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Small Wonder – Turnaround Special
Gujarat Alkalies and Chemicals Ltd.

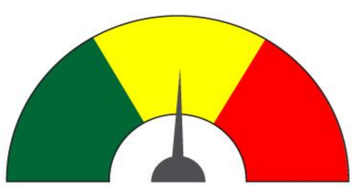
June 26, 2025

Gujarat Alkalies and Chemicals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs 591	Buy in Rs 585-598 band and add on dips in Rs 522-530 band	Rs 654	Rs 722	2-3 quarters

HDFC Scrip Code	GUJALKEQNR
BSE Code	530001
NSE Code	GUJALKALI
Bloomberg	GALK IN
CMP Jun 25, 2025	591
Equity Capital (Rs Cr)	73.4
Face Value (Rs)	10
Equity Share O/S (Cr)	7.34
Market Cap (Rs Cr)	4344
Book Value (Rs)	772
Avg. 52 Wk Volumes	272700
52 Week High	900
52 Week Low	484

Share holding Pattern % (March, 2025)	
Promoters	46.3
Institutions	31.7
Non Institutions	22
Total	100



* Refer at the end for explanation on Risk Ratings

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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, aluminium chloride and Chlorotoluene 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. The company derived 46% of its revenue from Caustic soda, 10% from Chloromethane, 7.5% from Caustic potash, 7% from Hydrogen Peroxide, 9% from Phosphoric acid, 8% from Aluminium Chloride, and the balance from other sources in FY24. The company registered strong revenue and robust growth in profitability, led by healthy volume growth and robust realisations. During FY25, the company reported substantial improvement albeit on a significantly lower base. The company has non-current investments of Rs 1960cr, which include investments in Gujarat Gas, GSFC and GIPCL worth about Rs 1600cr and unquoted investments of > Rs 250cr. The GACL-Nalco JV investment value stood at Rs 138 crore. Recent capacity addition, better utilisations and healthy realisations would drive growth in the coming quarters.

GACL has established India's largest Chlorotoluenes Plant, with an annual production capacity of 30,000 MT at Dahej. This facility will manufacture 13,200 MTPA of Benzyl Chloride, 9,600 MTPA of Benzyl Alcohol, and 7,200 MTPA of Benzaldehyde, key raw materials for the perfumery, pharmaceutical, flavouring, and solvent industries. Production of Benzyl Alcohol and Benzaldehyde is expected to start in May 2025. It would incur a capex of about Rs 350 crore.

Valuation & Recommendation:

Gujarat Alkalies has witnessed improvement after a lacklustre FY24 on the back of pricing pressures. We estimate an 8.5% CAGR in revenue, driven by healthy growth in volumes across business segments and improved realisations. Earlier, the company had enjoyed a margin profile of 20-25% however, weak demand and a sharp reduction in realisations across businesses led to significant erosion in the operating margin. We expect a gradual improvement in operational performance over FY25-27E. GACL has taken up various projects, which include adding new products to the portfolio as well as expanding the current product lines by putting up additional capacities through new plants. They have been streamlined during the last 3-4 quarters. The board has recommended a Rs 15.8 per share final dividend for the year, and we think a higher dividend payout will continue in the medium term.

We believe that given the recent commissioning of forward integration projects, power saving initiatives and improvement in demand scenario could lead to scale economies/operating leverage and thus earnings expansion despite an essentially commodity portfolio (gradually going into value added products).

We feel investors can buy at Rs 585-598 and add more on declines to band of Rs 522-530 (19x FY27E EPS) for base case target of Rs 654 (23.5x FY27E EPS and 8x FY27E EV/EBITDA) and bull case target of Rs 722 (26x FY27E EPS and 8.75x FY27E EV/EBITDA) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Revenue	1076	1002	7.4	1029	4.5	2,430	3,759	4,517	3,807	4,073	4,391	4,786
EBITDA	114	29	293.8	98	16.1	358	986	1115	136	361	521	685
Depreciation	97	97	0.5	98	-1.1	174	198	276	377	392	404	423
Other Income	24	3	876.0	15	60.5	68	46	42	90	92	86	98
Interest Cost	18	12	50.4	10	75.0	16	6	20	45	51	59	45
Tax	1	-56	-	-4	-	69	267	286	-64	-6	22	72
PAT	9	-46	-	-11	-	166	560	410	-237	-65	64	205
EPS (Rs)						22.6	76.2	55.8	-32.2	-8.8	8.7	27.9
RoE (%)						3.3	9.9	6.8	-3.9	-1.1	1.1	3.6
P/E (x)						26.1	7.7	10.5	-18.2	-66.5	67.9	21.1
EV/EBITDA (x)						13.7	5.0	4.4	35.9	13.6	9.4	7.1

(Source: Company, HDFC sec)

Q4FY25 Result Update

Revenue for the quarter grew 7.4% YoY at Rs 1075.5cr. Operating profit jumped 294% YoY and 16% QoQ at Rs 113.8cr. Net profit stood at Rs 8.8 crore, as against a net loss of Rs 46.2 crore in Q4 FY24. Other Income surged 876% YoY at Rs 24.4cr. Capex stood at Rs 320cr for the year. Board approved installation of three plants to produce downstream products of Chlorotoluenes with aggregate capacity of 40 TPD at an estimated investment of Rs 81 crore at Dahej. These plants are expected to contribute additional annual revenue up to Rs 156 crore at current market prices.

For FY25, total revenue grew 7% YoY at Rs 4073 crore. Operating margin expanded 525bps YoY at 8.85%, albeit on an extremely low base. Operating profit stood at Rs 361 crore as compared to Rs 136 crore. Better operational performance was primarily attributed to a decline in lower power & fuel costs as well as better gross margin. Other Income was up 2.3% YoY at Rs 92 crore. Net loss reduced to Rs 60 crore as against a loss of Rs 237 crore, a year ago. Board recommended Rs 15.8 per share final dividend for the year.

Key Triggers

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) 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 further to 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 its large production capacity and protect its profitability from the effects of the volatility in chlorine prices, to some extent.

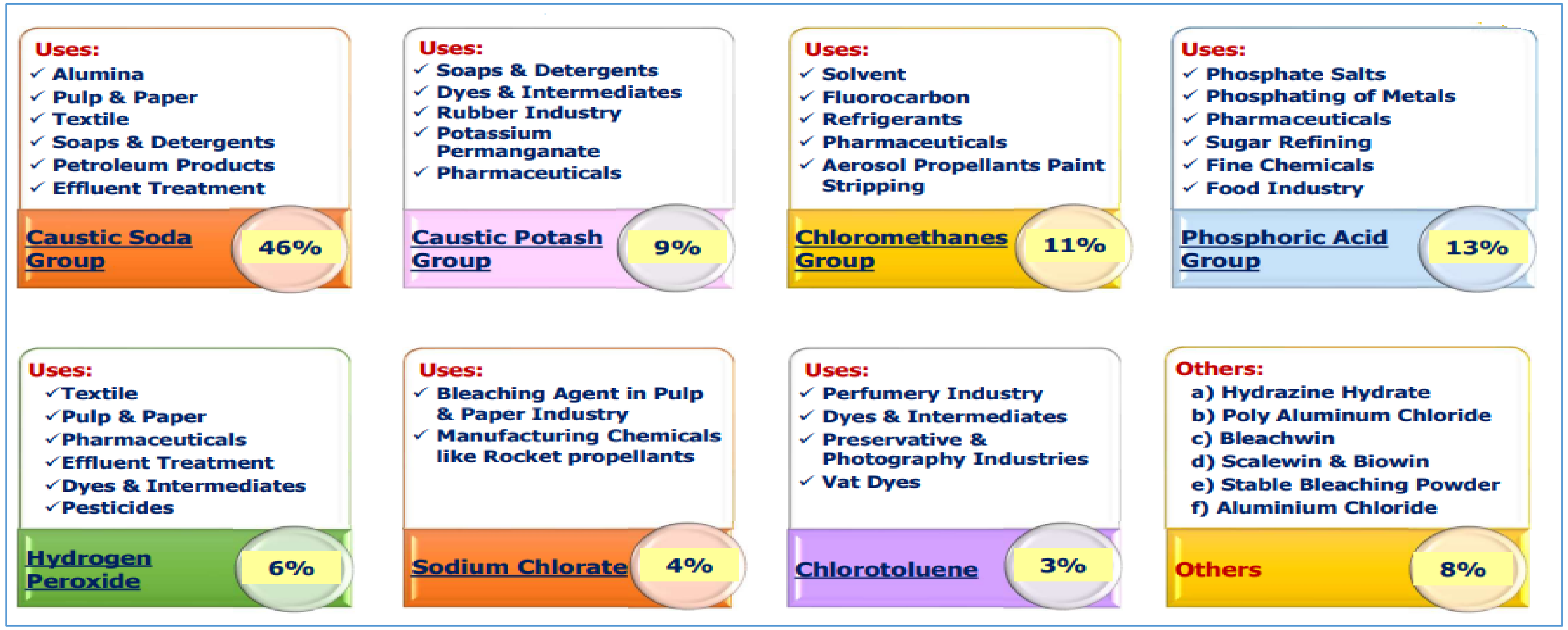
The products of the Chlor-alkali industry are the basic raw materials for various industries like Alumina, Paper & Pulp, Soaps & Detergents, Dyes, Pharmaceuticals, Water Treatment chemicals, Pesticides, and other Agrochemicals, etc.

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 utilise its large production capacity optimally. It protects profitability to some extent from the effects of the inherent cyclicality in demand for its major products, as the adverse demand scenario for one set of products is offset by the favourable movement in other products. GACL's products find application in various processes across a diverse range of industries, including textiles, pulp and paper, alumina, soaps and detergents, rayon, fertilisers, petroleum, pharmaceuticals, agrochemicals, water treatment, ink, and paint. 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.

The cost structure of GACL has remained competitive due to its membrane cell technology, which is used for the electrolysis of salt. This technology consumes one-third less power compared to 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 may help 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 171.5 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.

Business Segments



(Source: Company, HDFC sec)

Long-term power arrangements

The company has taken up various measures for significantly reducing the cost of electric power, mainly through increasing the contribution of renewable energy in its energy-sourcing basket. The company is in discussions with NTPC for tying up 100 MW RE RTC for which an MoU was signed earlier. Possibilities of further such tie-ups are also being explored with other RE developers. In the meantime, to bring down the power cost, the company continues to look for opportunities of tying up RE supply, especially solar power, on real-time consumption & a short-term basis, with available sources from RE developers. As a result of its endeavours to source such short-term supply, the company has successfully tied up with NTPC Vidyut Vyapar Nigam Limited (NVVNL) and Tata Power Trading Company Limited (TPTCL) for the supply of solar power to the company from their 50 MW and 70 MW solar power installations, respectively. This would result in a reduction of the cost of electric power.

Power & Fuel expenses

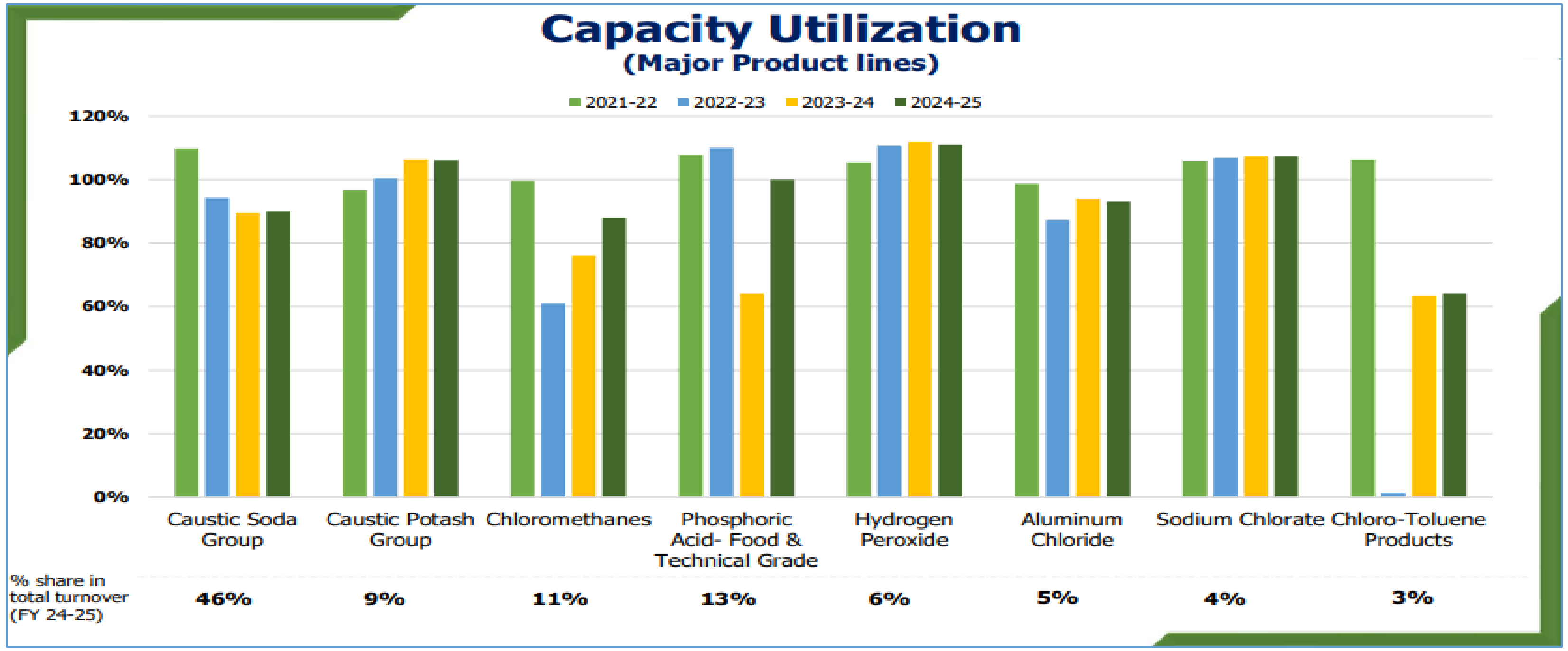
Power & Fuel cost comprises of 28-30% of its sales, which is the second highest cost item after RM expenses. It had touched around 33.5% of sales in FY24 and consequently, the company had reported extremely weak operational performance and even lower realisations aided woes to the company.

Already, the cost has declined in FY25. We expect the cost as % of sales to reduce significantly in FY27 as the company uses captive power and fuel prices have cool off in the recent times. We expect the cost as % of sales to reduce significantly in FY27 as the company uses captive power and fuel prices have cooled off in recent times,

MoU between GACL and NTPC Renewable Energy Ltd. (NTPC-REL)

Gujarat Alkalies and Chemicals Limited (GACL) and NTPC Renewable Energy Limited (NTPC REL), a wholly owned subsidiary of NTPC Limited have signed Memorandum of Understanding (MOU) in July-2022 at New Delhi 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 activities of GACL at Vadodara Complex and/or Dahej Complex or any of its other Complexes. The discussions with NTPC are going on for finalising the project configuration and other terms. Actions were also initiated on jointly synthesising Green Chemicals such as Methanol and Ammonia for captive use by GACL using Hydrogen and CO2 available at GACL.

Overall Capacity



(Source: Company, HDFC sec)

Caustic Soda Market Scenario

At present, there are 34 active Chlor-Alkali units in India. The production of Caustic Soda during the FY24 has been about 45.89 Lakhs MT as against the total installed capacity of 60.90 Lakhs MTPA as of March 2024, i.e., capacity utilisation at ~75%. As against this, during the same period GACL has produced 5.24 lakh MT against the installed capacity of 5.86 lakh MTPA and achieved capacity utilization 89.4%, which includes Vadodara Plant producing 1.85 lakh MT as against the installed capacity of 1.53 lakh MT, thus achieving 120.4% capacity utilization, and Dahej Plant producing 3.39 lakh MT as against the installed capacity of 4.32 lakh, thus achieving the capacity utilization of 78.4%. The capacity utilisation at Vadodara remained higher due to better chlorine utilisation for captive use and supply through pipeline to a consumer in close vicinity.

The joint venture company, GNAL, which is still in the stabilisation phase, produced 1.73 lakh MT as against the installed capacity of 2.67 lakh MT, thereby achieving a capacity utilisation of 65%. Out of total 34 active Chlor-Alkali Units in India, GACL stands at second position with a market share of about 16% having capacity utilization of 81.7% (including GNAL). GACL was the largest producer on Marchant Sale basis, during FY24. Out of India's total Caustic Soda capacity of 60.90 lakh MTPA as on March 2024, alone the West zone has 39.02 lakh MT, i.e. 64% while the East has 4.63 lakh MT (7.6%), the North has 5.73 lakh MTPA (9.4%), and the South has 11.52 lakh MTPA (18.9%).

Throughout FY24, the prices of Chlor-Alkali had been under tremendous pressure due to poor demand from all key segments. However, by the end of the year, the Caustic Soda segment showed slight improvement and recovered from US$330-400/MT or in rupee terms, at Rs 33000/MT from Rs 28000/MT or lower. GACL is a multi-product company, having more than 36 products in the basket; however, the major revenue comes from the Caustic Soda group, and therefore, the market scenario of the Caustic Soda and Chlorine markets is of utmost importance to GACL.

ECB Loan

To part finance the cost of the expansion, the Company has, from time to time, availed of the following financial assistance by way of External Commercial Borrowing (ECB) instead of a Rupee Term Loan with a view to minimising the interest outgo. These ECB Loans are not hedged, there being natural hedge available due to exports and considering low risk profile of the Company: 1. ECB loan of US$ 20 million from ICICI Bank Limited in FY17. ECB loan of US$ 68.7 million or Rs 500.2 crore (Rs 362.35 crore in FY21 and Rs 137.87 crore in FY22) from State Bank of India.

Capex plans

As part of its ambitious growth plan, the company has taken on various projects. All these new plants are now operative, with a few already at their full capacity and some under stabilisation. The Company, as a long-term strategic measure to enhance its in-house chlorine consumption, has undertaken a 30 KTPA Chlorotoluene Project at Dahej to produce a mix of benzyl chloride, benzaldehyde, and benzyl alcohol, thereby strengthening its in-house chlorine consumption. To create a niche in the Caustic Soda market, debottlenecking of the existing Caustic Soda Prills Plant at Dahej has been undertaken to enhance production from 120 MT/day to approximately 200 MT/day. Similarly, to achieve 100% capacity utilisation of the Poly Aluminium Chloride (PAC) Plant at Vadodara, as PAC is a seasonal product, it has taken up the project for PAC (powder) production at Coelho Complex. Due to its power-intensive operations, it has taken up a drive to optimise its power cost. As a part of these initiatives, the company is planning long-term measures for sourcing renewable power in group captive/captive mode and, in the meantime, has taken up measures for sourcing solar power on a bilateral basis from available sources on a short to medium-term basis. The assessment for Bio-ethanol project in JV with GAIL is underway. The Company is working with M/s Vedanta Aluminium for projects in the areas of common Interest.

Recent Developments

Earlier on March 26, 2025, the company had informed regarding participation in the Preferential Issue of Equity Shares on private placement basis of Gujarat Industries Power Company Limited (GIPCL) for setting up 75 MW AC Solar Power Plant by GIPCL under Group Captive mode, on 50% sharing basis. In this regard, GACL said that out of the total capacity of 75 MW, the 25 MW GIPCL Solar Project is now operative.

The company has started receiving Solar power from a 12.5 MW installation (i.e. 50% share of GACL), and the project is currently under the stabilisation phase. This would result in a reduction of the overall power cost.

Gujarat Alkalies and Chemicals (GACL) flagged off the first lot of Benzyl Chloride in April-2025

GACL has established India's largest Chlorotoluenes Plant, with an annual production capacity of 30,000 MT at Dahej. This facility will manufacture 13,200 MTPA of Benzyl Chloride, 9,600 MTPA of Benzyl Alcohol, and 7,200 MTPA of Benzaldehyde - key raw materials for the perfumery, pharmaceutical, flavouring, and solvent industries. Production of Benzyl Alcohol and Benzaldehyde is expected to start in May 2025. It would incur a capex of about Rs 350 crore.

This Chlorotoluenes plant will utilise toluene and chlorine as key raw materials. The project is expected to generate annual revenue of approximately Rs 400 crore when operated at full capacity, including exports worth Rs 130 crore to Europe, the USA, and South Asia.

The Board approved the installation of three plants to produce downstream products of Chlorotoluenes with an aggregate capacity of 40 TPD at an estimated investment of Rs 81 crore at Dahej. These plants are expected to contribute additional annual revenue up to Rs 156 crore at current market prices.

Initiatives for green energy

Procurement of 50 MW Solar Power from M/s. NVVNL for Dahej Complex. Procurement of 70 MW Solar Power from M/s. Tata Power for Dahej & Vadodara Complex.

37.5 MW Solar Power from M/s. GIPCL for the Dahej Complex is under construction. 62.7 MW Hybrid Power from M/s. Aditya Birla Renewables under SPV mode.

Business Outlook

Company deals in marketing of Caustic Soda (Lye, Flakes/ Prills), Chloromethanes, Liquid Chlorine, Hydrochloric Acid, Hydrogen Peroxide, Anhydrous Aluminum Chloride, Caustic Potash (Lye & Flakes), Potassium Carbonate (Granules & Powder), Aluminum Chloride, Phosphoric Acid, Food Grade Phosphoric Acid, Chlorinated Paraffin, Poly Aluminum Chloride (various grades), Chlorotoluene, Sodium Chlorate, Hydrazine Hydrate etc. Plants are integrated in such a way that part of the finished product of one plant is being consumed as raw material in another plant to produce further value-added products. The Company thus takes advantage of its forward integration philosophy. As, approx. 64% of the total production capacity of India is located in Western region, it has been observed that - there is 20-25% surplus supply available than the actual current demand in the area. The company has successfully executed supplies of CS Lye to M/s. National Aluminum Company Ltd. (NALCO) and M/s. Vedanta Ltd., M/s. Utkal Alumina International Ltd. as well as M/s. Hindalco Industries in the tune of approx. 119019 MT i.e. 97851 MT through Rail Racks and 21168 MT through Ship/Coastal (including GNAL).

Out of seven active Chloromethane manufacturers in India, GACL is the market leader with a market share of about 23.5%, having capacity utilisation of 80% i.e. 1.25 Lakhs MT of Chloromethane produced during FY24, against the total installed capacity of 1.56 Lakhs MTPA as of March 2024. India has successfully transitioned into a net exporter with the commissioning of GACL new Chloromethanes capacity; GACL is exporting Methylene Chloride (MDC) to more than 20 countries, and within a short period, it has achieved significant sales growth. This accomplishment highlights India's expanding presence in the global market and the company's success in capitalising on new opportunities by consistently supplying quality products. In addition to this, captive consumption of Hydrogen Gas is maximized through expanded Hydrogen Peroxide plant, which is also fetching additional revenue. GACL is one of the largest sellers of Hydrogen Gas to the domestic and SEZ markets.

Further, the company has successfully optimised its Sodium Chlorate plant at Dahej, which is the first & only manufacturing plant in India, which finds applications primarily in the Pulp & Paper Industry for Elemental Chlorine Free Bleaching of Pulp & Paper. New Food Grade Phosphoric Acid plant is running at 100% capacity and is consuming large quantity of HCl, where HCl is one of the concerns of disposal. GACL has started producing Food Grade Phosphoric Acid at the Dahej Complex and is currently running at 100% capacity. This process consumes a large quantity of HCl, which is one of the concerns regarding disposal. By start-up of this "Food Grade Phosphoric Acid", GACL entered into new market segments of Edible Oil, Food Grade Phosphates, Carbonated Drinks. GACL has successfully commissioned "Hydrazine Hydrate" plant at Dahej, which is the first & only manufacturing plant in India. This product finds its applications primarily in Pulp & Paper Industry, Agrochemicals, Water Treatments and Space Industry.

Exports business

GACL has consistently embraced a proactive approach in undertaking various activities to sustainably export volume, boost revenues, and explore new export markets for both existing and new products. These proactive stances showcase dedication to continuing growth and the expansion of global presence. The company has expanded its presence across the globe, exporting its products to a total of 55 Countries. GACL has experienced a quantum leap in Export capabilities. The Company has achieved the highest-ever Exports of Rs 753 crore, surpassing all previous records and with GNAL, the total Exports business reached Rs 899 crore in FY24.

GACL is also exporting many of its products viz. Caustic Soda Lye, Flakes, Prills, Potassium Carbonate, Caustic Potash Flakes, Hydrogen Peroxide, Phosphoric Acid, liquid Chlorine, Aluminum Chloride, PAC (Powder), Stable Bleaching Powder, Benzyl Alcohol, Benzyl Chloride, Hydrochloric Acid and CPW to Europe, West Asia, South-East Asia, Africa, Middle-East/Far East, SAARC countries etc.

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

Company Background

GACL 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 a present installed production capacity of 5,85,750 lakhs MTPA of Caustic Soda as of March 2024 and enjoys the economies of scale. The Company has about 16% share in the domestic Caustic Soda market. The products basket comprises of Caustic Soda (Lye, Flakes/ Prills), Chloromethanes, Liquid Chlorine, Hydrochloric Acid, Hydrogen Peroxide, Anhydrous Aluminum Chloride, Caustic Potash (Lye & Flakes), Potassium Carbonate (Granules & Powder), Aluminium Chloride, Phosphoric Acid, Food Grade Phosphoric Acid, Chlorinated Paraffin, Poly Aluminium Chloride (various grades), Chlorotoluene, Sodium Chlorate, Hydrazine Hydrate etc. The significant revenues are derived from Caustic Soda Group and therefore, Caustic Soda and Chlorine market scenario has a broad impact on overall performance.

They are used by various industries like Textiles, Pulp & Paper, Alumina, Soaps & Detergents, 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. Production of Caustic Soda by electrolysis process is highly power intensive. Besides 90 MW Gas based captive co-generation power plant and participation in 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 171.5 MW. Company has already installed 35 MW of Solar Power Plant. With this, the aggregate renewable energy capacity is 206.45 MW including 171.5 MW of Wind Power capacity generating more than 330 million units of renewable power during the year.

Caustic Soda

Caustic soda, or sodium hydroxide, is an inorganic compound with the formula $NaOH$. It is a white consisting of sodium cations (Na^+) and hydroxide anions (OH^-). Caustic soda is a highly corrosive base and alkali that decomposes lipids and proteins even at ambient temperatures, which can cause severe chemical burns. It is readily soluble and hygroscopic, and the solid is usually noted to be a variable amount of water in the form of hydrates ($NaOH \cdot nH_2O$). Crystalline hydrates ($NaOH \cdot H_2O$) separate from aqueous solutions between 12.3 and 61.8°C.

Caustic soda is unique chemical properties, which make it highly utilised in various industrial applications. It is commonly used in the production of wood pulp and paper, as well as in the manufacture of textiles, drinking water, soaps, and detergents, and serves as a drain cleaner. Sodium hydroxide is also widely used in laboratory studies as an example of the pH scale, neutral water, and hydrochloric acid. It is also used in saponification, and you can read more about it by clicking on the function of caustic soda in soap making.

Caustic soda is a highly corrosive substance that can cause severe burns upon contact with the skin or eyes. It also absorbs water, liberating a lot of heat; hence, it poses a risk of boiling and splashing when dissolved in water. It should always be stored away from acids, metals, and flammable materials in a cool, dry, well-ventilated area. Due to its hazardous nature, the caustic soda shipment is regulated, and hazmat fees are applied.

Key Concerns

Cyclical caustic soda industry

The caustic soda industry is inherently cyclical. ECU realisations dropped significantly in FY24; however, it has witnessed some recovery in FY25. Any further downfall in realisations could impact margin and profitability.

Adverse movement in the prices of gas and power, and threat of cheaper imports

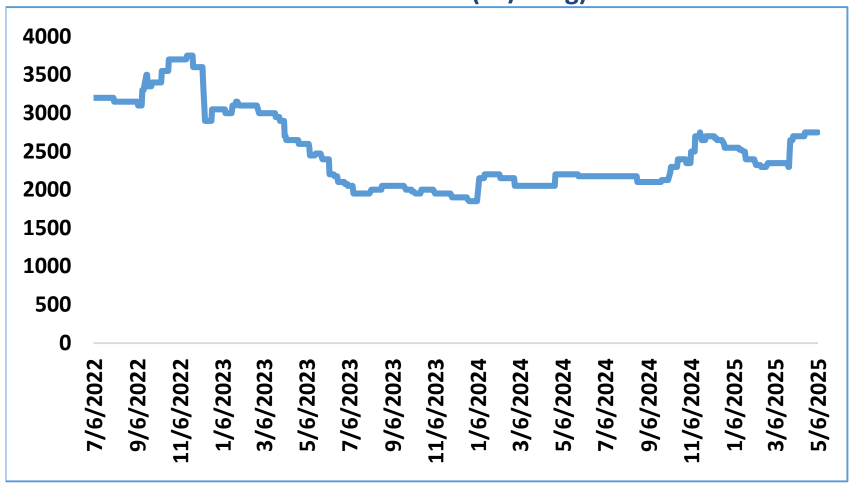
Adverse movements in the market prices of gas and power since electrolysis is an energy-intensive process, and power cost constitutes a significant part of its cost structure. Power cost constituted around 25% total revenue in FY23 (33.5% in FY24 and 30% in FY25).
Additionally, the Indian chlor-alkali industry faces competition from inexpensive imports from countries with lower power costs. 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.

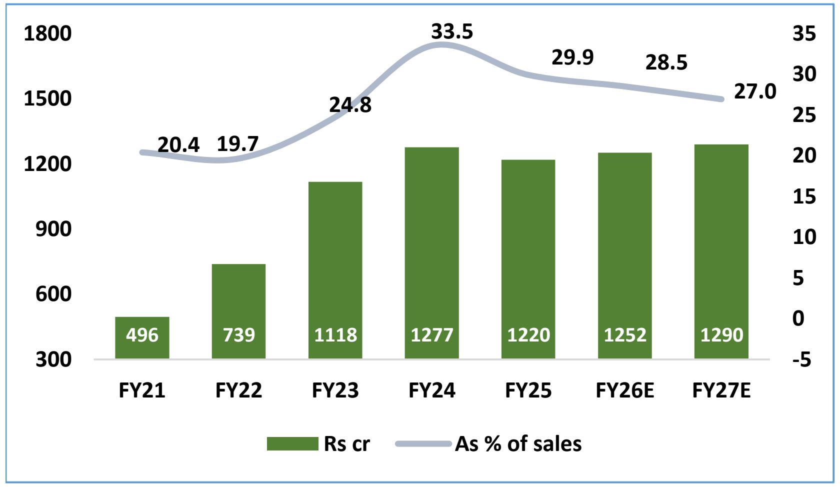
Foreign exchange rates

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. The Company reported revenue of Rs 899 crore from exports business in FY24.

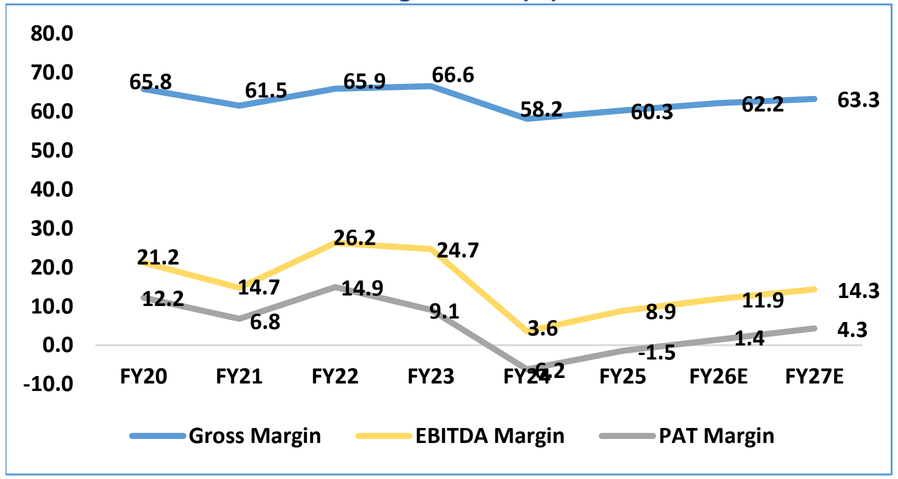
Ongoing capex plans along with associated scalability risk

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 had commissioned operations in March, 2022. From the caustic soda produced at the plant, at least 450 MTPD is agreed to be sold to Nalco (Odisha plant) at market rates, as opposed to the earlier envisaged 300 MTPD. The remaining quantity will be sold in the open market, with the marketing rights vesting with GACL. The unit will also contain manufacturing facilities for other downstream products and for the utilisation of chlorine, an essential byproduct generated during the manufacture of caustic soda. The balance quantities of all 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.





(Source: Bloomberg, HDFC sec)



(Source: Company, HDFC sec)

Gujarat Alkalies and Chemicals Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	3759	4517	3807	4073	4391	4786
Growth (%)	54.7	20.2	-15.7	7.0	7.8	9.0
Operating Expenses	2773	3402	3671	3712	3869	4101
EBITDA	**986**	**1115**	**136**	**361**	**521**	**685**
Growth (%)	175.3	13.0	-87.8	164.6	44.6	31.4
EBITDA Margin (%)	26.2	24.7	3.6	8.9	11.9	14.3
Depreciation	198	276	377	392	404	423
EBIT	788	839	-241	-32	117	262
Other Income	46	42	90	92	86	98
Interest expenses	6	20	45	51	59	45
PBT	826	695	-300	-71	86	277
Tax	267	286	-64	-6	22	72
RPAT	**560**	**410**	**-237**	**-65**	**64**	**205**
Growth (%)	237.8	-26.8	-157.8	-72.6	LP	222.2
EPS	76.2	55.8	-32.2	-8.8	8.7	27.9

Balance Sheet

As at March	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCE OF FUNDS						
Share Capital	73.4	73.4	73.4	73.4	73.4	73.4
Reserves	5826	6066	6002	5596	5531	5586
Shareholders' Funds	**5899**	**6139**	**6076**	**5669**	**5605**	**5659**
Long Term Debt	549	459	343	309	337	347
Net Deferred Taxes	472	576	542	565	565	565
Long Term Provisions & Others	150	133	142	409	430	452
Total Source of Funds	**7071**	**7307**	**7101**	**6953**	**6936**	**7023**
APPLICATION OF FUNDS						
Net Block	4485	4790	4710	4662	4608	4435
Non Current Investments	2087	1810	2073	1957	2031	2121
Long Term Loans & Advances	135	132	145	211	223	241
Total Non-Current Assets	**6712**	**6738**	**6930**	**6831**	**6863**	**6797**
Current Investments	23	21	20	19	28	40
Inventories	353	461	407	486	497	568
Trade Receivables	303	285	178	263	279	308
Short term Loans & Advances	52	110	146	152	166	198
Cash & Equivalents	299	483	162	134	34	111
Other Current Assets	65	51	1	1	2	2
Total Current Assets	**1094**	**1410**	**915**	**1055**	**1005**	**1227**
Short-Term Borrowings	44	137	201	243	270	292
Trade Payables	353	494	375	508	464	488
Other Current Liab & Provisions	320	194	154	168	180	198
Short-Term Provisions	18	15	15	15	18	23
Total Current Liabilities	**735**	**840**	**745**	**933**	**932**	**1001**
Net Current Assets	359	570	169	122	74	226
Total Application of Funds	**7071**	**7307**	**7101**	**6953**	**6936**	**7023**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs Cr)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	826	695	-300	-71	86	277
Non-operating & EO items	-46	-42	-90	-92	-86	-98
Interest Expenses	6	20	45	51	59	45
Depreciation	198	276	377	392	404	423
Working Capital Change	61	30	80	33	-52	-76
Tax Paid	-310	-185	-45	69	-22	-72
OPERATING CASH FLOW (a)	**735**	**794**	**67**	**381**	**389**	**500**
Capex	-909	-678	-232	-321	-350	-250
Free Cash Flow	-174	282	-165	60	39	250
Investments	57	-25	52	-35	-86	-107
Non-operating income	46	42	90	92	86	98
INVESTING CASH FLOW (b)	**-806**	**-661**	**-90**	**-264**	**-351**	**-259**
Debt Issuance / (Repaid)	77	-48	-59	8	49	32
Interest Expenses	-6	-20	-45	-51	-59	-45
FCFE	-104	215	-269	17	29	237
Share Capital	0	0	0	0	0	0
Dividend/Buyback	-59	-74	-174	-103	-129	-151
FINANCING CASH FLOW (c)	**12**	**-141**	**-277**	**-145**	**-139**	**-164**
NET CASH FLOW (a+b+c)	**-58**	**-8**	**-301**	**-28**	**-100**	**77**

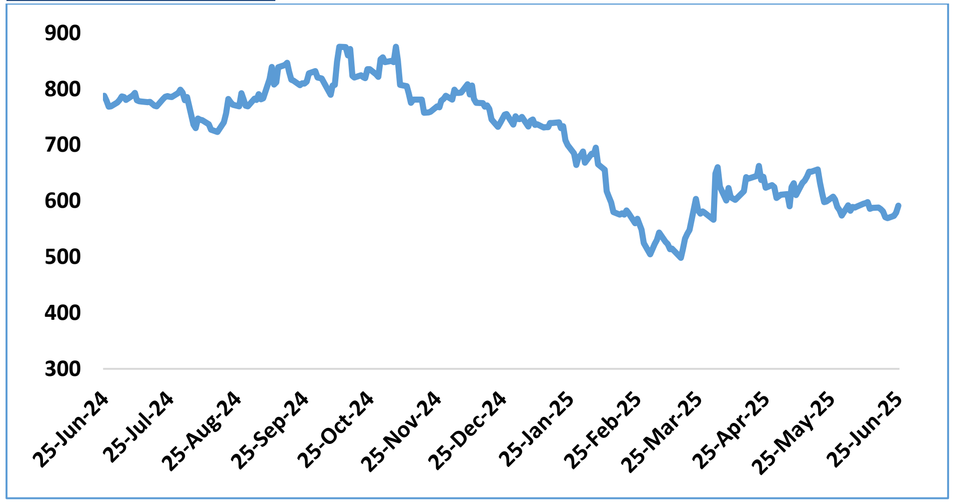
Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
Profitability (%)						
Gross Margin	65.9	66.6	58.2	60.3	62.2	63.3
EBITDA Margin	26.2	24.7	3.6	8.9	11.9	14.3
EBIT Margin	21.0	18.6	-6.3	-0.7	2.7	5.5
PAT Margin	14.9	9.1	-6.2	-1.5	1.4	4.3
RoE	9.9	6.8	-3.9	-1.0	1.1	3.6
RoCE	10.9	11.2	-3.3	-0.4	1.7	3.7
Solvency Ratio (x)						
Net Debt/EBITDA	0.3	0.1	2.7	1.1	1.0	0.7
D/E	0.1	0.1	0.1	0.1	0.1	0.1
Net D/E	0.0	0.0	0.1	0.1	0.1	0.1
PER SHARE DATA						
EPS	76.2	55.8	-32.2	-8.2	8.7	27.9
CEPS	103.2	93.4	19.1	44.6	63.7	85.5
BV	803	836	827	772	763	771
Dividend	10.0	23.5	13.9	15.8	17.5	20.5
Turnover Ratios (days)						
Debtor days	29	23	17	24	23	24
Inventory days	28	33	42	40	41	43
Creditors days	78	94	69	90	79	78
VALUATION (x)						
P/E	7.7	10.5	-18.2	-72.0	67.9	21.1
P/BV	0.7	0.7	0.7	0.8	0.8	0.8
EV/EBITDA	5.0	4.4	35.9	13.6	9.4	7.1
EV / Revenues	1.3	1.1	1.3	1.2	1.1	1.0
Dividend Yield (%)	1.7	4.0	2.4	2.7	3.0	3.5
Dividend Payout	13.1	42.1	-43.0	-193.5	202.0	73.5

(Source: Company, HDFC sec)

Gujarat Alkalies and Chemicals Ltd.

One Year Price chart



(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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