Atul Ltd
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February 01, 2023

The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001
Through: BSE Listing portal
SCRIP CODE: 500027

The Manager
Listing Department
National Stock Exchange of India Limited
"Exchange Plaza" C – 1, Block G
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051
Through: NEAPS
SYMBOL: ATUL

Dear Sirs:

Responses to the queries received by the Company on financial results and performance

We have received queries from the investors on the financial results and performance of the Company for the quarter | nine months ended on December 31, 2022. Please find enclosed responses to the queries for the information of the Members.

This disclosure is being submitted pursuant to the Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Thank you,

Yours faithfully

For Atul Ltd

LALIT PATNI

Digitally signed by LALIT PATNI
DN: c=IN, o=Personal, title=3614, pseudonym=516594301dbbbf4a0cfd9fdaf383a2d50d58c1ce57baf2ca828675b689bb7c0a, postalCode=396020, st=Gujarat, serialNumber=12e57a0c1a13a50412ce942250bfdfb5d658c0413d4e8fca6850513e961d4bb2, cn=LALIT PATNI
Date: 2023.02.01 17:21:54 +05'30'

Lalit Patni
Company Secretary and
Chief Compliance Officer

Encl.: as above

Atul Ltd

Queries on Q3 results | performance and responses

No.	Query and response
Q1	What happened during Q3 especially in Performance and Other Chemicals segment of Atul Ltd (Atul). EBIT plummets to ₹ 21 cr from highs of ₹ 150 cr (never seen such low number). Were there high inventory losses or pressure on input costs was very high?
R	Subdued export demand and lower capacity utilisation at customers' end created pressure on selling prices; hence it was difficult to pass on higher input cost to the customers. This scenario has significantly impacted margins and as a result EBIT plummeted.
Q2	How has been demand in aromatics and colors. Have we seen very low sales in these segments?
R	The demand was lower mainly in export market of Europe and China due to high inventory at customers' end and poor demand from all major customers especially Antioxidant segment.
Q3	Was there any one-off costs due to fire accident? How is the pharma business doing?
R	As mentioned in note no 4 in the quarterly results published, ₹ 35 cr worth assets had been written off due to the fire in PHIN-II. However, it is covered by insurance. Part of this (₹ 15 cr) has already been received from insurance companies. A few products of PHIN-II in future (after reconstruction of the Plant) are likely to face stiff competition due to Atul's long absence in the market. Efforts are underway to minimise the loss of market share. It will not have major impact on overall operations of the Company. Products from other PH plants continue to perform as earlier.
Q4	Have we changed our accounting policy for some of the line items | segmental performance?
R	No, there is no such change.
Q5	Atul has increased production capacity of Vat Violet 1 from 84 tpa to 120 tpa through debottlenecking. How much capex was spent on this?
R	Without any investment, this was done.
Q6	Atul has developed a new application for the Carboxy derivative of 1,8 DHAQ as an electrolyte in storage batteries. Is this for Electric Vehicles and how big would be the capex for this?
R	The product cannot be used in EV batteries. There is no investment made for this product right now and it has a very specific niche application and volume may not be high.
Q7	Other income was lower this quarter, any specific reason?
R	In the Q2, there was dividend income from subsidiary companies which was not there in the Q3.

No.	Query and response
Q8	Gross block increased by ~62% from ₹ 14bn to ~₹ 23bn during FY19-22; yet EBIDTA grew only ~19% during the same period, implying lower traction from recently added capacities. What are the reasons for the same?
R	Atul has completed some major projects in the period mentioned, including those for sustainability (infrastructure and environment based) which will strengthen our operations substantially. At full capacity utilisation, profitability will improve.
Q9	Management has guided for a capex outlay of ~₹ 19.7 bn, of which ₹ 3.7 bn is already capitalized in FY22. Kindly provide breakdown of capex outlay and timeline for commissioning of capex. What are the reasons for the delay in ramp up, and what corrective measures management is taking?
R	Out of the many projects, the major one for caustic expansion is expected to be commissioned by Q1 23-24. The remaining ones also will be commissioned as per schedule.
Q10	Will backward integration with chlor-alkali unit, deepen cost synergies and yield better margins at the Company level?
R	Yes, backward integration will help in getting better margins.
Q11	What are Atul's competitive advantages in its key products? Are there any synergies between the various divisions?
R	Atul is having well integrated production facilities including captive power plant and serving multiple industries. Its fully equipped manufacturing facilities include hazardous reactions handling and proper effluent treatment facilities. There are synergies among the businesses.
Q12	The Company has been benefitting from sharp increase in prices of 2,4-D along with better spreads. Is this to do with global supply chain constraints? Will these prices subside in sometime once supplies normalize? Have the margins also improved structurally post commissioning of MCA unit by Anaven?
R	There was sharp increase in prices of 2,4-D owing to sudden increase in key RM prices along with supply chain constraints including high freight rates. Key RM prices have now started normalising leading to reduction in prices being seen from Q4 onwards. MCA unit has helped the operations.
Q13	In agrochemicals, how many new products are planned for launch, and by when will they start to contribute?
R	We have some products in pipeline which will be commissioned during FY 23-24.
Q14	In pharma, how is the market environment and whether competition from China has impacted profitability? What is capacity utilization at Atul Bioscience Ltd (ABL) and are production-led challenges behind now?

No.	Query and response
R	Competition from China has not impacted much on its profitability. ABL: Production challenges are addressed. However, low market demand and regulatory aspects continue to be the current challenges.
Q15	Prices of epoxy resins have corrected gradually to lower levels over last several quarters. What are the challenges in this business? What are the steps taken to inch up retail business?
R	90% of raw materials are imported and hence Atul always faces challenge of margin loss in a falling market, if coupled with poor demand. Long term purchase contract with overseas suppliers and alternate indigenous raw material suppliers can help. There is an increased focus on retail business.
Q16	What are the price and spread trends for p-cresol? Why have the exports lowered since last couple of months? Are there demand-led challenges across international markets like EU?
R	p-Cresol prices have remained steady. EU being the main market for p-Cresol had a very weak demand especially in the antioxidant industry. This has been across major international markets besides EU.
Q17	How is the management looking at Hospital business in Valsad (stake acquired in Valsad Institute of Medical Sciences)?
R	This is being created mainly for improving health and related services in and around Valsad District.
Q18	Has INR depreciation verses the USD benefitted results over last few quarters? What steps the Company is taking to protect margins post forex volatility?
R	Atul is a net exporter and hedges its exposure under the guidelines approved by a committee of the Board.
Q19	Which are the sub segments within Performance and bulk chemicals that are witnessing slowdown? Is the slowdown more in exports or domestic? When do you expect improvement in demand environment on the Performance chemical division?
R	The major impacted sub-segments are Aromatics, Polymers and Colors mainly in export market. We are expecting the business environment to improve from H1 23-24 primarily due to de-stocking of inventory at customers' end and likely improvement in demand from key markets like EU and USA.
Q20	Can you give timelines on commencement of production of our newer capacities which we had announced in FY22 analyst meeting?
R	Most of the projects are on track and expected to be completed as per schedule.
Q21	Can you provide us revenue split between Pharma and Agrochemicals in Life Sciences division?
R	Revenue split between Pharma and Agrochemicals is 35% to 65% respectively.