



25TH ANNUAL REPORT AND ACCOUNTS

2000-2001

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**PUNJAB CHEMICALS
AND
PHARMACEUTICALS LIMITED**

BOARD OF DIRECTORS

K.C. Shroff, Chairman (upto 22.01.2001)
G. Narayana, Chairman (w.e.f. 22.01.2001)
 Vice Chairman (upto 21.01.2001)
A.G. Shroff
Vijay Rai
B.S. Kakkar (upto 22.05.2001)
Gurcharan Singh
Mukesh D Patel
Jagdish R Naik
Shaili 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
 Ph.: 0172-600955, 603120, 604127
 E-mail: pcpl_chd@satyam.net.in

WORKS

Milestone 18, Ambala-Kalka Road
 Bhankarpur (Derabassi)
 Distt. Patiala (Punjab)
 Ph.: 01762-30094, 30086 Fax : 01762-30070
 E-mail : pcplfac@satyam.net.in

OTHER OFFICES

Excel Estate
 S.V. Road
 Goregaon (W)
 Mumbai-400 062.
 Tel.: 022-8723865, 8723866
 Fax : 022-8725119, 8735743
 E-mail : stschem@bom3.vsnl.net.in

107, Ansal Bhawan
 K.G. Marg, New Delhi-110 001
 Ph.: 011-3314867,3312406
 Fax : 011-3314890
 E-mail : pcpldel@satyam.net.in

414, Navketan Complex
 Opp. Clock Tower
 62, S.D. Road, Secunderabad
 Tel. : 040-7800292, 7805662
 Fax : 040-7806943
 E-mail : pcplhyd@hd2.vsnl.net.in

SHAREHOLDERS INFORMATION**Share Transfer System**

Share transfer 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 of the Company.

Annual General Meeting

Tuesday, 25th September, 2001 at 2.30 P.M.
 at the Registered Office of the Company

Book Closure Dates

17th September, 2001 to 25th September, 2001

Shares of the company are listed on Ludhiana, Mumbai and Delhi Stock Exchanges and the fees has been paid.

The trading in the equity shares of the Company in dematerialised form is compulsory since 28th August, 2000. Therefore, the shares should be got dematerialised, if not done so far.

Website : www.pcplsts.com

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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 25th Annual General Meeting of the members of Punjab Chemicals and Pharmaceuticals Limited will be held on Tuesday the 25th September, 2001 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, 2001 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 G. Narayana, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri J.R. Naik, who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri Vijay Rai, who retires by rotation and, being eligible, offers himself for re-election.
6. 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:

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:
 "RESOLVED THAT in supersession to the resolutions approved at the General Meetings held on 28th August, 1993, 3rd September, 1994, 26th August, 1998, 24th August, 1999 and 22nd August, 2000 w.r.t. 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, the approval of the Company be and it is hereby accorded to the Board of Directors to create/for creating the extension of equitable mortgage by deposit of title deeds of the immovable properties of the Company admeasuring 19.76 acres at Milestone 18, Ambala-Kalka Road, Village Bhankarpur, Derabassi, Distt. Patiala (Punjab) together with all the buildings, structures and sheds constructed and to be constructed thereon and all the plant and machinery attached to the earth or permanently fastened to anything attached to the earth, both present and future for the security of the following loan/facilities on pari-passu basis:
 - i) Bank of Baroda – Rs. 2950 lacs – Term Loan and working capital facilities as per the details given in the sanction letter dated 14th July, 2000.
 - ii) Industrial Development Bank of India (IDBI) – Corporate Term loan of Rs. 450 lacs, aggregating to Rs. 3400 lacs together with interest, additional interest, further interest by way of liquidity damages, penal interest, compound interest, interest tax, costs, charges, expenses and other monies payable thereon by the Company to the Bank/IDBI.

RESOLVED FURTHER THAT the fresh equitable mortgage/charge, created and all agreements/documents including fresh Memorandum of Entry executed by the Company and all acts done for creation of security in favour of Bank of Baroda and Industrial Development Bank of India on pari-passu basis by and with the authority of the Board of Directors are hereby approved 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 September, 2001 to 25th September, 2001 (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 names will appear in the Register of Members on 25th September, 2001.** In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depositories Limited and Central Depository Services (India) Limited for this purpose.
8. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants.
9. **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.**

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10. 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.
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

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

Chandigarh, 22nd May, 2001

ANNEXURE TO THE NOTICE

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

ITEM NO. 7

Industrial Development Bank of India (IDBI) has sanctioned a term loan of Rs. 450 lacs to the Company under the corporate loan scheme inter-alia on the condition that the due repayment of the said term loan together with interest, additional interest, further interest by way of liquidity damages, penal interest, commitment charges, premia on prepayment or redemption, cost, charges & expenses and other monies payable thereon by the Company to IDBI shall be secured by mortgage of the Company's immovable properties mentioned in the second schedule of Memorandum of Entry dated 09.05.2001 on pari-passu basis with the charges created thereon by the Company in favour of the Bank of Baroda for its term loan and working capital facilities aggregating to Rs. 2950 lacs.

The Company has executed the necessary Memorandum of Entry dated 9th May, 2001 with Bank of Baroda (where the title deeds of the Company's properties are lying) for creating the fresh equitable mortgage to secure the aforesaid term loan and other working capital facilities of Bank of Baroda and term loan of IDBI on pari-passu basis.

The copy of Memorandum of Entry and other documents relating to the working capital facilities and term loan will be available for inspection at the registered office of the Company during business hours.

The Board commends the passing of the resolution as set out at item no. 7 of the Notice.

No Director of the Company is interested in this resolution.

Registered Office :
Punjab Chemicals & Pharmaceuticals Ltd.
SCO : 417-418, Sector-35C
CHANDIGARH.
Dated: 22nd May, 2001

By order of the Board

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

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DIRECTORS' REPORT

TO THE MEMBERS,

The Directors of your Company present the 25th Annual Report and the audited statements of account of the Company for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

The financial highlights of the year are as under:

	2000-2001	(Rupees) 1999-2000
Sale of Products & Other Income	76,56,23,182	73,87,49,414
Profit before Depreciation & Tax	2,59,74,580	3,01,36,066
Less: Depreciation	1,92,63,065	1,92,02,082
Profit before Tax	67,11,515	1,09,33,984
Less : Provision for Tax	7,50,000	11,50,000
Profit after Tax	59,61,515	97,83,984
Add/(Less):		
Prior Period Adjustments	62,723	(4,13,662)
Provision for tax of earlier year	36,272	4,00,233
Investment Allowance (Utilised)		
Reserve Written Back	54,52,500	46,65,305
Profit brought forward from previous year.	1,14,84,344	1,09,93,346
Profit available for Appropriation	2,29,97,354	2,54,29,206
Out of this, the Directors have made the following appropriations :		
Proposed Dividend	26,94,578	32,33,493
Tax on Dividend	2,74,847	7,11,369
General Reserve	1,00,00,000	1,00,00,000
Balance carried forward to Balance Sheet	1,00,27,929	1,14,84,344

2. DIVIDEND & TRANSFER TO GENERAL RESERVE

Your Directors recommend for consideration a dividend of Rs. 1.25 per equity share (12.50%) for the financial year 2000-01 as compared to Rs. 1.50 per equity share (15%) of the last year. The dividend (excluding tax thereon) will absorb an amount of Rs. 26,94,578 (previous year Rs.32,33,493). An amount of Rs. 1,00,00,000 (previous year Rs.1,00,00,000) has been transferred to General Reserve. The balance amount of Rs. 1,00,27,929 (previous year Rs. 1,14,84,344) has been retained in the profit and loss account.

3. OPERATIONS

During the year under review, the sales turnover has marginally increased to Rs. 75.24 crores against Rs. 72.48 crores in 1999-2000, inclusive of excise duty. The turnover consists mainly of the export sale of Rs. 48.54 crores (previous year Rs. 45.60 crores). In view of continued pressure on the margins of all the products due to recession and severe competition in both export as well as domestic markets, the profit after tax was lower at Rs. 59.62 lacs against Rs. 97.84 lacs of previous year. However, improvement in raw material efficiency, cost control measures and conservation of resources have contributed to this working.

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Your Company's efforts to broad base the product portfolio are continuing. The thrust on improved raw material efficiency, better quality and strategic alliances in the domestic and export markets are expected to further improve the working.

5. FINANCE

During the year, the Company received the sanction for a corporate term loan of Rs. 4.50 crores from Industrial Development Bank of India (IDBI). The treasury product facility of Rs. 5 crores availed from IDBI and term loan of Rs.3 crores availed from Times Bank have been paid back.

The response from the public for the Fixed Deposit schemes of the Company continues to be encouraging. The aggregate amount of the Fixed Deposits at the end of the year under review was Rs. 395.25 lacs (previous year Rs. 388.68 lacs).

37 (previous year : 16) depositors did not claim their deposits after the due date on which the deposits became due for payment. The amount of unclaimed deposits outstanding as at 31st March,2001 was Rs. 3,18,512 (previous year Rs. 94,500).

6. INSURANCE

Your Company has taken the required Insurance covers for the possible risks like fire, flood, public liability, etc.

7. ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL

Your Company has obtained ISO-14001 certificate for its manufacturing unit at Derabassi, Punjab. The systems for controlling and monitoring pollutants are in order. The safety, health and environment standards are regularly monitored. Training of personnel and upgradation of First Aid continued alongwith the ongoing programmes in the areas of energy conservation, pollution control, value addition and reduction in waste generation.

8. EMPLOYEES & INDUSTRIAL RELATIONS

During the period under review, industrial relations in the Company remained cordial. The wholehearted devotion and contribution of all level of employees for the growth and prosperity of the Company are appreciated and acknowledged.

Your Company continues to take care of the training needs and welfare of the employees.

9. DIRECTORS

Shri K.C. Shroff relinquished his office as the Chairman and Director of the Board of Directors on 22nd January, 2001. Shri G. Narayana was unanimously appointed as the Chairman of the Company on the Board on the same date. Your Directors place on record their deep sense of appreciation for the guidance, support, inspiration and encouragement provided by Shri K.C. Shroff. He showed the path for continuous upgradation of knowledge, search for new products and excellence in working. His contribution to the proceedings of the Board and growth of the Company is deeply acknowledged. The Board of Directors, the management and all the employees of the Company express their deep regards and wish him long and healthy life.

Shri B.S. Kakkar also resigned from the Board of Directors on 22nd May,2001 due to his personal commitments.

The Board while accepting the resignation acknowledged the services of Shri B.S. Kakkar and place on record its deep sense of appreciation for his contribution during the tenure of his office.

The vacancies caused by the resignation of Shri K.C. Shroff and Shri B.S. Kakkar are not being filled at present. The broad basing of the Board will be done at an appropriate time.

In accordance with Article 146 of the Articles of Association of the Company, Shri G.Narayana, Shri J.R. Naik and Shri Vijay Rai, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

10. DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

11. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.**a) 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 Annexure to this Report.

b) PARTICULARS OF EMPLOYEES.

The information as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not attached to this Report, because there is no employee in the Company, whose remuneration exceeds the limit prescribed under the relevant provisions.

c) RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2001 and of the profit of the Company for that period;
- iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that they have prepared the annual accounts on a going concern basis.

12. AUDITORS

Mr. Anil Khanna, Proprietor of M/s J.R. Khanna & Co., Chartered Accountants, Chandigarh, holds office as Auditors of your Company till the conclusion of the ensuing Annual General Meeting. In view of the change in the structure of the firm by admission of other partner(s), the appointment for the next year is requested in the name of M/s J.R. Khanna & Co., Chartered Accountants, Chandigarh. The firm has indicated its willingness to act as auditors, if appointed.

Your directors recommend the appointment of M/s J.R. Khanna & Co., Chartered Accountants, Chandigarh, as Auditors of the Company for the next year.

13. ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude the support and guidance of Excel Industries Limited.

The co-operation extended by Bank of Baroda, Industrial Development Bank of India, Housing Development Finance Corporation Ltd. and HDFC Bank Ltd. is appreciated.

For and on behalf of the Board of Directors

G. NARAYANA
Chairman

Mumbai, 22nd May, 2001

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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.

I) CONSERVATION OF ENERGY.**a) Energy Conservation Measures taken:**

- Replacement of high rating motors to low rating as per the load requirement at different places and reduced the connected load.
- Use of alternative fuel in the boiler to maintain steam cost.
- Cooling tower fans modification carried out to reduce the load.
- Replacement of GLS lamps to CFL lamps.
- Single vacuum system for multiple distillations.

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

- Procurement of new low rated flameproof motors for the replacement of high rated motors.
- Procurement of CFL lamps for the replacement of GLS lamps.

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 good results and simultaneously new products were started from the available connected load.

d) Total energy consumption and energy consumption per unit of production, as per prescribed Form 'A'.**FORM 'A'****CURRENT YEAR
(2000-2001)****PREVIOUS YEAR
(1999-2000)****A. Power and fuel consumption****1. Electricity****a) Purchased**

Unit(Kwh)	92,86,878	1,03,46,500
Total Amt. (Rs.lacs)	314.94	324.33
Rate/Unit(Rs.)	3.39	3.13

b) Own Generation**i) Through Diesel Generator**

Unit(Kwh)	15,97,421	16,48,302
Unit per ltr. of Diesel Oil	3.74	3.58
Cost/ Unit (Rs.)	3.80	3.04

ii) Through Steam Turbine/Generator

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

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2. Coal (specify quality and where used)

Qty.(tonnes)	3975	3064
Total cost (Rs.lacs)	105.47	81.05
Average Rate (Rs.)	2653	2645

3. Furnace Oil

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

4. Others/Internal generation

Husk, Rice Straw & Baggase (Agro Waste)

Quantity (MT)	16582	17631
Total Cost (Rs.lacs)	184.37	179.47
Rate/Unit (Rs.)	1112	1018

B. Consumption per unit of production

	CURRENT YEAR		PREVIOUS YEAR	
	Electricity (Kwh)	Coal & Husk (Kg.)	Electricity (Kwh)	Coal & Husk (Kg.)
i) Oxalic Acid & other Oxalates	556	1145	567	1047
ii) Agro Chemicals & their Intermediates	1559	1845	1442	944
iii) Speciality Chemicals	8544	13262	9971	748
iv) Other Chemicals & by products.	162	631	183	856

Note : Since coal and husk were used simultaneously in the boiler, combined consumption per unit of production of both the fuels has been given.

II) TECHNOLOGY ABSORPTION

Form 'B' for disclosure of particulars with respect to Technology Absorption.

RESEARCH AND DEVELOPMENT (R&D)**1. Specific areas in which R&D was carried out by the Company.**

- Process modifications/developments to increase the raw material efficiency have been taken to reduce the cost of production.
- Some viable processes for existing as well as new products in line were developed.
- Absorption of NOX at low temperature to increase nitric recovery.
- Optimum utilization of equipments by doing re-engineering, wherever possible.
- New systems developed to reduce wastes/effluent load.

2. Benefits derived as a result of the above R&D.

- The production cost reduced with various process modifications to compete in the international market.
- Effluent treatment cost reduced by reducing the load.

3. Future plan of action :

- To continue to develop new products.
- Continuous study & experiments to reduce the production cost.