

Speech of the Chairman of  
**Gujarat Alkalies and Chemicals Limited**  
**47<sup>th</sup> ANNUAL GENERAL MEETING**

Friday, 25<sup>th</sup> September 2020  
at 11:30 a.m.



Registered office:  
**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 47<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 2019-20 are already with you and with your permission; I shall take them as read.

## ECONOMIC OUTLOOK

India's Gross Domestic Product (GDP) during the Financial Year 2019-20 was 4.2% as compared to 6.1% in previous year, the lowest since 2008-09. Manufacturing, construction and electricity declined sharply. Manufacturing shrank 1.4% in the fourth quarter as factories shut toward the end of March. Agriculture and public administration grew 5.9% and 10.1% respectively. Construction contracted 2.2% while the financial sector, usually one of the fastest-growing, saw only a 2.4% rise. Gross Fixed Capital Formation (GFCF), an indicator of investment, shrank 6.4% in the March quarter.

A nationwide lockdown was imposed on March 25, 2020 due to COVID-19 pandemic. However, business activities had begun grinding to a halt a few weeks before the formal lockdown. In view of nationwide lockdown, various industries like coal, cement, steel, natural gas, refinery, chemical, crude oil etc. experienced substantial loss of production. The core sector reduced by a record 38.1% in April, 2020 as the lockdown hit entire economy. During the Financial Year 2019-20, core industries recorded only 0.6% growth against 4.4% in the Financial Year 2018-19.

While the Government has gradually eased restrictions, economic activities were muted in April and May 2020, also dented by the issue of migrant labour. The Government has unveiled a Rs.20 lakh crore relief package that includes liquidity measures taken by the Reserve Bank of India (RBI) to counter the impact of the lockdown. The RBI has cut rates twice to record lows besides providing liquidity support and regulatory relief. The measures announced to support MSMEs will help small business across all the sectors.

India has moved 14 places to be 63<sup>rd</sup> among 190 nations in the World Bank's ease of doing business in 2020 ranking. The Country was 77<sup>th</sup> among 190 Countries in the previous ranking last year.

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

Over the years Gujarat model of all round development, success, growth and inclusive development has been appreciated all over the Country. Gujarat is recognized for its vibrancy and entrepreneurial spirit. Investors' confidence for investment in Gujarat has grown manifold. Everyone at national and international level have recognized this. 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 petrochemical industries that makes Gujarat a major contributor to the national economy. 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 the "Atma Nirbhar Bharat" 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 2020 and enjoys the economies of scale. The Company has about 12% share in the domestic Caustic Soda market.

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. 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 optimum capacity utilization during Financial Year 2019-20. The Company has achieved ever highest capacity utilization

touching 100% in some of the plants/products viz. Caustic Soda Lye, Chloromethanes, Hydrogen Peroxide, Phosphoric Acid, Aluminium Chloride & Stable Bleaching Powder.

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 2020. During the Financial Year 2019-20, the Company has also taken up 20 MW Solar Power Project for captive use, which was commissioned in September 2019 in phased manner. The aggregate Solar Power capacity of the Company had increased to 35 MW during the year. With this, the aggregate renewable energy capacity increased to 206.45 MW including 171.45 MW of Wind Power capacity.

## **FINANCIAL PERFORMANCE OF THE COMPANY**

In spite of stiff competition and unstable market conditions during the year, your Company had achieved Sales Turnover of Rs.2,654 Crores, Profit Before Tax of Rs.492 Crores and Profit After Tax of Rs.333 Crores. Your Company has been consistently striving towards cost reduction. Your Company has been able to maintain production levels and sell its quality products at very competitive rates.

In the F.Y. 2019-20, the Earning per Share was Rs.45.32 for the year. Book value of share increased to Rs.541 per share as on 31.03.2020 as against Rs.505 per share at the end of previous year, registering a growth of Rs.36 per Share.

During the First Quarter of current Financial Year, your Company has achieved Sales Turnover of Rs.453 Crores. During the First Quarter of current Financial Year, your Company has achieved Profit Before Tax of Rs.46 Crores and Profit After Tax of Rs.32 Crores.

## **DIVIDEND**

The Board of Directors of the Company are glad to recommend a Dividend of Rs.8.00 per share (i.e.80%) on Equity Shares for the Financial Year ended 31<sup>st</sup> March 2020.

## MARKETING

Your Company's product profile includes wide range of more than 36 products. The Caustic Soda group remained 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, the Company had commissioned Poly Aluminum Chloride (PAC) at Vadodara and 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 threats and dumping of various products at low prices, which affects its capacity utilization, prices etc. The Company is proactively taking corrective action for imposition of Anti Dumping Duty as per the WTO guidelines. As a result, Anti Dumping Duty has been imposed on some of the products.

The Company has successfully continued to serve Eastern part of India and has executed supplies of Caustic Soda to M/s. National Aluminium Company Ltd. (NALCO) and M/s. Vedanta Ltd.

## COST CONTROL MEASURES

Your Company takes various innovative measures to reduce the cost of procurement and to improve the profitability.

The Company has taken following measures during the Financial Year:

- 1) For procurement of materials, your Company has followed Reverse Auction process. Reverse Auction encourages healthy competition, transparency in the procurement and establishes the best lowest price.
- 2) Your Company has procured raw material, Primary Aluminium Ingots under Advance License scheme with zero custom duty which has reduced cost of procurement. To fulfil export obligations under this scheme, your Company has exported finished products and earned foreign currency also. To reduce cost of procurement, your Company has procured alternate grade of raw materials at lower price without affecting quality of finished product.

- 3) 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 benefited in reducing cost of internal logistics substantially.
- 4) Your Company always explores innovative measures in procurement to reduce the cost, to improve quality & to ensure timely availability of materials. Your Company has undertaken VMI (Vendor Managed Inventory) and long term contract for certain raw materials & consumables.
- 5) Your Company is a responsible and caring business house and 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 benefit of low sludge generation & reduction in chemical 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. With this initiative of your Company, majority of salt manufacturers in surrounding area have installed salt washery which has benefited to both.

## **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 annual turnover of Rs.5,000 Crores in the year 2021-22. This is despite the unforeseen situation of COVID-19 pandemic, which has slowed down the implementation process of the new projects, but has not lowered the fighting spirit of the Company to eventually achieve the desired objectives.

Three of the major projects, viz. Hydrazine Hydrate, Chloromethanes and GNAL (a JV Project with NALCO), which were planned to be put on stream during the last quarter of the current Financial Year, may get delayed by about 4-6 months and are expected to be commercially operative by 2<sup>nd</sup> quarter of the next Financial Year i.e. 2021-22. The other two major Projects viz. Purified Phosphoric Acid and Caustic Soda Expansion, which were planned to be operative by the 3<sup>rd</sup> quarter of 2021-22, would now get to the stage of commercial production during the last quarter of 2021-22.

Subsequent to the COVID-19 outbreak, and due to the nation-wide lockdown followed by region-wise lockdown still prevailing at several places in the Country, there has been an adverse impact on the schedules of the projects. The large scale reverse migration of construction workers that followed the nationwide lockdown, had brought down significantly the pace of construction work at the sites. Your Company had taken corrective measures well in time and therefore, the situation had stopped deteriorating by end of June 2020 and started improving since July 2020. The recovery measures taken by the Company included securing statutory permission for the construction under stringent measures enforced at the site to avoid spread of the pandemic, intensive training of the workforce at site, providing logistic support to the contractors for safe transport of the workers and creating an overall environment at the sites that made the workforce feel safe and motivated.

All procurement activities were continued with design teams working from home and commercial discussions taking place through digital media. The manufacturing activities for the plant and machinery already ordered were supported by conducting virtual inspections and providing online dispatch clearances.

I am happy to inform you that your Company has also successfully commissioned 15,000 TPA Stable Bleaching Powder Plant and 16,500 TPA Anhydrous Aluminum Chloride Plant during the Financial Year 2019-20.

### **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 during the Financial Year 2019-20. With this installation, the aggregate installed renewable energy capacity of the Company has reached to 35 MW for Solar Power and 171.45 MW for Wind Power, which caters more than 25% of energy requirements.

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

The project for establishment of 800 TPD Caustic Soda Plant integrated with 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 to the Chlorine consuming plants in nearby area.

## **RESEARCH & DEVELOPMENT**

In order to have a competitive edge in the Dynamic Business Environment, our R&D activities are being carried out to develop a synergy between the present line operations and futuristic need of organization. The prime focus has been on new products and process development, environment friendly technologies, waste utilization, process improvement, product quality and to achieve total customer satisfaction.

During the year under review, your Company had successfully developed a product viz. Crystalline Calcium Nitrate Tetrahydrate from liquid waste generated from Phosphoric Acid Plant and your Company had applied for Indian Patent. Your Company is also working on waste generated from the other plants like Caustic Soda, Poly Aluminum Chloride and Hydrogen Peroxide Plant. The R&D Department is also working to monitor the process and quality of imported raw materials in order to have better control on the process.

The work on cooling water treatment including the technical support in respect of corrosion and microbiological growth monitoring was carried out successfully. The R&D Department provided necessary technical support to the various Departments, which resulted in to the overall fruitful benefits.

## **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 various measures including 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 categorised into Promotion of Education, Special Children, Healthcare, Sanitation and Hygiene, Livelihood Generation and Skill Development Activities, Art, Culture and Heritage, Water Conservation and Environmental 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 both the social and business perspective. In its commitment to the underprivileged communities, your Company has engaged and partnered with some of distinguished Non-Governmental Organizations (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, display a sense of responsibility and offer support to a diverse segment in community, which we believe 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 employee's competencies and

productivity. Human Resources 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 has engaged 199 apprentices for the year 2019-20.

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 2019-20, we achieved remarkable record of 33,041 training hours.

## **INFORMATION TECHNOLOGY**

It has always been endeavour of GACL to continuously thrive by aligning and using Information Technology to achieve the excellence of Business Operations and its strategies. For better integration of its Business Processes and Controls, the Company has in place the benchmarking ERP – "SAP Systems". We have built a robust and secured IT infrastructure enabling availability of required information for decision making to all its stakeholders. IT Systems are constantly updated, upgraded and expanded to facilitate the ease of doing business for all its stakeholders.

## **ACKNOWLEDGEMENTS**

I would like to take this opportunity to welcome Shri Anil Mukim, IAS as Chairman of the Company. I also welcome Shri Pankaj Joshi, IAS and Shri Rohitbhai J Patel as Directors of the Company. On behalf of the Board of Directors, I would like to thank Dr. J N Singh, IAS (Retd.), Chairman, Shri Arvind Agarwal, IAS and Dr. Rajiv I Modi as Directors 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 ISO Certified Company (Promoted by Govt. of Gujarat)

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