



Atul Ltd
Atul 396020, Gujarat, India

**Annual General Meeting
2010**

**Speech
of
Sunil Siddharth Lalbhai
Chairman & Managing Director**

**Ahmedabad
August 31, 2010**

Welcome

Ladies and Gentlemen,

On behalf of the Board of Directors and the people of Atul, I am delighted to welcome you to the Annual General Meeting of our Company.

I trust you have perused the last Annual Report and found it a further improvement over the one before, not only in numbers achieved, but also analysis and design.

Delay in Finalizing Accounts

The delay in finalizing the Accounts for 2009-10 and consequently this Annual General Meeting for approving them was because of the longer time it is taking to stabilize the new ERP system which incidentally happens to be amongst the best.

The positive side of the interruption is that it has given us an opportunity to revamp our current processes and practices; this, in turn, will also go a long way in improving, amongst others, our decision support systems and customer servicing. For example, we have now planned to centralize financial accounting function across our Company and decentralize simultaneously higher order management accounting function into business divisions with dedicated and superior focus and also a mandate for proactive actions so as to improve both short term and long term business performance.

We will meanwhile endeavour to finalise Accounts for the current year in May 2011 with the ultimate objective of doing even better.

Business Environment

Delivering sustainable performance even in an environment that remains highly unpredictable is the challenge for the managers of today. Crude oil went up from US\$70 per barrel to US\$140 in a year and then down to US\$50 and, in less than a year, to US\$90 and is now at US\$73! Rupee weakened from 40 to 50 against the US dollar in a year and then strengthened to 45 and is now at 46.9! The relationship between Rupee and Euro is equally, if not more, uncertain. Different experts give different views on these subjects as per their understanding and interpretation.

Moreover, our performance is getting significantly impacted by that of our customers. Indeed, we now live in a highly interdependent world, and how well we are able to do will depend on how well we are able to work collectively, as one team and how well we are able to respond. This brings us back to basics: make learning a life long experience and become strong internally by continuous improvement.

Mandate

This is the only weapon in our hand if we have to live and do well amidst uncertainties. This will mean different to different groups of people.

Those in sales and marketing will have to enhance their understanding of the marketplace and find ways to place the products more profitably and across the world and those in manufacturing will have to challenge their own performance in terms of yields, throughputs, waste elimination, utilities and people productivity. Those leading the businesses will have to set their eyes beyond today into the unknown realms of tomorrow and plant seeds with potential to ensure business development.

This is what we are trying to do in our Company, and I trust our performance will reflect the outcome of several initiatives under way.

Performance in 2009-10

The Annual Report gives an idea about some of the initiatives taken or underway in different businesses and functions and the financial performance achieved during 2009-10. Sales in value terms remained similar though in volume terms on an average went up by 18% if compared with the last year and profit before tax increased from `46 cr to `80 cr mainly due to lower losses on account of foreign exchange and lower interest. Exports at `513 cr were lower by 11% though domestic sales at `655 cr grew by 13%. Income tax was higher by `17 cr or 170%. EBITDA margin and RoCE improved to 12% and 13% respectively. What the figures perhaps do not reveal is that the aforementioned profit was achieved after absorbing a loss of `24 cr made by Bulk Chemicals & Intermediates and Colors Divisions.

Dividend

Ever since our Company started its operations on March 17, 1952, it has a track record of never skipping dividend except for the year 1999-2000. If you may please recall, I had on behalf of the Board of Directors mentioned in the Annual General Meeting in 2000 that the missed dividend will be made good at a suitable time. I am pleased to inform you that the Board has proposed the highest ever dividend of 40% in step with that verbal assurance; it may not be out of place to mention here that at that time, our Company was paying dividend @ 10%. It will be our endeavour to further improve performance and thereby shareholder value.

2010-11

I trust you have seen the results of the 1st quarter of our Company announced on August 12. Sales at `326 cr have been higher by 25% and profit before tax at `29 cr has increased by 93%. Before considering the adverse impact of foreign exchange during the 1st quarter this year, profit before tax only from operations has improved by 60% from `15 cr to `24 cr. We are looking forward to maintaining the improvement trend and achieve sustainable growth during 2010-11.

Capital Expenditure

During the year under review, we executed smaller capex proposals as we are convinced that the performance of our Company will significantly improve if we continue to identify areas of improvement in the existing manufacturing facilities. We thus undertook 60 initiatives of which 36 required capex totaling to `2 cr. We are simultaneously making investments in bigger projects; for example, we are investing `46 cr to significantly improve the manufacturing process and throughput of *p*-Cresol. In the current year, we have acquired Polygrip for `8 cr, a business that will complement and help grow Polymers business.

We are exploring several other opportunities which are synergistic and which will enhance performance. We have put in a place much improved process of initiating and approving investments so as to be judicious in our spending. I need hardly mention that we have to strike a balance between new investments for growth and bringing down borrowings to enhance resilience.

Future

In addition to the physical assets we are creating to debottleneck and expand the businesses and beyond the initiatives we are taking in marketing, manufacturing and business development, we are preparing our Company for the years ahead in other ways. For example, we are further and significantly improving our processes related to Finance and Human Resources. Delegation of authorities, operating procedures, people competencies and performance management are key focus areas. Given these, our Company will not only improve its sales and profit performance, but more importantly remain prepared for facing new challenges which may now be dormant. While it may not be appropriate to get overly obsessed with the numbers of the future, for future performance and present actions are different stages of the same process, my colleagues and I are of the view that the journey to move up sales to `2000 cr will be much faster.

Social Responsibility

Our founder, Mr Kasturbhai Lalbhai, spent half a day every day of his life working for the society. We, the people of Atul, are privileged to be a part of this heritage and legacy, and we will in our quest for growth not forget its ultimate and very purpose.

I am happy to inform you that our Company while focusing to create shareholder value through business performance is taking up projects particularly in the areas of education and health. For example, during last year, Atul has taken up the responsibility to manage a boarding school for underprivileged children. The school, now called *Atul Vidyamandir*, is doing very well.

Renewed Pledge

In 15 days, on September 15, our Company will complete 63* years of purposeful existence, and I want to assure you of our commitment to continuously renew and remain fresh with every passing year in order that we fulfill our responsibilities that a business must in step with the fine traditions of values and purpose laid down by the founder.

Acknowledgements

I wish to take this opportunity to thank our customers not only for our sales and growth which come from them, but also for their criticism which help us improve, internally become stronger and deliver better value to them and also to the shareholders. I also wish to thank the suppliers and lenders for their unwavering support. And on behalf of the Board, I also wish to thank you for your constructive approach and cooperation. Last, but not the least, I wish to thank Atul people for their commitment and dedication; they are not only working hard to deliver better performance, but are also building new foundations for the years ahead.