



Punjab Alkalies & Chemicals Limited
24TH ANNUAL REPORT 1998-99

CONTENTS	Page No.
1. Directors' Report	2
2. Auditors' Report	7
3. Balance Sheet	10
4. Profit and Loss Account	11
5. Schedule A-R	12
6. Cash Flow Statement	28
7. Statement relating to Subsidiary Company	29
8. Report and Accounts of PACL Alco-Vinyls Limited	30

Punjab Alkalies & Chemicals Limited

BOARD OF DIRECTORS

Shri Ramesh Inder Singh, IAS, Chairman
 Shri S. K. Tuteja, IAS
 Shri S. S. Brar, IAS
 Shri S. K. Sharma
 Dr. Surinder P. S. Pruthi
 Shri Yash Paul Mahajan
 Shri S. S. Rajan
 Shri J. S. Saraon
 Shri Ajmer Singh Makkar
 Shri B. K. Batra, Nominee of IDBI
 Shri Jagpal Singh, IAS, Managing Director

COMPANY SECRETARY

Shri Pradeep Nauharria

BANKERS

Punjab National Bank
 Punjab & Sind Bank
 Deutsche Bank
 Indian Bank

AUDITORS

M/s. S. Tandon & Associates,
 Chartered Accountants,
 S.C.O. 1112-13, 1st Floor, Sector 22-B,
 Chandigarh - 160 022

M/s. A. K. Sood & Associates,
 Chartered Accountants,
 S.C.O. 50-51, 11nd Floor, Sector 17-A,
 Chandigarh - 160 017

INTERNAL AUDITORS

M/s. Ashwani & Associates,
 19-A, Udham Singh Nagar,
 Civil Lines,
 Ludhiana - 141 001

REGISTERED OFFICE

S.C.O. 125-127, Sector 17-B,
 Chandigarh - 160 017

WORKS

Nangal-Una Road,
 Naya Nangal - 140 126
 Distt. Ropar, Punjab

Report



junction.com



DIRECTORS' REPORT

Your Directors submit their 24th Annual Report together with the Audited Accounts for the year ended 31st March, 1999.

Financial Results

The financial results of the Company for the year ended 31st March, 1999 are summarised below :-

	(Rs. in crores)	
	1998-99	1997-98
Sales Turnover & Other Income	116.11	129.17
Total Expenditure excluding Finance Charges and Depreciation	118.68	125.75
Finance Charges	13.33	7.60
Depreciation, etc.	8.85	7.80
Profit/(Loss)	(24.75)	(11.98)

Your Directors report that the year 1998-99 has been the second successive year when the Company's working was under tremendous pressure due to factors over which the Company had virtually no control. *Persistent industrial malaise, especially in the main end-user industry i.e. Paper, hampered the recovery of Caustic Soda Industry. Excess capacity and surplus supply position in the Caustic Soda Industry led to poor realisation on Caustic Soda and related products. Escalating cost of inputs like Power and Salt, further aggravated the situation, as these additional costs could not be passed on to the consumers. The shut-down of the Mercury Cell Caustic Soda Plant for over three months for conversion into a 200 TPD Membrane Cell Caustic Soda Plant, further accentuated the loss via a drop in production of Caustic Soda from 72853 M.T. in 1997-98 to 62094 M.T. in 1998-99. These factors, inter alia, combined to cause a Loss of Rs.24.75 crores on a Turnover of Rs.115.10 crores.*

In view of the Loss incurred by the Company, the Directors regret their inability to recommend any Dividend for the financial year 1998-99.

Finance

The liquidity was severely affected during the year under review due to progressive deterioration in the market conditions.

There are no outstanding matured deposits, except those unclaimed. Unclaimed deposits as on 31st March, 1999 amounted to Rs.4.99 lacs in respect of 207 depositors. Out of this, an amount of Rs.2 thousand has since been paid to one depositor during the current year.

Current Operations and Outlook

The operations of the Company during the quarter ended 30th June, 1999 have generated a revenue of Rs.34.87 crores with a Cash Loss of Rs.2.30 crores against a revenue of Rs.31.33 crores and a Cash Loss of Rs.2.72 crores in the corresponding period of Fiscal 1998-99. The Loss for the quarter stands at Rs.5.24 crores against a loss of Rs.4.67 crores in the corresponding period of 1998-99. On a month-to-month basis, the situation has improved considerably and in the month of June, 1999, the Cash Loss has been only Rs.10.00 lacs. If this trend persists, which seems likely, then the current year may provide

Punjab Alkalies & Chemicals Limited

a much needed breather. Your Directors feel that the situation is on the mend.

Operating in these difficult conditions, the Company has been taking all appropriate initiatives towards optimising usage of its resources and cost reduction including power saving. In this direction, the Company has now converted its Mercury Cell Caustic Soda Plant into a 200 TPD Membrane Cell Caustic Soda Plant based on Hoechst-Uhde Membrane Cell Technology. This Project commenced Commercial Production on 18th December, 1998. This Project has resulted in (a) substantial reduction in power consumption, (b) reduced pollution and (c) increase in installed capacity.

The Company has taken measures to improve the commercial utilisation of Hydrogen, which is one of its by-products. These are likely to generate an assured annual revenue of about Rs.5.50 crores.

The proposal for 51 MW Captive Power Generation Project is still in limbo due to constraint of funds.

Environment and Energy Conservation

The Company is fully committed to run its operations in an environment-friendly manner and is taking all possible measures for maintaining safety and good house keeping. The Company has constructed a new impervious lined pit designed by National Productivity Council for disposal of brine sludge. Preliminary work on utilisation of waste brine sludge has been carried out in consultation with Central Road Research Institute. The green belt developed in the Plant Complex is being maintained and enhanced with additional species of plants.

The Company continues to pursue the path of energy conservation. The information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure-I forming a part of this report.

Listing

The Equity Shares of the Company are listed on the Ludhiana, Delhi, Mumbai and Ahmedabad Stock Exchanges. The Annual listing fee for the year 1999-2000 has been paid to these Stock Exchanges.

Status of Y2K Preparedness

The Company has made significant progress in the process of becoming Y2K compliant in all the relevant fields. The aggregate expenditure in this regard is not likely to be material in the context of size of the Company's operations. The Company has initiated prudent and reasonable steps to minimise the risk of exposure to Y2K problem.

Human Resources

The Company has always valued its human resources. Continuous attention is paid to upgradation of skills of personnel at all levels. Industrial relations continued to be cordial.

During the year ended 31st March, 1999, there was no employee of the Company whose particulars need to be included in this report under Section 217(2A) of the Companies Act, 1956.

Directors

The Board has appointed Shri Ajmer Singh Makkar as Additional Director of the Company. Shri Ajmer Singh Makkar holds office till the date of the ensuing Annual General Meeting. Notices in writing have been received from some members under Section 257 of the Companies Act, 1956, signifying their intention to propose at the ensuing Annual General Meeting the appointment of Shri Ajmer Singh Makkar as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation.



Shri Yash Paul Mahajan and Shri J.S. Saraon retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Auditors

M/s. S. Tandon & Associates, Chartered Accountants and M/s. A.K. Sood & Associates, Chartered Accountants, Auditors of the Company retire on the conclusion of the ensuing Annual General Meeting and being eligible they have indicated their willingness to be reappointed.

Acknowledgements

The Directors place on record their appreciation of the valuable cooperation and support extended by the Central and State Governments, Financial Institutions, Punjab State Industrial Development Corporation Limited, Punjab State Electricity Board, Company's Bankers and Business constituents.

Your Directors acknowledge with appreciation the devoted and sincere services rendered by the members of the management team, staff and work-force.

For and on behalf of the Board

Place : Chandigarh
Date : July 30, 1999

Sd/-	Sd/-
(S. K. SHARMA)	(JAGPAL SINGH)
Director	Managing Director



Punjab Alkalies & Chemicals Limited

ANNEXURE - I TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1999.

Energy Consumption and Conservation

	1998-99	1997-98
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (lacs KWH)	1827.29	2403.38
Total Amount (Rs. in lacs)	5595.28	6682.37
Rate / Unit (Rs.)	3.06	2.78
(b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil/LDO/HSD		
Quantity (K. litres)	3465.400	2056.340
Total Amount (Rs. in lacs)	245.24	152.12
Average Rate (Rs. per K.litre)	7076.70	7397.79
4. Others	Nil	Nil
B. Consumption per Unit of Caustic Soda Produced		
1. Electricity (KWH)		
- Caustic Soda Lye	2920	3270
- Additional Consumption for conversion to Caustic Soda Flakes	106	111
2. Furnace Oil/LDO/HSD(ltrs.)		
- For Caustic Soda Lye	38.2	11.6
- Additional Consumption for conversion to Caustic Soda Flakes	124	112

Keeping in view the costing pattern adopted by the Company, per unit energy consumption for by-products cannot be separated from Caustic Soda Lye figures.

The Company has been able to achieve reduction in electricity consumption per unit of Caustic Soda Lye through the energy conservation measures adopted by it and also as a result of lower energy consumption in the Mercury Cell to 200 TPD Membrane Cell Converted Caustic Soda Plant.

Research and Development

The Research & Development effort of the Company continued to be focussed on energy conservation and environment management.

Expenses incurred on R & D are booked under respective general accounting heads and no amounts can therefore be quantified separately under the head of R & D expenses.



Technology Absorption, Adaptation and Innovation

The know-how for the Company's 100 TPD Membrane Cell Caustic Soda Plant has been fully absorbed.

The Company has converted its Mercury Cell Caustic Soda Plant into a 200 TPD Membrane Cell Caustic Soda Plant based on Hoechst-Udde Membrane Cell Technology. This Project commenced commercial production on 18th December, 1998. The know-how for the same has also been fully absorbed.

Total foreign exchange utilised during the accounting year is Rs. 631.08 lacs. Foreign exchange earned during the accounting year is Rs.36.65 lacs.

For and on behalf of the Board

Place : Chandigarh
Date : July 30, 1999

Sd/- Sd/-
(S. K. SHARMA) (JAGPAL SINGH)
Director Managing Director



Punjab Alkalies & Chemicals Limited

AUDITORS' REPORT

To the Shareholders of

PUNJAB ALKALIES & CHEMICALS LIMITED

We have audited the attached Balance Sheet of PUNJAB ALKALIES & CHEMICALS LIMITED as at 31st March, 1999, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:-
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
 - (c) The Balance Sheet and Profit and Loss Account are in agreement with the books of Account.
 - (d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the Accounting Standard referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date.

For A.K.SOOD & ASSOCIATES
Chartered Accountants

For S. TANDON & ASSOCIATES
Chartered Accountants

Place : Chandigarh
Date : May 24, 1999

Sd/-
(A.K.SOOD)
Partner

Sd/-
(H.S. KHURANA)
Partner



ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our Report of even date on the accounts for the year ended 31st March, 1999 of PUNJAB ALKALIES & CHEMICALS LIMITED

- i) The Company is maintaining proper records showing full particulars. All fixed assets have been physically verified by the management during the year.
- ii) The fixed assets have not been revalued during the year.
- iii) The stocks of finished goods, stores, spare parts and raw materials at all locations have been physically verified by the management at reasonable intervals during the year/ end of the year. Finished goods, lying with the dealers were confirmed at the year end.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on such verification of stocks as compared to book records, were not material and the same have been properly dealt with in the books of account.
- vi) In our opinion, the valuation of finished goods, stores, spare parts and raw material is fair and proper in accordance with the normally accepted accounting principles. The valuation of stocks is on the same basis as in the preceding year.
- vii) The Company has not taken any loans secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 and 370(1B) of the Companies Act, 1956.
- viii) The Company has not granted any secured or unsecured loans to Companies, firm or other parties listed in the register maintained under section 301 and 370(1B) of the Companies Act, 1956.
- ix) In respect of loans and advances in the nature of loans where interest and repayment have been stipulated the parties have repaid the principal amounts as stipulated and are also regular in the payment of interest.
- x) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of stores, raw materials including components, plant and machinery, equipment, other assets and for the sale of goods.
- xi) According to the information and explanations given to us there are no transactions of purchase of goods and materials and sale of goods, materials and services, made, in pursuance of contract or arrangements to be entered in the register maintained under Section 301 of the Companies Act, 1956 (1 of 1956) and aggregating during the year to Rs.50,000/- (Rupees Fifty Thousand only) or more in respect of each party.
- xii) As explained to us, the Company has a procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- xiii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposit) Rules, 1975 and directions issued by Reserve Bank of India, with regard to the deposits accepted from public.