

GHCL

👤 Created by	👤 YUVRAJ
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▼ Company Intro:

GHCL Ltd. (GHCL) is a diversified conglomerate with a rich history spanning several decades. Headquartered in India, GHCL has emerged as a prominent player in various sectors, with a strong presence both domestically and internationally. The company's commitment to excellence, innovation, and sustainable practices has solidified its position as a market leader in several key industries.

▼ Business Segments:

GHCL operates across multiple business segments, which include:

Chemicals: GHCL is a leading manufacturer and exporter of various chemicals, catering to industries such as textiles, pharmaceuticals, and agriculture. The company's commitment to sustainability is reflected in its eco-friendly chemical solutions.

It finalized its demerger for a separate entity GHCL textiles in April 2023.

Textiles: GHCL's textile division is renowned for its high-quality yarns and home textile products. With state-of-the-art manufacturing facilities and a focus on innovation, it has established itself as a global player in the textile industry.

Consumer Products: GHCL's consumer products division encompasses a range of products, including home textiles, home décor, and personal care items. These products are marketed under well-known brands and have a strong presence in domestic and international markets.

▼ Sector Analysis:

- Rise in demand from end-user industries such as food processing, personal care, and home care is driving the development of different segments in India's specialty chemicals market.

- India's chemical industry currently **valued** at around **\$220 billion**, is expected to touch **\$300 Billion** by **2025**
- **Domestic demand** is expected to rise from US\$ 170 billion-US\$ 180 billion in 2021 to US\$ 850 billion-US\$ 1,000 billion by 2040.
- India is the 6th largest producer of chemicals in the world and 3rd in Asia, contributing 7% to India's GDP.
- India's specialty chemicals companies are expanding their capacities to cater to rising demand from domestic and overseas.
- With global companies seeking to de-risk their supply chains, which are dependent on China, the chemical sector in India has the opportunity for significant growth.
- The chemical **industry's revenue** has been growing at an average rate of 15% in the last 5yrs. And the total revenue of all the listed India's chemical companies grew by a handsome 18% in FY23
- **Chemical exports** from India crossed \$30 billion (₹24,600 crore) in FY23.

▼ Company Analysis:

- Incorporated in 1983, the company is in the business of chemicals, yarn, and commodity products.
- In the Chemicals sector, the company manufactures Soda Ash (Anhydrous Sodium Carbonate), a major raw material for detergents, glass & ceramics industries and Sodium Bicarbonate (baking soda).
- The company has a Soda Ash manufacturing plant at Sutrapada in Gujarat with an installed production capacity of 12 Lakh MTPA and is in the process of expanding it by another 500 Thousand MTPA by end of 2025.
- GHCL Soda Ash is available in two grades –light and dense grade and is marketed in India under the brand name 'LION'.
- GHCL also has lignite mines at Khadsaliya in the Bhavnagar district of Gujarat to supply the raw material needed for the production of Soda ash. GHCL also produces around 0.12 MTPA of Sodium Bicarbonate which is an important raw material for industries like bakery, pharma, fire extinguisher manufacturing, cleaning agents etc.

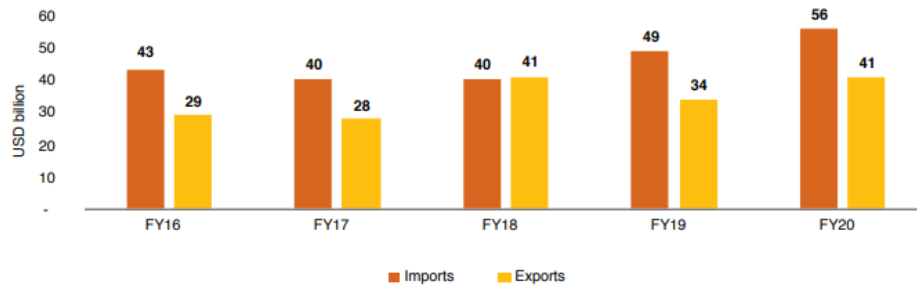
▼ Growth Potential:

▼ IMPACT ANALYSIS OF budget:-----

Budget 2023 is a growth and domestic consumption-oriented budget. Given that the Indian chemical sector provides several building blocks and raw materials for many industries, the sector will benefit from India's strong macroeconomic indicators. This is apart from the transformational opportunities arising out of the Indian chemical sector, now being viewed favorably as a reliable supplier for global majors designing a China+1 and Europe+1 strategy to de-risk their operations. The sector has been strongly supported by various government reforms for e.g., "Make in India" or Atmanirbhar Bharat Abhiyaan reform, increased focus on infrastructure projects, concessional income tax rate of 15% for new manufacturing companies, etc. Various policies announced in the Budget 2023 would certainly generate demand for a variety of chemicals including construction chemicals, emission control catalyst, polyurethane, TPUs, bio-pesticides, etc. Further the rationalization of customs duty rate structure and basic custom duty has been proposed from the perspective of enhancing domestic production, exports and executing green initiative programmes of the Government. The industry was expecting the much awaited production-linked incentive scheme to be announced in Budget 2023 to further boost capex apart from provisions regarding incentives for R&D, enabling single window clearances of approvals for greenfield / brownfield plants, etc., which remains an unfinished agenda. However, the Finance Minister has navigated a challenging task of ensuring careful fiscal management (with an aim to bring the fiscal deficit below 4.5% of GDP by 2025-26) and at the same time continuing to give a push to various structural reforms(for e.g. infrastructure projects, agriculture and rural development, sustainable and inclusive development, etc). This in turn would surely support the Indian chemical sector, a sunrise sector of India, to continue on its growth trajectory and contribute effectively to the Indian GDP!

▼ Import and Export of Chemicals and Petrochemicals for FY16-20 (in USD billion)

Import and export of chemicals and petrochemicals for FY16–20 (in USD billion)



▼ How does the Budget impact the chemical sector?

Proposals in budget	Impact on chemical subsegments
Capital investment outlay is being increased by 33% to INR10 lakh crore. A capital outlay of INR2.40 lakh crore has also been provided for Railways. Further, the newly established Infrastructure Finance Secretariat will provide a boost to private investment in infrastructure including railways, roads, urban infrastructure and power	This would positively impact varied specialty chemicals including construction chemicals
100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They are proposed to be taken up on priority with investment of INR75,000 crore, including INR15,000 crore from private sources	This would positively address the logistic issues faced by the chemical and fertilizer sector
Research & Development grant provided to one of the IITs for 5 years to encourage indigenous production of Lab Grown Diamonds	Positive impact for chemicals and gases used in Chemical Vapor Deposition process undertaken for producing Lab grown diamonds
Focus on green growth and announcement of green credit programme for incentivising environmentally sustainable and responsive actions by companies, individuals and local bodies	The same would boost green chemistry products and also aid ESG initiatives undertaken by various chemical companies
Target of 5MMT by 2030 for production of Green Hydrogen under National Green Hydrogen Mission	Positive impact for hydrogen producing companies
Allocation of funds to scrap old vehicles and ambulances	Positive impact for emission control catalyst, polyurethane and TPU
Boost to research & development to promote innovation in pharmaceutical sector	Positive impact for laboratory chemicals, including reagents

▼ SWOT ANALYSIS

▼ Strength:

The strength of a company is something that helps the company to grow in the long run and also helps to earn maximum profits with their full use of resources efficiently.

- **Essential Goods Producer:** GHCL produces Soda Ash which is a major raw material for detergents, glass & ceramics industries and Sodium Bicarbonate (baking soda). The product ensures never-ending sales and increasing revenue.
- **Massive Reach:** GHCL has customers globally and supplies products to a wide variety of industries. The textile products are predominantly exported worldwide to countries like the United Kingdom, United States of America, Australia, Canada, Germany and other European Union countries as well.
- **Skilled Employees:** Their staff contributes significantly to the success of GHCL. They want to attract and retain talented people in their company and support them in their development.
- **Code of Conduct:** GHCL believes that the well-being of everyone is everything. This is in their core value of "respect" for individuals and the environment. GHCL directs its investment in three areas including Agriculture/Animal Husbandry, Health Care (Primary) and Education.
- **Sustainability:** GHCL ensures environmental stewardship including energy and water efficiency, waste management, renewable energy and greener manufacturing processes and technologies. The company is driven by the spirit of innovation and is continuously focusing on sustainable products and packaging innovations.
- **Brand Reputation:** GHCL has been in the business of producing chemicals, soda ash, salt, spices, and coated and laminated fabrics for a large number of years. Also, with the variety of products and services it provides, it is established as a leader in the industry. This helps the corporation to gain a reputation and get recognized easily.
- **Dealer Community:** GHCL has built a very strong relationship with its dealers that not only helps in supplying the products but also promotes the company's core products and training.
- **Financial Position:** GHCL has a very strong financial position in the market with consecutive profits over the years along with accumulated profit reserves which can be utilized for future expenditures or marketing activities.

▼ Weaknesses:

The weaknesses are a major drawback that stops the organisation from performing at its optimum level. They are the areas in which businesses can make improvements. The major drawbacks are as follows:

- **Research and Development:** GHCL has a good share of expenditure on the research and development department but it is spending way less than a few of the players within the industry which have benefitted as a result of their innovative products.
- **Diversity in the Workforce:** The local workers contribute to the majority of the workforce at GHCL making it difficult for outsiders to adjust and hence resulting in the loss of talent.
- **High Employee Turnover Rates:** GHCL has a very high employee turnover rate as compared to its competitors which means it spends a lot on training activities as employees keep leaving and joining.
- **Need to Invest More in New Technologies:** According to the country's scale of expansion and the geographical areas GHCL needs to invest more money in technology to integrate the processes across the board. Currently, the investment in technology is not on par with the vision of the company.
- **Limited Success Across the Core Business:** Although GHCL is one of the leading organizations in its industry it faces challenges in moving to other product segments with its present culture.

▼ Opportunities:

Opportunities are the favorable external factors that may give the organization a competitive advantage over others. The opportunities of GHCL are as follows:

- **Social Media:** Over the years the number of active users on social media channels has increased and with this GHCL can make use of its social media handles to promote its products, interact with customers and even provide after-sale services.

You can also leverage the benefits of social media and other digital marketing channels for your business by simply learning several

digital marketing skills from a renowned institute just like IIDE where experts from the digital industry teach the latest and upgraded digital marketing skills through online live and recorded sessions right to you whilst you are seated at your home.

- **Transport Industry:** The transport industry has been booming and is expected to boom in the next few years as well which has resulted in more demand for GHCL products which is helpful for GHCL to scale its business.
- **Globalization:** Increased globalization doesn't restrict GHCL anymore to conducting activities in its own country which can act as an opportunity to extend operation in other countries and thus enter new markets and unleash the potentials of other new markets.
- **Population:** The population has been growing and is expected to grow at a positive rate in the upcoming years. This is beneficial for Nordea as there will be an increase in the number of potential customers that it can target.
- **Expansion to Other Global Markets:** The company is planning to expand its international activities with a particular focus on Asia. This serves them as an opportunity to acquire a new customer base.

▼ Threats:

Threats are those factors that have the potential to provide harm to the organization in any form. The threats of GHCL are as follows:

- **Technological Advancements:** The technological advancements by a few competitors can pose a threat to GHCL as today's customers are more attracted to new technological advancements and may be lost to competitors' offerings thus reducing the market share of GHCL.
- **Competition:** There is always an ongoing competition that puts downward pressure on the prices. This could lead to lower profits if it makes changes in the price or may also result in lower market share if it doesn't make price changes.
- **Environmental Record:** GHCL has been criticized for being the top polluter of water and air in previous years and still it is.

Because of its chemical composition and vast activities, there is a huge climate change and greenhouse gas emissions.

- **Exchange Rate:** The exchange rate also keeps fluctuating and makes it difficult for a company like GHCL because it extends service internationally while its suppliers are local.

▼ Investment Rationale

Collaborations and Performance

GHCL has collaborations with a number of companies, both in India and abroad. Some of the company's most notable collaborations include:

- **Tata Chemicals:** GHCL and Tata Chemicals have a joint venture company called Tata Chemicals Alkali Products (TCAP). TCAP manufactures and sells Soda Ash and Sodium Bicarbonate.
- **Indian Railways:** GHCL has a long-term contract with Indian Railways to supply Soda Ash.
- **Larsen & Toubro (L&T):** GHCL and L&T have a joint venture company called L&T GHCL Chemicals. L&T GHCL Chemicals manufactures and sells PVC Resin.
- **Gujarat State Petroleum Corporation (GSPC):** GHCL and GSPC have a joint venture company called GSPC GHCL Soda Ash Company. GSPC GHCL Soda Ash Company manufactures and sells Soda Ash.
- **Solvay SA:** GHCL and Solvay SA have a technical collaboration agreement for the production of Soda Ash.

In addition to these formal collaborations, GHCL also has a number of informal partnerships with other companies. For example, the company works closely with its suppliers and customers to develop new products and improve its supply chain.

GHCL's collaborations with other companies help the company to improve its efficiency, reduce its costs, and expand its reach. The company's collaborations also help GHCL to stay ahead of the competition and develop new products and services.

Here are some more examples of companies that have collaborations with GHCL:

- Aditya Birla Group

- Reliance Industries
- SAIL
- ONGC
- NTPC
- Hindalco Industries
- Grasim Industries
- ACC
- Ambuja Cements
- UltraTech Cement
- LafargeHolcim
- Saint-Gobain

GHCL's collaborations with these companies help the company to meet the growing demand for its products and services in India and abroad. The company's collaborations also help GHCL to stay competitive and maintain its market share.

▼ Product Portfolio:

GHCL Product Portfolio

Here is a more detailed breakdown of GHCL's **product revenue percentage**:

- Soda Ash: 75%
- Sodium Bicarbonate: 15%
- Edible Salt: 10%
- Other Chemicals: 10%

Chemicals

- Soda Ash Light
- Soda Ash Dense
- Sodium Bicarbonate (Technical, Animal Feed, Food Grade)
- Sodium Tripolyphosphate (STPP)
- Sodium Lignosulfonate (SLS)

- PVC Resin
- Titanium Dioxide (TiO₂)
- Citric Acid
- EVA
- Zircon (Flour & Sand)
- Kaolin Clay
- Borax Pentahydrate

Consumer Products

- Edible Salt (i-Flo, Sapan)
- Industrial Grade Salt

GHCL is one of the largest manufacturers of Soda Ash, Sodium Bicarbonate, and Edible Salt in India. The company's products are used in a wide range of industries, including glass, detergents, pulp and paper, iron and steel, aluminum, food, and pharmaceuticals. GHCL is also a leading importer of a variety of chemicals from around the globe.

Here is a more detailed breakdown of GHCL's product portfolio:

Soda Ash(Sodium Carbonate:Na₂CO₃)

Soda Ash is a white, odorless, powder that is used in a wide variety of industrial applications. It is a major raw material for glass manufacturing, and is also used in detergents, pulp and paper, water treatment, and other industries. GHCL produces both light and dense Soda Ash, and is one of the largest manufacturers of Soda Ash in India.

Sodium Bicarbonate

Sodium Bicarbonate, also known as baking soda, is a white, odorless, powder that is used in a variety of food and industrial applications. It is a common ingredient in baking powder and is also used in effervescent tablets, antacids, and other products. GHCL produces Sodium Bicarbonate in technical, animal feed, and food-grade qualities.

Edible Salt

GHCL is one of the largest manufacturers of Edible Salt in India. The company's edible salt is marketed under the brand names i-Flo and Sapan. GHCL also produces industrial-grade salt for institutional sales.

Other Chemicals

GHCL imports a variety of other chemicals from around the globe, including Sodium Tripolyphosphate (STPP), Sodium Lignosulfonate (SLS), PVC Resin, Titanium Dioxide (TiO₂), Citric Acid, EVA, Zircon (Flour & Sand), Kaolin Clay, and Borax Pentahydrate. These chemicals are used in a wide range of industries, including food, pharmaceuticals, plastics, and construction.

GHCL's product portfolio is well-diversified, and the company serves a wide range of industries. This diversification helps to reduce GHCL's risk and improve its overall performance.

▼ **Manufacturing**

GHCL Soda Ash Manufacturing Process

GHCL's Soda Ash is manufactured using the Solvay Process. This process involves the following steps:

1. Brine Purification
2. Ammoniation
3. Carbonation
4. Calcination
5. Finishing

GHCL Supply Chain

GHCL's Soda Ash supply chain is complex and involves a variety of stakeholders. The company's raw materials include limestone, salt, and coal. Limestone and salt are mined and processed by GHCL's own subsidiaries. Coal is purchased from external suppliers.

GHCL's Soda Ash is transported to customers by rail and road. The company has a network of warehouses throughout India to ensure that customers have access to its products in a timely manner.

Detailed Manufacturing Plans

GHCL's manufacturing plans are developed on an annual basis and take into account a variety of factors, such as demand forecasts, raw material availability, and plant capacity. The company's manufacturing plans are also

aligned with its strategic goals, such as increasing market share and reducing costs.

GHCL's manufacturing plans are typically developed in the following steps:

1. Demand Forecasting: GHCL's marketing team forecasts demand for Soda Ash based on historical sales data, market trends, and other factors.
2. Raw Material Planning: GHCL's procurement team ensures that the company has the necessary raw materials to meet its production targets.
3. Production Planning: GHCL's production team develops a production schedule that takes into account demand forecasts, raw material availability, and plant capacity.
4. Inventory Planning: GHCL's inventory management team ensures that the company has sufficient finished goods inventory to meet customer demand.
5. Logistics Planning: GHCL's logistics team develops a transportation plan to ensure that Soda Ash is delivered to customers in a timely and efficient manner.

GHCL's manufacturing plans are reviewed and updated on a regular basis to ensure that the company is meeting its production targets and meeting customer demand.

Here is an example of a detailed manufacturing plan for GHCL's Soda Ash plant in Sutrapada, Gujarat:

Demand Forecast:

- Demand for Soda Ash in the Indian market is expected to grow at 5% CAGR over the next five years.
- GHCL's target market share is 25%.

Raw Material Planning:

- Limestone and salt will be mined and processed by GHCL's own subsidiaries.
- Coal will be purchased from external suppliers.

Production Planning:

The Soda Ash plant in Sutrapada has a production capacity of 12 lakh MTPA.

- GHCL plans to produce 11 lakh MT of Soda Ash in FY2024.

Inventory Planning:

- GHCL plans to maintain a finished goods inventory of 1 lakh MT.

Logistics Planning:

- Soda Ash will be transported to customers by rail and road.
- GHCL has a network of warehouses throughout India to ensure that customers have access to its products in a timely manner.

GHCL's manufacturing plans are complex and involve a variety of stakeholders. The company's manufacturing plans are developed on an annual basis and take into account a variety of factors, such as demand forecasts, raw material availability, and plant capacity. GHCL's manufacturing plans are also aligned with its strategic goals, such as increasing market share and reducing costs.

▼ **Ratio Analysis:**

ROE and ROCE Analysis

ROE and ROCE of GHCL have shown consistent growth in the past three years and the company clearly outperforms its competitors. Current ROE is 31.19%, and ROCE is 36.40%. Which shows significant increase from previous values 3yrs ago, ROE was 13.16% and ROCE was 31.19%.



INTEREST COVERAGE RATIO

In summary, a 38% interest coverage ratio for a company in the chemical sector like GHCL is generally indicative of a healthy ability to meet interest obligations.

Debt / Equity Analysis

The ideal Debt/Equity ratio for chemical sector companies is considered to be between 1 to 1.5

GHCL has a healthy debt-to-equity ratio of 0.09, which is well below the industry average of 1.0. This means that the company's debt levels are relatively low compared to its equity levels. This is a good sign, as it indicates that GHCL is financially stable and has a strong balance sheet

YEAR	DEBT-TO-EQUITY Ratio
2023	0.09
2022	0.16
2021	0.23
2020	0.30
2019	0.37

Debt / Asset Ratio Analysis

The industry average debt-to-asset ratio for the chemicals sector is 0.57, so GHCL is well below the average. This means that the company is less risky than its peers and has a stronger balance sheet.

GHCL's debt-to-asset ratio has decreased in recent years, which is a positive trend. This indicates that the company is paying down debt and increasing its equity base, which makes it more financially stable.

Fixed Asset / Turnover Ratio Analysis

GHCL has a healthy FATO of 1.19, which is higher than the industry average. This means that the company is generating more revenue from its fixed assets than its peers. GHCL's FATO has increased in recent years, which is a positive trend and indicates that the company is improving its efficiency and generating more revenue from its fixed assets.

YEAR	FATO
2023	1.19
2022	1.12

2021	1.08
2020	1.06
2019	1.03