

Directors' Report

Dear Members,

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

01. Financial results

	2021-22	2020-21
Sales	4,929	3,460
Revenue from operations	4,993	3,512
Other income	90	104
Total revenue	5,083	3,616
Profit before tax	804	828
Tax expenses	(196)	(197)
Profit for the year	608	631
Balance in retained earnings at the beginning of the year	3,143	2,513
Transfer from comprehensive income	(28)	(1)
Dividend	(59)	-
Balance in retained earnings at the end of the year	3,664	3,143

02. Performance

Sales increased by about 42% from ₹ 3,460 cr to ₹ 4,929 cr mainly due to higher price levels (of both inputs and finished goods) in 2021-22 and also because of the low sales in Q1 of 2020-21 on account of the COVID-19 pandemic. Sales in India increased by about 32% from ₹ 1,885 cr to ₹ 2,479 cr. Sales outside India increased by about 56% from ₹ 1,575 cr to ₹ 2,450 cr. Profit before tax decreased by 3% from ₹ 828 cr to ₹ 804 cr, mainly due to non-recurring dividend income of ₹ 55 cr received in 2020-21.

Sales of Life Science Chemicals (LSC) segment increased by 29% from ₹ 1,124 cr to ₹ 1,445 cr, mainly because of higher sales prices and volume in the sub-segments Crop Protection and Pharmaceuticals; the EBIT decreased by about 4% from ₹ 199 cr to ₹ 191 cr. Sales of Performance and Other Chemicals (POC) segment increased by about 49% from ₹ 2,336 cr to ₹ 3,484 cr, mainly because of higher sales volume in three sub-segments; the EBIT increased by about 2% from ₹ 574 cr to ₹ 586 cr. More details are given in the Management Discussion and Analysis.

03. Dividend and buy-back of equity shares

The Board recommends payment of dividend of ₹ 25 per equity share of ₹ 10 each fully paid-up.

During 2021-22, the Board approved ₹ 70 cr for buy-back of equity shares through the open market stock exchange route to return surplus funds to the members of the Company and to improve earnings per share by a decrease in the equity base, thereby leading to a long-term increase in value for the members. Till date 53,748 equity shares are bought back at an aggregate consideration of ₹ 52.72 cr. The buy-back is still in process.

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

Information required under Section 134 (3)(m) of the Companies Act, 2013 (the Act) read with Rule 8 (3) of the Companies (Accounts) Rules 2014 as amended from time to time, forms a part of this report, which is given at page number 30.

05. Insurance

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

06. Risk management

Risk management is an integral part of business practice of the Company. The framework of risk management concentrates on formalising a system to

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

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

Roles and responsibilities

Governance

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

The Board reviews and guides the Risk Management Policy.

Implementation

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

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

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

07. Internal financial controls

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

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

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

08. Fixed deposits

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

09. Loans, guarantees, investments and security

Particulars of loans, guarantees, investments and security provided are given at page numbers 142 and 144.

10. Subsidiary, associate and joint venture entities

During 2021-22, Atul Healthcare Ltd, Atul Paints Ltd and Sehat Foods Ltd were incorporated as wholly-owned subsidiary companies of the Company. Osia Infrastructure Ltd became a wholly-owned subsidiary of the Company. There were no other changes in the subsidiary, associate

and joint venture entities which were reported earlier.

11. Related party transactions

All the transactions entered into with the related parties were in ordinary course of business and on arm's length basis. Details of such transactions are given at page number 156. No transactions were entered into by the Company that required disclosure in Form AOC-2.

12. Corporate social responsibility

Composition of the Corporate Social Responsibility (CSR) Committee, the CSR Policy and the CSR Report are given at page number 34.

13. Annual return

Annual return for 2021-22 is available on the website of the Company at:
www.atul.co.in/investors/annual-general-meetings/

14. Auditors

Statutory Auditors

Deloitte Haskins & Sells LLP, Chartered Accountants (DHS) were appointed as the Statutory Auditors of the Company at the 40th Annual General Meeting (AGM) held on July 28, 2017, until the conclusion of the 45th AGM. The first term of five years of DHS is expiring at the ensuing AGM. Pursuant to Section 139 of the Companies Act, 2013 and Rules made thereunder, the Company can reappoint DHS for a second term of five years. Accordingly, based on the recommendation of the Audit Committee, the Board at its meeting held on April 26, 2022, recommended the reappointment of DHS, as the Statutory Auditors of the Company for second term of five years. DHS will hold the office for a period of five consecutive years from the conclusion of the 45th AGM of the Company till the conclusion of the 50th AGM to be held in the year 2027, subject to the approval of the members of the Company at the ensuing AGM. DHS have given their consent to act as the Auditors and confirmed their eligibility for reappointment.

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

Cost Auditors

The Company has maintained cost records as required under the Act. The members ratified the appointment of R Nanabhoy & Co as the Cost Auditors for 2021-22 on July 31, 2021.

Secretarial Auditors

SPANJ & Associates, Company Secretaries, continue to be the Secretarial Auditors for 2021-22 and their report is given at page number 40.

15. Directors' responsibility statement

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

- 15.1. In preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards have been followed and there are no material departures.
- 15.2. The accounting policies were selected and applied consistently and judgements and estimates thus made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
- 15.3. Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 15.4. The attached annual accounts for the year ended March 31, 2022, were prepared on a going concern basis.
- 15.5. Adequate internal financial controls to be followed by the Company were laid down and they were adequate and operating effectively.
- 15.6. Proper systems were devised to ensure compliance with the provisions of all applicable laws and the same were adequate and operating effectively.

16. Directors

16.1. Appointments | Reappointments | Cessations

- i) According to Article 86 of the Articles of Association of the Company, Mr T R Gopi Kannan retires by rotation and being eligible, offers himself for reappointment at the AGM scheduled on July 29, 2022.
- ii) Subject to the approval of the members in the AGM:
 - a) Mr B N Mohanan was reappointed as a Whole-time Director from January 01, 2023 till May 25, 2025.
 - b) Mr P J Banerjee was appointed as an Independent Director effective May 01, 2022, for a period of five years.

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

- 16.2. Policy on appointment and remuneration is displayed on the website of the Company at www.atul.co.in/investors/policies

The salient features of the Policy are as under:

16.2.1. Appointment

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

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

16.2.2. Remuneration of the Non-executive Directors

- i) Sitting fees: up to ₹ 35,000 for attending a Board, Committee and any other meeting
- ii) Commission: up to 1% of net profit as may be decided by the Board based on the following factors:
 - a) Membership of committee(s)
 - b) Profit
 - c) Attendance
 - d) Category (Independent or Non-executive)

16.2.3. Remuneration of the Executive Directors

This is given under para number 17.2.

16.3. Criteria and method of annual evaluation

16.3.1. The criteria for evaluation of performance of

- i) the Executive Directors, ii) the Non-executive Director (other than Independent Directors), iii) the Independent Directors, iv) the Chairman, v) the Committees of the Board and vi) the Board as a whole are summarised in the table at the end of the Directors' Report at page number 29.

16.3.2. The Independent Directors have carried out annual:

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

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

- i) its committees, namely, Audit, Corporate Social Responsibility, Investment, Nomination and Remuneration, Risk Management and Stakeholders Relationship
- ii) the Independent Directors

The templates for the above purpose were circulated in advance for feedback of the Directors.

16.4. Familiarisation programs for the Independent Directors

The Company has familiarisation programs for its Independent Directors. It comprises, amongst others, presentations by and discussions with the Senior Management on the nature of the industries in which it operates, its vision and strategy, its organisation structure and relevant regulatory changes. A visit is organised to one or more of its manufacturing sites. Details of the familiarisation programs are also available at www.atul.co.in/about/directors/

17. Key Managerial Personnel and other employees

17.1. Appointments and cessations of the Key Managerial Personnel

There were no appointments | cessations of the Key Managerial Personnel during 2021-22.

17.2. Remuneration

The Remuneration Policy of the Key Managerial Personnel and other employees consists of the following:

17.2.1. Components:

- i) Fixed pay
 - a) Basic salary
 - b) Allowances
 - c) Perquisites
 - d) Retirals
- ii) Variable pay

17.2.2. Factors for determining and changing fixed pay:

- i) Existing compensation
- ii) Education
- iii) Experience
- iv) Salary bands
- v) Performance
- vi) Market benchmark

17.2.3. Factors for determining and changing variable pay:

- i) Business performance
- ii) Individual performance
- iii) Grade

18. Analysis of remuneration

The information required pursuant to Sections 134 (3)(q) and 197(12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, forms a part of this Report. However, as per the provisions of Sections 134 and 136 of the Act, the Report and the Accounts are being sent to the members and others entitled thereto excluding the information on particulars of employees, which are available for inspection by the members.

Any members interested in obtaining a copy of such statement may write to the Company Secretary at the registered office of the Company.

19. Management Discussion and Analysis

The Management Discussion and Analysis covering performance of the two reporting segments, namely, LSC and POC, is given at page number 44.

20. Corporate Governance Report

20.1. Declaration by the Independent Directors

The Independent Directors have given declarations under Section 149(6) of the Act.

20.2. Report

The Corporate Governance Report along with the certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance pursuant to Regulation 34(3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given at page number 51. Details about the number of meetings of the Board held during 2021-22 are given at page number 56. The composition of the Audit Committee is given at page number 59.

All the recommendations given by the Audit Committee were accepted by the Board.

20.3. Whistleblowing Policy

The Board, on the recommendation of the Audit Committee, had approved a vigil mechanism (Whistleblowing Policy). The Policy provides an independent mechanism for reporting and resolving complaints pertaining to unethical behaviour, actual or suspected fraud and violation of the Code of Conduct of the Company and is displayed on the website of the Company at www.atul.co.in/investors/policies

No personnel have been denied access to the Audit Committee.

20.4. Secretarial standards

Secretarial standards as applicable to the Company were followed and complied with during 2021-22.

20.5. Prevention, prohibition and redressal of sexual harassment

Details required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules thereunder are given at page number 64.

21. Business Responsibility and Sustainability Report

As per Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Business Responsibility and Sustainability Report is given at page number 71.

22. Dividend Distribution Policy

As per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Dividend Distribution Policy is displayed on the website of the Company at www.atul.co.in/investors/policies

23. Fire incident

An incident of fire occurred on April 20, 2022 in one of the plants at Atul, Gujarat. There was no fatality or injury to any person, and damage was restricted to the affected plant. The Company is in the process of assessing the impact of the fire on the plant and related operations and filing necessary claims with the insurance company.

24. Acknowledgements

The Board expresses its sincere thanks to all the employees, customers, suppliers, lenders, regulatory and government authorities, stock exchanges and investors for their support.

For and on behalf of the Board of Directors

(Sunil Siddharth Lalbhai)

Chairman and Managing Director

DIN: 00045590

Mumbai

April 26, 2022

Evaluation of	Evaluation by	Criteria
Executive Director	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Business leadership, People leadership, Investor relations
Non-executive Director (other than Independent Director)	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Independence, Communication, Preparedness, Participation and Value addition
Independent Director	All other Board Members	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Independence, Communication, Preparedness, Participation and Value addition
Chairman	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Impartiality, Communication, Business leadership, People leadership and Meeting conduct
Committees	Board Members	Composition, Process and Dynamics
Board as a whole	Independent Directors	Composition, Process and Dynamics