
- Name of members: Mr. G S Patel, Mr. Sunil S Lalbhai, and Mr M R Shroff
- Name and designation of compliance officer: Mr. T R Gopi Kannan, President, Finance & Company Secretary.
- Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Share transfer and Shareholder / Investor grievance Committee Meetings	
		Total	Attended
1.	Mr. G S Patel (Chairman)	5	5
2.	Mr. Sunil S Lalbhai (Member)	5	5
3.	Mr M R Shroff (Member) (w.e.f. 28-1-05 )	2	2

- Number of shareholder complaints received so far :
- Number not solved to the satisfaction of shareholders : NIL
- Number of pending share transfers : NIL

**7) General Body Meetings :**

- Location and time, where last three AGMs held:

Financial Year	Location	Date	Time
2001-2002	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 7, 2002	11.00 a.m.
2002-2003	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 6, 2003	11.00 a.m.
2003-2004	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 6, 2004	11.00 a.m.

- ii) Whether special resolutions were put through postal ballot exercise, details of voting pattern, person who conducted the postal ballot exercise : A Special Resolution pursuant to Sections 78, 80 and 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the Court/Tribunal as provided under Section 100 of the Companies Act, 1956, authorizing the Board of Directors to utilize the credit balances in the Security Premium Account and Capital Redemption Reserve Account of the Company for the purpose of writing off Miscellaneous Expenditures of Rs.5286 Lacs and providing for Provision for Contingencies of Rs.2300 Lacs, totaling to Rs.7586 Lacs was passed through postal ballot. The same was approved by the Honourable High Court of Gujarat vide its Order dated February 1, 2005. Mr. Sanatkumar P Dave, Practicing Company Secretary was appointed as Scrutinizer for conducting the postal ballot exercise.
- iii) Are proposed to be conducted through postal ballot : Not Applicable
- iv) Procedure for postal ballot : Postal Ballot Paper along with Notice dated November 5, 2004 and other relevant enclosures were sent to all the members who were members on November 5, 2004. The Scrutinizer gave his Report on December 25, 2004. The short details of the Scrutinizer's Report are as under:

Number of valid postal ballot forms received	1308
Votes in favour of the Resolution	1,65,36,659
Votes against the Resolution	24,951
Number of invalid postal ballot forms received	72 (*)

(\*) Represent 81,625 votes

**8) Disclosures :**

- i) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large : NIL
- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : NIL

**9) Means of communication :**

Half-yearly report sent to each household of shareholders.	No
Quarterly and half-yearly results.	Financial results of the Company are sent to the Stock Exchanges immediately after the Board approves. Published in The Economic Times, Ahmedabad Edition and The Jai Hind (Gujarati), Ahmedabad Edition. The results are published in accordance with the guidelines of the Stock Exchanges.
Any website, where displayed	On the web-site of the Company : <a href="http://www.atul.co.in">www.atul.co.in</a> On the web-site of SEBI: <a href="http://www.sebiedifar.nic.in">www.sebiedifar.nic.in</a>
Whether it also displays official news releases	No
The presentations made to institutional investors or to the analysts	Presentations were made to the Analysts on October 29, 2004 and on March 18, 2005 and the gist of Analyst meetings were filed with the Stock Exchanges and displayed on the website of the Company.
Whether MD&A is a part of annual report or not	Yes.

## 10) General Shareholder information :

### i) **Annual General Meeting** :

- Date and time: 28<sup>th</sup> Annual General Meeting, Date : August 05, 2005 at 11.00 a.m.
  - Venue: Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.
- As required under Clause 49VI(A), particulars of Directors seeking reappointment are given in the Notice of the Annual General Meeting to be held on August 05, 2005.

ii) **Financial Calendar** : April 1 to March 31.

iii) **Date of Book closure** : July 01, 2005 to July 05, 2005

iv) **Dividend Payment Date** : August 10, 2005

v) **Listing on Stock Exchanges**: Ahmedabad, Mumbai and National Stock Exchange.

The Company has paid listing fees for the financial year 2005-06 to all the Stock Exchanges where securities are listed. Pursuant to SEBI circular Custody charges also paid to the Depository namely NSDL and CDSL. The ISIN No. of the Company's Share is **INE100A01010**

vi) Stock Code : Ahmedabad – 06240, Mumbai –500027

vii) Market Price Data : High, Low during each month in last financial year.

viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.

Month	Share Price of Atul Limited		BSE Sensex	
	High(Rs)	Low (Rs)	High	Low
April, 2004	41.90	33.00	5925.58	5655.09
May, 2004	43.20	29.00	5757.30	4505.16
June, 2004	32.80	28.50	4963.75	4644.00
July, 2004	40.20	28.50	5170.32	4843.77
August, 2004	38.60	31.25	5252.78	5033.69
September, 2004	54.50	36.50	5616.87	5198.72
October, 2004	60.00	48.50	5776.85	5581.49
November, 2004	64.90	48.30	6234.29	5704.10
December, 2004	71.90	54.40	6602.69	6227.83
January, 2005	75.40	58.00	6679.20	6102.74
February, 2005	94.00	67.20	6713.86	6530.06
March, 2005	94.50	70.10	6915.09	6367.86

ix) Registrar and Transfer Agents : For physical and Demat shares : Pinnacle Share Registry Private Ltd.  
Near Ashoka Mills, Naroda Road, Ahmedabad – 380 022. T. No. 079-22200338 & 22204226

x) Share Transfer System :

- Securities lodged for transfer at the Registrar's address are processed within 30 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialisation of securities are processed and the confirmation is given to the depositories within 21 days. The Company also offers transfer-cum-demat facility for the convenience of the investors.
- Pursuant to clause 45(c) and 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis have been issued by a Company Secretary in Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company. All the certificates were filed with the Stock Exchanges where the Shares of the Company are Listed.

xi) Distribution of shareholding as on March 31, 2005.

Sr. No.	Category	No. of shares	Percentage of shareholding %
1.	Promoters	1,06,42,783	35.881
2.	Mutual Funds & Administrator of the Specified Undertaking of Unit Trust of India	4,05,750	1.368
3.	Banks, Financial Institutions, Insurance Companies etc.	36,40,615	12.274
4.	Foreign Institutional Investors (FIIS)	69,280	0.234
5.	Private Corporate Bodies	47,56,431	16.035
6.	NRIs / OCBs	2,60,307	0.878
7.	State Government	336	0.000
8.	Indian Public	98,86,231	33.330
	<b>TOTAL :</b>	<b>2,96,61,733</b>	<b>100.000</b>

xii) Dematerialization of shares and liquidity: Electronic holding by Members comprising 91.514 % of the paid up Equity Share Capital of the Company held through the National Securities Depository Limited (87.066 %) and Central Depository Services (India) Limited (4.448 %) and 8.486 % are in physical form as on 31.3.2005.

Shareholders holding shares in electronic form may please note that :

- i) Instructions regarding bank details which they wish to incorporate in future dividend warrants must be submitted to their Depository Participants (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished by these depositories to the Company.
- ii) Instructions already given by the shareholders for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form.
- iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.

xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity : Nil.

xiv) Plant Locations: (1) Atul, Dist. Valsad, Gujarat and (2) Ankleshwar, Dist. Bharuch, Gujarat.

xv) Address for correspondence: Secretarial & Legal Department, P.O.: Atul-396020,  
Dist.Valsad, Gujarat. E-mail : [sec@atul.co.in](mailto:sec@atul.co.in)

ATUL LIMITED  
REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Atul Limited as at 31<sup>st</sup> March, 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- 2) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- 3) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- 5) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2005, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005;

- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date;

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and in terms of the information and explanations given to us and on the basis of such checks as we considered appropriate, we further state that:

- i. (a) The Company has generally maintained proper records showing particulars including quantitative details and situation of fixed assets;
- (b) As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management at reasonable intervals, in a phased verification-programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been adjusted in the books of account;
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status;
- ii. (a) As explained to us, inventories have been physically verified during the year by the management, except for inventories of the value of Rs 192.50 lacs are subject to confirmations from the parties;
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) On the basis of our examination of the inventory records of the Company, we are of the opinion that, the Company is maintaining proper records of its inventory. Discrepancies which were noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of account;
- iii. (a) The Company has not granted any loan, secured or unsecured, to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956;
- (b) According to the information and explanations given to us, the Company has taken unsecured loan (in the nature of fixed deposits) from four parties listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 9.91 lacs and the year end balance of loan taken from such parties was Rs 9.91 lacs. The Company has not taken any loan, secured or unsecured, from the companies and firms covered in the register maintained under Section 301 of the said Act.

- (c) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima-facie, prejudicial to the interest of the company;
  - (d) The Company is regular in repaying the principal amounts as stipulated and have been regular in the payment of interest;
  - (e) There is no overdue amount of loans taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956;
- iv. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services. During the course of our previous assessment, no major weakness in internal control system, had come to our notice;
  - v. (a) On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the particulars of contracts or arrangement in which directors were interested and which were required to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered;
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contract or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time;
- vi. In our opinion and according to the information and explanations given to us the company has complied with the directives issued by Reserve Bank of India and the Provisions of section 58A and 58AA or any other relevant provision of the Act and the rules framed thereunder since the company has not defaulted in repayments the compliance of Section 58AA or obtaining any order from Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal does not arise.
  - vii. In our opinion the company has an adequate internal audit system commensurate with the size of the company and the nature of its business;
  - viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable, and are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;

- ix. (a) According to the records of the Company, it has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities, according to the explanation given to us there are no arrears of statutory due which have remain outstanding at the last date of financial year, for a period of more than six months from the date they became payable;
- (b) According to the information and explanations given to us and on the basis of our examination of the documents and records the disputed statutory dues which have not been deposited with the appropriate authorities are as under;

<b>Nature of Statute</b>	<b>Nature of Dues</b>	<b>Period to which amount relates</b>	<b>Amount Rs in lacs</b>	<b>Forum where dispute is pending</b>
The Central Excise Act, 1944	Central Excise	1995-96 to 2003-04	142.80	Joint Commissioner
		1995-96 to 2000-01	16.17	Commissioner (Appeals)
		1986 to 1998	1260.02	Customs, Excise & Service Tax Appellate Tribunal
		1991-1992	2.20	Gujarat High Court
	<b>TOTAL :</b>		<b>1421.20</b>	
The Customs Act, 1962	Customs Duty	1994 to 1998	60.12	Commissioner (Appeals)
		1993-94	98.32	Customs, Excise & Service Tax Appellate Tribunal
	<b>TOTAL :</b>		<b>158.44</b>	
The Income Tax Act, 1961	Income Tax	1975-76 to 1977-78	2.19	Supreme Court
		1988-89	10.61	Income tax Appellate Tribunal
		2000-01	155.67	Income tax Appellate Tribunal
		2001-02	802.29	Commissioner of Income-tax (Appeals)
	<b>TOTAL :</b>		<b>970.76</b>	
Gujarat Sales Tax Act, 1969	Sales Tax	1998-99	12.14	Gujarat Sales Tax Tribunal, Ahmedabad
		2000-01	0.25	Assistant Commissioner of Sales Tax, Valsad
	<b>TOTAL :</b>		<b>12.39</b>	

- x. The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both, in the financial year under report and in the preceding financial year;
- xi. On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks, or debenture holders;
- xii. As explained to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities;
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company;
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments;
- xv. According to the information and explanations given to us, the company has given corporate guarantee for loans taken by other from bankers and financial institutions in connection with Central ETP project at Ankleshwar, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the company;
- xvi. On the basis of the records examined by us, and relying on the information compiled by the Company for co-relating the funds raised to the end use of term loans, we have to state that, the Company has, prima-facie, applied the term loans for the purposes for which they were obtained;
- xvii. According to the information and explanations given to us and on an overall examination of the Financial Statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that prima facie as at the close of the year no Short term funds have been utilized for long terms investments;

- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956;
- xvix. On the basis of the records and documents examined by us, the Company has not issued any secured debentures during the year;
- xx. The Company has not raised any money by public issue during the year;
- xxi. According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the year;

For and on behalf of DALAL & SHAH  
Chartered Accountants

Mumbai  
20<sup>th</sup> May, 2005

B R Shah  
Partner  
Membership No 5806



Atul Limited  
BALANCE SHEET AS AT 31ST MARCH, 2005

1  
(Rs in lacs)  
As at  
31.03.2004  
Rs

	Schedule	Rs	Rs	Rs
<b>I SOURCES OF FUNDS:</b>				
1 Shareholder's Fund:				
(a) Capital	1	2967.48		2967.48
(b) Reserves and Surplus	2	<u>17043.63</u>	20011.11	<u>25557.37</u>
				<u>28524.85</u>
2 Loan Funds:				
(a) Secured Loans	3	31404.23		27004.37
(b) Unsecured Loans	4	<u>4143.61</u>	35547.84	<u>3032.05</u>
				30036.42
3 Deferred Tax Liability (net) (see note: 10(b))			2439.24	3615.01
			<u>57998.19</u>	<u>62176.28</u>
<b>II APPLICATION OF FUNDS:</b>				
1 Fixed Assets:				
(a) Gross Block	5	66825.10		65000.20
(b) Less: Depreciation & Impairment loss		<u>43595.45</u>		<u>39042.51</u>
(c) Net Block		23229.65		25957.69
(d) Capital work in progress, expenditure to - date		1223.54		1207.93
(e) Advances against capital expenditure		<u>443.78</u>	24896.97	<u>438.63</u>
				27604.25
2 Investments	6		6902.96	2402.87
3 Current Assets, Loans and Advances:	7			
(a) Inventories		17122.15		16318.47
(b) Sundry Debtors		20263.13		18613.66
(c) Cash and Bank Balances		1425.06		1069.16
(d) Other Current Assets		75.24		138.31
(e) Loans and Advances		<u>6252.76</u>		<u>7671.06</u>
		<u>45138.34</u>		<u>43810.66</u>
Less: Current Liabilities and Provisions:	8			
(a) Liabilities		15809.26		13431.35
(b) Provisions		<u>3130.82</u>		<u>1796.33</u>
		<u>18940.08</u>		<u>15227.68</u>
Net Current Assets			26198.26	28582.98
4 Miscellaneous Expenditure (To the extent not written off or adjusted)				
Deferred Revenue Expenditure	9		-	3586.18
			<u>57998.19</u>	<u>62176.28</u>
Notes forming part of the Accounts	18			

As per our attached report of even date  
For & on behalf of  
DALAL & SHAH  
Chartered Accountants

For and on behalf of the Board of Directors

(B R SHAH)  
Partner  
Membership No 5806

Chairman

Managing Director & CEO

Managing Director

Company Secretary

Mumbai  
May 20, 2005

Directors

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rs in lacs)  
2003-2004

	Schedule	Rs	Rs	Rs
<b>INCOME:</b>				
Sales and Operating Income	10		69938.69	59397.69
Other Income	11		1072.98	960.88
			<u>71011.67</u>	<u>60358.57</u>
<b>EXPENDITURE:</b>				
Cost of goods sold and Materials consumed	12	36244.80		28725.55
Manufacturing Expenditure	13	14114.57		12472.66
Employees' Emoluments	14	6753.72		7773.13
Interest and Finance charges, net	15	2178.88		2157.21
Others	16	7104.60		5807.15
Depreciation & amortisation		<u>2738.29</u>		<u>2727.99</u>
			<u>69134.86</u>	<u>59663.69</u>
Profit before Taxation			1876.81	694.88
Provision for Taxation :				
Current Tax		59.00		-
Deferred Tax		185.05		463.54
Wealth Tax		<u>6.65</u>		<u>5.20</u>
			<u>250.70</u>	<u>468.74</u>
<b>PROFIT FOR THE YEAR</b>			<u>1626.11</u>	<u>226.14</u>
Credits (Debits) relating to earlier years	17		(49.65)	(38.27)
Tax adjustments relating to earlier years:				
Income Tax (including interest received Rs 4.88 lacs - Previous Year Rs 116.63 lacs)		5.39		161.60
Deferred Tax (see note: 20(c))		<u>217.26</u>		<u>-</u>
			<u>222.65</u>	<u>161.60</u>
			1799.11	349.47
As per last Account			8843.03	8253.49
Transferred from Debenture Redemption Reserve			-	800.00
			<u>10642.14</u>	<u>9402.96</u>
General Reserve			135.00	58.00
Proposed Dividend		593.23		444.93
Corporate Dividend Tax on above		<u>83.20</u>		<u>57.00</u>
			<u>676.43</u>	<u>501.93</u>
Balance carried to Balance Sheet			9830.71	8843.03
Basic / diluted earning Per Share (See note 13)			Rs 6.07	Rs 1.18
Notes forming part of the Accounts	18			

As per our attached report of even date  
For & on behalf of  
DALAL & SHAH  
Chartered Accountants

For and on behalf of the Board of Directors

Chairman

Managing Director & CEO

(B R SHAH)  
Partner  
Membership No 5806

Managing Director

Company Secretary

**Atul Limited**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005.**

(Rs Lacs)

PARTICULARS	2004-05		2003-04
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net Profit before Tax & extraordinary items	1876.81	1876.81	694.88
Less: (Debits) / Credits relating to earlier years		(36.50)	123.33
		1840.31	818.21
Adjustments for:			
<b>Add:</b>			
Depreciation	2738.29		2727.99
Interest & Finance charges	2282.33		2212.60
Loss on Assets sold or discarded	7.97		42.44
Exchange Rate difference	(190.59)		(502.14)
Deferred revenue exp. written off	-		816.25
Amount written off against leasehold land	4.61		4.63
		4842.61	
		6682.92	5301.77
<b>Less:</b>			
Dividend	263.43		195.67
Tax Adjustments relating to earlier years	0.51		44.97
Interest received	103.91		290.59
Profit on sale of Investments	-		0.02
Surplus on sale of Assets	209.43		21.77
		577.28	553.02
Operating Profit before Working Capital changes		6105.64	5566.96
Adjustments for:			
Inventories	(803.68)		2051.94
Trade & Other receivables	(959.21)		(2212.94)
Trade & Other payables	2380.51		1238.48
		617.62	1077.48
Cash generated from Operations		6723.26	6644.44
Less:			
Direct Taxes refund / (paid)		(81.17)	290.01
Payment under Voluntary Retirement Scheme		(1871.26)	(1064.13)
Cash flow before extraordinary items		4770.83	5870.32
Extraordinary items		-	-
<b>Net cash flow from operating activities</b>		<b>4770.83</b>	<b>5870.32</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of Fixed Assets and Capital advances	(3310.71)		(6105.16)
Sale of Fixed Assets	273.92		42.57
(Disbursements)/Repayments of loans	(222.37)		268.22
Purchase of Investments	(4316.03)		(131.62)
Investment in Subsidiary	(184.06)		(40.78)
Sale of Investments	-		7.99
Interest Received	168.49		289.85
Dividend Received	263.43		195.67
<b>Net Cash used in Investing Activities</b>		<b>(7327.33)</b>	<b>(5473.26)</b>
Carried forward		<b>(2556.50)</b>	<b>397.06</b>

**Atul Limited**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005.**

(Rs Lacs)

PARTICULARS	2004-05	2003-04
Brought forward	<b>(2556.50)</b>	<b>397.06</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES;</b>		
Proceeds from Long Term Borrowings	391.30	5247.69
Add: Exchange Rate difference	191.48	518.28
Proceeds from Long Term Borrowings (adjusted)	582.78	5765.97
Proceeds/ (repayments) of Working Capital Loans(Net)	4008.56	(2330.02)
Proceeds/ (repayments) of Unsecured Borrowings(Net)	1111.56	(745.51)
Total Proceeds from Borrowings	5702.90	2690.44
Interest paid	(2292.45)	(2226.62)
Dividend on Equity Shares (including Corporate Dividend Tax)	(498.05)	(667.50)
<b>Net cash (used in) / flow from Financing Activities:</b>	<b>2912.40</b>	<b>(203.68)</b>
<b>Net change in Cash &amp; Cash Equivalents(A+B+C)</b>	<b>355.90</b>	<b>193.38</b>
<b>Cash &amp; Cash equivalents(Opening Balance)</b>	1069.16	875.78
<b>Cash &amp; Cash equivalents(Closing Balance)</b>	1425.06	1069.16
	<b>355.90</b>	<b>193.38</b>

For and on behalf of the Board of Directors

Chairman

Managing Director & CEO

Company Secretary

Managing Director

Directors

Mumbai  
May 20,2005

Notes to the Cash flow Statement for the year ended 31st March, 2005 :

- 1 The Cash Flow statement has been prepared in accordance with the requirements of AS - 3 "Cash flow statement" issued by the Institute of Chartered Accountants of India.
- 2 Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

ATUL LIMITED

AUDITED ACCOUNTS FOR THE YEAR

ENDED MARCH, 2005

SCHEDULE 1 TO 18 ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT AND  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

		(Rs in lacs)	
		As at	
		31.03.2004	
		Rs	Rs
SCHEDULE - 1 - SHARE CAPITAL:			
Authorised:			
8000000	Cumulative Redeemable Preference Shares of Rs 100/- each	8000.00	8000.00
80000000	Equity Shares of Rs 10/- each	8000.00	8000.00
		<u>16000.00</u>	<u>16000.00</u>
Issued:			
29691780	Equity Shares of Rs 10/- each	2969.18	2969.18
		<u>2969.18</u>	<u>2969.18</u>
Subscribed:			
29661733	Equity Shares of Rs 10/- each fully paid	2966.17	2966.17
	Add: Forfeited shares (amount paid-up)	1.31	1.31
		<u>2967.48</u>	<u>2967.48</u>

## Notes:

- 1 Rs 35860000/- consisting of 3586000 Equity Shares of Rs 10/- each stands reduced to Rs 3586000/- consisting of 358600 Equity Shares of Rs 10/- each on reduction and consolidation of said paid up capital as confirmed by the High Court of Gujarat as per its Order dated 20th August, 1988.
- 2 7500000 Equity Shares are issued to the Shareholders of erstwhile The Atul Products Limited, pursuant to Amalgamation scheme sanctioned by the High Court of Gujarat as per its order dated 20th August, 1988.
- 3 Of the above Equity Shares 1964650 Shares are issued as fully paid-up Bonus shares by way of capitalisation of Reserves.
- 4 Of the above Equity Shares 3809310 shares are issued as fully paid-up Shares on Conversion of 12.5% Fully Convertible Secured Debentures of Rs 120/- each.
- 5 Of the above Equity Shares 11028893 Shares are issued as fully paid-up on conversion of 14% Fully Convertible Secured Debentures of Rs 180/- each per Debenture.

## SCHEDULE - 2 - RESERVES AND SURPLUS:

			(Rs in lacs)
			As at
			31.03.2004
	Rs	Rs	Rs
			Rs
Capital Redemption Reserve Account:			
As per last Account		2360.00	2360.00
Less: Utilised in terms of High Court order dated 01.02.2005 to write off Equipment Lease Rent (see note no: 20(a))		<u>2360.00</u>	<u>-</u>
			- 2360.00
Security Premium Account:			
As per last Account		8691.54	8691.54
Less: Utilised as under in terms of High Court order dt 01.02.2005: (see note: 20(a))			
Equipment Lease Rent balance		428.43	-
Payment under VRS		2497.57	-
Transferred to Provision for Contingencies		<u>2300.00</u>	<u>-</u>
		<u>5226.00</u>	<u>-</u>
		3465.54	8691.54
Debenture Redemption Reserve:			
As per last Account		-	800.00
Less: Transferred to Profit & Loss Account		<u>-</u>	<u>800.00</u>
			-
Central and State Subsidy Reserve			64.38 64.38
Capital Reserve:			
As per last Account		466.78	466.78
Less: Transferred to General Reserve		<u>466.78</u>	<u>-</u>
			- 466.78
Revaluation Reserve:			
As per last Account		762.11	776.46
Less: Adjustment on account of Sale of assets		<u>33.17</u>	<u>14.35</u>
			728.94 762.11
General Reserve:			
As per last Account		4369.53	4311.53
Less: Adjustment on account of Impairment Loss relating to - Transitional period		3160.81	-
Less: Deferred Tax		<u>379.63</u>	<u>-</u>
		2781.18	
Add: Transferred from Capital Reserve		466.78	-
Add: Deferred Tax Liability previously adjusted as transitional provision written back on writing off of Deferred Revenue expenditure to Capital Redemption Reserve Account and Security Premium Account (see note:20(c))		763.93	-
Add: Set aside this year		<u>135.00</u>	<u>58.00</u>
			2954.06 4369.53
Surplus as per annexed Account			9830.71 8843.03
		<u>17043.63</u>	<u>25557.37</u>

## Atul Limited

## SCHEDULE - 3 - SECURED LOANS:

5  
(Rs in lacs)  
As at  
31.03.2004  
Rs

## Term Loans from Financial Institutions:

**Aromatics Unit:**

	Rs	Rs	Rs
From Bank of Baroda -Term Loan (See note: 8 below)	1091.63		1190.91
Interest accrued & due	<u>3.63</u>		<u>-</u>
		1095.26	1190.91
From Banks - Working Capital Loan (See note: 1 below)			
Cash Credit	442.24		217.83
Packing Credit	710.01		676.81
Bills Discounting	<u>387.41</u>		<u>343.11</u>
		1539.66	1237.75

**Atul Unit:**

From Exim Bank - Long Term Working Capital Loan (See note: 3 below)		1637.83	2422.29
From Exim Bank - Long Term Working Capital Loan (See note: 3 below)		-	928.68
From Exim Bank - Long Term Working Capital Loan (See note: 3 below)		1920.00	1800.00
From UTI Bank Ltd - Boiler Term Loan (See note: 4 below)		412.76	667.84
From UTI Bank Ltd - Term Loan (See note: 9 below)		716.67	400.09
From UTI Bank Ltd - Foreign Currency Loan (See note: 9 below)		645.39	966.97
From Bharat Overseas Bank Ltd - Foreign Currency Loan (See note: 10A below)		644.28	965.32
From ICICI Bank Ltd (See note: 2 below)		67.15	51.18
From a Company (See note: 2 below)		-	2.96
From Banks - Working Capital Loans (See note: 1 below)			
Cash Credit	518.66		-
Working Capital Demand Loan	413.57		1.85
FCNRB (DL)	2318.75		2274.50
Packing Credit	<u>1302.37</u>		<u>752.47</u>
		4553.35	3028.82
From Exim Bank - Foreign Currency PCFC Loan (See note: 11 below)		-	888.60
Medium Term Loans, against pledge of Shares held as Investments per contra and subservient charge on the current assets of the Company:			
From HDFC Bank, against pledge of 85230 Equity Shares of Novartis India Limited, 165695 Equity Shares of Ciba Specialty Chemicals (India) Ltd and 105865 Equity Shares of Wyeth Ltd		1000.00	1433.00
From HDFC Bank, against pledge of 50710 Equity Shares of Novartis India Limited, 81170 Equity Shares of Ciba Specialty Chemicals (India) Ltd and 59810 Equity Shares of Wyeth Ltd		498.00	-
Short Term Loan, against pledge of Shares held as Investments per Contra:			
From IDBI Bank Ltd, against peldge of 408110 Equity Shares of Arvind Mills Ltd, 18223 Equity Shares of ICICI Bank Ltd. 84475 Equity Shares of Novartis India Ltd.		500.00	-

## Atul Limited

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SCHEDULE - 3 - SECURED LOANS: (Contd..)		(Rs in lacs)	
		As at	
		31.03.2004	
	Rs	Rs	Rs
From	Bank of India Demand Loan (See note: 8 below)	789.25	1824.99
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 5 below)	200.00	400.00
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 5 below)	400.00	600.00
From	Housing Development Finance Corporation Ltd - Term Loan (See note: 5 below)	782.35	1000.00
From	Housing Development Finance Corporation Ltd - Corporate Loan (See note: 5 below)	1000.00	1000.00
From	The Karur Vysya Bank Ltd - Term Loan (See note: 6 below)	1187.05	1600.09
From	The Karur Vysya Bank Ltd - Term Loan (See note: 6 below)	1768.75	887.15
From	Infrastructure Leasing & Financial Services Ltd - Term Loan (See note: 7 below)	1031.25	1500.00
From	Bharat Overseas Bank Ltd - Rupee Loan (See note: 10B below)	700.00	-
From	Bank of India MCB B - FC Loan (See note: 8 below)	2187.50	-
From	Bank of India New York - FC Loan (See note: 12 below)	2187.50	-
<b>COLORS (WEST) UNIT :</b>			
From	Banks - Working Capital Loans (See note: 1 below)		
	Cash Credit	28.44	-
	Packing Credit	200.00	-
	Bills Discounting	896.11	87.79
	FCNRB (DL)	875.00	-
		<u>1999.55</u>	<u>87.79</u>
<b>P P Unit:</b>			
From	Bank of Baroda Term Loan (See note: 8 below)	437.96	781.99
	Interest accrued & due	1.97	-
		<u>439.93</u>	<u>781.99</u>
From	Bank of Baroda Demand Loan (See note: 8 below)	107.13	215.23
	Interest accrued & due	0.54	-
		<u>107.67</u>	<u>215.23</u>
From	Banks - Working Capital Loans (See note: 1 below)		
	Cash Credit	300.57	143.70
	Working Capital Demand Loan	-	0.55
	FCNRB (DL)	707.81	831.49
	Packing Credit	384.70	146.98
		<u>1393.08</u>	<u>1122.72</u>
		<u>31404.23</u>	<u>27004.37</u>

NOTES:

- 1 Secured by hypothecation of tangible current assets (other than movable machinery), includes raw-materials, finished and semi-finished goods, inventories and book-debts of the Company as whole and also secured by second and subservient charge on Company's immovable assets to the extent of individual banks limit as mentioned in joint consortium documents. Security on immovable assets is yet to be created.
- 2 Secured by exclusive charge by way of hypothecation of vehicles purchased thereunder.
- 3 Secured by first pari passu charge by way of hypothecation of all the movable fixed assets and mortgage of the entire immovable properties of the company, present and future, excluding specific assets with exclusive charge and second charge on the entire current assets of the company, present and future.
- 4 Secured by exclusive first hypothecation charge on the boiler and auxiliary equipments and pari passu second charge on the fixed assets of the company.
- 5 Secured by exclusive first charge on : (i) guest house, club house & 27 residential quarters situated at village Gadkhol, Tal. Ankleshwar, Dist. Bharuch (ii) 15 dwelling units on land situated village Chanvai, Atul, Tal. & Dist. Valsad and first pari passu charge on balance immovable and movable properties of the company, subject to prior exclusive charges in favour of lenders.
- 6 Secured by pari passu first charge on all assets and properties of the company, both present and future, save and except the properties exclusively charged in favour of certain lenders for their financial assistance and the properties exclusively charged to the banks for their working capital loans / specific loans / term loans etc and also second pari passu charge on the entire current assets of the company.
- 7 Secured by first pari passu charge by way of mortgage on entire immovable properties and by hypothecation of entire movable fixed assets of the company, present and future, excluding assets with exclusive charge, if any and second pari passu charge on the entire current assets of the company.
- 8 Secured by first pari passu charge on the fixed assets of the company as a whole both present and future, excluding specific assets with specific charge. Security in respect of loan of Rs 482 lacs to be created.
- 9 Secured by a first pari passu charge over the present and future immovable and movable (save and except current assets and specific charge on specific assets) properties of the borrower situated at Atul and Ankleshwar.
- 10A Secured by first pari passu charge on the fixed assets of the company as a whole both present and future, excluding specific assets with specific charge.
- 10B To be secured by first pari passu charge on movable and immovable properties / fixed assets of the company as a whole both present and future, excluding specific assets with specific charge.
- 11 Exclusive charge over proceeds of export contracts financed by EXIM and to be secured by first pari passu charge on the fixed assets of the company, excluding specific assets with specific charge.
- 12 To be secured by first pari passu charge on the movable and immovable properties / fixed assets of the Company as a whole both present and future, excluding specific assets with specific charge.

Atul Limited

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SCHEDULE - 4 - UNSECURED LOANS:

		(Rs in lacs)
		As at
		31.03.2004
	Rs	Rs
Fixed Deposits including interest accrued on Cumulative Deposits	1456.70	1761.91
Sales Tax Deferment under Government of Gujarat New Sales Tax Incentive Scheme for Industries	142.01	203.18
From SBI - Buyers credit in Foreign Currency	-	154.33
From Companies	866.78	16.78
From ICICI Bank - Short term Loan	1000.00	-
From a Company - ECB Loan	678.12	895.85
	<u>4143.61</u>	<u>3032.05</u>

## SCHEDULE - 5 - FIXED ASSETS:

ASSETS	GROSS BLOCK (b)				DEPRECIATION						NET BLOCK	
	As at 31.03.2004	Additions	Deductions & Adjustments	As at 31.03.2005	Up to 31.03.2004	Recouped & Adjustments	For the Year	Up to 31.03.2005	Impairment	Impairment Fund Recouped	As at 31.03.2005	As at 31.03.2004
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs (e)	Rs	Rs	Rs
Land - Free Hold (a)	1108.25	10.47	33.32	1085.40	-	-	-	-	-	-	1085.40	1108.25
Land - Lease Hold	415.79	-	4.61	411.18	-	-	-	-	-	-	411.18	415.79
Buildings (c)	8309.54	277.27	-	8586.81	2888.95	-	223.47	3112.42	48.42	-	5425.97	5420.59
Roads	153.15	21.34	-	174.49	71.83	-	6.10	77.93	-	-	96.56	81.32
Tubewells & Pump House	9.86	3.63	-	13.49	1.87	-	0.21	2.08	-	-	11.41	7.99
Plant & Machinery	50192.73	2745.86	879.04 (d)	52059.55	32554.61	582.11	2194.52	34167.02	3112.39	251.41	15031.55	17638.12
Plant & Machinery (Lease)	957.02	-	401.06	555.96	881.03	387.62	57.49	550.90	-	-	5.06	75.99
Railway Sidings	8.47	-	-	8.47	8.39	-	0.01	8.40	-	-	0.07	0.08
Laboratory Equipments	547.21	69.55	5.17	611.59	279.31	0.95	58.04	336.4	-	-	275.19	267.90
Equipments, Furniture & Dead Stock	1268.50	36.67	96.74	1208.43	917.89	90.02	60.62	888.49	-	-	319.94	350.61
Office Equipments	19.38	1.33	-	20.71	11.95	-	1.51	13.46	-	-	7.25	7.43
Vehicles	564.89	78.68	24.74	618.83	306.16	21.56	73.51	358.11	-	-	260.72	258.73
Capitalised Spares	105.74	8.88	19.00	95.62	62.20	10.50	9.74	61.44	-	-	34.18	43.54
Research & Development:												
Building	264.29	-	-	264.29	130.99	-	8.19	139.18	-	-	125.11	133.30
Machinery	1067.21	-	1.37	1065.84	920.07	1.99	32.65	950.73	-	-	115.11	147.14
Office Equipment	8.17	0.08	-	8.25	7.26	-	0.17	7.43	-	-	0.82	0.91
Computer Software	-	36.19	-	36.19	-	-	12.06	12.06	-	-	24.13	-
<b>Total as on 31/03/2005</b>	<b>65000.20</b>	<b>3289.95</b>	<b>1465.05</b>	<b>66825.10</b>	<b>39042.51</b>	<b>1094.75</b>	<b>2738.29</b>	<b>40686.05</b>	<b>3160.81</b>	<b>251.41</b>	<b>23229.65</b>	<b>25957.69</b>
Total as on 31/03/2004	59451.43	5990.14	441.37	65000.20	36673.67	359.15	2727.99	39042.51	-	-	25957.69	

Note: (a) Includes Rs 6.24 lacs ( 31.03.2004 Rs 92.41 lacs) being the value of land for which sale deeds are in process of registration.

(b) At cost, except land freehold at revalued value and land - leasehold at cost, less amounts written off.

(c) Include premises on ownership basis Rs 51.92 lacs (31.03.2004 Rs 51.92 lacs) and cost of share in Co-operative Society Rs 0.01 lac (31.03.2004 Rs 0.01lac).

(d) After the adjustment of Rs 0.89 lacs ( Previous Year Rs. 82.96 lacs ) on account of decrease in foreign currency liability due to Exchange Rate Fluctuations.

(e) Debited to General Reserve pursuant to transitional provision under AS 28.

## SCHEDULE - 6 - INVESTMENTS, at cost :

## LONG TERM INVESTMENTS:

(Rs in lacs)

	Face Value Rs	Nos	Rs	Rs	Rs	As at 31.03.2004 Rs
Government and Trust Securities:						
Unquoted:						
6 Years National Savings Certificates (Deposited with Government Departments)	266000 (267000)				2.66	2.66
Units of Unit Trust of India under Venture Capital Unit Scheme 1990 Vecaus II	100	-			-	0.36
Less: Redeemed during the year		(1110)			-	0.36
					<u>2.66</u>	<u>2.66</u>
Equity Shares, Fully paid, Quoted:						
Trade:						
Novartis India Ltd	5	384660		102.29		102.29
Ciba Speciality Chemicals (India) Ltd	10	1252080				
Ciba Speciality Chemicals (India) Ltd	10	70073		81.99		81.99
				<u>184.28</u>		<u>184.28</u>
Others:						
Arvind Mills Ltd	10	3878315 (178315)		4434.11		118.08
ICICI Bank Ltd	10	18823		7.75		7.75
Wyeth Ltd	10	1367845		136.95		136.95
BASF India Ltd	10	547138				
Amal Ltd	10	407453	44.07			44.07
Less: Provision for diminution in value			<u>40.24</u>			<u>40.24</u>
				<u>3.83</u>		<u>3.83</u>
				<u>4582.64</u>		<u>266.61</u>
					4766.92	<u>450.89</u>
Others, Unquoted:						
Ameer Trading Corporation Ltd - a Subsidiary	7	500000		500.03		500.03
Gujarat Synthwood Ltd	10	400000	65.31			65.31
Less: Provision for diminution in value			<u>61.31</u>			<u>61.31</u>
				4.00		<u>4.00</u>
Atul Americas Inc. - a subsidiary	\$ 1000	2000		628.80		628.80
Atul Pharmaceuticals Ltd (Rs 10)	10	1				
Atro Ltd	10	50004		5.00		5.00
Atul Europe Ltd - a subsidiary	£ 1	1000000		690.48		690.48
Atul Deutchland GMBH - a subsidiary	€ 100000 (25000)	1		55.01		14.23
Atul International Trading (Shanghai) Co Ltd	\$ 410000	1		184.06		-
Bharuch Enviro Infrastructure Ltd	10	70000		7.00		7.00
Bharuch Eco Aqua Infrastructure Ltd	10	589965		<u>59.00</u>		<u>59.00</u>
					2133.38	<u>1908.54</u>
					<u>6902.96</u>	<u>2362.09</u>
Contribution to equity Share Capital in Subsidiary Atul Deutchland GMBH awaiting registration with Commercial Registrar						
					-	40.78
					<u>6902.96</u>	<u>2402.87</u>

	Book Value as at 31st March,		Market Value as at 31st March,	
	2005	2004	2005	2004
Quoted	4766.92	450.89	17299.20	9302.27
Unquoted	2136.04	1911.20		
	<u>6902.96</u>	<u>2362.09</u>		

## SCHEDULE - 7 - CURRENT ASSETS, LOANS AND ADVANCES :

		(Rs in lacs)	
		As at	31.03.2004
	Rs	Rs	Rs
(a) Inventories, (As taken, certified and valued by Managing Director & CEO)			
Stores, Spares, etc., at cost or net realisable value whichever is lower		2200.65	2139.45
Stock - in - Trade, at cost or net realisable value whichever is lower:			
Raw Materials	3790.23		2632.49
Materials - in - Process	5107.03		5782.57
Finished Goods	<u>5187.04</u>		<u>4928.05</u>
		14084.30	<u>13343.11</u>
Goods - in - Transit, cost to date		831.63	516.08
Goods in Bonded Warehouse, cost to date		-	317.05
Scrapped assets awaiting disposal, at estimated realisable value		<u>5.57</u>	<u>2.78</u>
		17122.15	<u>16318.47</u>
(b) Sundry Debtors, Unsecured: (see note:16)			
Outstanding for more than six months			
Good (see note:16)	1831.79		5449.73
Doubtful	230.91		79.55
Less: Provision	<u>230.91</u>		<u>79.55</u>
			-
	<u>1831.79</u>		<u>5449.73</u>
Other, Good	<u>18431.34</u>		<u>13163.93</u>
		20263.13	<u>18613.66</u>
(c) Cash and Bank Balances:			
Cash on hand	<u>23.97</u>		<u>12.36</u>
Cheque in hand with Bank as Collecting Agency in terms of an arrangement	<u>180.16</u>		<u>107.44</u>
Bank Balances, with Scheduled Banks:			
In Current Account	941.08		790.73
In Margin Deposit	114.97		-
* In Fixed Deposits	161.46		155.00
Interest accrued on above	<u>3.42</u>		<u>3.63</u>
	<u>279.85</u>		<u>158.63</u>
	<u>1220.93</u>		<u>949.36</u>
		1425.06	<u>1069.16</u>
(d) Other Current Assets:			
Interest Receivable (including Rs 0.71Lac on Investments - Previous Year Rs 0.54 Lac)	56.25		119.32
Other Receivables	<u>18.99</u>		<u>18.99</u>
		75.24	<u>138.31</u>
(e) Loans and Advances, Unsecured, Good: (Unless otherwise stated)			
Loans to Subsidiaries	400.00		117.92
Interest receivable on above	<u>3.58</u>		<u>5.09</u>
	<u>403.58</u>		<u>123.01</u>
Loans to Jointly Promoted Companies	0.02		724.51
Other Loans (see note: 22)	808.99		1169.79
Advances recoverable in cash or in kind or for value to be received			
Good	3486.37		4281.45
Doubtful	3.58		3.58
Less: Provision	<u>3.58</u>		<u>3.58</u>
			-
	<u>3486.37</u>		<u>4281.45</u>
Balances with Customs, Bombay Port Trust and Excise etc.	476.63		368.72
Sundry Deposits	325.16		328.25
Tax paid in advance	<u>752.01</u>		<u>675.33</u>
		6252.76	<u>7671.06</u>
		<u>45138.34</u>	<u>43810.66</u>

\* Includes Rs 0.20 lac deposit receipt of which is endorsed in favour of Sales Tax Department.

## SCHEDULE - 8 - CURRENT LIABILITIES AND PROVISIONS :

		(Rs in lacs)	
		As at	
		31.03.2004	
	Rs	Rs	Rs
(a) Liabilities:			
Acceptances		2095.39	1950.42
Sundry Creditors			
(i) Due to Small Scale Industrial Undertakings (See note: 15)	370.80		303.94
(ii) Due to others	<u>13000.54</u>		<u>10984.26</u>
		13371.34	<u>11288.20</u>
Due to Subsidiaries		64.43	10.29
Over Drawn Current Accounts as per books		103.49	-
Investors Education and Protection Fund shall be credited by the following: (See note below)			
Unclaimed Dividends	33.52		29.64
Unpaid matured debentures	4.38		6.96
Matured fixed deposits	0.65		2.22
Interest payable on above	<u>36.45</u>		<u>33.89</u>
		75.00	<u>72.71</u>
Interest accrued but not due on loans		88.56	98.68
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares of erstwhile The Atul Products Limited		9.67	9.67
Unclaimed amount of sale proceeds of fractional Coupons of Bonus Shares		1.38	1.38
		<u>15809.26</u>	<u>13431.35</u>
(b) Provisions:			
For Contingencies (see note: 20(a) & (b))	1102.98		-
For Unencashed leave	816.31		819.95
For Taxation	535.10		474.45
For Dividend Tax	83.20		57.00
Proposed Dividends	<u>593.23</u>		<u>444.93</u>
		3130.82	1796.33
		<u>18940.08</u>	<u>15227.68</u>

## Note:

The figures are outstanding as at 31st March, 2005. The actual amount to be transferred to the said fund in this respect shall be determined on the due dates.

## SCHEDULE - 9 - MISCELLANEOUS EXPENDITURE :

(To the extent not written off or adjusted)

Deferred Revenue Expenditure			
Equipment Lease Rent		-	2788.43
Payment under Voluntary Retirement Scheme		-	797.75
		<u>-</u>	<u>3586.18</u>

## SCHEDULE - 10 - SALES AND OPERATING INCOME:

				(Rs in lacs)
	Rs	Rs	Rs	2003-2004
				Rs
(a) Sales etc.				
Sales including Excise Duty	73377.28			60802.45
Less: Excise Duty	<u>5144.88</u>			<u>3965.46</u>
		68232.40		<u>56836.99</u>
Export Incentives	<u>1108.27</u>			<u>1529.99</u>
			69340.67	<u>58366.98</u>
(b) Leasing:				
Lease Rental Income		0.07		0.23
Add : Lease Equalisation		<u>34.67</u>		<u>59.43</u>
			34.74	<u>59.66</u>
(c) Operating Income:				
Processing Charges		113.48		58.75
Charges received for services to other Companies		106.03		340.44
Miscellaneous scrap sales		<u>343.77</u>		<u>571.86</u>
			563.28	<u>971.05</u>
			<u>69938.69</u>	<u>59397.69</u>

## SCHEDULE - 11 - OTHER INCOME:

Dividend on long term investments:				
From Trade Investments		91.35		85.19
Others		<u>172.08</u>		<u>110.48</u>
			263.43	<u>195.67</u>
Insurance claims			109.68	2.98
Income from property			37.77	50.93
Sales Tax Refunds			6.84	6.28
Exchange Rate Difference, net			190.59	502.14
Miscellaneous Income			230.94	176.52
Provision for doubtful debts & advances written back			24.30	4.57
Surplus on sale of assets			209.43	21.77
Profit on sale of investments			-	0.02
			<u>1072.98</u>	<u>960.88</u>

SCHEDULE - 12 - COST OF GOODS SOLD AND MATERIALS CONSUMED:		(Rs in lacs)	
			2003-2004
	Rs	Rs	Rs
Raw Materials Consumed:			
Stocks at commencement	2632.49		2738.51
Less: Unserviceable Stock written off	46.41		1.63
	<u>2586.08</u>		<u>2736.88</u>
Add: Purchases	36030.52		24974.11
	<u>38616.60</u>		<u>27710.99</u>
Less: Stocks at close	3790.23		2632.49
		34826.37	25078.50
Finished Goods Purchases		693.86	945.35
Excise Duty on closing Stock of finished goods		377.18	246.63
Increase (Decrease) in stocks:			
Stocks at close:			
Materials - in - process	5107.03		5782.57
Finished Goods	5187.04		4928.05
	<u>10294.07</u>		<u>10710.62</u>
Less: Stocks at commencement:			
Materials - in - process	5782.57		6965.84
Less: Obsolete Stock written off	54.41		-
	<u>5728.16</u>		<u>6965.84</u>
Finished Goods	4928.05		6226.43
Less: Obsolete Stock Written Off	-		0.14
	<u>4928.05</u>		<u>6226.29</u>
	<u>10656.21</u>		<u>13192.13</u>
		362.14	2481.51
Excess Provision of Excise duty		(14.75)	(26.44)
		<u>36244.80</u>	<u>28725.55</u>

## SCHEDULE - 13 - MANUFACTURING EXPENSES :

Stores Consumed	2531.40	1871.48
Power, Fuel and Water	7684.69	7247.40
Conversion and Plant operation charges etc.	971.39	541.70
Building Repairs	315.36	332.51
Machinery Repairs	2485.38	2344.45
Sundry Repairs	126.35	135.12
	<u>14114.57</u>	<u>12472.66</u>

## SCHEDULE - 14 - EMPLOYEES' EMOLUMENTS :

Salaries, Wages, Bonus etc.	5254.55	5657.06
Proportionate deferred revenue expenditure		
Voluntary Retirement benefit, written off	-	500.99
Voluntary retirement benefit paid during the year	171.44	-
Less: Adjusted against Provision for Contingencies (see note: 20(b))	<u>171.44</u>	<u>-</u>
		-
Contribution to Provident and Other Funds	927.56	976.42
Welfare Expenses	532.53	600.26
Provident & Other Fund expenses	39.08	38.40
	<u>6753.72</u>	<u>7773.13</u>

## SCHEDULE - 15 - INTEREST &amp; FINANCE CHARGES, NET :

		(Rs in lacs)	
		2003-2004	
	Rs	Rs	Rs
Interest: (see note 24)			
On Debentures		-	60.03
On Fixed Loans		1677.11	1617.52
Others		605.22	535.05
		<u>2282.33</u>	<u>2212.60</u>
Less: Interest earned (Gross, Tax Deducted Rs 23.48 lacs Previous Year Rs 36.86 lacs)			
On Debentures and Bonds	0.17		0.37
Interest from Customers	55.52		23.49
Others	98.86		173.59
		<u>154.55</u>	<u>197.45</u>
		<u>2127.78</u>	<u>2015.15</u>
Discounting Charges		51.10	142.06
		<u>2178.88</u>	<u>2157.21</u>

## SCHEDULE - 16 - OTHER EXPENDITURE:

Rent		64.50	52.90
Rates & Taxes		143.46	67.28
Insurance		275.77	246.60
Site Maintenance		34.60	65.56
Freight, Cartage and Octroi		1594.08	1338.23
Advertisement and Publicity		52.08	36.16
Commission and Discount		1695.43	1279.98
Brokerage		9.25	6.93
Travelling and Conveyance		494.23	436.60
Payments to Statutory Auditors		25.43	27.46
Payments to Cost Auditors		1.78	1.82
Directors' Fees & Travelling Expenses		15.49	10.92
Directors' Commission (Other than Managing & Executive Director)		7.61	7.72
Charities and Donations		22.33	40.10
Loss on Materials sold		-	5.46
Bad Debts		294.87	9.93
Irrecoverable Loans and Advances written off	1025.58		-
Less: Adjusted against Provisions for Contingencies (see note: 20(b))	1025.58		-
		<u>-</u>	<u>-</u>
Irrecoverable Balances Written Off		65.75	123.66
Provision for Doubtful Debts & Advances		175.66	7.79
Sales tax		47.61	33.37
Miscellaneous Expenses		1965.04	1617.22
Obsolete & Unserviceable Materials Written Off		107.05	29.13
Loss on Assets sold, discarded or demolished		7.97	42.44
Amount written off against leasehold land		4.61	4.63
Proportionate Deferred Revenue Expenditure Written Off		-	315.26
		<u>7104.60</u>	<u>5807.15</u>

## SCHEDULE - 17 - (DEBITS)/CREDITS RELATING TO EARLIER YEARS :

	Rs	(Rs in lacs) 2003-2004 Rs
Debits relating to earlier years:		
Depreciation	21.35	-
Expenses	68.01	92.52
	<u>89.36</u>	<u>92.52</u>
Credits relating to earlier years:		
Provisions no longer required	26.12	45.86
Excess Depreciation on re-computation written back	13.59	8.39
	<u>39.71</u>	<u>54.25</u>
	<u>(49.65)</u>	<u>(38.27)</u>

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS:

	2004-2005 Rs	(Rs in lacs) 2003-2004 Rs
1	Contingent Liabilities not provided for in respect of:	
(a)	Bills Discounted	
	943.39	1577.49
	Since realised	
	657.98	470.00
(b)	Disputed excise demands - matter under appeal	
	1366.22	1272.27
(c)	Disputed customs demands - matter under appeal	
	59.49	59.49
(d)	Claims against the Company not acknowledged as debts	
	360.14	267.35
(e)	Guarantees given by the Company to banks and financial Institutions on behalf of the third parties	
	91.74	-
(f)	Income - Tax demands (including interest) - matter under appeal	
	881.61	505.99
(g)	Sales Tax matter under appeal	
	12.39	12.14
2	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (net of advances).	
	1053.52	643.01
3	Profit & Loss Account includes Expenditure on Research & Development and Pilot Plants as under:	
	Materials consumed	
	51.77	49.67
	Other Expenditure	
	596.09	593.40
4	(a) Hypothecation of Tangible Movable Assets (other than movable machinery) and Stocks of Atul Unit of the Company, favouring State Bank of India also extends to guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	
	577.81	300.07
	(b) Hypothecation of Inventory of Aromatics Unit favouring Bank of Baroda also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	
	37.00	-
	(c) Hypothecation of Inventory of P P Site favouring State Bank of Saurashtra also extends to the guarantees given by the said Bank. Amount of guarantees outstanding at the end of the year.	
	121.29	125.28
	(d) Hypothecation of all Tangible Current Assets and Book Debts of Colors Unit favouring Bank of India and State Bank of India also extends to the guarantees given by the said Banks. Amount of guarantees outstanding at the end of the year.	
	216.00	217.38
5	Payments to Auditors:	
(a)	Statutory Auditors:	
(i)	As Auditors	
	15.00	16.20
(ii)	In other capacity:	
	For Tax Audit	
	4.00	4.32
	For Certificates	
	5.21	5.66
(iii)	For Expenses	
	1.22	1.28
	<u>25.43</u>	<u>27.46</u>
(b)	Cost Auditors:	
(i)	As Auditors	
	1.72	1.73
(ii)	For Expenses	
	0.06	0.09
	<u>1.78</u>	<u>1.82</u>
6	C I F Value of Imports, Remittances, Expenditure and Earnings in Foreign Currency:	
(a)	C I F Value of Imports:	
	Raw Materials	
	8982.35	9396.38
	Finished Goods - For Trading	
	86.97	486.59
	Capital Goods	
	323.95	368.48
(b)	Expenditure in Foreign Currency:	
	Commission	
	335.31	318.58
	Interest, net of tax	
	1.53	0.40
	Other matters	
	473.49	560.53
(c)	Remittances:	
	Investment in foreign subsidiary	
	184.06	55.01
	Loan Repayments	
	217.72	154.65
(d)	Earnings in Foreign Currency:	
	F O B Value of Exports	
	34024.92	28709.98
	Other matters	
	60.62	41.27

## 7 Managerial Remuneration:

	Rs	Rs
(a) Calculation of Directors, Managing & Executive Director's Commission:		
Profit as per Profit & Loss Account		1626.11
Add: Managing Directors' Remuneration (including Perquisites)	70.90	
Executive Directors' Remuneration (including Perquisites)	47.10	
Directors' Commission	7.61	
Depreciation	2738.29	
Provision for Taxation	250.70	
		<u>3114.60</u>
		4740.71
Less: Depreciation Under Section 350	2738.29	
Excess of sales price over the cost of Assets Sold	4.46	
		<u>2742.75</u>
Profit on which commission is payable		<u>1997.96</u>

(l) Commission to Managing Directors:			
Mr S S Lalbhai @ 0.50% on Rs	1997.96	9.99	
Mr S A Lalbhai @ 0.50% on Rs	1997.96	9.99	
			<u>19.98</u>
(ii) Commission to Whole - time Director:			
Commission payable to whole - time Director Mr J L Shah @ 1% of operating profit of Division viz P P Site or one year's basic salary whichever is lower i.e. lower of Rs lacs (1% of Rs 2221.47 lacs) or one year's basic salary i.e. Rs 18.60 lacs.			<u>18.60</u>
(iii) Directors' Commission:			
Directors' commission @ 1% on Rs 1997.96 lacs			<u>19.98</u>
Maximum as determined by the Board of Directors			<u>7.61</u>

(b) Details of payments and provisions on account of remuneration to Managing Directors included in the respective heads of expenditure in Profit & Loss Account are as under:

	S S Lalbhai	S A Lalbhai	2004-2005 Rs in lacs	2003-2004 Rs in lacs
(i) Salary	21.07	13.84	34.91	27.83
(ii) House Rent Allowance	-	1.38	1.38	1.38
(iii) Commission	9.99	9.99	19.98	-
(iv) Gratuity	0.88	0.57	1.45	1.45
(v) Contribution to Provident & other Funds	5.67	3.73	9.40	9.40
(vi) Perquisites	3.1	0.68	3.78	12.99
	<u>40.71</u>	<u>30.19</u>	<u>70.90</u>	<u>53.05</u>
Estimated monetary value of perquisites to Managing Directors on account of Furniture	-	0.19	0.19	0.19

(c) Details of payments and provisions on account of remuneration to Executive Director included in the respective heads of expenditure in Profit & Loss Account as under:

J L Shah			
(i) Salary		18.65	13.77
(ii) Commission		18.60	-
(iii) Gratuity		0.78	0.70
(iv) Contribution to Provident & other Funds		5.02	4.54
(v) Perquisites		4.05	3.48
		<u>47.10</u>	<u>22.49</u>
Estimated monetary value of perquisites to Executive Director on account of Furniture		<u>0.23</u>	<u>0.23</u>

(d) Applications of erstwhile Atic Industries Ltd to the Central Government for its approval to the reappointment of its ex-Managing Director with effect from 1st August, 1981 to 31st March, 1984, still pending.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS :

## 8 Details of Raw Materials consumption and Goods Traded in:

	Unit	2004 - 2005		2003 - 2004	
		Qty	Rs in lacs	Qty	Rs in lacs
Toluene	MT	8423	3106.92	6079	1491.61
Phenol	MT	4461	2762.11	4200	1809.18
Sulfur	MT	18111	889.74	19020	874.96
Methanol	MT	5609	935.59	7819	1358.08
Others			27132.01		19544.67
<b>Grand Total</b>			<b>34826.37</b>		<b>25078.50</b>

## (B) Imported and Indigenous Raw Materials Consumption:

	2004 - 2005		2003 - 2004	
	Rs in lacs	Percentage	Rs in lacs	Percentage
Imported	11415.26	32.78	9022.02	35.98
Indigenous	23411.11	67.22	16056.48	64.02
	<b>34826.37</b>	<b>100.00</b>	<b>25078.50</b>	<b>100.00</b>

## (C) Goods Traded in : Purchases

	2004 - 2005		2003 - 2004	
	MT	Rs in lacs	MT	Rs in lacs
Dyestuffs	90	209.80	55	112.09
Intermediates	264	456.43	785	833.26
Manganese Sulphate	141	18.23	-	-
Oleum 25%	280	7.34	-	-
Sulphuric Acid 98%	63	1.27	-	-
Oleum 65%	21	0.79	-	-
<b>Grand Total</b>		<b>693.86</b>		<b>945.35</b>

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

## 9 Licensed and Installed capacity, Production, Stocks and Turnover:

## (A) Licensed and Installed Capacity and Production:

Class of goods	Licensed Capacity		Installed Capacity (a)		Production	
	2004 - 2005	2003 - 2004	2004 - 2005	2003 - 2004	2004 - 2005	2003 - 2004
	MT	MT	MT	MT	MT	MT
Cresol	5000	5000	10000	7200	2687	1129
Toluidines	-	-	-	-	-	-
Sodium sulphite	7350	7350	9000	9000	5687	7548
Sodium sulphate	1160	1160	2200	-	-	-
Soda ash	1310	1310	-	-	-	-
Gypsum	5900	5900	-	7000	-	7250
Resorcinol	150	150	-	-	-	-
LABASA (acid slurry)	4000	4000	-	-	-	-
Spent acid	2000	2000	-	-	-	-
Para Cresidine	-	-	420	420	124	225
Para Anisic Aldehyde	-	-	6000	3600	3412	2861
Para Anisic Alcohol	-	-	200	200	237	258
Dyestuff (b & d)	11537	11537	19996	20036	8290	6688
Chemicals (other than fertilizers)(b & d)	125004	125004	228392	227366	68283	65060
Drugs & Pharmaceuticals (b & d)	722	722	170	310	17	23
Sulpha drug intermediates	1830	1830	6525(c)	6525(c)	112	79
2,6-Dichloraniline	20	20	-	20	-	-
Bulk drugs & drug intermediate	115	115	57(c)	57(c)	39	51
Pharmaceutical Intermediate (PHIN)	320	320	300	300	21	20
Sulpha methyl phenazole sodium	13	13	-	13	-	-
Pyrazole base	107	107	-	126	-	-
UF/MF/PF dicyandiamide resins	3250	3250	6600	6600	1413	1670
Epoxy resins	1948	1948	3750	3750	5625	4600
Hardners & auxiliaries	1000	1000	1215	1215	2119	1430
Hardners (intermediates)	230	230	485(c)	485(c)	-	-
Formaldehyde	30000	30000	20000	20000	8811	12669
Hexamine (tech)	1257	1257	1800	1800	-	-
Bisphenol - A	900	900	1500	1500	-	-
Vinyl ester resins	450	450	450	450	-	-
Polyaminoamide & their intermediates	1940	1940	1940	1940	325	236
Sulphanilic acid	300	300	-	400(c)	-	-
Bisphenol - S & intermediate chemicals	200	200	40	40	-	-
Ketone formaldehyde resins & Sulphonamide formaldehyde resins	250	250	100	100	-	-
Polyurethane	-	-	-	-	-	-
Sulpha bulk drugs for export (c)	-	-	-	-	438	356

(a) As certified by General Manager - Works / Manufacturing / Executive Director and being a technical matter, accepted by the Auditors, as correct.

(b) Class of Goods based on classification given in the Industries (Development & Regulation) Act. 1951.

(c) No licence is required in terms of notification No 477(E) dated 25th July, 1991 on New Industrial Policy.

(d) In addition to existing Licensed capacity, Colors (West) Unit has also filed memorandum for manufacture of 400 te. of Vat Dyes with the Department of Industrial Development Ministry of Industry, Government of India.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

## 9 Licensed and Installed Capacity, Production, Stocks and Turnover: (Contd.)

## (B) Stocks &amp; Turnover:

Class of Goods

	<u>Stocks at Commencement</u>				<u>Stocks at Close</u>				<u>Turnover</u>			
	<u>2004 - 2005</u>		<u>2003 - 2004</u>		<u>2004 - 2005</u>		<u>2003 - 2004</u>		<u>2004 - 2005</u>		<u>2003 - 2004</u>	
	<u>MT</u>	<u>Rs in lacs</u>	<u>MT</u>	<u>Rs in lacs</u>	<u>MT</u>	<u>Rs in lacs</u>	<u>MT</u>	<u>Rs in lacs</u>	<u>MT</u>	<u>Rs in lacs</u>	<u>MT</u>	<u>Rs in lacs</u>
Cresol	154	128.27	260	215.85	305	267.98	154	128.27	2536	2474.39	1235	1201.66
Toludine	-	-	-	-	-	-	-	-	-	-	-	-
Sodium sulphite	111	4.10	123	4.01	86	4.73	111	4.10	5711	387.44	7561	351.50
Gypsum	33	-	84	-	-	-	33	-	33	-	7301	3.88
Resorcinol	-	-	-	-	-	-	-	-	-	-	-	-
LABSA(acid slurry)	-	-	-	-	-	-	-	-	-	-	-	-
p-Anisaldehyde	70	114.08	105	169.11	24	44.83	70	114.08	3658	7829.98	2896	6255.49
p-Anisyl alcohol	27	55.22	4	7.30	13	31.72	27	55.22	251	831.86	235	794.38
p-Cresidine	34	74.26	42	105.87	24	52.87	34	74.26	134	346.57	233	671.33
Anisole	12	8.96	12	6.93	-	-	12	8.96	5	5.31	6	7.17
p-Methoxybenzaldehyde	-	-	-	-	-	-	-	-	-	-	-	-
Dyes & Dye												
Intermediates (a&b)	539	851.58	604	1193.54	555	999.99	511	851.58	5407	6063.48	4190	5265.28
Caustic/Chlorine	943	57.54	884	62.35	1073	62.54	943	57.54	3911	325.62	2447	212.35
Chemicals (a)	1989	378.35	2072	527.79	2157	604.77	1989	378.35	64074	14558.29	58594	11093.87
Pharmaceuticals(a)	5	33.26	8	58.58	-	2.38	5	33.26	22	155.44	26	177.73
Dyestuffs (a)	486	2459.16	632	3157.51	534	2417.22	486	2459.16	2909	20039.78	2791	18883.95
Sulpha drug												
Intermediates	2	9.09	5	16.03	1	5.28	2	9.09	113	909.24	82	683.88
Bulk drugs & drug												
intermediates	10	75.27	9	35.78	13	64.73	10	75.27	36	316.21	50	333.66
Pharmaceutical & Int.(PHIN)	4	22.20	-	-	6	44.10	4	22.20	19	364.55	16	274.68
UF/MF/PF dicyandiamide												
resins	23	7.13	1	0.01	-	0.04	23	7.13	1436	467.54	1648	504.23
Epoxy resins	217	267.57	185	181.35	165	221.21	217	267.57	5677	8388.90	4568	5720.75
Hardeners & auxiliaries	116	122.58	122	126.15	162	193.81	116	122.58	2073	3526.27	1436	2227.99
Hardeners												
(intermediates)(c)	-	-	-	-	-	-	-	-	-	-	-	-
Formaldehyde	500	49.22	133	10.67	118	11.87	500	49.22	8993	885.88	12302	1408.13
Hexamine (tech)(c)	-	-	-	-	-	-	-	-	-	-	-	-
Bisphenol - S &												
intermediates chemicals	-	-	-	-	-	-	-	-	-	-	-	-
Polyiminoamide resins &												
their intermediates	14	16.90	15	14.83	20	15.29	14	16.90	319	446.38	237	335.82
Sulpanilic acid	1	0.20	1	0.15	1	0.15	1	0.20	-	-	-	-
Polyurethane (c)	-	-	-	-	-	-	-	-	-	-	-	-
Sulpha bulk drugs												
for export	38	109.62	58	189.93	18	47.75	38	109.62	458	2198.04	376	1711.32
Others	45	83.49		137.56	175	93.78	45	83.49	14	2229.52	1	1743.60

Atul Limited

SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

9 Licensed and Installed Capacity, Production, Stocks and Turnover: (Contd.)

(B) Stocks & Turnover:(Contd.)

Class of Goods	Stocks at Commencement				Stocks at Close				Turnover			
	2004 - 2005		2003 - 2004		2004 - 2005		2003 - 2004		2004 - 2005		2003 - 2004	
	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs	MT	Rs in lacs
<b>Goods traded in:</b>												
Resorcinol		-		0.67		-		-		-		0.10
Manganese Sulphate									141	22.80		-
Oleum 25%									280	7.80		-
Oleum 65%									21	0.82		-
Sulphuric Acid									63	1.27		-
Intermediates	-	-	-	-	-	-	-	-	264	593.90	785	937.37
Chemicals & Pharmaceuticals	4	-	4	-	4	-	4	-	-	-	-	-
Ancamine/Ancamide /Anchor	-	-	-	-	-	-	-	-	-	-	-	-
Noary Bond	-	-	-	-	-	-	-	-	-	-	-	-
Catalyst	-	-	-	-	-	-	-	-	-	-	-	-
PVD Cellular Sheet	-	-	-	-	-	-	-	-	-	-	-	-
IPF Multifoam	-	-	1	4.46	-	-	-	-	-	-	1	2.33
Baero products & Indovin	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<u>4928.05</u>		<u>6226.43</u>		<u>5187.04</u>		<u>4928.05</u>		<u>73377.28</u>		<u>60802.45</u>

(a) Class of goods based on classification given in the Industries (Development & Regulation) Act, 1951.

(b) Includes - out of Dyes Purchased Stocks at Commencement 25 MT, Stocks at Close 18 MT and Turnover 62 MT . (Previous year 29MT, 25MT, 72MT)

(c) Internal Consumption of 15 kgs in P P Site during previous year.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

## 10 Taxation:

(A) Provision for Income Tax has been made in terms of Section 115JB of the Income Tax Act, 1961.

(B) Deferred Taxation:

	Balance carried as at 31-03-2004	(b) Adjusted to		Adjusted opening balance	Arising during the year and recognised in		(Rs in lacs) Balance carried as at 31-03-2005
		General Reserve	Profit & Loss A/c		(a) General Reserve	Profit & Loss A/c	
Deferred Tax Liabilities on account of:							
Depreciation	3058.13	-	-	3058.13	-	114.67	3172.80
Impairment Loss	-	-	-	-	(379.63)	8.15	(371.48)
Lease Terminal Adjustment	17.49	-	-	17.49	-	(17.49)	-
Deferred Revenue Expenditure	1032.08	763.93	268.15	-	-	-	-
	<u>4107.70</u>	<u>763.93</u>	<u>268.15</u>	<u>3075.62</u>	<u>(379.63)</u>	<u>105.33</u>	<u>2801.32</u>
Deferred Tax Assets on account of:							
Provision for Leave Encashment	294.15	-	-	294.15	-	(19.39)	274.76
43 B expenses allowable	117.82	-	-	117.82	-	(109.44)	8.38
Provision for doubtful debts	28.54	-	-	28.54	-	49.19	77.73
Provision for doubtful advances	1.29	-	-	1.29	-	(0.08)	1.21
Deferred Revenue - VRS	50.89	-	50.89	-	-	-	-
	<u>492.69</u>	<u>-</u>	<u>50.89</u>	<u>441.80</u>	<u>-</u>	<u>(79.72)</u>	<u>362.08</u>
Net Deferred Tax Liability (Assets)	<u>3615.01</u>	<u>763.93</u>	<u>217.26</u>	<u>2633.82</u>	<u>(379.63)</u>	<u>185.05</u>	<u>2439.24</u>

(a) Said treatment is based on the opinion of Expert Advisory Committee (E.A.C.) of the Institute of Chartered Accountants of India on deferred tax effect of adjusting impairment loss directly against revenue reserves pursuant to transitional provisions under AS 28.

(b) Deferred tax effect on account of adjustment of Equipment Lease Rent and Payments under voluntary retirement scheme to Capital Redemption Reserve Account and Security Premim Account in terms of High Court of Gujarat order dated 1st February, 2005, is given keeping in view the opinion of E.A.C. referred in (a) above.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS (Contd.)

## 11 Related Party Information :

**A. Name of related party and nature of relationship**

SN	Name of the related party	Description of relationship
1.	Atul Europe Ltd	Subsidiary
2.	Atul Americas Inc	Subsidiary
3.	Atul Deutchland GMBH	Subsidiary
4.	Atul International Trading Co.(Shangai) Ltd	Subsidiary
5.	Ameer Trading Corp Ltd	Subsidiary
6.	Amal Products Ltd	Associate company
7.	Gujarat Synthwood Ltd	Jointly promoted company
8.	AtRo Ltd	Jointly promoted company
9.	Key Management Personnel: Mr Sunil S Lalbhai Mr Samveg A Lalbhai Mr J L Shah	----- Managing Director & CEO ----- Managing Director ----- Executive Director
10.	Relatives of Key Management Personnel: Mrs Abhilasha S Lalbhai Mrs Vimlaben S Lalbhai Mrs Smita J Shah Mr Maulik J Shah	----- Relative of Key Management Personnel ----- Relative of Key Management Personnel ----- Relative of Key Management Personnel ----- Relative of Key Management Personnel

## 11 Related Party Information :(Contd.)

**B. Transactions with related parties**

							Rs. in lacs
SN	Name of the related party	Subsidiaries	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	
<b>Sales and Income:</b>							
1.	Sale of goods	9392.51	45.55	0.06	-	-	
		(8011.89)	(36.81)	(110.17)	-	-	
2.	Interest received	3.58	-	-	-	-	
		(13.88)	-	(28.58)	-	-	
3.	Supply of services	79.06	-	89.64	-	-	
		-	-	(202.28)	-	-	
<b>Purchases and Expenses:</b>							
1.	Purchase of goods	96.42	-	140.34	-	-	
		(46.41)	(0.10)	(474.79)	-	-	
2.	Commission paid	105.09	-	-	-	-	
		(120.20)	-	(46.04)	-	-	
3.	Service charges paid	27.69	-	-	-	-	
		(27.69)	-	-	-	-	
4.	Remuneration	-	-	-	118.00	-	
		-	-	-	(75.54)	-	
5.	Rent paid	-	-	-	-	-	
		-	-	-	-	-	
<b>Other transactions:</b>							
1.	Loan given	400.00	55.56	-	-	-	
		-	(73.27)	-	-	-	
2.	Other transactions	-	-	33.13	-	-	
		-	-	(118.35)	-	-	
3.	Guarantee given	-	-	-	-	-	
		-	-	-	-	-	
4.	Investment	184.06	-	-	-	-	
		(55.01)	-	-	-	-	
5.	Fixed deposit received	-	-	-	-	-	
		-	-	-	-	-	
6.	FD Interest paid	-	-	-	-	-	0.90
		-	-	-	-	-	(0.90)

**Outstanding balances:**

							Rs. in lacs
SN	Name of the related party	Subsidiaries	Jointly promoted companies	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	
1.	Payable	98.60	-	7.71	42.65	9.91	
		(64.35)	-	(317.85)	(1.31)	(9.82)	
2.	Receivables	4599.09	12.56	1,070.84	-	-	
		(4206.35)	(974.91)	(900.04)	-	-	

**C.** There are no provisions for doubtful debts from related parties. In respect of loans and advances from jointly Promoted Company an amount of Rs 1025.58 lacs is written-off against provision for contingencies.

**D.** Related party relationship is as identified by the Company on the basis of information available with them and on legal opinion obtained by the Company and relied upon by the Auditors.

## SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

## 12 Segment Information :

## A Information about Business Segment - Primary

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs
1 Segment Revenue						
External Sales	26154.18	24436.67	47223.10	36365.78	73377.28	60802.45
Inter Segment Sales	11.56	178.11	570.15	390.05	581.71	568.16
Total Segment Revenue	26165.74	24614.78	47793.25	36755.83	73958.99	61370.61
Less: Inter Segment Revenue	11.56	178.11	570.15	390.05	581.71	568.16
Net Revenue from operations	26154.18	24436.67	47223.10	36365.78	73377.28	60802.45
2 Segment Results						
Profit before Interest and Tax	693.47	582.63	3753.47	2980.03	4446.94	3562.66
Interest (net)					2178.88	3293.28
Other unallocable expenditure (net of unallocable income)					391.25	960.36
Profit Before Tax					1876.81	(690.98)
3 Other Information						
Segment Assets	22396.56	28961.16	40524.14	36822.07	62920.70	65783.23
Unallocated Common Assets					14017.57	10840.49
Total Assets					76938.27	76623.72
4 Segment Liabilities	6277.55	5851.68	9516.06	7639.59	15793.61	13491.27
Unallocated Common Liabilities					4909.28	4796.94
Total Liabilities					20702.89	18288.21
5 Capital Expenditure	294.38	204.70	2758.03	5556.32	3052.41	5761.02
Unallocated Capital Expenditure					258.30	290.34
Total Capital Expenditure					3310.71	6051.36

## SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS:(Contd.)

## 12 Segment Information (Contd.)

## Other information (Contd.)

(Rs in lacs)

Particulars	Colors		Speciality and other Chemicals		Total	
	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs
6 Depreciation	495.47	824.77	1744.76	1089.01	2240.23	1913.78
Unallocated Depreciation					498.06	814.21
Total Depreciation					2738.29	2727.99
7 Non Cash Expenses	384.75	125.37	194.49	109.96	579.24	235.33
Unallocated Non Cash Expenses					36.05	569.29
Total Non Cash Expenses					615.29	804.62

## B Business Secondary - Geographical by Customers

Particulars	In India		Outside India		Total	
	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs	2004-2005 Rs	2003-2004 Rs
Segment Revenue	38179.15	31024.38	35198.13	29778.07	73377.28	60802.45
Carrying Cost of Assets by location of Assets	65471.50	67778.86	11466.77	9625.10	76938.27	77403.96
Addition to Assets and Intangible Assets	3310.71	6062.11	-	-	3310.71	6062.11

## Other Disclosure

- 1 Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as the differing risks and returns.
- 2 Company has disclosed Business Segment as the Primary Segment.
- 3 Composition of Business Segment:
 

Name of Segment	Comprises of
(a) Colors	Dyes and Intermediates
(b) Speciality and Other Chemicals	Agrochemicals, Pharmaceuticals, Polymers, Other Chemicals and Aromatic Compounds
- 4 The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

## 13 Earning Per Share :

Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and diluted Earning Per Share:

	<u>31.03.2005</u>	<u>31.03.2004</u>
Profit for the year attributable to the Equity Shareholders	Rs 1799.11	349.47
Basic/Weighted average number of Equity Shares outstanding during the year	29661733	29661733
Nominal value of Equity Share	Rs 10	10
Basic & diluted earning Per Share	Rs 6.07	1.18

## 14 Customs Duty:

Import Duty payable on goods lying in customs bonded warehouse will, as per the Company's practice and be charged in the year of clearance of the goods. Amount estimated as on 31st March, 2005, Rs Nil (Previous year Rs 70.93 lacs). This accounting policy has no impact on the Profit for the year.

## 15 Small Scale Undertaking Dues:

(a) This disclosure is on the basis of information available with the Company regarding the status of supplier as defined under the "Interest on delayed payment to Small scale and ancillary Industrial Undertaking Act, 1993" unpaid liability on account of interest Rs 16.49 lacs (Previous year Rs 16.49 lacs).

(b) The name of Small Scale Industrial Undertakings in respect of whom amounts are outstanding for more than 30 days.

**Aromatics Unit:**

(1) Mrugal Enterprise (2) Shree Khodiyar Ice Factory (3) Vamech Seals.

**Atul Unit:**

(1) Anami Organics (2) Athiappa Chemicals (P) Ltd (3) Amit Chemicals Industries (4) Akry Organics Pvt Ltd (5) Anup Indstreis Ltd (6) Aarti Drums (7) Chandan Intermediates & Chemicals P Ltd (8) Dakle Industrial Plastics (9) Dembla Valves Pvt Ltd (10) Devsalt Pvt Ltd (11) Dooall Corp (India) Pvt Ltd (12) Dalal Enterprise (13) Elco Valves (14) Gahlot Industries (15) Gujarat Petrochem (16) Hindustan Poly Weave (17) Jackson Chemical Industries (18) Khosla Profil Pvt Ltd (19) Kailash Chemicals (20) Kamla Chemicals (21) Laxmi Narayan Salt Works (22) Mech Engineers (23) Meridian Chem-Bond Ltd (24) Neo-Orga-Chem (25) Pack-Well Industries (26) Paramount Chemicals (27) Pioneer Engineers (28) Premier Industries (29) Star Industrial Systems (30) Swati Chemical Industries (31) Vishal Glass Shots (32) Shree Laxmi Saltchem Pvt Ltd (33) Satyam Salt Works.

(34) Adhya Shakti Mechanical (35) Ashok Engineering Works (36) Alloy Steel Fabrication P Ltd (37) Ashwin Corporation (38) Agrawal Electronics (39) Avcon Controls P Ltd (40) Arvico Rubber Ind (41) Asia Engineering Co (42) Ashok Engineering Works (43) Anuradha Plas & Tex Ind (44) Ashvik Ind (45) Aflon Associates (46) Arcoy Ind (47) Apex Ind Ltd (48) A K Mistry & Sons (49) Advance Reinforces Plastics P Ltd (50) Ajay Valves P Ltd (51) Anti Corrosive Equipment (52) Asian Ind (53) Associated Chemicals (54) Aarti Ind Ltd (55) Arihant Ind (56) Bright O Chem (57) Britex Engineering Works (58) Badamiya Rubber P Ltd (59) Badamiya Container (60) Crest Engineers (61) Caps Ramsons P Ltd (62) Chandan Chemicals (63) C D Corporation (64) Control Engineers (65) Coastal Fine Chemicals (66) Corro Care Ind (67) Dinesh Plastics Products (68) Dakle Reinforced Plastics P Ltd (69) daman Containers Ind (70) dinsha Iron Works (71) Deepankit Metal Works (72) divya Electro Technica P Ltd (73) Eureka Instial Equipment P Ltd (74) ENG Ind Corporation (75) eureka engineering enterprises (76) Elecon Engineers (77) Exelite Insulation Pvt Ltd

(78) Engineering Equipment (79) Elco Valves (80) Florocarbon Processing (81) Flvorocarbon Processing Ind (82) Fincast Foundry flux Co (83) Forum Hoist P Ltd (84) Gujarat Engineering Co (85) Gandhi & Associates (86) Gujarat Geer Works (87) Goodwill Chemicals Ltd (88) Gujarat Industrial Chemicals Corp (89) G P Electronics (90) Gopinath Intermediates (91) Harish Engg Works

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

**Atul Unit: (Contd.)**

(92) Hema Chemicals (93) Heerasons Chemicals P Ltd (94) Hindustan Poly Weave (95) Industrial Instrument & Control (96) Industrial Lining (Baroda) P Ltd (97) Laxsons Engg & Electronics P Ltd (98) Industrial Chain & Sprockets (99) Industrial Filtration Services (100) Joseph Leslies & Co (101) Jyoti Chemcials (102) Jyoti Plastics Works (103) Jayshiv Chemicals (104) Jayflow Ind (105) Jay Valves & Engg Co (106) J R Mulic & P Ltd (107) Kalamkhush (108) Kirti Chemicals (109) Kiran Threads (110) Kalin Ind (111) Krystal Ice & Refrigeration (112) Leakproff Engineering Works (113) Libra Ind (114) Mangal Rasayan Ltd (115) M J Patel Ltd (116) Modern Scientific Instruments Co (117) Mahachem Ind (118) Modern Industrial Works (119) Mindhola Rasayan (120) Masnish Printing Works (121) Mazda Ltd (122) Masibus Process Instrument P Ltd (123) Nanubhai Mavjibhai Patel (124) Nilgiris Chemicals Stonewear (125) New Bulsar Engineering Works (126) Navjivan Ind (127) Nipra Drums P Ltd (128) Nirav Enginneering Corp (129) New Chem Ind (130) New Janta Metal Works (131) N S Chemcals (132) NGT Engineering P Ltd (133) Nova Plast Ind Ltd (134) National Ind Corp (135) Oil Seals Mfg Co P Ltd (136) Odex Chemicals P Ltd (137) Olive Micon Inc (138) Poly Rubber Products (139) Power Pack (140) Plastic Engineering Works (141) Prerna Chemicals (142) Pramukh Oxigen P Ltd (143) P P I Pumps P Ltd (144) Precision Ind (145) Pavan Plastics (146) Prasant Dye chem Ind Ltd (147) Prachi Poly Products P Ltd (148) Power Control System (149) Poona Agro Ind Ltd (150) Parixit Ind Ltd (157) Qutub Metal Works (152) Ramesh Chemical Ind (153) Rajsheet Metals Engg Works (154) R D Electricals (155) Rang Udhyog (156) Reunion Engineering Co P Ltd (157) Samruti Chemicals (158) Siddharth Engineering (159) Super Sulphates (160) Shree Siddhivinayak Enterprises (161) Sorabji & Co (162) Sudhir Switch Gears P Ltd (163) Supreet Chemicals P Ltd (164) Sonar Enterprises (165) Shree Rang Saw Mill (166) Shivone Poxilite P Ltd (167) Shalvigor Lab P Ltd (168) Smit Plastics P Ltd (169) Supra Combins (170) Stride Enterprises (171) Sun Vally Chemicals (172) Shanti Intermediates P Ltd (173) Speek Chemicals P Ltd (174) Savi Chemicals P Ltd (175) Suvik Electronics P Ltd (176) Sun Bright Lime Corporation (177) Suraj Chemtech Ltd (178) Teleflo Instru P Ltd (179) Talaulicar Carbon (180) T D Glass Ind (181) Technical Graphs Corp (182) Texpos (183) Tytan Chemicals (184) Titanium Tantalum Products (185) Trans World Rubber Ind (186) Tandel Engg (187) Triveni Vacum Technology P Ltd (188) Techno Products (Bom) P Ltd (189) Texind Corp (190) Unisons Valves P Ltd (191) Usha Ind (192) Unique Carbons (193) Umiya Timber Ind (194) Unic Rubber Works (195) Varity Engg P Ltd (196) Valtex India (197) V K Pump Ind P Ltd (198) Vamech Seals (199) Vineet Chemicals (200) Vasanti Engineering (201) Vito Dye-chem (202) Valtent Chemical Corp (203) Vipul Laboratory (204) Vita Dye Chem P Ltd (205) Weaverbird Fabrics

**Colors (West):**

(1) Alben Industries (2) Arvico Rubber Industries (3) Dakle Industrial Plastics (4) Darling Muesco (I) Pvt Ltd (5) Deepankit Metal Works (6) Elco Valves (7) Gopinath Chemteck Ltd (8) Gujarat Industrial chemicals Corpn (9) Industrial Solvents & Chem Pvt Ltd (10) Industrial Moulders (11) Khosla Profil Pvt Ltd (12) Prakash Steel Fab (13) Shree Umiya Timber Industries (14) Span Chemicals (15) Techno Rubber Products (16) Vadilal Chemicals Ltd (17) Vibha Chem Products Pvt Ltd .

**P P Site:**

(1) Alliance Engineering Co (2) Koshal Polyplast (Mumbai) (3) OCV Dandy Control Pvt Ltd (4) Parshava Chemical (5) Precision Industries (6) Pack Well Ind (Valsad) Pvt Ltd (7) Precision Engineering Works (8) Vadilal Chemicals Ltd.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

- 16 Sundry Debtors outstanding for more than six months under Sundry Debtors in Schedule 8 include Rs 341.51 lacs (Previous year Rs 356.80 lacs) for the recovery of which, legal action has been or is being taken by the Company, however, the same are considered good by the management.
- 17 Exchange difference in respect of forward contracts to be recognised in the Profit & Loss Account of subsequent accounting periods amounts to Rs 7.33 lacs.
- 18 Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule.

19 Loans and Advances in nature of loans:	Amount outstanding as on 31-03-2005	(Rs in lacs) Maximum balance during the year
(i) Subsidiary:		
Ameer Trading Corporation Ltd	400.00	400.00
(ii) Associate Companies:		
Gujarat Synthwood Ltd	-	1025.58
Atul Pharmaceuticals Ltd (a)	-	0.62
AtRo Ltd (a)	0.02	2.51
Amal Ltd	706.69	1819.49
(iii) Loan to others where there is no interest or repayment schedule		
Atul Club	94.30	94.30

## Note:

- (a) No Repayment Schedule.
- (b) Loans given to employees as per company's policy are not considered.

- 20 (a) During the year the Shareholders of the company, through the postal ballot and the High Court of Gujarat at Ahmedabad vide its Order dated 1st February, 2005 have approved the utilisation of Capital Redemption Reserve Account totally and Security Premium Account partly in accordance with the Provisions of Section 78 read with Section 100 of the Companies Act, 1956 towards adjustment of following debits and towards Provision for Contingencies as under:

	<u>Rs in lacs</u>	<u>Rs in lacs</u>
Equipment Lease Rent		2788.43
Payments under Voluntary Retirement Scheme (VRS)		2497.57
Provision for Contingency to be utilised for:		
Irrecoverable Loans & Advances	1300.00	
Payments under future VRS	<u>1000.00</u>	
		<u>2300.00</u>
		<u>7586.00</u>
(b) Provisions for Contingency utilised up to 31st March, 2005		
		<u>Rs in lacs</u>
Irrecoverable Loans & Advances		1025.58
Payments under future VRS		<u>171.44</u>
		<u>1197.02</u>
Balance available for utilisation in future		<u>1102.98</u>

- (c) Deferred Tax Liability and Deferred Tax Assets in respect of above adjustment have been reviewed and amount of Rs 763.93 lacs pertaining to transitional period has been credited to General Reserve and balance amount of Rs 217.26 lacs credited to Profit & Loss Account.

## SCHEDULE - 18 - NOTES FORMING PART OF THE ACCOUNTS : (Contd.)

- 21 In pursuance of Accounting Standard 28 Impairment of Assets (AS28) issued by the Institute of Chartered Accountants of India, which has come into force w.e.f. 1st April, 2004 the Company has assessed whether there are indications that its Fixed Assets may be impaired. Based on such assessment the Company has accounted for impairment loss in the Business segments as under:
- Colors:  
Fixed Assets being certain Plant & Machinery of the value of Rs 2336.24 lacs have been written down to its recoverable value Rs 233.62 lacs being the net selling price determined by an independent valuer. The impairment loss amounting to Rs 2102.62 lacs has been charged to General Reserve as on 1st April, 2004 as the impairment indicators were existing prior to 31st March, 2004.
- Speciality and other Chemicals:  
Fixed Assets being Building and Plants & Machinery aggregating to Rs 1609.94 lacs have been written down to Rs 581.75 lacs being net selling price determined by an independent valuer and/or as estimated by the Management and/or value in use arrived at by discounting the future cash flows at 11%. The impairment loss amounting to Rs 1058.19 lacs has been charged to General Reserve as on 1st April, 2004 as the impairment indicators being slack demand in a highly competitive market and obsolescence of technology were existing prior to 31st March, 2004.
- 22 Included under Loans & Advances under Schedule 8, is an amount of Rs 1150 lacs receivable from a company whose net worth has turned negative and which is not a going concern as on March 31, 2005. The said company is in discussions with its lenders being financial institutions and banks and it has submitted a revival plan to them. Pending decision on the revival plan and detailed valuation involved, the said receivable has been classified as good.
- 23 Borrowing Cost is net of Capitalisation Rs Nil lacs (Previous year Rs 39.93 lacs)
- 24 Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.
- 25 Previous year's figures have been regrouped wherever necessary.
- 26 Figures less than Rs 500/- have been shown at actuals in bracket as the figures have been rounded off to nearest thousand.

For and on behalf of the Board of Directors

For & on behalf of  
DALAL & SHAH  
Chartered Accountants

Chairman

Managing Director &amp; CEO

(B R SHAH)  
Partner  
Membership No 5806

Managing Director

Company Secretary

Mumbai  
May 20, 2005

Directors

Annexure referred to in Note 18 in Schedule 18 of the Accounts for the year ended 31st March, 2005.

Statement of Significant Accounting Policies:

1 System of Accounting:

- 1.1 The Company, generally, follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- 1.2 Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money except in case of freehold land which was revalued in the year 1985 and resultant surplus is kept credited under Revaluation Reserves. .

2 Fixed Assets and depreciation:

- 2.1.1 Fixed assets are carried at cost of acquisition or construction including incidental expenses, less accumulated depreciation (except on freehold land), amortisation and impairment except freehold land which is at revalued value. Borrowing cost related to the acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are also included in the cost of fixed assets.

- 2.1.2 Spares for specific machinery are carried at cost less amortisation

2.2 Depreciation and Amortisation:

2.2.1 Lease hold land:

Premium on lease hold land is amortised over the period of lease.

2.2.2 Other fixed assets:

2.2.2.1 Aromatics Unit:

- (i) Depreciation on Buildings (other than roads) and Plant and Machinery, except on Ancillary Equipments to Plant and Machinery taken on lease, is being provided on "Straight Line Method" basis in accordance with provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act and on all other assets is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on Ancillary Equipment to Plant and Machinery taken on lease on or after 1.4.1991 has been provided on equated installments basis over the primary lease period of said machinery viz. 20% (corresponding rate under Schedule XIV 10.34%)
- (iii) Depreciation on assets sold, scrapped or discarded during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or discarded, as required by Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rate with reference to the month of acquisition / installation as required by Schedule XIV to the Companies Act, 1956.

2.2.2.2 Atul Unit :

- (i) Depreciation on Building, Plant and Machinery pertaining to plants commissioned up to 31 December, 1967 and on further additions thereto, is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on Buildings and Plant and Machinery pertaining to plants commissioned on or after 1st January, 1968 is being provided on "Straight Line Method" basis, in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

## Statement of Significant Accounting Policies (Contd.) :

- (iii) Depreciation on assets other than Buildings and Plant and Machinery is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iv) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rates as required by Schedule XIV to the Companies Act, 1956 with reference to the month of acquisition / installation.
- (v) Depreciation on assets sold, scrapped or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or demolished, as required by Schedule XIV to the Companies Act, 1956.

## 2.2.2.3 Colors (West) Unit:

- (i) Depreciation on addition to Fixed Assets up to 31 December 1987 is being provided on "Straight Line Method" basis pursuant to circular No.1-1/1986, CLV No. 14(50)84 CL VI dated 21st May, 1986 issued by the Department of Company Affairs and in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, at the rates corresponding to the rates (inclusive of Multiple Shift Allowance) applicable under Income Tax Rules in force at the time of acquisition / installation.
- (ii) Depreciation on additions on or after 1st January, 1988 is being provided on "Straight Line Method" basis, in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iii) Depreciation on assets sold, scrapped or discarded during the year is being provided at their respective rates up to the date of sale, scrapping or demolition of such assets, as required by Schedule XIV to the Companies Act, 1956.

## 2.2.2.4 P P Site:

- (i) Depreciation on buildings constructed and Plant & Machinery commissioned up to 31st December, 1967 is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) in the manner and at the rates specified in Schedule XIV to the said Act.
- (ii) Depreciation on buildings constructed and Plant & Machinery commissioned on or after 1st January, 1968 except on Ancillary Equipment to Plant and Machinery taken on lease on or after 1st April 1990 is being provided on "Straight Line Method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- (iii) Depreciation on leased assets is being provided on "Straight Line method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 in the manner and at rates specified in Schedule XIV to the said Act, (see para 8 below).
- (iv) Depreciation on Ancillary Equipments to Plant & Machinery taken on lease on or after 1st April, 1990 is being provided on equated installments basis over a primary lease period of Machinery taken on lease viz. 20% (corresponding rates under schedule XIV on "Straight Line Method" basis 10.34%).
- (v) Depreciation on assets other than Buildings and Plant & Machinery is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.

## Statement of Significant Accounting Policies (Contd.) :

- (vi) Depreciation on additions to the assets during the year is being provided on pro-rata basis at their respective rate with reference to the month of acquisition / installation as required by Schedule XIV to the Companies Act, 1956.
  - (vii) Depreciation on assets sold, scrapped or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or demolished, as required by Schedule XIV to the Companies Act, 1956.
- 2.3 Cost of spares for specific machinery is amortised over balance period of life of related machinery.
- 2.4 Depreciation on assets after recognising impairment loss:  
Depreciation is adjusted in subsequent periods to allocate the assets revised carrying amount after the recognition of an impairment loss on a systematic basis over its remaining useful life.
- 2.5 Amortisation on intangible assets:  
Computer Software is being amortised over a period of three years.
- 3 Technical Know - how Fees:  
Expenditure on acquiring technical know - how (including Income Tax and R & D Cess) is being amortised over a period of six years from the year of its utilisation.
- 4 Investments:  
Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline, other than temporary, in the value of the investments.
- 5 Inventories:
- 5.1 Raw Materials are valued at cost or net realisable value whichever is lower. Cost is arrived at on annual average basis for Atul Unit and P P Site, on FIFO basis for Aromatics Unit and on monthly average basis for Colors (West) Unit.
- 5.2 Stores and spares other than specific spares for machinery are valued at cost or net realisable value whichever is lower basis. Cost is arrived at on Moving Weighted Average basis except for Colors (West) Unit which is on a Monthly Average basis. However cost of fuel and packing materials of Aromatic Division is valued at on Yearly Average basis.
- 5.3 Materials - in - Process are valued at cost or net realisable value whichever is lower.
- 5.4 Finished Goods:  
Finished goods stocks are valued at full absorption cost or net realisable value whichever is lower (including excise duty).
- 5.5 Stock of goods traded in is valued at Annual Average cost or net realisable value whichever is lower.
- 5.6 Materials in transit and in Bonded Warehouse are stated at the cost to the date of Balance Sheet.
- 6 Foreign Currency Transaction:
- 6.1 Initial Recognition  
Transactions denominated in foreign currencies are recorded at the rate prevailing on the date of the transaction.
- 6.2 Conversion  
At the year-end, monetary items denominated in foreign currencies remaining unsettled are converted into rupee equivalents at the year-end exchange rates. Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

## Statement of Significant Accounting Policies (Contd.) :

- 6.3 Exchange Differences  
All exchange differences arising on settlement and conversion of foreign currency transactions are included in the profit & loss account, except in cases where they relate to the acquisition of fixed assets, acquired out of India in which case they are adjusted in the cost of the corresponding asset.
- 6.4 Forward Exchange Contracts not intended for trading or speculation purposes  
The premium or discount arising at the inception of forward exchange contract is amortized as expenses or income over the life of the contract. Exchange differences on such contract is being recognised in the statement of profit and loss for the year. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.
- 7 Sales:
- 7.1 Export sales are accounted on the basis of the dates of Bill of Lading and / or Airway Bill.
- 7.2 Benefits on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book under the Duty Exemption Scheme" is being accounted in the year of export.
- 8 Leasing Income:
- 8.1 Lease rental income is recognised on accrual basis.
- 8.2 Based on the recommendation of Institute of Chartered Accountants of India in respect of "Accounting for Leases", a matching annual charge is made to the Profit & Loss Account, representing recovery of net investment of leased assets during the year. The said charge is calculated by deducting Finance Income for the year (arrived at by applying the interest rate implicit in the lease to the net investment in the lease during the year) from the lease rental. This annual charge comprises of book depreciation (as per policy stated in para 2.2.2.4(iii)) and a lease equalisation charge where the annual lease charge is less than the book depreciation, a lease equalisation charge credit is taken.
- 9 Lease Rent:  
Total lease rent payable on machinery taken on lease is being treated as Deferred Revenue Expenditure and is amortised over a period of expected life of the machinery. Financing cost is being amortised over the primary period of the lease.
- 10 Research & Development Expenditure:  
Research and Development Expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, R & D expenditure on Fixed Assets is treated in the same way as expenditure on other Fixed Assets.
- 11 Retirement Benefits:
- 11.1 Provident Fund and Pension Schemes:  
Retirement Benefit in the form of Provident Fund and Pension Schemes whether in pursuance of any law or otherwise is accounted on accrual basis and charged to Profit & Loss Account of the year.
- 11.2 Gratuity:  
Provision for payments to the Employees' Gratuity Fund after taking into account the funds available with the Trustees of the Gratuity Fund is based on actuarial valuation done at the close of each financial year.

Statement of Significant Accounting Policies (Contd.) :

- 11.3 Superannuation:  
Contribution for superannuation benefits are made on the basis of company's Superannuation Fund Scheme.
- 11.4 Leave Encashment:  
Provision for leave encashment is accrued and provided for at the end of financial year on the basis of an actuarial valuation.
- 12 Voluntary Retirements:  
Compensation under the Voluntary Retirement Scheme is being treated as Deferred Revenue Expenditure and is amortised over a period of enduring benefits as estimated by the Management.
- 13 Taxation :  
Income-tax expense comprises current tax and deferred tax charge or credit. Provision for current tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax asset and deferred tax liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets on account of timing differences are recognised, only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of Deferred tax assets are reviewed to reassure realisation.
- 14 Borrowing Costs:  
Borrowing costs in relation to acquisition and construction of assets are capitalised as part of cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

## ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No	:	2859
State Code	:	04
Balance Sheet Date	:	March 31, 2005

**II Capital Raised during the year (Amount Rs in Thousands)**

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Redeemable Preference Shares)	:	Nil

**III Position of Mobilisation and Development of Funds (Amount Rs in Thousands)**

Total Liabilities	:	5799819
Total Assets	:	5799819
Source of Funds		
Paid-up Capital	:	296748
Reserves & Surplus	:	1704363
Secured Loans	:	3140423
Unsecured Loans	:	414361
Application of Funds		
Net Fixed Assets	:	2489697
Technical Know-how	:	Nil
Investments	:	690296
Net Current Assets	:	2619826
Miscellaneous Expenditure	:	0
Accumulated Losses	:	Nil

**IV Performance of Company (Amount Rs in Thousands)**

Turnover (including other income)	:	7101167
Total Expenditure	:	6913486
Profit before Tax	:	187681
Profit after Tax	:	162611
Earning per Share (Equity)	:	Rs 6.07
Dividend Rate (Proposed)	:	

**V Generic names of Three Principal Products / Services of Company (As per Monetary terms)**

Item Code No (ITC Code)	:	3204
Products Description	:	Synthetic organic colouring matter
Item Code No (ITC Code)	:	291200
Product Description	:	Para anisic aldehyde
Item Code No (ITC Code)	:	390730.09
Product Description	:	Epoxy resins

**Atul Limited**

**CONSOLIDATED CASH FLOW STATEMENT OF ATUL LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED 31ST MARCH, 2005**

<u>DESCRIPTION</u>	Rs. In Lacs			
	<b>2004-05</b>		<b>2003-04</b>	
	Rs.	Rs.	Rs.	Rs.
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit before Tax & extraordinary items	1518.70	1518.70	563.91	563.91
Less: (Debits)/Credits relating to earlier years		(36.39)		138.90
		<u>1482.31</u>		<u>702.81</u>
Adjustments for:				
Add:				
Depreciation	2748.89		2732.20	
Interest & Finance charges	2290.04		2202.51	
Loss on Assets sold or discarded	8.70		42.50	
Exchange Rate difference	(190.59)		(502.14)	
Exchange Rate difference on consolidation	281.74			
Deferred revenue exp. written off			816.25	
Diminution in the value of investment	-			
Amount written off against leasehold land	<u>4.61</u>		<u>4.63</u>	
		<u>5143.39</u>		<u>5295.95</u>
		6625.70		5998.76
Less:				
Dividend	263.77		195.92	
Tax Adjustment relating to previous years	0.62		60.54	
Interest received	113.22		288.75	
Profit on sale of Investments			0.02	
Surplus on sale of Assets	<u>209.43</u>		<u>21.77</u>	
		<u>587.04</u>		<u>567.00</u>
Operating Profit before Working Capital changes		6038.66		5431.76
Adjustments for:				
Inventories	(1159.96)		2003.42	
Trade & Other receivables	281.98		(49.21)	
Trade & Other payables	<u>2150.79</u>		<u>(737.37)</u>	
		<u>1272.81</u>		<u>1216.84</u>
Cash generated from Operations		7311.47		6648.60
Less:				
Direct Taxes refund/(paid)		(99.97)		319.82
Payment under Voluntary Retirement scheme		(1871.26)		
Miscellaneous expenditure				(1064.13)
Cash flow before extraordinary items		<u>5340.24</u>		<u>5904.29</u>
Extraordinary items		-		-
Net cash flow from operating activities		<b>5340.24</b>		<b>5904.29</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets and Capital advances	(3364.41)		(6112.91)	
Sale of Fixed Assets	278.44		42.65	
(Disbursements)/Repayments of loans	59.71		254.23	
Purchase of Investments	(4476.02)		(110.15)	
Sale of Investments			0.76	
Interest Received	180.14		287.26	
Exchange Rate difference on consolidation of subsidiaries	(652.80)		(137.16)	
Dividend Received	<u>263.77</u>		<u>195.92</u>	
Net Cash used in Investing Activities		<u>(7711.17)</u>		<u>(5579.40)</u>
Carried forward		<b>(2370.93)</b>		<b>324.89</b>

**Atul Limited**

**CONSOLIDATED CASH FLOW STATEMENT OF ATUL LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED 31ST MARCH, 2005**

<u>DESCRIPTION</u>	2004-05		2003-04	
	Rs.	Rs.	Rs.	Rs.
	Brought forward	(2370.93)	324.89	324.89
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES;</b>				
Proceeds from issue of Share capital	-			
Proceeds from Long Term Borrowings	391.30		5247.69	
Add: Exchange Rate difference	191.48		518.28	
Proceeds from Long Term Borrowings (adjusted)	582.78		5765.97	
Proceeds from Forfeiture of Debenture				
Proceeds/ (repayments) of Working Capital Loans(Net)	4008.56		(2330.02)	
Proceeds/ (repayments) of Unsecured Borrowings(Net)	1111.56		(745.51)	
Total Proceeds from Borrowings		5702.90		2690.44
Interest paid		(2300.16)		(2216.53)
Dividend Paid:				
Equity Shares	(498.05)		(667.50)	
Preference Shares	-		-	
		(498.05)		(667.50)
Tax on Dividend:				
Corporate dividend tax paid		-		-
Tax on Preference dividend Paid		-		-
Net Cash used in Financing Activities		<b>2904.69</b>		<b>(193.59)</b>
Net change in Cash & Cash Equivalents(A+B+C)		<b>533.76</b>		<b>131.30</b>
Cash & Cash equivalents(Opening Balance)		1368.34		1237.04
Cash & Cash equivalents(Closing Balance)		<b>1897.14</b>		<b>1378.39</b>
		<b>528.80</b>		<b>141.35</b>

Notes to the Cash flow Statement for the year ended 31st March,2005

1 Cash and cash equivalents include :

Cash and bank balances	1902.10	1368.34
Unrealised gain on foreign currency cash and cash equivalents	(4.96)	10.05
Total cash and cash equivalents	1897.14	1378.39

2 The Cash Flow statement has been prepared in accordance with the requirements of AS - 3 " Cash flow statement" issued by the Institute of Chartered Accountants of India.

3 Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

As per our attached report of even date

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For & on behalf of  
DALAL & SHAH  
Chartered Accountants

CHAIRMAN

B R SHAH  
Partner  
Membership No. 5806

MANAGING DIRECTOR & CEO

COMPANY SECRETARY

MANAGING DIRECTOR

) DIRECTORS  
)  
)  
)  
)  
)

MUMBAI  
May 20, 2005