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Punjab Alkalies & Chemicals Limited
25TH ANNUAL REPORT 1999-2000

| CONTENTS | Page No. |
|--|-----------------|
| 1. Directors' Report | 2 |
| 2. Auditors' Report | 7 |
| 3. Balance Sheet | 10 |
| 4. Profit and Loss Account | 11 |
| 5. Schedule A — Q | 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.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 Harinder Singh Dhillon
 Shri B.K. Batra, Nominee of IDBI
 Shri A.K. Sharma, Nominee of IFCI
 Shri Gurinderjit Singh Sandhu, IAS, Managing Director

COMPANY SECRETARY

Shri Pradeep Nauharia

BANKERS

Punjab National Bank
 Punjab & Sind 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, Udhham 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



DIRECTORS' REPORT

Your Directors submit their 25th Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

Financial Results

The financial results of the Company for the year ended 31st March, 2000 are summarised below :-

| | (Rs. in crores) | |
|--|-----------------|---------|
| | 1999-2000 | 1998-99 |
| Sales Turnover & Other Income | 150.22 | 116.11 |
| Total Expenditure excluding Finance Charges and Depreciation | 142.62 | 118.68 |
| Profit / (Loss) before Finance Charges and Depreciation | 7.60 | (2.57) |
| Finance Charges | 22.37 | 13.33 |
| Depreciation, etc. | 11.21 | 8.85 |
| Net Loss | 25.98 | 24.75 |

The Company's operations continued to be under intense pressure during the year under review owing to excess capacity and imbalance in demand and supply in Chlor-Alkali Industry due to recession in end-user industries and cheaper imports. The demand from Paper and other consuming industries remained depressed due to recessionary conditions in these industries. The average realisation increased to Rs.18,800 per Electro-Chemical Unit (ECU) denoting an increase of Rs.500 per ECU over that of the last year. The Profit before Finance Charges and Depreciation has been Rs. 7.60 crores as against a Loss before Finance Charges and Depreciation of Rs.2.57 crores in 1998-99. The Finance Charges and Depreciation went up in comparison to last year mainly due to full year impact of the Mercury Cell to 200 TPD Membrane Cell Converted Caustic Soda Plant, which commenced Commercial Production on 18th December, 1998. The additional borrowings for meeting the liquidity crunch also led to an increase in the Finance Charges. The Company achieved a Turnover of Rs.149.23 crores against Rs.115.10 crores in 1998-99. The operations have resulted in a Net Loss of Rs. 25.98 crores.

However inspite of the adverse situation, your Company has achieved a higher production of Caustic Soda at 82647 M.T. during the year under review as against 62094 M.T. produced in 1998-99.

In view of the Loss incurred by the Company, the Directors regret their inability to recommend any Dividend for the financial year 1999-2000.

Finance

The liquidity remained tight during the year under review due to continuing losses.

There are no outstanding matured deposits, except those unclaimed. Unclaimed deposits as on 31st March, 2000 amounted to Rs. 4.95 lacs in respect of 205 depositors. Out of this, an amount of Rs. 12 thousand has since been paid to two depositors during the current year.

Current Operations and Outlook

The Chlorine and Hydrochloric Acid are in demand these days but the Caustic Soda continues to be in excess supply. This has led to a considerable improvement in sales realisation per ECU. The Cash Loss for the first quarter of 2000-2001 is Rs. 0.34 crores against a Cash Loss of Rs. 2.30 crores in the corresponding period of last year. The operations show significant improvement. The realisations are expected to improve further. The Company is likely to be in Cash Profits by the end of the first six months of the current year as

Punjab Alkalies & Chemicals Limited

against a Cash Loss of Rs. 4.82 crores in the corresponding period of 1999-2000. The Paper industry which was in bad shape till now, has started picking up and its profitability is increasing. This is helping in boosting the prices further particularly of Chlorine. The international prices of Caustic Soda are ruling firm and some parties are also importing materials at these rates. There is a possibility that import prices may come down a little, which may affect the prices of Caustic Soda Lye. However, Chlorine is likely to remain in short supply and consequently prices of Chlorine are likely to firm up further which will more than compensate for the fall in Caustic Soda prices.

The Company is making continuous efforts to increase revenues and reduce costs. The Company is in the process of changing the membranes of the 100 TPD Membrane Cell Caustic Soda Plant to reduce power consumption. Similarly, the Company has procured 350 additional Chlorine Tonners to improve movement of Chlorine.

Environment and Energy Conservation

The Company is mindful of its obligations to run its operations in an environment-friendly fashion. In pursuance of this objective, the Company has taken appropriate Pollution Control measures.

The Company continues to place a great emphasis on 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 2000-2001 has been paid to these Stock Exchanges.

Y2K Transition

The Y2K transition of the Company has been smooth due to proactive measures taken by it.

Human Resources

The Company continues to upgrade and develop the skills of its human resources. Industrial relations remained cordial.

During the year ended 31st March, 2000, 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 Punjab State Industrial Development Corporation Limited (PSIDC) had withdrawn the nomination of Shri Jagpal Singh, IAS as its Nominee Director on the Board of Directors of the Company w.e.f. 30th October, 1999. Consequently, Shri Jagpal Singh, IAS, ceased to be the Managing Director of the Company w.e.f. 30th October, 1999. The Directors place on record their deep appreciation of the valuable services rendered by Shri Jagpal Singh during his tenure with the Company.

The PSIDC nominated Shri R. Venkat Ratnam, IAS, as its Nominee Director on the Board of Directors of the Company w.e.f. 3rd November, 1999. Shri R. Venkat Ratnam, IAS, had taken over as the Managing Director of the Company w.e.f. 3rd November, 1999. The PSIDC subsequently nominated Shri Gurinderjit Singh Sandhu, IAS, as its Nominee Director on the Board of Directors of the Company in place of Shri R. Venkat Ratnam, IAS w.e.f. 8th May, 2000. Consequently Shri R. Venkat Ratnam, IAS, ceased to be the Managing Director of the Company w.e.f. 8th May, 2000. The Directors place on record their deep appreciation of the valuable services rendered by Shri R. Venkat Ratnam during his tenure with the Company.

Shri Gurinderjit Singh Sandhu, IAS, has taken over as the Managing Director of the Company w.e.f. 8th May, 2000. The Directors feel that the Company will benefit tremendously from his rich and varied administrative and managerial experience.



The Board has appointed Shri Harinder Singh Dhillon as Additional Director of the Company. Shri Harinder Singh Dhillon 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 Harinder Singh Dhillon as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation.

Shri S. K. Tuteja, IAS resigned as a Director of the Company w.e.f. 15th December, 1999. The Directors wish to place on record their deep appreciation of the valuable contribution made by Shri S. K. Tuteja.

The IFCL Limited (IFCL) had nominated Shri A.K. Sharma as its nominee on the Board of Directors of the Company and had advised the Company to co-opt him on the Board of Directors. Accordingly, the Board has appointed Shri A.K. Sharma as Additional Director of the Company. Shri A.K. Sharma 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 A.K. Sharma as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation.

Shri S.K. Sharma and Shri S.S. Rajan retire by rotation at the ensuing Annual General Meeting. Shri S.K. Sharma being eligible offers himself for re-appointment. Shri S.S. Rajan has indicated his unwillingness for re-appointment on the Board in view of his other pre-occupations. The Directors wish to place on record their deep appreciation of the valuable contribution made by Shri S.S. Rajan.

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 Satbinder Singh as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation, in place of Shri S.S. Rajan.

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

Your Directors take this opportunity to express their appreciation of the support and cooperation received from 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 also wish to acknowledge the valuable contribution made by the members of the management team, staff and work-force.

For and on behalf of the Board

| | | |
|----------------------|--------------------------------------|---|
| Place : Chandigarh | Sd/- | Sd/- |
| Date : July 28, 2000 | (HARINDER SINGH DHILLON) Director | (GURINDERJIT SINGH SANDHU) 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, 2000.

Energy Consumption and Conservation

| | 1999-2000 | 1998-99 |
|--|-----------|----------|
| A. Power and Fuel Consumption | | |
| 1. Electricity | | |
| (a) Purchased | | |
| Units (lacs KWH) | 2136.04 | 1827.29 |
| Total Amount (Rs. in lacs) | 6780.52 | 5595.28 |
| Rate / Unit (Rs.) | 3.17 | 3.06 |
| (b) Own Generation | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace Oil/LDO/HSD | | |
| Quantity (K. litres) | 5607.690 | 3465.400 |
| Total Amount (Rs. in lacs) | 505.73 | 245.24 |
| Average Rate (Rs. per K.litre) | 9018.54 | 7076.70 |
| 4. Others | Nil | Nil |
| B. Consumption per Unit of Caustic Soda Produced | | |
| 1. Electricity (KWH) | | |
| — Caustic Soda Lye | 2574 | 2920 |
| — Additional Consumption for conversion to Caustic Soda Flakes | 100 | 106 |
| 2. Furnace Oil/LDO/HSD(ltrs.) | | |
| — For Caustic Soda Lye | 61.1 | 38.2 |
| — Additional Consumption for conversion to Caustic Soda Flakes | 72 | 124 |

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 main thrust of the Research & Development effort of the Company continued to be on energy conservation and pollution control.

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 know-how for the Company's Mercury Cell to 200 TPD Membrane Cell Converted Caustic Soda Plant has also been fully absorbed.

Total foreign exchange utilised during the accounting year is Rs. 70.43 lacs.

For and on behalf of the Board

Place : Chandigarh
Date : July 28, 2000

| | |
|--|---|
| Sd/- (HARINDER SINGH DHILLON) Director | Sd/- (GURINDERJIT SINGH SANDHU) 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, 2000, 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, 2000, 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 : June 22, 2000

Sd/-
(A.K. SOOD)
Partner

Sd/-
(H.S. KHURANA)
Partner

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ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph (1) of our Report of even date to the Shareholders of PUNJAB ALKALIES & CHEMICALS LIMITED on the accounts for the year ended 31st March, 2000.

- (i) The Company is maintaining proper records showing full particulars. All fixed assets have been physically verified by the management during the year.
- (ii) There has been no revaluation of Fixed Assets during the year.
- (iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during/at the end of the year. Finished goods, lying with the dealers were confirmed at the year end.
- (iv) In our opinion, 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, firms 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.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap and by-products.