



56 Years of Service

ATUL LTD
Atul 396 020, Gujarat, India
www.atul.co.in



A MEMBER OF LALBHAI GROUP

Speech of the Chairman
Shri Sunil S Lalbhai
at the Annual General Meeting
of the Company

Ahmedabad
August 25, 2008

Welcome

Ladies and Gentlemen, I am delighted to welcome you to the Annual General Meeting of the Company, and I am pleased to share with you its performance and its prospects. It may not be out of place to mention that today happens to be the 60th AGM, given that The Atul Products Ltd was incorporated in 1947. Of course, if seen strictly through the lens of law, my statement will be incorrect in light of the reverse merger of The Atul Products Ltd with Gujarat Aromatics Ltd. My idea of mentioning this is only to convey to you that our endeavour has been and will be to constantly renew ourselves and build the Company that will remain relevant with time and create higher value for its stakeholders.

As you know, a lot has changed since we last met. Crude oil during this fiscal touched an unprecedented high as also inflation in India, both of which are in fact linked strongly. With this, there is already a slow down in the economic activity. The growth in GDP in 2007-08 was lower at 9% compared to 9.6% in 2006-07, reflecting moderation in all the 3 sectors, namely agriculture, industry and services. The growth in GDP in 2008-09 is expected to be lower at 7.8% instead of the earlier projection of 8.8%. You will appreciate that all the key raw materials of the Company are based on crude oil and its future is linked with other user industries. Indian rupee continues to remain highly volatile against the other currencies.

Performance of 2007-08

With this background, I wish to take this opportunity to share with you the following facts:

- + For the first time, the income from operations crossed Rs1000 cr, up by 11% as compared to the previous fiscal.**
- + 9 projects of expansion and relating to new products were undertaken which at full capacity will give sales of Rs345 cr.**
- + More importantly, these projects will certainly enhance profit during this fiscal and beyond.**
- + Brand sales by Agrochemicals and Polymers Divisions which commenced only 3 years ago touched Rs47 cr.**
- + 20 Key improvement initiatives were completed which will improve the competitiveness and profitability.**

The efforts of last fiscal were neutralised at least temporarily by situations beyond our control. The prices of raw materials increased to unprecedented levels on the one hand and Indian rupee strengthened significantly on the other. The combined effect impacted the performance adversely. Though the P & L account for the fiscal shows a profit higher than the one achieved in 2006-07, the profit from operations was in fact lower. The higher profit was on account of a refund and unrealised translation gain on outstanding forex loans. I may add that even if our efforts got dampened, our spirits were not, and such adversities will only strengthen our resolve and bring out the best in us for a better tomorrow.

Initiatives

We are building the Company in a business environment that is highly competitive and unforgiving. I am happy to share with you that we are remaining on course, and we are articulating and executing plans for strengthening and growing our businesses. Let me take this opportunity to share with you in brief the major initiatives underway:

- + Reducing borrowing**
- + Improving manufacturing**
- + Strengthening R&D**
- + Developing world-class MIS**
- + Enlarging distribution network**
- + Growing in existing products and introducing new products**

Essentially, our endeavour is to strengthen the internal processes in order to face the external realities. We are therefore taking a number of steps to achieve excellence in the way we work. At the same time, we realise the need to grow faster and are increasing volumes of existing products and introducing new ones. In addition to the projects undertaken last fiscal, we are going to implement 14 new projects across our business divisions. These projects will call for an investment of about Rs30 cr and will give at full capacity sales of Rs120 cr. A significant portion of the investment will be made in Pharmaceuticals and Intermediates Division which gives the highest rate of contribution.

Outlook for 2008-09

Members may be aware of the performance of the Company during the first quarter ended June 30, 2008. During the quarter, income from operations grew by 44% to Rs299 cr as compared to the corresponding period of the previous year. The domestic sales grew by 46% and the export sales grew by 42%. EBIDTA also grew from Rs7 cr to Rs33 cr before considering the impact of difference in exchange rate. However, after considering the difference in exchange rate of Rs16 cr, the Company reported only a break even as compared to a loss of Rs3 cr in the corresponding period of the previous year. Barring unforeseen circumstances, the Company expects to achieve growth in sales and profit of above 20%.

We are convinced that there is an immense scope for generating additional value for the stakeholders. In order to actualize the various plans, we are strengthening our management at different levels and putting in place better HR practices. Success of any company ultimately will depend on its people, and we are therefore laying emphasis on creating an environment wherein people can unleash and reach their full potential. At the same time, year by year, we are improving our performance management systems. We have also decided to add world class software to help in our HR initiatives. We will further enhance the opportunities to employees and our work culture and environment so as to be amongst the most preferred companies to work for.

Dividend

I am pleased to state that despite lower profit from operations {if certain non-recurring/unrealised incomes are excluded}, the Board of Directors has recommended maintaining 30% dividend, keeping in mind the positive outlook.

Directors

Dr. S S Bajjal, Mr. H S Shah and Mr. J L Shah retire by rotation and are eligible for reappointment. Given their rich experience and knowledge, their contribution is very valuable, and I request the members to reappoint them.

Thank you

Ladies and Gentlemen, we are confident that we will explore the opportunities of our times and make the Company a responsible chemical conglomerate. May I thank you for your unstinted cooperation and constructive approach?