

**23rd
ANNUAL REPORT AND
ACCOUNTS FOR THE
YEAR 1998-99**



**PUNJAB CHEMICALS
AND
PHARMACEUTICALS
LIMITED**

BOARD OF DIRECTORS

K.C. Shroff, Chairman
G.Narayana, Vice Chairman
A.G. Shroff
Vijay Rai
B.S. Kakkar
Gurcharan Singh
Mukesh D Patel
Jagdish R Naik
Shalil S Shroff, Executive Director
A.S. Kalsi, Director (Admn.)
Avtar Singh, Director (Operations & Business Development)

VICE PRESIDENT (FINANCE) & SECRETARY

Punit K Abrol

AUDITORS

J.R. Khanna & Co., Chandigarh.

BANKERS

Bank of Baroda

REGISTERED OFFICE

SCO: 417-418
Sector-35C
Chandigarh-160 022.

WORKS

Milestone 18, Ambala-Kalka Road
Bhankharpur(Derabassi)
Distt. Patiala (Punjab)

OTHER OFFICES

Excel Estate
S.V. Road, Goregaon(W)
Mumbai-400 062

107, Ansal Bhawan
K.G. Marg
New Delhi-110 001.

414, Navketan Complex
Opp. Clock Tower
52, S.D. Road, Secunderabad

SHAREHOLDER INFORMATION

Share Transfer System

Share transfers would be registered and returned within a period of 30 days from the date of receipt, if the documents are in order in all respects.

Assistance

For assistance regarding share transfers and transmission, change of address, duplicate/missing share certificates and other matters, please write to Regd. office or Mumbai office.

Annual General Meeting on Tuesday,
24th August,1999 at 2.30 P.M. at the
Registered Office of the Company.

Book Closure Dates
17th August,1999 to
24th August,1999

Shares of the Company are listed on Ludhiana, Mumbai and Delhi Stock Exchanges.

PCPL**PUNJAB CHEMICALS AND PHARMACEUTICALS LIMITED**

Regd. Office: SCO: 417-418, (1st and 2nd Floor), Sector-35C, Chandigarh-160 022.

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the members of Punjab Chemicals and Pharmaceuticals Limited will be held on Tuesday the 24th August, 1999 at 2.30 p.m. at the Registered Office of the Company at SCO: 417-418, Sector-35C, Chandigarh-160 022 to transact the following business:

AS ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the financial year ended 31st March, 1999 and the Balance Sheet as at that date, together with the Directors' Report and the Auditor's Report thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Shri K.C. Shroff, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri Vijay Rai, who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri Gurcharan Singh, who retires by rotation and, being eligible, offers himself for re-election.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT M/s. J. R. Khanna & Co., Chartered Accountants be paid an amount of Rs. 3,000.00 being the amount representing the service tax on audit fees for carrying out the statutory audit of the accounts of the Company for the period from 1st April, 1998 to 31st March, 1999 as provided in the annual accounts of the Company for the year ended 31st March, 1999."
7. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT in addition to the existing mortgages/charges created by the Company, and pursuant to the provisions of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and also subject to the consent and consultation of the concerned Financial Institutions/Banks, the consent of the Company be and it is hereby accorded to the Board of Directors of the Company to the charging of all or part of the assets of the Company financed from the term loan of Rs. 3 Crores and assets installed/to be installed or the building, plant and machinery attached to the earth or permanent fastened to anything attached to the earth at Milestone - 18, Ambala Kalka Road, Village Bhankharpur, Derabassi, Distt. Patiala, as a security for the Rupee Term Loan of Rs. 3 Crores availed from Times Bank, Chandigarh together with interest, additional interest, premia on pre-payment or on redemption and cost, charges, expenses and other money payable under this loan agreement as mentioned from time to time to the said Times Bank (hereinafter referred to as "Lender")."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the said Lender, required documents for creating the aforesaid mortgage and/or charges, including documents for any pari-passu arrangement and to do all such acts and things as may be necessary for giving effect to this resolution."
9. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT in supersession of the resolution passed in the Annual General Meetings held on 28th August, 1993, 3rd September, 1994 and 26th August, 1998, with respect to the creation of mortgage/second



charge by the Company pursuant to section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and also subject to the consent of the concerned Financial Institutions/Banks, the consent of the Company be and it is hereby accorded to the Board of Directors, to mortgage the properties of the Company at Milestone 18, Ambala Kalka Road, Village Bhankharpur, Derabassi, Distt. Patiala and assets, both present and future, and whole or part of the undertaking of the Company or such of them as agreed between the Board of Directors and Bank of Baroda, as security by way of second charge for the working capital facilities to the extent of Rs. 2550 lacs availed from Bank of Baroda together with interest, additional interest, damages, premia on prepayment and other money payable under the loan agreements as mentioned from time to time."

"RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done for creation of second charge/joint mortgage in favour of Bank of Baroda by and with the authority of the Board of Directors are hereby confirmed and ratified."

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.**
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for the meeting.
3. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
4. **Members are requested to notify immediately any change in their addresses to the Company, quoting Folio No. and giving complete address in block capitals with pin code of the postal address.**
5. **The Register of Members and Share Transfer Books of the Company will remain closed from 17th August, 1999 to 24th August, 1999 (both days inclusive).**
6. The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government upto the financial year 1993-94. The concerned members may therefore submit their claim, if any, to the Registrar of Companies, Punjab, H.P. & Chandigarh at Jalandhar.
7. **The payment of dividend, if any declared, will be made to those members, whose name will appear in the Register of Members on 24th August, 1999.**
8. **In order to prevent the possibility of interception in transit and fraudulent encashment of Dividend Warrants, the Members are requested to inform Bank Account No. & Name of their Bankers which would be incorporated in the Dividend Warrants.**
9. The members are requested to intimate, if the shares are held by them in the same order and names but in more than one Folio number. This will enable the Company to club the said accounts into one account.
10. The shares of the Company are listed on Ludhiana, Delhi and Mumbai Stock Exchanges. The required listing fees have been paid to the Stock Exchanges.
11. **The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, in respect of the Special Business as aforesaid is annexed to this Notice.**

By Order of the Board

Regd. Office: SCO 417-418, Sector-35C
Chandigarh-160 022.
Dated: 31st May, 1999

Punit K Abrol
V.P.(Finance) & Secretary

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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 8

The Company has availed a Rupee Term Loan of Rs.3 Crores from Times Bank, Chandigarh. As per the terms and conditions of the said loan, it is required that the said loan be secured by way of exclusive charge on the assets purchased from the said loan and partly mortgaging the Company's immovable properties together with all / part of the building and structures thereon and all / part of the plant and machinery attached to the earth or permanently fastened to anything attached to the earth at the Company's site at Village Bhankharpur, Derabassi, Distt. Patiala, subject to the approval of Bank of Baroda for the due repayment, discharge and redemption by the Company to Times Bank of its Rupee Term Loan of Rs. 3 Crores.

Accordingly, it is proposed to create such a charge and mortgage in favour of Times Bank for the said loan.

The Board of Directors commend passing of the said resolution as per item no. 8 of the Notice.

The respective loan documents will be available for inspection during business hours.

No Director of the Company is interested in this resolution.

ITEM NO. 9

In supersession of the earlier resolutions, the members of the Company at the annual general meeting held on 26th August, 1998, passed a resolution for creation of charge on the assets of the Company in favour of Bank of Baroda, securing the working capital facilities as per details specified in the said resolution. The Company has now been sanctioned an enhanced working capital facilities from Bank of Baroda to the extent of Rs. 2550 lakhs. As per one of the conditions of the arrangement with Bank of Baroda, the Company has to create a mortgage/charge in favour of Bank on a second charge basis, subject and subservient to the charges/mortgages created / to be created by way of deposit of title deeds of the Company's immovable properties together with all the buildings and structures thereon and all the plants and machineries attached to the earth at the Company's site at Village Bhankharpur, Derabassi, Distt. Patiala, as security for the overall working capital limits of the aforesaid amount or as increased or decreased by the Bank from time to time together with interest, additional interest, damages, etc. This mortgage will be in addition to the charge on the book debts and inventories specifically charged for the said working capital limits.

Since the Company has availed of overall working capital limit of Rs. 2550 lacs from Bank of Baroda, it is required that the second charge be created on the immovable properties together with all the building and structure thereon and all the plants and machinery attached to the earth at Village Bhankharpur, Derabassi, Distt. Patiala, as security for the overall working capital limit to the extent of Rs. 2550 lacs or as increased or decreased by the Bank together with interest, additional interest, damages, etc. and monies payable under the loan agreements.

Hence resolution at item no. 9 is proposed in supersession of the resolution passed on 26th August, 1998.

The documents for the aforesaid working capital facilities will be available for inspection during business hours.

By order of the Board

Chandigarh

Dated: 31st May, 1999

Punit K Abrol

V.P.(Finance) & Secretary



DIRECTORS' REPORT

Your Directors have pleasure in presenting 23rd Annual Report together with the audited statements of account of the Company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99 (Rupees)	1997-98 (Rupees)
Sale of Products & Other Income	87,29,31,084	66,93,52,998
Profit before Depreciation & Tax	9,30,01,517	8,03,81,379
Less: Depreciation	1,68,52,316	1,34,47,926
Profit before Tax	7,61,49,201	6,69,33,453
Less : Provision for Tax	85,00,000	1,00,00,000
Profit after Tax	6,76,49,201	5,69,33,453
Add/(Less): Prior Period Adjustments	(1,27,558)	2,62,401
Provision for tax of earlier year	36,18,270	4,61,453
Profit brought forward from previous year	1,18,17,357	53,59,349
Profit available for Appropriation	8,29,57,270	6,30,16,656
Out of this, the Directors have made the following appropriations :		
Proposed Dividend	1,07,78,310	75,44,817
Tax on Dividend	11,85,614	7,54,482
General Reserve	6,00,00,000	4,29,00,000
Carried to Balance Sheet	1,09,93,346	1,18,17,357

2. DIVIDEND

Your Directors are pleased to recommend for consideration the payment of Dividend for the year ended 31st March, 1999 at the rate of Rs. 5.00 per equity share (50%) as compared to Rs. 3.50 per equity share (35%) for the last year.

3. COMPANY'S PERFORMANCE

Your Company's performance continues to be better due to the additions in product line coupled with improvement in manufacturing efficiency, optimum utilisation of available utility and infrastructure. The total sales turnover during the year under review have risen by 30%, at Rs. 85.66 crores against Rs. 65.75 crores in 1997-98. The profit after tax during the year increased to Rs. 6.76 crores against Rs. 5.69 crores in the last year. It is pertinent to note that the working results have improved inspite of dwindled margins on few products due to competition and overall recession in the market.

4. EXPORTS

During the year under review, the export turnover has taken a quantum jump of 63% from Rs. 35.11 Crores of the last year to Rs 57.32 crores. The products of your Company continue to enjoy all round acceptance in the world market. The manufacturing of speciality chemicals for some international reputed companies are also being worked out.

PCPL**5. EXPANSION**

As per the target, the production of new agro chemicals and other speciality chemicals was commenced during the year under review. The Company has also expanded its manufacturing capacity for few agro-chemicals and speciality chemicals to cater to the growing demand in the new areas. Your Company continues to make efforts on an ongoing basis to identify new high value products to add to its existing product line.

6. FINANCE

The Company has repaid the balance rupee term loan availed from IFCI alongwith the interest thereon.

The Company has availed of Rupee Term Loan of Rs. 5 Crores from Bank of Baroda and Rs. 3 Crores from Times Bank to partly fund the expansion plans.

Your Company received mammoth response to its fixed deposit scheme and the amount of deposits from the shareholders as well the public outstanding as on 31st March, 1999 was Rs. 327.81 lacs against Rs. 138.97 lacs as on 31st March, 1998.

Ten depositors did not claim their deposits on the due date and unclaimed amount stood at Rs. 1,17,100 as on 31st March, 1999.

7. INSURANCE

Your Company continues to cover the possible risks like fire, flood, public liability, etc. on the assets of the Company.

8. ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL

The Environment and Pollution Control continues to attract the top priority of the Company. The services of the specialists in this field are availed of and the concerned people are educated on the importance of clean environment.

9. HRD & INDUSTRIAL RELATIONS

Your Directors are happy to inform that your Company enjoys excellent relations with all category of employees.

Your Directors acknowledge with gratitude, the wholehearted efforts of employees at all levels and their excellent contribution in managing the Company's affairs. The employees have been sincerely adapting to the new requirements in their requisite fields. The training of employees at all levels and HRD activities are an on going process in the Company.

10. DIRECTORS

During the year under review, Industrial Finance Corporation of India Limited (IFCI) withdrew the nomination of Sh. K.K. Katyal, Nominee Director, from the Board of the Company, consequent upon the repayment of loan of IFCI. The Board of Directors place on record its appreciation for the services rendered by and able guidance and contribution of Sh. K.K. Katyal, during his tenure on the Board.

In accordance with Article 146 of the Articles of Association of the Company, Shri K.C. Shroff, Shri Vijay Rai and Shri Gurcharan Singh, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

11. YEAR 2000 (Y2K) COMPLIANCE

The Company has taken effective measures to achieve Y2K compliance by 30th September, 1999. The cost to the



Company to ensure Y2K compliance is estimated at Rs. 8 lacs. The contingency plans are being prepared to ensure uninterrupted functioning through the millennium change.

12. OTHER INFORMATION

(i) PARTICULARS REGARDING CONSERVATION OF ENERGY, ETC.

Particulars regarding conservation of energy, technology absorption, foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956, are given in the addendum to this Report.

(ii) PARTICULARS OF EMPLOYEES.

The information as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is attached to this Report.

13. AUDITORS

Mr. Anil Khanna, Proprietor of M/s J.R. Khanna & Company, Chartered Accountants, Chandigarh, holds office as Auditors of your Company till the conclusion of the ensuing Annual General Meeting. The retiring auditors are eligible for reappointment and have indicated their willingness to act as auditors, if reappointed.

14. ACKNOWLEDGEMENT

Your Directors place on record their gratitude to Excel Industries Limited for their continuous support and guidance from time to time.

The co-operation extended by Bank of Baroda, Industrial Finance Corporation of India Ltd., Housing Development Finance Corporation Ltd. and Times Bank are highly commendable.

For and on behalf of the Board of Directors

Mumbai
31st May, 1999

K.C.SHROFF
Chairman



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ANNEXURE TO THE DIRECTORS' REPORT

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

a) *Energy Conservation Measures taken:*

- The loading patterns of electrical motors were studied. The under rated motors have been replaced with the optimum rating power motors.
- The cooling towers were converted from conventional splash bar design to PVC fill type design to get high efficiency and energy conservation.
- The cooling water and chilled water headers were provided with uniform rating high efficiency pumps, thus reducing the no. of pumps and power consumption.
- The chilled water distribution system has been modified to eliminate the use of primary header and pumps.
- The brine water distribution system has been modified to eliminate the use of secondary header and pumps.
- During the year, the optimum production levels were maintained to fully utilise the utility loads.
- Energy audit has been conducted by the outside agency and the suggestions are being implemented.
- Centrifuge operations were modified to get more output per centrifuge which reduced the number of centrifuges being run, thus reducing the electrical consumption and manpower.

b) *Additional investments and proposal, if any, being implemented for reducing the consumption of energy.*

- The conversion of remaining cooling towers from conventional splash bar to PVC fill type to make high efficiency cooling towers.
- To provide more efficient lighting system in the plant.

c) *Impact of (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods.*

- The impact of above measures have shown very good results in terms of saving in energy consumption. This has also helped in reducing the production cost.
- The connected load has also been reduced to accomodate the load required for new products.

d) *Total energy consumption and energy consumption per unit of production, as per prescribed Form 'A'.*

FORM 'A'

CURRENT YEAR
(1998-99)PREVIOUS YEAR
(1997-98)

A. Power and fuel consumption

1. Electricity

a) Purchased

Unit(Kwh)	1,12,73,320	1,17,56,780
Total Amt.(Rs.lacs)	332.32	307.16
Rate/Unit(Rs.)	2.95	2.61

b) Own Generation

i) Through Diesel Generator

Unit(Kwh)	25,78,823	19,57,774
Unit per ltr. of Diesel Oil	3.71	3.70
Cost/ Unit (Rs.)	2.51	2.40

ii) Through Steam Turbine/Generator

Unit(Kwh)	nil	nil
Unit per ltr. of fuel oil/gas	nil	nil
Cost/ Unit (Rs.)	nil	nil

2. Coal(specify quality and where used)

Qty.(tonnes)	4,098	5,625
Total cost (Rs.lacs)	105.10	139.06
Average Rate (Rs.)	2,565	2,472

3. Furnance Oil

Quantity (K.ltrs.)	nil	nil
Total Amount	nil	nil
Average rate (Rs.)	nil	nil

4. Others/Internal generation

Husk Rice Straw & Baggasse (Agro Waste)

Quantity (MT)	18,130	17,556
Total Cost (Rs.lacs)	187.60	182.20
Rate/Unit (Rs.)	1,035	1,038