



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 on March 31, 2023.

01. Financial results

	(₹ cr)	
	2022-23	2021-22
Sales	5,002	4,929
Revenue from operations	5,062	4,993
Other income	199	90
Total revenue	5,261	5,083
Profit before tax	730	804
Tax expenses	(178)	(196)
Profit for the year	552	608
Balance in retained earnings at the beginning of the year	3,664	3,143
Transfer from comprehensive income	5	(28)
Buy-back of equity shares (net of amount adjusted from general reserve)	(18)	-
Dividend	(96)	(59)
Balance in retained earnings at the end of the year	4,107	3,664

02. Performance

Sales during the year remained almost the same as last year, registering 1% increase from ₹ 4,929 cr to ₹ 5,002 cr. This was mainly due to subdued demand in the Performance and Other Chemicals (POC) segment, which was marginally offset by better volumes in the Life Science Chemicals (LSC) segment; the non-availability of one of the plants due to fire had impacted sales of the LSC segment.

Sales in India as well as outside India witnessed no major growth and reported about 1% increase from ₹ 2,479 cr to ₹ 2,505 cr within India and about 2% increase from ₹ 2,450 cr to ₹ 2,497 cr outside India. Profit before tax decreased by 9% from ₹ 804 cr to ₹ 730 cr, mainly due to lower sales volumes on account of muted demand and very thin margins due to the higher raw material and energy prices.

Sales of the LSC segment increased by 19% from ₹ 1,445 cr to ₹ 1,715 cr because of higher sales prices and volumes in the Crop Protection sub-segment; the EBIT increased by about 67% from ₹ 191 cr to ₹ 319 cr. Sales of the POC segment decreased by about 6% from ₹ 3,484 cr to ₹ 3,287 cr, mainly because of lower sales volumes in two sub-segments; the EBIT decreased by about 48% from ₹ 586 cr to ₹ 302 cr. More details are given in the Management Discussion and Analysis.

03. Dividend and buy-back of equity shares

During 2022-23 the Board declared a special interim dividend of ₹ 7.50 per equity share of ₹ 10 each fully paid up to commemorate the 75th anniversary of the incorporation of the Company. The Board also recommended payment of a final dividend of ₹ 25 per equity share of ₹ 10 each fully paid up.

During 2021-22, the Board approved ₹ 70 cr for the 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. The Company bought back 73,296 equity shares at an aggregate consideration of ₹ 69.90 cr. The buy-back was closed on May 09, 2022.

04. Energy conservation, technology absorption and 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 on page number 28.

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 the 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 their 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 the 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 the 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 the 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 the 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, 2023, and the Board believes that the controls are adequate.



08. Fixed deposits

During 2022-23, the Company did not accept any fixed deposits.

09. Loans, guarantees, investments and security

Particulars of loans, guarantees, investments and security provided are given on page numbers 146 and 148.

10. Subsidiary, joint venture and associate companies | entities and joint operation

During 2022-23:

- i) Atul Healthcare Ltd, a wholly-owned subsidiary of the Company formed a joint venture entity by acquiring 50% stake of Valsad Institute of Medical Sciences Ltd in accordance with the Shareholders' Agreement.
- ii) Atul Aarogya Ltd, Atul Ayurveda Ltd, Atul Clean Energy Ltd, Atul Consumer Products Ltd, Atul Crop Care Ltd, Atul Entertainment Ltd, Atul Hospitality Ltd, Atul (Retail) Brands Ltd, Atul Seeds Ltd, Jayati Infrastructure Ltd and Osia Dairy Ltd became wholly-owned subsidiary companies of the Company.

There were no other changes in the subsidiary, joint venture and associate companies | entities, and joint operation which were reported earlier.

11. Related party transactions

All the transactions entered into with the related parties were in the ordinary course of business and on an arm's length basis. Details of such transactions are given on page number 160. No transactions were entered into by the Company that required disclosure in Form AOC-2.

12. Corporate social responsibility

The Corporate Social Responsibility (CSR) Policy, the CSR Report and the composition of the CSR Committee are given on page number 32.

13. Annual return

Annual return for 2022-23 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 reappointed as the Statutory Auditors of the Company at the 45th Annual General Meeting (AGM) held on July 29, 2022, until the conclusion of the 50th AGM.

The Auditor's Report for the financial year ended on March 31, 2023, 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 and the Companies (Cost Records and Audit) Rules, 2014. The members ratified the appointment of R Nanabhoy & Co as the Cost Auditors for 2022-23 on July 29, 2022.

Secretarial Auditors

SPANJ & Associates, Company Secretaries, continue to be the Secretarial Auditors for 2022-23 and their report is given on page number 35.

15. Directors' responsibility statement

- 15.1. In preparation of the annual accounts for the financial year that ended on March 31, 2023, 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 on March 31, 2023, 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. This is given under para number 07.
- 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) Mr Banshi Mehta, Independent Director is retiring on May 31, 2023. The Company immensely benefited from his knowledge, experience and expertise in the last 31 years.
- ii) According to Article 86 of the Articles of Association of the Company, Mr Rajendra Shah retires by rotation. Although eligible, he desires not to be reappointed in the ensuing AGM. Accordingly, he will cease to hold office as a Non-executive Director of the Company in the ensuing AGM. The Company

immensely benefited from his knowledge, experience and expertise in the last 41 years.

The Board places on record its deep appreciation for their valuable contribution through sustained involvement, critical analysis and valuable guidance.

iii) Subject to the approval of the members in the AGM:

a) Mr Sunil Lalbhai was reappointed by the Board as the Chairman and Managing Director effective July 01, 2024, for a period of five years.

b) Mr Rangaswamy Iyer was appointed as an Independent Director effective May 01, 2023, for a period of five years.

In the opinion of the Board, Mr Iyer possesses knowledge, 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 the 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 the annual evaluation

16.3.1. The criteria for evaluation of the 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 on page number 27.

16.3.2. The Independent Directors have carried out annual:

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

16.3.3. The Board has carried out an annual evaluation of the 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 from 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 2022-23.

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) Work level

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 member 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 the performance of the two reporting segments, namely, LSC and POC, is given on page number 39.

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 the 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 on page number 46. Details about the number of meetings of the Board held during 2022-23 are given on page number 51. The composition of the Audit Committee is given on page number 54.

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 person has been denied access to the Audit Committee.

20.4. Secretarial standards

Secretarial standards as applicable to the Company were followed and complied with during 2022-23.

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 on page number 59.

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 on page number 66.

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. 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 Lalbhai)

Chairman and Managing Director

DIN: 00045590

Mumbai
April 28, 2023

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

Notes:

i) Figures less than ₹ 50,000 have been shown as '0.00' at relevant places in the annual report.

ii) DIN stands for Director identification number.