

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



Provided quality education to 4,446 primary children through 79 trained Atul Adhyapikas



Supported 111 micro-entrepreneurs in 7 trades by providing training and toolkits



Conducted awareness program with 11,000 people on responsible waste management practices under Ujjwal Atul project



Resilient | Responsive | Rising

Annual General Meeting
2022

Atul Ltd
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India

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Speech
of
(Sunil Siddharth Lalbhai)
Chairman and Managing Director



Lalbhai Group

July 29, 2022
Mumbai 400 028, Maharashtra
India

Fellow shareholders, ladies and gentlemen,

On behalf of the Board of Directors and team Atul, I welcome you to the AGM of our Company via video conferencing – my colleagues and I will try to make this interaction worthwhile. You may have already gone through the interactive annual report prepared for the first time so as to make it easy to navigate and provide a better user experience. I hope you have found the annual report comprehensive, transparent and well-presented. I thank you for your time to attend the AGM.

I have divided my speech mainly in three parts; part one is about why the PBT was almost stagnant and what we are doing to improve the existing operations; part two is about the new projects under implementation and what our Company hopes to achieve in the coming 36 months and part three is about what we are doing to build a strong team required for the two endeavours above and for ensuring continuity. I trust you will find answers to some of the questions you may already have.

Just to recap, in 2021-22, standalone sales at ₹ 4,929 cr increased by 42% (of this 16% was from volume). PBT at ₹ 804 cr increased¹ only by 4%. EBIDTA at 19% and RoCE at 24% were lower by 7% and 4% points. The subdued performance was mainly because of high raw material and fuel prices and high freight rates which we were unable to pass on. Furthermore, the projects have yet to deliver. Our Company introduced 25 products and formulations and sold to 238 new customers.

The Board has recommended 250% dividend (as against 200% in 2020-21). Our Company also completed buyback of equity shares of ₹ 70 cr – this was the second buyback. I hope you are happy with both the buyback and dividend. Our Company received dividend of ₹ 4 cr from one joint venture (JV) entity – dividend income is expected to go up after Atul Bioscience, Atul Rajasthan Date Palms, Anaven and Amal streamline their operations and commission their projects.

In 2021-22, combined sales at ₹ 518 cr of subsidiary, JV and associate entities increased by 68%. However, PBT at ₹ 47 cr increased only by 12%. The lower rise in PBT that we were as such anticipating was mainly because of i) poor performance (of Ambernath site) of Atul Bioscience, ii) ongoing stabilisation of Atul Rajasthan Date Palms, iii) initial difficulties in Anaven, iv) very high input cost in Amal and v) higher interest and depreciation in general. We are sure to resolve these problems.

We are working to generate savings in procurement and logistics, increase efficiencies in manufacturing and raise sales so as to bring a step change in the standalone and consolidated performance – for securing such initiatives, we are further strengthening the processes and equally the organisation. For example, we are introducing a portal that will help improve procurement decisions; we are in the process of adding eight resources for decreasing utilities and 20 for increasing sales.

At this time, projects with investment of ₹ 1,600 cr are under implementation in our Company (₹ 10 cr) and its subsidiary (₹ 800 cr), JV (₹ 10 cr) and associate (₹ 80 cr) entities. These projects and those completed in 2021-22 (₹ 374 cr) and in this fiscal (₹ 16 cr) till now minus sales already realised from such projects will have the potential to add, at current prices, at full capacity, sales of ₹ 2,300 cr. Our Company is now developing a new manufacturing site at Panoli in Gujarat.

This number does not include increase in sales in the two Retail Businesses, namely Crop Protection (CP) and Polymers (PO), that we are confident to attain. The market potential in both these Businesses in India and outside is very high, and we are building processes and people capabilities and introducing new products. CP - Retail and PO - Retail achieved sales of ₹ 176 cr and ₹ 211 cr in 2021-22 which were higher by 15% and 43%, respectively, if compared with those in 2020-21.

Sales and PBT of our Company in the second decade of the 21st century (that is, from 2010-11 to 2020-21) grew by 227% and 478% as compared with the first decade (that is, from 2000-01 to 2010-11) in which sales and PBT grew by 180% and 827%. It will be our endeavour to move forward with new insights gained to sustain performance over time and thus add value to the key stakeholders, namely, customers, team members, suppliers, communities and shareholders.

In 2010-11, our Company had two subsidiary entities and one associate production entity with a combined sales of ₹ 18 cr and a loss of ₹ 3 cr. In 2020-21, the number of such entities, including three JVs, had increased to nine with a combined sales of ₹ 309 cr and PBT of ₹ 42 cr. In 2021-22, these entities had a combined sales of ₹ 518 cr and PBT of ₹ 47 cr. In essence, the trend is positive and encouraging. The rationale of establishing such entities, though may vary, were and are carefully contemplated.

Businesses which consistently do better are differentiated by the commitment, competence and personal purpose of their people, and our Company is enlarging its HR team and further improving its HR processes related to recruitment, employee care, training, performance management and succession planning. For example, 12 new positions are created to strengthen HR, and technology is deployed in almost all HR processes to make them more efficient and effective.

Our Company achieved sales of ₹ 1,407 cr and PBT of ₹ 213 cr for the first quarter ended June 30, 2022 – PBT may have been higher by ₹ 35 cr but for the write-off consequent to fire in a plant at Atul site – insurance claim at reinstatement value is under process. EBIDTA at 19% and RoCE at 23% continued to be lower than the best achieved due to higher input costs and lower capacity utilisation particularly of new assets added.

The production subsidiary, JV and associate entities achieved combined sales of ₹ 151 cr and PBT of ₹ 16 cr for the first quarter ended June 30, 2022, higher by 62% and 167%, respectively, compared with the same period in 2021-22. Atul Bioscience (at Ambernath) and Atul Rajasthan Date Palms are expected to stabilise their operations in this fiscal. Amal Speciality Chemicals, a 100% subsidiary of Amal, is ready to commission a new plant and investment is underway in DPD and Anaven.

The external environment continues to be uncertain, be it input prices or freight rates or steel prices or FOREX rates. Availability of indigenous coal still continues to be difficult. There is a new threat of Monkeypox - WHO has already qualified the disease as a global emergency, but the view as of now is that it is not expected to spread like COVID-19. Such circumstances take us back to basics – improve consistently, spend wisely and execute sustainable opportunities to grow and live healthy.

The more we grow, the higher the need to delegate decision-making. Some decisions are consequential, irreversible or nearly irreversible – such decisions ought to be made in consultations with a larger group. Many decisions are changeable or reversible – such decisions may be made by high judgement managers in a smaller group. Our effort is to have an apt decision-making process that ensures that decisions are made carefully and methodically without losing speed.

Kalyani School, Atul Vidyalyaya, Atul Vidyamandir (PPP²), Atul Institute of Vocational Excellence (PPP²), Atul Adhyapika, Ujjwal Atul and many other projects of Atul Foundation to serve the society are doing well. Education and Empowerment programs positively impacted 22,400 students and Health, Relief, Infrastructure and Conservation programs impacted 68,000 people. Many of the projects have been well regarded by the local, state and central governments.

I am fortunate to be a part of team Atul that consists of some of the best professionals, and I wish to acknowledge their commitment, dedication and energy. I am grateful to the customers as working with them, we are able to serve, improve and grow. I am thankful to the distinguished Non-executive Directors for their insight, guidance and constructive approach. I value your consistent support as our Company moves on its path of sustainable future.

Our Company completed 70 years of manufacturing on March 17, 2022 and will complete 75 years of incorporation on September 05, 2022. As investments underway get completed, we will take up new projects related to expansions already under active consideration. Our Company will evolve continuously and remain relevant with every passing year. In this journey, may God be with us so that in all that we undertake, we remain consistent with the legacy of our legendary Founder.

¹Excluding one-time dividend income of ₹ 55 cr in 2020-21

²Public private partnership