

# Presentation to Analysts

May 15, 2012

Main slides 18

# Lalbhai Group

- Commenced manufacturing activities in 1908
- Textiles, Chemicals, Engineering
- Group revenue ₹ 7000 cr
- Culture, Education, Empowerment, Health, Infrastructure



Shri Kasturbhai Lalbhai



Founder Director, Reserve Bank of India



**Founder Chairman,  
IIT, Mumbai**



**Founder Board Member,  
IIM, Ahmedabad**



Shri Kasturbhai Lalbhai with 1<sup>st</sup> President of India Dr Rajendra Prasad



Shri Kasturbhai Lalbhai with the Prime Minister Shrimati Indira Gandhi

# Atul Ltd

- **Founded in 1947 by Kasturbhai Lalbhai**
- **Manufacturing and marketing of chemicals**
- **Create wealth, generate employment, be self reliant**



# Purpose

We are a conglomerate committed to significantly enhance value for all our stakeholders by

- fostering a spirit of **continuous learning** and **innovation**
- using **science** and **technology** in a **responsible way**
- providing **high quality products** and **services** and becoming the most **preferred supplier**
- seeking **sustained** and **dynamic growth** and securing long-term success
- having people who practice values and **high standards** of behaviour
- taking **care** of the surrounding **environment** and
- improving the **quality of life** in the communities we operate in.

A moment of historic significance





# Industries Served



**Aerospace**



**Agriculture**



**Automobile**



**Construction**



**Cosmetics**



**Defence**

# Industries Served



**Flavour & Fragrance**



**Food & Nutrition**



**Paint & Coatings**



**Personal Care**



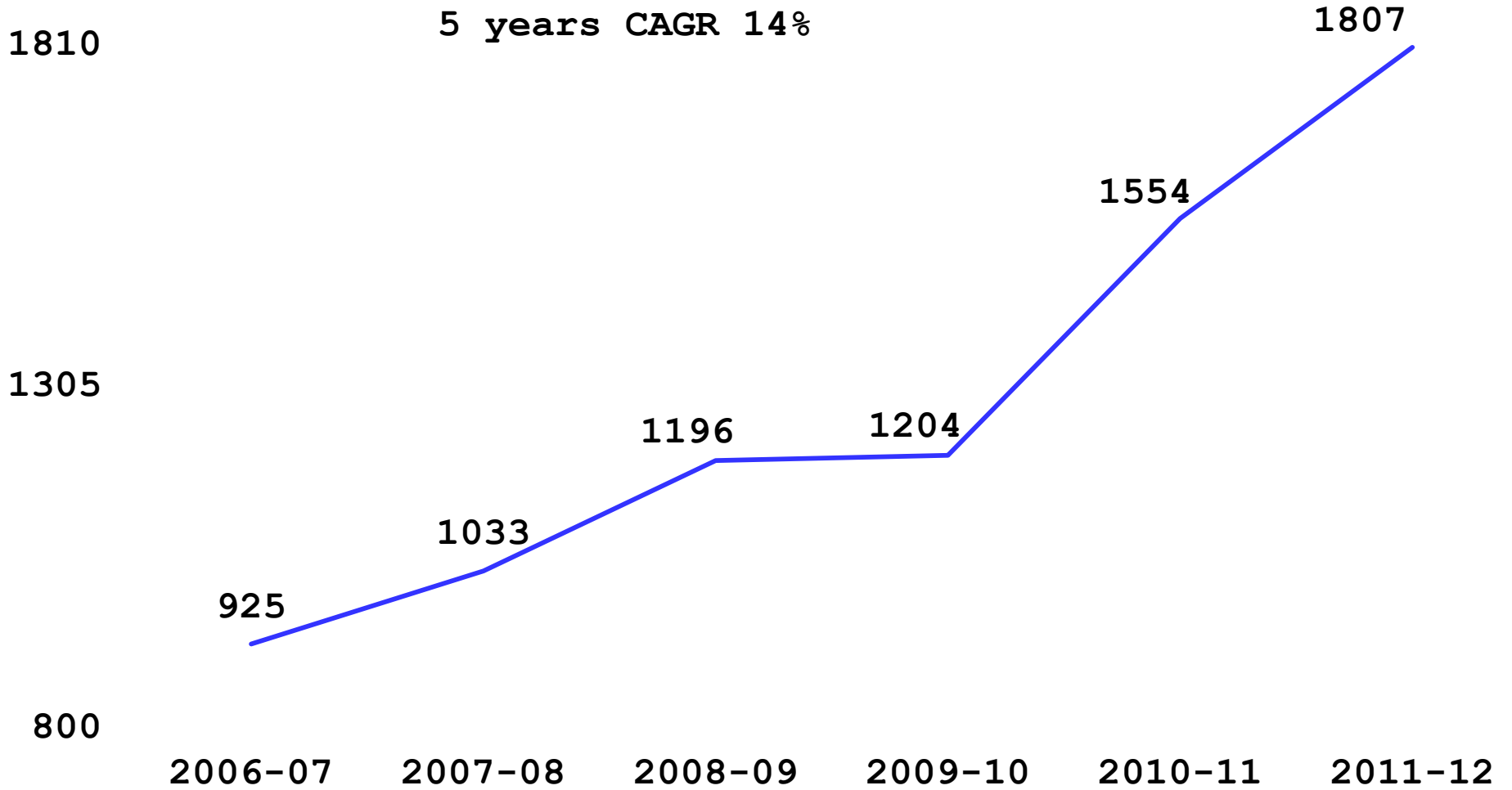
**Pharmaceutical**



**Textile**

# Revenues

₹ cr

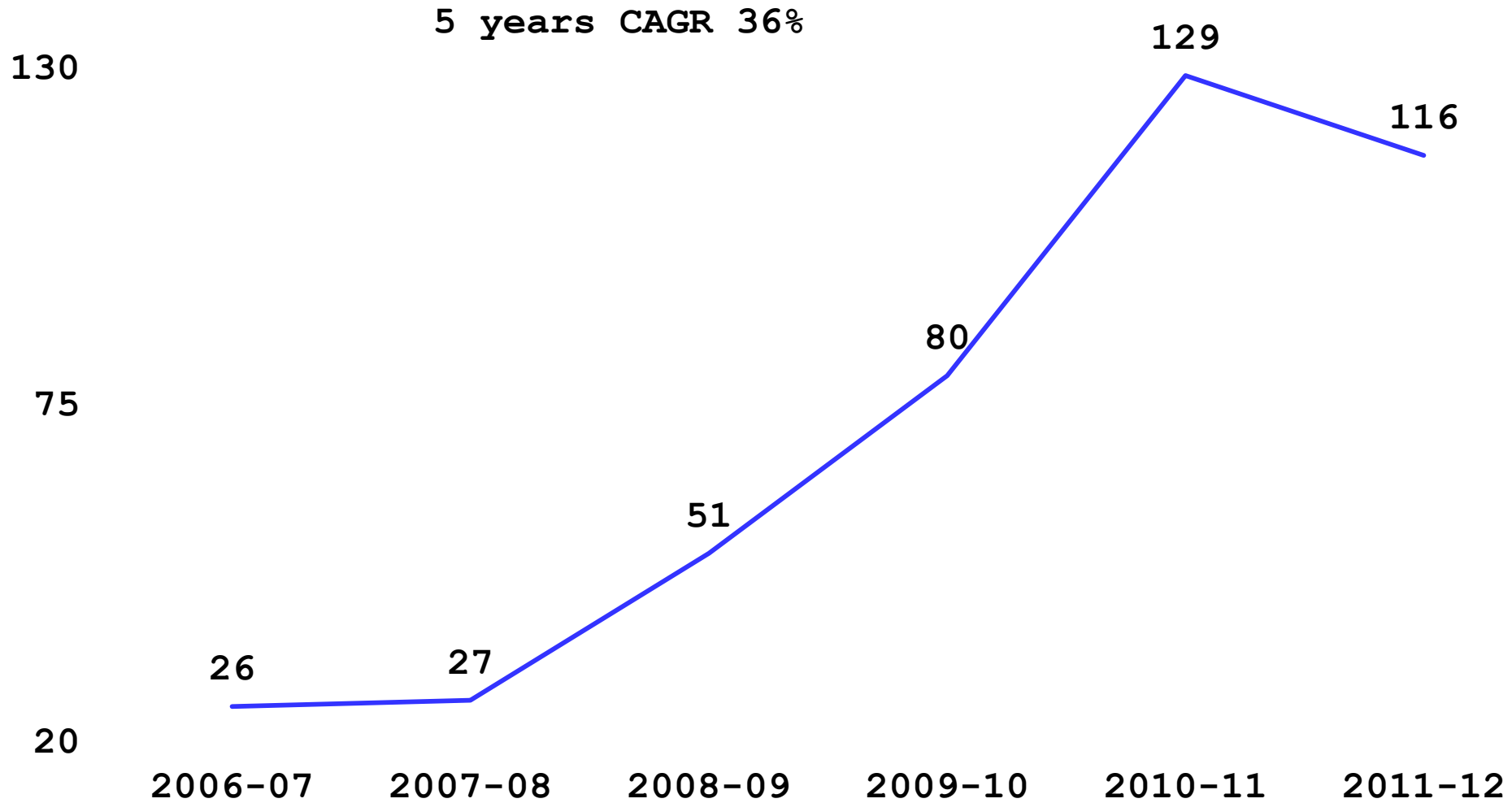


# Profit before tax

(from operations)



₹ cr



# Key Initiatives

(Growth)



Projects commissioned | under implementation

- |    |      |     |                 |
|----|------|-----|-----------------|
| 1  | AR-1 |     |                 |
| 2  | BI-1 |     |                 |
| 3  | CP-1 |     |                 |
| 4  | PI-1 |     |                 |
| 5  | PI-2 |     |                 |
| 6  | PI-3 |     |                 |
| 7  | PO-1 |     |                 |
| 8  | PO-2 |     |                 |
| 9  | PI-4 | ... | Atul Bioscience |
| 10 | PI-5 | ... | Atul Bioscience |

Acquisition

- 1 DPD

Joint Ventures

- 1 Rudolf Atul Chemicals
- 2 Atul Elkay Polymers

Investment ₹ 130 cr

14 | 18





Inauguration of ARDP lab by Honorable Chief Minister of Rajasthan,  
Shri Ashok Gehlot



**Inauguration of p-C plant by Honorable Chief Minister of Gujarat,  
Shri Narendra Modi**

# Service to Society



# Key Initiatives

(Service to Society)

- **AIVE**

Dharampur Valsad District

Trades:16

Students|year: 1100



- **ITIs**

Sagbara Narmada District

Trades:7

Students|year: 230



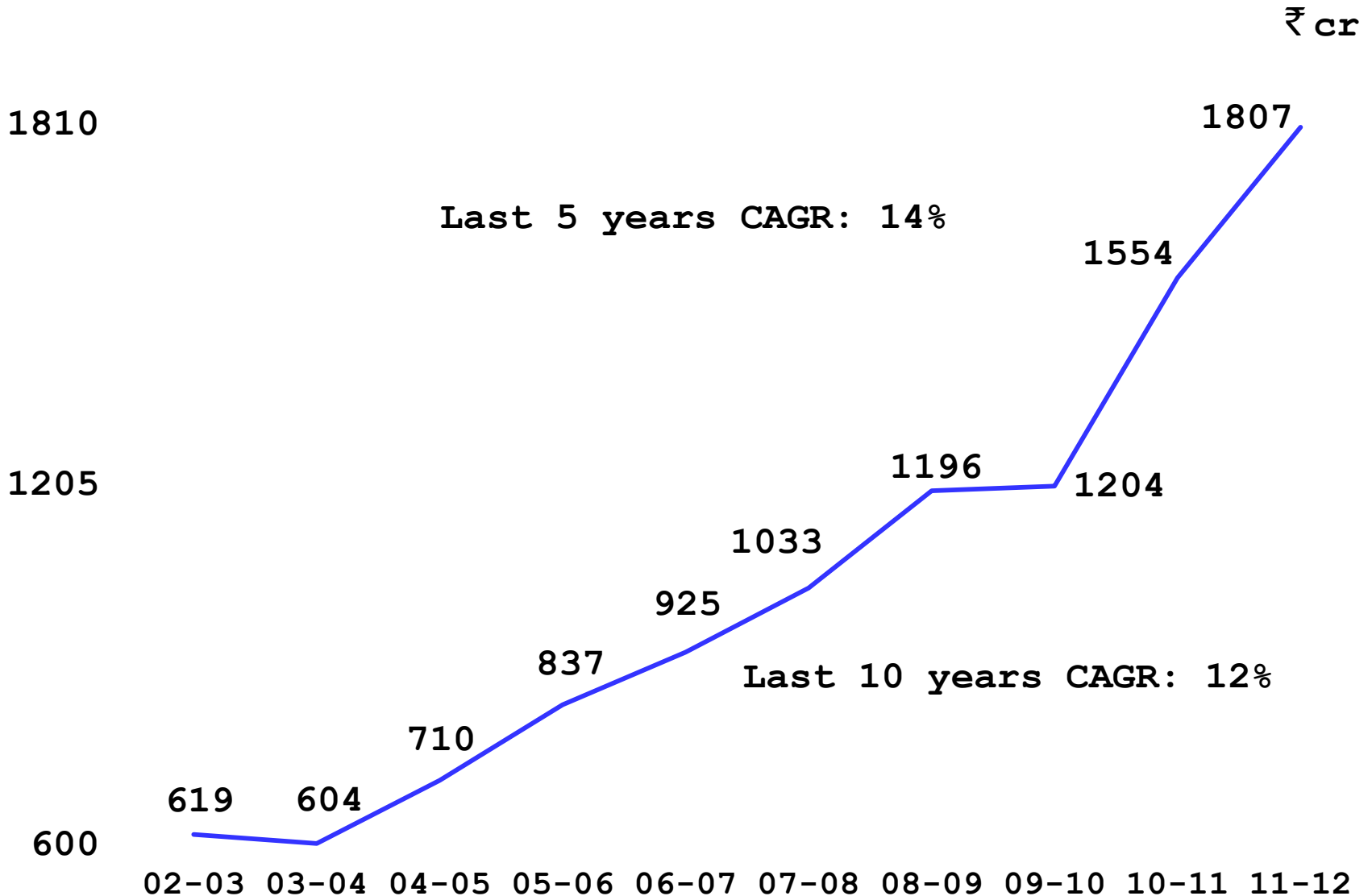
Khergam Navsari District

Trades:4

Students|year: 90

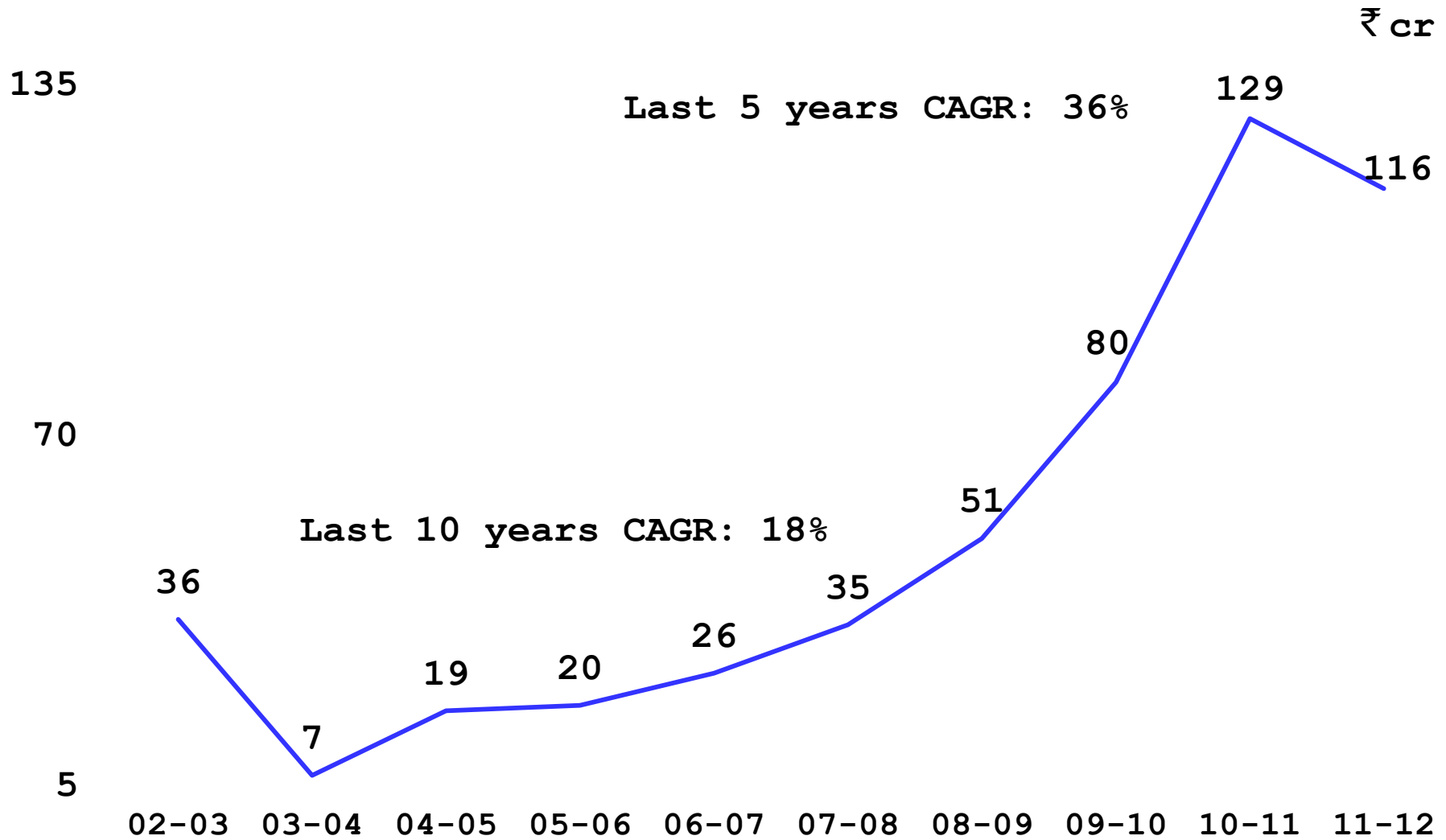
# Financial Performance

# Revenues

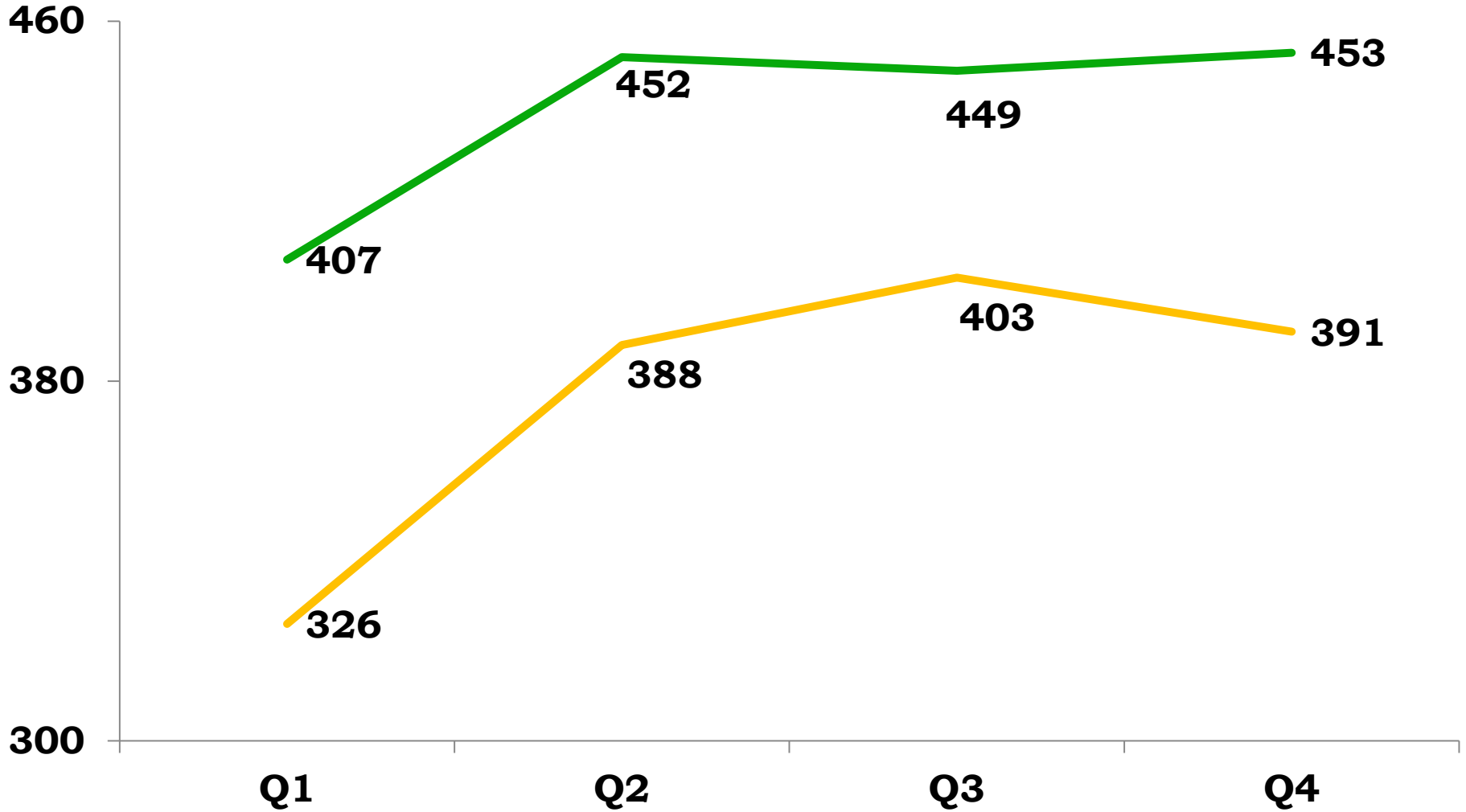


# Profit Before Tax

(from operations)



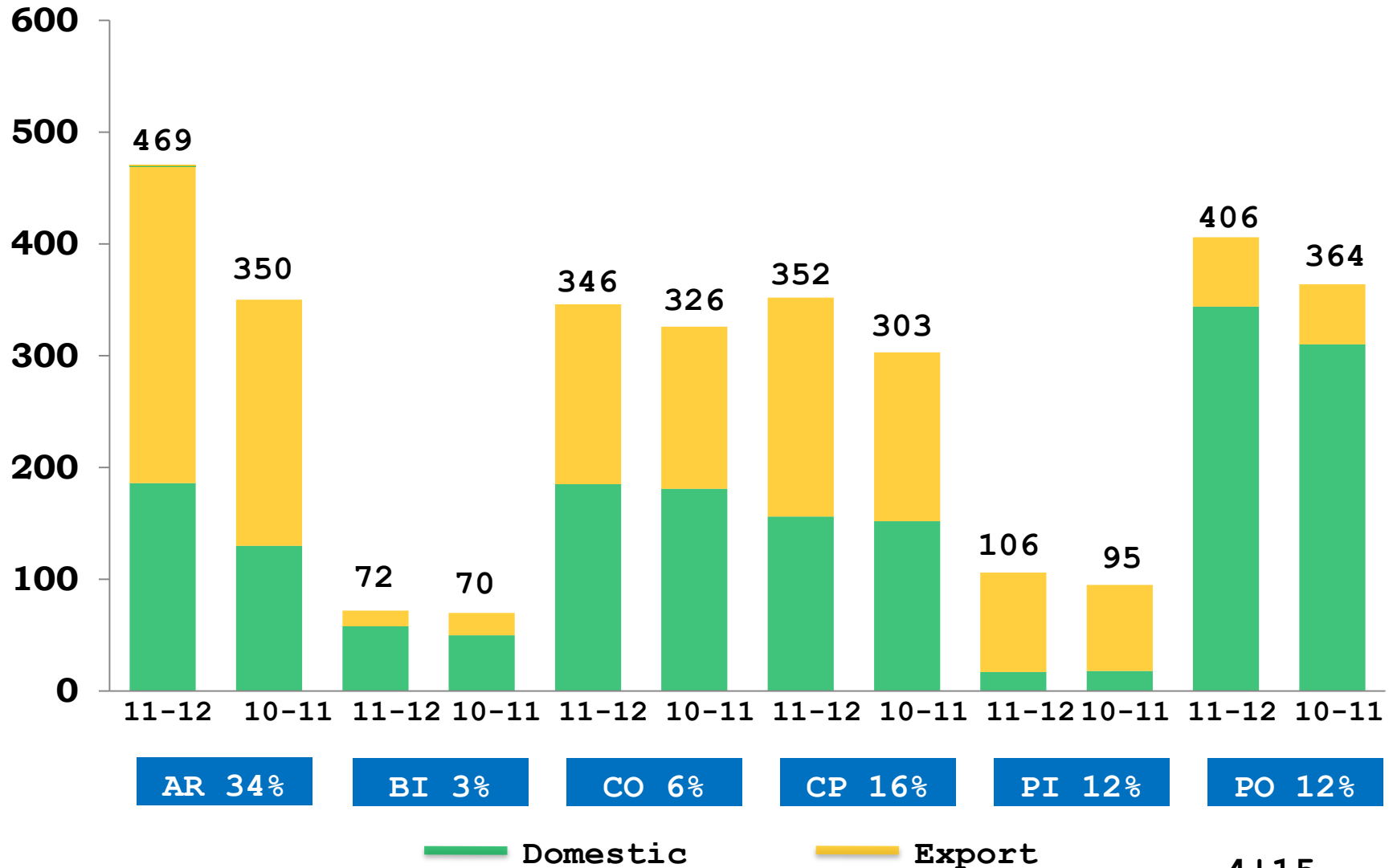
# Quarterly Sales





# Divisional Sales Analysis

₹ cr



AR 34%

BI 3%

CO 6%

CP 16%

PI 12%

PO 12%

# Leverage ratio

Particulars	2011-12	2010-11
Debt   equity	0.59	0.57
Interest (coverage before forex adjustment)	6.52	7.72
Interest coverage	4.70	7.72
DSC	1.81	1.92
		5   15

# Key ratio

%

Particulars	2011-12	2010-11
Contribution	26	27
EBIDTA	12	14
Interest to sales (before forex adjustment)	1.76	1.70
Interest to sales (after forex adjustment)	2.40	1.70
Current	1.28	1.27
RoCE	17	18
EPS ₹	29.70	30.34

# Comparative Profitability

₹ cr

Particulars	2008-09	2009-10	2010-11	2011-12
	A	A	A	A
Sales	1159	1168	1508	1761
EBIDTA from operations before forex	167	152	203	215
Non recurring income   (expense)	(5)	-	10	6
EBIDTA before exchange difference	162	152	213	221
EBIDTA before exchange difference %	14	13	14	13
Exchange difference	(44)	(9)	(9)	(24)
EBIDTA after exchange difference	118	143	204	197
EBIDTA after exchange difference %	10	12	13	11
PBT after exchange difference	46	80	139	122
PAT	36	53	96	88
RoCE %	11	13	18	17

# Factors Affecting Profitability

	Sales	PBIDT
		Before exchange
2010-11	1508	203
2011-12	1761	215
Increase	253	12
<b>Positive factors</b>		
Sales volume	68	18
Selling price	185	185
<b>Total positive factors</b>	<b>253</b>	<b>203</b>
<b>Negative factors</b>		
Raw material price		130
Rupee depreciation		17
Repairs & maintenance		5
Salaries		15
Others		24
<b>Total negative factors</b>		<b>191</b>

# Fixed Cost

₹ cr

Particulars	2011-12	2010-11	Inc   (Dec)
Salaries and wages	117	102	15
Repairs and maintenance	69	64	5
Interest	31	26	5
Depreciation	44	39	5
Others	74	64	10
<b>Total</b>	<b>335*</b>	<b>295*</b>	<b>52</b>
% to sales	19	20	

\* ₹ 24 cr forex loss in 11-12 and ₹ 9 cr in 10-11 excluded

# Working Capital Management

# Working Capital

NoDs

Particulars	Mar 12	Mar 11	Mar 10
Inventories	59	60	59
Debtors	69	64	75
Other current assets	22	27	30
<b>Gross Working Capital</b>	<b>150</b>	<b>151</b>	<b>164</b>
Current liabilities	75	75	83
<b>Net Working Capital</b>	<b>75</b>	<b>76</b>	<b>81</b>



# Working Capital

₹ cr

Particulars	Mar 12	Mar 11	Inc   (Dec)
Inventories	293	261	32
Debtors	368	300	68
Other current assets	113	116	(3)
<b>Gross Working Capital</b>	<b>774</b>	<b>677</b>	<b>97</b>
Current liabilities	373	325	48
<b>Net Working Capital</b>	<b>401</b>	<b>352</b>	<b>49</b>

# Cash Flow and Borrowings

# Cash Flow from Operations



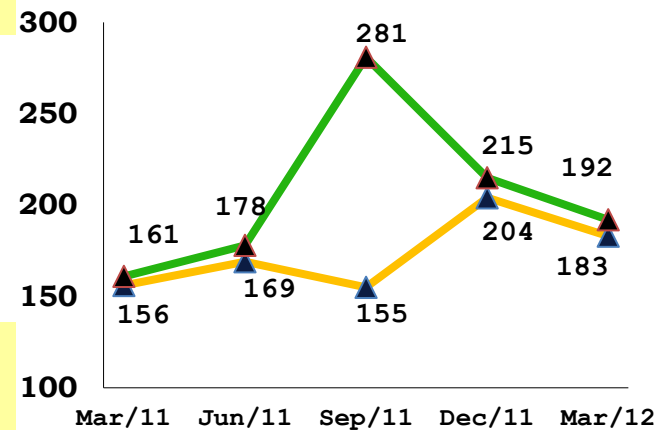
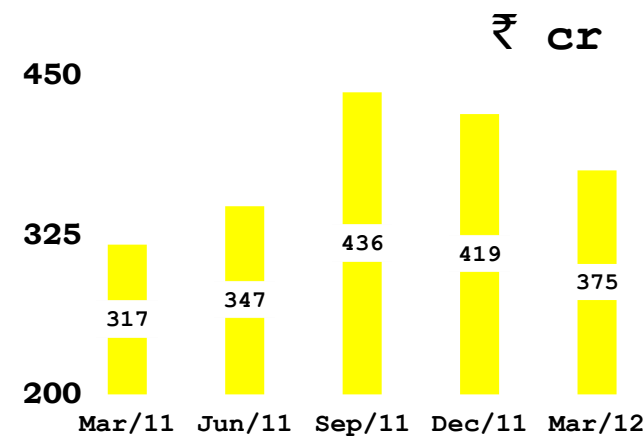
₹ cr

	2011-12	2010-11
Operating profit *	193	187
Inventories	(32)	(51)
Trade & other receivables	(77)	(58)
Creditors and other payables	75	26
Cash generation from operations	159	104
Tax payments	38	45
Net cash flow from operating activities	121	59

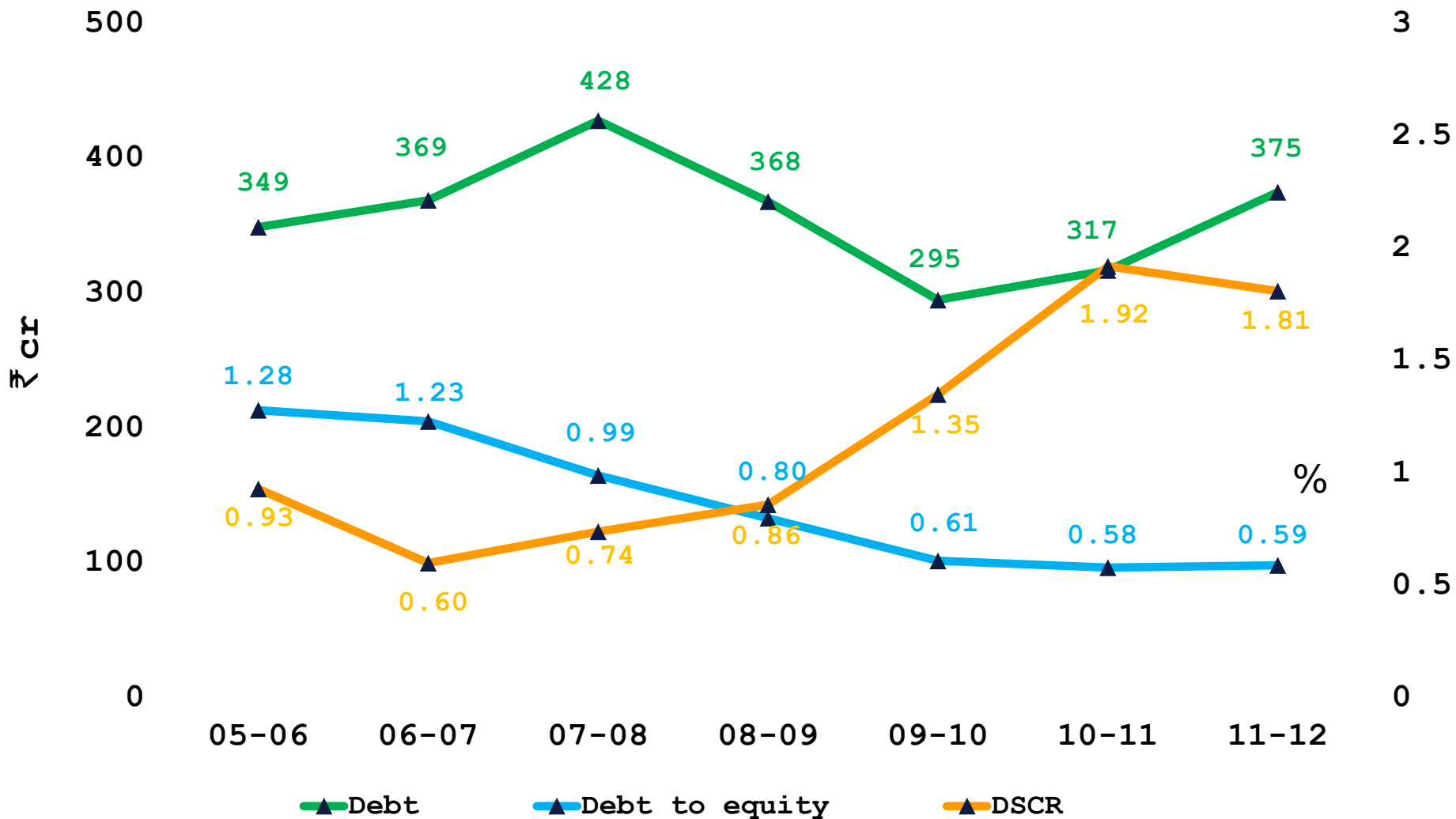
\* before WC changes and exchange difference on FCL 12|15

# Position of Borrowings

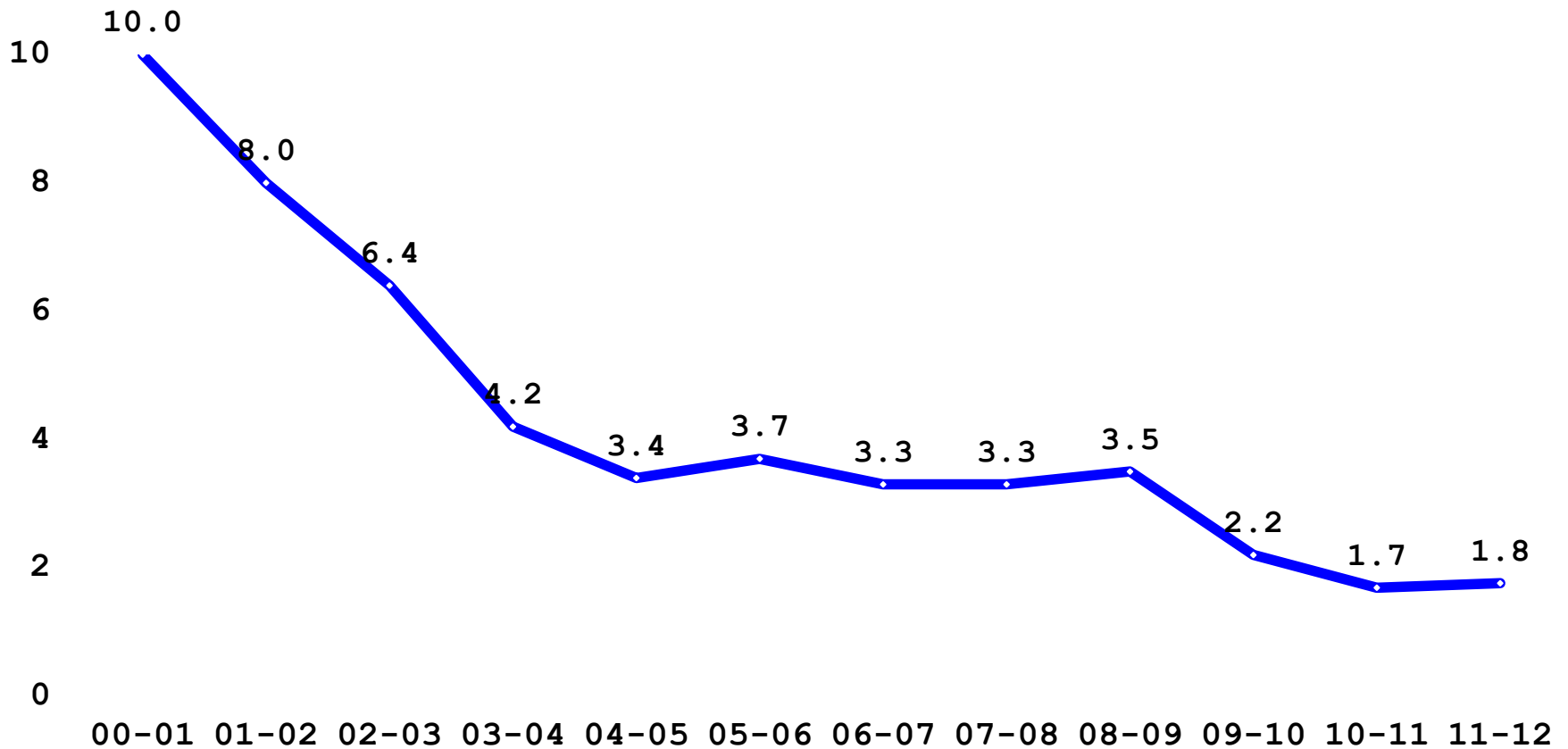
	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12
<b>Rupee</b>	204	221	282	250	233
<b>Foreign Currency</b>	113	126	154	169	142
<b>Total</b>	317	347	436	419	375
<b>Long-term</b>	156	169	155	204	183
<b>Working Capital</b>	161	178	281	215	192
<b>Total</b>	317	347	436	419	375



# Borrowings



# Interest to Sales



**Thank You**

# Performance and Other Chemicals

## Aromatics



# Purpose

AR Division will be a world-class business, offering its customers in Personal Care and other chosen industries high quality products and services in a cost effective manner.

# User Industries

- Personal Care
- Pharmaceutical
- Flavors & Fragrance (F&F)
- Dyestuff
- Paper

**No of Customers**

**~400**

# Key Products

Product Group	Market Share (2011-12)	Competition
p-Cresol	35%	China (6)
p-AA	65%	Europe (1), India (1)
p-AA1	40%	India (2)
p-Cd	30%	China (1)

# Financials

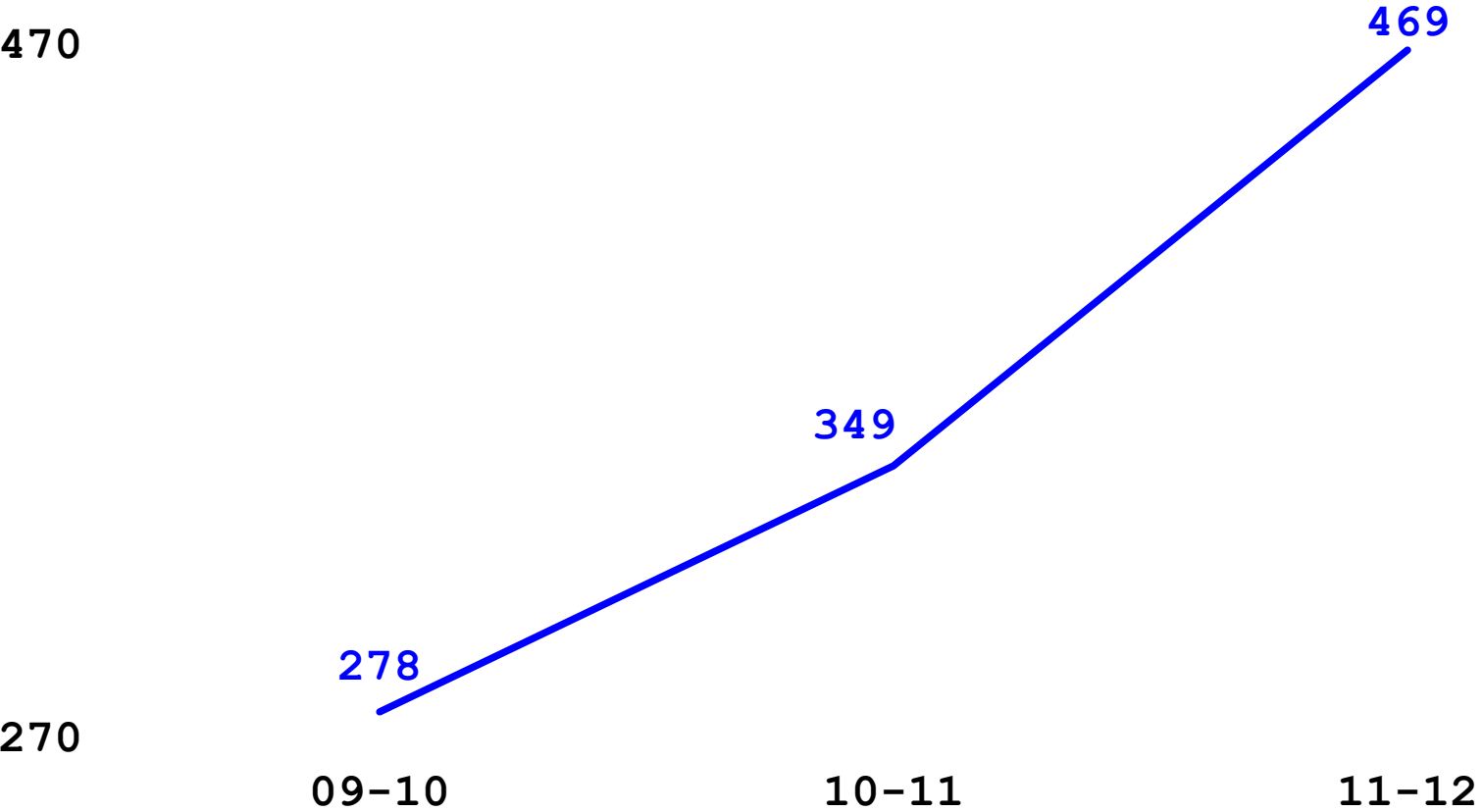
₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	278	349	469
No of people	197	197	226

# Sales



₹ cr



34% growth over previous year

# Way forward - Key Actions

- Maintain cost and volume leadership in existing products
- Enter into value added downstream products
- Explore related opportunities in Personal Care and F&F

# Risks

- Chinese competition mainly in p-C and p-AA
- Non compliance to REACH regulations

# Performance and Other Chemicals

## Bulk Intermediates



# Purpose

BI Division will supply bulk chemicals to other Divisions in a cost effective manner and grow in speciality chemicals and intermediates.

# User Industries

- Tyre and Rubber
- Dyestuff
- Paper
- Pharmaceutical

**No of Customers**

**227**

# Key Products

Product Group	Market Share (2011-12)	Competition
Resorcinol	43% domestic  3% global	Japan (2), USA (1), China (8)
CSA	16% domestic	India (3)
Oleum 65%, SO <sub>3</sub> , Caustic Soda	Captive consumption	

# Financials

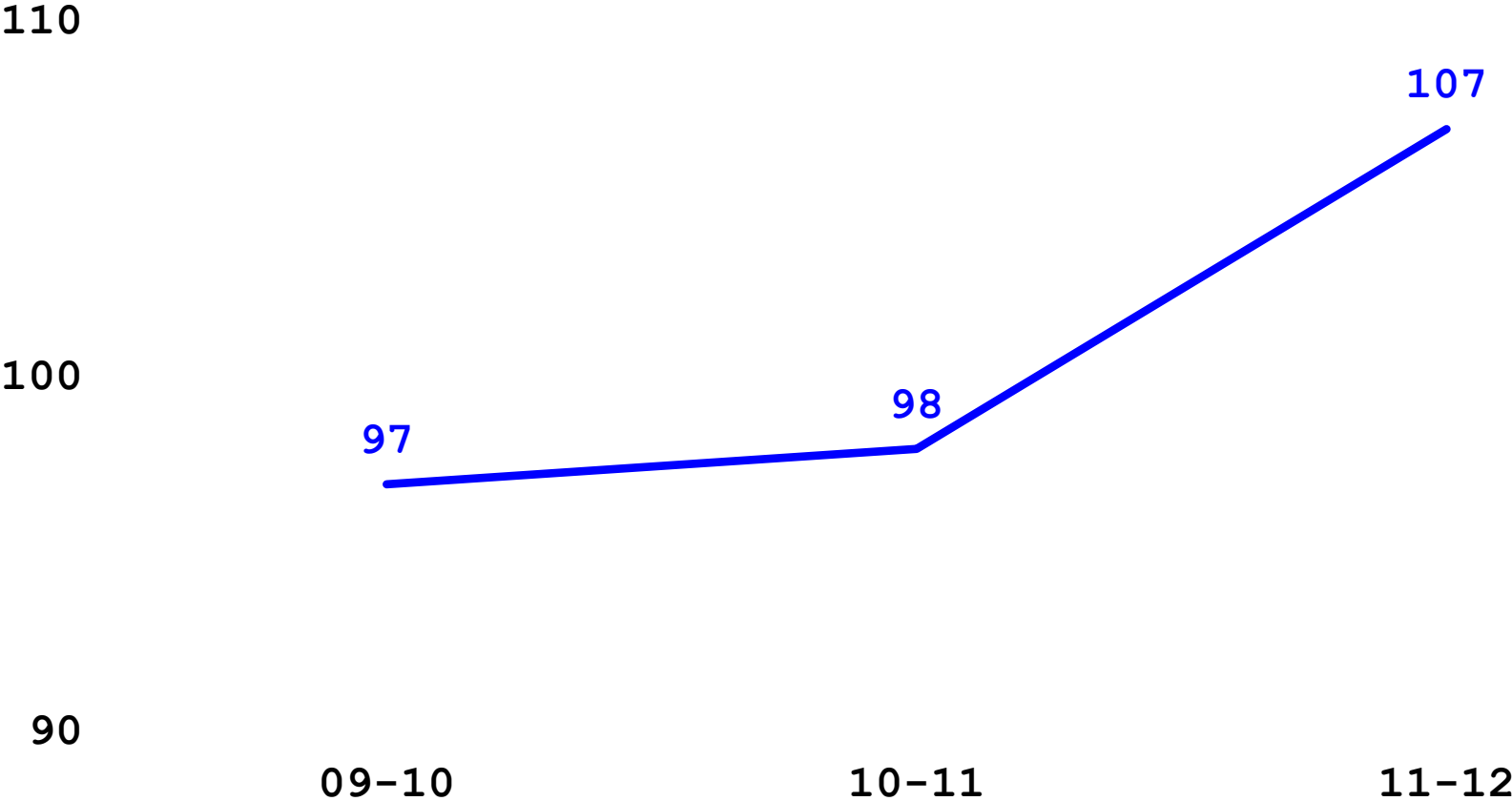
₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	97	98	107
No of people	269	258	254

# Sales



₹ cr



# Way forward - Key Actions

- Expand Resorcinol capacity
- Enter into new intermediates - 3
- Introduce products based on Hydrogen

# Risks

- 60% of the Division's business is commodity based and driven by highly uncertain trends
- Too many new players making business unviable
- Increasing Chinese imports

# Performance and Other Chemicals

## Colors



# Purpose

CO Division aims to be a reliable global supplier of colorants required for different facets of human life. Its products will find applications in industries such as textile, pharmaceutical, personal care, paper, paint and coatings, packaging, foods and electronics.

It will manufacture in a responsible way and compete in the market place on the basis of service, quality and cost and continuously improve processes so as to deliver better value.

# User Industries

Product Group	User Industries				
Textile dyes	Textile				
Paper dyes	Paper				
HP pigments	Paint and Coatings				
<table border="0"> <tr> <td data-bbox="639 1110 1045 1146">No of Products</td> <td data-bbox="1219 1105 1315 1146">550</td> </tr> <tr> <td data-bbox="639 1205 1070 1240">No of Customers</td> <td data-bbox="1219 1199 1348 1240">1350</td> </tr> </table>		No of Products	550	No of Customers	1350
No of Products	550				
No of Customers	1350				

# Key Products

Product Group	Market Share (2011-12)	Competition
Vat dyes	13%	Europe (1), China (4), India (1)
Reactive dyes	1.5%	Europe (2), India (8-10)
Sulphur Black	8%	Europe (1), China (3)
HP pigments	2.5%	Europe (3)

# Financials

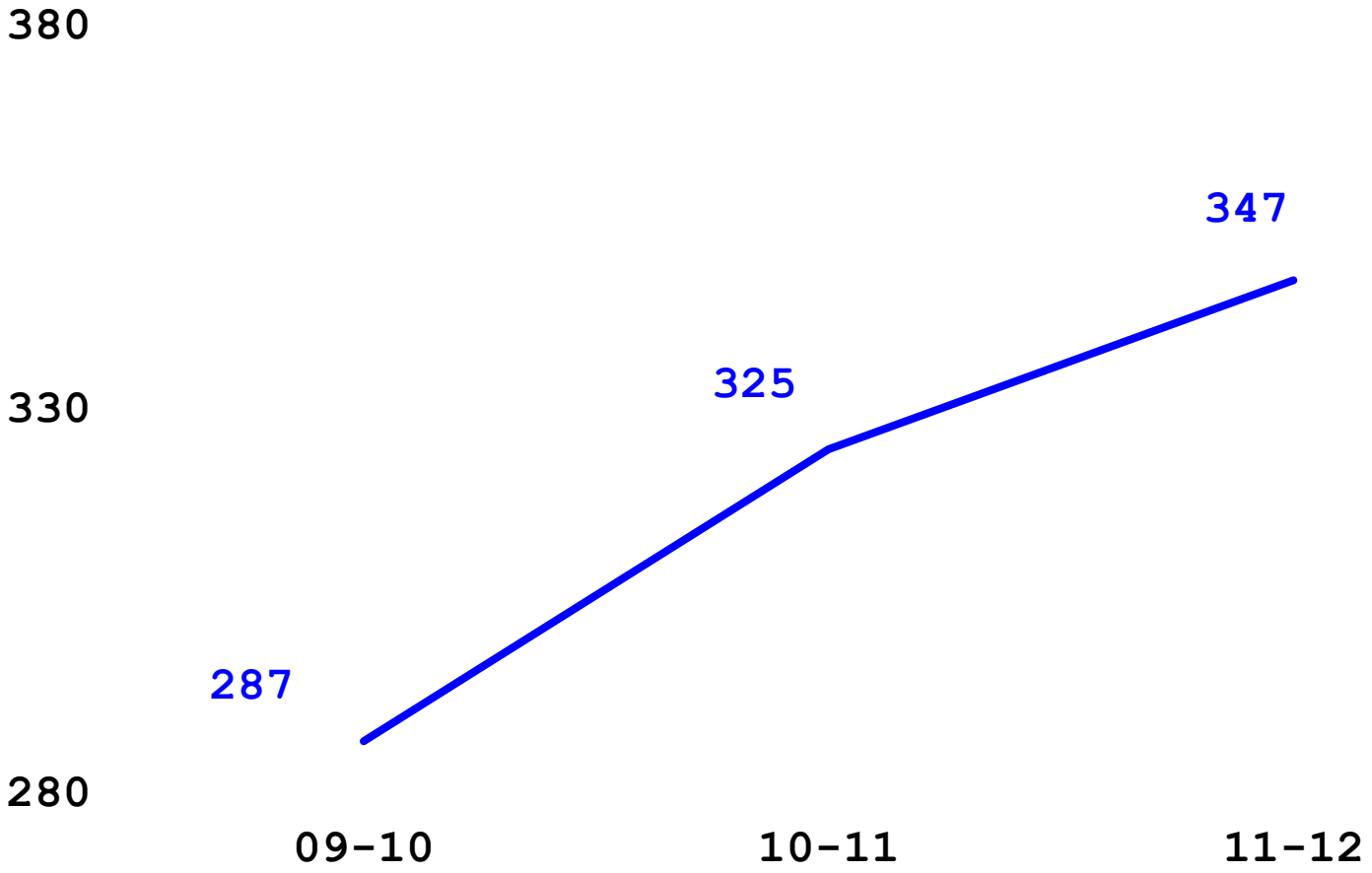
₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	287	325	347
No of people	995	950	941

# Sales



₹ cr



7% growth over previous year

# Way forward - Key Actions

- Increase Vat dyes global market share through M Dohmen-Atul Enterprise
- Increase Reactive dyes market share with continuous and poly-functional range
- Introduce new High Performance Pigments for business growth
- Expand business in Sulphur Black and grow in Denim segment
- Explore new synergistic business opportunities
- Reduce fixed cost through restructuring

# Risks

- **Reduced demand for niche products**
- **Increased presence of MEs in specialties on a global level**
- **Limited product portfolio in High Performance Pigments**
- **Minimal exposure to new synergistic business segments**

# Life Science Chemicals

## Crop Protection



# Purpose

- We, Crop Protection Division, are in the business of servicing the growing needs of food and fiber
- We leverage our competency in chemistry and provide farm solutions to create lush yields
- We strive for building relationship with farmers across the globe

# User Industries

User industry	Agriculture
No of products	63
No of customers	1555
Exports	160
Brand	1300
Bulk	95

**CP brands are available across 15000 retail outlets**

# Key Products

Product Group	Market Share (2011-12)	Competition
2,4 D group	12%	USA (1) , Australia (1) , South America (1) , Europe (1) , China (5) , India (3)
Indoxacarb	7%	USA (1) , India (1)

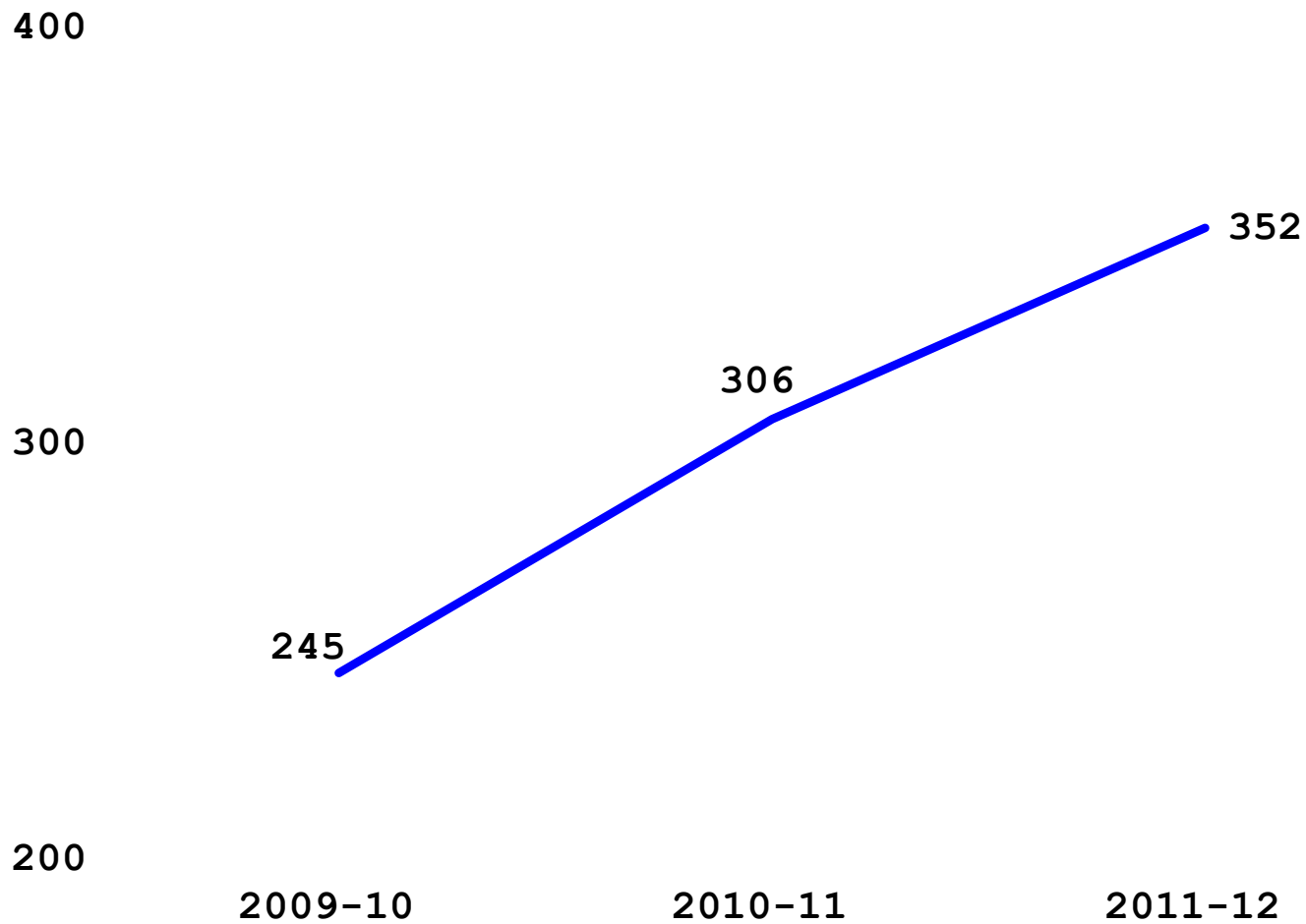
# Financials

₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	245	306	352
No of people	353	364	387

# Sales

₹ cr



15% growth over previous year

# Brands

अतुल जहाँ खुशहाली वहाँ



लालभाई ग्रुप के सदस्य

# Way forward - Key Actions

- Expand herbicide capacity
- Expand brand business
- Introduce new products coming off patent
- Increase contract manufacturing through strategic alliance

# Risk

- Business is dependent on monsoon weather and pest attack
- Fluctuation in commodity prices
- Low price competitors from China with equal| better quality
- Competition from new entrants and low priced suppliers in domestic herbicide business
- Entry of international generics companies in India
- Increased usage of GM crops
- Dependence on China for key intermediates
- ₹ volatility



**Life Science Chemicals**

**Pharma & Intermediates**

# Purpose

PI Division will contribute to the wellness of mankind by catering to the growing needs of Pharmaceutical Industry. It will supply pharma intermediates and APIs in a cost effective manner using novel technologies.

# User Industries

Product Group	User Industries
Pharmaceutical Intermediate and APIs	Pharma
Phosgenated Chemicals	Pharma, Polymers, Crop Protection
Sulfones	Pharma, Aerospace, Electronics, Polymers, Paper
<b>No of Products</b>	<b>40</b>
<b>No of Customers</b>	<b>100</b>

# Key Products

Product Group	Market Share (2011-12)	Competition
Pharmaceutical Intermediates and APIs	<1%	USA, Japan, Europe, India, China (several companies)
Phosgenated intermediates	<1%	China (5), Europe (5), Japan (3), USA (1), India (1)
Sulfones	50%	China (5), India (3), Europe (2), Japan (2)

# Financials

₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	66	95	106
No of people	215	218	213

# Sales

₹ cr

110

106

95

66

85

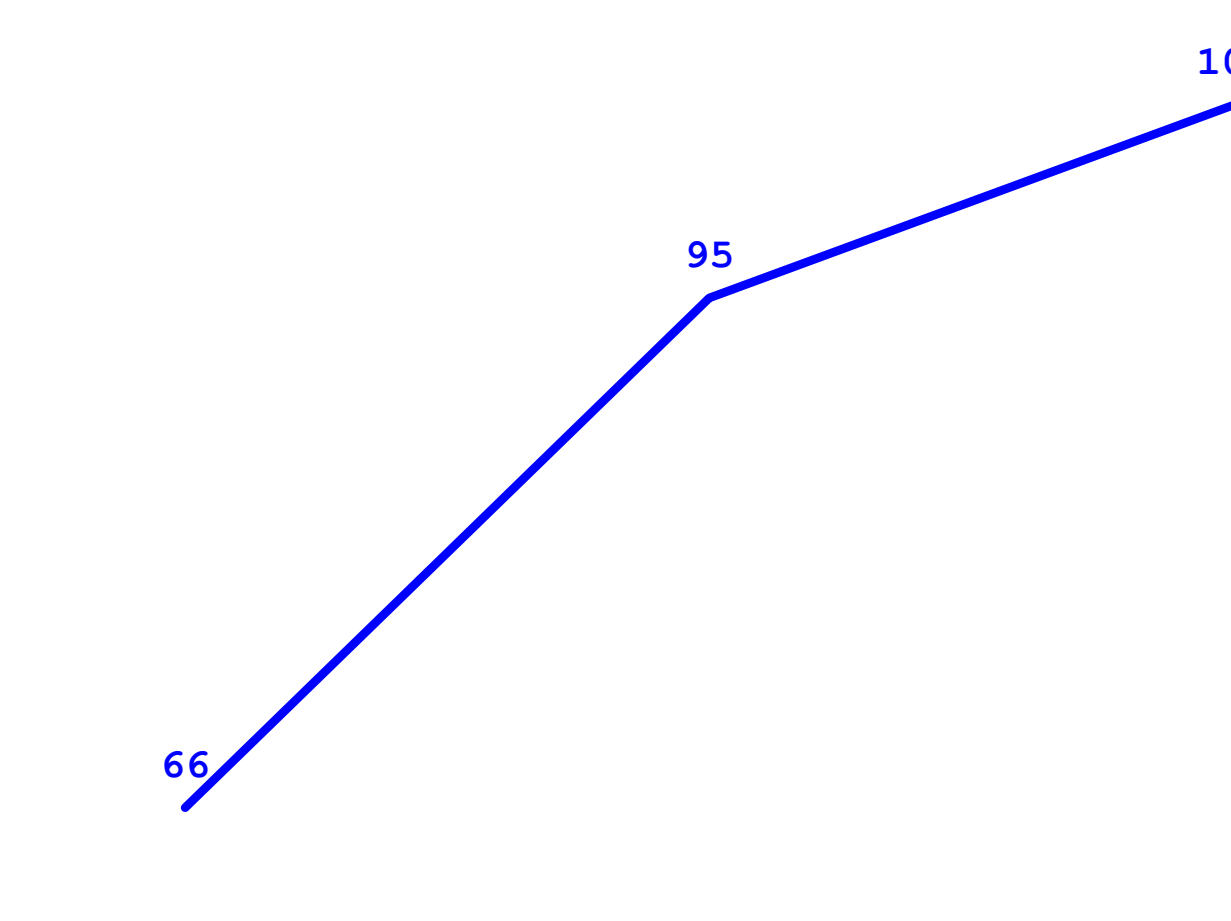
60

09-10

10-11

11-12

12% growth over previous year



# Way forward - Key Actions

- Expand capacity for sulfones and launch new sulfones developed in-house
- Introduce at least 6 new intermediates and APIs every year
- Expand capacities for Pharmaceutical & Phosgenated intermediates and APIs (GMP facility)
- Growth through custom synthesis and contract manufacturing
- Improve productivity through process intensification and novel technologies

# Risks

- ₹ volatility (75% exports)
- Stricter regulatory requirements for EU/ USA



# Performance and Other Chemicals

## Polymers

# Purpose

PO Division will offer best in class products and services to Automotive, Composites, Footwear, Furniture, Paint & Coatings and Civil industries across the world with bonding and coating solutions in a cost effective manner.

# User Industries

**Product Group**

**User Industries**

**Epoxy**

**Paint & Coatings**

**Civil**

**Power Transmission**

**Wind energy**

**Defense**

**Automotive**

**Aerospace**

**No of Products**

**219**

**No of Direct Customers**

**458**

# User Industries

**Product Group**

**User Industries**

**Brands**

**Footwear**

**Handicrafts**

**Civil**

**Jewelry**

**Automotives**

**Furniture**

**Engineering**

**Art and Craft**

**No of Brands**

**10**

**No of Distributors**

**475**

# Key Products

Product Group	Market Share (2011-12) Domestic	Competition
Epoxy	20%	USA (1), Fareast (2), Europe (2), India (1)
Brands	15%	India (7)

# Financials

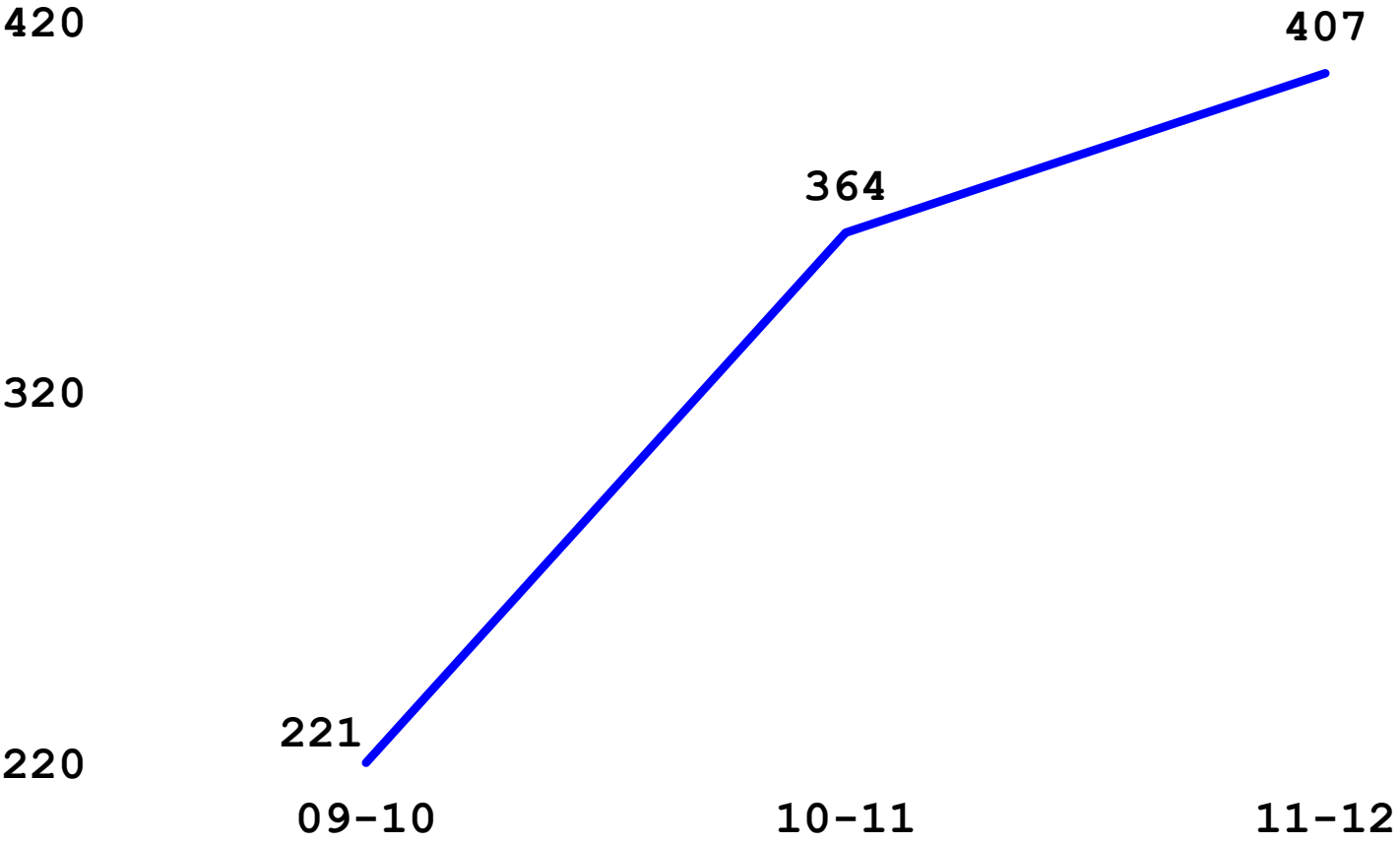
₹ cr

Particulars	2009-10	2010-11	2011-12
	A	A	A
Sales	221	364	407
No of people	243	245	268

# Sales



₹ cr



11% growth over previous year

# Way forward – Key Actions

- Increase sale of high margin products
- Diversify and expand product portfolio
- Add new business verticals of strategic importance
- Expand brand business
- Reduce cost and improve working capital cycle
- Grow through Inorganic and Organic route



# Risk

- Price and margin sensitive business
- Growth depends on Infrastructure sector
- Limited ability to pass the input cost increases

# Atul - Elkay JV

- Established in 1962 at Istanbul, Turkey
- Specialty chemicals for "Stone Care Industry"
- Manufacturing in Istanbul
- Over 30 products
- Exports to over 10 countries

# Atul - Elkay JV

- Atul currently operates in this segment
- Segment offers high margins
- Existing manpower will be deployed for the new business
- Leverage current manufacturing facility, sales infrastructure & staff
- Product range - Mostly an import substitute
- Growing market and sustainable demand
- Attractive export potential



Stone Processors



Construction Sites



Airports / Malls

**Applications**



Heritage Bldgs



Homes

**Thank You**