



Annual Report 2019-20
DCW Limited

Engineering Quality Growth



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Forward-looking Statements

Certain statements in this document constitute ‘forward-looking statements’, which involve known and unknown risks and opportunities, other uncertainties, and important factors that could turn out to be materially different following the publication of actual results. These forward-looking statements speak only as of the date of this document. The Company undertakes no obligation to update publicly, or release any revisions, to these forward-looking statements, to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. We have tried, wherever possible, to identify such statements by using words such as ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions.





ENGINEERING QUALITY GROWTH

Since inception, our overarching philosophy has been towards creating a high-value portfolio. By strategically investing in specialty chemicals and de-bottlenecking the commodity chemical business, we now have a balanced portfolio of value and volume-based products.

By ensuring consistent cash flow and efficient use of capital, coupled with prudent decision-making, our business model has been carefully curated, keeping in mind the volatile business environment. Moreover, our well-diversified market presence across multiple countries has further helped us sail through challenging market downturns. With this, we have evolved into a diversified, specialty business with an extensive portfolio of over 12 products serving more than 100 customers globally.

Being a manufacturer in the Specialty Chemicals segment, the prospect for the business remains optimistic, despite short and medium-term challenges of supply chain disruptions due to COVID-19, and slowing global trade. Our consistent resilient efforts over the last few years have brought us to a stage today where we are ready to serve a dynamic market.

As we advance into the future, we aim to move towards a high - margin high-volume business and scale up capacity for all our products in the short and medium-term. Our relentless focus on operational excellence and cost competitiveness is facilitating us to create sustainable and consistent value for our stakeholders.

CARRYING FORWARD OUR RICH LEGACY

The DCW story goes back to 1925 when the foundation stone of India's first Soda Ash factory at Dhrangadhra a small principality in the state of Gujarat in West India, was laid. The plant was taken over in 1939 and run under the name of Dhrangadhra Chemical Works.

We have now evolved into a diversified, specialty business with a portfolio of over 12 products along with a strong exports clientele, with a major presence in the USA, Europe, Japan,

Malaysia and Netherlands. Our Basic Chemistry product range provides key ingredients to the manufacturers of agricultural products, detergents, food, pharmaceuticals, pigments, fertilizers, alumina and other industrial products. Moreover, to maintain sustained economic growth and build an innovative product pipeline, we have established our R&D centre in Sahupuram, Tamil Nadu, which is home to world-class Research & Development capabilities in chemistry.

OUR MANUFACTURING UNITS

Dhrangadhra, Gujarat

PRODUCTS

- Soda Ash
- Sodium Bicarbonate
- Ammonium Bicarbonate

Sahupuram, Tamil Nadu

PRODUCTS

- Caustic Soda
- Liquid Chlorine
- Hydrochloric Acid
- Synthetic Rutile
- Trichloroethylene
- Synthetic Iron Oxide Pigment (Red & Yellow)
- Ferric Chloride
- Utox
- C-PVC

OUR MISSION

It is our endeavour to become a chemical powerhouse by growing in a globally competitive market with a focus on the environment and community by optimising the use of all available resources.

OUR VISION

1. To Innovate and Integrate
2. Emphasis on the 4R's – Reduce, Reuse, Recycle & Recover
3. Enhance stakeholder value
4. Diversify in synergistic businesses
5. To be a responsible social citizen

PROGRESS & RESILIENCE

₹ 12,773 million

Revenue from Operations

67%

Revenue CAGR growth in specialty chemicals since FY-17

12.1%

EBIDTA

12+

Countries

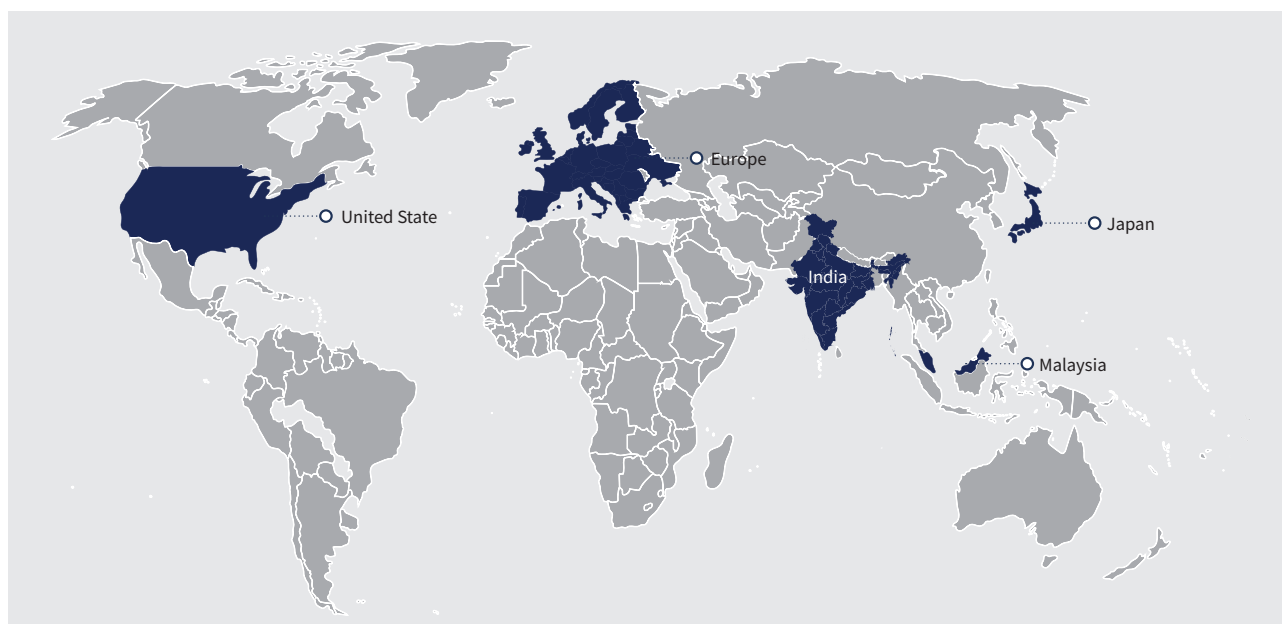
100+

Customers Globally

70 MW

Captive Power Capacity

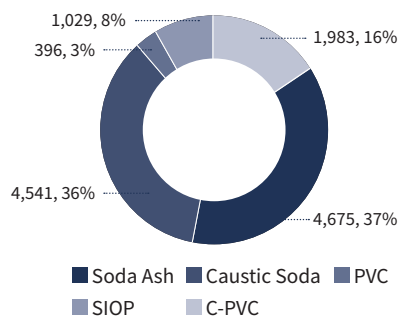
MARKETS WE SERVE



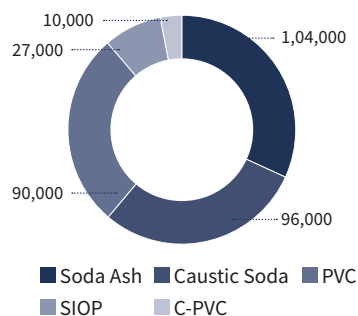
DIVERSIFIED AND BALANCED PRODUCT PORTFOLIO

Our resilient business model allows us to create value by ensuring consistent cash flow and efficient use of capital, coupled with focus on building a high margin high volume business and scale up capacity for all our products.

**SEGMENT-WISE
REVENUE (IN ₹ MILLION)**



**INSTALLED CAPACITY
(MTPA)**



SODA ASH

Soda Ash, also known as Sodium Carbonate, is a white, anhydrous, powdered or granular substance with the chemical formula Na_2CO_3 . It is made from salt and lime stone as basic raw material. Soda Ash is an essential raw material used in the manufacturing of glass, detergent chemicals, dye-stuffs, petrochemicals and other industrial products.

Growth Drivers and Usage:

- Our product mainly goes in to Detergents and other chemical industry.
- Demand for soaps and detergents, especially in developing nations, is increasing due to rising standard of living and hygiene consciousness.
- Further, there is an increase in demand due to use of waste-water treatment by the governments of several countries in the past few years.

Segment Performance:

- Situated at Dhragandhra, Gujarat.
- Total revenue from the Soda Ash business for FY2020 stood at ₹ 1,983 million, a de-growth of 6.9% on a YoY basis.
- The fall in the revenue is largely attributed to flood situations in Q2 and COVID-19 related disruptions in Q4.

CAUSTIC SODA

Caustic Soda (Sodium Hydroxide) is a versatile alkaline chemical. Its main applications are in the manufacture of pulp and paper, alumina, soap and detergents, petroleum products, and chemical production. Other applications include water treatment, food, textiles, metal processing, mining and glass making.

Growth Drivers and Usage:

- Caustic Soda is increasingly used in the production of alumina, pulp and paper industry and textile industry. These sectors contribute to the largest market share of Caustic Soda consumption market.
- With general increase in awareness for water conservations, waste management, and the general scarcity of potable water, Caustic Soda is also expected to see a growth in water purification and waste management Industry.

Segment Performance:

- Situated at Sahupuram, Tamil Nadu.
- Total revenue from the Caustic Soda business for FY2020 stood at ₹ 4,675 million, registering a moderate de-growth of 2.0% on a YoY basis.

PVC	SIOP	C-PVC
<p>PVC resin is produced by Polymerization of Vinyl Chloride Monomer (VCM)</p> <p>Polyvinyl Chloride is a high strength thermoplastic material widely used in applications, such as pipes, medical devices, wire and cable insulation...the list is endless. It is the world's third-most widely produced synthetic plastic polymer.</p>	<p>Synthetic Iron Oxides are one of the most important part of the Inorganic Pigments family and also the second highest selling pigments in the world after Titanium Dioxide. The reason of their popularity is their highly stable nature and good strength. They are resistant to UV rays, salty weather and all different kind of atmospheric conditions. Due to these reasons they are used in a wide variety of applications, the major being coatings and construction.</p>	<p>Conceptually, C-PVC is a PVC homopolymer that has been subjected to a chlorination reaction. C-PVC is inherently inert to acids, bases, salts, and aliphatic hydrocarbons, all of which tend to eat away the metals. It is this inherent chemical resistance, coupled with its temperature and pressure resistance, that enables its use in a variety of industrial and commercial applications.</p>
<p>Growth Drivers and Usage:</p> <ul style="list-style-type: none"> The construction sector is the principal driver of PVC demand, globally. Low per capita consumption of PVC and greater economic development in the fast growing developing countries of China, India and Brazil are driving the global demand for PVC in construction applications. Pipes & tubes and profiles account for the bulk of the PVC demand from this sector, with pipes & tubes accounting for nearly half the demand for PVC from construction applications The primary growth drivers of the PVC pipes and fittings market in India have been rising government investments in irrigation, housing and sanitation through schemes such as Housing for All, AMRUT and PMKSY. 	<p>Growth Drivers and Usage:</p> <ul style="list-style-type: none"> Iron Oxide Powders are most widely used in coloured inorganic pigments in concrete products, paints, plastics, and other material. The demand from the construction industry coupled with increasing urbanization are likely to be major drivers for the global iron oxide market. 	<p>Growth Drivers and Usage:</p> <ul style="list-style-type: none"> C-PVC is used in a variety of industries, including construction, chemical, healthcare, and material handling equipment. Never-ending and ever-growing demand for safe and reliable pipe & fitting solutions in commercial and residential buildings. Rising product applications in residential and commercial spaces, firefighting sprinkler devices, home heating devices, and piping products shall positively influence product demand in the coming years.
<p>Segment Performance:</p> <ul style="list-style-type: none"> Situated at Sahupuram, Tamil Nadu. Total revenue from the PVC business for FY2020 stood at ₹ 4,541 million, compared to ₹ 5,338 million in FY2019. 	<p>Segment Performance:</p> <ul style="list-style-type: none"> Situated at Sahupuram, Tamil Nadu. Total revenue from the SIOP business for FY2020 stood at ₹396 million, registering a growth of 21.7% on a YoY basis. Between FY2016-FY2020, SIOP revenue grew at a CAGR of 52.6%. 	<p>Segment Performance:</p> <ul style="list-style-type: none"> Situated at Sahupuram, Tamil Nadu. Total revenue from the C-PVC business for FY2020 stood at ₹ 1,029 million, compared to ₹ 825 million, registering a growth of 24.8%. This growth is attributed to various reasons including an Anti-Dumping Duty levied by the Government.

COMMITTED TO DRIVE GROWTH AND CREATE VALUE

Dear Shareholders,

FY 2019-20 ended in an unparalleled manner. COVID-19 scripted a new chapter in history and is considered as the biggest test for mankind. The way people will live, interact, work and travel may not be the same again. As I write this letter, I am working from home, like so many of my colleagues, following the guidelines of local and national health organisations to minimise social contact in an effort to slow the spread of the COVID-19 coronavirus, which has now reached a global pandemic level.

FY2020 was a challenging year for us. A global specialty chemical business is not immune to the effects of fundamental transformations like those in energy and automotive sectors. Against this background, DCW Limited is clear on what we stand for: reliability and stability. Today I can say, we have kept our word, we have delivered. We held earnings steady, even though market conditions were far tougher than in the previous year. And we demonstrated that we stick consistently to our course, even when going gets rough.

The key factors to accomplishing this were being focused towards our balanced portfolio and following a strict cost discipline. Towards this end, I am pleased to share with you our performance for FY2020.



“Having completed our capex over the last few years, while de-bottlenecking our commodity chemicals capacities, we hope to scale-up our capacity utilisation across the board in the medium term.”

Mr. Pramod Kumar Jain
Chairman

OUR PERFORMANCE FOR THE YEAR

Our revenue from operation for FY2020 was ₹ 12,772.8 million as against ₹ 13,528.0 million in the previous year, registering 5.9% year-on-year de-growth. Commodity chemical revenue for FY2020 stood at ₹ 11,199 million, down by 8.5% on a YoY basis, while our specialty chemical revenue stood at ₹ 1,426 million, up by 23.9% on a YoY basis. Profit before tax was recorded at ₹ -396.6 million as against ₹ -218.6 million during the previous year. Profit after tax for the year stood at ₹ -267.6 million as against ₹ -42.7 million in the previous year.

Further, we have invested in various CAPEX and expansion programs, and have undertaken these projects to cater to various long-term growth and high margin opportunities, especially in the specialty chemicals business.

BUILDING OUR NICHE SPECIALTY BUSINESS

We are a leading manufacturer of specialty chemicals in Synthetic Rutile, Synthetic Iron Oxide Pigments (SIOP) and the only manufacturer of Chlorinated Polyvinyl Chloride (C-PVC) in India with technical license from Arkema. Our specialty chemicals business contributes 11.2% of sales for FY2020, as our integrated operations help to effectively use co-products and generate high-value products in a highly cost-efficient manner.

Further, the Union Ministry of Commerce and Industry announced, on 19th February 2020, Anti-Dumping Duty (ADD) on imported C-PVC resin/compound from China and South Korea. This move is followed by Provisional ADD duty announced on 26th August 2019. Post the Provisional ADD, the share of imports from China and South Korea went down to 6% during September-December 2019. This had a positive impact on us as we witnessed about 12% increase in the net realisations for C-PVC, compared to just a 2% increase in the landed cost for imports from countries other than China & South Korea.

OUR STRATEGY FOR FUTURE

India's growing prominence in the global supply chain and further recognition of DCW's own position as a partner of choice for a large number of domestic and international clients, has enabled us to witness an all-round growth in both – commodity and specialty chemical business, a trend which we believe will continue. We thus remain committed to drive growth and value creation.

With major CAPEX being done over the last few years in the specialty chemical segment and de-bottlenecking of commodity chemical business, we are expecting robust capacity scale-up for all our products in the short and medium-term. As a part of the strategy, we will continue to focus on our niche specialty chemical business to ramp-up the profit margin profile.

END NOTE

Today we are a stronger and more focused with the foundation required to achieve our vision of becoming the premier specialty chemicals Company. At the same time, our journey is not complete. We have many opportunities and challenges as we work to achieve our full potential by delivering greater revenue growth, margin expansion and cash generation.

Although the pandemic may subside after some time, the significant economic decline worldwide it has caused may not any time soon. We will persevere so that we do not downsize the destiny of our Company and that of our own in the long-term. In fact, we will build even more resilient businesses and communities where we operate.

In closing, I would like to express gratefulness to our stakeholders, for your support and your loyalty to DCW Limited. We will do everything in our power to ensure that the Company remains on its successful course.

Regards

Mr. Pramod Kumar Jain
Chairman

LEVERAGING GOVERNMENT'S THRUST ON ANTI-DUMPING DUTY

Intending to protect the domestic industry the Government's stance of bringing in the Anti-Dumping Duty has enabled to negate unfair foreign competition and build our domestic industry base.