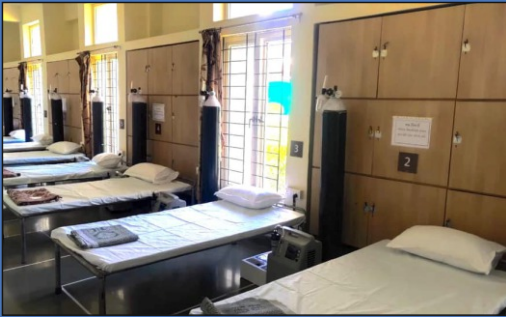


Atul Foundation is committed to support the health and well-being of communities.



Created a Covid care facility in cooperation with Shrimad Rajchandra Mission



Developed 1,120 nutrition gardens in collaboration with BAIF, to promote health and nutrition of the tribal families



Established waste segregation and collection system in Atul colonies and Atul village covering 1,426 households



Energise | Engage | Emerge

Annual General Meeting
2021

Atul Ltd
Atul 396 020, Gujarat
India

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Speech
of
(Sunil Siddharth Lalbhai)
Chairman and Managing Director



Lalbhai Group

July 30, 2021
Atul 396 020, Gujarat
India

Fellow Shareholders, Ladies and Gentlemen,

On behalf of the Board and team Atul, I wish you a warm welcome to this second AGM via video conferencing. I had hoped that we will be able to meet in Ahmedabad this year like before. This is unfortunately not yet possible. My colleagues and I will nonetheless share with you comprehensive information.

The entire world was affected by the pandemic COVID-19 in different ways, and this impelled many to creatively look for solutions. The earnest efforts of team Atul across locations enabled our Company to continue to operate safely, at the factories, in the marketplace, in the offices and from home during and after the lockdown.

The pandemic left its mark on the 2020-21 financials of our Company – Sales at ₹ 3,460 cr were lower by ~10% (mainly because of the lockdown in April) and so was PBT at ₹ 773 cr (before one-time dividend income of ₹ 55 cr) by 4%. RoCE at 28% was lower by 600 basis points. Team Atul is seized of its responsibility and is working with a bias for action.

The Board recommended 200% dividend against 150% last year (excluding the 125% special dividend to commemorate the 125th birth anniversary of the Founder, Kasturbhai Lalbhai) reflecting confidence in future. The buy-back of equity shares, for the first time by our Company, was completed well and that decreased the number of equity shares by 74,682.

At this time, our Company (including Atul Products Ltd) is implementing projects with an investment of ~ ₹ 1,500 cr for which no borrowing is envisaged – this number is different than that in my letter to the shareholders as it also includes the projects so far approved in this year. At full capacity, including retail businesses, sales are expected to reach ₹ 6,000 cr.

You will be happy to know that Ankleshwar site and Tarapur site are already zero liquid (ZL) sites. Amongst others, the investment underway will also make two of the four sites at Atul ZL sites. Similarly, the facilities of Rudolf Atul Chemicals Ltd and Atul Bioscience Ltd (Ambernath) are already ZL and those of Amal and Anaven will become ZL this fiscal.

Amal Ltd, a ~ 50% owned company, is expanding its capacity of Sulphuric acid and downstream products with an **investment** of ₹ 76 cr; the facility is expected to be commissioned in the next quarter. For 2020-21, it achieved sales of ₹ 30 cr (₹ 33 cr) and PBT of ₹ 11 cr (₹ 13 cr). There was a planned annual shut-down during the first quarter of this year.

Anaven LLP, a 50% joint venture with Nouryon Holding BV, completed **investment** of ₹ 230 cr and commenced manufacture of Monochloroacetic acid at its best-in-class facility in Atul. For the first quarter this year, it achieved sales of ₹ 36 cr and PBT of ₹ 2 cr. The JV will soon commence the process of debottlenecking its facility.

Atul Bioscience Ltd, a 100% owned company, stepped up manufacture of APIs at its Ambernath site (acquired in 2019-20). For 2020-21, it achieved sales of ₹ 142 cr (₹ 105 cr) and PBT of ₹ 5 cr (₹ -2 cr). The total **investment** made at Ambernath site (including after acquisition) is ₹ 110 cr. With this, it expects to achieve sales of ₹ 270 cr.

Atul Rajasthan Date Palms Ltd, a 74% JV with the Government of Rajasthan, stabilised its operations further and is expected to give a **higher output of tissue cultured (TC) date palms from 2022-23**. This project, which as such is having a long gestation period, has got delayed, but my colleagues and I are confident of its success in the years to follow.

DPD Ltd, a 98% owned company in the UK, is making further **investment** of ₹ 16 cr (in addition to the investment of ₹ 22 cr made in 2019-20) to expand capacity of TC date palms – the project is expected to be completed in 2022-23. For 2020-21, it achieved sales of ₹ 38 cr (₹ 21 cr) and PBT of ₹ 13 cr (₹ 6 cr). At full capacity, it expects to achieve sales of ₹ 85 cr.

Rudolf Atul Chemicals Ltd, a 50% JV with Rudolf GmbH, is increasing its market share in textile chemicals in India. For 2020-21, it achieved sales of ₹ 89 cr (₹ 81 cr) and PBT of ₹ 19 cr (₹ 13 cr). The high quality of products of the JV are well accepted by the customers. This year marks the completion of **10 years of partnership**.

The combined sales of these associate, JV and subsidiary entities at ₹ 303 cr in 2020-21 are expected to rise to ₹ 800 cr at full capacity utilisation (excluding Atul Products Ltd). More importantly, the businesses of these entities have an excellent potential to grow. Our Company will gradually benefit from the investment made in these entities.

During the last decade (from 2010-11 to 2020-21), sales and PBT of our Company rose by 129% and 456% respectively which in the decade before last (from 2000-2001 to 2010-11) had risen by 180% and 827% respectively. The investment underway is meant to strengthen these numbers but, more importantly, our Company further.

But I must mention that all this is easier said than done, and I wish to share with you three key initiatives underway – these, in turn, will take care of the many others – required to become comprehensively fit and create consistent value for our Company. They will also help better environmental, social and governance performance.

Our Company has been built by some of the best people over the last seven decades. As it grows further, it aims to develop more leaders from within – For this, we are not only constantly enhancing its HR processes related to recruitment, performance management, training and development and employee care, but also its culture.

I still maintain that the operations of our Company even without considering expansion projects can deliver a far better performance as there is a huge scope to improve working related to supply-side and demand-side. The improvements are happening, but we have more to do and we will. I have therefore said on some occasions that the best is yet to come.

Earnings do not necessarily translate in to free cash flows; improving working capital management and prioritising free cash flows is vital as we grow. Free cash flows enable more innovation, and prioritising them will guide investment in assets which pay off faster. We are also trying to make our Company resilient as it operates in a fast changing world.

Our Company achieved sales of ₹ 1,025 cr and PBT of ₹ 210 cr for the first quarter ended June 30, 2021. Both these numbers are lower than those achieved in the preceding quarter for both internal and external reasons. Subsidiary, JV and associate entities sales and PBT for the same period were ₹ 93 cr and ₹ 6 cr respectively.

Input and freight costs have sharply risen (by 32% and 200% respectively) – It will take time to pass on these costs. Further, demand for some key products was lower and production of two key products was down because of breakdowns. There are no structural changes in the marketplace, and team Atul is responding to these circumstances.

During the year, schools and institutions under **Atul Foundation** conducted virtual classes and courses to meaningfully engage the students. Amongst other social work initiatives, in collaboration with BAIF*, the Foundation supported tribal families to develop nutrition gardens to meet their need of food and income. You may find its website informative.

Amongst others, a key responsibility of team Atul is to understand the changing needs of the five key stakeholder groups, namely, employees, customers, suppliers, communities and shareholders, to make informed decisions so as to create value for them and see how our Company benefits from these vital relationships.

It is my privilege to work with every member of **team Atul** who is working to fulfil the purpose of our Company. I am grateful to the **customers** for they help us continuously improve. My colleagues and I value the insight, guidance and encouragement of the **Non-executive Directors** who bring in an astute and comprehensive perspective to business.

The world still continues to face the pandemic, and there is an uncertainty, but this has also brought into focus capacity and adaptability of the human spirit – We remain inspired by that spirit. Although we are optimistic, we are aware of the risks. We will be vigilant, but we will maintain a sense of mission. Surely, we have so much more to learn and do.

*BAIF Development Research Foundation