

Fellow Shareholders, Ladies and Gentlemen,

On behalf of our eminent Non-executive Directors and the team Atul, I extend a warm **welcome** to you, and I thank you for making it convenient to attend and participate in the Annual General Meeting of our Company.

It is important that we understand the company in which we have invested or wish to invest better as it will help us in our decision-making; I therefore enquire with you in every meeting if you found the **Annual Report** comprehensive in terms of its content.

Indian economy is only ~3% of the world economy, and given the size of India, ability and aspirations of its people and commitment of the Government to make far reaching changes, there is a big upside waiting for us to realise.

The same is true for **Indian Chemical industry** which is only ~3% of world Chemical industry. With availability of materials and men and the will of its constituents to grow bigger and better, the best for Indian Chemical industry is yet to come.

It may seem counterintuitive, but without **chemicals**, to envisage life may be difficult. Not only do we use them from the time we get up till we go to sleep, but much beyond – chemicals constantly play a big role in our physical, mental and emotional life.

Our Company improved its **performance**: sales at ₹ 3,845 cr increased by 26%, EBIDTA rose from 17% to 20% and profit before tax increased from ₹ 397 cr to ₹ 652 cr. RoCE rose from 22% to 32%. Our Company remained debt free.

More importantly, these numbers and the initiatives underway will mean a new paradigm of performance for our Company and a new mandate for the team Atul to take even **higher targets** and persevere to achieve them to create further shareholder value.

The Board has recommended a **dividend** of 150%, the highest so far. A large portion of the cash accrual is to be used for the new projects underway. This is in the long-term interest of our Company, and I seek your unanimous approval of the proposed dividend.

These new **projects** with investment of ~ ₹ 400 cr will add sales of ~ ₹ 850 cr at full capacity utilisation. Two projects will make two of the four sites at Atul zero liquid discharge. Our Company may not have to resort to borrowing for these projects.

Our Company spent, on an average, ₹ 193 cr per year in **capex** in the last five years, comprising investments in expansion, debottlenecking and sustenance projects. In the same period, **working capital** increased by ₹ 75 cr per year.

Free cash flow, which is an important performance parameter, on an average, was ₹ 164 cr per year or ₹ 55 per share. While it is our endeavour to increase free cash flow, given the many 'must do' capex proposals to follow, we are still some distance away.

Free cash flow is essentially cash flow generated from operations less capital expenditure; it will be good to keep this performance parameter in focus, and hence I thought of sharing this with you. Of course, you can infer this from the Annual Report.

The **manufacturing subsidiary and joint venture entities** together achieved sales of ₹ 243 cr and profit before tax of ₹ 42 cr with combined RoCE of 31%. At this time, investment of ₹ 370 cr is underway in these entities. Their year-end borrowing was ₹ 63 cr.

Atul Bioscience a 100% subsidiary, acquired a site in Maharashtra. In 2019-20, **DPD**, a 98% subsidiary, will initiate its expanded production facility of date palms in the UK and **Anaven**, a 50-50 JV with Nouryon, will start its plant to manufacture MCA in India.

These projects are in step with our **strategy** of attaining economy of scale or backward or forward integration. Their execution is in sync with our obligation to environment. We are strengthening our retail businesses for securing sustainable growth.

The website of Atul Foundation will give you an idea of the work that was and is being undertaken to **serve the society**. Working with a larger purpose lifts our personal self to our higher self, and this shift, I feel, is equally good for business.

The 125th birth anniversary of **Mr Kasturbhai Lalbhai**, a legendary Indian and Founder of our Company, falls in the current fiscal. In order to commemorate the occasion, our Company is undertaking some meaningful initiatives to serve the society.

I trust you have seen the **first quarter results** declared last Friday: sales were ₹ 975 cr, profit before tax was ₹ 197 cr and the RoCE was 35%. I hasten to add that there is a lot more needed to grow in a viable way, and we are on the job.

There are many projects in our radar which will enable our Company to grow. However, our even higher focus is to further enhance **operational excellence** as without it decisions on investments in projects may not be defensible in the long-term.

Operational excellence in our context implies deciphering the **marketplace**, delivering value to the **customers** and driving **productivity, efficiency, asset velocity** and thus margins. It implies, equally, doing both normal and critical work extraordinarily well.

In order to make all this happen, we are focusing, amongst others, on enhancing **process orientation** and strengthening **people orientation** where we have some challenges to overcome, but also a large scope to learn, imbibe and institutionalise.

No matter how much the society has grown and how much the economy has evolved, it is notable that what we respect in a person or in business remains just the same. It will be our endeavour to continue building our Company on the foundation of **Values**.

As an enterprise born in 1947, our Company has brought many products for the first time to India. It is important for us in Atul to retain this in our thoughts and actions because we surely need that **pioneering and enterprising spirit** to succeed.

I value the members of **team Atul** who are working energetically every day to build a lasting company – who are focused on continuous improvement and focused long-term (as long-term thinking is both a requirement and an outcome of true ownership).

I thank our **Non-executive Directors** for their consistent and valuable contribution – their diverse, long and rich experience and their comprehension and grasp of our Company and its operations are all helping us think deeper and act wiser.

Two of the longest serving Non-executive Directors, **Dr Satguru Bajjal** and **Mr Hasmukh Shah**, decided not to seek reappointment due to age. They enriched deliberations in the Board and its Committees, and I am personally and professionally indebted to them.

I recognise the role **customers** play in our sustenance and growth; I am grateful to them for their business and trust. I also acknowledge the role of **competitors** who forever challenge us. I credit both of them for many of our initiatives.

Through the years, we have strived to enhance the value of our Company in an inclusive way with the realisation that we have potential to go far beyond, and your faith as a **shareholder** in us that we can, is one of the biggest responsibilities for us to fulfil.



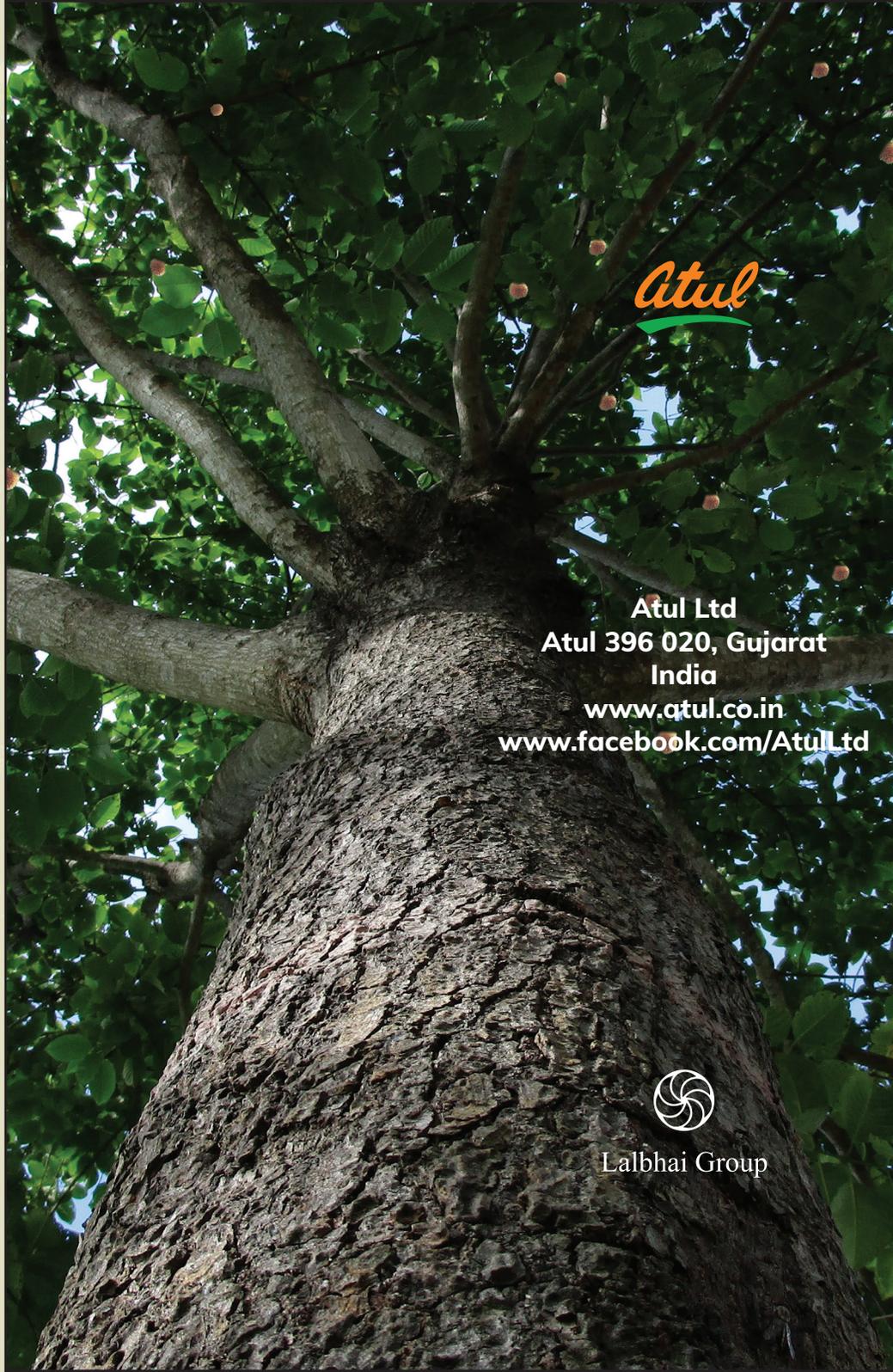
The Company has so far planted
~10 lakhs trees at Atul site.



The Company was awarded 'Green Gujarat
Award 2019' for its Ankleshwar site.



Atul Foundation has so far built ~5,000 toilets
in 36 villages.



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Lalbhai Group



Annual General Meeting 2019

Speech
of
(Sunil Siddharth Lalbhai)
Chairman and Managing Director

July 31, 2019
Ahmedabad, Gujarat
India