



**ATUL LTD**

**Annual General Meeting  
2011**

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Speech of  
Sunil Siddharth Lalbhai  
Chairman & Managing Director

Ahmedabad  
August 4, 2011

**Ladies and Gentlemen,**

**Welcome**

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

I trust you have received the Annual Report on time and found it a further improvement, not only in terms of style, but also substance.

We will endeavour to place the 'soft' copy of the next Annual Report on the website of our Company in two weeks of the Board meeting scheduled on May 11, 2012.

This initiative also has a bigger advantage in that everyone concerned within our Company moves away from the past and focuses more on the future.

**World Economy**

If we glance at the year that is now behind us, we find that the world economy generally showed recovery. World GDP grew by about 5% in 2010 after shrinking by about 1% in 2009. Constituent countries however performed in differing ways.

On the other hand, we saw inflation and witnessed uncertainty. For example, Crude Oil price touched a high of US\$98 per barrel and fluctuated by 24%. Coal price increased by 13%. Indian ₹ to the US\$ varied by 8% and to the € by 14%.

It is important to understand such external situations given the linkages they have with the performance of our Company. Most of our raw materials are based on Crude Oil. Our steam and electricity are substantially based on Coal. About 45% of our sales are from exports.

**Learnings from the Past**

Whether we are able to make our Company resilient to such external situations will depend upon our internal preparedness and robustness of our business model. One of the lessons we have learnt is to strive for continuous improvement in all that we undertake.

It is essential that this mindset becomes a culture across our Company, and this is the mandate for leadership at different levels irrespective of positions.



### **Highlights of 2010-11 Initiatives**

Fierce competition notwithstanding, the two business segments of our Company, namely, Life Science Chemicals and Performance & Other Chemicals offer a huge potential for growth. Our seven Product Groups are placed under these two segments.

Our Company commenced expansion of *p*-Cresol capacity with a modified process, and the project is expected to be commissioned in this quarter. The new process will significantly cut down pollutants and also help boost sales of Aromatics Product Group.

Our Company acquired 50% shareholding in M. Dohmen S.A. which manufactures and markets dyes for synthetic fibres. The joint venture will complement Colors Product Group which predominantly markets dyes for natural fibres.

Our Company established continuous process to undertake reactions involving Phosgene. This will further improve performance of Pharma & Inters Product Group. Atul Bioscience Ltd has commenced manufacturing and marketing of API intermediates.

Our Company also acquired and integrated Polygrip and continued to build and promote LAPOX brand across India. We expanded capacities of epoxy resins, and these initiatives will help sustain growth of Polymers Product Group.

Our Company expanded its market reach in India and outside. We enlarged our network to 21 States and added 41 more managers. We also established Atul Brasil Quimicos which will become a subsidiary company during 2011-12.

### **Highlights of 2010-11 Financials**

It is with this backdrop, we closed the year: sales increased by 29% to ₹1,508 cr, 16% of which came from higher volume. Profit before tax and exceptional items increased to ₹129 cr from ₹80 cr. EBITDA margin and RoCE improved to 13% and 18% respectively.

Borrowing increased by ₹33 cr as on March 31, 2011 mainly because of investment in new assets and higher

working capital due to growth in sales. Debt equity ratio marginally worsened to 0.58 from 0.56 though remained under control.

### **Dividend**

After taking a holistic view, the Board recommended a dividend of 45%, the highest so far, for your consideration and approval.

### **Capex and Future Performance**

During the year, our Company completed projects related to debottlenecking and expansion of about ₹12 cr, and as I speak to you, projects with a total outlay of ₹100 cr are under implementation. These projects are expected to be completed in the coming 12 months.

The new facilities at full capacity will be able to generate additional sales of about ₹400 cr. We are also working to increase brand sales in Crop Protection and Polymers Product Groups by introducing new products and strengthening our presence in the marketplace.

Also, our Company is steadily taking up several small projects which together with the above expenditure and initiatives will provide a potential to achieve sales of ₹2,300 cr though not entirely in 2012-13. We are also articulating our thinking to grow beyond this level.

### **1<sup>st</sup> Quarter and the rest of 2011-12**

You must have seen the quarterly financial results announced on July 29. Sales have increased by 25% and profit before tax and exceptional items by 21%. Contribution margin however declined to 25.1% from 27.8%.

With new capacities, sales is expected to grow further during 2011-12, and we expect, barring unforeseen circumstances, that it will be around ₹1,750 cr.

I may however add that while we will like to see improvement in the quarterly performance of our Company, our focus must and will remain on taking initiatives which will help us achieve growth that is sustainable.



You may have noticed that over the last 5 years, sales have increased at CAGR of 13% and profit before tax and exceptional items to ₹129 cr from ₹26 cr. Our Company has been able to maintain rise in its profit and RoCE for the 7<sup>th</sup> consecutive year.

### **Building Foundations for the Future**

Furthermore, we are strengthening Research and Technology to deliver better performance not only in efficiencies, but also environment protection.

Our Company is also establishing a more comprehensive network in Sales and Marketing which will provide an opportunity not only to increase market share, but also build a strong brand and image of Atul which has always stood for ethics, quality and service.

### **People**

As our ability to sustain performance will ultimately depend on our people, our Company is continuously upgrading HR processes, particularly those related to Recruitment, Training & Development and Performance Management.

People relate better when there is alignment in Values. Given that 31% of our managers or 18% of the total employees are now based outside of *Atul*, we are endeavouring to institutionalise a set of common Values so as to enhance harmony and synergy in working.

### **Responsibility to the Society**

Our pursuit of financial numbers alone will not give meaning to our lives unless we remember and fulfil our responsibility to the society, particularly to those less fortunate. You will be proud that our Company has since its inception consistently served such causes.

We cherish this heritage and are committed to preserve and promote it, and during the year, we established Atul Foundation that will oversee the Trusts established and initiatives undertaken by our Company, some of which are mentioned in the Annual Report.

## **Acknowledgements**

We live in an interconnected world, and our progress is possible only with the support of all our stakeholders: our customers are not only giving us an opportunity to grow, but also serve; many of our employees despite other options are working with total commitment.

Time is amongst the most critical resources, and I realise that many of you have spared your valuable time today to attend the AGM and offer constructive suggestions. On behalf of the Board, I wish to thank you and all other stakeholders of our Company.

With its first plants commissioned on March 17, 1952, Atul will complete 60 eventful years of operations on March 17, 2012. It will be our endeavour to work with renewed vigour, maintain the momentum and make the year 2011-12 a memorable one!



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Lalbhai Group