

Celebrating Growth



Speech of
Dr. J N Singh, IAS
Chairman

44th ANNUAL GENERAL MEETING

Saturday, 16th September, 2017
at 11:30 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 44th 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 2016-17 are already with you and with your permission, I shall take them as read.

ECONOMIC OUTLOOK

The Indian Economy has grown at the rate of 7.1% in the fiscal year 2016-17 as compared to 7.6% in the previous year. GDP growth in fourth quarter of 2016-17 has been at 6.1% which was 7.9% in the same period of previous year. With a GDP at US\$ 2 trillion, India's economy ranks as the seventh largest in the world. As per OECD Economic Outlook Report, the economic growth is projected to remain strong and India will remain the fastest growing G20 economy in 2017-18.

According to data released by the Central Statistics Office (CSO), the growth (Gross Value Added - GVA) in farm sectors during the fourth quarter of the fiscal year 2016-17 has accelerated to 5.2% as compared to 1.2% in the same period of previous year. While the manufacturing sector output in the fourth quarter slowed to 5.3% versus 12.7% in the same period of last year, the construction sector slipped into negative territory.

The Financial Year 2016-17 was marked by two significant economic measures taken by the Government. The Government's demonetization move to counter the shadow economy and promote cashless economy have increased financial inclusion and transparency in the system. This is expected to boost digital payments in the Country. The Government also passed a historical - Goods and Services Tax (GST) Act, which has been implemented from July 1, 2017. This will have a significant impact on the taxation structure and ease of doing business in the Country. The acceleration of structural reforms is bringing a new growth impetus.

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 inspite 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

Over a period of time, your Company has emerged as one of the largest producers of Caustic Soda in India with present installed production capacity of 4,29,050 MT per annum of Caustic Soda as on 31st March, 2017 and enjoys the economies of scale. The Company has about 14% share in the domestic Chlor-Alkali 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. Currently, the Company's products basket comprises of total of 35 products. The Company's products are used by various diverse industries in India and abroad.

GACL has always ensured upgrading and adapting eco-friendly and green technologies while it ensured the capacity utilization of 95% in Caustic Soda during Financial Year 2016-17. The Company has achieved optimum capacity utilization of more than 100% in some of the plants/products viz. Phosphoric Acid, Hydrogen Peroxide, Aluminium Chloride.

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 31st March, 2017. The Company is aiming to meet substantial part of its power requirements through alternative environment friendly sustainable renewable energy sources. The Company is also considering for installation of a 15 MW Solar Power Generation Unit and meet its obligation for developing and using Solar Energy for its production. The project is expected to be commenced during the Financial Year 2017-18.

During the Financial Year 2016-17, the Company has achieved highest ever productions in Hydrochloric Acid (30%), Hydrogen Peroxide (100%) both at Vadodara & Dahej Complexes and Aluminium Chloride, Poly Aluminium Chloride, Stable Bleaching Powder, Sodium Chlorate and Chlorotoluene Products at Dahej Complex.

FINANCIAL PERFORMANCE OF THE COMPANY

I am glad to inform you that your Company has delivered a superior financial performance this year also. During the Financial Year 2016-17, the Company has again surpassed the highest ever sales and achieved all time high sales turnover of Rs.2,255 Crore as against Rs.2,179 Crore in the previous year. The Company could increase sales quantity of Caustic Soda Group, Caustic Potash Group, Chloro Toluene Group, Hydrogen Peroxide, Aluminium Chloride, Poly Aluminium Chloride, Stable Bleaching Powder and Sodium Chlorate.

Despite keen competition and adverse market conditions, your Company could generate Gross Profit of Rs.506 Crore during the Financial Year as against Rs.380 Crore in previous year, registering a growth of 33%.

Your Company has achieved highest ever Profit Before Tax of Rs.382 Crore during the Financial Year as against Rs.263 Crore in the previous year, registering a growth of 45% and Profit After Tax of Rs.308 Crore as against Rs.220 Crore in the previous year, registering a growth of 40%.

The Net Profit margin to external sales for the year has increased from 11.24% to 15.25%.

The Earning Per Share was Rs.41.95 per Share for the Financial Year as against Rs.29.94 per Share in the previous year.

The Book value of Share has improved to Rs.451 per Share as on 31st March, 2017 as against Rs.391 per Share in the previous year, registering a growth of Rs.60 per Share.

The market capitalization of the Company as on 31st March, 2017 was Rs.2,994.76 Crore as compared to Rs.1,215.75 Crore as on 31st March, 2016. Thus, there is a growth of Rs.1,779.01 Crore in market capitalization during Financial Year 2016-17.

During the year, the Company could achieve 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, your Company has continued to deliver superior performance by achieving highest ever sales turnover (excluding Excise Duty) of Rs.532 Crore for the First Quarter ended on 30th June, 2017 as against Rs.515 Crore in the corresponding period of previous year. During the said period, your Company has achieved highest ever Quarterly Profit Before Tax of Rs.128 Crore as against Rs.112 Crore and highest ever Quarterly Profit After Tax of Rs.95 Crore as against Rs.86 Crore in the corresponding period of the previous year.

DIVIDEND

The Board of Directors of the Company are glad to recommend a Dividend of Rs.5.00 per share (i.e. 50%) on 7,34,36,928 Equity Shares of Rs.10/- each fully paid-up for the Financial Year ended 31st March, 2017.

MARKETING

Your Company's product profile includes a wide range of 35 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.

The Company is successful in development of an indigenous technology in collaboration with Indian Institute of Chemical Technology (IICT) to manufacture Hydrazine Hydrate, an import substitute product, using Hydrogen Peroxide as a raw material.

The Company is facing import threat and dumping of various products at low prices, which affects its capacity utilization, prices etc. and is pro-actively taking corrective action 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), Orissa in tune of 27,775 MT of Caustic Soda Lye. To remain competitive in distant markets, wherein transportation cost is a major constrain – a multi modal logistic option is explored. Accordingly, the Company has introduced Rail as well as Sea movement for bulk movement of Caustic Soda.

Supply of Caustic Soda Lye through Sea route to NALCO is also being explored and accordingly, all arrangements have been made to store required quantity of Caustic Soda Lye at the storage tank of GCPTCL at Dahej.

Your Company has introduced Depot concept at Modinagar as one of our strategic locations on Pan India basis. Accordingly, we have supplied 3,283 MT of Caustic Soda Lye to our consignment center at Modinagar through railways so as to efficiently cater to the demand of distantly located consumers. Various other stock points/consignment centers are proposed in the States like Uttar Pradesh, Maharashtra, Goa & Andhra Pradesh for making competitive presence in distant markets.

Your Company has imported approximately 5,240 MT of Caustic Soda Lye and catered the same to domestic consumers during the Financial Year 2016-17.

During the Financial Year 2016-17, the Company has achieved highest ever sales in Caustic Soda Lye, Hydrochloric Acid (30%), Caustic Potash Lye,

Hydrogen Peroxide (100%), Aluminium Chloride, Poly Aluminium Chloride, Benzyl Chloride, Benzyl Dehyde, Benzyl Alcohol, Sodium Chlorate and Stable Bleaching Powder.

COST CONTROL MEASURES

Your Company has taken various effective measures of cost reduction during the Financial Year in procurement of raw materials and other consumables. I may share few of them with you :

1. Your Company has adopted E-tender and Reverse Auction procedure to finalize various procurement and service contracts. Online reverse auction process has resulted in healthy competition among Vendors and your Company could achieve good price reduction during the Financial Year 2016-17.
2. Your Company had procured Primary Aluminum Ingots under Advance License with zero custom duty thus reducing the cost of procurement. To fulfill obligation under this scheme, the Company has exported the finished product & earned foreign currency also.
3. Your Company has reviewed logistics of Potassium Chloride (KCl) which is one of the major imported raw materials and changed its Port of discharge from East Coast to West Coast of India. This has resulted in substantial saving in cost of inland transportation.
4. Your Company as a responsible & caring business house and having adopted “Green Technology” concept has started use of improved quality of Salt for manufacturing of Caustic Soda. Improved quality of Salt has benefit of reduced sludge formation vis-a-vis reduced waste. Improved quality of Salt has also reduced consumption of chemicals thus reducing the cost. This will enhance life of Membrane which is a critical part in the process of Caustic Soda manufacturing.
5. Your Company has taken measures for optimization of inventory level of high value raw materials, chemicals and engineering items to reduce the inventory carrying cost.

EXPANSION AND NEW PROJECTS

I am happy to inform you that, as a part of its growth plans, the Company has taken up various projects planned to be executed by Financial Year 2020-21, in order to further enhance its topline and profitability.

These Projects are already under implementation at different stages and include expansions of current product line through de-bottlenecking, putting up additional capacities of current products through new plants and introducing new products through forward integration.

Such projects include increasing the production capacity for Chloromethanes Plant from 37,950 TPA to 56,100 TPA at Vadodara Complex, expanding Hydrogen Peroxide capacity by putting up another new 14,000 TPA Plant, establishment of a new 1,05,000 TPA Chloromethanes Plant and 33,870 TPA Food Grade Phosphoric Acid Plant at Dahej Complex. The Company is also expanding capacity of Stable Bleaching Powder (SBP) by putting up a new 15,000 TPA Plant and Anhydrous Aluminum Chloride (AAC) by putting up a new 16,500 TPA Plant at Dahej Complex.

A Pilot Project on converting waste liquid into a marketable products, Anhydrous Sodium Sulfate Project is under implementation and is expected to be operational during the Financial Year 2017-18.

GNAL - A JV COMPANY

Your Company has formed a Joint Venture Company viz. GACL-NALCO Alkalies & Chemicals Pvt. Ltd. with M/s. National Aluminium Company Ltd. (NALCO) for putting up a new 800 TPD Caustic Soda Plant integrated with a 130 MW Coal Based Power Plant at Dahej. The JV Company was incorporated on 4th December, 2015 and actions for implementing the project are underway. In order to gainfully utilize the Chlorine produced in this Plant, the Company is planning to establish a dedicated Chlorine Park where bulk Chlorine consuming units can be supplied Chlorine through pipeline.

RESEARCH & DEVELOPMENT

Our R&D activities are aligned with the strategic needs of the Company and are being focused on new product / process development / environment friendly technology, process improvement, product quality and customer satisfaction.

The process development work continued in several areas, which included the product based on Hydrogen Peroxide. A collaborative research project has been initiated with one of the premier research organization of our Country on Catalyst development. The designing of commercial plant to manufacture 8,000 – 10,000 TPA of Hydrazine Hydrate is in progress. The plant will be put up at Dahej Complex.

Our R&D is also working on utilization, reduction, value addition of the solid waste generated from Phosphoric Acid Plant, close monitoring of the imported raw material quality, process streams, finished products & cooling water treatment with in-house developed formulations.

RENEWABLE ENERGY

In order to continue promoting Green Technology, the Company had further taken up a Wind Farm Project for 14.7 MW during the year, which was commissioned on March 31, 2017 raising the installed Wind Power capacity further to 171.45 MW.

Your Company has also taken up 15 MW Solar Power Project for captive use and to meet the Solar Renewable Purchase Obligations. The Project is expected to be commissioned during the Financial Year 2017-18.

SAFETY AND ENVIRONMENT

The Policy, Principles and Safety & 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.

A step further to its environment preservation philosophy and commitments, the Company is exploring possibility of recycling part of its liquid effluent stream, using Zero Liquid Discharge (ZLD) principle.

CORPORATE GOVERNANCE

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. 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

During the year under review, your Company has continued to fulfill its Corporate Social Responsibilities to enhance Human Development Index (HDI) by undertaking various thematic activities in various areas. Promoting inclusive growth has been a priority for GACL from both a social and business perspective. The Company strives to make a difference to its customers, to the

society and to the nation's development directly through its products and services, as well as through its development initiatives and community outreach.

During the current Financial Year, to support the rehabilitation of flood affected areas in Banaskantha District of Gujarat, your Company has contributed Rs.10 Crore to the Chief Minister Relief Fund.

HUMAN RESOURCES AT GACL

The Human Resource function of the Company is guided by the spirit of Corporate Team Building with dedication towards strengthening the Company's systems thereby improving efficiency and registering growth.

All employees continue to have a healthy, cordial and harmonious approach in problem solving and in enhancing Company's value at all levels. During the Financial year 2016–17, as a part of manpower and succession planning, the Company has taken all the efforts towards optimum utilization of human resources and total 50 no. of employees were recruited.

Your Company has initiated various skill building and talent development programs to develop the potential of our employees. Total 168 training programs were conducted and there were 1,508 participants in the said programs.

The Company has also initiated HR digitization processes through our in-house ERP system. This will help us to create a paper-less culture in our Company.

CERTIFICATIONS AND AWARDS

I am also happy to announce that your Company is a proud recipient of Award Tally-Good House Keeping Contest & Green Environment Contest – 2016-17 (GHKC & GreEnv Contest – 2016-17) as winner for Vadodara Complex and also second runner up for Dahej Complex conducted by Baroda Productivity Council.

IMPLEMENTATION OF ERP-SAP

Your Company had developed home grown ERP including Decision Support System to meet its business needs. It has always been Endeavour of GACL to keep the pace with technology advancement. Now in today's era with advance Corporate Governance and intense globalization of business, it had become imperative to keep the pace with changing era and adopt the progressive changes.

In view of the same, the Company decided for having ERP in place that matches the Global Standardization. In this direction Global Flagship ERP software “SAP” has been opted for implementation. The implementation of SAP would give us both tangible and non-tangible benefits on account of seamless integration and Business Process Re-Engineering. The SAP implementation is in the advance stage and the same is expected to go live w.e.f. 1st October, 2017.

ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome Shri Anil Mukim, IAS and Shri M K Das, IAS as Directors of the Company. On behalf of the Board of Directors, I would like to thank Shri P K Taneja, IAS (Retd.) 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 Energy & Petrochemicals Department, Finance Department and Industries & Mines Department, 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 Company)

(Promoted by Govt. of Gujarat)

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