

Speech of  
**Dr. J N Singh, IAS**  
Chairman

## 46<sup>th</sup> ANNUAL GENERAL MEETING

Friday, 27<sup>th</sup> September, 2019  
at 11:00 a.m.



Venue:  
**Gujarat Alkalies and Chemicals Limited**

P.O.: Petrochemicals-391 346, Dist.: Vadodara

## Dear Shareholders,

I extend a warm welcome to all of you at the 46<sup>th</sup> Annual General Meeting of your Company. The Board's Report and the Standalone and Consolidated Audited Financial Statements of the Company for the Financial Year 2018-19 are already with you and with your permission; I shall take them as read.

## ECONOMIC OUTLOOK

As per provisional annual national income of 2018-19 released by National Statistical Office (NSO), the Indian Economy has grown at the rate of 6.8% in the fiscal 2018-19 as compared to 6.7% in the previous year. GDP growth in fourth quarter of 2018-19 has been at 5.8% which was 7.7% in the same period of previous year.

According to 3<sup>rd</sup> Advance Estimates of crop production 2018-19 provided by the Department of Agriculture, Cooperation & Farmers Welfare (DAC & FW), Ministry of Agriculture, the agriculture, forestry and fishing sector has shown growth rate of 2.9% as against previous year growth rate of 5%. Trade, hotels, transportation, communication and services related to broadcasting grew at 6.9% during the fiscal compared with 7.8% growth in the earlier year.

Goods and Services Tax (GST) has given a new perceptiveness to the Indian economy. In its second year, GST collections touched Rs.11.77 lakh Crore in the 2018-19 fiscal, with record monthly realization of Rs.1.06 lakh Crore in March, 2019 alone.

India has jumped 23 spots to 77<sup>th</sup> rank from 100<sup>th</sup> rank in the World Bank's Ease of Doing Business Report (EODB), 2018. The report also recognizes India as one of the top 10 improvers in this year's assessment for second successive time. India has improved its rank in six out of the 10 indicators and has moved closer to international best practices on 7 out of 10 indicators.

A leap jump is achieved in the indicators related to 'Construction Permits' and 'Trading Across Borders'. The rankings reflect the Government's reform measures on a wide range of indicators. In the 'Grant of Construction Permits' indicator, India's ranking improved from 181 last year to 52 in this year's report - a jump of 129 ranks in a single year. In the 'Trading Across Borders' indicator, India's rank improved by 66 positions, moving from 146 in 2017 to 80 in 2018.

The average inflation for Financial Year 2018-19 stood at 3.5%, well below the RBI's target-midpoint of 4% as a result, the RBI reduced the Repo rate by 25 basis points (to 6.25%) in February, 2019. However, the current account deficit widened in Financial Year 2018-19.

The long-term growth prospective of the Indian economy is positive due to its major structural reforms, young population, corresponding low dependency ratio, healthy savings and investments rates and increasing integration into the Global Economy.

### **GUJARAT – A ROLE MODEL FOR OTHERS**

Gujarat has become a role model for success, growth and inclusive development in the Country. Gujarat is recognized for its vibrancy and entrepreneurial spirit. Investors' confidence for investment in Gujarat has grown manifold - both at national and international level. The State has been providing adequate power and infrastructure for the industry and agriculture, which is the key to economic progress. Gujarat houses an impressive industrial belt including a hub of chemical and petro-chemical industries that makes Gujarat a major contributor to the national economy.

The State with its progressive thoughts, proactive & prudent planning and implementation has paved a way to phenomenal triumph in economy with all encompassing growth. The significant contribution of Gujarat to Indian Economy has made India visible to a competitive market in spite of the downturn in World Economy. Inferring from present scenario where our economy has begun to rebound, Gujarat assumes a pivotal role in the fast changing business dynamics of India. Gujarat's Industrial Policy is geared for catalyzing robust, sustainable and inclusive growth. I am sure with all these efforts, Gujarat will guide others in achieving "Make in India" vision of our Hon'ble Prime Minister.

### **GACL'S PERFORMANCE**

The Company was established in 1973 and over a period of time, it has emerged as one of the largest producers of Caustic Soda in India with present installed production capacity of 4,12,500 MT per annum of Caustic Soda as on 31<sup>st</sup> March, 2019 and enjoys the economies of scale. The Company has about 14% share in the domestic Chlor-Alkali Sector.

Since inception, the Company has from time to time, expanded its operations in Chlor-Alkali Sector and also diversified into several higher-end products, through forward & backward integrations. GACL was the first Indian Company to replace the Mercury Cell Technology with environment friendly and energy efficient Membrane Technology way back in the year 1989. Currently, the Company's products basket comprises of more than 36 products. The Company's products are used by various diverse industries in India and abroad.

GACL has always ensured upgrading and adapting to eco-friendly and green technologies while it ensured the capacity utilization of 99% in Caustic Soda during Financial Year 2018-19. Further, the Company has achieved optimum capacity utilization of more than 100% in some of the products viz. Phosphoric Acid, PAC-18, Anhydrous Aluminium Chloride, Stable Bleaching Powder etc.

Production of Caustic Soda by electrolysis process is highly power intensive and the Company devised a sustainable strategy to meet its growing energy demands. Besides 90 MW Gas based Captive Co-generation Power Plant and participation in a 145 MW Joint Captive Gas based Power Plant of GIPCL, your Company has taken major initiative for green energy by setting up Wind Farms for a total installed capacity of 171.45 MW as on 31<sup>st</sup> March, 2019. The Company has also commissioned 35 MW Solar Power Project for captive use, at Charanka, Dist. : Patan, Gujarat.

During the Financial Year 2018-19, the Company has achieved highest ever productions in Chlorine, Caustic Potash Lye, Caustic Potash Flakes, Chloromethanes, Hydrogen Peroxide and Aluminium Chloride at Vadodara Complex and Phosphoric Acid, Caustic Soda Lye, Chlorine, Poly Aluminium Chloride, Hydrogen Peroxide, Aluminium Chloride, Chlorotoluene products and Stable Bleaching Powder at Dahej Complex.

## **FINANCIAL PERFORMANCE OF THE COMPANY**

You will be happy to note that your Company has continued to deliver excellent financial performance this year also. Your Company has again surpassed the highest ever sales turnover of Rs.2,418 Crores (excluding Excise Duty) in the last Financial Year and achieved sales turnover of Rs.3,102 Crores during the Financial Year 2018-19. The Company could increase sales turnover mainly on account of increase in sales realization of Caustic Soda Group, Chloromethanes Group, Caustic Potash Group, Hydrogen Peroxide, Poly

Aluminium Chloride, Aluminium Chloride, Chlorinated Paraffin Wax, Chloro Toluene Group, Stable Bleaching Powder and Liquid Chlorine.

Despite keen competition and adverse market conditions, your Company could generate higher level of Gross Profit of Rs.1,176 Crores as against Rs.892 Crores in the previous year.

For the year 2018-19, your Company has achieved highest ever Profit Before Tax of Rs.1,015 Crores and Profit After Tax of Rs.690 Crores as against Rs.750 Crores and Rs.535 Crores, respectively in the previous year.

The Earning Per Share was Rs.93.91 per Share for the year as against Rs.72.85 per Share in the previous year.

The Book value of Share increased to Rs.582 per Share as on 31<sup>st</sup> March, 2019 as against Rs.517 per Share at the end of previous year, registering a growth of Rs.65 per Share.

During the year, the Company could achieve the excellent operational performance through cost control measures, consistent review of pricing strategy and other measures. Our thrust on cost control continues in the current Financial Year also.

During the First Quarter of current Financial Year 2019-20, your Company has achieved sales turnover of Rs.728 Crores as against Rs.744 Crores in the corresponding period of previous year. Your Company has achieved Profit Before Tax of Rs.228 Crores and Profit After Tax of Rs.159 Crores as against Rs.259 Crores and Rs.183 Crores, respectively in the corresponding period of previous year.

## **DIVIDEND**

The Board of Directors of the Company are glad to recommend a Dividend of Rs.8.00 per share (i.e.80%) on 7,34,36,928 Equity Shares of Rs.10/- each fully paid-up for the Financial Year ended 31<sup>st</sup> March, 2019.

## **MARKETING**

Your Company's product profile includes a wide range of more than 36 products. The Caustic Soda group remains a major revenue earner. Therefore, Caustic Soda and Chlorine market scenario has a wide impact on the Company's performance.

As a value addition to Hydrochloric Acid, your Company had commissioned Poly Aluminum Chloride (PAC) at Vadodara and we are able to capture sizable domestic market for various grades of PAC. The physical export of PAC powder has also been increased, wherein realizations are promising.

The Company is facing import threat and dumping of various products at low prices, which affects its capacity utilization, prices etc. The Company is pro-actively taking corrective actions for imposition of Anti Dumping Duty within the WTO guidelines.

The Company has successfully continued to serve eastern part of India and has executed supplies to M/s. National Aluminium Company Ltd. (NALCO) and M/s. Vedanta. To remain competitive in distant markets, wherein transportation cost is a major constrain – a multi modal logistic option is successfully opted. Supply of Caustic Soda Lye through Sea route to M/s. NALCO and M/s. Vedanta is already in vogue & accordingly, all arrangements have been made to store required quantity of Caustic Soda Lye at the storage tank of GCPTCL at Dahej.

During the Financial Year 2018-19, your Company has procured and traded approx. 2,058 MT of Caustic Soda Lye (CSL) to cater the domestic consumers. The Company has continued supplies of approx. 100 TPD Chlorine through pipeline, which has not only eased the day-to-day concern of Chlorine disposal, but has also helped in optimizing Caustic Soda production and better realization for Chlorine from market.

During the Financial Year 2018-19, the Company has achieved highest ever exports revenue of Rs.341 Crores as compared to Rs.316 Crores during the last Financial Year 2017-18, which reflects a growth of 8%. The Company has achieved highest ever sales in Caustic Soda Lye, Chlorine, Chloromethanes, Hydrogen Peroxide, Aluminium Chloride, Poly Aluminium Chloride, Benzyl Chloride, Benzyl Dehyde, HCL from HBC, Sodium Chlorate and Stable Bleaching Powder.

## **COST CONTROL MEASURES**

Your Company takes various innovative measures to reduce the cost in procurement of raw materials, chemicals & consumables.

Following are few such measures the Company has taken which has resulted into substantial reduction in cost of procurement :

1. Your Company has procured key raw materials like Primary Aluminium Ingots & Heavy Normal Paraffin under advance license with zero custom duty which has reduced cost of procurement. To fulfill export obligation under this scheme, your Company has exported finished products and earned foreign exchange also.
2. Your Company has effectively implemented e-procurement and all procurement of high value was done through Reverse Auction. Reverse Auction encourages healthy competition, transparency in the procurement and establish lowest price.
3. Your Company as a responsible and caring business house gives emphasis on sustainable sourcing. As a part of sustainable sourcing improved quality (washed quality) Salt was used for manufacturing of Caustic Soda. Improved quality Salt has resulted in low sludge generation & reduction in chemicals consumption. This has direct impact on reducing the cost of manufacturing and increasing the life of Membrane which is critical part in process of Caustic Soda manufacturing.
4. Potassium Chloride (KCl) is one of the major imported raw materials. Discharge port of the same which was changed from East Coast (of India) to West Coast has been continued during the year which has reduced cost of internal logistics substantially.

## **EXPANSION AND NEW PROJECTS**

I am happy to inform you that your Company is well on its way with the implementation of its growth plans through which it aspires to reach an annual turnover of Rs.5,000 Crores by Financial Year 2021-22, from the current level of Rs.3,100 Crores.

I am glad to inform that, your Company has successfully commissioned 14,000 TPA Hydrogen Peroxide Plant and 32,000 TPA Poly Aluminium Chloride Plant during the Financial Year 2018-19.

The other Projects, namely, 1,05,000 TPA Chloromethanes Plant, 33,870 TPA Food Grade Phosphoric Acid Plant, 10,000 TPA Hydrazine Hydrate Plant, 15,000 TPA Stable Bleaching Powder (SBP) Plant, 16,500 TPA Anhydrous Aluminum Chloride (AAC) Plant and Expansion of present Caustic Soda Plant from 785 TPD to 1,310 TPD along with 65 MW Coal based Power Plant, all at Dahej, are at different stages of implementation.

## **PROJECT BY GNAL – A JV COMPANY WITH NALCO**

The project for establishment of 800 TPD Caustic Soda Plant integrated with a 130 MW Coal based Power Plant at Dahej, as a Joint Venture with NALCO, is also well underway at Plot D-II/9. The Chlorine produced at this Plant shall be supplied through pipeline to GACL for its captive consumption and the Chlorine consuming plants in nearby area.

## **RESEARCH & DEVELOPMENT**

In order to have competitive advantage in the dynamic business environment, our R&D efforts are being carried out keeping a close synergy among the green technologies, present & futuristic need of the organization. The activities are being focused on waste utilization, new product & process development, process improvement, environment friendly technologies, product quality and to achieve the total customer satisfaction.

The work is being carried out to develop a viable solution in terms of value addition for handling the waste generated from our process plants. We are also working on the Catalyst development. Our efforts also continued to develop the alternatives for the imported raw material used in the different plants. During this Financial Year 2018-19, we have been granted patents on our novel work carried out on Sodium Percarbonate, Methyl Cellulose & Guaiacol processes. A US patent application has been filed on Hydrazine Hydrate process developed by us jointly with Indian Institute of Chemical Technology (IICT), Hyderabad.

Our other activities included the close monitoring of process streams, raw material & finished goods quality. The technical support to the various Departments was continuously extended, which resulted in to the overall fruitful benefits.

## **RENEWABLE ENERGY**

Your Company has further reinforced its commitment towards promoting green technology by installation and commissioning another 20 MW Solar Power Project at Charanka, Gujarat. With this installation, the aggregate installed renewable energy capacity of the Company has reached 35 MW for Solar Power and 171.45 MW for Wind Power, which would cater more than 25% of its energy requirements.

## **SAFETY AND ENVIRONMENT**

The Policy, Principles and Safety & Environment Management Statements are consistently implemented in practice with continuous monitoring. The Company's principles of Occupational Health, Safety and Environment are intertwined in our corporate culture through special Housekeeping drive and Plant Healthiness drive.

For the safety of goods transport, your Company has arranged refresher training for drivers at an interval of every six months. Water conservation is part of our culture. Your Company has installed water flow meters at all the major water stream for the purpose of daily monitoring of water consumption. Water sprinkler system is implemented for watering the plants in garden areas.

## **CORPORATE GOVERNANCE**

Sound and efficient Corporate Governance practices are the basis for stimulating the performance of the Company, maximizing its operational efficiency, achieving sustained productivity as well as ensuring protection of stakeholders' interests. GACL always ensures to follow the Good Corporate Governance practices, essential to ensure inclusive growth, wherein the society also enjoys the fruits of the Corporate Growth.

## **CORPORATE SOCIAL RESPONSIBILITY**

At GACL, we are committed towards creating value for our stakeholders and believe that through various CSR initiatives the value is reflected in their quality of life. Our initiatives are mainly categorized into Promotion of Education, Special Children, Healthcare, Sanitation and Hygiene, Livelihood Generation activities, Art, Culture and Heritage and Water Conservation activities. The CSR activities are strategically aligned with Company's Policy, Philosophy, and Development Goals of the Government and are implemented through GACL Education Society.

These are designed through a participatory approach, keeping in mind the requirements of the community. It helps us to nurture long lasting and strong relationships with our stakeholders. Promoting inclusive growth has been a priority for GACL from the both social and business perspective. Our approach is based on a partnership model in order for community to help themselves

and work towards sustainability. We operate in partnership with communities, Non-Governmental Organization (NGOs) and Government at the grass root level. The focus is on identifying, sharing and building upon good practices that help foster a culture of learning, collaborative working and innovations.

All our projects are implemented in the communities we operate, with stringent Due Diligence process, display a sense of responsibility and offer support to a diverse segment in community, which brings positive impact in their lives.

## **HUMAN RESOURCES AT GACL**

At GACL, Human Resource Department formulates strategies and executes human resource policies that enhances the employees competencies and productivity. Human Resource improves the Company's bottom line with its knowledge and innovation resulting into organizational success.

The Company has a well-defined strategy for succession planning and for talent acquisition for upcoming projects. The Company has supported the Gujarat Government's "Mukhyamantri Apprenticeship Yojana". As a part of the scheme, the Company engaged 209 apprentices for the year 2018-19. Also the Company's focus is on hiring young talented engineers. The Company recruited 37 young engineers during the year 2018-19.

HR training and development emphasizes on systematic knowledge transfer to facilitate the upcoming talent. Also equivalent focus is on organizing training programs like Executive Development Programs, technical skill enhancement. During the Financial Year 2018-19, we achieved remarkable record of 19,000 training hours.

Your Company always helps in the culture of digitalization and has also encouraged employees to be responsible citizens.

## **INFORMATION TECHNOLOGY**

GACL considers the effective use of Information Technology (IT) and business analytic as essential in raising productivity and achieving excellence in its business operations.

IT systems are constantly updated, upgraded and expanded to facilitate the business. It also provides information required by its business partners through Company's website.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome Shri S B Dangayach as Director of the Company. On behalf of the Board of Directors, I would like to thank Shri J N Godbole as Director of the Company, whose rich experience benefited the Company in its development and growth.

I express my sincere gratitude to my colleagues on the Board for their valuable guidance and contribution in the management of the Company.

I also thank all the Shareholders of the Company for the confidence reposed in us. I would like to acknowledge the valuable contribution of the employees of the Company through their dedication and commitment.

On behalf of the Board of Directors and on my personal behalf, I extend sincere thanks to the Central Government and Government of Gujarat, in particular the Department of Energy & Petrochemicals, Promoters, Bankers, Auditors, Customers, Agents, Dealers, Suppliers and other Stakeholders who have continued to extend their precious support and co-operation to the Company at all times.

# JAI HIND



# Gujarat Alkalies and Chemicals Limited

An IS-ISO Certified Company

(Promoted by Govt. of Gujarat)

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