

Initiating Coverage

# Gujarat Alkalies & Chemicals Ltd.

Oct 10, 2022





# Gujarat Alkalies & Chemicals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs 920	Buy on dips at Rs 918-926 & add more on dips at Rs 824	Rs 995	Rs 1077	2 quarters

HDFC Scrip Code	GUJALKEQNR
BSE Code	530001
NSE Code	GUJALKALI
Bloomberg	GALK IN
CMP Oct 10, 2022	920
Equity Capital (Rs cr)	73.4
Face Value (Rs)	10
Equity Share O/S (cr)	7.34
Market Cap (Rs cr)	6760
Book Value (Rs)	803
Avg. 52 Wk Volumes	758102
52 Week High	1045
52 Week Low	570

Share holding Pattern % (Jun, 2022)	
Promoters	46.3
Institutions	29.5
Non Institutions	24.2
Total	100.0



HDFCsec Retail research  
stock rating meter

For details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Kushal Rughani

[kushal.rughani@hdfcsec.com](mailto:kushal.rughani@hdfcsec.com)

## Our Take:

Gujarat Alkalies & Chemicals Ltd. (GACL) is the second-largest player in the domestic caustic chlorine industry with integrated operations. It produces a wide range of products, including caustic soda, liquid and gaseous chlorine, hydrogen peroxide, phosphoric acid and aluminium chloride, which find application across a diversified group of industries, including textile, pulp and paper, aluminium, detergents, soaps, rayon, plastics, pharmaceuticals, water treatment, and agricultural chemicals. Company derived 45% of revenue from Caustic soda, 9% from Chloromethane, 7% from Caustic potash, 8% from Hydrogen Peroxide, 7% from Phosphoric acid, 9% from Aluminium Chloride and the balance from others in FY22. Company registered strong revenue and robust growth in profitability led by healthy volume growth and robust realisations. In Q1FY23, the company posted strong set of numbers on the back of better realisations. Company has non-current investments of Rs 2087cr, which includes investments in Gujarat Gas, GSFC and GIPCL worth Rs 1364cr and unquoted investments of Rs 314cr. GACL-Nalco JV investment value stood at Rs 409cr. Total investment value per share excluding JV investments comes to Rs 230 per share as on Mar-2022. Recent capacity addition, better utilisations and healthy realisations would drive growth in the coming quarters. The 10,000 TPA (80%) Hydrazine Hydrate Project, with forward integration to Hydrogen Peroxide, has been started at Dahej Complex on 26th September, 2022.

## Valuation & Recommendation:

We estimate 18% CAGR in revenue led by healthy growth in volumes across business segments and strong realisations. Company had registered 55% YoY growth in revenue in FY22 at Rs 3759cr due to robust realisations. EBITDA margin had improved 1150bps YoY at 26.2% and PAT increased 238% YoY at Rs 560cr. After sharp surge in margin, we expect it to stabilise at around ~28-29% over the next two years. Net profit is expected to grow at 29% CAGR over FY22-24E. GACL has taken up various projects, which include adding new products in the portfolio as well as expanding the current product lines by putting up additional capacities through new plants.

We think that given the commissioning of forward integration projects, expansions, power saving initiatives and NALCO JV could lead to scale economies/operating leverage and a rerating of the stock in addition to earnings expansion despite a largely commodity portfolio (though going into higher value add products).

We feel investors can buy at Rs 918-926 and add more on declines to Rs 824 (6.5x FY24E EPS) for base case target of Rs 995 (~7.8x FY24E EPS) and bull case target of Rs 1077 (8.5x FY24E EPS) over the next two quarters.



## Financial Summary

Particulars (Rs cr)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Revenues	1128	716	57.5	1142	-1.2	3,161	2,725	2,430	3,759	4,717	5,260
EBITDA	382	127	200.9	351	8.9	1115	578	358	986	1342	1546
Depreciation	50	47	6.4	52	-4.8	140	162	174	198	221	247
Other Income	6	15	-61.4	7	-15.7	61	90	68	46	52	60
Interest Cost	2	2	-30.4	1	33.3	21	14	16	6	10	8
Tax	114	30	280.0	82	38.7	326	159	69	267	350	389
APAT	191	63	202.5	221	-13.5	690	332	166	560	787	931
EPS (Rs)						94.0	45.2	22.6	76.2	107.1	126.7
RoE (%)						17.0	7.5	3.3	9.9	12.6	13.3
P/E (x)						9.6	20.0	40.2	11.9	8.5	7.1
EV/EBITDA (x)						6.1	11.7	18.9	6.9	5.0	4.4

(Source: Company, HDFC sec)

## Q1FY23 result update

Revenue grew 57.5% YoY at Rs 1128cr led by robust growth in realisations. EBITDA margin surged 1610bps YoY and improved 310bps QoQ at 33.8%. Gross margin was up 910bps YoY at 69.2%. Net profit increased 202% YoY at Rs 191cr. Other Income declined 61% YoY at Rs 6cr.

## Business highlights

Company's products basket comprises of more than 37 products including Caustic Soda (Lye, Flakes/Prills), Liquid Chlorine, Hydrochloric Acid, Chloromethanes, Hydrogen Peroxide, Anhydrous Aluminum Chloride, Caustic Potash (Lye & Flakes), Potassium Carbonate, Aluminium Chloride, Phosphoric Acid, Chlorinated Paraffin, Poly Aluminium Chloride (various grades), Chlorotoluene, Sodium Chlorate etc. 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 products are used by various industries viz. Textiles, Pulp & Paper, Soaps & Detergents, Alumina, Water Treatment, Petroleum, Plastics, Fertilizers, Pharmaceuticals, Agrochemicals, Plant Protection, Dyes & Dyes Intermediates, refrigeration gases, epoxy etc. and it has marked its presence across the globe even against stiff international competition by exporting its world class products viz. Caustic Soda Flakes, Caustic Soda Prills, Potassium Carbonate, Potassium Hydroxide Flakes, Hydrogen Peroxide, Liquid Chlorine, Phosphoric Acid, Aluminium Chloride, PAC, Hydrochloric Acid and CPW to Europe, West Asia, South East Asia, Africa, Middle East/Far East, SAARC countries etc.

At present, there are 35 active Chlor-Alkali Units in India. The production of Caustic Soda during FY22 has been 37.67 lakhs MT as against the total installed capacity of about 47.63 lakhs MTPA (as on Mar-2022) i.e., capacity utilization is ~79%. As against this, during the same



period GACL has produced 4.58 lakhs MT against the installed capacity of 4.12 lakhs MTPA and achieved capacity utilization of 110%. The products of Chlor-alkali industry are the basic raw materials for various industries like Alumina, Paper & Pulp, Soaps & Detergents, Dyes, Pharmaceuticals, Water Treatment chemicals, Pesticides and other Agrochemicals etc. The additional capacity expansion during FY22 was approx. 4.5 Lakhs MTPA in Western India, mainly because of new start-up of GNAL and expansion of existing Plants.

Production of Caustic Soda by electrolysis process is highly power intensive. Besides 90 MW Gas based Captive Co-generation Power Plant and participation in a 145 MW Joint Captive Gas based Power Plant of GIPCL, the company has taken major initiative for green energy by setting up Wind Farms for a total installed capacity of 171.45 MW as on March 2022. Company has already installed 35 MW of Solar Power Plant. With this, the aggregate renewable energy capacity is 206.5 MW. Company has also installed floating Solar Power Plant having capacity of 640 kw and Solar Rooftop installations having 220 kw Solar Rooftop installations at Dahej complex.

Total production of all products has increased by 6.9% to 17,18,835 MT during the year FY22 from 16,07,469 MT in previous year.

### Recent Update

Earlier, the board had approved establishment of a plant at Dahej with an estimated project cost of Rs.800 Crores. Company has commissioned the 105,000 TPA (i.e. 315 MT per day) of Chloromethanes Plant at Dahej in Aug-2022.

In Aug-2022, GACL-Nalco Alkalies & Chemicals Private Limited (GNAL), a Joint Venture Company between GACL and National Aluminium Company Limited (NALCO) formed to set up 800 TPD Caustic Soda Plant along with 130 MW Captive Power Plant at Dahej. GNAL has dispatched 1,300 MT of Caustic Soda to Nalco from Ankleshwar.

Earlier, the board had approved capacity expansion of caustic soda plant of Dahej from 785 TPD to 1310 TPD and installation of 65 MW coal-based power plant. On Sep 21, 2022, the capacity expansion of caustic soda plant of Dahej from 785 TPD to 1310 TPD started commercial production.

### Projects details

GACL and IICT, Hyderabad have successfully bagged patents from India and US for improved process for manufacturing of Hydrazine Hydrate. Currently, India imports all of its Hydrazine Hydrate from Europe and other countries. Company was setting up unit at Dahej at estimated cost of Rs 405cr to manufacture 10000 MTA of Hydrazine Hydrate. The 10,000 TPA (80%) Hydrazine Hydrate Project, with forward integration to Hydrogen Peroxide, for the manufacturing of an import substitute at Dahej Complex has been started at Dahej Complex by feeding the raw materials to the process equipment on 26th September, 2022. The Finished product is expected in due course of time as the process proceeds.





GACL is working on establishing new projects and expanding its capacity. It has undertaken various projects including 10,000 TPA Hydrazine Hydrate Project, 1,05,000 TPA Chloromethanes, 33,870 TPA food grade Phosphoric acid, expanding its Caustic soda production capacity at Dahej from 785 TPD to 1310 TPD, 65 MW coal-based power plant and 800 TPD Caustic soda plant integrated with 130 MW Coal based power plant of GACL-Nalco (GNAL). GACL has also joined hands with GAIL (India) to set up a bioethanol plant of 500 KLD capacity in Gujarat. Company has also invested in renewable energy space. It has 171.4 MW of Wind Power and 35 MW Solar power generation capacity. GACL has also joined hands with GAIL (India) to set up a bioethanol plant of 500 KLD capacity which will be used for 20% Ethanol blending in petrol. GACL and NTPC signed an MoU to collaborate in renewable energy and green chemicals.

## Installed Capacity

Products (MT)	Vadodara	Dahej	Total Capacity
Caustic Soda Lye	153450	259050	412500
Caustic Soda Flakes/Prills	53000	165000	218000
Chloromethane	56100	-	56100
Caustic Potash Lye	39600	-	39600
Potassium Carbonate	13200	-	13200
Hydrogen Peroxide	13860	40260	54120
Phosphoric Acid	-	26730	26730
Aluminium Chloride	9900	43800	53700
Poly Aluminium Chloride	32000	41250	73250
Chlorinated Paraffin	12000	-	12000
Stable Bleaching Powder	-	30000	30000
Sodium Chlorate	-	20000	20000

## Sales Volume Trend

Sales Volume (MT)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Caustic Soda Lye	244490	268563	271300	293500	283700	278300	327400
Caustic Soda Flakes	128900	125900	108300	122450	122590	116770	101450
Caustic Soda Prills	9150	5950	8120	11330	17596	21165	16040
Chloromethanes	37900	35780	33700	50380	58480	58300	56100
Caustic Potash	3828	4230	5210	5050	7150	6850	8350
Caustic Potash Flakes	12980	12300	13600	13200	17300	19900	22200
Potassium Carbonate	7150	8650	8150	7620	9080	11000	11300
Hydrogen Peroxide	43900	45300	44150	48400	55950	49370	57200
Phosphoric Acid	27050	27200	28200	27700	28100	24900	28550



Aluminium Chloride	31100	35050	35400	36800	37900	42300	56660
Sodium Chlorate	11400	17700	20120	20150	18850	18200	21200

## Ongoing Capex

Projects	Capacity	Cost (Rs cr)
Caustic Soda New Plant (A JV with Nalco)	800 TPD, 130 MW	2300
Chloromethanes (Dahej)	300 TPD	850
CH-17 Tank Farm	-	80
Hydrazine Hydrate	30 TPD	405
Caustic Soda expansion at Dahej	525 TPD	550
Phosphoric Acid	100 TPD	520
Coal based power plant (Dahej)	65 MW	325
Chlorotoluene project (Dahej)	90 TPD	350

## Capacity expansion Programme

As a part of its ambitious growth plan, GACL has taken up various projects, which include adding a new product in the product portfolio as well as expanding the current product lines by putting up additional capacities through new plants.

A plant for manufacturing a new 1,05,000 TPA Chloromethanes Plant is being set-up at locations at Dahej. Chloromethanes is capacity addition to the similar products being manufactured at Vadodara Complex.

Company is also expanding its Caustic Soda Production Capacity at Dahej from 785 TPD to 1310 TPD. Out of total 525 MT capacity expansion, 40 MT is already commissioned through reconfiguration of old plant and balance capacity will be commissioned progressively during the second/third quarter of 2022-23. Company is also putting up a 33,870 TPA Food Grade Phosphoric Acid plant at Dahej which is expected to be operational by third quarter of FY23.

As a long-term strategic measure, to enhance its in-house chlorine consumption, it has planned to put-up 30,000 TPA Chlorotoluene Project at Dahej to produce benzyl chloride, benzaldehyde and benzyl alcohol, which is expected to be operational during FY25.

Company has formed a Joint Venture with M/s. Nalco for putting up a new 800 TPD Caustic Soda Plant integrated with a 130 MW Coal based Power Plant at new complex at Dahej. The JV Company (GACL-Nalco Alkalies & Chemicals Pvt. Ltd.) (GNAL) was incorporated in December 2015. GNAL had successfully commissioned one of the Caustic Evaporation Units (CEU) in March 2022, and had produced 100



MT Caustic Soda Lye – Rayon grade, and had declared the partial commissioning of Caustic Soda plant. Further, GNAL had commissioned Unit - 1 of 2x65 Captive Power Plant in May, 2022 together with two out of eight electrolyzers of Caustic Soda Plant. The entire project comprising of 800 TPD Caustic Soda Plant and 2 x 65 MW Power Plant is expected to be fully operational by third quarter of FY23.

### **Dominant position in the domestic caustic soda industry**

GACL is the second-largest player in caustic soda in India, with an installed capacity (for caustic soda lye and caustic soda flakes combined) of around 1,750 metric tonne per day (MTPD) as on March, 2022, at its plants in Vadodara and Dahej, Gujarat. GACL has gradually built a strong position in the industry through the continuous expansion of production capacities to cater to the growing demand for its products over the past four decades. It has already commissioned its caustic soda project in the JV with Nalco for 800 MTPD and is also focusing on expanding its own caustic soda capacity by 425 MTPD, at Dahej, which is expected to further consolidate its position in the chlor-alkali industry in India.

Over the years, GACL has also introduced new chlorine derivatives (downstream products) for higher captive utilisation of chlorine, an essential by-product generated during the manufacturing of caustic soda. The company has more than 36 products in its basket, which has enabled it to leverage upon its large production capacity and protect its profitability from the effects of the volatility in chlorine prices, to some extent.

### **Integrated operations and diversified customer base**

The operations of GACL are well-integrated, with the byproduct of one process used as a raw material for another, thus enabling the company to optimally utilise its large production capacity. It protects profitability, to an extent, from the effects of the inherent cyclicity in the demand for its major products, as the adverse demand scenario for one set of products is countered by the favourable movement in other products. GACL's products find application in various processes across a diverse range of industries, including textile, pulp and paper, alumina, soaps and detergents, rayon, fertilisers, petroleum, fertilisers, pharmaceuticals, agrochemicals, water treatment, ink, paint, etc. This allows the company to cater to a diversified customer base, and thus, helps it counter the slowdown in any one industry or a group of industries.

### **Technological advantage and captive power generation to meet part of its energy requirements**

The cost structure of GACL has remained competitive because of its membrane cell technology used for the electrolysis of salt, which consumes one-third less power as compared to the traditional mercury cell technology, and is also less polluting. The captive power plant for meeting part of its energy requirements and the investment in windmills and solar power plants to offset the higher cost of power purchased from the market, aids its cost structure. The total installed capacity of the solar power plant stood at 35 MW at the Charanka Solar Park – Patan, 640 kW floating solar power plant on the reservoir of the captive power plant, and 220 kW solar rooftop installations at its Dahej complex, apart from a wind power generation capacity of 171.45 MW, captive 90 MW gas-based power plant,



and 40-50 MW participation in a 145 MW group captive gas-based power plant operated by Gujarat Industries Power Company Limited. The average cost of power consumed by GACL stood at Rs 7.12 per unit in FY22.

### **Improvement in profitability during FY22 after moderation in the past two years owing to cyclical nature of business**

Total revenue increased 56% YoY in FY22, mainly because of the improved realisation of caustic soda products due to the inherent cyclical nature of the industry. EBITDA margin and net profit margin, despite the significant improvement, did not reach the FY19 levels, owing to elevated prices of salt, potassium chloride, rock phosphate, aluminium and Toluene (which comprise a large part of the total cost of materials consumed).

### **Renewable Energy for captive use**

Company has already installed 35 MW of Solar Power Plant and 171.45 MW of Wind Power Plants, with an aggregate renewable energy capacity of 206.45 MW. The captive use of the power from these installations has been providing benefits of lower power cost to company for its power intensive operations.

GACL and NTPC Renewable Energy Limited (NTPC REL), a wholly owned subsidiary of NTPC Limited have signed Memorandum of Understanding (MoU) in July-2022 to explore the business opportunities of mutual interest in the areas of sourcing of renewable power having optimum mix of solar, wind and other clean energy including energy storage solutions to the extent of about 100 MW, as required for the operations and manufacturing of GACL at Vadodara Complex and/or Dahej Complex or any of its other Complexes and to jointly work on synthesizing Green Chemicals such as Methanol and Ammonia for captive use by GACL using Hydrogen and CO2 available at GACL.

Govt. launched a Roadmap for 20% Ethanol Blending in Petrol by 2025, with a view to reduce import of crude oil and save valuable foreign exchange. GACL and GAIL (India) Limited have signed Memorandum of Understanding (MoU) for setting up a 500 KLD Bioethanol plant in Gujarat. The estimated project cost is pegged at ~Rs.1,000 Crores and it is expected to generate annual revenue of approximately Rs.1500 Crores. A Term Sheet for the same has been executed between the both the companies.

### **Long term borrowings (ECB)**

To part finance the cost of the expansion, the Company has from time to time availed following financial assistance by way of External Commercial Borrowing (ECB) instead of Rupee Term Loan with a view to minimize the interest outgo. These ECB Loans are not hedged, there being natural hedge available due to exports and considering low risk profile of Company:

ECB loan of US\$ 30 million or Rs.190.2 crores from The Hongkong and Shanghai Banking Corporation Limited (HSBC Bank) in FY16.

ECB loan of US\$ 20 million (Rs.133.3 crores) from ICICI Bank in FY17.

ECB loan of US\$ 68.70 million or Rs.500.2 crores (Rs.362.3 Crores in FY21 and Rs 137.9 Crores in FY22) Crores from State Bank of India.





## Key Risks

### **Cyclical caustic soda industry**

The caustic soda industry is inherently cyclical. The industry witnessed a cyclical downturn after H1FY20, which was further exacerbated during FY21 owing to the COVID-19 pandemic related contraction in demand from major end-use industries. ECU realisations dropped significantly in FY21. However, from Q2FY22 onwards, the sector has seen revival with an improvement in demand from end-user industries and better availability of raw materials, leading to a strong rebound in the ECU realisations. Any downfall in realisations may impact margin and profitability.

### **Susceptibility of its profitability to adverse movement in the prices of gas and power and the threat of cheaper imports**

Adverse movements in the market prices of gas and power since electrolysis is an energy-intensive process and power cost constitutes a significant part of its cost structure. Power cost constituted around 29% total expenditure in FY22 (32% in FY21). Besides, the Indian chlor-alkali industry faces competition from cheap imports from lower power-cost countries. Of India's total imports, more than 90% are contributed by Japan, China, Korea, and Iran, with over 50% imports from Japan alone, mainly due to tax treaty and lower logistics cost to cater to requirement of aluminium manufacturers on the Eastern coast of India.

### **Foreign exchange rates**

GACL is exposed to the risk of adverse movement in foreign exchange rates because of its long-term borrowings denominated in US Dollar, raised for part-funding of its capex plans. During FY22, GACL imported raw materials worth Rs 293 crore, against which it made exports of around Rs 500 crore, thus providing a natural hedge to its foreign currency exposure to a large extent.

To mitigate its forex risk, the company has opened an Exchange Earners' Foreign Currency Account (EEFC) US Dollar account, as per the Reserve Bank of India (RBI) guidelines, to deposit the export earnings in the said account and to utilise the same for making US Dollar repayments towards servicing its foreign currency debt and import pay-outs.

### **Large-sized ongoing capex plans along with associated salability risk**

GACL has a capex plan of around Rs 1200 crore over the next three-year period, which is expected to be funded by a debt of Rs 400 crore (already tied-up) and the balance through internal accruals and available liquidity.

GACL's project under the 60:40 JV with Nalco, viz, GNAL, for setting up a manufacturing unit for producing an 800 MTPD of caustic soda plant along with a 130 MW captive power plant has commissioned operations in March, 2022. From the caustic soda produced from the plant, at least 450 MTPD is agreed to be sold to Nalco (Odisha plant) at market rates, as against the earlier envisaged 300 MTPD, and the remaining will be sold in the open market; the marketing rights of which will vest with GACL. The unit will also contain manufacturing facilities for other downstream products and for the utilisation of chlorine, an essential byproduct generated for manufacturing caustic



soda. The balance quantities of all the products manufactured by the JV will be sold by GACL as the sole commission selling agent of the JV. Thus, GACL will be exposed to marketing risks as well as the risk of chlorine disposal for GNAL.

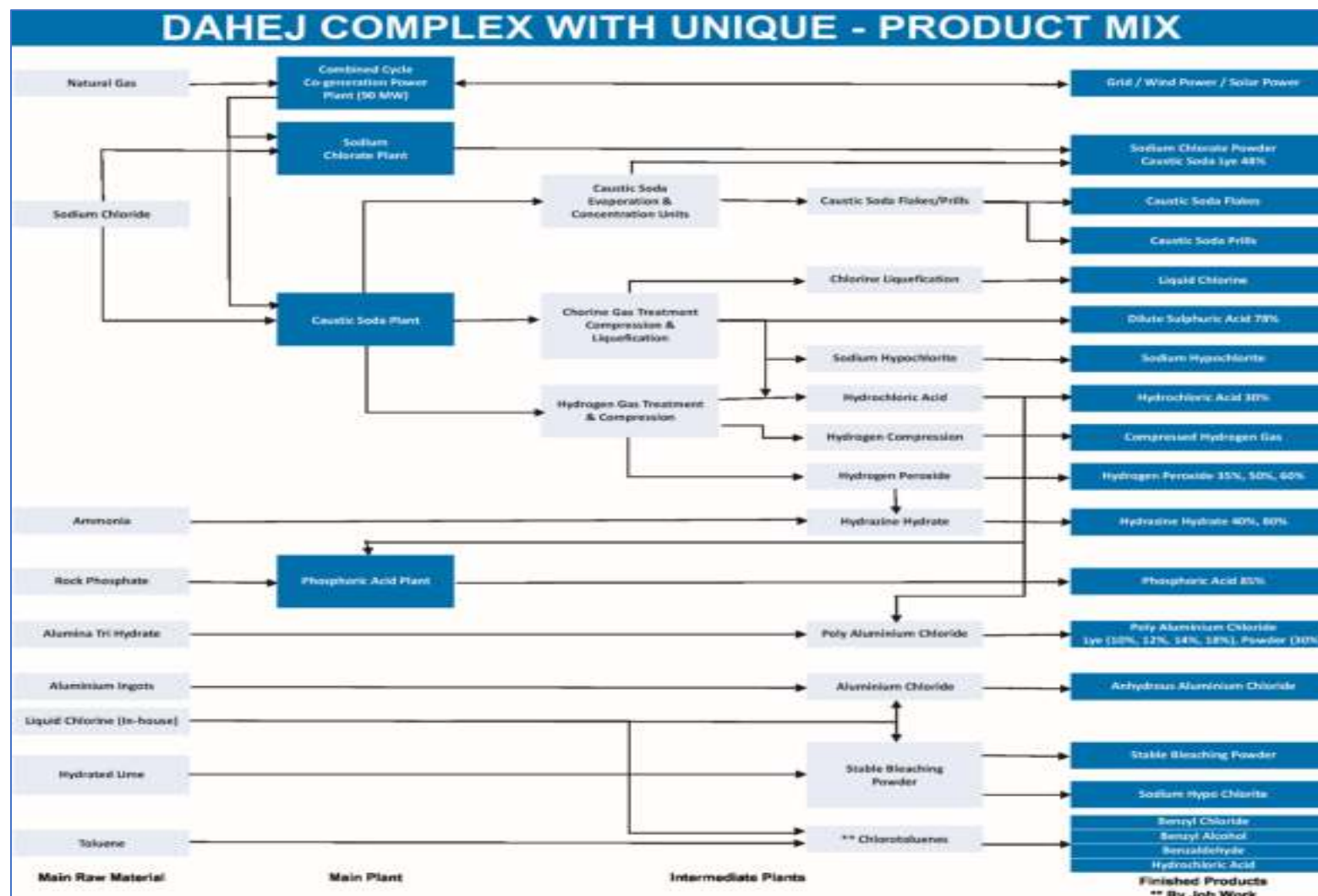
## Company Background

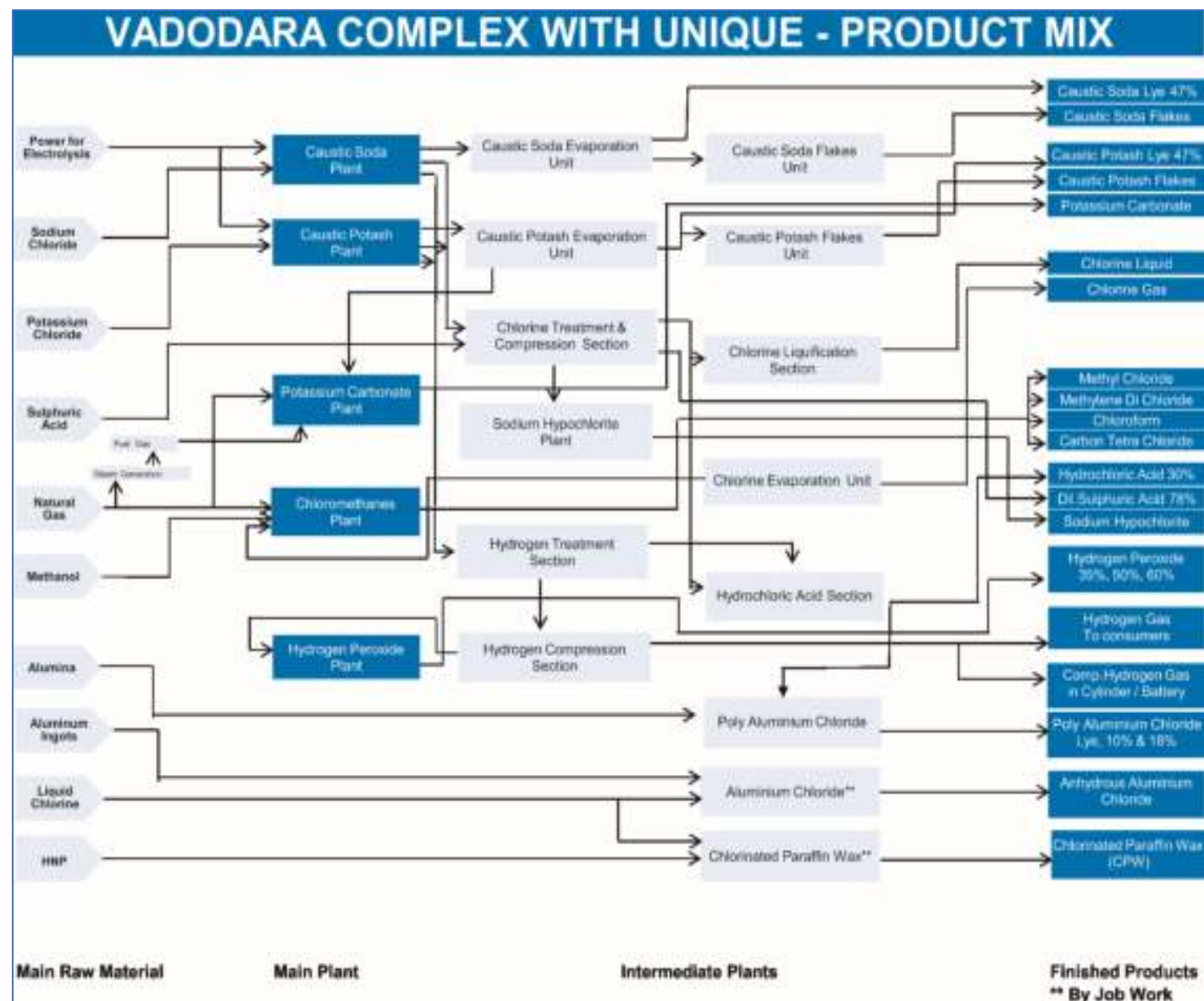
Gujarat Alkalies and Chemicals Ltd. (GACL) was promoted in 1973 by the Government of Gujarat through its industrial investment arm, Gujarat Industrial Investment Corporation Ltd (GIIC). Govt. of Gujarat held a 46.28% equity in the company, the largest being through Gujarat State Investments Ltd (GSIL) with 20.87% holding. GACL is the second-largest player in the domestic caustic chlorine industry with integrated operations.

It produces a wide range of products, including caustic soda, liquid and gaseous chlorine, hydrogen peroxide, phosphoric acid and aluminium chloride, which find application across a diversified group of industries, including textile, pulp and paper, aluminium, detergents, soaps, rayon, plastics, pharmaceuticals, water treatment, and agricultural chemicals. GACL's manufacturing facilities have a combined installed capacity to produce around 1,750 MTPD of caustic soda (caustic soda lye and caustic soda flakes) as on March, 2022, along with large capacities for downstream products. GACL also has an ongoing project for expansion of its caustic soda capacity by 425 MTPD, at Dahej. In December 2015, GACL entered a 60:40 JV with Nalco; GNAL to set up 800 MTPD caustic soda plant along with 130 MW coal-based captive power plant, at Dahej, nearby GACL's existing plant. The said project under the JV has commenced operations on March, 2022. Company derived 45% of revenue from Caustic soda, 9% from Chloromethane, 7% from Caustic potash, 8% from Hydrogen Peroxide, 7% from Phosphoric acid, 9% from Aluminium Chloride and the balance from others. Company has investments in Gujarat Gas, GSFC and GIPCL worth Rs 1364cr and unquoted investments of Rs 314cr. GACL-Nalco JV investment value stood at Rs 409cr as on Mar-2022.

## GACL – Strategic Advantages

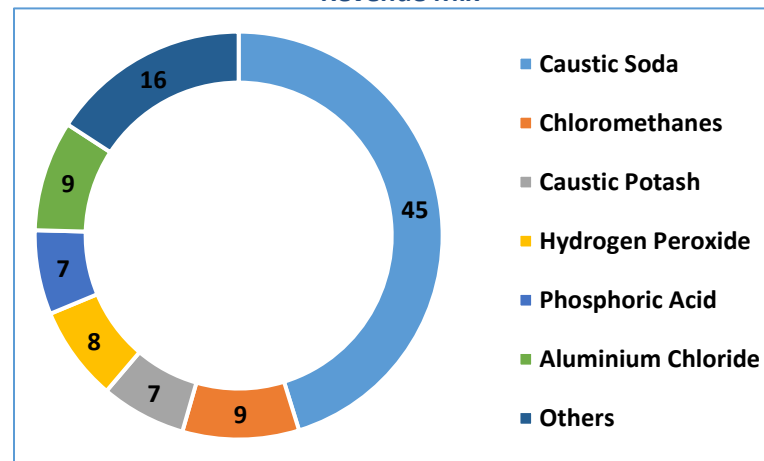
Land	Expansion at Dahej in 600 Acres of land
Rail Connectivity	Across boundary limits at Dahej Complex
Port Connectivity	GCPL (formerly known as GCPTCL) 4km from Dahej
Dealer Network	Strong, with best companies
Clean Power	171.5 MW Wind Power, 35 MW (AC) Solar Park
Co-promoted companies	GCPL (formerly known as GCPTCL) - Chemical Port at Dahej, GIPCL - Power company at Vadodara, GNAL - A JV with Nalco for Caustic Soda Production
Product Basket	Multiple Products from basic chemicals to value added chemicals
Customer Proximity	Bulk Consumers situated in nearby area



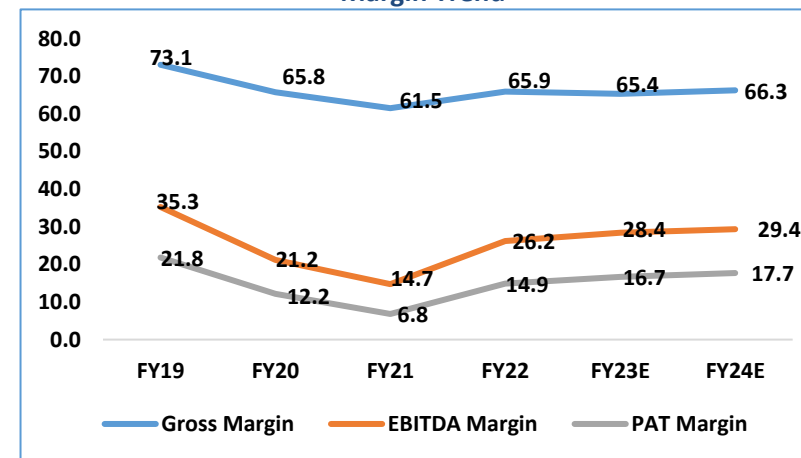




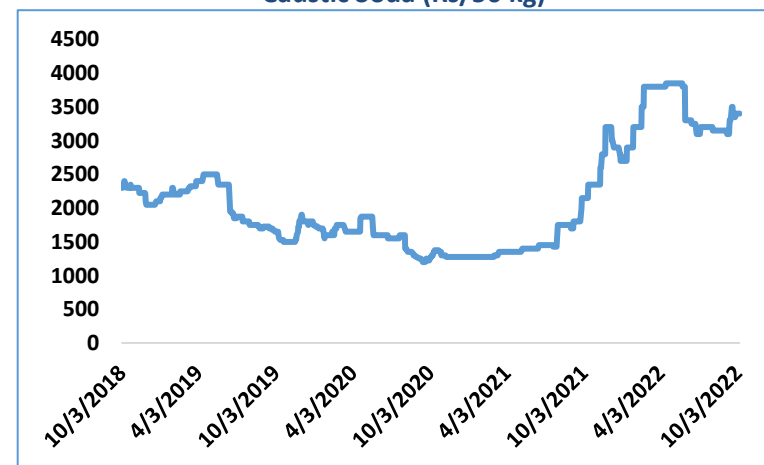
Revenue Mix



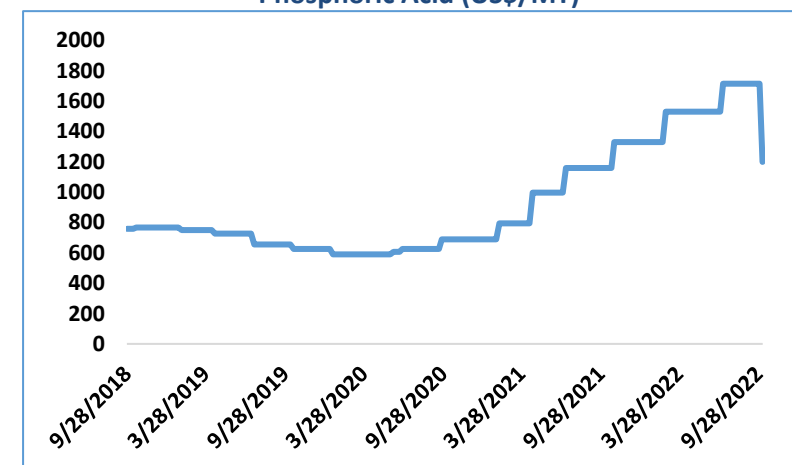
Margin Trend



Caustic Soda (Rs/50 kg)



Phosphoric Acid (US\$/MT)



Source: Company, HDFC sec Research





# Gujarat Alkalies & Chemicals Ltd.

## Financials

### Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Revenue	3161	2725	2430	3759	4717	5260
Growth (%)	28.8	-13.8	-10.8	54.7	25.5	11.5
Operating Expenses	2046	2147	2071	2773	3375	3714
<b>EBITDA</b>	<b>1115</b>	<b>578</b>	<b>358</b>	<b>986</b>	<b>1342</b>	<b>1546</b>
Growth (%)	41.8	-48.2	-38	175.3	36.1	15.2
EBITDA Margin (%)	35.3	21.2	14.7	26.2	28.4	29.4
Depreciation	140	162	174	198	221	247
EBIT	975	416	184	788	1121	1299
Other Income	61	90	68	46	52	60
Interest expenses	21	14	16	6	10	8
PBT	1016	491	235	826	1137	1320
Tax	326	159	69	267	350	389
<b>RPAT</b>	<b>690</b>	<b>332</b>	<b>166</b>	<b>560</b>	<b>787</b>	<b>931</b>
Growth (%)	29.1	-51.9	-50.1	237.8	40.5	18.3
EPS	94	45.2	22.6	76.2	107.1	126.7

### Balance Sheet

As at March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>SOURCE OF FUNDS</b>						
Share Capital	73.4	73.4	73.4	73.4	73.4	73.4
Reserves	4222	4522	5301	5826	6522	7348
<b>Shareholders' Funds</b>	<b>4295</b>	<b>4595</b>	<b>5375</b>	<b>5899</b>	<b>6596</b>	<b>7422</b>
Long Term Debt	185	137	433	549	500	430
Net Deferred Taxes	346	438	514	472	472	472
Long Term Provisions & Others	97	105	113	150	163	186
<b>Total Source of Funds</b>	<b>4923</b>	<b>5275</b>	<b>6435</b>	<b>7071</b>	<b>7731</b>	<b>8509</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	2601	3049	3691	4485	4793	4996
Intangible Assets	7	6	5	5	5	5
Non-Current Investments	1064	1242	2041	2087	2223	2334
Long Term Loans & Advances	149	135	221	135	144	158
<b>Total Non-Current Assets</b>	<b>3821</b>	<b>4431</b>	<b>5958</b>	<b>6712</b>	<b>7165</b>	<b>7492</b>
Current Investments	0	1	52	23	31	322
Inventories	232	236	226	353	426	478
Trade Receivables	487	374	289	303	414	476
Short term Loans & Advances	526	612	76	52	59	72
Cash & Equivalents	271	44	357	299	433	509
Other Current Assets	95	105	89	65	73	88
<b>Total Current Assets</b>	<b>1610</b>	<b>1372</b>	<b>1088</b>	<b>1094</b>	<b>1437</b>	<b>1945</b>
Short-Term Borrowings	3	2	64	44	49	45
Trade Payables	311	321	283	353	460	510
Other Current Liab & Provisions	186	195	252	320	343	353
Short-Term Provisions	8	11	13	18	19	20
<b>Total Current Liabilities</b>	<b>508</b>	<b>528</b>	<b>611</b>	<b>735</b>	<b>871</b>	<b>928</b>
Net Current Assets	1102	844	477	359	566	1017
<b>Total Application of Funds</b>	<b>4923</b>	<b>5275</b>	<b>6435</b>	<b>7071</b>	<b>7731</b>	<b>8509</b>

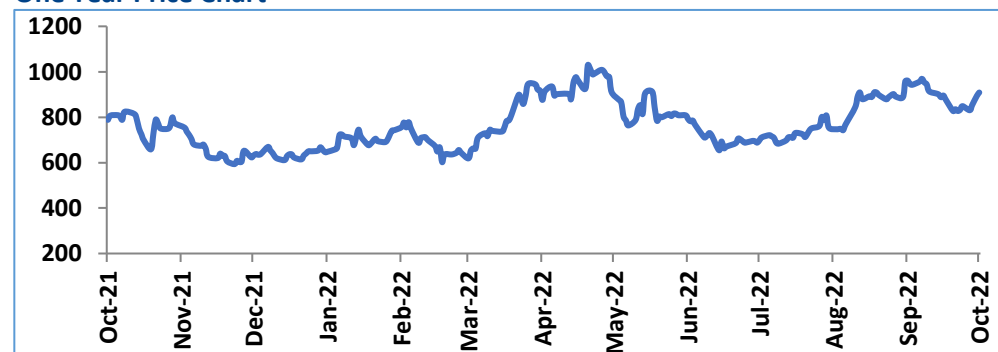


# Gujarat Alkalies & Chemicals Ltd.

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	1,016	491	235	826	1,137	1,320
Non-operating & EO items	-61	-90	-68	-46	-52	-60
Interest Expenses	21	14	16	6	10	8
Depreciation	140	162	174	198	221	247
Working Capital Change	-26	119	117	61	-73	-375
Tax Paid	-253	-66	-53	-310	-350	-389
<b>OPERATING CASH FLOW ( a )</b>	<b>838</b>	<b>630</b>	<b>421</b>	<b>735</b>	<b>893</b>	<b>751</b>
Capex	-388	-574	-794	-909	-530	-450
Free Cash Flow	450	56	-373	-174	363	301
Investments	-256	-150	394	57	-145	-125
Non-operating income	61	90	68	46	52	60
<b>INVESTING CASH FLOW ( b )</b>	<b>-583</b>	<b>-634</b>	<b>-333</b>	<b>-806</b>	<b>-622</b>	<b>-515</b>
Debt Issuance / (Repaid)	-57	-61	301	77	-36	-47
Interest Expenses	-21	-14	-16	-6	-10	-8
FCFE	372	-19	-88	-104	317	246
Share Capital	0	0	0	0	0	0
Dividend/Buyback	-58	-71	-59	-59	-90	-105
<b>FINANCING CASH FLOW ( c )</b>	<b>-136</b>	<b>-146</b>	<b>226</b>	<b>12</b>	<b>-137</b>	<b>-160</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>121</b>	<b>-150</b>	<b>313</b>	<b>-58</b>	<b>134</b>	<b>76</b>

## One Year Price Chart



## Key Ratios

	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Profitability (%)</b>						
Gross Margin	73.1	65.8	61.5	65.9	65.4	66.3
EBITDA Margin	35.3	21.2	14.7	26.2	28.4	29.4
EBIT Margin	30.8	15.3	7.6	21	23.8	24.7
PAT Margin	21.8	12.2	6.8	14.9	16.7	17.7
RoE	17	7.5	3.3	9.9	12.6	13.3
RoCE	19.4	7.8	2.8	10.9	14.2	15
<b>Solvency Ratio</b>						
Net Debt/EBITDA (x)	-0.1	0.2	0.2	0.3	0.1	-0.2
D/E	0	0	0.1	0.1	0.1	0.1
Net D/E	0	0	0	0	0	0
<b>PER SHARE DATA</b>						
EPS	94	45.2	22.6	76.2	107.1	126.7
CEPS	113	67.3	46.3	103.2	137.3	160.4
BV	585	626	732	803	898	1011
Dividend	8	8	8	10	12	14
<b>Turnover Ratios (days)</b>						
Debtor days	56	50	43	29	32	33
Inventory days	29	31	35	28	33	33
Creditors days	101	95	83	78	82	83
<b>VALUATION</b>						
P/E	9.6	20	40.2	11.9	8.5	7.1
P/BV	1.5	1.4	1.2	1.1	1	0.9
EV/EBITDA	6.1	11.7	18.9	6.9	5	4.4
EV / Revenues	2.1	2.5	2.8	1.8	1.4	1.3
Dividend Yield (%)	0.9	0.9	0.9	1.1	1.3	1.5
Dividend Payout	8.5	17.7	35.5	13.1	11.2	11

Source: Company, HDFC sec Research

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### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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