

# 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, 2024.

## 01. Financial results

(₹ cr)

	Standalone		Consolidated	
	2023-24	2022-23	2023-24	2022-23
Revenue from operations	4,358	5,062	4,726	5,427
Other income	134	199	58	115
Total income	4,492	5,261	4,784	5,542
Profit before tax	510	730	451	688
Tax expenses	(125)	(178)	(127)	(181)
Profit for the year	385	552	324	507
Profit is attributable to:				
Owners of the Company	385	552	323	514
Non-controlling interests	-	-	1	(7)
Balance in retained earnings at the beginning of the year	4,107	3,664	4,153	3,747
Profit attributable to owners of the Company	385	552	323	514
Transfer from comprehensive income	-	5	-	6
Buy-back of equity shares (net of amount adjusted from general reserve)	(62)	(18)	(62)	(18)
Dividend	(74)	(96)	(74)	(96)
Balance in retained earnings at the end of the year	4,356	4,107	4,340	4,153

## 02. Performance

Standalone revenue for the year at ₹ 4,358 cr decreased by 14% compared to that of last year. The decline was the outcome of decrease in price realisation in India and outside by 19% and increase in volume by 5%. Sales in India decreased by 3% as compared with those outside which decreased by 25%. Sales volume increased in India by 18%, but decreased outside by 9%. Details about the two segments are given in Management Discussion and Analysis. PBT at ₹ 510 cr decreased by 30% mainly because of decrease in sales, lower exchange gains and higher depreciation.

Consolidated revenue for the year at ₹ 4,726 cr decreased by 13% compared to that of last year. Sales of Life Science Chemicals (LSC) segment decreased

by 27% whereas those of Performance and Other Chemicals (POC) segment decreased by 5%. PBT at ₹ 451 cr decreased by 34% mainly because of decrease in sales, lower exchange gains and higher depreciation and loss of ₹ 32 cr and ₹ 51 cr in Atul Products Ltd (100% subsidiary) and Anaven LLP (50-50 joint operation with Nouryon BV) respectively. Atul Products commissioned a new manufacturing plant to manufacture 300 TPD caustic in December 2023 and had start-up related problems (which are expected to be largely overcome by the end of the first quarter). Anaven – which operates one of the most modern plants in the world to manufacture Monochloro acetic acid and the best in India – did not run its plant at the optimum capacity because of lower offtake of the product.

### 03. Dividend and buy-back of equity shares

The Board recommended dividend of ₹ 20 per equity share of ₹ 10 each fully paid-up for the year ended on March 31, 2024. The dividend will entail an outflow of ₹ 58.88 cr on the paid-up equity share capital of ₹ 29.44 cr.

The Board approved ₹ 50 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 improve earnings per share by decrease in the equity base, thereby leading to long-term increase in value for the members. The Company bought back 72,000 equity shares at an aggregate consideration of ₹ 49.93 cr.

### 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 38.

### 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 developed and implemented a comprehensive risk management system to ensure that risks to its continued existence as a going concern and to its growth are identified and remedied on a timely basis. The Company considered leading standards and practices while defining and developing the formal risk management system, leading standards and practices were considered. The risk management system is relevant to the business reality, is pragmatic, simple and involves the following:

- a) 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.
- b) 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.

- c) 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.
- d) 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.
- e) 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 approved the Risk Management Policy of the Company. The Company laid down procedures to inform the Board on a) to d) listed above. The Audit Committee | the 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 | the 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.

As per the requirements of Rule 3(1) of the Companies (Accounts) Rules, 2014, the Company uses only such accounting software for maintaining its books of account that records the audit trail of all the transactions, creates an edit log of all the changes made in the books of account along with when such changes were made and by whom. This feature of recording the audit trail has operated throughout the year and was not tampered with during the year.

In respect of the aforesaid accounting software, after thorough testing and validation, the audit trail was not enabled for direct data changes at the database level in view of the possible impact on the efficient performance of the system. In respect of audit trail at the database level, the Company has established and maintained an adequate internal control framework over its financial reporting and based on its assessment, concluded that the internal controls for the year ended March 31, 2024, were effective. It is in the process of upgrading the system to meet the database level audit trail requirement and expects to implement this from May 01, 2024.

## 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:

- a) pertain to the maintenance of records, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company,
- b) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Financial Statements in accordance with Generally Accepted Accounting Principles and that receipts and expenditures are being made only in accordance with the authorisation of the Management and Directors of the Company,
- c) 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 concerning to the Financial Statements.

The Management assessed the effectiveness of the internal financial controls over financial reporting as of March 31, 2024, and the Board believes that the controls are adequate.

## 08. Fixed deposits

During 2023-24, 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 163 and 165.

During 2023-24, the Company has received all stipulated amounts of principal and interest as per schedule in respect of loans granted, except that, in respect of the secured loan given to Anaven LLP, the

amount of ₹ 4.58 cr as principal and an amount of ₹ 1.29 cr as interest are overdue (net of tax deducted at source) as at March 31, 2024. The principal amount is secured and hence, the Company has not made any provision. As a matter of abundant precaution, the Company has made provision for the interest of ₹ 1.29 cr (net of tax deposited at source) in the books as at March 31, 2024, though the Company is expecting to recover the same.

The Company is evaluating various options to mitigate the unprecedented adverse business conditions which Anaven LLP is facing.

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

During 2023-24, there were no changes in the number of subsidiary, joint venture and associate companies | entities and joint operation. Details of subsidiary, joint venture and associate companies | entities and joint operation are given on page number 40.

## 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 177. 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 42.

## 13. Annual return

Annual return is available on the website of the Company at:

[www.atul.co.in/investors/annual-general-meetings/](http://www.atul.co.in/investors/annual-general-meetings/)

## 14. Auditors

### Statutory Auditors

Deloitte Haskins & Sells LLP, Chartered Accountants were reappointed as the Statutory Auditors of the Company at the 45<sup>th</sup> Annual General Meeting (AGM) held on July 29, 2022, until the conclusion of the 50<sup>th</sup> AGM.

The Auditor's Report for the financial year ended on March 31, 2024, 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 2023-24, on July 28, 2023.

## Secretarial Auditors

SPANJ & Associates, Company Secretaries, continue to be the Secretarial Auditors for 2023-24 and their report is given on page number 45.

## 15. Directors' responsibility statement

- a) In preparation of the annual accounts for the financial year that ended on March 31, 2024, the applicable accounting standards have been followed and there are no material departures.
- b) The accounting policies were selected and applied consistently and judgements and estimates thus made were reasonable and prudent 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.
- c) 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.
- d) The attached annual accounts for the year ended on March 31, 2024, were prepared on a going concern basis.
- e) Adequate internal financial controls to be followed by the Company were laid down, and they were adequate and operating effectively. This is given under paragraph number 07.
- f) 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

- a) According to Article 86 of the Articles of Association of the Company, Mr Bharathy Mohanan retires by rotation and being eligible, offers himself for reappointment at the AGM scheduled on July 26, 2024.
- b) Mr Rangaswamy Iyer was appointed as an Independent Director effective May 01, 2023, for a period of five years.
- c) Mr Sharadchandra Abhyankar and Mr Sujal Shah were appointed as Independent Directors, effective October 20, 2023, for a period of five years.
- d) Subject to the approval of the members in the AGM, Mr Gopi Kannan Thirukonda was reappointed by the Board as a Whole-time Director effective October 17, 2024, for a period of three years and Mr Praveen Kadle was

appointed as an Independent Director effective May 01, 2024, for a period of five years.

- e) Mr Banshi Mehta, Mr Srinivasa Rangan and Mr Susim Datta, Independent Directors and Mr Rajendra Shah, Non-executive Director ceased to be Directors during the year.

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

In the opinion of the Board, Mr Rangaswamy Iyer, Mr Sharad Abhyankar, Mr Sujal Shah and Mr Praveen Kadle, Independent Directors, fulfil requisite conditions as per applicable laws and are independent of the management of the Company.

### 16.2 Policy on appointment and remuneration

The policy is displayed on the website of the Company at [www.atul.co.in/investors/policies](http://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:

- a) Qualification: well-educated and experienced in senior leadership positions in industry profession.
- b) Trait: positive attributes and qualities.
- c) Independence: criteria prescribed in the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), for the Independent Directors, including no pecuniary interest and conflict of interest.

#### 16.2.2 Remuneration of the Non-executive Directors

- a) Sitting fees: up to ₹ 50,000 for attending a Board, Committee and any other meeting
- b) Commission: up to 1% of net profit as may be decided by the Board based on
  - i) Membership of committee(s),
  - ii) Profit
  - iii) Attendance
  - iv) Category (Independent or Non-executive)

#### 16.2.3 Remuneration of the Executive Directors

This is given under paragraph number 17.2.

### 16.3 Criteria and method of the annual evaluation

- 16.3.1 The criteria for evaluation of the performance of
  - a) the Executive Directors, b) the Non-executive Director (other than Independent Directors), c) the Independent Directors, d) the Chairman, e) the

Committees of the Board and f) the Board as a whole are summarised in the table at the end of the Directors' Report on page number 37.

**16.3.2 The Independent Directors have carried out annual:**

- a) review of the performance of the Executive Directors
- b) review of the performance of the Chairman and assessment of quality, quantity and timeliness of the flow of information to the Board
- c) 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:**

- a) its committees, namely, Audit, Corporate Social Responsibility, Investment, Nomination and Remuneration, Risk Management and Stakeholders Relationship
- b) 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/](http://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 2023-24.

**17.2 Remuneration**

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

**17.2.1 Components:**

- a) Fixed pay
  - i) Basic Salary
  - ii) Allowances
  - iii) Perquisites
  - iv) Retirals
- b) Variable pay

**17.2.2. Factors for determining and changing fixed pay:**

- a) Existing compensation
- b) Education
- c) Experience
- d) Salary bands
- e) Performance
- f) Market benchmark

**17.2.3 Factors for determining and changing variable pay:**

- a) Company performance
- b) Business performance
- c) Individual performance
- d) 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 50.

**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 Regulations, is given on page number 58. Details about the number of meetings of the Board held during 2023-24, are given on page number 63. The composition of the Audit Committee is given on page number 66.

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

**20.3 Whistleblower Policy**

The Board, on the recommendation of the Audit Committee, had approved a vigil mechanism (Whistleblower Policy). The Policy provides



an independent mechanism for reporting and resolving complaints about 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](http://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 2023-24.

#### 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 71.

### 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 79.

### 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](http://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 26, 2024

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:

- Figures less than ₹ 50,000 have been shown as '0.00' at relevant places in the annual report.
- DIN stands for Director identification number.