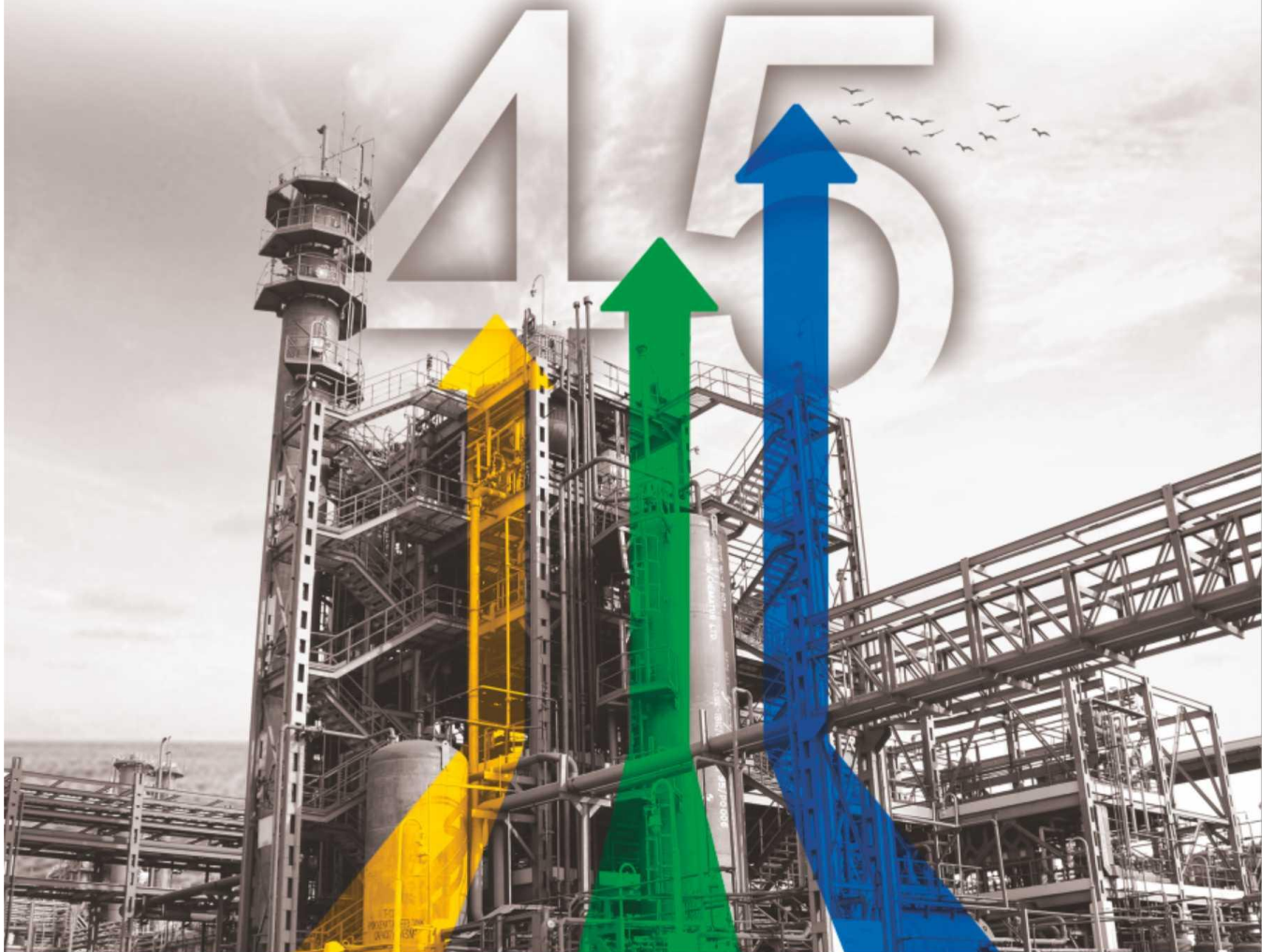




Speech of
Dr. J N Singh, IAS
Chairman

45th ANNUAL GENERAL MEETING

Friday, 28th September, 2018
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 45th 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 2017-18 are already with you and with your permission, I shall take them as read.

ECONOMIC OUTLOOK

The Indian Economy growth has slightly reduced to 6.7% in the fiscal 2017-18 as compared to 7.1% in the previous year. GDP growth in fourth quarter of 2017-18 has been at 7.7% which was 6.1% in the same period of previous year.

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 2017-18 has stood at 4.5% as compared to 5.2% in the same period of previous year. While the manufacturing sector output in the fourth quarter accelerated to 9.1% against 5.3% in the same period of last year, the construction sector recovered to 11.5% benefitting from the negative territory. The pickup in credit offtake helped financial services to grow by 6.6%, faster than 6% growth in the previous year. Thus, Indian Economy is on the path to recovery considering the growth in industrial production, stock market index, increase in auto sales and some positive increase in exports. However, devaluation of rupee against US Dollar along with increasing inflationary pressures, higher fiscal deficit and increasing debt burden are some of the areas of concern. However, looking to the overall factors, economic outlook remained positive for the Financial Year 2017-18 and the same is expected to be strengthened further in the Financial Year 2018-19.

Goods and Services Tax (GST) has given a new perceptiveness to the Indian economy. There has also been a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises wanting to avail themselves of input tax credits. The long-term growth prospective of the Indian economy is positive due to this major structural reform, 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 4,29,050 MT per annum of Caustic Soda as on 31st March, 2018 and enjoys the economies of scale. The Company has about 11% 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 is 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 95% in Caustic Soda during Financial Year 2017-18. 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, 2018. The Company has also taken up 15 MW Solar Power Project for captive use and to meet the Solar Renewable Purchase Obligations. The Project was commissioned in phased manner by July, 2018. During the Financial Year 2018-19, the Company has also taken up 20 MW Solar Power Project for captive use and expected to be commissioned in the first quarter of Financial Year 2019-20.

During the Financial Year 2017-18, the Company has achieved highest ever productions in Caustic Soda Lye, Caustic Potash Lye, Aluminium Chloride and Chlorinated Paraffin Wax at Vadodara Complex and Aluminium Chloride, Poly Aluminium Chloride, Sodium Chlorate 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.2,255 Crore in the last Financial Year and achieved sales turnover of Rs.2,480 Crore during the Financial Year 2017-18. The Company could increase sales turnover mainly on account of increase in sales realization of Caustic Soda Group, Chloromethanes Group, Hydrogen Peroxide, Aluminium Chloride, Chloro Toluene Group and Stable Bleaching Powder.

Despite keen competition and adverse market conditions, your Company

could generate higher level of Gross Profit of Rs.892 Crore as against Rs.506 Crore in the previous year.

For the year, under review your Company has achieved highest ever Profit Before Tax of Rs.750 Crore and Profit After Tax of Rs.535 Crore as against Rs. 382 Crore and Rs.308 Crore respectively in the previous year.

The Net Profit margin to external sales for the year has increased to 22.13% from 15.25% in the previous year.

The Earning Per Share was Rs.72.85 per Share for the year as against Rs.41.95 per Share in the previous year.

The Book value of Share increased to Rs.517 per Share as on 31st March, 2018 as against Rs.451 per Share of previous year, registering a growth of Rs.66 per Share.

The market capitalization of the Company as on 31st March, 2018 was Rs.5,130 Crores as compared to Rs.2,995 Crores as on 31st March, 2017. Thus, there is a growth of Rs.2,135 Crores in market capitalization during the Financial Year 2017-18.

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 2018-19, your Company has continued to deliver excellent performance by achieving highest ever sales turnover of Rs.744 Crore as against Rs.594 Crore in the corresponding period of previous year. Your Company has also achieved highest ever Q1 Profit Before Tax of Rs.259 Crore and Profit After Tax of Rs.183 Crore as against Rs.128 Crore and Rs. 95 Crore, respectively in the corresponding period of previous year.

DIVIDEND

The Board of Directors of the Company are glad to recommend a Dividend of Rs.6.50 per share (i.e. 65%) on 7,34,36,928 Equity Shares of Rs.10/- each fully paid-up for the Financial Year ended 31st March, 2018.

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.

The Company is successful in development of an indigenous technology in collaboration with Indian Institute of Chemical Technology (IICT) to manufacture Hydrazine Hydrate at pilot plant, an import substitute product, using Hydrogen Peroxide as a raw material. The commercial plant to manufacture 10,000 TPA of Hydrazine Hydrate is under implementation at Dahej Complex.

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 approx. 25,000 MT of Caustic Soda Lye during the Financial Year 2017-18.

To remain competitive in distant markets, wherein transportation cost is a major constrain – a multi modal logistic option is explored. Accordingly, the Company has first time introduced Rail as well as Sea movement for bulk movement of Caustic Soda, in the history of GACL.

Supply of Caustic Soda Lye through Sea route to NALCO 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 2017-18, the Company has achieved highest ever sales in Caustic Soda Lye, Caustic Potash Lye & Flakes, Phosphoric Acid (85%), Aluminium Chloride, Benzyl Dehyde, Benzyl Alcohol, Sodium Chlorate and Stable Bleaching Powder.

COST CONTROL MEASURES

To reduce cost and to improve profitability, your Company takes various cost

cutting measures in procurement of raw materials, chemicals & consumables. Following are few such measures the Company has taken which has resulted into reduction in cost of procurement substantially :

1. Your Company has implemented Supplier Relationship Management (SRM) module in SAP for e-procurement in last Financial Year. With implementation of SRM, your Company has started Reverse Auction in-house for procurement of materials and stopped outsourcing of Reverse Auction services which has resulted in saving of outsourcing cost.
2. Potassium Chloride (KCl) is one of the major imported raw material. Earlier, this material was received at East Coast of India. On receipt of material at East Coast, it was shifted to the Company by transportation by Road / Rail. This was consuming time and also cost of transportation. From the Financial Year 2016-17, port of discharge has been changed from East Coast to West Coast of India. By changing port of discharge, cost of transportation and time required for internal movement has been reduced substantially and another benefit is that it has reduced fuel consumption which is helpful for environment protection.
3. Your Company has procured key raw materials like Primary Aluminium Ingots and HNP under advance license with zero custom duty which has reduced cost of procurement. To fulfil export obligation under this scheme, your Company has exported finished products and earned foreign exchange also.
4. Your Company as a responsible and caring business house and having adopted “Green Technology” initiative has started use of improved quality of Salt for manufacturing Caustic Soda. Improved quality of Salt has benefit of low sludge generation & better sludge disposal management. Improved quality of Salt has also reduced consumption of chemicals which has direct impact on cost and life of Membrane Cells has also increased which is a critical part in the process of Caustic Soda manufacturing.

EXPANSION AND NEW PROJECTS

I am happy to inform you that the 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 2020-21, from the current level of Rs.2,500 crores. I am glad to inform that, as of today, the Company has successfully commissioned its Chloromethanes' expansion project and 32,000 TPA Poly Aluminum Chloride Project at Vadodara as well as 14,000 TPA Hydrogen Peroxide Project at Dahej. Also, the pilot project on converting waste liquid into a marketable product, Anhydrous Sodium Sulfate, has become operational.

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 39,600 TPA Chlorotoluenes 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 under way at Plot D-II/9. The Chlorine produced at this plant will be supplied through pipeline to the Chlorine consuming plants in the close vicinity.

RESEARCH & DEVELOPMENT

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 process for making commonly used fertilizer from the waste generated from Phosphoric Acid Plant. This is in continuation to our efforts in the direction of working out an integrated solution for the waste management in the Phosphoric Acid Plant. Similarly, the efforts are being put to work out a viable solution in terms of value addition for handling the waste generated from other plants also. The work continued on the catalyst development in collaboration with one of the premier Research Organization of our Country.

The 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

The Company has further reinforced its commitment towards promoting Green Technology by installation and commissioning of a 15 MW Solar Power Project at Charanka, Gujarat. Another 20 MW Solar Power Project at the same site is under implementation, and is expected to be operational by the beginning of next Financial Year. With these installations, the aggregate installed renewable energy capacity of the Company would reach 171.45 MW for Wind Power and 35 MW for Solar Power, which would cater to the Company in meeting 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.

A step further to its environment preservation philosophy and commitments, the Company has implemented RO plant to recycle part of its liquid effluent discharge.

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

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 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

At GACL, Human Resource is considered as an integral component of growth strategy and is treated as valuable assets. The knowledgeable leaders participate in the corporate decision-making, ensures that the organizational goals are achieved. Your Company believes in policies and practices that motivates the employees to strive higher for the growth of individual, team and the Company.

As a part of manpower planning strategy, during the Financial Year 2017-18, your Company has recruited 58 employees, while 73 employees left the Company on ground of retirement, resignation etc.

The training and development strategy aims to build coherent workforce capabilities, skills or competencies required to ensure sustainable or successful organization. During the Financial Year 2017-18, 180 training programmes were conducted and there were 1,429 participants.

Your Company always strives in maintaining and improving healthy and strong employee-employer relationship by devising strategies that ensure high productivity and employees satisfaction. A positive atmosphere of trust has been created.

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 has become imperative to keep the pace with technology advancement, your Company has successfully upgraded its ERP with Globally renowned SAP System and has started performing its Business Transaction on SAP System from 1st October 2017, which will further strengthen the Company's internal checks and controls.

In order to mitigate the risk of Business Continuity, your Company has established Disaster Recovery Site at our Dahej Complex where we have created similar set of infrastructures and Disaster Site is continuously in sync with Production Instance so SAP System can be made accessible to the Business Users in case of any disaster at of Primary Site or in case of any long unplanned down time of Primary Site.

ACKNOWLEDGEMENTS

I would like to take this opportunity to welcome Shri Arvind Agarwal and Smt. Vasuben Trivedi as Directors of the Company. On behalf of the Board of Directors, I would like to thank Shri Anil Mukim, IAS and Mrs. Pallavi S Shroff 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 IS-ISO Certified Company (Promoted by Govt. of Gujarat)

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