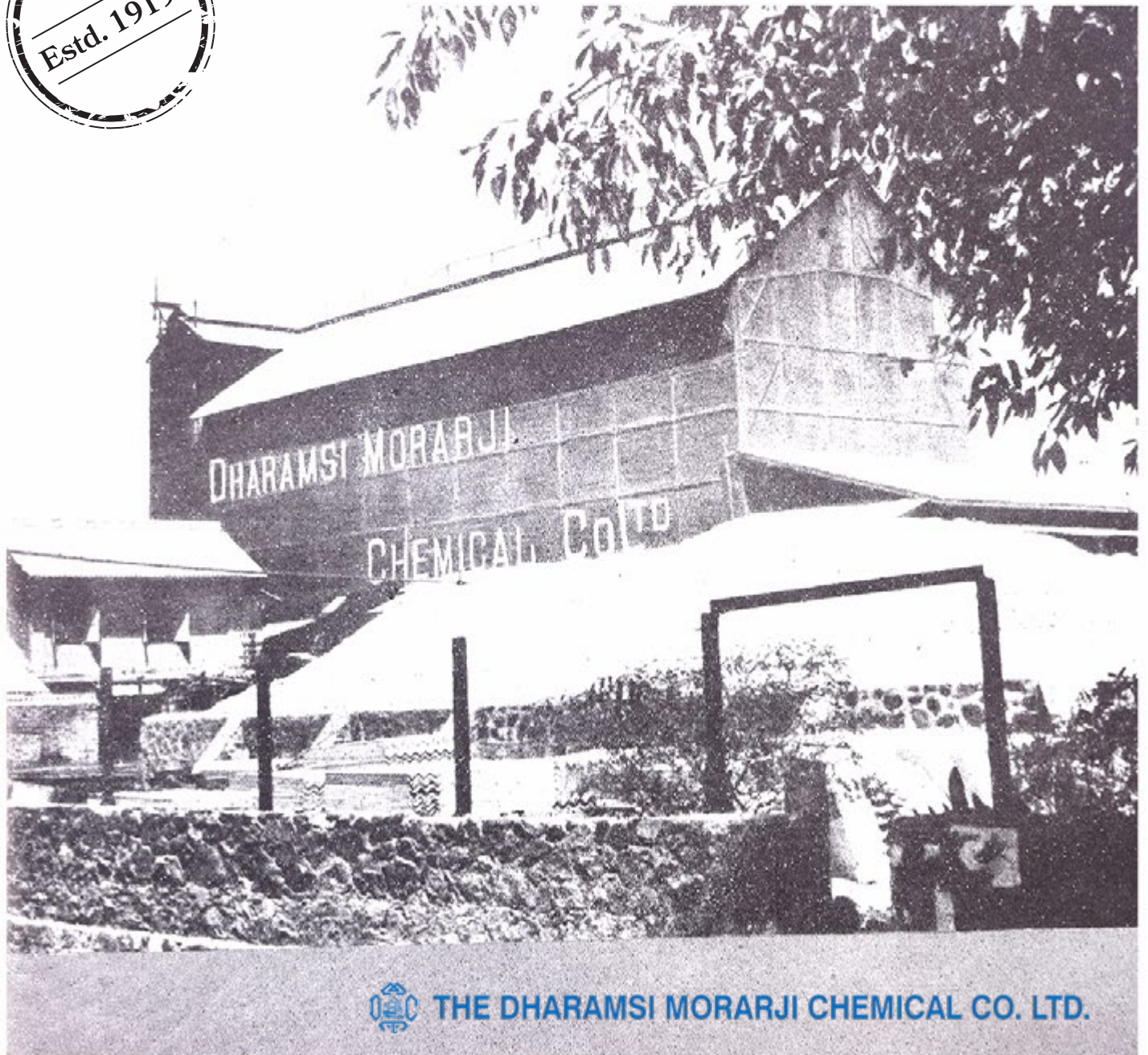


CREATING OPPORTUNITIES. DELIVERING VALUE.

Annual Report 2019-20

The Dharamsi Morarji Chemical
Company Limited



THE DHARAMSI MORARJI CHEMICAL CO. LTD.

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Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', '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 assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

FY2019-20 in a glimpse:

187.66

Revenue from Operations
(in cr.)

34.04

Operating Profits
(in cr.)

31.46

Profit After Tax
(in cr.)



Mr. Laxmikumar N. Goculdas

" The spirit of its founding fathers and the stalwarts who have moulded the destiny of the company, still guides us in all our new and challenging endeavours. "

Read more on the letter to shareholders on page number 09

Creating Opportunities. Delivering Value.

Create:

Curious minds and never-ending zest that keeps challenging conventional thinking to seek new ways to uncover opportunities in both product and processes to find innovative solutions.

Deliver:

We lead by delivering extraordinary breakthroughs for our customers and our unwavering focus on flawless execution drives our success. We have always been guided by values to deliver to our people, our customers and the commitment to our planet.

Over this long journey, we have continued to execute under a myriad of favorable and adverse economic conditions because of two defining attributes that we have created. First, Creating new opportunities. Second, Delivering Value to all our stakeholders.

Albeit, emerging as a global leader, with tremendous presence spanning across boundaries, new opportunities have always motivated us to broaden and diversify our horizons and explore new frontiers of success and growth. This has been reinforced through progressive investments across products and platforms. As we continue to look for new horizons ahead, we will continue to build on our momentum and strengths.

Today we are more focused, more innovative and more resilient than ever before. Today, we are a company with a toolbox to create value for our customers, shareholders, communities and employees. Our core values to create and deliver serve as the foundation of our organization and culture. These values guide our operations and enable us to continuously strive to scale our performance, achieve operational excellence and enhance value for all our stakeholders.



This is where we started...

"You spend years trying to learn new stuff but then look back and realize just a few big ideas changed how you think and drive most of what you believe."

- Morgan Housel

Read more about our journey and learnings on page number 03

ABOUT THE DHARAMSI MORARJI CHEMICAL COMPANY

The journey of Dharamsi Morarji Chemical Company to become a global leader began in 1919 with just one product and one manufacturing unit. The company at present, is a leading manufacturer of specialty and bulk chemicals with a global footprint. Our product portfolio constitutes of specialty and bulk chemicals across Sulphur, Boron and Ethanol chemistry. Chemicals manufactured by us find

application in wide range of industries like pharmaceuticals, detergents, dyes, fertilizers, pigments, cosmetics and other chemical applications. Today, the company takes pride of its 100+ years of expertise in Sulphur chemistry and has also diversified its operations across other downstream products. It exports cost effective and value-added products to more than 25 countries across 6 continents.

Dharamsi continues to maintain the highest standards of safety in its functioning, adopt practices and processes for safer and responsible manufacturing operations to reduce the impact of its operations on the environment.

Globally relevant manufacturer of:

Sodium Vinyl Sulfonate

Di-ethyl Sulfate

Benzene Sulfonyl Chloride

Ancillary revenue streams:

ENGINEERING SERVICES

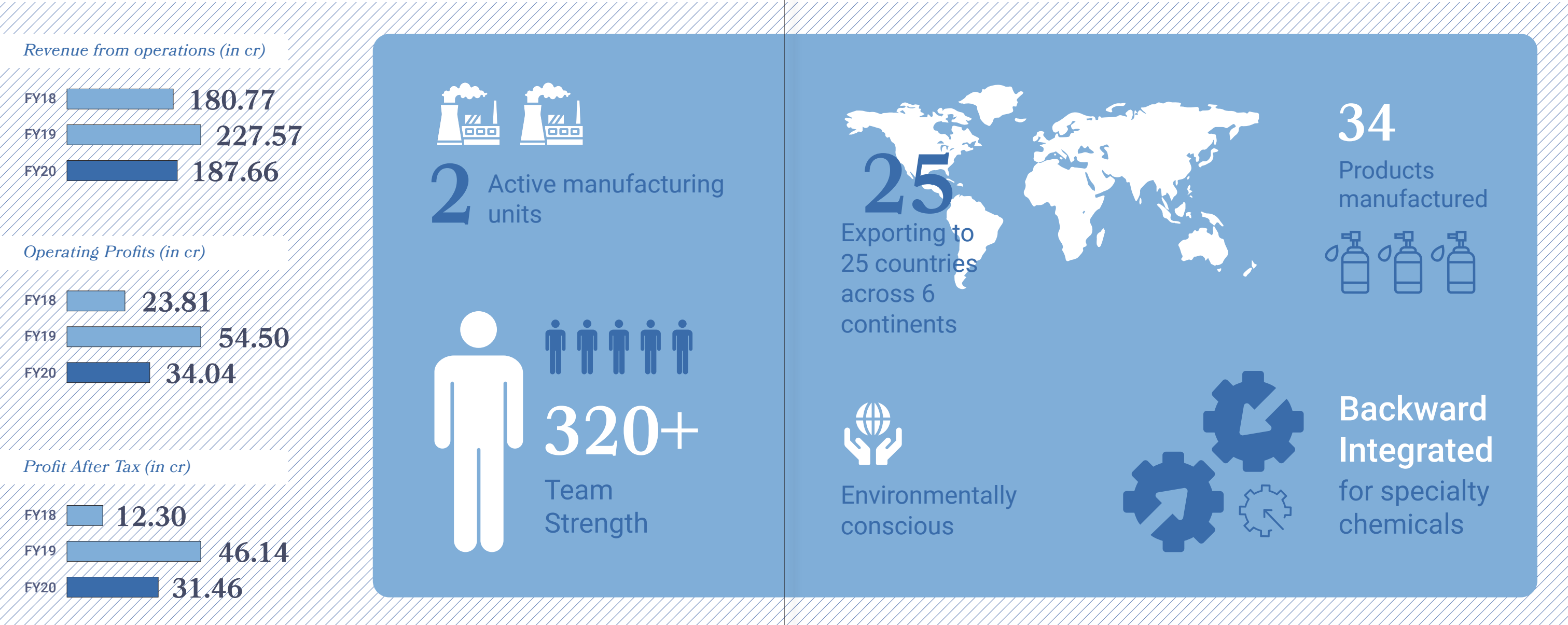
BRAND LICENSING OF FERTILIZERS

Facts that matter:

9.34%
5 year revenue CAGR (standalone)

17.63%
5 year PAT CAGR (standalone)

Crisil BBB-
Credit Rating



JOURNEY & LEARNINGS FROM HARDSHIPS

1919 - 2005

Focus on Fertilizer Business/ History and Background Timeframe

- Incorporated in the year 1919, commenced operations as a manufacturer of Sulphuric Acid and Single Superphosphate Fertilizers.
- For majority of its existence, the company focused on the fertilizer business, which at point contributed ~ 75% of the revenues.
- From 2005 onwards, the company started incurring losses in the fertilizer segments and briefly ran into financial trouble.

2005 - 2011

Restructuring and Transition Timeframe

- In 2005 the company decided to exit the fertilizer business (highly dependent on Govt. policy) and undergo restructuring.
- The company decided to shift its focus to the Sulphur chemicals business, and its downstream products.
- A shift in vision and strategy – focus on specialty chemicals with low competition and become a globally relevant manufacturer for the same.
- Decided to deploy incremental funds only towards expanding specialty chemicals segment.

2011 and ongoing

Focus on Specialty Chemicals Business Timeframe

- With a strong focus on research and development, the company is actively working to expand its product portfolio in the specialty chemicals segment.
- Focusing only on Chemicals where the company envisages an operating margin of 30% + and a payback period of no more than 3 years.
- To expand its capacity in the specialty chemicals segment the company has planned a capital expenditure at the available land parcel in Dahej.

LEARNINGS FROM HARDSHIPS

It's difficult to become an approved vendor for leading multinational giants, but the results are well worth the efforts:

Today we at Dharamsi, take pride in serving almost all the giants in each specific end-use application. Attaining approvals from these multinationals have ensured that our company adheres to best manufacturing practices, maintains high quality and ensures timely delivery and compliance. These practices now act as long-term sustainable advantages for our company.

It's better to focus on specific chemistry rather than fragmented products:

At Dharamsi, we have honed our skills and have mastered the Sulphur chemistry. This opens up a huge market opportunity and also reduces dependency on limited number of products. It is due to this expertise

created over 100 years that, we have been able to create a brand and establish ourselves as differentiated suppliers in a commoditized market. We are also spreading our presence in Boron chemistry.

It's beneficial to manufacture products where the market size is not too big:

Being present in niche chemicals with low opportunity size acts as an entry barrier and safeguards margins. Being one of the few manufacturers of specific specialty chemicals globally, coupled with an advantage of backward integration operations has strategically made us the preferred choice for global giants.

Having backward integrated operations ensure uninterrupted supply and quality:

Having backward integrated operations help us maintaining the cost leadership

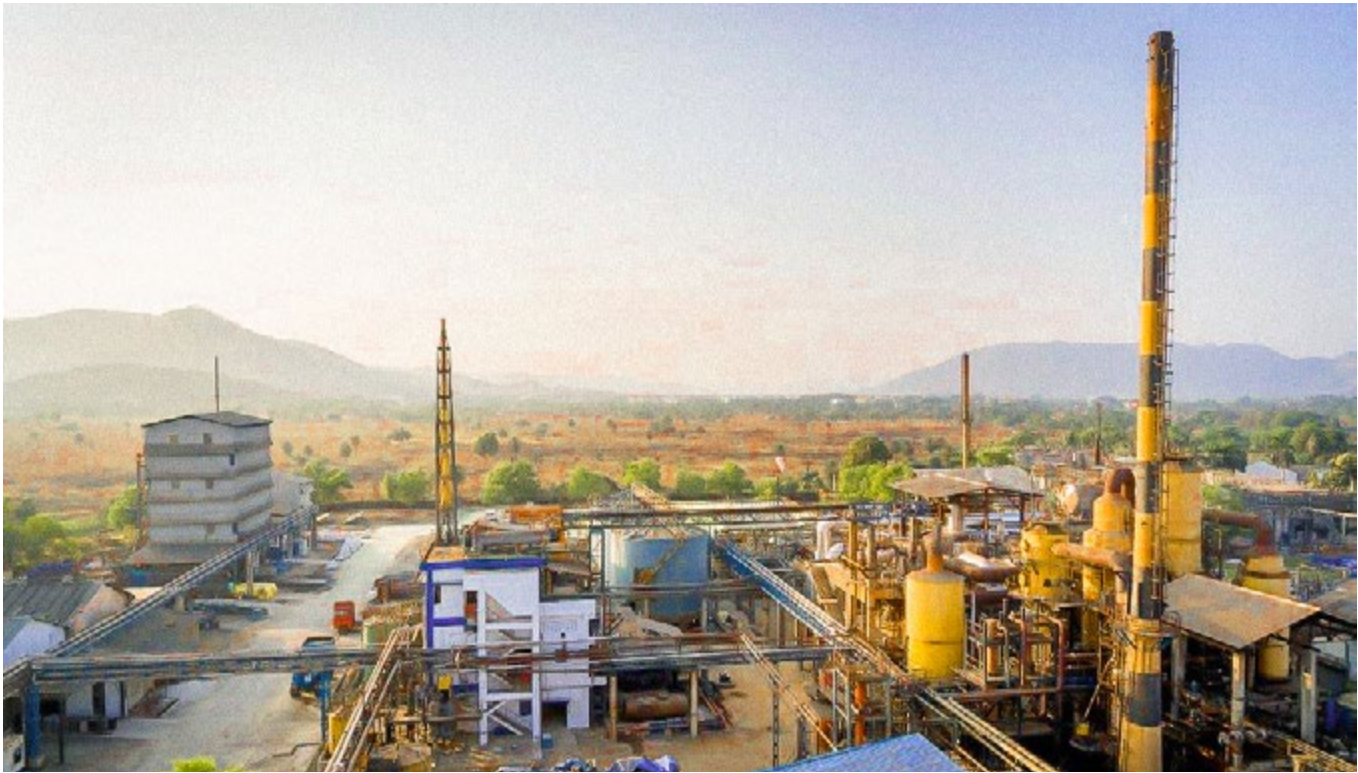
position in the market. Also given the small market size of the end downstream products, no manufacturer would like to spend heavily on backward integrations for bulk chemicals. This secures our positioning in the niche markets.

Being environmentally conscious is a long-term winning strategy:

While achievement of business goal remains an important strategic agenda, we lay equal importance on environmental safety and we view it as the only long-term winning strategy in the chemical industry. With increasing number of informed customers seeking an environmentally safe value proposition we have engaged ourselves in a series of green initiatives which further consolidates our environmental safety proposition and underlines our commitment to environment and sustainability.



The Dharamsi Morarji Chemical Company Ltd in 1965



The Dharamsi Morarji Chemical Company Ltd in 2020

BOARD OF DIRECTORS



MR. LAXMIKUMAR N. GOCULDAS

Chairman

Mr. Laxmikumar Narottam Goculdas, Chairman of the Company has wide knowledge and experience in industry, trade, finance, commerce, corporate affairs, and international trade.



MS. MITIKA L. GOCULDAS

Vice Chairperson

Ms. Mitika Laxmikumar Goculdas, is an MBA (Finance) from Pennsylvania State University, USA. She has total work experience of 23 years including her stint as Vice President with Merrill Lynch, both in the USA and Dubai. She has experience in Finance, Industry, and International Trade.



MR. ARVIND W. KETKAR

Non-Executive, Independent

Mr. Arvind Wasudeo Ketkar is a B.Com (Hons), F.C.A., practising Chartered Accountant for over 45 Years and has indepth knowledge in finance and accounting.



MR. MUKUL M. TALY

Non-Executive, Independent

Mr. Mukul Manoharlal Taly is B.Sc., L.L.M practicing over 34 years as Senior in S. Mahomedbhai & Co., Advocate & Solicitors, High Court, Mumbai. He has been a Gold Medallist (1st in the University of Mumbai in LLB) in the year 1983. He has an LL.M. degree from the University of Mumbai in Commercial Law and Constitutional Law during the year 1983-85.



MR. HARIDAS T. KAPADIA

Non-Executive, Independent

Mr. Haridas Tricumdas Kapadia has vast knowledge and experience in industry, trade, commerce, corporate affairs, and International Trade. He holds B.Sc. And Diploma in Chemical Engineering. He has got wide business experience in Fertiliser and Chemical industries.



MR. MADHU T. ANKLESHWARIA

Non- Executive, Independent

Mr. Madhu Thakorlal Ankleshwaria is a B.Com. (Hons), F.C.A. practicing Chartered Accountant for over three decades and was Head of the Department of "Accountancy" at N.M. College of Commerce & Economics, Mumbai. He has in-depth knowledge in Finance and Accounting and has been practicing as a Chartered Accountant.



MR. SANJEEV V . JOSHI

Non-Executive, Independent

Mr. Sanjeev Vishwanath Joshi is a B.Com, Practising Chartered Accountant for over 34 years. Shri Sanjeev Vishwanath Joshi has in-depth knowledge in finance and accounting and taxation.



MR. BIMAL GOCULDAS

Managing Director and Chief Executive Officer

Mr. Bimal Goculdas heads the management team and is responsible for overall performance. He is a Chemical Engineer with post-graduate qualifications from the USA and has two decades of work experience in India and the USA. He has been associated with the Company, holding various senior management positions, for over 20 years and has handled production, technology, supply chain management, marketing both domestic & export and finance.

MANAGEMENT TEAM



MR. BIMAL GOCULDAS

Managing Director and Chief Executive Officer

Mr. Bimal Goculdas heads the management team and is responsible for overall performance. He is a Chemical Engineer with post-graduate qualifications from the USA and has two decades of work experience in India and the USA. He has been associated with the Company, holding various senior management positions, for over 20 years and has handled production, technology, supply chain management, marketing both domestic & export and finance.



DR. UMESH R. SHETKAR

Chief Operating Officer

Dr. Umesh Shetkar carries a Master of Science and a Ph.D. in Chemistry from the University Department of Chemical Technology, Mumbai. He has over 25 years of varied experience encompassing Research & Development, Projects, Technocommercial Operations and Local and International Marketing in the Chemical Industries.



MR. SHIRISH PANDIT

Sr. vice president - projects

Mr. Shirish Pandit, heads the engineering services segment at DMCC. A B.sc in, He has 41 years of experience in plant operation management, factory operation management and project management. He is also an Associate Member of Indian Institute of Chemical Engineers.



MR. DILIP T. GOKHALE

Sr. Executive Vice President & Company Secretary

Mr. Dilip T. Gokhale is a B.Com., LLB, CAIIB, FCS and has a work experience of more than 30 years. He is responsible for Corporate Affairs, Legal, Secretarial, Human Resources and Internal Audit. He is ably supported by Mr. Anilkumar Pillai, Manager Internal Audit & Corporate Affairs.



MR. S.N. JADHAV

Vice President - Operations

Mr. S. N. Jadhav heads the Roha unit. He is a post-graduate in Inorganic Chemistry with nearly three decades of experience in chemical industries with main focus on Sulphur-based chemicals. He is ably supported by Mr. Badal Datta – Chief Engineer (Engineering & Projects), Mr. Geo Francis – Chief Manager-Production, Dr. Sanjeev B. Jadhav - Head QA and Dr. Sandeep N. Gangal - Manager QC.



MR. ASHOK R. NAGARCH

General Manager – R&D

Mr. Ashok R. Nagarch, General Manager – R&D, heads the Research & Development team. He has nearly four decades of experience in Sulphur chemistry.



MR. CHIRAG JASWANT SHAH

Chief Finance Officer

Mr. Chirag Shah holds a B.Com. and Chartered Accountant degree and has an experience of more than two decades. He is responsible for the Finance and Accounting functions. He has experience in Finance, Accounts, Strategic Planning, Merger & Acquisition, Treasury, Insurance and Risk, and ERP Implementations. He is ably supported by Mr. Mohite.

"The best teamwork comes from men who are working independently toward one goal in unison."

- James Cash Penney

LETTER TO SHAREHOLDERS

Dear Shareholders,

Our Company, The Dharamsi Morarji Chemical Company Limited, (DMCC) as it is popularly and affectionately called by all of us, a totally indigenous Corporate entity entirely Indian in composition and Management, was established on 25th September, 1919 by Late Shri Madhvji Morarji, Shri Tricumdas Morarji and Shri Ratansi Morarji. The Company was led over the years by Late Shri Ratansi Morarji, Shri Pratapsingh Morarji and Shri Ranchhoddas Mathuradas Goculdas.

The spirit of its founding fathers and the stalwarts who have moulded the destiny of the company, still guides us in all our new and challenging endeavours. Change has been and continues to be the way of life at DMCC. As we celebrate the 100 years of our existence I would like to bring to your attention that this is a unique milestone and few companies anywhere in the world have been able to achieve such longevity. I would attribute this to our vision of sustainable growth whereby we look at not only short-term profit and financial numbers, but also our impact on the environment and our long-term viability. We have not come this far, to only come this far. We will continue this way into the next one hundred years and we look forward to support from all of you.

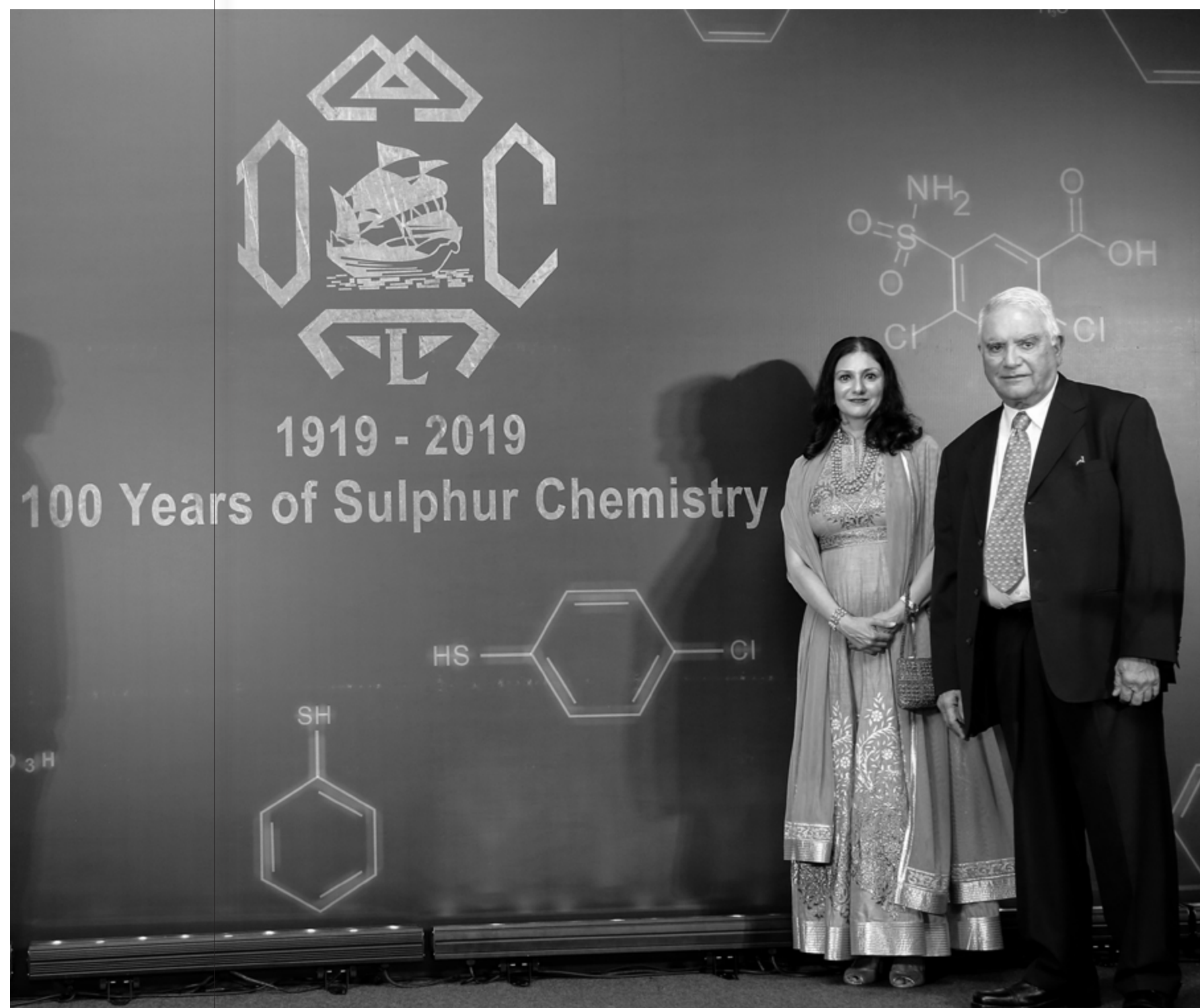
Today DMCC has set a blistering pace in the Chemical Industry, particularly Specialty Chemicals, by modernisation, expansion and diversification. This has been achieved not by sudden flight, but because of the continuous commitment, financial support and financial sacrifices by late Chairman Shri R. M. Goculdas and the Goculdas family.

I would like to take this opportunity to thank all those who have been on this long journey with us including our shareholders, customers, suppliers, service providers, current and past employees and last but not the least our board of directors.

Thanks and Regards

Chairman and Vice Chairperson

THE SPIRIT OF
ITS FOUNDING
FATHERS
AND THE
STALWARTS
WHO HAVE
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FROM THE MANAGEMENT'S DESK

“



Dear Shareholders,

As I write this letter, the world is navigating an unprecedented global health crisis, one that will shape our world for many months if not years to come. In this challenging time, it is more important than ever to remain vigilant on safeguarding the health and wellbeing of our employees and communities while reliably supplying products and services to our customers.

Dharamsi is in a good position both operationally and financially and is steering a successful course in a difficult economic environment. We can look back at the last financial year as an eventful and challenging year. While our operations delivered to the plan, there is a need to improve the performance of Boron business. Our team is focused on the task on hand of better reliability of operations and more focused market efforts.

Our bulk chemicals had unfavorable market conditions and earned lower realization as compared to the previous year. While, we maintained our market share, we did witness a decline in the topline and bottom line. We are progressing our plans to debottleneck and expand operations in Roha facility. We are also adding incremental capacity for sulphuric acid in Dahej, which will enable us to tap new customers as we continue to be cost efficient in our bulk chemicals business.

Our specialty chemicals business is progressing well. Despite facing stiff challenges from Chinese competitors, we have managed to maintain strong demand for our products in export markets. Our strategy going forward is to be a backward integrated specialty chemical company. With this, our focus will be on strengthening the innovative funnel to ensure aggressive growth. The company will be going under significant transformation with an ambitious investment plan in this segment.

I believe the economic uncertainties associated with COVID-19 will be formidable, but we have the experience and the financial strength to see this through and emerge out stronger than ever before.

”

BEYOND DELIVERING VALUE FROM OUR EXISTING OPERATIONS, WE ALSO FOCUSED ON CREATING NEW OPPORTUNITIES TO POSITION THE COMPANY FOR FUTURE. WE ARE:

Creating Transformation:

Transformation is critical to survive and thrive in an evolving business environment. At Dharamsi, we are transforming our product portfolio to build a company that delivers value and sheds dependency on commodity and industry cycles. Being part of a cyclical industry, we faced a challenging market landscape in 2019 as sulphur prices dropped ~45% as compared to the previous year. We remain cognizant of the fact that it is crucial to protect the business from extreme volatility and as a deliberate strategy the company had planned a tectonic shift in its product portfolio, focusing more on specialty chemicals, to create a more resilient business.

The company has deployed the pass-through mechanism in the specialty chemicals business. This mechanism helps us pass the variation in raw material prices to our customers. As a result, we have safeguarded our business against fluctuation in raw material prices. Increasing share of revenues from this segment in the future will make us better positioned to succeed in varied market conditions.

Creating New Growth Platforms

We entered 2020 in a period of significant uncertainty related to macro factors that are beyond our control. However, we remain focused on what we can control, including growing new business by leveraging our focus on transformation, aggressive cost management and disciplined capital

allocation. We are not waiting for global conditions to improve; we are taking actions to enhance our performance as we manage through this environment.

In 2019 we broke ground on our upcoming sulphuric acid and specialty chemical plant spread across 1,03,000 sq. mt. plot in Dahej. This will further enhance our sulphuric acid capacity by 300 MT/day and expand our reach to new customers. The company will also add capacities for Benzene Sulfonyl Chloride, Sulfones and a range of Thio Compounds. We expect this unit to start by June 2021. With a planned expenditure of about 50 cr. on sulphuric acid plant, the company expects to derive 1.5 - 2x fixed asset turns on this asset. This will be a one-time investment that will take care of our sulphuric acid needs for the foreseeable future.

To sustain winning formula for the future, we understand the need to invest smartly to help us become more stable and geared for long term growth as well as ensure more resilience against volatility and fluctuations. With long term focus on this strategy, the company will invest 50 cr. in downstream and specialty chemicals. This gradual transformation towards higher margins chemicals will make substantial contributions to our bottom line in the coming years.

Creating New Products and Processes

We strategically invest in Research & Development to cater the evolving market demand. We strive to carve out new practices and processes in our manufacturing operations to ensure delivery of quality products in a cost-effective way. Our in-house R&D team of 12 people at Roha focuses

on development on newer and niche value added chemicals. With an aim to strengthen the business further, the company is working on Sulfones, Amides and Thiols and other similar chemistries as a new product category. Recognized by Department of Science and Industrial Research, the R&D lab also works toward process chemistries and improving the yield of current products.

Conclusion

Our centennial message to each of our stakeholders is of creating a stronger company and improved society for the next generation. For our collective and continued success, we remain committed to serving all of our stakeholders by generating long term value for our owners, delivering consistent value to our customers, continually investing in our employees and supporting the communities in which we work. I believe the economic uncertainties associated with COVID-19 will be formidable, but we have the experience and the financial strength to see this through and emerge out stronger than ever before. Because of the work that has taken place in the last decade, I continue to believe our company is well positioned, despite a more challenging business climate in the coming year.

Bimal L. Goculdas
Managing Director &
Chief Executive Officer

PRODUCT OFFERINGS

We are the world’s largest manufacturers of Benzene Sulfonyl Chloride. We also stand amongst the largest manufacturers of Sodium Vinyl Sulfonate and Diethyl Sulfate. At Dharamsi, our continuing focus is to identify and develop products that enjoy wide range of applications and offer us an opportunity to not only focus on capturing market share but also market expansion. By driving our performance for customers, ensuring long term dependability and building valuable relationships, we ensure sustainable growth. In doing so, we constantly look at the possibility of moving downstream across the value chain in an effort to maximize value and minimize risks.

BULK CHEMICALS

The company is one of the oldest manufacturers of Sulphuric acid in the country. These products are sold domestically, within a limited radius from the manufacturing site. Almost 50% of the production is sold off in the markets and rest is consumed captively.

Key Products	Applications
<div><ul style="list-style-type: none">• Sulphuric Acid• Sulphuric Anhydride• Oleum• Chloro Sulphonic Acid</div>	<div><ul style="list-style-type: none">• Detergents• Dyes• Fertilizers</div>

SPECIALTY CHEMICALS

The sulfonating agents manufactured by the company are reacted with organic substrates like Phenol, Benzene, and Methanol to get downstream products. 65-70% of these products are exported. The company is backward integrated into this process.

Key Products	Applications
<div><ul style="list-style-type: none">• Benzene Sulfonyl chloride• Benzene Sulfonic Acid• Phenol Sulfonic Acid• Sodium Benzene Sulfonate• Sodium Phenol Sulfonate• Menthyl Lactate• Thiophenol• Lasamide• Diethyl Sulfate• Diphenyl Sulfone• Sodium Vinyl Sulfonate</div>	<div><ul style="list-style-type: none">• Agro-chemicals• Detergents• Dyes• Pigments• Pharmaceuticals• Cosmetics</div>

Our marquee clients



PRODUCTS FROM BORON CHEMISTRY

The company is working to add downstream products in Boron Chemistry as well.

Key Products	Applications
<div><ul style="list-style-type: none">• Boric Acid• Borax Pentahydrate• Borax Decahydrate• Trimethyl Borate• Zinc Borate• Disodium octaborate tetrahydrate• Boric Acid Special Quality (SQ grade)• Boric Acid Analytical Reagent (AR grade)</div>	<div><ul style="list-style-type: none">• Thermal Power Stations• Detergents• Ceramic & Tiles Industries• Steel Industries• Electroplating</div>

End user industries

