



Analyst Meet 2019

May 03, 2019

Main slides: 82
Total time: 60 minutes

Disclaimer



We have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and thereby comprehend our prospects. We cannot guarantee that these forward looking statements will realise although we believe we have been prudent in our assumptions. The actual results may be affected because of uncertainties, risks and even inaccurate assumptions. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise. The information about market size, CAGR and market share shown in this presentation pertains to products | product groups the Company is operating in.

The background of the slide is a photograph of a large, mature tree with a thick, textured trunk and a dense canopy of green leaves. Numerous small, round, reddish-orange fruits are visible hanging from the branches. The sky is a clear, bright blue with a few wispy white clouds. The text is overlaid on the right side of the image.

A humble beginning

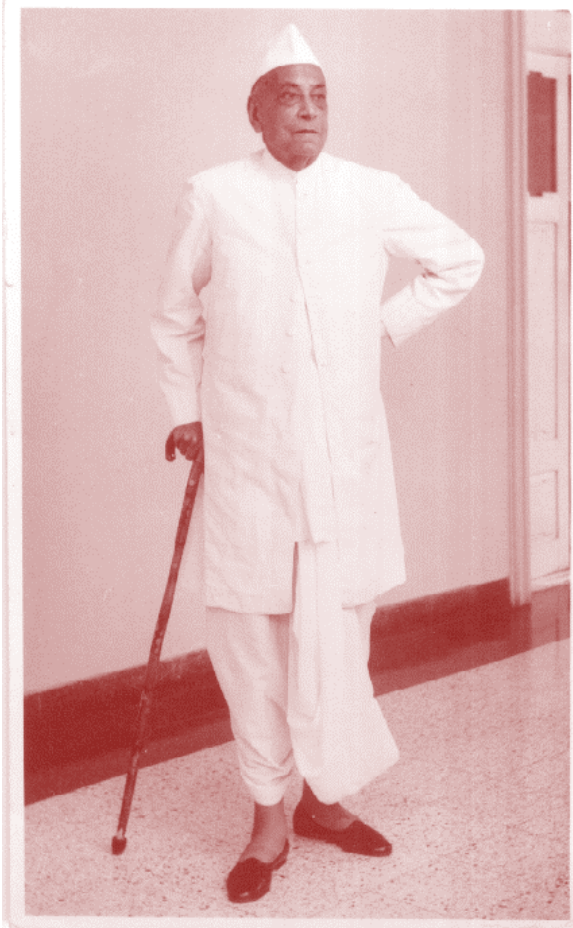
Our first office,
a table and chair,
functioned under a
Kadamb tree.

Agenda



- Atul in perspective 10 minutes
- Financials 2018-19 10 minutes
- Sub-segment overview 35 minutes
- Interactions 30 minutes

Legacy



(1894 –1980)

Kasturbhai Lalbhai

- Trusteeship
- Discipline
- Foresight
- Eye for details
- Social purpose

In 2019-20, Atul celebrates 125th birth anniversary of its legendary founder.

A chemical engineer by education, Siddharth Kasturbhai shifted to Atul in 1952, the year in which manufacturing operations commenced. He succeeded Kasturbhai Lalbhai as the second Chairman of Atul.

Siddharth Kasturbhai accorded equal value to the creation of wealth and service to society. The principles he upheld of ethics in business and trusteeship in governance, as well as the personal qualities he lived by of integrity, perseverance, simplicity and a single-minded devotion to the tasks on hand continue to remain our guiding force.



(May 03, 1923 – September 13, 1998)



Integrity

working with honesty, following the highest standards of professionalism



Understanding

working and connecting with others, thus enhancing human relationships



Unity

working together and taking advantage of synergy while harnessing unique abilities of each of us to achieve a larger purpose



Responsibility

delivering value and taking ownership of actions



Excellence

seeking to continuously improve and develop an eye for detail



Atul Bioscience



Amal



Rudolf Atul Chemicals



Atul Brasil Quimicos



Atul China



Atul Europe



Atul Middle-East



Atul USA



Atul Foundation



Atul Institute of Vocational Excellence



Atul Club

1st

private sector company
inaugurated by the first
Prime Minister of India

1st

company to produce
several specialty
chemicals first time in
India

3,000+
employees

65

manufacturing
plants

71

years of
incorporation

900+
products

400+

formulations

90+

countries

6,000+

customers

1st company of India to

- manufacture *p*-Cresol
- manufacture *p*-Anisic Aldehyde
- manufacture Resorcinol
- manufacture dyes and dye-intermediates on a large scale
- manufacture Phosgene
- manufacture 2,4-D Acid and its derivatives
- manufacture Sulphonyl ureas
- propagate tissue cultured date palms
(in collaboration with the Government of Rajasthan)
- manufacture Dapsone
- manufacture Epoxy hardeners and resins
- many others

Serving diverse industries

touching lives in many ways ...



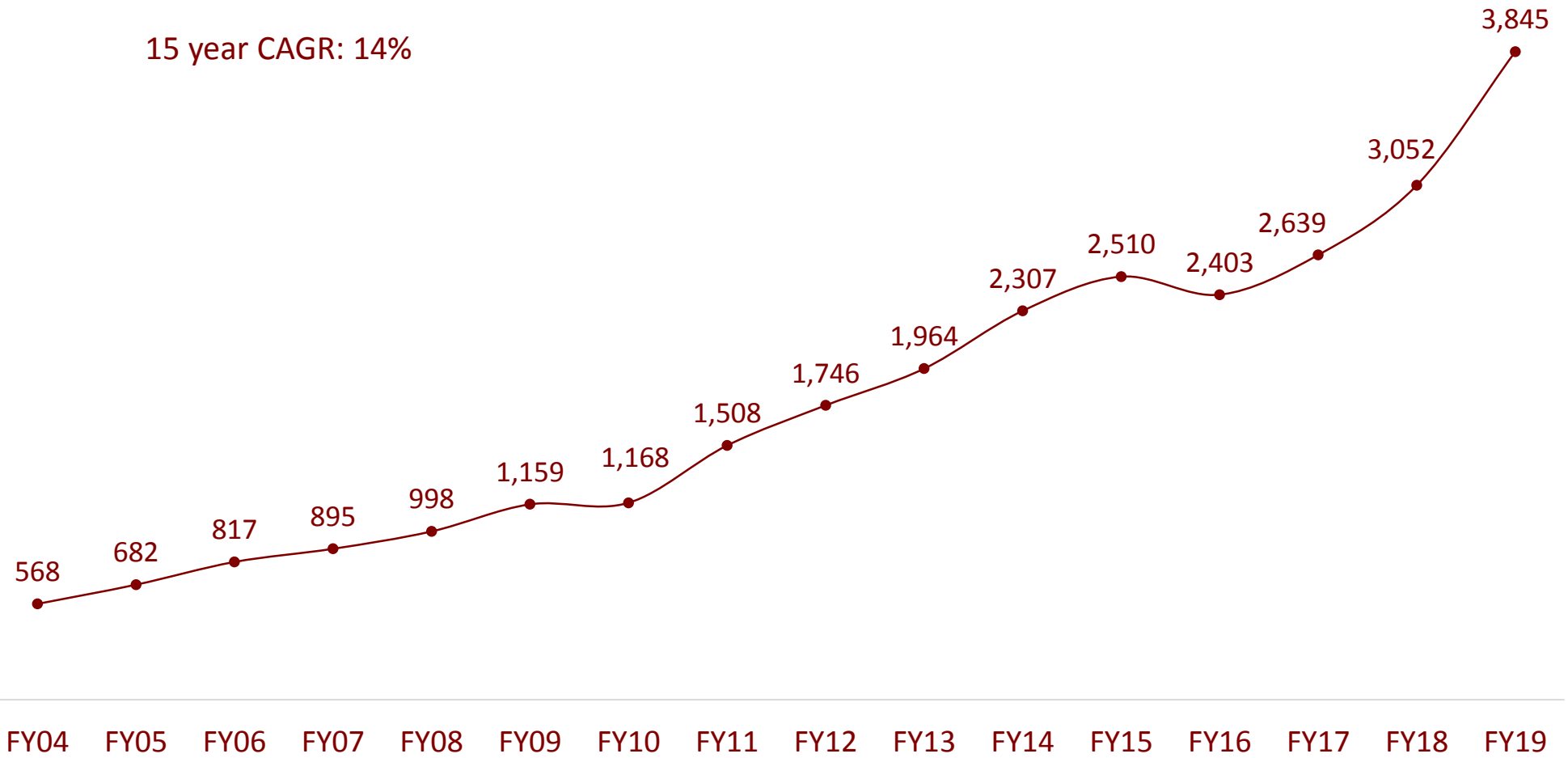
Performance

Sales trend



₹ cr

15 year CAGR: 14%

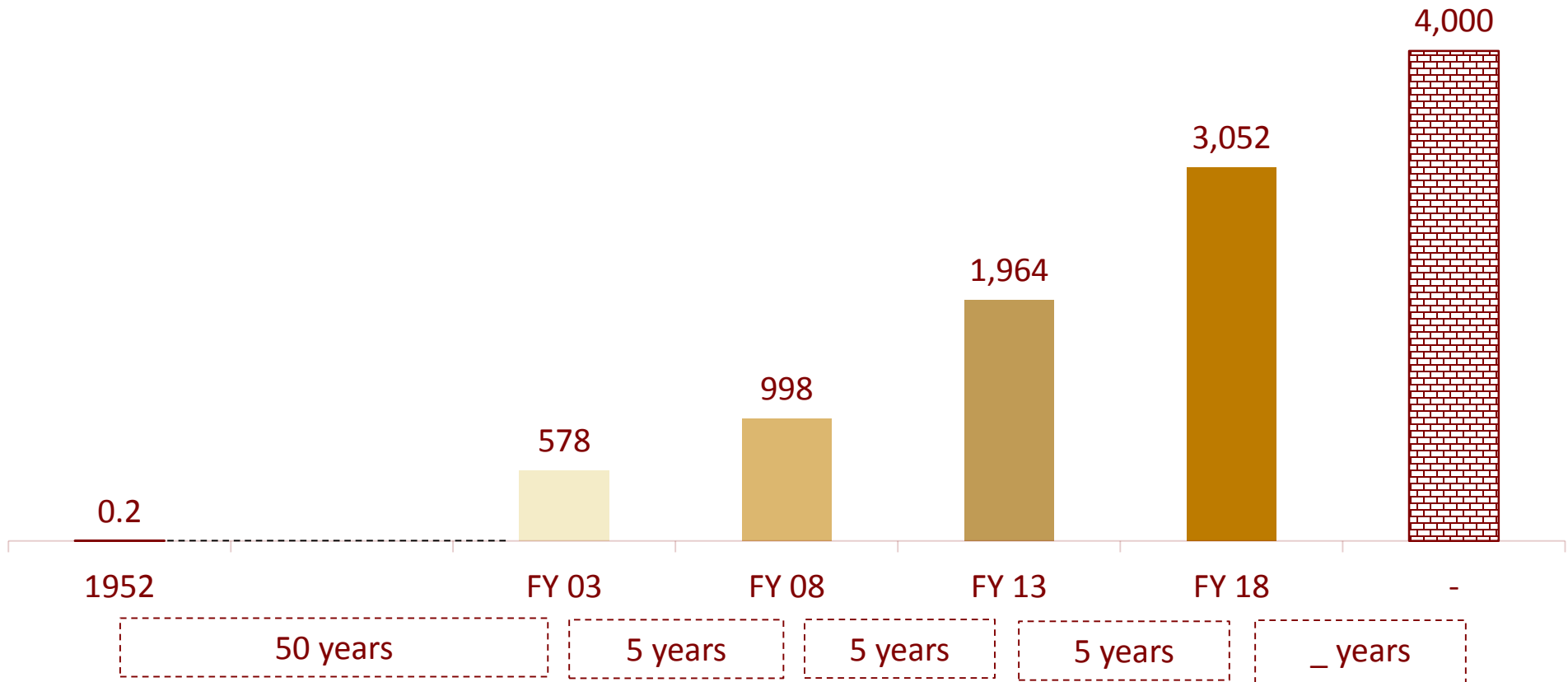


Sales growth (as shown last year)



₹ cr

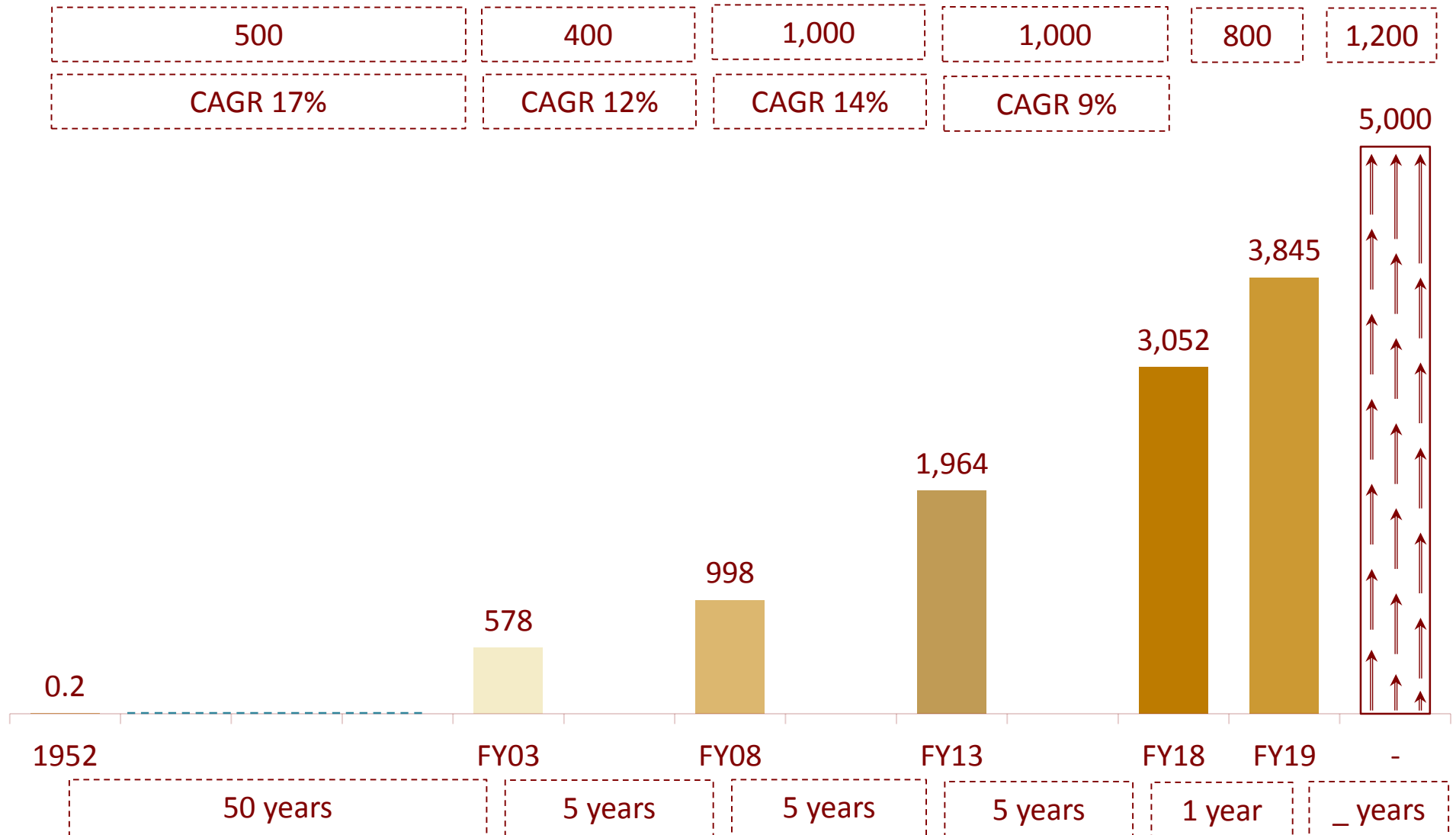
500	400	1,000	1,000	1,000
CAGR 17%	CAGR 12%	CAGR 14%	CAGR 9%	



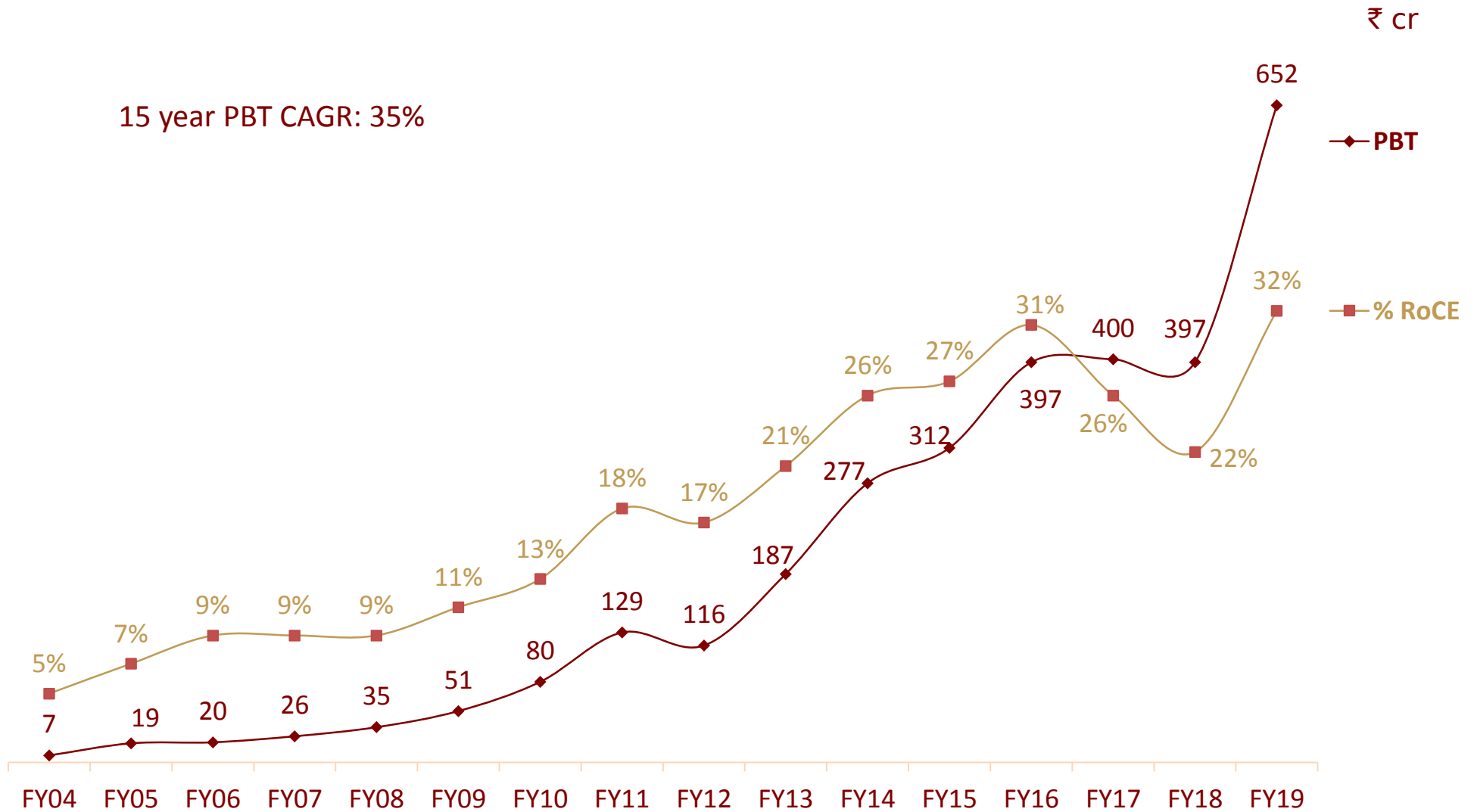
Sales growth (next milestone to cross)



₹ cr



Profit and RoCE trends



Growth

Growth: Atul (projects under implementation)



₹ cr

No.	Category of projects	Investment	Sales
1	Existing products (debottlenecking)	19	39
2	Existing products (expansion)	370	950
3	Safety	10	-
4	Environment	77	-
Grand total		476	989

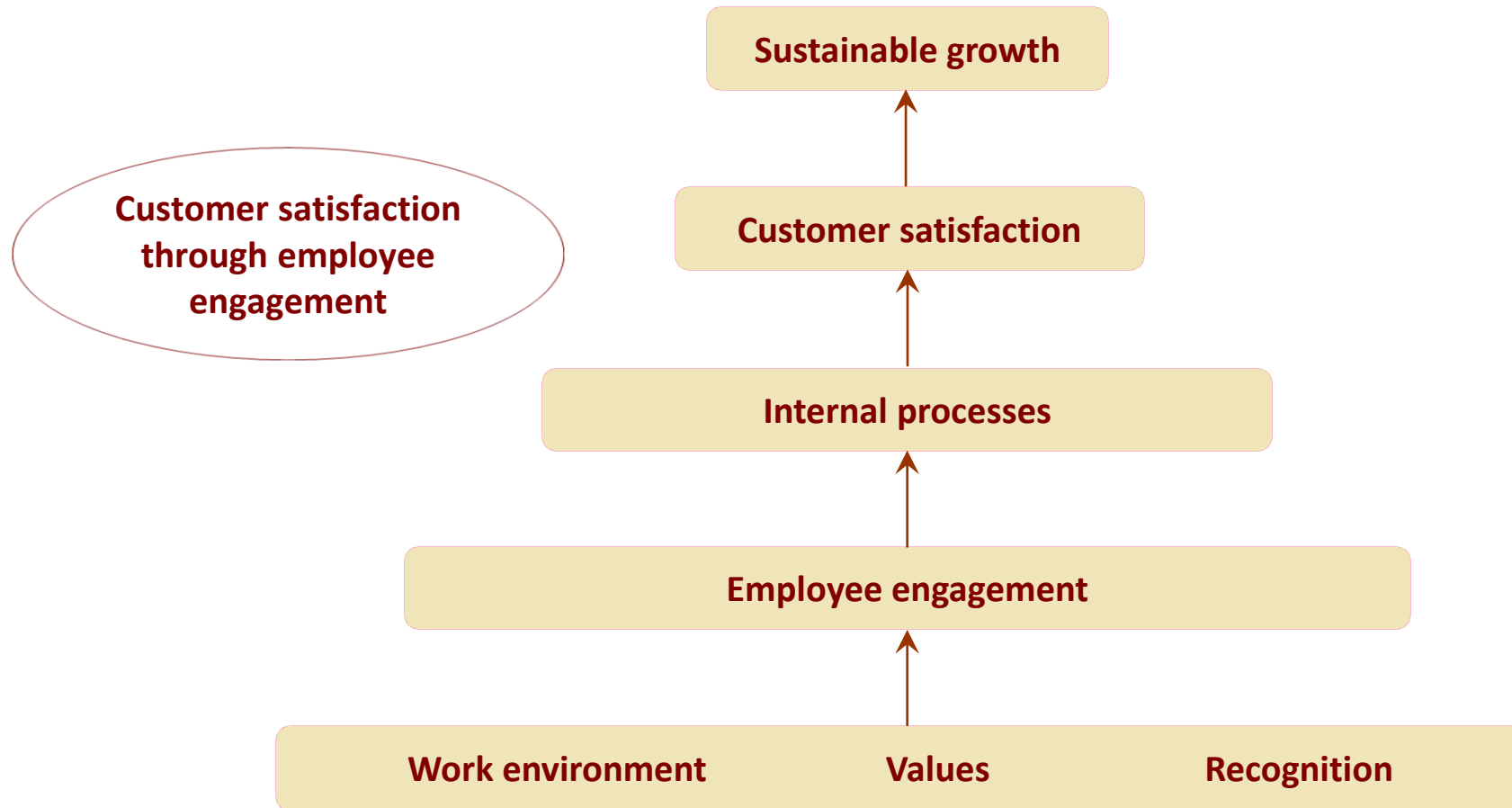
The above projects are expected to be completed in 2020

Implementation of Caustic soda project (not included above) will commence during 2019-20

Growth: subsidiary, joint venture entities

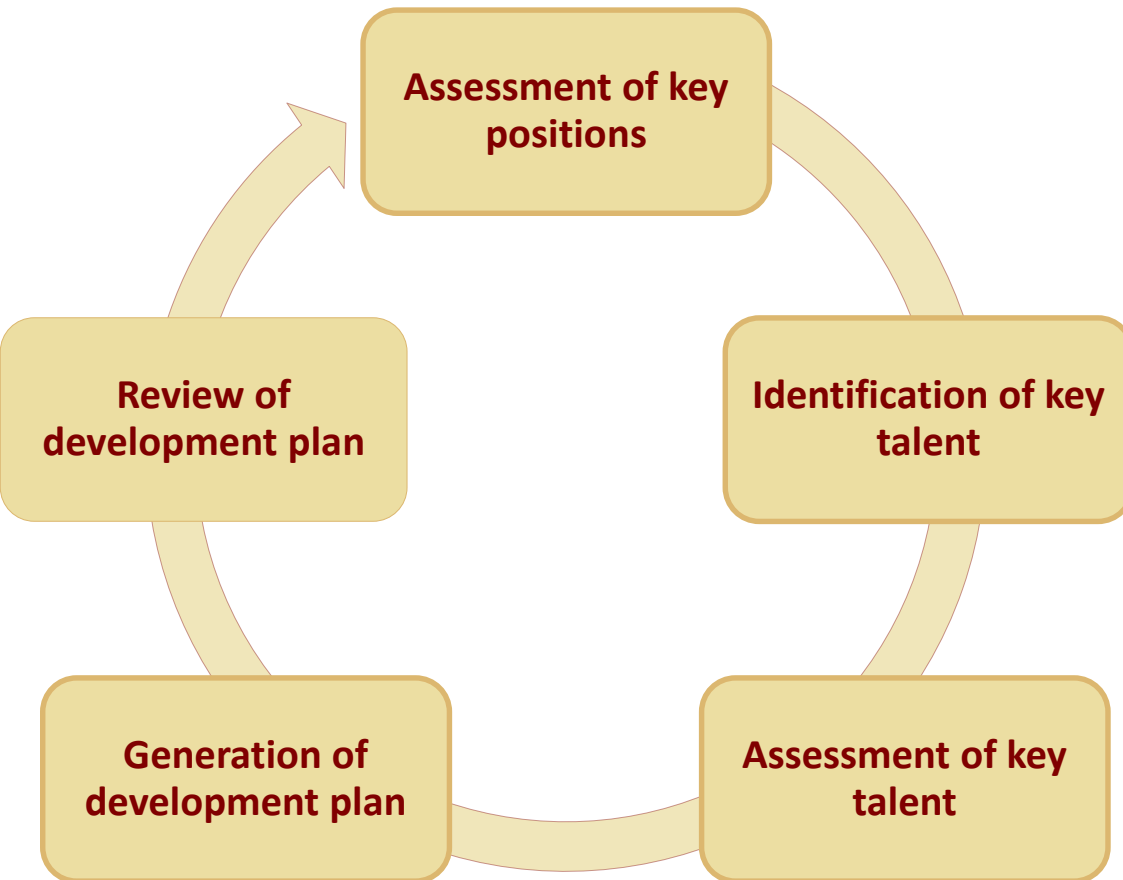
₹ cr

No.	Entities	Investment
1	Anaven LLP	195
2	Atul Bioscience Ltd	156
3	DPD Ltd*	17
4	Rudolf Atul Chemicals Ltd	2
Grand total		370



The simple act of paying positive attention to people has a great deal to do with productivity.

– Tom Peter



- Assignments
- Projects
- Dialogues
- Job rotations
- Presentation to seniors
- Courses

Leadership and learning are indispensable to each other.
– John F Kennedy

Responsibility towards society



education

- Atul Vidyalaya, Kalyani Shala, *ashramshalas*
- Educating children of salt pan workers (*agariyas*)
- Enabling electronic learning in a rural school



relief

- Blood units to thalassemia patients
- Protection and prevention from sex trafficking
- Advance treatment to cancer patients



empowerment

- AIVE – skill development
- Urmi Stree Sanstha – women empowerment
- Atul Adhyapika – training the teachers



infrastructure

- Rural development
- Enhancement of village infrastructure
- Enhancement of infrastructure in schools



health

- Medical camps, food and nutrition workshops
- Improvement of hygiene by providing toilets
- Anaemia project: A step towards a healthy future



conservation

- Afforestation
- Gas-based crematorium facility in Atul
- Rain water harvesting



7,500+ young minds, nurtured through education

Empowerment



Empowered 11,000+ students through vocational training courses

Empowerment – Atul Adhyapika





5,000 toilets built in 38 villages so far ~ 25,000 individuals benefited

Infrastructure



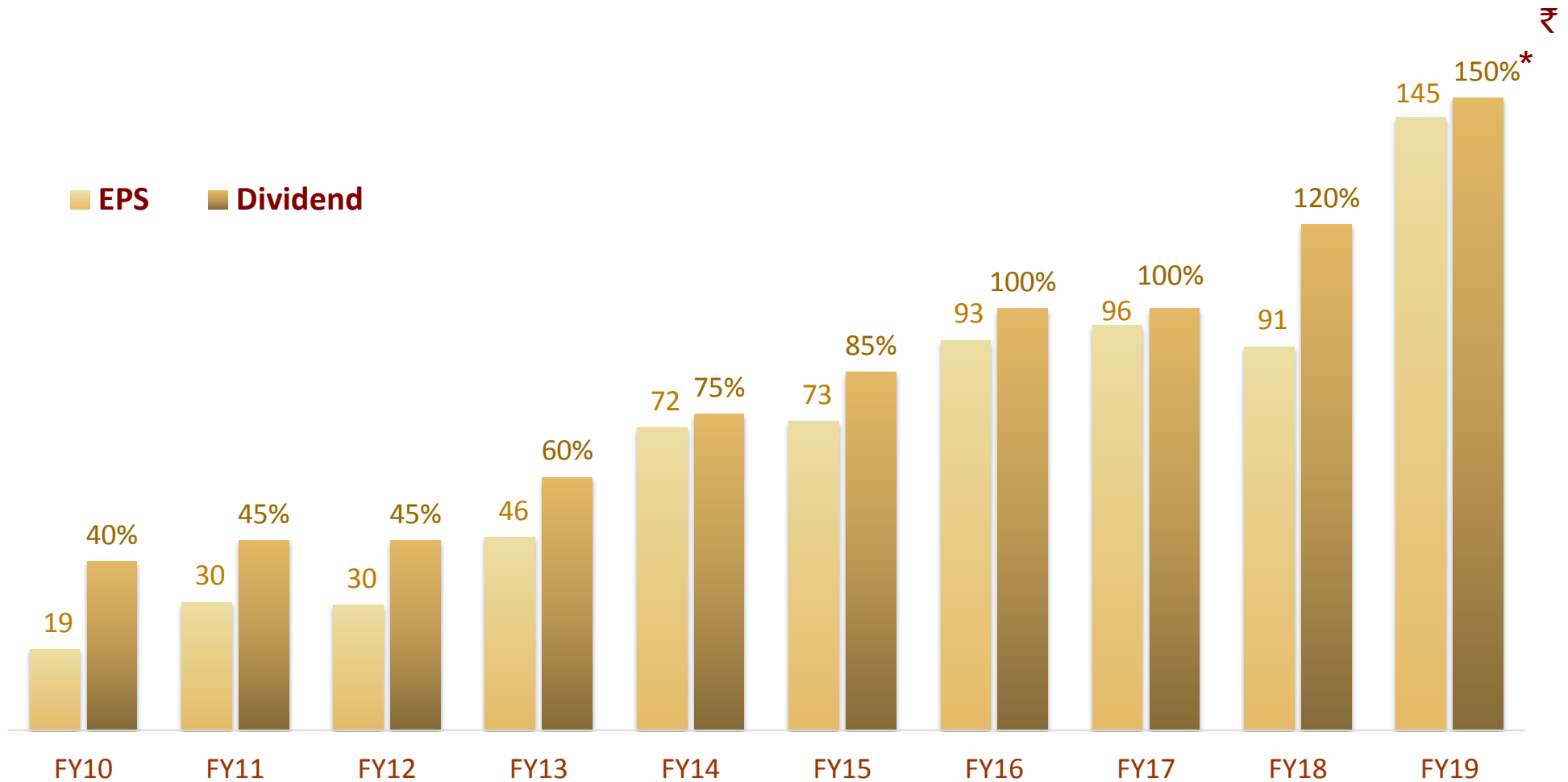
Conservation



4,500 trees planted including 480 native trees

Shareholders

Return on share

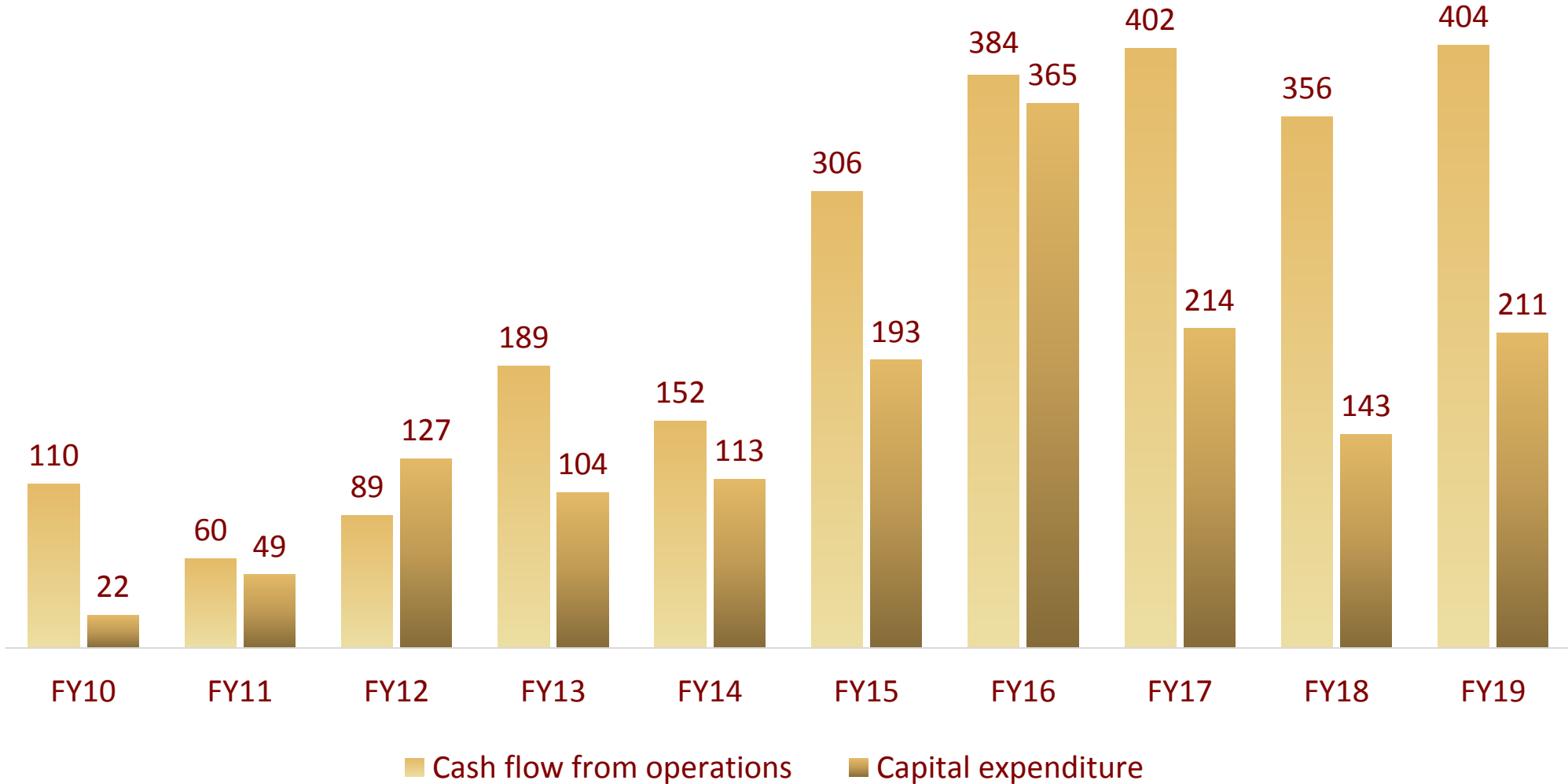


* recommended by the Board

Cash flow – Capital expenditure



₹ cr

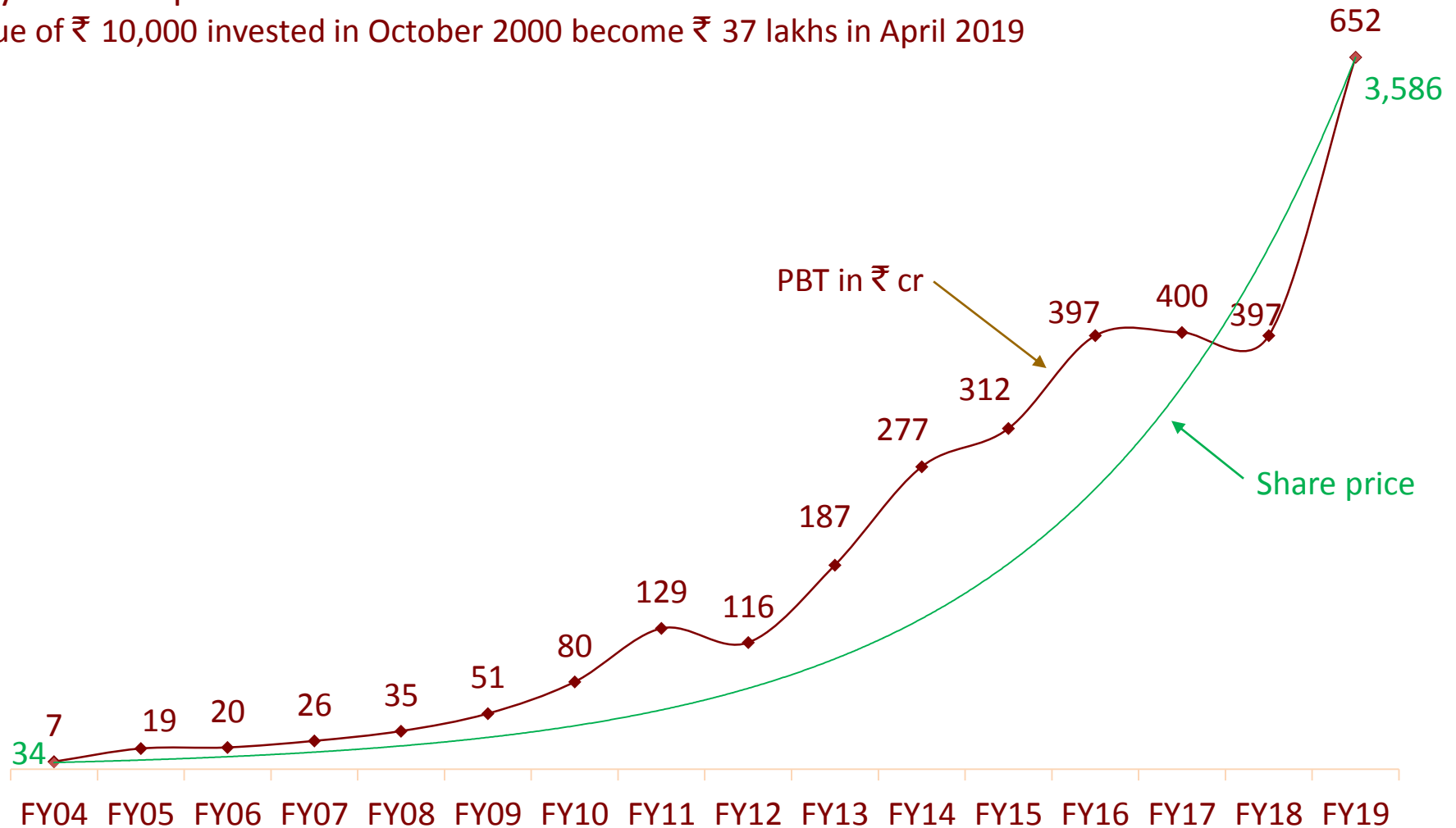


Shareholder value (for those who remained invested)



15 year share price CAGR: 36%

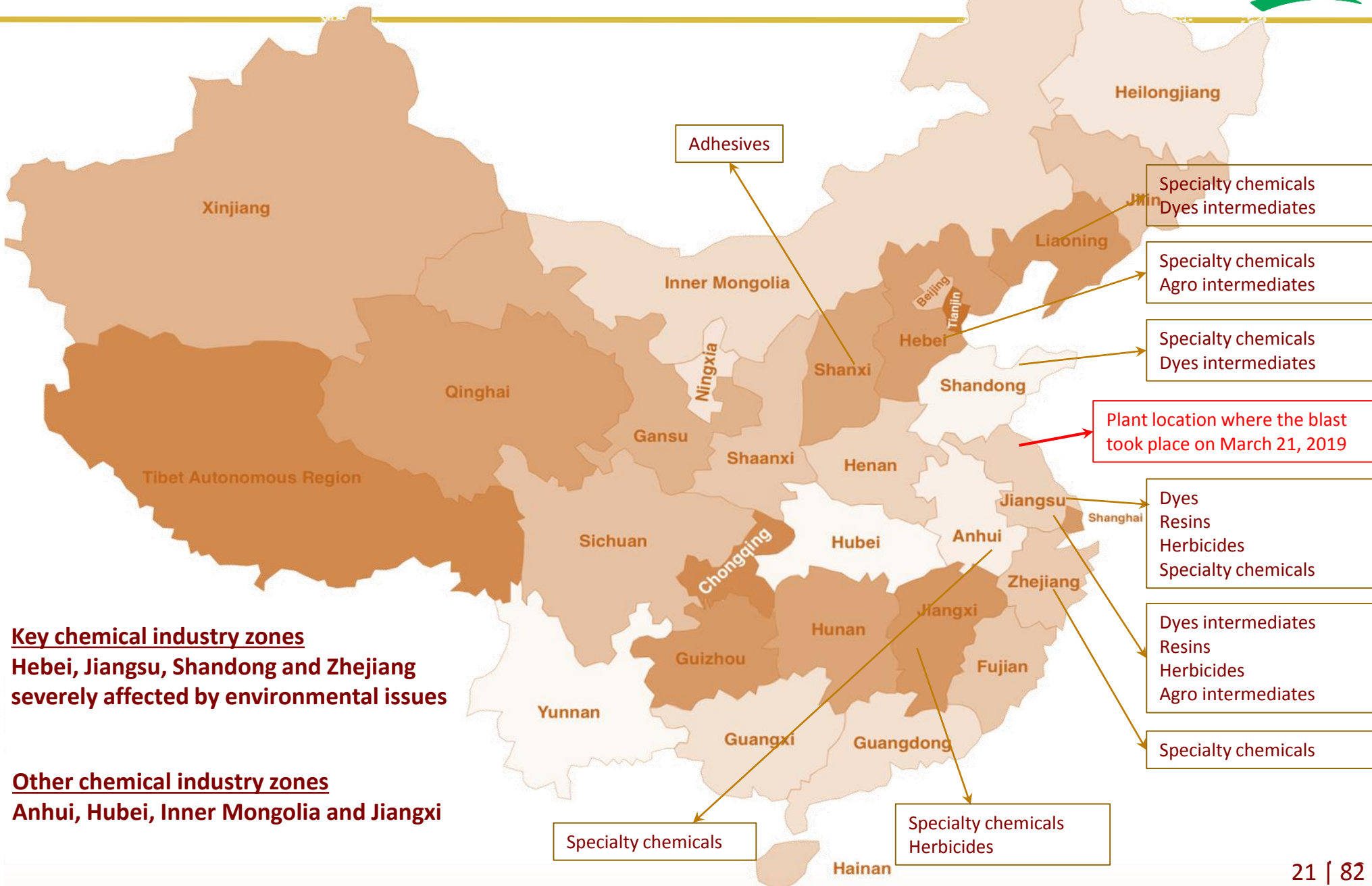
Value of ₹ 10,000 invested in October 2000 become ₹ 37 lakhs in April 2019



Industry and Atul

- Strict implementation of environmental norms resulted in shortages and steep price rise for chemicals
- Second half
 - trade war with the USA and slow down in economy led to partial relaxation of restrictions
 - improved availability and witnessed moderation of prices
- Last quarter
 - trade tension with the USA started easing out
 - economy performed better than expectations
- March 21, 2019
 - major blast triggered severe restrictions including permanent closure of some chemical parks
 - may lead to major short-term price increase and shortages

China situation



Key chemical industry zones
Hebei, Jiangsu, Shandong and Zhejiang severely affected by environmental issues

Other chemical industry zones
Anhui, Hubei, Inner Mongolia and Jiangxi

Yangtze river protection

In a new development the Chinese Government is keen to protect Yangtze river and declared some areas of the river as a protective zone. No factories can be established within 1 km from the river. This will impact the Chemical industries set up in those regions.



Shifting and consolidation of chemical industry

Key aspects

- Shift of chemical production to dedicated chemical parks (from current 50% of plants to 90%)
- Relocation of existing plants – smaller plants by 2020, large ones by 2025
- Restriction on number of existing chemical parks

Underlying government goals

- Better control of chemical industry in chemical parks, for example: emissions, waste disposal, etc
- Elimination of small chemical companies
- Rationalisation of overcapacity

Provincial example

- Shandong province has announced the goal of halving the number of chemical parks in the province to less than 100
- By the end of 2020, the number of chemical producers in Jiangsu is expected to decrease to 2,000 and than to 1,000 by 2022; further no new plant or expansion is likely to be permitted for investment < ₹1,000 cr

- Availability and price expected to be volatile in the short-term
- Chemical industry may shift from unorganised sector to organised sector
- Improved compliances, rationalisation of overcapacity and increase in cost
- Moderate prices in medium-term but unlikely to reach the earlier low level
- Increased interest by Chinese and global companies to set up manufacturing in India
- Good opportunities for responsible Indian chemical companies

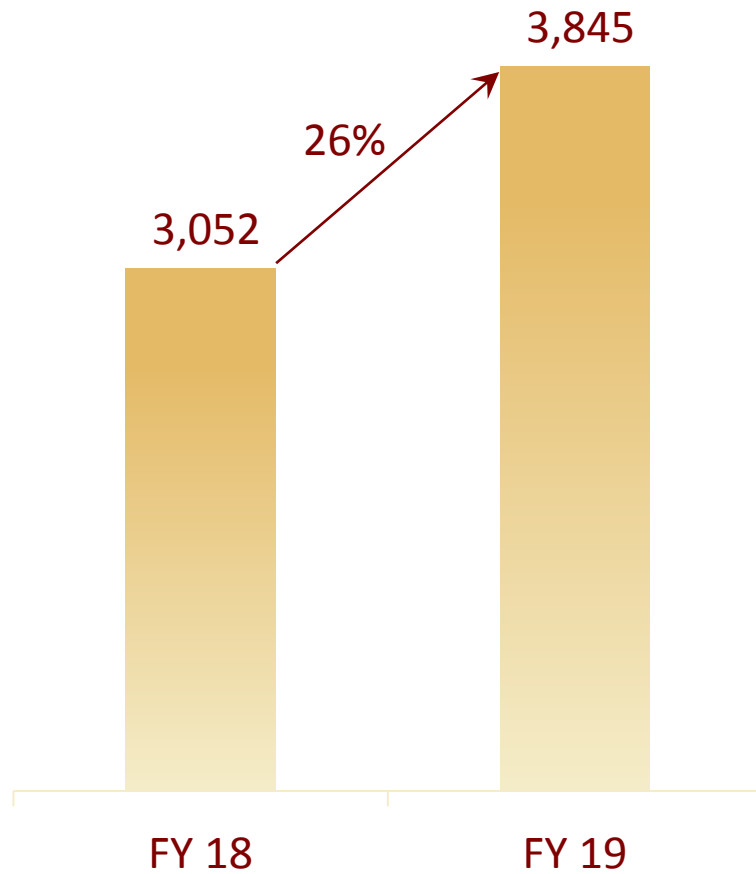
Financials 2018-19

Sales and PBT trends

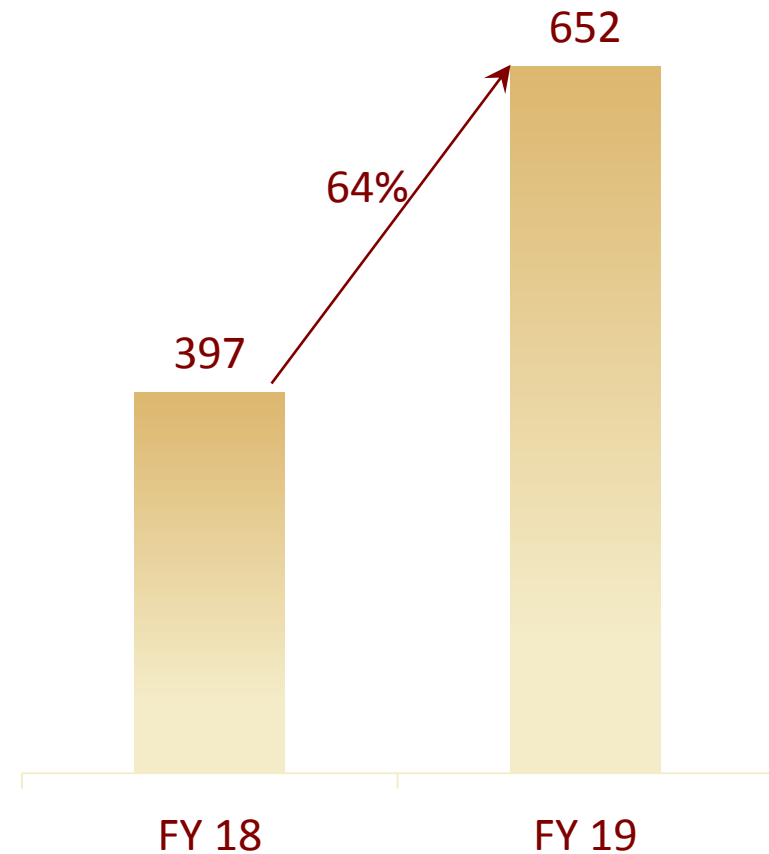


₹ cr

Sales



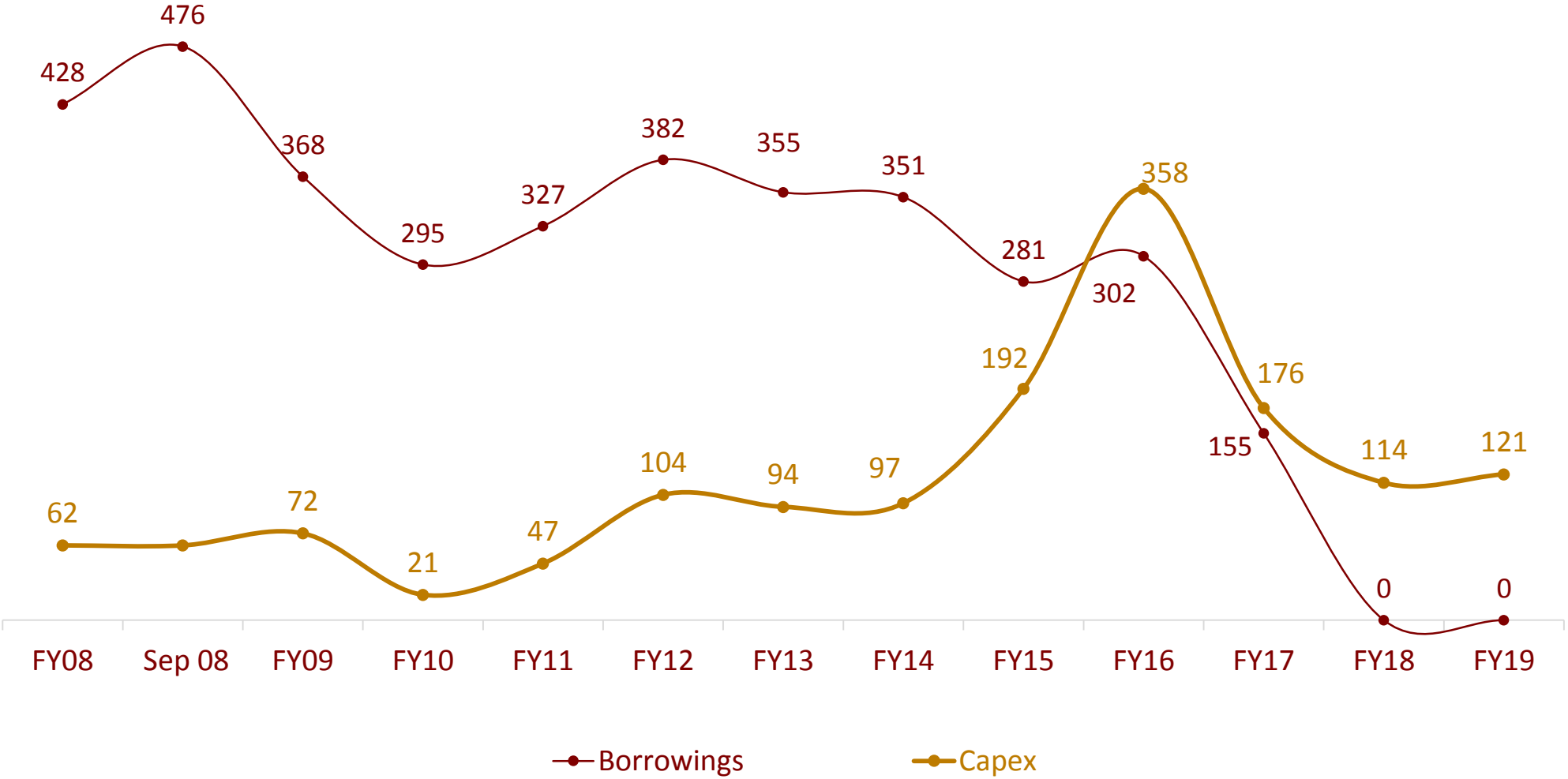
PBT



Borrowings and capital expenditure



₹ cr



- Witnessed sales and PBT growth of 26% and 64% respectively
- Maintained zero debt status
- Enhanced customer experience through self-service customer portal
- Introduced business intelligence dashboards for sales review and MIS
- Implemented system-based solution to enhance forecast efficacy

Recognition

- 1st prize in National Awards for Excellence in Cost Management-2017
- Certificate of Merit for the year 2017 from South Asian Federation of Accountants
- *Shram Ratna, Shram Bhushan and Shram Vir** awards

*from Honourable Prime Minister

Profit and loss (standalone)



₹ cr

Particulars	FY 19	FY 18	% Δ
Revenue from operations	3,916	3,148	24%
Expenditure	3,179	2,675	
Other income	31	38	
EBIDTA	768	511	50%
EBIDTA %	20%	17%	
Interest	4	9	
Depreciation	112	105	
PBT	652*	397*	64%
Tax	223	127	
PAT	429	270	59%
RoCE %	32%	22%	
Average capital employed	2,050	1,814	13%

* includes dividend

Sales analysis



₹ cr

Sales	FY 19	FY 18	Inc (dec)	
			₹ cr	%
National	1,937	1,538	399	26
International	1,908	1,514	394	26
Sales	3,845	3,052*	793	26

* Excluding ₹ 40 cr of excise duty up to June 30, 2017

Segment results



₹ cr

Particulars	Life Science Chemicals			Performance and Other Chemicals		
	FY 19	FY 18	Inc (dec) %	FY 19	FY 18	Inc (dec) %
Net revenues from operations*	1,318	1,062	24	2,825	2,279	24
Earnings before interest and tax	217	120	81	453	281	61
EBIT %	16	11	-	16	12	-
Segment net capital employed	604	535	13	1,201	1,128	6
RoCE %	36	22	-	38	25	-

* Including inter-segment transfers

Working capital



₹ cr

Particulars	Mar 19	Mar 18	Inc (dec)	
			Amount	%
Inventories	428	379	49	13%
Debtors	762	718	44	6%
Other current assets	195	184	11	6%
Gross working capital*	1,385	1,281	104	8%
Current liabilities	530	557	(27)	(5%)
Net working capital	855	724	131	18%

* excluding liquid investment

Working capital



NoDs

Particulars	Mar 19	Mar 18	Inc (dec)
Inventories	41	45	4
Debtors	61	73	12
Other current assets	19	22	3
Gross working capital*	132	153	21
Current liabilities	50	67	17
Net working capital	82	86	4

* Excluding liquid investment

Cash flow



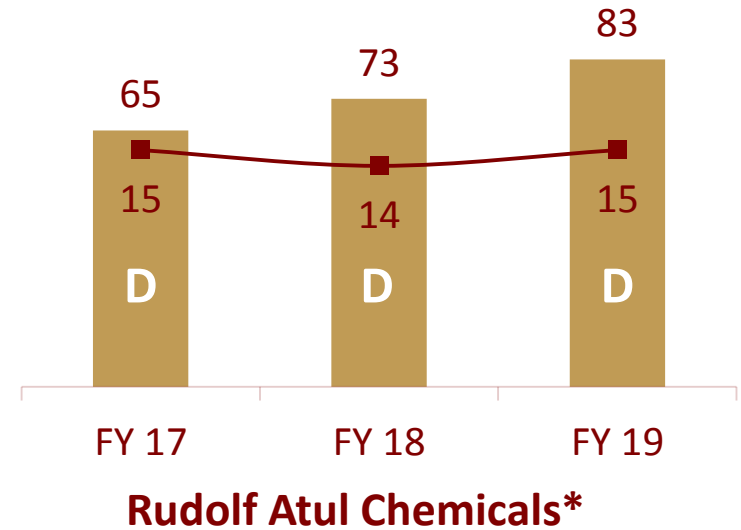
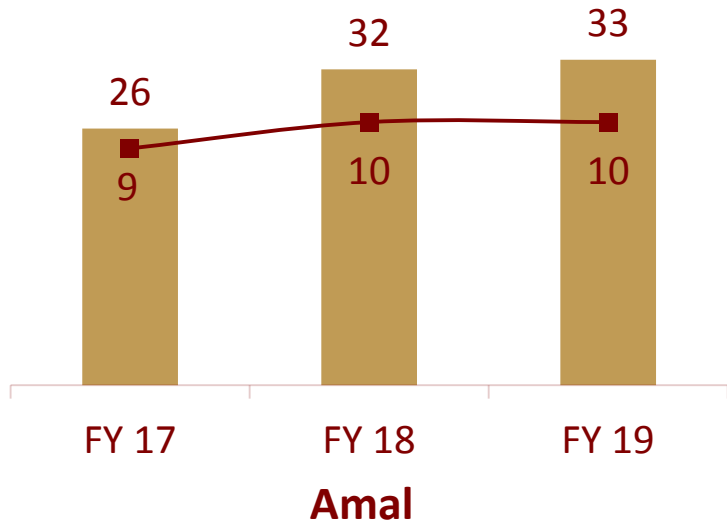
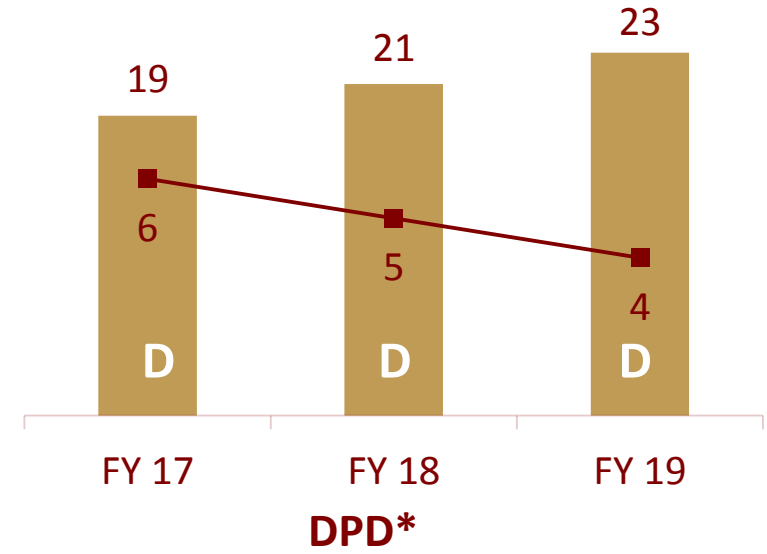
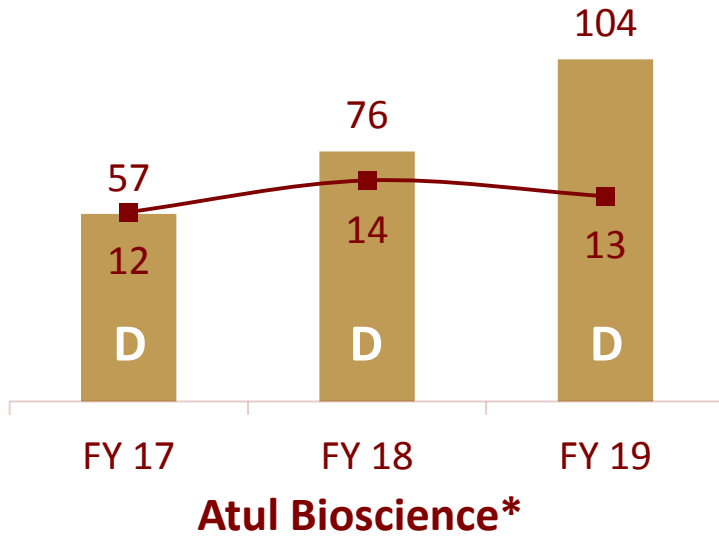
₹ cr

Particulars	2018-19	2017-18
Profit before tax	652	397
Adjustment for depreciation, finance costs and others	117	83
Operating profit	769	480
Changes in working capital and others	(126)	(57)
Cash generated from operations	643	423
Income tax paid net of refunds	(247)	(98)
Net cash inflow from operating activities (A)	396	325
Payment towards property, plant and equipment	(121)	(114)
Current investment	(194)	-
Dividend received	23	20
Others	(5)	7
Net cash outflow from investing activities (B)	(297)	(87)
Repayment of loans	-	(155)
Equity investments in group companies	(60)	(26)
Dividend paid on equity shares (including DDT)	(40)	(33)
Interest paid	(4)	(9)
Net cash outflow from financing activities (C)	(104)	(223)
Net increase (decrease) in cash and cash equivalents (A+B+C)	(5)	15

Subsidiary and associate companies



₹ cr



■ Sales ■ PBT D: Dividend payment

Key ratios



Particulars	FY 19	FY 18
Earnings per share (₹)	144.5	91.2
Price Earning ratio (times)	24.8	28.7
Book value per share (₹)	893.4	741.0
Price Book value (times)	4.0	3.5
Enterprise value EBIDTA (times)	13.8	15.1
Fixed assets turnover (times)	3.0	2.6
Turnover to average capital employed (times)	1.9	1.7
Current ratio (times)	2.6	2.3
Quick ratio (times)	1.5	1.3
Market capitalisation (₹ cr)	10,608	7,729
Market price per share (₹)	3,586	2,613
Profit after tax (₹ cr)	429	270

Industry overview

Performance and Other Chemicals

Life Science Chemicals



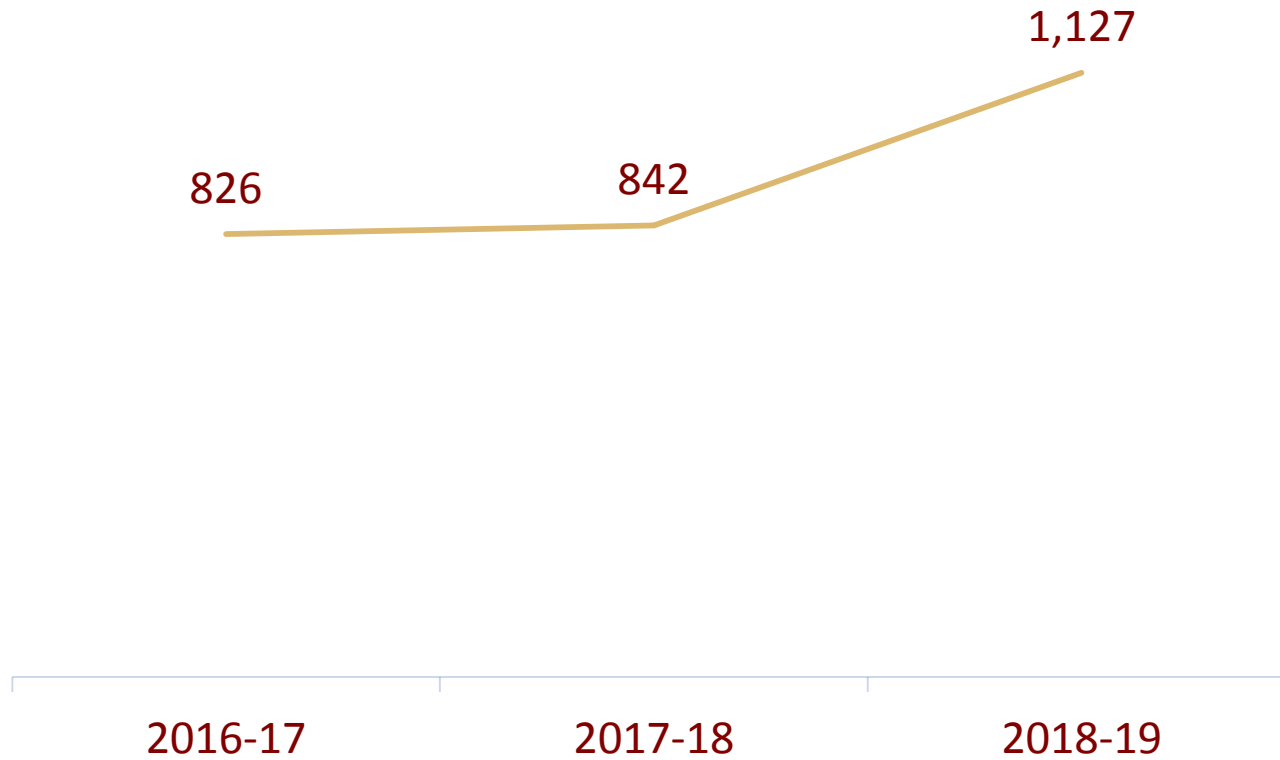
Sub segment: Aromatics

Product groups: Intermediates and API intermediates

Serving: Chemical additives, Fragrance, Personal care and Pharmaceutical industries

Product	Market share (2018-19)	Competition
<i>p</i> -Cresol (P&OC)	42%	Asia (4) North America (1)
<i>p</i> -Cd (P&OC)	20%	Asia (3)
<i>p</i> -AA (LSC)	75%	India (2) Asia (1) Europe (1)
<i>p</i> -AAI (LSC)	95%	India (2)

Number of products: 38 Number of customers: 367



Opportunity landscape

	Additives	Fragrance	Personal care
World, \$ bn	3.2	13	24
CAGR	2%	4%	4%
India, \$ mn	26	485	570
CAGR	3%	5%	5%



Unrealised capex



Unrealised sales potential: ₹101 cr

- Intermediate: ₹234 cr*

* sales

- Implement project to manufacture a fragrance intermediate (1)
- Develop and establish capacity for Cosmetic ingredients (3)
- Commercialise products developed in Kilo lab (4)
- Commercialise value added product from *p*-MPAA (1)

Risks	Mitigation
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- Competition from China
- Volatility in input prices

- Significant efficiency improvements (product yield | throughput)
- Secure rates through short | medium term contracts

Performance and Other Chemicals



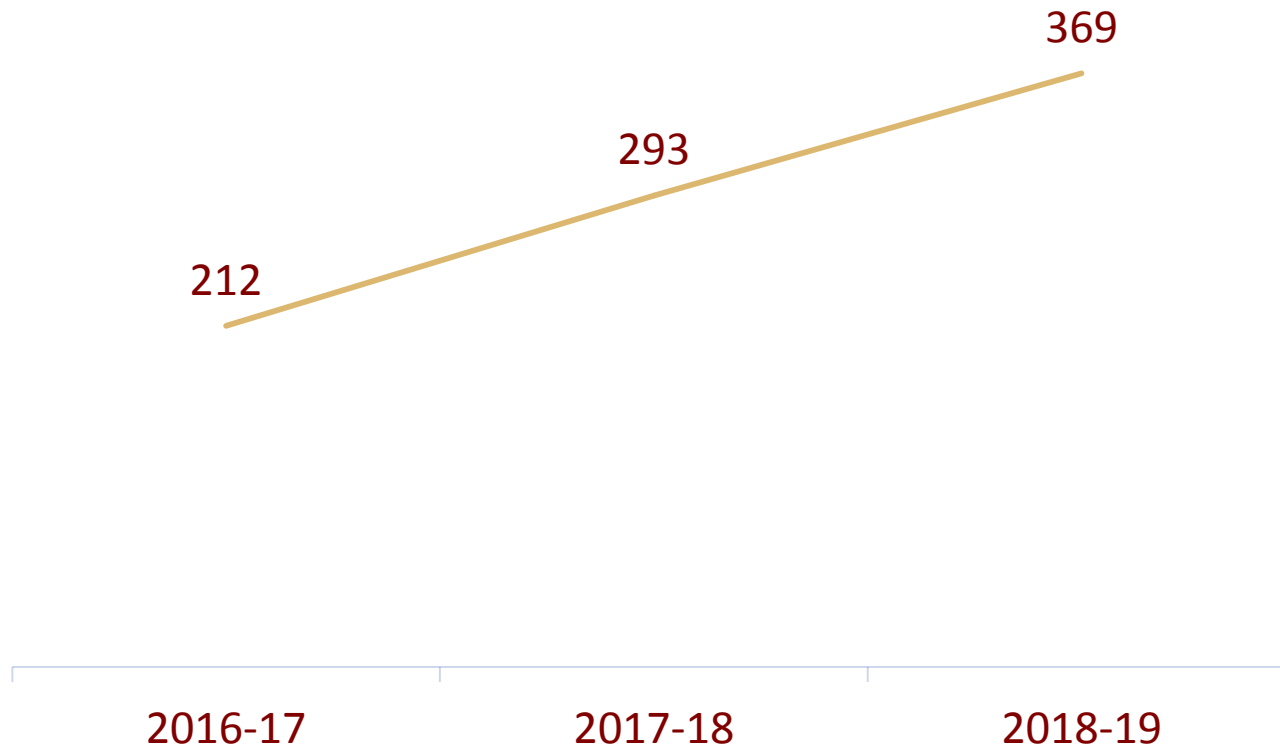
Sub segment: Bulk Chemicals and Intermediates

Product groups: Bulk chemicals, Adhesion promoters, Intermediates

Industries served: Cosmetics, Chemical, Dyestuff and Tyre

Product	Market share (2018-19)	Competition
Resorcinol	Significant (India) Insignificant (World)	Asia (2)
Resorcinol Formaldehyde Resins	Insignificant (under qualification at major customers)	India (2), Asia (5)
CSA	Significant (India)	India (1)

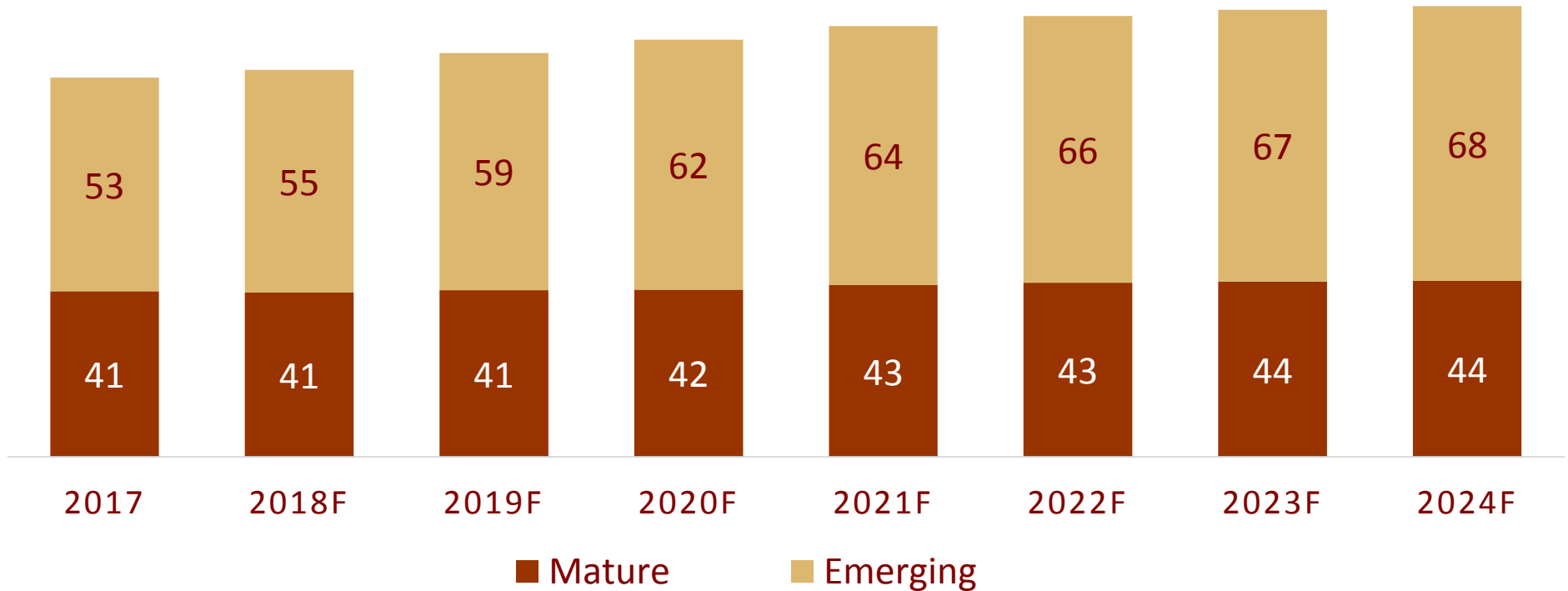
Number of products: 24 Number of customers: 197



Opportunity landscape



Automobile industry: Global Light vehicle assembly



CAGR (mature): 1.0%

CAGR (emerging): 3.6%

Emerging market share (2018): 58%

Emerging market share (2024): 61%

Relevant products: Resorcinol and RF Resins

Unrealised capex



Unrealised sales potential: ₹29 cr



Unrealised sales potential: ₹107 cr

- Intermediate: ₹40 cr*

* sales

- Enhance market share of Resins (3)
- Expand capacity of intermediate (1)
- Explore Chlorine downstream products (4)
- Explore introduction of new products (4)

Risks	Mitigation
-------	------------

- | | |
|--|--|
| <ul style="list-style-type: none">▪ Price and margin sensitive commodity products▪ Long gestation period for qualification of performance chemicals | <ul style="list-style-type: none">▪ Improve operational efficiencies▪ Improve qualification period through data generation with in-house facilities |
|--|--|

Performance and Other Chemicals



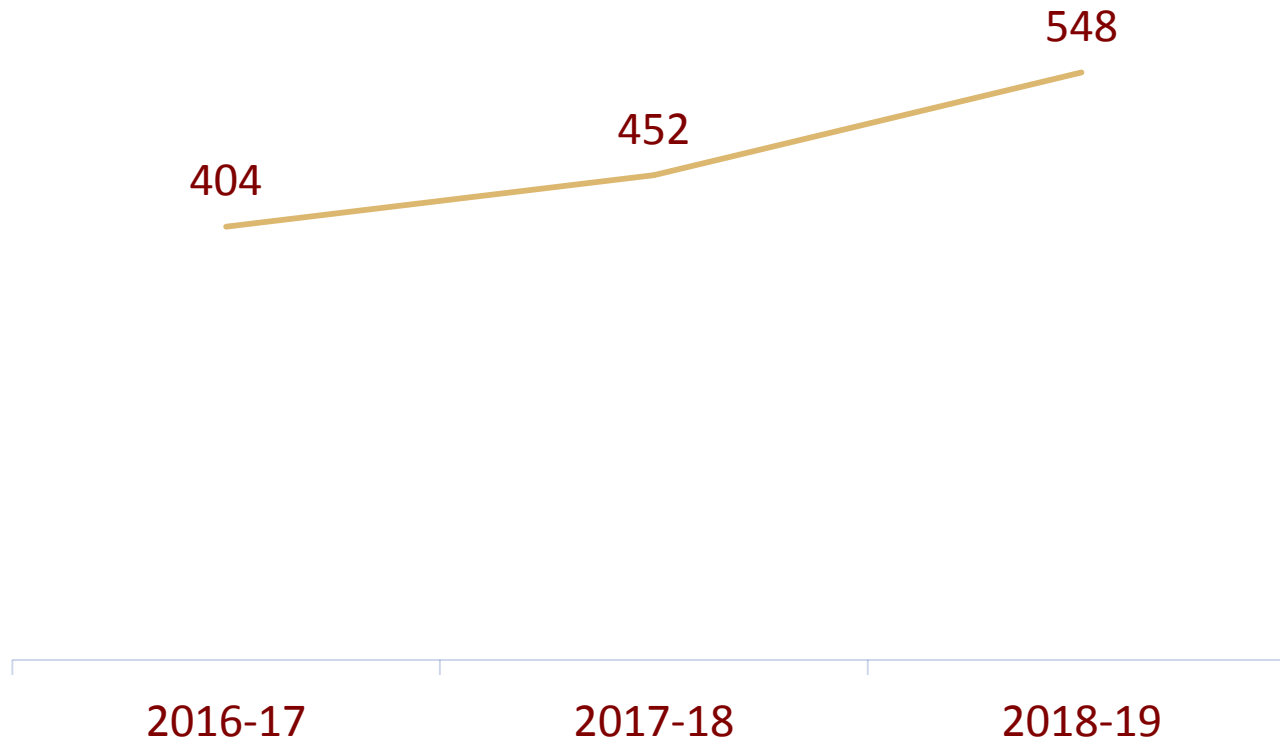
Sub segment: Colors

Product groups: Textile dyes, Pigments

Industries served: Textile, Paint and Coatings and Paper

Product group	Market share (2018-19)	Competition
Textile dyes	Significant (India) Insignificant (World)	India (>100), Asia, Europe
HP pigments	Insignificant (World)	India (5), Asia, Europe

Number of products: 552 Number of customers: 298



Opportunity landscape

	Textile dyes	Textile chemicals	HP pigments	Speciality intermediates	Solvent colors
World, \$ bn	6	9	5	1	0.5
CAGR	3%	4%	4%	3%	5%
India, \$ mn	450	320	150	100	30
CAGR	4%	6%	5%	3%	6%



Unutilised capacity

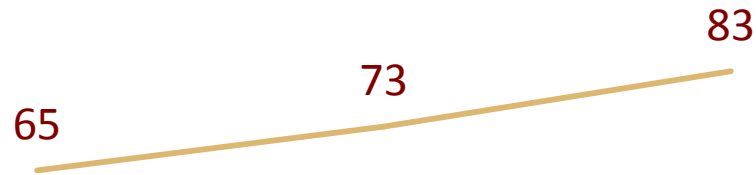


Unrealised sales potential: ₹98 cr

- Textile dye-1: ₹250 cr*
- Intermediates: ₹45 cr*

* sales

- Increase market share in dyes and pigments
- Expand dyes group one (3) and their intermediates (2)
- Strengthen dyes group two (11)
- Commercialise new pigments (5)
- Enhance product portfolio of textile chemicals through Rudolf Atul Chemicals in India



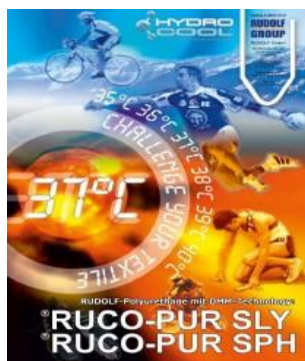
Growth drivers:

- Continuous bleaching and yarn lubricant segments
- Speciality silicones for terry towel finishing
- High performance PFC free durable water repellents
- Resin finishing and digital printing
- New concepts with sustainability

2016-17

2017-18

2018-19



Risks	Mitigation
<ul style="list-style-type: none">▪ Meeting progressive improvements in norms for environment protection	<ul style="list-style-type: none">▪ Establish zero liquid discharge facility
<ul style="list-style-type: none">▪ Dependence on China for key dye intermediates	<ul style="list-style-type: none">▪ Initiate in house production to facilitate backward integration of possible intermediates
<ul style="list-style-type: none">▪ Limited product portfolio in pigments	<ul style="list-style-type: none">▪ Increase the product range

Life Science Chemicals

Sub segment: Crop Protection

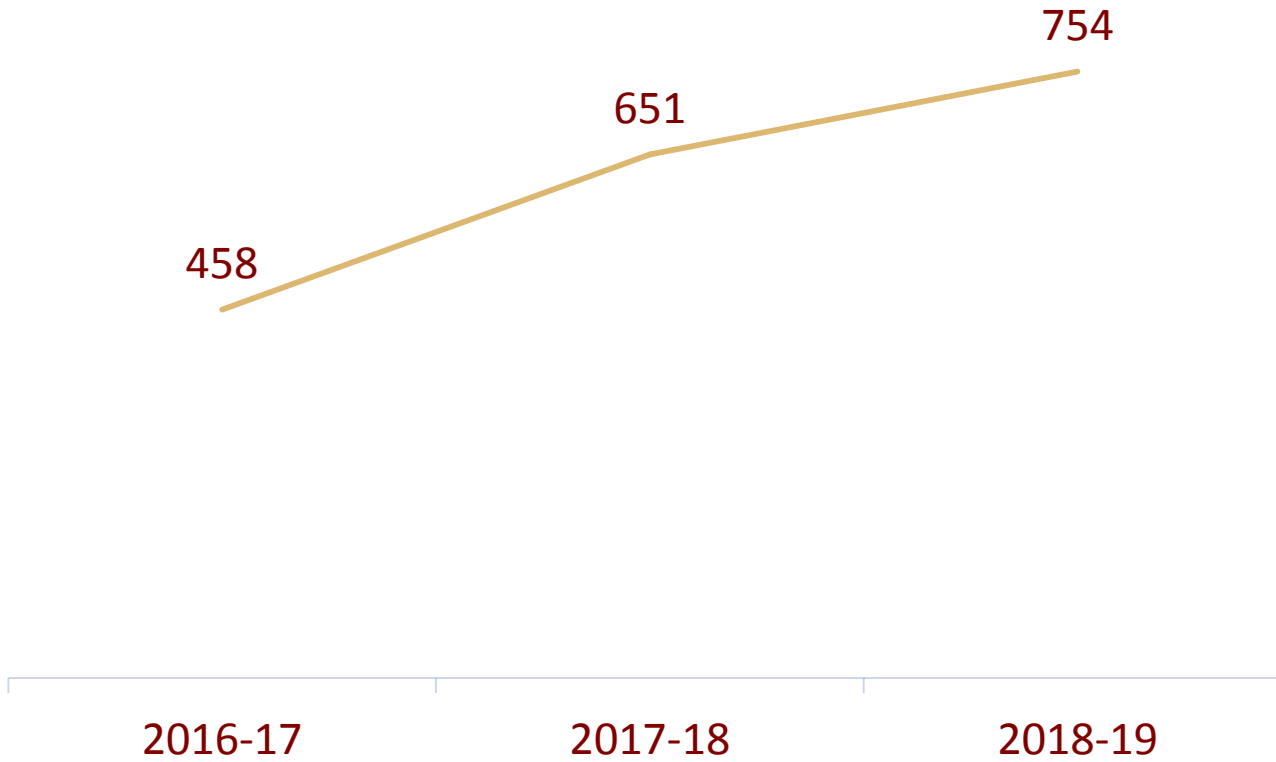
Product groups: Fungicides, Herbicides and Insecticides

Industries served: Crop protection chemicals, agriculture, lawn and garden industries

Product	Market share (2017-18)	Competition
2,4-D and downstream products	16% (World)	North America (Dow), Australia (Nufarm), Asia (CAC, Meghmani, Hanfu, Keyuan), South America (Albaugh), Europe (Adama)
Indoxacarb	7% (World)	Asia (Jingbo, Gharda and 2 other smaller producers), USA (DuPont now FMC)

Number of products: Technicals: 20, Formulations: 40
Brands available across India

₹ cr

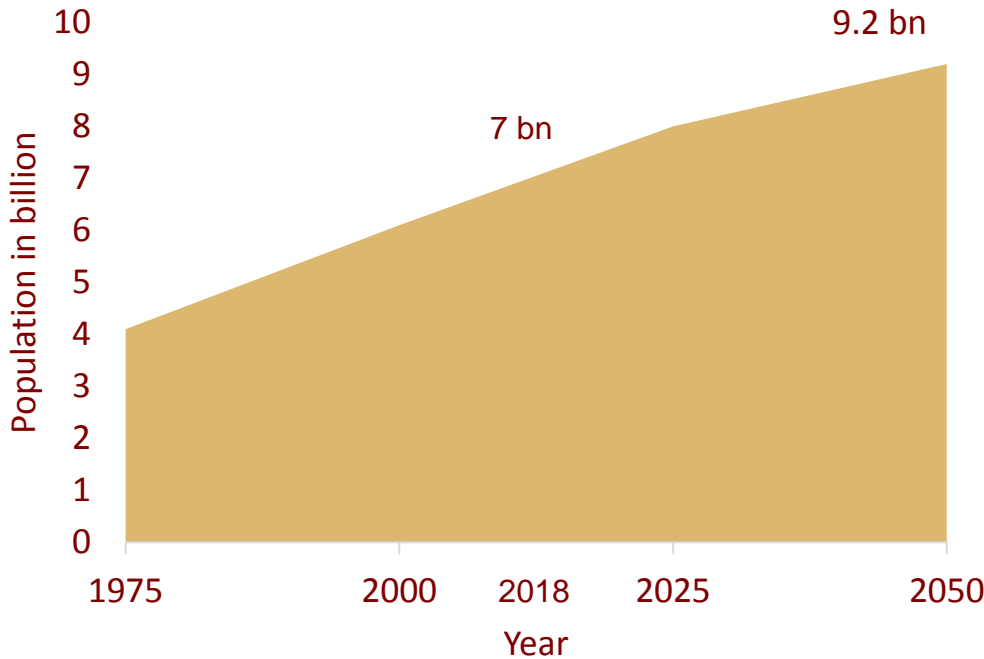


Opportunity landscape

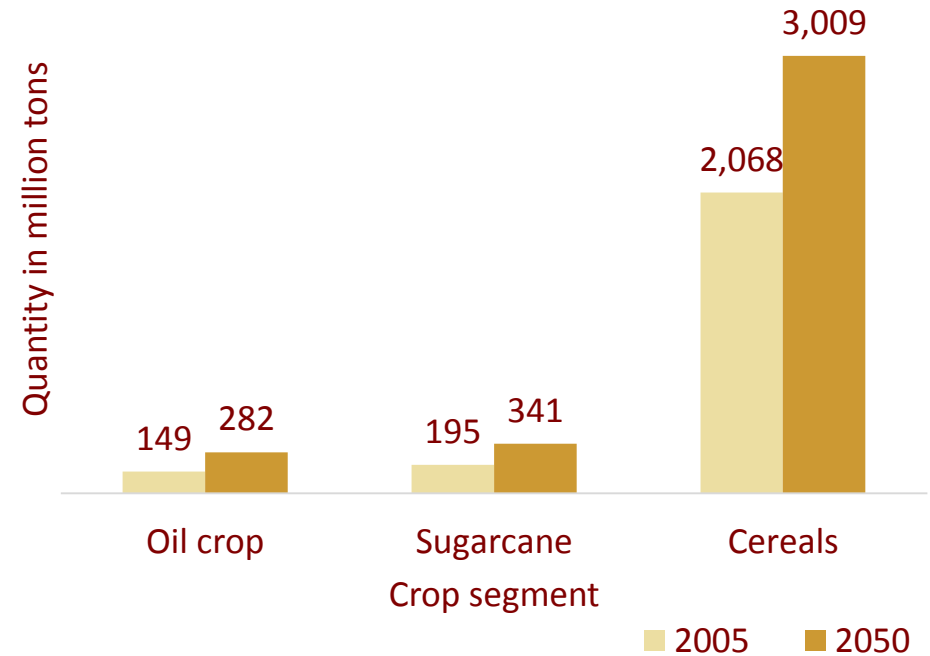
Population growth and rising income drive growth in consumption of major food grains

Growing demand for food grains drives consumption of fertilizers, pesticides and nutrients

World population growth



Production growth 2005 - 2050



- Global crop protection market size: US\$ 56.5 bn, CAGR ~ 2.4% (2021)
- Indian crop protection market size: US\$ 2.5 bn, CAGR ~ 7% (2020)

Unrealised capex



Unrealised sales potential: ₹59 cr

- Herbicides: ₹129 cr*

* sales

- Bulk actives:
 - Expand capacities for existing products
 - Expand geographical reach through new registrations
 - Develop new products with complete backward integration
- Retail:
 - Develop new formulation mixtures
 - Rationalize Channel
 - Enhance team capability

Risks	Mitigation
-------	------------

- | | |
|---|---|
| <ul style="list-style-type: none">▪ Business dependent on weather and pest attack▪ High dependence on Herbicides product group▪ Dependence on China for key intermediates | <ul style="list-style-type: none">▪ Increase geographical presence▪ Develop other product groups▪ Start in-house manufacturing of key intermediates and develop local vendors |
|---|---|

‘अतुल’ जहाँ सुशहाली वहाँ



Life Science Chemicals

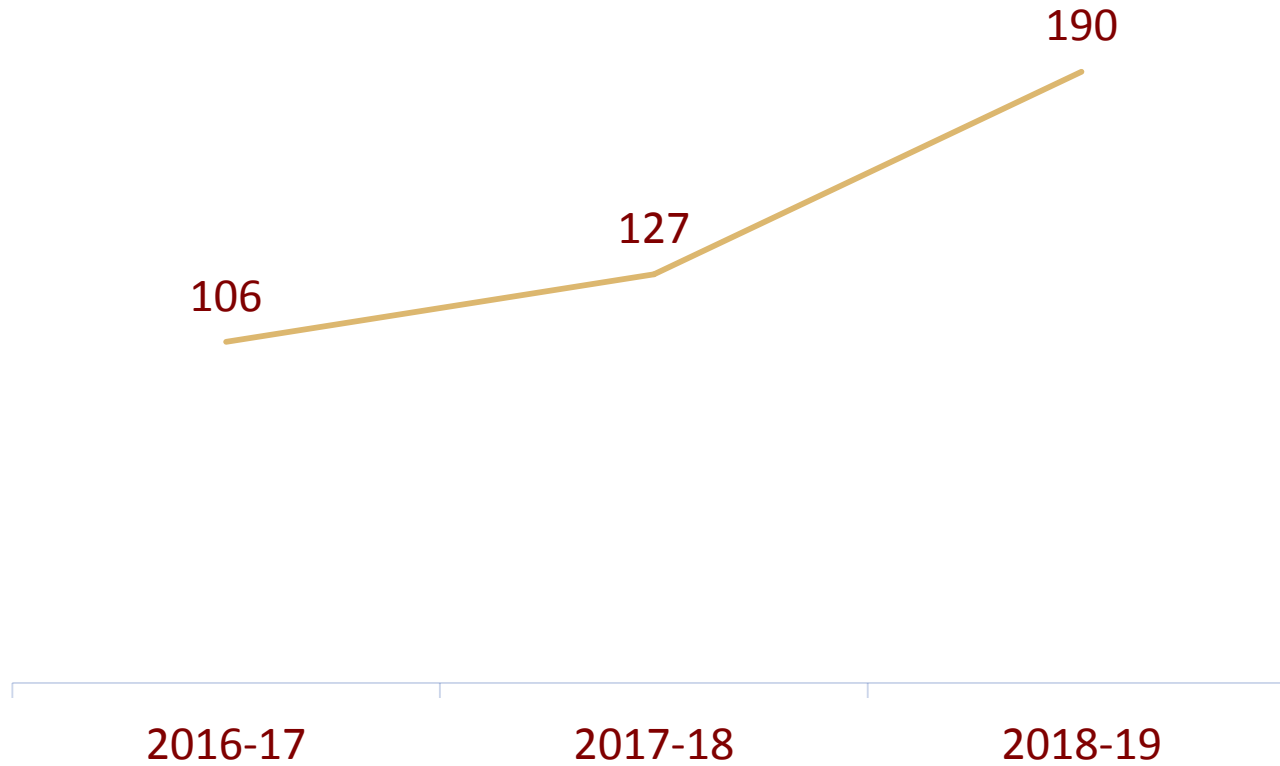
Sub segment: Pharmaceuticals

Product groups: APIs and API intermediates

Industries served: Pharmaceutical

Product group	Market share (2018-19)	Competition
APIs and API intermediates	Insignificant (World)	India, Asia, Europe, North America
Dapsone	50%	India (1), Europe (1)
Phosgene chemicals	Insignificant (World)	Asia, Europe, North America

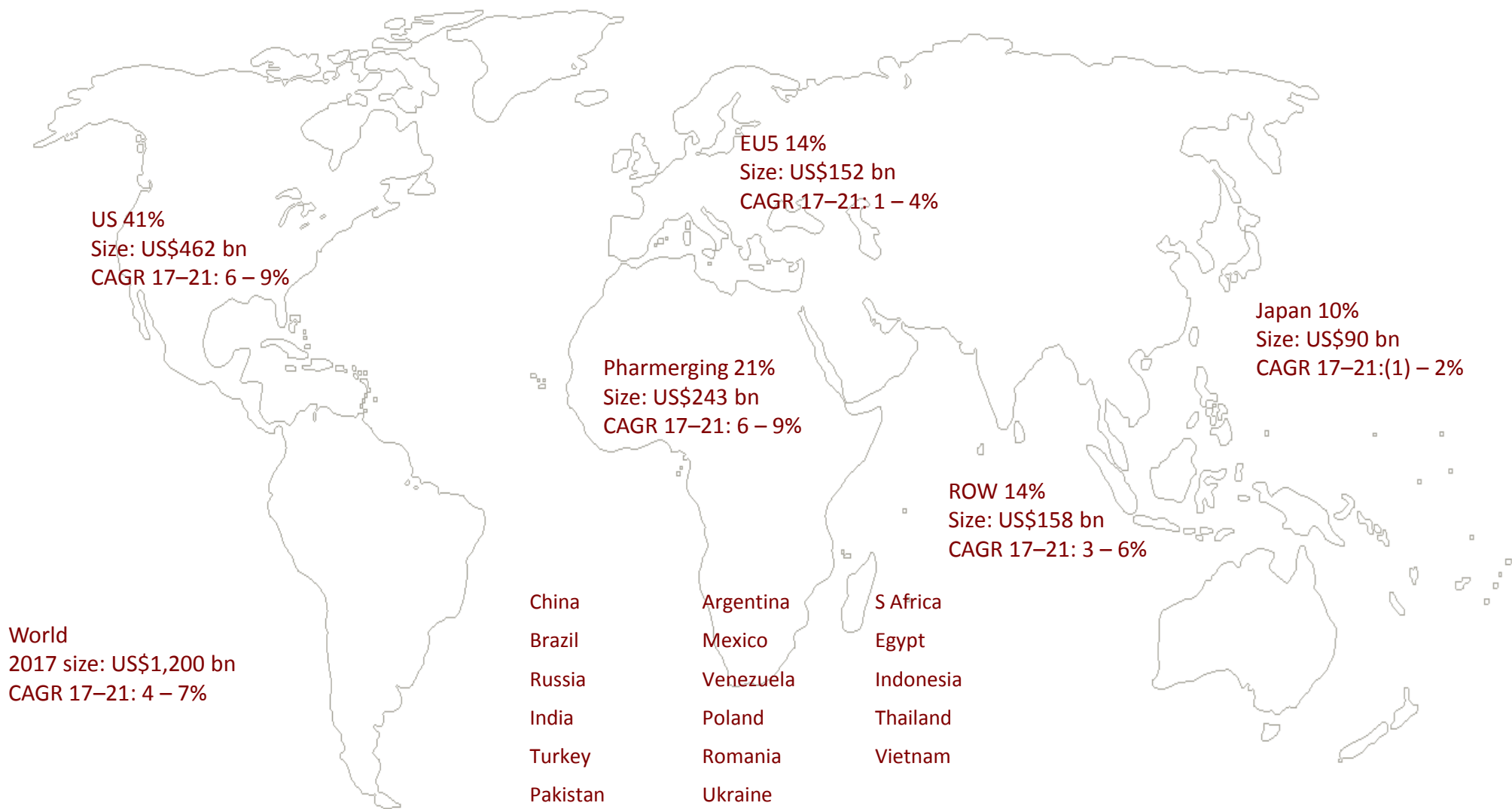
Number of products: 80 Number of customers: 160



Opportunity landscape

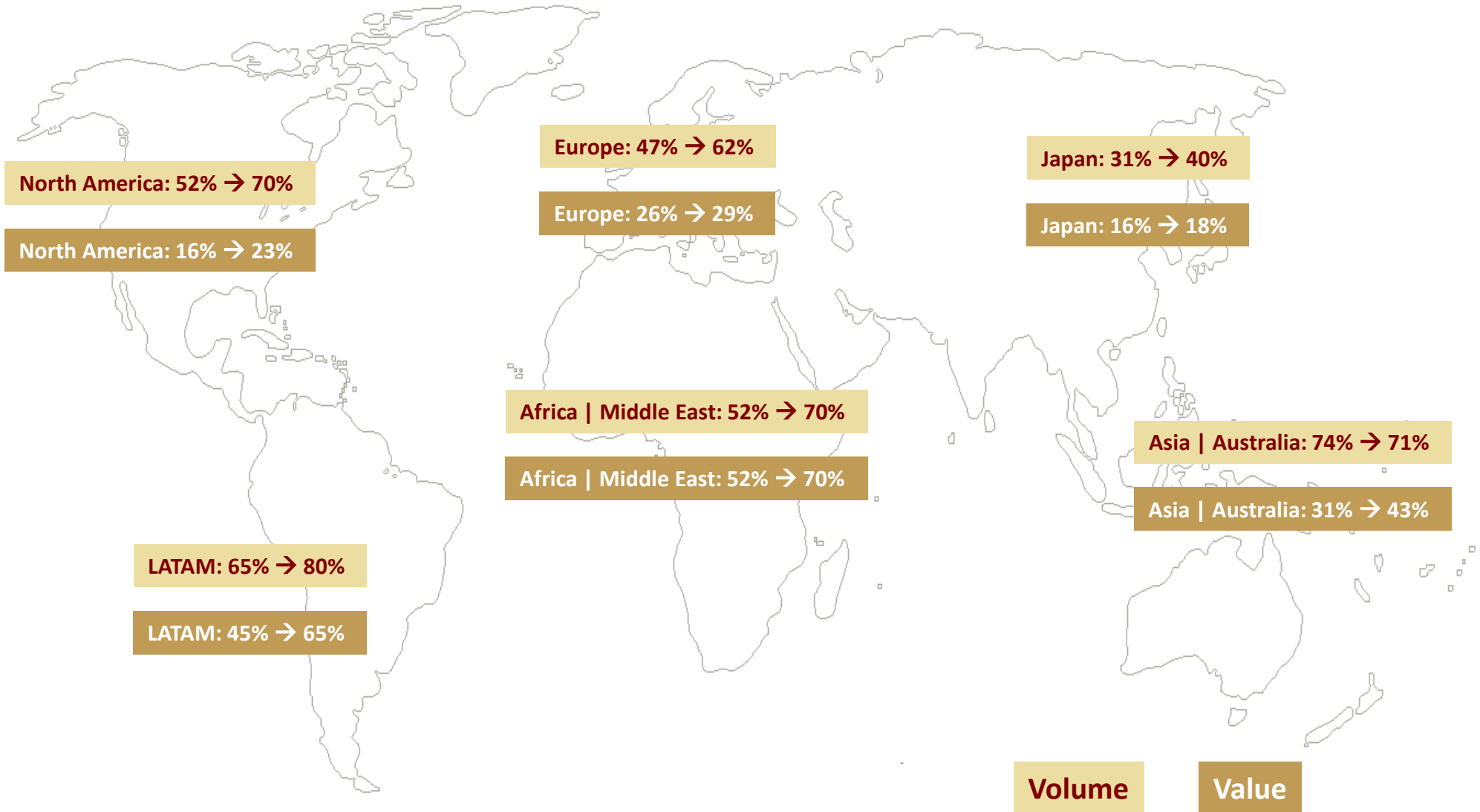


Global pharma market expanding to US\$1.5 tn by 2021, led by Pharmerging markets

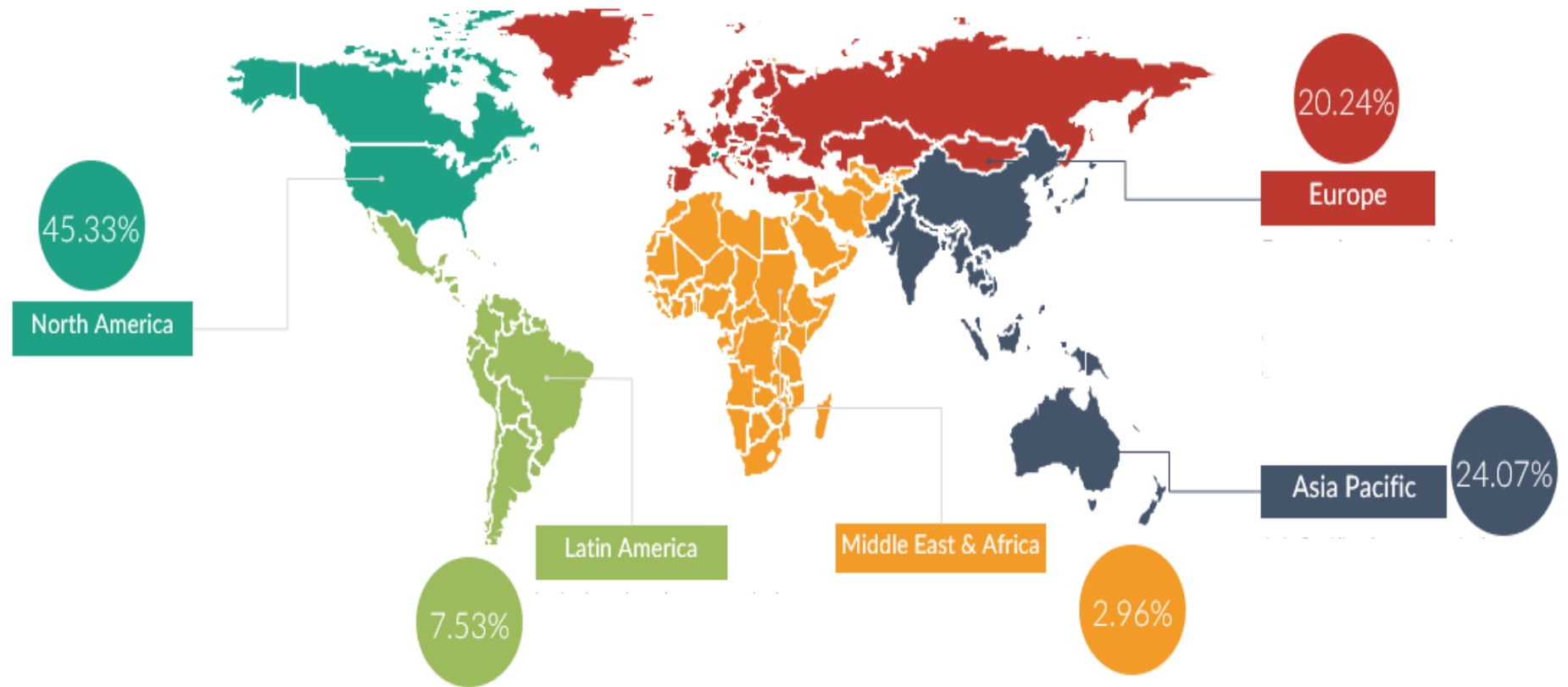


Opportunity landscape

Generics are taking an increased market share globally

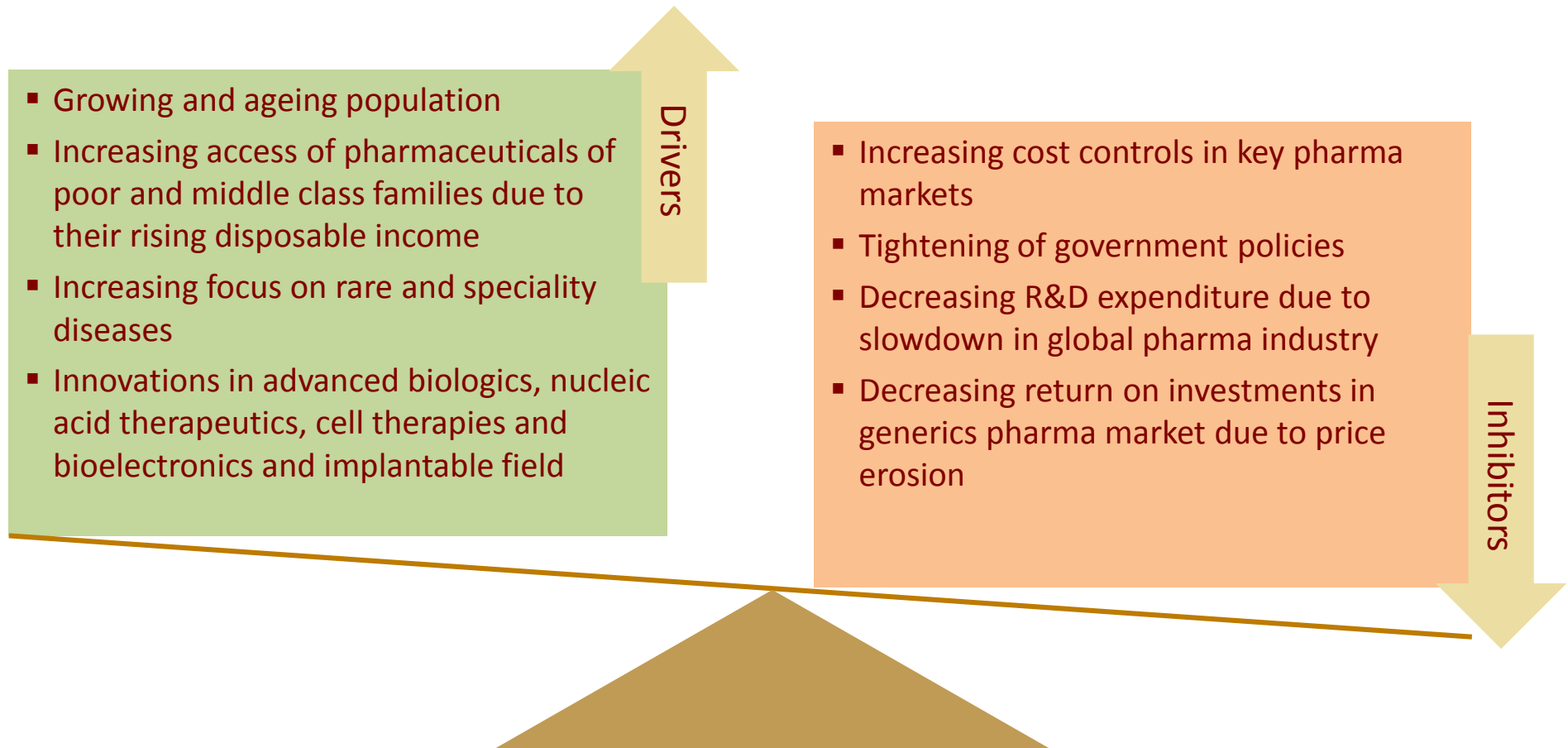


Global pharmaceuticals market 2023



Insights

North America is expected to retain its leading position in global pharma market while Europe is expected to see a decline in its market share by 2023



Insights

Worldwide population is likely to cross 9.3 bn by 2050 and 21% of this populations is expected to be aged 60 and above.

Unrealised capex



Unrealised sales potential: ₹150 cr

(to be realised in about 2 years)



- Establish Ambernath production site
- Streamline product capacities (2)
- Grow sales in the emerging markets
- Increase CRAMS business with strategic customers
- Qualify new products (7)

Risks	Mitigation
-------	------------

- Fluctuations in Forex
- Changes in regulatory requirements
- Long qualification process

- Hedge receivables
- Track the changes and train people
- Initiate qualification process early

Performance and Other Chemicals



Sub segment: Polymers

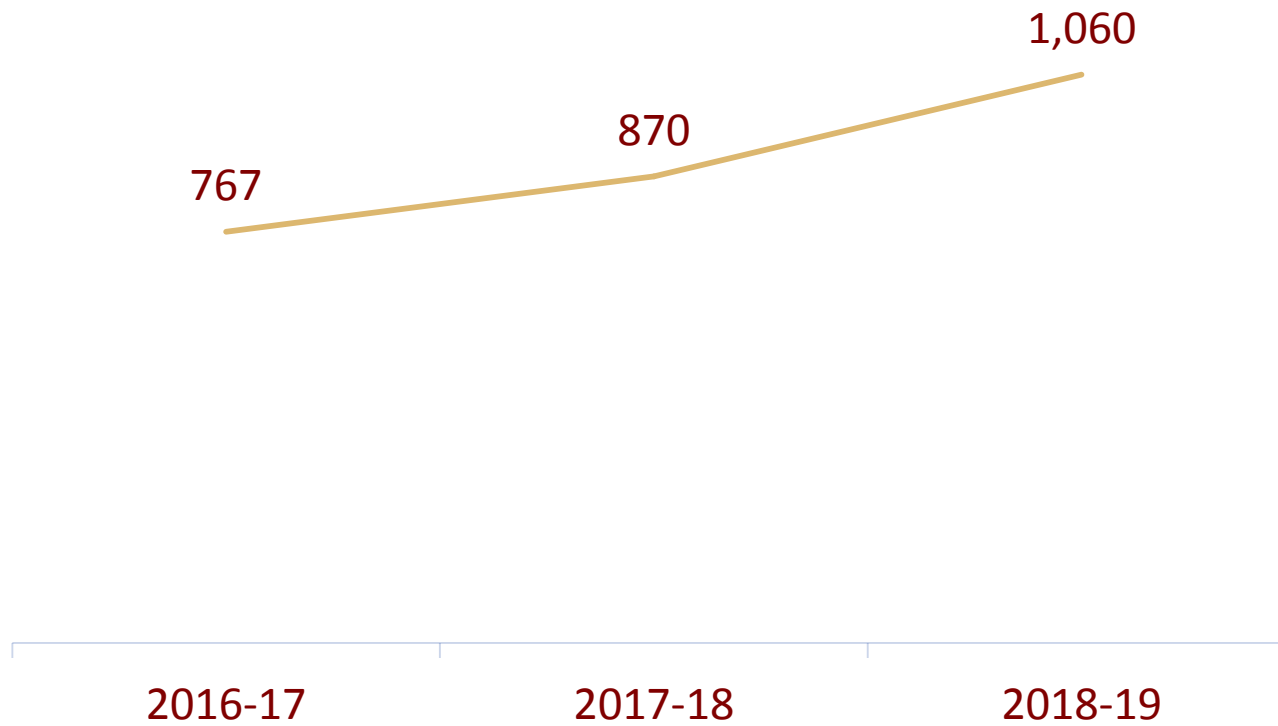
Product groups: Curing agents, Epoxy Resins, Reactive diluents, Rubber and Polyurethane based adhesives, Sulfones

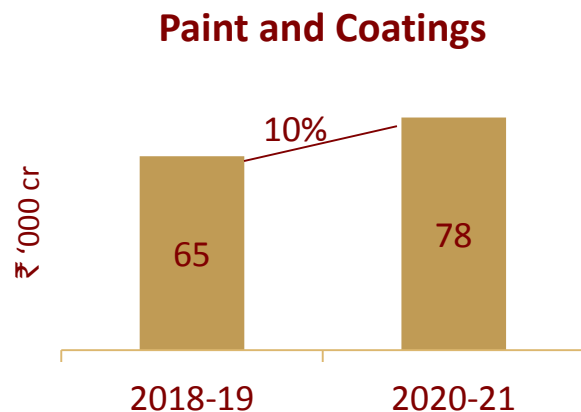
Industries served: Aerospace, Adhesives, Automobile, Composites, Construction, Electrical and Electronics, Footwear, Paint and Coatings, Wind Energy

Product group	Market share (2018-19)	Competition
Epoxy Resins Curing agents	Significant (India)	India (2), Asia, Europe, North America
Sulfones	Significant (World)	India (2), Asia, Europe, North America
Epoxy formulations	Significant (India)	India (~100)
Polyurethane formulations		
Rubber formulations		

Number of products: 101 Number of formulations: 310
Number of customers: 615

₹ cr

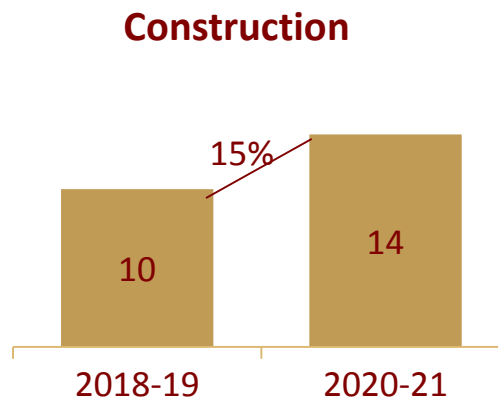




Applications

- Protective coatings
- Can and coil coatings
- Powder coatings
- Pipe coatings

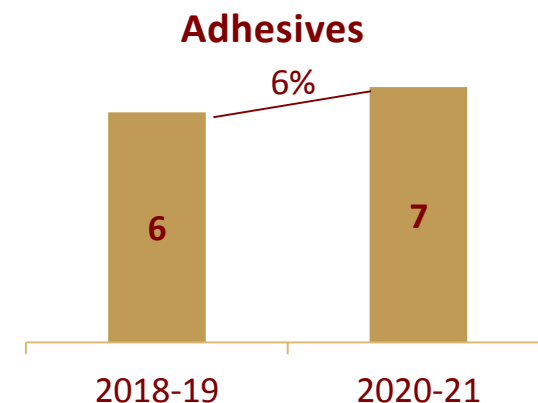
(Source: www.coatingsworld.com)



Applications

- Admixtures
- Flooring chemicals
- Water proofing compound
- Repair and rehabilitation
- Adhesive and sealant

(Source: www.futuremarketinsights.com)



Applications

- Tile joints
- Foundry
- Auto ancillaries
- Stone bonding

(Source: www.businesswire.com)

Projects under implementation



- Epoxy: ₹291 cr*

* sales

- Expand resins and formulations (3) and specialty intermediates (3)
- Focus on specialty resins, multifunctional resin, Bis F based resin, epoxy phenol novalac resin

Risks	Mitigation
-------	------------

- | | |
|--|--|
| <ul style="list-style-type: none">▪ Price and margin sensitive business▪ Fluctuations in Forex▪ Lengthy product approval process | <ul style="list-style-type: none">▪ Optimise product and customer portfolio▪ Increase exports▪ Improve coordination with customers |
|--|--|

Brands



Brands





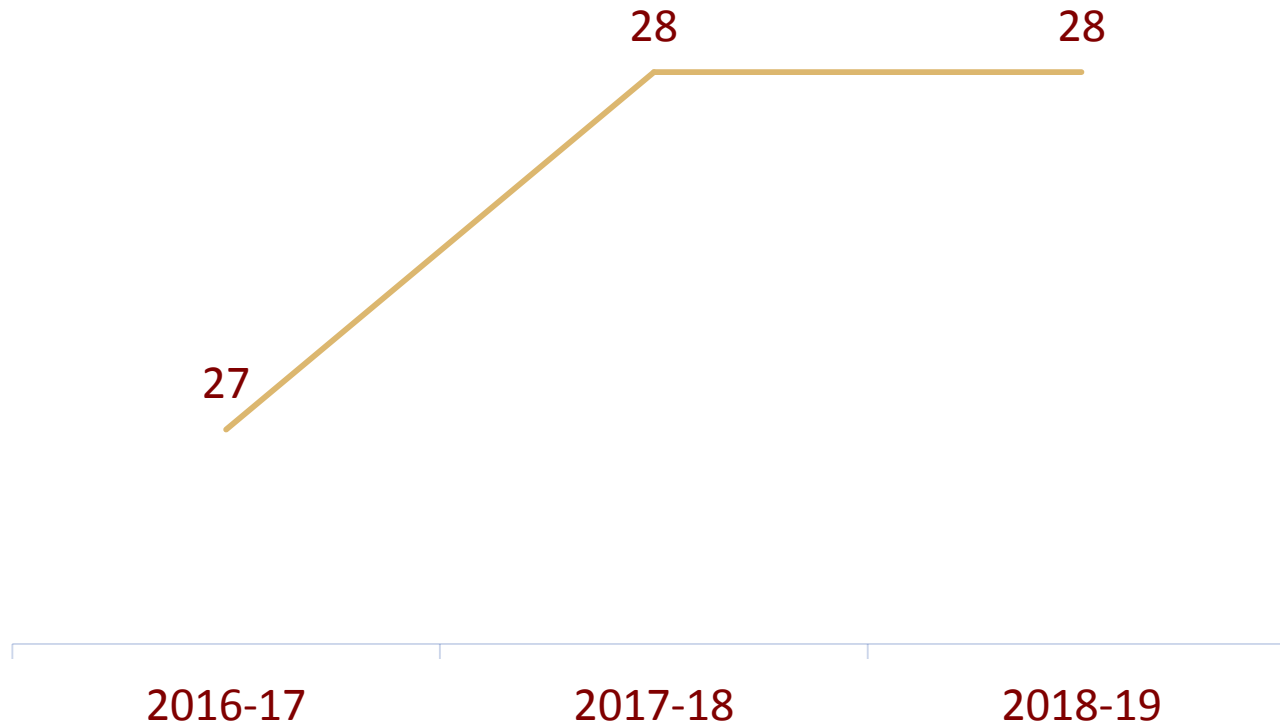
Life Science Chemicals



Sub segment: Floras

Industries served: Food and Nutrition

₹ cr



- World food and agribusiness industry: US\$5 tn, India: US\$160 bn
- World food production growth rate: 2% CAGR, India: 3.5% CAGR
- By 2050, planet Earth will need to double the food supply, caloric demand will increase by 70% but 40 % of water requirements unlikely to be met by 2030
- 2010-20 declared by UN as decade for deserts and combat against desertification
- Agribusinesses constitute 25% of the nation's GDP
- India: 16.8% of world's population with only 4.2% of water and 2.3% of land
- >100 million in India expected to migrate to urbanisation
- Date sector has capacity to push back the desert

World date palm plantation



(‘000 hectares)

Country	2015	2016	2017	Increase 2015 vs 2016	% increase 2016 vs 2017
Iraq	250	303	365	21.2	20.5
Iran	164	172	170	4.9	-1.2
Algeria	166	167	168	0.6	0.6
Saudi Arabia	107	107	108	0.0	0.9
Pakistan	97	94	98	-3.1	4.3
UAE	85	93	93	9.4	0.0
Morocco	57	58	58	1.8	0.0
Tunisia	49	61	64	24.5	4.9
Egypt	48	49	50	2.1	2.0
Sudan	37	37	37	0.0	0.0
World, Total	1,202	1,285	1,329	6.9	3.4

Greening the deserts, a journey ...



A journey that began in 2008, endeavours to improve the economy and ecology of the arid regions of the world which started with India

Technology transfer agreement (with the UAE University)

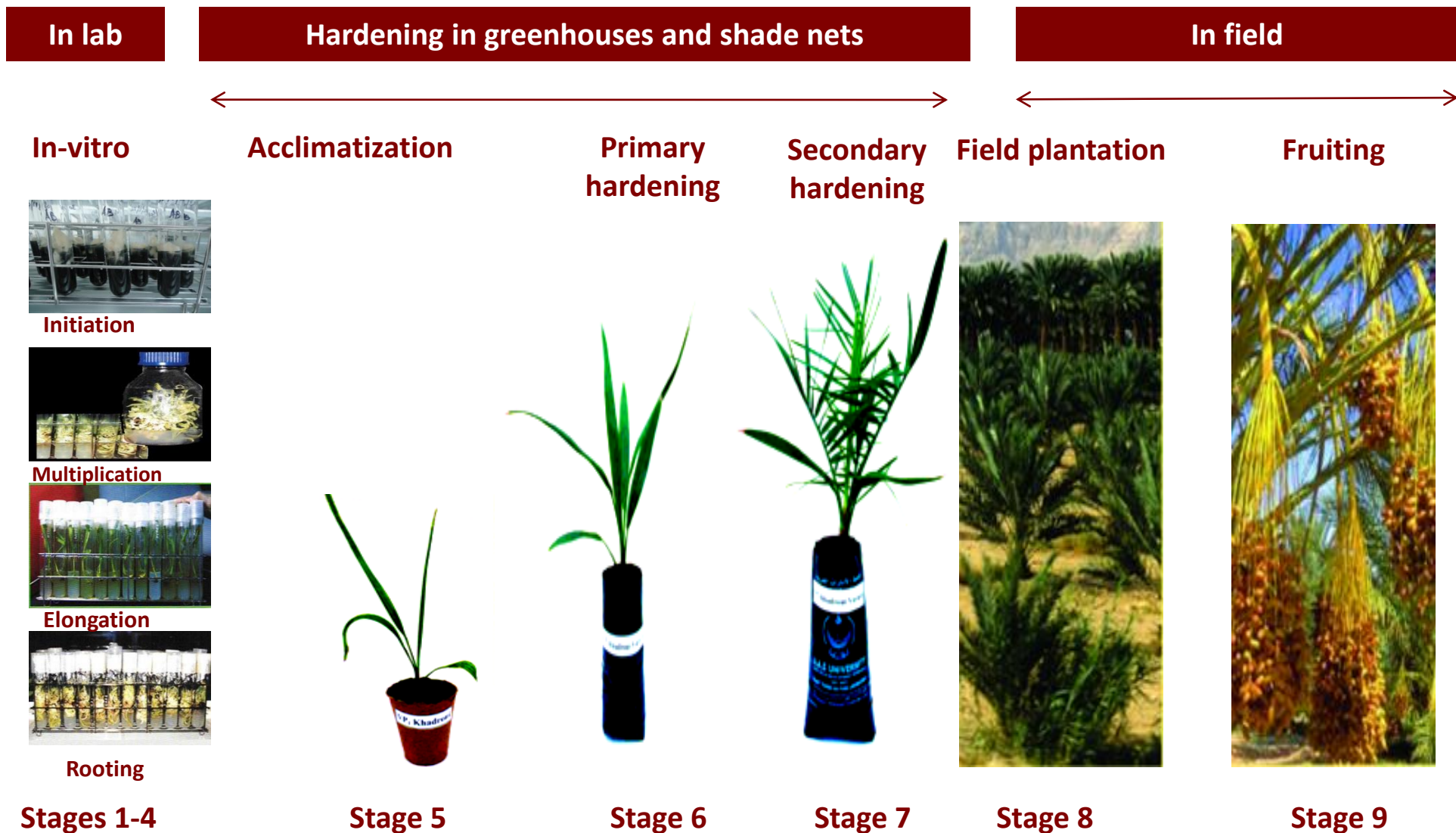


United Arab Emirates



सत्यमेव जयते

Growth stages



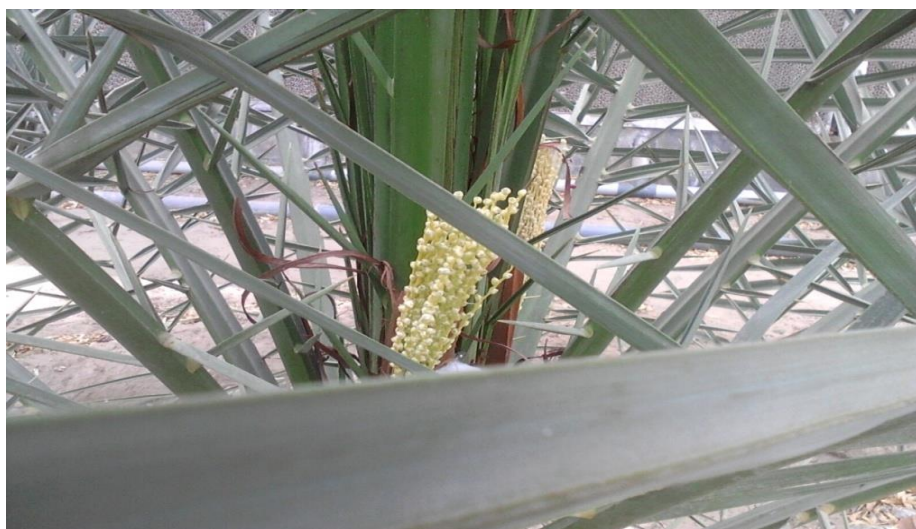
Demonstration farms (Jaisalmer and Bikaner)



Plantation



5 years old



Flowering



Fruiting



Jodhpur

Production



Bud proliferation



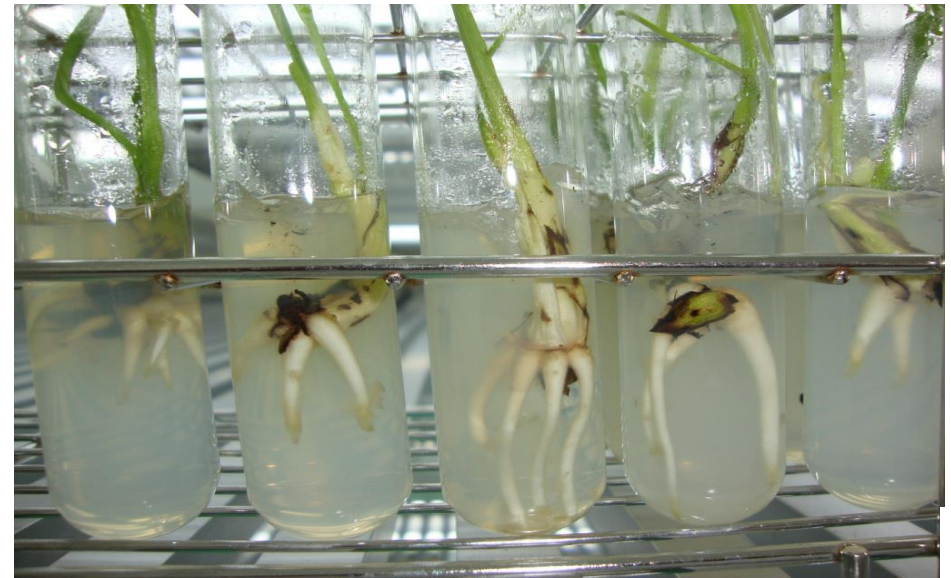
Multi-cultures in growth room



Shooting



Rooting





Date Delights



DPD (UK): Expansion



Boiler installation



Ebb and flood irrigation pipework



Flood and ebb sump tanks



Electrical cabling

Thank you
