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Punjab Alkalies & Chemicals Limited

ANNUAL REPORT 2017-18

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Punjab Alkalies & Chemicals Limited

BOARD OF DIRECTORS

Smt Vini Mahajan, IAS, Chairperson
Shri Amit Dhaka, IAS, Managing Director
Smt. Neelima, IAS
Dr. A.K. Kundra, IAS (Retd.)
Shri D.C. Mehandru
Shri J.S. Mann

COMPANY SECRETARY

CS Sugandha Kukreja

BANKERS

Punjab National Bank
Punjab & Sind Bank

AUDITORS

M/s. Hari S. & Associates,
Chartered Accountants,
3228, Sector 15-D
Chandigarh - 160 015
Firm Registration No. 007709N

INTERNAL AUDITORS

M/s. Mukesh Raj & Co.
Chartered Accountants,
114, Sector 11-A,
Chandigarh-160011
Firm Registration No. 016693N

REGISTERED OFFICE

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

CIN

L24119CH1975PLC003607

WORKS

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

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Beetal Financial & Computer Services
Private Limited,
Beetal House, 3rd Floor, 99, Madangir,
Behind Local Shopping Centre,
New Delhi - 110 062

DEBENTURE TRUSTEE

IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17
R. Kamani Marg, Ballard Estate
Mumbai 400 001



DIRECTORS' REPORT

Your Directors submit their 43rd Annual Report together with the Audited Accounts for the financial year ended 31st March, 2018.

Financial Results

The financial results of the Company for the financial year ended 31st March, 2018 are summarised below :-

| | (Rs. in crores) | |
|--------------------------------------|-----------------|---------|
| | 2017-18 | 2016-17 |
| Sales Turnover & Other Income | 349.09 | 305.48 |
| Total Expenditure excluding | 324.50 | 318.21 |
| Finance Costs and Depreciation, etc. | | |
| Finance Costs | 20.29 | 3.50 |
| Cash Profit/(Loss) | 4.30 | (16.23) |
| Depreciation, etc. | 9.12 | 8.09 |
| Net Loss before tax | 4.82 | 24.32 |
| Provision for taxation | - | - |
| Net Loss after tax | 4.82 | 24.32 |

Members would be happy to note that the Net Sales Turnover of the Company at Rs.333.64 crores was higher by 24% as compared to Rs.268.10 crores in the preceding financial year due to higher production and higher net sales realisation. The Company has achieved higher capacity utilisation of 92% in the financial year under review as compared to 89% and higher combined average realisation per Electro-Chemical Unit (ECU) at Rs.38,277 (Net) as against the ECU of Rs. 31,757 (Net) during the previous year. The Company earned a Cash profit of Rs.4.30 crores during the year under review as compared to Cash loss of Rs.16.23 crores in the financial year 2016-17. In spite of reduction in power rates w.e.f. 1st January, 2018 by Punjab State Power Corporation Limited (PSPCL), the Company has incurred net loss of Rs. 4.82 crores during the year under review as against net loss of Rs. 24.32 crores due to provisioning of delayed payment surcharge on the deferment of power bills, provisioning of interest on Advance Consumption Deposit amounting to Rs.12.51 crores and write off of the amount of Rs.11.23 crores being service tax claimable on freight outward due to dismissal of appeal by CESTAT.

In view of the accumulated losses of the Company, the Directors regret their inability to recommend any dividend for the financial year 2017-18.

Finance and Corporate Debt Restructuring

Pursuant to the CDR Scheme approved by CDR EG and consent of Shareholders in the Annual General Meeting held on 29th September, 2016, the Company had issued and allotted a) 66,05,246 equity shares, b) 27,69,200 Fully Convertible Debentures (FCDs) and c) 4,06,000 Non Convertible Debentures (NCDs) to the CDR Lenders. These FCDs and NCDs are carrying coupon rate equivalent to base rate of IDBI Bank Limited i.e. 10% p.a. payable on six monthly basis. The FCDs shall be convertible into Equity shares of the Company on 1st July, 2020 at a price which shall be determined in accordance with SEBI ICDR Regulations, 2009 (as amended) and PACL shall have the first right of refusal for redemption before conversion of these FCDs into Equity Shares. The NCDs will be redeemed at par in six equal monthly installments from 1st July, 2020.

During the financial year under review, the Company did not raise funds by way of fixed deposits.

Current Operations and Outlook

Your Company has done extremely well in the first four months of the current financial year. The average capacity utilisation of the Plant was 103% as compared to 77% in the corresponding period of the preceding financial year. The combined average realisation in this period is Rs.40,000. The Provisional Net Profit (before tax) has been Rs.30 crores on a Sales Turnover of Rs.128.50 crores (Net) against a Net Loss (before tax) of Rs.1.50 crores on a Sales Turnover of Rs.100 crores in the corresponding period of the preceding financial year.

The Company has placed an order to M/s. Thyssenkrupp Industrial Solution (India) Pvt. Ltd. (Formerly M/s. UHDE), Germany for procurement of Generation 6 Electrolyzers and also hired their services for Detailed Engineering for modernization of its Plant Unit II which will reduce the power consumption with a consequential increase in production by 100 TPD and benefit the company by approx. Rs. 8.82 crores per annum. The Company has also placed an order to M/s. Hunan Kori Converters Co. Limited, China for supply of 2 Nos. Rectifier Transformer of its Plant Unit II. The new Rectifiers will give higher efficiency of 98% which will result in annual saving of Rs.5.40 crores (approx) per annum on account of power. The Company is also switching from Furnace oil to Coal / Rice Husk fired Boiler of its Plant, which will further save Rs. 30 lacs to Rs. 37 lacs per month.

The Company's endeavor to reduce costs continued. The major cost is on account of Power, which accounts for about 60% of the total cost of production.

The Directors are hopeful that the Company's efforts will lead to improvement in the performance of the Company in the financial year 2018-19.

Punjab Alkalies & Chemicals Limited

Adoption of Indian Accounting Standard (IND AS)

The Ministry of Corporate Affairs vide notification dated 16th February, 2015 made it mandatory in a phased manner for adoption and applicability of Indian Accounting Standards (IND AS) for companies other than Banking, Insurance and Non-Banking Finance Companies. Rule 4 of the Companies (Indian Accounting Standards) Rules 2015 specifies the classes of companies which shall comply with the IND AS in preparation of the financial statements. In accordance with clause (iii) of sub rule (1) of the Rule 4 of the Companies (Indian Accounting Standards) Rules 2015, the compliance of Indian Accounting Standards was applicable and mandatory to the company for the accounting period beginning from 1st April, 2017.

The financial statements for the year under review have been prepared in accordance with the IND AS including the comparative information for the year ended 31st March, 2017 as well as the financial statements on the date of transition i.e. 1st April, 2016.

Environment and Energy Conservation

The Company is committed to run its operations in an environment-friendly manner. The Company's endeavor is to take all possible measures towards maintaining safety and good housekeeping in its Plants. Online Monitoring System has been installed at Works as per requirement of Central Pollution Control Board. A Safety Audit of the Plant was got conducted during the financial year 2017-18 from the National Safety Council and its recommendations are being implemented.

The Company continues to place a great emphasis on energy conservation. The Company is getting the Energy Audit conducted on regular basis. The information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required to be disclosed pursuant to the provisions of Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014, is given in Annexure-I forming a part of this report.

Change in the nature of business

There is no change in the nature of business of the Company.

Listing

The Equity Shares of the Company are listed on the BSE Limited. The Annual listing fee for the year 2018-19 has been paid to the BSE Limited.

Human Resources

Your Company continues to develop and upgrade the skills of its human resources. The process of training and development of human resources continued. Industrial relations remain cordial and peaceful during the year.

The age of superannuation for existing employees of the Company will continue to remain at 60 years, however, those employees employed w.e.f. 17.10.2017 will retire at attaining the age of 58 years as ordered by Appellate Authority vide order dated 01.06.2018 while disposing of the appeal filed by the PACL Karamchari Sangh, Naya Nangal.

The Particulars of Employees and Managerial Remuneration under Section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are given in Annexure - II forming a part of this Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information will be available for inspection at the Registered Office of the Company during working hours. Members interested in obtaining the said information will be furnished the same upon receipt of request.

Policy on Sexual Harassment

The Company has Zero tolerance for Sexual Harassment at Workplace and has in place a "Policy on Sexual Harassment at Workplace" pursuant to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder. The Policy aims to provide protection to employees at the Workplace and prevent and redress complaints of sexual harassment and framed with the objective of providing a safe working environment, where employees feel secure. Internal Complaints Committee has been setup to redress complaints regarding sexual harassment. During the year under review, the Company has not received any complaint under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Corporate Governance

As per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report for the financial year 2017-18 is annexed herewith as Annexure - III forming a part of this report and the Corporate Governance Report for the financial year 2017-18 and Auditors' Certificate regarding compliance of conditions of Corporate Governance are also annexed. The provisions of section 135 of the Companies Act, 2013 in respect of Corporate Social Responsibility are not applicable to the Company in view of the losses of the Company.

Directors & Key Managerial Personnel

The Punjab State Industrial Development Corporation Limited (PSIDC) nominated Smt. Vini Mahajan, IAS as Director and Chairperson of the Company vice Shri Rakesh Kumar Verma, IAS w.e.f. 13th August, 2018. Consequently, Shri Rakesh Kumar Verma, IAS resigned as a Director of the Company w.e.f. 13th August, 2018. The Board of Directors of the Company has appointed Smt. Vini Mahajan, IAS, as Additional Director in the capacity of Chairperson of the Company w.e.f. 13th August, 2018.

The PSIDC had requested the Company to appoint Shri Rajat Agarwal, IAS, as an Additional Director on the Board of Directors of the Company and also take necessary steps to appoint him as Managing Director of the Company for the period of absence of Shri Amit Dhaka, IAS, Managing Director from State. Accordingly, the Board of Directors of the

Company had appointed Shri Rajat Agarwal, IAS, as an Additional Director of the Company on 22nd November, 2017. The Board of Directors of the Company also appointed Shri Rajat Agarwal, IAS, as the Managing Director of the Company for the period from 22nd November, 2017 to 10th December, 2017 for acting as the Managing Director of the Company during the absence of Shri Amit Dhaka, IAS, Managing Director from State. Shri Rajat Agarwal, IAS resigned as a Director of the Company w.e.f. 10th December, 2017. Shri Rajat Agarwal, IAS also ceased to be the Managing Director of the Company w.e.f. 10th December, 2017.

The PSIDC has nominated Smt. Neelima, IAS as its Nominee on the Board of Directors of the Company in place of Smt. Indu Malhotra, IAS. Smt. Indu Malhotra, IAS resigned as a Director of the Company w.e.f. 2nd August, 2018. Accordingly, the Board has appointed Smt. Neelima, IAS as Additional Director of the Company on 14th August, 2018.

Smt. Vini Mahajan, IAS and Smt. Neelima, IAS, hold office as Directors till the date of the ensuing Annual General Meeting. Notices in writing have been received from a member under Section 160 of the Companies Act, 2013, signifying their intention to propose at the ensuing Annual General Meeting the appointment of Smt. Vini Mahajan, IAS and Smt. Neelima, IAS as Directors of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation.

Shri Amit Dhaka, IAS, Managing Director of the Company, retires as Director by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

The Directors place on record their appreciation of the valuable contribution made by Shri Rakesh Kumar Verma, IAS, Shri Rajat Agarwal, IAS and Smt. Indu Malhotra, IAS.

The Board seeks approval of the Shareholders for Dr. A.K.Kundra, IAS (Retd.) and Shri D.C. Mehandru, who have attained the age of 75 years, to continue to hold office as Independent Directors of the Company, till the current tenure of their respective appointments, in line with Regulation 17 (1A) of the SEBI (LODR) (Amendment) Regulations, 2018.

The Board of Directors of the Company has appointed Shri Ajay Pal Singh as Chief Financial Officer of the Company on Contractual Basis for a further period of one year with effect from 6th June, 2018.

Audit Committee

The Audit Committee of the Board comprises of Shri D.C. Mehandru, Shri J.S. Mann and Shri Amit Dhaka, IAS, Managing Director with Shri D.C. Mehandru as its Chairman.

Risk Management Committee

The Board of Directors of the Company has constituted a Risk Management Committee to monitor and review the Risk Management Plan of the Company.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Directors confirm that:

- (i) In the preparation of the annual accounts for the financial year ended 31st March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments 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 and of the loss of the Company for the period under review;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts for the financial year ended 31st March, 2018 on a 'going concern' basis;
- (v) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- (vi) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Declaration of Independent Directors

All the Independent Directors have met requirements specified under Section 149 (6) of the Companies Act, 2013 regarding holding the position of 'Independent Director' and necessary Declaration from each Independent Director under Section 149(7) of the Act has been received. The Independent Directors have held a separate meeting during the year under review.

Related Party Transactions Policy

During the year under review, the Company has not entered into any arrangement or contract or transactions with related parties except the remuneration paid to the Key Managerial Personnel.

Vigil Mechanism and Whistle Blower Policy

The Board of Directors of the Company has in place the Policy on Vigil Mechanism and Whistle Blower. The same has also been placed on the Company's Website www.punjabalkalies.com.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an Annual Performance Evaluation of its own performance

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and all the Directors individually.

The evaluation of Non-Independent Directors, Chairman and the Board as a whole was done at a separate meeting by the Independent Directors.

Auditors

M/s. Hari S. & Associates, Chartered Accountants (Regn No.007709N), Statutory Auditors of the company, have been appointed by the shareholders in the Annual General Meeting held on 27th September, 2017 for a period of five years i.e. from the conclusion of 42nd Annual General Meeting until the conclusion of the 47th Annual General Meeting to be held in the year 2022, at such remuneration as may be fixed by the Board of Directors. Section 139 of the Companies Act, 2013 (the "Act") read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 required that the appointment of the statutory auditors will be subject to ratification by shareholders at every Annual General Meeting; but pursuant to the notification of the Central Government dated 7th May 2018, the ratification provision has been withdrawn. Consequently, the ratification of appointment of M/s. Hari S. & Associates as Statutory Auditors is not required.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

Cost Auditors

Section 148 of the Companies Act, 2013 pertaining to audit of Cost Records is applicable to the Company. Accordingly, the Board has, subject to the approval of the Shareholders, appointed M/s. J.K. Kabra & Co., Cost Accountants as Cost Auditors of the Company for conducting an audit of the cost accounting records of the Company in respect of the financial year 2018-19.

Secretarial Audit

M/s. A. Arora & Co., Practising Company Secretaries, were appointed as Secretarial Auditors of the Company for the Financial Year 2017-18. Their Secretarial Audit Report of the Company for the financial year ended 31st March, 2018 is annexed as Annexure-IV to this Report. The Report does not contain any qualification. M/s. A. Arora & Co., Practising Company Secretaries were reappointed as Secretarial Auditors of the Company for the Financial Year 2018-19.

Annual Return

Pursuant to the provisions of Section 134 (3) (a) and 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT-9 is annexed as Annexure -V to this Report and is also placed on the website of the Company www.punjabalkalies.com.

Acknowledgements

The Directors wish to thank the Central and State Governments, Financial Institutions, Punjab State Industrial Development Corporation Limited, Punjab State Power Corporation Limited, Company's Bankers and Business Constituents for their continued cooperation and support to the Company.

The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitments and continued contribution to the Company.

For and on behalf of the Board

Sd/-
(VINI MAHAJAN)
Chairperson

Place : Chandigarh
Date : August 14, 2018



ANNEXURE – I TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo pursuant to the provisions of Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the financial year ended 31st March, 2018.

| Energy Consumption and Conservation | 2017-18 | 2016-17 |
|--|----------------|----------------|
| A. Power and Fuel Consumption | | |
| 1. Electricity | | |
| (a) Purchased | | |
| (i) From Punjab State Power Corporation Limited | | |
| Units (lacs KWH) | 2362.87 | 1718.57 |
| Total Amount (Rs.in lacs) | 18839.79 | 14623.96 |
| Rate / Unit (Rs.) (incl. surcharge) | 7.97 | 8.51 |
| (ii) From Other Sources through Indian Energy Exchange | | |
| Units (lacs KWH) | - | 637.05 |
| Total Amount (Rs.in lacs) | - | 3538.62 |
| Rate / Unit (Rs.) | - | 5.55 |
| (iii) Total | | |
| Units (lacs KWH) | 2362.87 | 2355.62 |
| Total Amount (Rs.in lacs) | 18839.79 | 18162.58 |
| Rate / Unit (Rs.) (incl. surcharge) | 7.97 | 7.71 |
| (b) Own Generation | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace Oil/LDO/HSD | | |
| Quantity (K. litres) | 1934.812 | 1755.06 |
| Total Amount (Rs.in lacs) | 538.81 | 453.10 |
| Average Rate (Rs. per K.litre) | 27848.18 | 25816.68 |
| 4. Others | Nil | Nil |
| B. Consumption per Unit of Caustic Soda Produced | | |
| 1. Electricity (KWH) | | |
| - Caustic Soda Lye | 2596 | 2667 |
| - Additional Consumption for conversion to Caustic Soda Flakes | Nil | Nil |
| 2. Furnace Oil/LDO/HSD (ltrs.) | | |
| - For Caustic Soda Lye | 21.25 | 19.88 |
| - Additional Consumption for conversion to Caustic Soda Flakes | Nil | Nil |

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 is replacing Electrolyzers with latest Generation 6 technology and 2 Nos. Rectifier Transformer of its Plant Unit II which will increase the plant efficiency and reduction in power consumption per unit of Caustic Soda Lye. The Company is also switching from Furnace oil to Coal / Rice Husk fired Boiler of its Plant to reduce steam cost.

Research and Development

The Research & Development effort of the Company continued to be directed towards 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. 326.27 lacs on account of imported Raw Materials, Stores & Spares and Membranes.

For and on behalf of the Board

Place : Chandigarh
Date : August 14, 2018

Sd/-
(VINI MAHAJAN)
Chairperson

ANNEXURE - III TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE FINANCIAL YEAR 2017-18

Caustic Soda Industry

Caustic Soda Industry worldwide has witnessed healthy demand growth and tight Caustic Soda supply during the year 2017-18 due to temporary closure of manufacturing plants in Europe and China. In India, consumption of Caustic Soda and Chlorine is expected to show 5-8 % growth over the medium term. With healthy performance in recent years and expectations of an increase in demand by key consuming sectors, the Industry may likely to witness some capacity additions. The imports are in declining trend, is a good sign for industry operating rates improving and more of domestic supplies being utilized. Domestic Industry is capable of meeting demand in the country, but with the limiting demand of Chlorine, caustic production is restricted. Industry need to work in direction of enhancing Chlorine utilization. Although domestic consumption of chlorine is yet to develop, healthy prospects of exports for chlorine derivatives will be the driver for Chlorine demand growth. In this Scenario, Chlor Alkali industry in India is looking forward to a bright future and industry need to focus on improving process efficiency through sharing and learning on new developments, emerging technologies and initiatives in chlor-alkali processes.

At present, there are about 35 Caustic Soda Units in operation in India having a total operational installed capacity of about 37 lac M.T. per annum.

Caustic Soda and Chlorine are produced as co-products in the ratio of 1:0.88. The growth of this Industry is highly correlated to the GDP in the Country. Caustic Soda is used in Alumina, Paper, Textiles, Detergents, Soaps, Fertilizers, Refineries, Pharmaceuticals Industries etc. and Chlorine is used in CPW, Chloromethane, PVC, Pulp & Paper, Pesticides, Water Purification, etc. The demand of both the products are linked to the Indian GDP group because these products are considered as the building blocks of various other Industries. Caustic Soda prices are influenced by import parity alongwith domestic demand - supply situations and Chlorine prices are driven only by local demand supply factors and the import of Chlorine derivatives.

Performance

The Company's production of Caustic Soda Lye was 91029 M.T. at capacity utilisation of the plant at 92% during the financial year 2017-18 as against production of 88301 M.T. at capacity utilisation of 89% during the financial year 2016-17. In the financial year 2017-18, the combined net average realisation at Rs.38,277 per M.T. of Caustic Soda as compared to Rs. 31,757 per M.T. of Caustic Soda during the preceding financial year. The Sales Turnover during the financial year under review was Rs.342.02 crores as against Rs.302.77 crores in the preceding financial year. The Company has incurred a Net Loss of Rs. 4.82 crores in the financial year 2017-18 because of provisioning of delayed payment surcharge on the deferment of power bills, provisioning of interest on Advance Consumption Deposit (ACD) amounting to Rs.12.51 crores and the write off of the amount of Rs.11.23 crores being service tax claimable on freight outward due to dismissal of the Appeal by CESTAT.

Marketing

The product-wise Sales of the Company are given below:

| Product | Sales | |
|---------------------|----------------------------|-----------------------|
| | Quantity | Value (Rs. in crores) |
| Caustic Soda Lye | 87163 M.T. | 327.40 |
| Liquid Chlorine | 66048 M.T. | 0.00 |
| Hydrochloric Acid | 47891 M.T. | 2.18 |
| Sodium Hypochlorite | 17426 M.T. | 7.64 |
| Hydrogen Gas | 28.68 Lacs NM ³ | 4.85 |

The combined net average sales realisation of all the products has been Rs. 38,277 per M.T. of Caustic Soda during the financial year 2017-18 as compared to Rs. 31,757 in the preceding financial year.

Opportunities

The Company's two Caustic Soda Plants are located in its Works Complex at Naya Nangal, District Ropar, Punjab in close vicinity of a State Highway and around 12 Kms. from the Bhakra Left Bank Power Generating Station and about 2.5 Kms. from Sutlej River. The Company has locational advantages of availability of uninterrupted Power supply – a major input, perennial source of water, skilled labour and close proximity to road/rail and the presence of several end-user Units in industries like paper, fertilizers, soaps and detergents, etc. in its natural marketing vicinity. The Company is supplying Hydrogen Gas to Hydrogen Compressing & Bottling Unit situated near the Work's Complex of the Company and is also utilising Hydrogen as a fuel, which result in a considerable improvement of utilisation of its bye-product Hydrogen Gas. The Company is also supplying Chlorine through pipe line to Chlorinated Paraffin Wax (CPW) Plant in Company's Plant Complex due to which bottleneck of Chlorine disposal has been removed resulting in more production of Caustic Soda Lye.



Threats

The Chlor-Alkali Industry is a power-intensive industry. The Company's power costs account for about 60% of its total cost of production. A hike in power tariff for the power supplied by the Punjab State Power Corporation Limited (PSPCL) and imposition of restriction on purchase of power under Open Access System constitute threats to the Company's operations. The other possible threats are increase in other input costs and expansion of installed capacities in Indian Caustic Soda Industry. On the international front, the Chlorine is main product but in India the Caustic Soda is the driving product, resulting in heavy competition due to import of Caustic Soda at lower rates. Moreover, discontinuation of levy of anti-dumping duty on the import of Caustic Soda from some countries will be a threat to Caustic Soda Industry in India. The Competitors are having their own Power Plants with low power cost resulting in low cost of production. They are expanding their capacities thereby increasing their market share.

Outlook

The combined average realisation is expected to improve. The recent reduction in power rates by Punjab State Power Corporation Limited (PSPCL) has reduced the cost of production. Modernisation of Company's Plant with Electrolyzers of Generation 6 Technology from M/s. Thyssenkrupp Industrial Solution (India) Pvt. Ltd. (Formerly M/s. UHDE), Germany will reduce the power consumption with consequential increase in production capacity by 100 TPD and benefit the company by approx. Rs.8.82 crores per annum and Replacement of 2 Nos. Rectifier Transformer of its Plant Unit II from M/s. Hunan Kori Converters Co. Limited, China will give higher efficiency of 98% which will result in annual saving of Rs.5.40 crores (approx) per annum on account of power. The Company is also switching from Furnace oil to Coal /Rice Husk fired Boiler of its Plant, which will result in further saving of Rs. 30 lacs to Rs. 37 lacs per month.

The Company is optimistic about a better performance.

Risks and Concerns

The major areas of concern for the Company are hike in power tariff, safety as producing hazardous Chemicals, rise in other input cost and to maintain quality, technical competence, distribution channels etc. as working in competitive market. Dumping of Caustic Soda from neighbouring countries might impact realisations of the Electrochemical unit (ECU).

Risk Management

Risks are probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action. Risk management is the identification, assessment, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events or to maximise the realisation of opportunities. The Company has in place Risk Assessment and Minimisation Procedures to identify, assess and mitigate business risks. Risk Assessment and Minimisation Procedures of the Company are reviewed periodically to ensure that these reflect the current potential risks to its business. The Company has identified (1) Cost of Power-Being Power Intensive Industry and being dependent for the same on Punjab State Power Corporation Limited, (2) Production of Hazardous Chemicals-Caustic Soda and Chlorine, (3) Risk of Loss of production due to breakdown of Plant & Machinery- Plant being old and (4) Locational Disadvantage -Plant at Naya Nangal being quite far off from source of major Raw Material i.e. Industrial Salt, as Major Internal Risks besides (1) Ongoing Expansion in Caustic Soda Capacity and (2) Advancement in technology as major External Risk. The Board of Directors of the Company has constituted a Risk Management Committee to monitor and review the Risk Management Plan of the Company.

Internal Control Systems

The Company has adequate internal control systems commensurate with its size and nature of its business. The internal control is supplemented by internal audits conducted by the Internal Auditors of the Company. The reports of the Internal Auditors are reviewed by the Management and the Audit Committee of the Board of Directors. The adequacy of the internal control systems is also examined by the Statutory Auditors of the Company. Internal Controls over financial reporting were evaluated by Independent Consultants and no reportable material weakness in the design or operation was observed.

Human Resources

The Company considers its human resources to be a key thrust area. The Company has always stood by its commitment of harnessing and developing its human resources. The process of training and development of human resources continued. The industrial relations remained cordial during the financial year under review. The Company had 408 employees (including 19 employees on deputation to the Punjab Small Industries and Export Corporation Limited) as on 31st March, 2018.

Cautionary Statement

The statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand-supply, finished goods prices, power and raw materials costs and availability, power wheeling charges and restrictions, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

For and on behalf of the Board
Sd/-

(VINI MAHAJAN)
Chairperson

Place : Chandigarh
Date : August 14, 2018