

**Touching lives  
in response to COVID-19 pandemic**



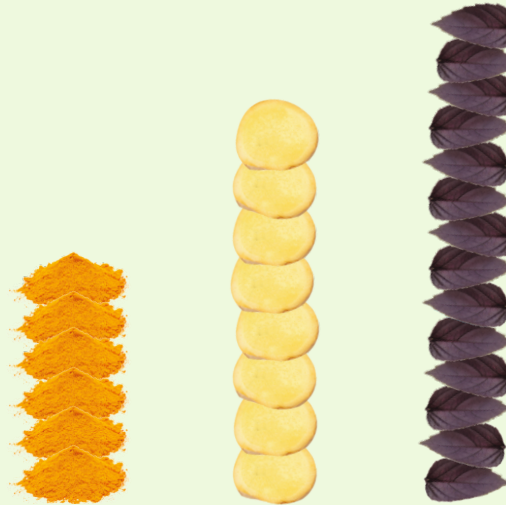
Ladies of Atul Institute of Vocational Excellence stitched and donated 47,800 cotton masks



Atul Foundation supported the needy from 25 villages with grocery kits



Atul Foundation provided meals to the poor and the vulnerable



**Health | Growth | Fulfilment**

**Atul Ltd**  
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India  
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Lalbhai Group



**Annual General Meeting  
2020**

**Speech  
of  
(Sunil Siddharth Lalbhai)  
Chairman and Managing Director**

July 31, 2020  
Atul 396 020, Gujarat  
India

Fellow Shareholders, Ladies and Gentlemen,

On behalf of the Board and team Atul, I extend a warm welcome to you to this first AGM via video conferencing. I trust your family and you are keeping well in the midst of this unprecedented pandemic COVID-19. If we build inner strength, we can face external situations better – this is also a personal and professional mandate for team Atul.

The pandemic has shaken up the status quo in many other ways. For example, this is also the first time our Company has not sent physical copies of the annual report. We must embrace such new ways, and you can count on team Atul to look beyond the immediate crisis for insights and lessons and how to apply them going forward.

GDP growth rate of the world and India declined by 0.7% and 2.6% compared to 2018. Over the next many months, economies around the world will have to operate alongside COVID-19 and businesses will have to build capability to manage in an uncertain ecosystem. Team Atul is working in a new era of responsibility to make our Company future-fit.

Indian chemical industry, at 3.5%, continues to be a minute part of the world chemical industry. While this is an unfortunate fact on the one hand, it presents a big opportunity for our country and our Company on the other. Chemicals are an integral part of our lives, and harnessing chemistry in a responsible way is the essence of our Company.

Our Company achieved its highest profit before tax and return on capital employed – PBT increased from ₹ 652 cr to ₹ 803 cr and RoCE from 32% to 34%. The Board declared 125% dividend to commemorate the 125<sup>th</sup> birth anniversary of the Founder, Kasturbhai Lalbhai, and also a further dividend of 150%. I hope this will find your favour.

More importantly, over the last ten years, PBT has increased from ₹ 80 cr to ₹ 803 cr and RoCE from 13% to 34%; our Company is debt-free since three years and has surplus cash to fund expansions. I know the environmental, financial and social dream of the Founder while establishing our Company was much bigger, and in many ways, this is only the beginning.

As I speak with you, capex of ₹ 487 cr is underway in our Company. This number is different than that mentioned in my letter to the shareholders in the annual report as the above capex also comprises a few projects started in 2018-19. Once all these projects are commissioned, our Company will have sales potential of ₹ 5,400 cr.

The two main retail businesses of our Company, CP-R and PO-R, are quite small, with combined sales of ₹ 230 cr. They are scalable not only in India, which itself is a huge market, but across the world. The pre-requisite to make this happen is a competent and cohesive team, efficient processes and a co-created way forward, and this is work in progress.

Atul Bioscience, a 100% subsidiary company, will complete its first phase of investment of ₹ 110 cr at Ambarnath site by the end of this quarter. Thereafter, the company will have sales potential of ₹ 270 cr consisting mainly of active pharma ingredients and their intermediates. There are other possibilities to further grow this business.

Anaven, a 50-50 JV partnership with Nouryon, will commence first phase of its manufacturing facility of monochloroacetic acid built with an investment of ₹ 195 cr in the second half of this fiscal. The ultimate objective is to have the capacity required to meet the entire demand of MCA in India and thus make our country self-sufficient.

Amal, (formerly Piramal Rasayan) in which our Company holds 50% of the equity share capital, has brought down its carried forward loss from ₹ 56 cr to ₹ 9 cr by consistent improvement and is looking forward to wiping out the remaining carried forward loss soon. The company is now evaluating a new project to reasonably grow its business.

DPD, a 98% subsidiary company, completed an investment of ₹ 17 cr to double its capacity and now has sales potential of ₹ 50 cr. Atul Rajasthan Date Palms, a 74-26 public private partnership JV company, with the Government of Rajasthan, is taking longer to stabilise its production operations, but has commenced sales in a small way.

Even as we celebrate the results of the last fiscal and the trend of the last decade, we know the enormity of the task that lies ahead. The performance of our Company was adversely affected in the first quarter of this fiscal where in sales at ₹ 589 cr and PBT from operations at ₹ 117 cr dipped by 40%. The projects under implementation are also delayed.

The subsidiary, JV and associate entities have delivered varied performance in the first quarter of this fiscal. The collective revenue and PBT dropped from ₹ 56 cr and ₹ 8 cr to ₹ 48 cr and ₹ 5 cr. I expect the numbers to look better as we close this fiscal. The outcome of their total investment of ₹ 372 cr made or underway will only be visible in 2021-22.

Our endeavour will be to grow our Company with existing, downstream, related, value added and, in a small way, unrelated products recognising the dimensions of scalability and ability to compete. We will improve our current operations and ways of working (in every function) as this alone gives our Company the right to grow and invest long-term.

Our Company may be evaluated by investors as an economic entity, but its roots are grounded in servicing the society. Earning more does not change who we are; it reveals who we are. During the fiscal, our Company, amongst others, endeavoured to uplift those less fortunate. I trust you have gone through the annual report of Atul Foundation.

Team Atul is indebted to all those who worked for our Company and contributed in building its firm yet flexible foundations whereby successive teams are able to foster the required changes to create value. I appreciate members of team Atul who are driven by improvement, excellence, creativity and teamwork. It is their consistent work that delivers results.

I am grateful to our customers and competitors for their role in our Company – they do not allow us to get comfortable with status quo and provide us an impetus to improve and grow. Incrementalism leads to irrelevance over time particularly if external changes are revolutionary and not evolutionary. We therefore look forward to new learnings from them.

I value our distinguished Non-executive Directors for their active participation, critical analysis, guidance and encouragement. Their diverse experience and exposure and also focus on people, operations and growth is a learning experience for my colleagues and me, and we recognise the value of having around us people who are much taller than us.

As a publicly quoted company, there are outside pressures to discuss quarterly results. I hope as an investor you have adequate information from i) our Company website and annual reports and ii) the interactions in the annual analyst meets and general meetings. This allows team Atul the space and time to relentlessly focus on the tasks on hand.

Perhaps the pandemic will test us in ways we may never have imagined, but I can say that the best years of our Company have yet not been seen, and the quest of team Atul to usher in those years is sincerely underway. I am therefore optimistic about the future despite the disruption. There is much more ahead than behind us.