



57
Years of Service

ATUL LTD
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Lalbhai Group

Speech
of
the Chairman
Sunil Siddharth Lalbhai
at
the Annual General Meeting
of
the Company

Ahmedabad
August 7, 2009

Welcome

Ladies and Gentlemen, on behalf of the Board of Directors and my colleagues, I am pleased to welcome you to the Annual General Meeting of your Company which has completed 57 years of purposeful existence.

During the last fiscal, the world witnessed some unprecedented occurrences: the swings in prices of crude oil, which had peaked to an all time high, brought significant volatility in prices of the downstream products.

Major economies contracted, and the demand of many products barring a few had a free fall. The Rupee had weakened to an unanticipated low. However, with its internal demand, Indian economy grew well, though at a lesser pace.

In essence, the business environment was turbulent, and I trust you will appreciate the performance delivered by your Company against such odds. The effort is to improve the performance even under adverse circumstances.

Performance of 2008-09

With this background, let me now come to the performance of your Company in 2008-09. I will with your permission take it that the Annual Report for the fiscal is already with you and that you have gone through the same.

The revenues grew by 17%, but the PBT without the adverse impact of difference in forex rate of Rs44 cr grew by 219%. However, after considering the impact of forex rate and due to a higher provision for tax, the PAT remained stagnant.

Aromatics Division improved its PBT by 295% and Crop Protection Division came out of red and registered a PBT of Rs40 cr. Bulk Chemicals & Intermediates and Colors Divisions however pulled down the profit to the extent of Rs27 cr.

The borrowing came down from Rs428 cr as on March 31, 2008 to Rs368 cr on March 31, 2009. Reduction in the borrowing was despite increase in the revenues by 17% and after executing Capex of Rs72 cr during the fiscal.

Capex

The 6 projects undertaken during the fiscal under review will improve the sales by about Rs225 cr with commensurate rise in profit. It will take time to reach the full capacity given the slow-down in many markets.

Dividend

Even amidst an uncertain business environment, the Board of Directors has recommended maintaining 30% dividend for the fiscal reflecting its confidence in the future. The pay out ratio works out to 29%.

Performance of Quarter 1 of 2009-10

Let me now turn to the results of Quarter 1 of the current fiscal declared on July 24. To recap, sales dropped by 12%, but the PBT was maintained at Rs15 cr. The PAT moved up from nil to Rs15 cr in absence of adverse forex impact.

The sales dropped mainly on account of general slackness in demand and lower realizations. The profit was realized after providing for the loss incurred by both Bulk Chemicals & Intermediates and Colors Divisions.

Outlook for 2009-10 and Beyond

Despite lower sales in Quarter 1 and in spite of continuation of the slow-down in the major economies of the world, your Company expects that the sales will not suffer contraction and the PAT will show an improvement.

At the last AGM, I had conveyed to you the 5 key initiatives underway. These were improving manufacturing, institutionalizing systems, enlarging distribution network, introducing value added products and reducing the borrowing.

These initiatives have shown some results, and I am confident they will help manage short-term impacts as well as maintain a focus on long-term strategy. Let me take this opportunity to touch upon them briefly:

The manufacturing assets of your Company have the potential to give a much higher output with marginal investments. There also exists a large scope to improve process efficiencies. The aim is to harness such advantages to boost market share.

Your Company is installing world-class systems. For example, during this fiscal, Oracle12i and PeopleSoft will be fully functional. The manufacturing function is also expected to show a significant improvement in terms of systems.

Your Company now sells its products under its own brands which go straight to the end users. Your Company has added about 325 distributors and will set up more establishments outside India to broaden its customer base and improve service.

Brand sales at Rs82 cr increased by 74%, and the endeavour is to provide excellent quality that your Company has always stood for and in doing so, realise a higher contribution margin. New sales will also come from other value added products.

Your Company has twin objectives of bringing down the borrowing as well as making new investments for future growth. Every new opportunity is being studied thoroughly so that the investments give the best possible return.

New Subsidiary Company

Your Company has established a subsidiary company, Atul Rajasthan Date Palms Ltd, along with the Government of Rajasthan to promote date palms in India. It is a pioneering effort, and it is a project with a long gestation period.

Social Responsibility

You will be satisfied to know that even while the focus is to create shareholder value through improved business performance, your Company remains conscious of fulfilling its social responsibility.

Your Company has undertaken several projects during the fiscal in the areas of education, health and culture and continued the fine tradition of serving through business established by the founder, Shri Kasturbhai Lalbhai.

Directors

Mr J L Shah, Executive Director, resigned with effect from January 1, 2009; I wish to thank him for all that he has done during his dedicated service of 34 years of which 10 years as a Member of the Board.

Mr B N Mohanan who has been the President of Infrastructure Unit has been appointed as Whole-time Director on January 1, 2009, and I warmly welcome him to his new role. I am sure you will confirm his appointment on the Board.

Mr N N Wadia, an Independent Director, resigned effective June 1, 2009, and on behalf of the Board, I wish to place on record the valuable guidance given and contribution made by him during the last 31 years as a Member of the Board.

Dr K Aparajithan and Mr G S Patel, Independent Directors, retire by rotation and are eligible for reappointment. Given their wisdom and valuable contribution, I trust I will have your unanimous support in their reappointment.

Acknowledgements

In a highly interdependent world, the only way to work is by unleashing individual creativity and with collective solidarity. I wish to thank the customers, the suppliers and the lenders for their involvement and support.

In an ever changing business environment, constant renewal is essential to remain relevant. I wish to acknowledge the willingness of the employees at all levels who are always ready to learn, relearn and develop.

I also wish to place on record the extremely valuable contribution made by the Independent Non-executive Directors. Their association has invariably enriched me and my senior colleagues for the benefit of your Company in many ways.

Lastly, but not the least, I take this opportunity to thank you for reposing faith in the Board of Directors and the management of your Company and for your cooperation and constructive approach.

First Resolution

Ultimate success or failure of an enterprise does not depend on favourable circumstances or constraints, but how it responds to them. Your Company will face the challenges with confidence and take up the opportunities of these times.

Thank you.

Having provided you with a snapshot of your Company in its key dimensions, may I now propose the first resolution relating to the Adoption of Accounts and Directors' Report for your consideration and approval?

- Sunil Siddharth Lalbhai

Challenges are not supposed to paralyze you; they are supposed to help you discover who you are.

- Bernice Johnson Reagon