

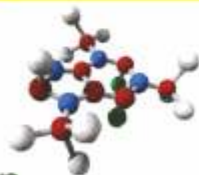
**Vibrant, Energetic, Responsible...**



**42<sup>nd</sup> ANNUAL GENERAL MEETING**

**Friday, 18<sup>th</sup> September, 2015 at 03:00 p.m.**

Speech of  
Shri G R Aloria, IAS, Chairman



Venue:  
**Gujarat Alkalies and Chemicals Limited**  
P.O. Petrochemicals-391 346, Dist.: Vadodara, Gujarat.  
CIN : L24110GJ1973PLC002247

## **Dear Shareholders,**

I extend a warm welcome to all of you at the 42<sup>nd</sup> Annual General Meeting of your Company. The Board's Report and the Audited Accounts of the Company for the Financial Year 2014-15 are already with you and with your permission, I shall take them as read.

### **GLOBAL AND INDIAN ECONOMY :**

During the year under review, the United States which is the largest economy in the world, has shown comparatively better growth, while the countries in the Euro zone have registered marginal growth. There was a marked slowdown in China and Japan. The debt crisis in Greece is a major area of concern at global level which still continues. A steep decline in oil and commodity prices is another major area of concern which has affected the global economy at large. Further, the monetary easing by central banks in the US, EU and Japan has also affected the global economic scenario to a large extent. The global financial markets have witnessed very high volatility during 2014-15.

Fortunately, during the Financial Year 2014-15 the Indian economy has witnessed recovery and India is now emerging as one of the largest economies in the world with a promising economic outlook on the back of controlled inflation, decline in oil prices, increase in investments, rise in domestic consumption and commitment of the Government for continuity of ongoing reform process. The growth prospects for the Indian economy are firming up and the various estimates, including those by International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) indicate that India will be one of the fastest-growing economies in coming years. The "Composite Leading Indicators" released by the OECD on a monthly basis, designed to anticipate turning points in economic activities, has increased for India from 99 in September, 2014 to 99.5 in January, 2015. The IMF, attributing the revival in economy to positive policy actions, has projected the GDP growth rate to rise to 7.5% in 2015-16, from 7.3% in the Financial Year 2014-15, while the Government of India envisages a growth of 8.5% in 2015-16.

The Indian economy grew 7.3% in Financial Year 2014-15. The industry sector has registered a growth of 5.9% whereas, service sector has registered a growth of 10.6% in 2014-15 as compared to 4.5% and 9.1% during 2013-14, respectively. In case of agriculture and allied sectors, the pace in growth has slowed down to 1.1 % in 2014-15 as against 3.7 % in 2013-14. All the major service sectors, including finance, insurance, realty and business have exhibited sizable growth. Contribution of service sector in GVA (Gross Value Addition) has been constantly increasing in the last 3 years from 49.6% in 2012-13 to 50.9% in 2013-14 and further to 52.7% in 2014-15. The share of agriculture and industry in GVA has remained moderate in the last 3 years.

#### **DEVELOPMENT IN GUJARAT :**

Gujarat has become a role model of success, peace and prosperity in the country. 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. The State with its progressive thought, proactive & prudent planning and implementation has paved the way to phenomenal triumph in economy with an 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. Gujarat's Industrial Policy is geared for catalyzing robust, sustainable and inclusive growth. The industries in Gujarat have evoked new models of development. Increasing Industrial activity in Gujarat has led to vast business resources and immense prosperity in the State. I am sure with all these positive aspects, Gujarat will pave the way for many industries to achieve the goal of "Make in India" vision.

#### **OPERATIONAL AND FINANCIAL PERFORMANCE OF THE COMPANY :**

The Financial Year 2014-15 was a challenging year for Chlor-alkali sector. The price of Caustic Soda remained under pressure due to huge imports during most part of the Financial Year 2014-15. However, your Company was able to sustain the cut-throat competition due to its nation-wide distribution network, operational excellence, higher efficiency and well executed business strategy.



The total production of all the products of your Company has increased by 1.54% to 14,47,788 MT during the Financial Year 2014-15 from 14,25,853 MT in the previous year. During the year 2014-15, your Company has achieved highest ever production in Caustic Soda, Chloromethanes and Hydrogen Peroxide at Vadodara Complex and a highest ever production in Hydrogen Peroxide, Poly Aluminium Chloride and Anhydrous Aluminium Chloride at Dahej Complex.

I am happy to inform you that during the Financial Year 2014-15, your Company has surpassed the highest ever sales achieved in the last Financial Year with a turnover of Rs. 2,157 crore as against Rs. 2,087 crore in the previous year. The Company could also increase the sales quantity during the year for all of its major products i.e. Caustic Soda Group, Chloromethanes, Caustic Potash Group, Hydrogen Peroxide, Phosphoric Acid etc.

The Company could generate Gross Profit (EBIDTA) of Rs. 323 crore as against Rs. 404 crore in the previous year. The Net Profit Before Tax was Rs. 215 crore for the year as against Rs. 247 crore which shows reduction of 12.60%. The reduction in the profit is mainly due to increase in power cost by about Rs. 100 crore, raw material cost, employee cost and natural gas cost which was not compensated with similar increase in market realization.

The Net Profit After Tax was Rs. 228 crore for the year as against Rs. 185 crore in the previous year, which shows an increase of 23.15%. The increase in the Profit After Tax is due to MAT status and reversal of Deferred Tax.

The Earning per Share rose to Rs. 31.03 per share as against Rs. 25.20 per share in the previous year. The Book Value of share increased by Rs. 23 per share to Rs. 286 per share as against Rs. 263 per share in the previous year. There was an improvement in the Debt Equity ratio which was 0.05 : 1 times from 0.08 : 1 times in the previous year because of the reduction in the total debt (other than current maturity) to Rs. 95 crore from Rs. 156 crore in the previous year. Your Company could achieve the above against various odds during the year with its focus on cost control measures, consistent monitoring and review of product pricing, reaching out to new markets by innovative use of rail and sea route of transport and other measures.

During the first quarter of Financial Year 2015-16 despite continuing adverse forces, your Company has achieved the Sales turnover of Rs. 472.56 crore as against Rs. 493.91 crore in the corresponding period of previous year. The Profit Before Tax stood at Rs. 56.51 crore as against Rs. 73.54 crore in the similar period of the previous year. The Profit After Tax was Rs. 43.99 crore as against Rs. 56.95 crore in the similar period of previous year.

#### **DIVIDEND :**

Your Directors are glad to recommend a higher Dividend of Rs. 4.50 per share (i.e. 45%) on 7,34,36,928 Equity Shares of Rs. 10/- each fully paid for the year ended 31<sup>st</sup> March, 2015 as against the dividend of Rs. 4.00 per share (i.e. 40%) last year.

#### **MARKETING :**

Your Company's product line includes 37 products and the major revenues are derived from Caustic Soda Group and therefore, Caustic Soda and Chlorine market scenario has a wide impact on the Company's performance. The Company has continued expanding its product portfolio through forward integration to build synergy with its existing product lines. The Company plans to grow further by adding capacities to its existing product lines.

The Company has successfully started its Sodium Chlorate Plant at Dahej, which finds applications primarily in Paper & Pulp Industry for "Elemental Chlorine Free Bleaching". The Product Sodium Chlorate is an import substitute. The plant, after facing some initial teething problems, has now stabilized. The Company is making appropriate marketing strategy to create a niche for the new product Sodium Chlorate in the Indian Market.

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

I am happy to inform you that as a part of its marketing strategy and in a first of its kind endeavor, GACL has begun transporting Caustic Soda Lye (CSL) and other value added liquid products

from its Dahej Plant through a specially constructed pipeline to the Dahej railway yard. The products then will be loaded into rail containers at the yard, for onward transportation to the destined consumers, pan-India. The 1.6 kilometer long pipeline is an investment towards meeting the long distance logistic requirements of various consumers for optimizing logistic cost.

This step will increase GACL's presence on pan-India basis at competitive prices. The new pipeline infrastructure will also reduce the transfer time of liquid products into rail cargo, which will bring down the overall costs and result into simplification of the entire process of safe loading of various liquid products.

In order to optimize our production capacity, the Company has taken some step and explored markets in Eastern part of India and accordingly, we have successfully executed supplies to M/s. National Aluminium Company Ltd. (M/s. NALCO) and M/s. SESA GOA Orissa, through rail tracks. The Company has also successfully executed supplies of Caustic Soda Lye to Nagpur (Maharashtra) through rail racks, where we have established our new Consignment Centre. This step has strengthened GACL's position in that far distant market, where transportation cost is a major constraint.

The Company has also explored another logistic option i.e. sea route and accordingly, all arrangements have been made to store required quantum of CSL at the storage tank of promotee Company Gujarat Chemical Port Terminal Company Ltd. (GCPTCL), Dahej and successfully dispatched to M/s. NALCO, Orissa by ship through sea route.

### **COST CONTROL MEASURES :**

During the Financial Year 2014-15, your Company has taken following steps to reduce the cost of procurements which shall also continue during the current year 2015-16 :

1. Your Company has started E-procurement & on-line reverse auction through M/s. N-Code Solutions, for healthy competition and transparency in finalizing the competitive vendors and to achieve price reduction, which has proved to be an effective tool to achieve better price and reduction in the cost of procurement.



2. Your Company has introduced and implemented successfully "Open Tender System" for certain high value items which has resulted in reduction in the cost of procurement.
3. To take benefit of current reduction in metal prices internationally, procurement of Aluminum ingots, which is one of the major high value raw materials; has been started through London Metal Exchange (LME) Channel. Aluminum ingots from foreign manufacturers at LME price is being procured by taking benefit of the lowest international price of Aluminum.
4. Transportation via sea route is being explored to reduce overall procurement cost and to get good quality of salt for Dahej Complex. Transportation via sea route will be the better alternate means of transportation considering the huge requirement of salt in future and vicinity of ports nearby Company's Dahej Complex.

#### **EXPANSION AND NEW PROJECTS :**

I am happy to inform you that your Company has taken up various projects for expanding its current product line through de-bottlenecking and putting up additional capacities through new plants. The Company is also considering plans for introducing new products through forward integration.

These projects include increasing the production capacity of Chloromethanes from 110 TPD to 170 TPD and Potassium Hydroxide from 60 TPD to 120 TPD, both at Vadodara Complex.

The Company is putting up a new 800 TPD Caustic Soda Plant together with a Coal based Power Plant at Dahej as a Joint Venture with M/s. National Aluminium Company Ltd. (M/s. NALCO). For gainful utilization of Chlorine from this Plant, a new Chloromethanes Plant and a new Phosphoric Acid Plant are also being considered to be put up at Dahej. Besides, the Company is planning to establish a Chlorine Park at Dahej where bulk consumer units will be supplied Chlorine through pipeline.

The Company has successfully developed an indigenous technology in collaboration with Indian Institute of Chemical Technology (IICT), Hyderabad to manufacture Hydrazine Hydrate,

an import substitute product, using Hydrogen Peroxide as the raw material. The commercial plant to manufacture 8000 TPA of Hydrazine Hydrate shall be put up after optimizing the process developed at the pilot scale.

In addition, the Company is also exploring the possibilities of putting up plants for producing new value added products having their applications in pharmaceuticals, cosmetics & personal care, liquid detergent, epoxy resins etc.

#### **RESEARCH & DEVELOPMENT :**

Our long term vision for Research & Development is to strategically align the R & D activities with the present & future needs of the organization. We are focusing on new product / process development, process improvement, product variation, cost reduction, import substitutes, cooling water treatment etc. In view of the same, we have taken up some new projects in collaboration with IICT, Hyderabad.

#### **RENEWABLE ENERGY :**

During the year 2014-15, a 10.5 MW Wind Farm Project Phase VI was commissioned on July 18, 2014 which raised the installed Wind power capacity to 115.25 MW. Another 10.5 MW Wind Farm Project Phase VII was commissioned on September 29, 2014 raising the installed Wind power capacity further to 125.75 MW.

In order to continue promoting Green technology, the Company has further taken up Wind Farm Projects for 31 MW during the current Financial Year. The total Wind energy generation capacity of the Company after implementation of these Projects will rise to 156.75 MW.

#### **SAFETY AND ENVIRONMENT :**

The Policy, Principles and Safety and Environment Management Statements are consistently implemented in practice. The Company's principles of Occupational Health, Safety and Environment are intertwined in our corporate culture through special house keeping drive and plant healthiness drive.



## **CORPORATE GOVERNANCE :**

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. Sound and efficient Corporate Governance practices are the basis for stimulating the performance of Company, maximizing its operational efficiency, achieving sustained productivity as well as ensuring protection of stakeholders' interests.

## **CORPORATE SOCIAL RESPONSIBILITY :**

The Company has directly contributed towards community development projects and has also formed firm linkages with the local community and the society at large.

Your Company has initiated underground Drainage Network and Sewage Treatment Plant facility for entire Dahej Village under Nirmal Bharat Abhiyan – Mahatma Gandhi Swachhata Abhiyan and also sponsored drum event of 10,000 Students during 'Vadfest-15' at Vadodara; playing drums for 'Swachhata Aahwan' ('Awakening The Nation') for cleanliness during the event. This ensures long term sustainability and value generation for business of the Company.

To encourage education and related activities, your Company has sponsored annual cultural event of Indian Institute of Technology Gandhinagar (IITGN). During Kanya Kelavani & Shala Parveshoshtav – 2014, your Company has provided 7,410 nos. of school bag kits to the school children of Villages : Kaprada, District : Valsad and at Naswadi District Vadodara. Your Company has also provided Multimedia System (MMS) for schools of surrounding areas of our Vadodara Complex.

Your Company has supported The Akshaya Patra Foundation towards Operational Expenditure (OPEX) for Financial Year 2014-15, with a view to provide nutritive and hygienic meals under Mid Day Meal (MDM) Scheme to more than one lakh children of Government and Government aided schools of Vadodara District.

Towards helping children with learning difficulties such as Dyslexia, Dyscalculia and Dysgraphia, your Company has supported 'Osmosis Play Centre And Educational Games Library Trust', Bharuch and has

also sponsored food for about 425 specially abled participants at “Navrachana Vishesh Kreedha Mahotsav” (National level Basketball Tournament for Mentally Challenged Young Sportspersons) organized by Navrachana Education Society (NES), Vadodara.

As a part of our Corporate Social Responsibility, your Company identifies and addresses the needs of the various stakeholders such as rural development, infrastructure, education, medical and public health etc. to enhance Human Development Index (HDI) by undertaking various activities in such thematic areas.

### **HUMAN RESOURCE :**

The Company considers Human Resource as an asset and a key driver for the growth and sustainable development. In order to support the current and future expansion activities, the Company is in the process of creating the pool of talent with diverse areas of expertise. To increase employee productivity, the Company is focusing on the various learning and development initiatives across the hierarchy.

The Company also ensures fulfillment of all statutory and legal compliances along with the welfare initiatives. The Company has successfully maintained the harmonious industrial relations.

### **CERTIFICATIONS AND AWARDS :**

I am also happy to announce that your Company is a proud recipient of the following recognitions and awards during the year :

1. Safety Awards – 2013 – “SURAKSHA PURASKAR” awarded by National Safety Council of India for developing and implementing very effective management systems and procedures in October, 2014 for its Vadodara Complex.
2. “Prashansa Patra – 2014” awarded by National Safety Council of India in March, 2015.
3. “Certificate of Honour – 2013” awarded by Gujarat Safety Council in January, 2015.
4. “Certificate & Rotating Shield – 2013” awarded by Gujarat Safety Council in January, 2015.

## **ACKNOWLEDGEMENTS :**

I would like to take this opportunity to welcome Shri A M Tiwari, IAS as Managing Director, Dr. J N Singh, IAS as Director and Dr. Rajiv I Modi and Ms. Pallavi S Shroff as Independent Directors of the Company. On behalf of the Board of Directors, I would like to thank Dr. Varesh Sinha, IAS (Retd.) as Chairman, Shri D J Pandian, IAS (Retd.) as Chairman, Shri Atanu Chakraborty, IAS, former Managing Director, Dr. Hasmukh Adhia, IAS and Shri G C Murmu, IAS as Directors of the Company whose rich experience has benefited the Company in its development and growth.

Dr. Sukh Dev, Independent Director has expressed his unwillingness to be reappointed as an Independent Director of the Company due to his old age. I would also like to place on record our sincere appreciation of the services rendered by Dr. Sukh Dev as an Independent Director for 10 years since 2005.

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

I 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 Ministry of Energy & Petrochemicals, Promoters, Bankers, Rating Agencies, 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**





Promoting Green Technology

## Gujarat Alkalies and Chemicals Limited

REGD. OFFICE : P.O. PETROCHEMICALS - 391 346, DIST. VADODARA, GUJARAT, INDIA. Tel.: 0265-2232681 - 82  
E-mail : [cosec@gacl.co.in](mailto:cosec@gacl.co.in) | Website : [www.gacl.com](http://www.gacl.com)