



Speech of
Dr. J N Singh, IAS
Chairman

43rd ANNUAL GENERAL MEETING

Thursday, 29th September, 2016
at 03:00 p.m.

Stronger Smarter Swifter



Venue:

Gujarat Alkalies and Chemicals Limited

P.O. Petrochemicals-391346, Dist.: Vadodara



Dear Shareholders,

I extend a warm welcome to all of you at the 43rd Annual General Meeting of your Company. The Board's Report and the Audited Accounts of the Company for the Financial Year 2015-16 are already with you and with your permission, I shall take them as read.

ECONOMIC OUTLOOK

The Indian Economy has emerged as one of the fastest growing economy with a five years highest growth rate of 7.6% in the Financial Year 2015-16 as compared to 7.3% in the previous Financial Year mainly due to robust manufacturing growth. GDP growth in fourth quarter of 2015-16 has reached at 7.9% which almost hit the targeted 8% mark. This indicates that Indian Economy is gaining momentum for higher growth. The various measures taken by the Government in the last couple of years are now beginning to show results. According to data released by the Central Statistics Office (CSO), the growth in manufacturing and farm sectors during the fourth quarter of the Financial Year 2015-16 has accelerated to 9.3% and 2.3% respectively. It is expected that the growth rate in the Financial Year 2016-17 could be close to 8% on account of strong macro-economic fundamentals, positive business sentiments, expected good monsoon and pro-growth monetary & fiscal policies. India's balanced macro-economic environment and strong growth prospects would make it a 'bright' spot in the global scenario.

During the fiscal year 2015-16, the Gross Value Added (GVA) growth of Agriculture & allied sector was 1.25%, that of Industry Sector was 7.4% and Services Sector achieved growth of 8.92%. A robust growth rate of 9.3% could be achieved by the Manufacturing Sector. The Country has registered highest growth of 10.3% in 'Financial, real estate & professional services' sector and a moderate growth of 1.2% in 'Agriculture, forestry & fishing' sector.

According to IMF World Economic Outlook (April-2016), GDP growth rate of India in 2015 is 7.336% and India is 9th fastest growing Nation of the world. In 2014, India was 14th fastest growing Nation of the world with GDP growth rate of 7.244%. Thus, in one year, the Indian Economy has achieved a quantum jump of 5 steps in ranking at global level.



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

According to Indian Chlor-Alkali Market Forecast & Opportunities, 2019, the market for Chlor-Alkali in India is projected to exhibit a Compound Annual Growth Rate (CAGR) of around 7%. The market is expected to witness high penetration rate in the Western and Northern regions of the Country.

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

Over the years, your Company has emerged as one of the largest producers of Caustic Soda in India. At present, it has installed production capacity of



4,29,050 MT per annum of Caustic Soda and enjoys the economies of scale that very few companies can claim in India. 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 new products, through forward and backward integrations. Currently, the Company's products basket comprises of a total of 36 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 90% in Caustic Soda during Financial Year 2015-16. The Company has achieved optimum capacity utilization of more than 100% in some of the plants/products viz. Caustic Soda, Chloromethanes, Hydrogen Peroxide, Caustic Potash at Vadodara Complex and Phosphoric Acid, Hydrogen Peroxide, Aluminium Chloride at Dahej Complex. Production of Caustic Soda by electrolysis process is power intensive and the Company devised a sustainable strategy to meet its growing energy demands. The Company has taken major initiative for green energy by setting up Wind Farms and Company is in the process of installing another Wind Farm Project during the Financial Year 2016-17. 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 Solar Power Generation Unit and meet its obligation for developing and using solar energy for its production.

The Financial Year 2015-16 was a challenging year for Chlor-Alkali Sector. The prices of Caustic Soda remained under pressure due to huge imports during most part of the Financial Year 2015-16. However, the Company was able to sustain the cut-throat competition due to its nation-wide distribution network, operational excellence, higher efficiency and a well executed business strategy.

Your Company has achieved highest ever productions in Caustic Soda Lye at Vadodara Complex and in Hydrogen Peroxide (100%), Poly Aluminum Chloride



(PAC-18), Poly Aluminum Chloride Powder (PAC-30), Anhydrous Aluminum Chloride, Stable Bleaching Powder, Sodium Chlorate 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 2015-16, your Company has again surpassed the highest ever sales achieved in the last Financial Year and achieved all time high sales turnover of Rs.2,179 Crore as against Rs.2,157 Crore in the last year.

Despite keen competition, adverse market conditions and depreciation of rupee against major currencies, your Company could generate Gross Profit of Rs.380 Crore as against Rs.323 Crore in the previous year.

Your Company has achieved Profit Before Tax of Rs.265 Crore during the Financial Year as against Rs.215 Crore in the previous year and Profit After Tax of Rs.222 Crore as against Rs.228 Crore in the previous year.

The Earning per Share was Rs. 30.18 per share for the Financial Year against Rs.31.03 per share in the previous year.

The Book value of Share rose to Rs.308/- per share as on 31st March, 2016 as against Rs.286/- per share at the end of previous year, registering a growth of Rs.22/- per share.

During the year, the Company could achieve the 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 current Financial Year 2016-17, your Company has achieved the Sales Turnover (excluding Excise Duty) of Rs.515.38 Crore for the first quarter ended on 30th June, 2016 as against Rs.472.56 Crore in the corresponding period of previous year. During the said period, your Company has achieved Profit Before Tax of Rs.111.98 Crore as against Rs.56.84 Crore in the corresponding quarter of the previous year. The Profit After Tax of Rs.86.26 Crore was achieved as against Rs.44.21 Crore in the corresponding period of the previous year.



DIVIDEND

Your Company's Directors are glad to recommend a Dividend of Rs.4.50 per share (i.e. 45%) on 7,34,36,928 Equity Shares of Rs.10/- each fully paid-up for the Financial Year ended 31st March, 2016.

MARKETING

Your Company's product profile includes a wide variety of 36 products. However, 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 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 developed indigenous technology in collaboration of Indian Institute of Chemical Technology (IICT), Hyderabad to manufacture Hydrazine Hydrate, an import substitute product, using Hydrogen Peroxide as the 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.

Your Company had taken strategic initiative towards supplies of "Caustic Soda Lye" to M/s. National Aluminium Company Ltd. (NALCO), by Rail as well as by Ship. This has helped your Company to increase its overall realization. Approx. 11,000 MT has already been supplied to NALCO during the Financial Year 2015-16.

Your Company has established "Sales Depot" at various strategic locations and made them operative to cater various un-served consumers and to create our presence in remote markets of India.

Your Company had started procurement of "Caustic Soda Lye & Flakes" through imports as well as from various co-producers under "Trading Activities" and has sold approx. 8,750 MT to our existing consumer base.



During the Financial Year 2015-16, your Company had achieved ever highest sales in Sodium Chlorate, Poly Aluminium Chloride, Hydrogen Peroxide (100%) and Chloro-Tolune products. Through consistent follow-up in various markets, your Company could also increase sales quantity in all of its major products, i.e. Caustic Soda Group, Caustic Potash Group, Chloro Tolune Group, Hydrochloric Acid, Hydrogen Peroxide, Aluminium Chloride, Poly Aluminium Chloride, Stable Bleaching Powder and Sodium Chlorate.

COST CONTROL MEASURES

Your Company has taken following effective measures of cost reduction during the Financial Year in procurement of raw materials and other consumables and the same measures have been continued during the current Financial Year also. I may share few of them with you :

1. E-procurement: Your Company has started E-tender and reverse auction procedure to finalize various procurement and other service contracts. Due to transparency in the process and healthy competition, your Company could achieve good price reduction during the Financial Year.
2. Taking the benefit of down trends in international price of aluminum, your Company has procured major quantity of primary aluminum ingot through London Metal Exchange (LME) channel, which has resulted in reduction in cost of procurement of aluminium ingots. This is a major raw-material of Aluminum Chloride.
3. 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 developed a Vision 2020-21 under which various projects are being put-up to substantially enhance its topline and profitability by the Financial Year 2020-21.



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

The Chloromethanes Plant is being expanded from 110 TPD to 170 TPD capacity and Potassium Hydroxide Plant from 60 TPD to 120 TPD, both at Vadodara Complex.

New Plants for producing Food Grade Phosphoric Acid and Hydrogen Peroxide are being put up at Dahej Complex. A new Chloromethanes Plant for gainful utilization of Chlorine is also being considered to be put up at Dahej Complex.

Other new value added products having their applications in pharmaceuticals, cosmetics & personal care, liquid detergent, epoxy resins etc. are being considered to be produced, for which suitable technologies are being identified.

GNAL - A JV COMPANY

The Company is also putting up a new 800 TPD Caustic Soda Plant together with a Coal based power plant at Dahej as a Joint Venture with National Aluminium Company Ltd. (NALCO). Your Company has formed a Joint Venture Company viz. GNAL i.e. "GACL-NALCO Alkalies & Chemicals Pvt. Ltd." on 4th December, 2015 with M/s. National Aluminium Company Limited (NALCO), a Government of India Enterprise for putting up a new 800 TPD Caustic Soda Plant integrated with a 100-120 MW Coal based Power Plant at Dahej, Gujarat. GNAL has started implementing the project. 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

In order to have competitive advantage in the Dynamic Business environment, our R & D activities are being carried out inline with the present & future needs of organization. We are focusing on new products, process development, process improvement, environment friendly technology, product quality & customer satisfaction.



In the direction of developing the indigenous environment friendly technology, your Company has successfully developed technology for manufacturing Hydrazine Hydrate in collaboration with Indian Institute of Chemical Technology (IICT), Hyderabad. The designing of commercial plant to manufacture 10,000 TPA of Hydrazine Hydrate is in progress. The Plant will be put up at Dahej Complex. An application for Patent has been filed in collaboration with IICT.

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

RENEWABLE ENERGY

During the year 2015-16 a 10.0 MW Wind Farm Project Phase VIII was commissioned on September 30, 2015 which raised the installed Wind Power capacity to 135.75 MW. Another 21 MW Wind Farm Project Phase IX was commissioned on February 12, 2016 raising the installed Wind Power capacity further to 156.75 MW. In order to continue promoting Green technology, the Company has further taken up a Wind Farm Project for 14.7 MW during the current Financial Year 2016-17. The total Wind energy generation capacity of the Company after implementation of this Project will increase to 171.45 MW. We are also planning to put up 15 MW Solar Power generating unit during the current Financial Year.

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. To achieve one more milestone in the direction of Green Attitude, your Company is implementing US + RO technique to reuse approximately 35% (1/3rd) of present Liquid Effluent.



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

Your Company, during the year under review, 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 area 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.

HUMAN RESOURCES AT GACL

Human Resource policies and practices should focus on optimum utilization of existing human resources, skill development and multi skilling.

Concurrent with these objectives, steps are taken to advance manpower efficiency and technology driven system. Looking to the market challenges, effective utilisation of manpower is initiated through internal job rotations and various skill development programmes.

For sustainable and profitable growth, young talent acquisition and retention is one of the key result areas in the present scenario. The Company is constantly working on Technology Innovation and Sharpening Leadership Skill of our employees. Being aware of the technological advancements and its benefits, we are implementing the use of SAP-HCM (Human Capital Management) module to increase our performance efficiency.

We ensure fulfillment of all statutory / legal compliances and welfare initiatives. The Company believes in maintaining harmonious industrial relations.



CERTIFICATIONS AND AWARDS

I am also happy to announce that your Company is a proud recipient of Safety Awards – 2015 – Certificate of Appreciation awarded by National Safety Council of India in recognition of appreciable achievement in Occupational Safety & Health during the Assessment period of three years – 2012 – 2014.

ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome Shri Rajiv Lochan Jain as an Independent Director and Shri P K Gera, IAS as Managing Director of the Company. On behalf of the Board of Directors, I would like to thank Shri G R Aloria, IAS (Retd.) as Chairman, Shri A M Tiwari, IAS, former Managing Director and Shri Arvind Agarwal, IAS 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 ISO Company)

(Promoted by Govt. of Gujarat)

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