

Fellow Shareholders, Ladies and Gentlemen,

On behalf of our distinguished Non-executive Directors and every member of Atul family, I welcome you to this Annual General Meeting of our Company.

I trust you found the Annual Report exhaustive in terms of its content – I know that the numbers, particularly those related to sales and profit, ought to have been much better. I was analysing the performance of the last 10 years – it was much better in the first five years wherein sales and profit before tax increased by ~ 95% and ~ 430% respectively as compared to the second five years wherein they increased only by ~ 55% and ~ 110% respectively.

So there is a huge potential to perform better, but the significant decrease in the price of crude oil during the last 10 years also had its consequential adverse impact on the absolute sales and contribution values. Further, our Company made sizeable investments and is bearing higher fixed costs for future growth. I am confident that the investments of ~ ₹775 cr made during the last five years for expanding capacities are well conceived.

During the last five years, our Company has taken initiatives which may not be so noticeable – firstly, it has steadily decreased its debt despite large investments made year after year and has for the first time since 1950 become debt free. Secondly, its subsidiary | joint venture companies have consistently improved their performance; Amal Ltd, which was earlier a drag on our Company, has performed well during the last four years.

Furthermore, our Company has established a unique partnership with Akzo Nobel Chemicals International BV, Anaven LLP - the facility is expected to be commissioned in the last quarter of this fiscal. Thirdly, our Company has set up a base in Brazil and the UAE respectively. These initiatives are helping and will further help improve performance, both standalone and consolidated, of our Company and lay new foundations of growth.

Finally, our Company has over the last five years worked with even more rigour to strengthen its organisation to serve the society. Atul Vidyamandir and Atul Institute of Vocational Excellence, two new additions, are considered amongst the best in their respective fields. Urmi, an

organisation to empower women, made a small beginning to go beyond the boundaries of *Atul*. Atul Foundation built ~3,500 toilets for families who had none.

As a company whose genesis and history are aligned with national priorities, growing will be neither complete nor sustainable without caring and sharing. These initiatives – which reflect inclusiveness – taken during the last five years related to business ambition and social consciousness will favourably impact the future performance of the Company. I am sure that as a Shareholder you are equally convinced of the propriety and strength of this holistic approach.

Clearly, some investors are watching not only the numbers, but also what they do not reveal. Perhaps it is for this reason that during the last 10 years, of which substantially in the last five, the market capitalisation of our Company has increased from ₹370 cr to ₹9,150 cr. I am happy that our Company has created a decent value for its Shareholders and that the Board has proposed 120% dividend for 2017-18, the highest so far, for your approval.

Although our Company has completed 70 years last year, it will endeavour to remain at the inception level of its enterprise, determination and creativity. We will provide an environment wherein the team Atul accepts and fulfils the dynamic expectations of customers, decisively improves internal operations, understands and analyses external trends with depth and makes high-quality and high-velocity decisions.

You must have seen the results of the first quarter of the current fiscal announced on July 20, 2018 – income at ₹901 cr and profit before tax from operations at ₹127 cr were marginally higher as compared to the preceding quarter; EBITDA was at 19% and RoCE was at 27%. The numbers were much better if compared with the same period last year. I hasten to add that these numbers continue to be below the potential of our Company.

Our endeavour is to first achieve sales of ₹4,000 cr and simultaneously work for growing it much beyond. The investments already 'on the ground' will help us reach the first landmark; to go beyond, there are new projects approved and also under active consideration – they relate

to increasing capacities of some of the existing products and introducing new products in our Company and its subsidiary and joint venture companies.

For example, seven projects, of which two are related to environment protection, were approved by the Investment Committee and the Board last week; entail investment of ~ ₹400 cr. These projects, once completed, at full capacity will generate sales of ~ ₹700 cr. It will be our endeavour to ensure that investments are phased out in such a way that our Company remains financially prudent to face unforeseen situations.

There are smaller investments underway as well to debottleneck capacities. We are upgrading our existing processes and institutionalising new ones. Our key focus remains on up-skilling our workforce and building leadership at different levels within our Company. The key requirement in all above is mindful envisioning as well as bringing excellence in execution – this is the mandate for leadership at all levels to secure the future.

While upside and downside risks to the short-term outlook are broadly balanced, risks beyond the next few quarters lean to the downside as per IMF; downside risks include waning popular support for economic integration resulting in shift towards protectionist policies. The situation in China is both a threat and an opportunity. All above initiatives will help our Company operate better even amidst macroeconomic strain.

In this journey, I thank you for your faith – the team Atul will build our Company further, linking the Values of the long past with the present, but looking strongly to the future; I appreciate the contribution made by every member of the team Atul, and I am grateful to the customers for giving us an opportunity to serve and grow. I value the involvement, critical observations and guidance of our illustrious Non-executive Directors.

I pray that in our every action we strive to make ourselves more worthy of the unlimited opportunities as we 'turn another page' of our lives.



Atul Institute of Vocational Excellence imparts skills to tribal boys and girls in a range of vocations.



Urmi Stree Sanstha empowers women from surrounding villages of *Atul* through gainful employment.



Industrial Training Institutes managed by Atul offer courses in a range of vocations to skill the youth.



Annual General Meeting 2018

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Speech
of
(Sunil Siddharth Lalbhai)
Chairman and Managing Director



Lalbhai Group

July 27, 2018
Ahmedabad, Gujarat
India