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Punjab Alkalies & Chemicals Limited

ANNUAL REPORT 2016-17

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Punjab Alkalies & Chemicals Limited

BOARD OF DIRECTORS

Shri Rakesh Kumar Verma, IAS, Chairman
Shri Amit Dhaka, IAS, Managing Director
Smt. Indu Malhotra, 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. S. Tandon & Associates,
Chartered Accountants,
S.C.O. 201-203, 3rd Floor, Sector 34-A,
Chandigarh - 160 022
Firm Registration No. 006388N

M/s. A.K. Sood & Associates,
Chartered Accountants,
S.C.O. 126-127, 2nd Floor, Sector 8-C,
Chandigarh - 160 008
Firm Registration No. 000072N

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 42nd Annual Report together with the Audited Accounts for the financial year ended 31st March, 2017.

Financial Results

The financial results of the Company for the financial year ended 31st March, 2017 are summarised below :-

	(Rs. in crores)	
	2016-17	2015-16
Sales Turnover & Other Income	305.48	277.87
Total Expenditure excluding	321.82	280.04
Finance Costs and Depreciation, etc.		
Finance Costs	3.50	4.64
Cash Profit /(Loss)	(19.84)	(6.81)
Depreciation, etc.	7.81	7.44
Net Loss before tax	27.66	14.25
Provision for taxation	-	-
Net Loss after tax	27.66	14.25

Your Directors report that during the year under review, the Gross Sales of the Company has increased by 11% vis-à-vis previous year due to higher production, the Company has achieved better capacity utilisation of 89% in the financial year under review as compared to 82% and higher combined average realisation per Electro-Chemical Unit (ECU) at Rs.35,864 as against the ECU of Rs. 35,107 during the previous year. In spite of the above favorable factors, the Company has incurred net loss of Rs. 27.66 crores for the year under review as against Rs. 14.25 crores during the previous year due to the reasons beyond control viz. a) provisioning of surcharge and interest amount on deferment of power bills, b) major critical repairs carried out in Plant, c) provision of gratuity and leave encashment consequent upon wage revision and on account of decrease in discount rate as per actuarial valuation. The Company has saved about Rs.6 crores only as compared to Rs.10 crores during the financial year 2015-16 as a result of purchase of part of power at cheaper rates through Indian Energy Exchange under Open Access System as Punjab State Power Corporation Limited (PSPCL) has imposed restrictions on purchasing of Power under Open Access System w.e.f. September, 2016.

In view of the accumulated losses of the Company, the Directors regret their inability to recommend any dividend for the financial year 2016-17.

Finance and Corporate Debt Restructuring

The CDR Empowered Group had approved the proposal of the Company for One Time Settlement (O.T.S.) of the outstanding Term Loans and Non Convertible Debentures and sanctioned Working Capital Facilities as on 1st April, 2012 on 100% principal basis with a cut-off date of 15th November, 2012. The final tranche of O.T.S. amount had fallen due on 1st April, 2015. The Company could not make the payment of the same on due date. At the request of the Company, the CDR Empowered Group (CDR EG) had modified the terms & conditions of terminal payment of the CDR approved One Time Settlement (OTS) Scheme at its meeting held on 29th September, 2015, which was further amended from time to time. 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) i) 66,05,246 equity shares of Rs.10/- each at a price of Rs. 22.95/- each on preferential basis and ii) 27,69,200 Fully Convertible Debentures (FCDs) of Rs.100/- each by way of preferential allotment, to the CDR Lenders upon conversion of their outstanding terminal payment and b) 4,06,000 Non Convertible Debentures (NCDs) of Rs. 100/- each by way of preferential allotment to the CDR Lenders to the extent of Mark to Market loss in respect of fresh equity issued by PACL. These FCDs and NCDs are carrying coupon rate equivalent to base rate of IDBI Bank Limited i.e. 10% p.a. payable six monthly basis.

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

The Company has become a Sick Industrial Company within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and a reference made to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the SICA was registered as BIFR Case No. 152/2015. However, pursuant to the Notifications S.O.3568(E) & S.O. 3569(E) dated 25th November, 2016 issued by the Ministry of Finance, SICA has been repealed with effect from 1st December, 2016 and all references or inquiry pending before BIFR and/or AAIFR have abated. Accordingly, the reference of the Company to BIFR stands abated.

Current Operations and Outlook

During the first Four Months of the current financial year, combined average realisation was Rs.41,200 as compared to Rs. 36,660 in the corresponding period of the preceding financial year. The average capacity utilisation of the Plant was 77% as against 91%. The Sales Turnover was Rs.100.00 crores (Gross) with a Provisional Net Loss (before tax) of Rs.1.50 crores as against Sales Turnover of Rs.104.00 crores (Gross) with a Net Loss (before tax) of Rs.1.70 crores in the corresponding period of the preceding financial year.

The Company has suffered a loss of around Rs. 10 crores in damage of membranes/ other equipments due to Explosion in PACL plant on 9th May, 2017 and Plant was under breakdown from 10th May, 2017 to 31st May, 2017 which resulted in production loss. The Loss is covered under Insurance Policy and the expenditure will be reimbursed by Insurance Company. The Company is continuing its efforts to reduce its costs and increase its revenues. The major input cost i.e.

Punjab Alkalies & Chemicals Limited

Power cost constitutes about 60% of the total production cost. The Government of Punjab has made announcement to reduce the Cost of Power which will benefit the Company in the coming years.

The Company has replaced the Membranes of its Plant Unit-I and Unit-II and the Anodes and Cathodes recoated in Electrolysers of its Plant Unit-I. This has resulted in reduction in power consumption per unit of Caustic Soda Lye and also lead to increase in capacity utilisation.

In view of the Company having become a Sick Industrial Company, the Company had requested the Department of Industries & Commerce, Government of Punjab to provide similar concessions to PACL as are being provided to New Industries like exemption of electricity duty, PIDC (Punjab Infrastructure Development Cess), Octroi etc.

The Government of Punjab has taken a decision to disband the Transport Unions in the State of Punjab. The Company will be benefitted on account of this decision of the Government once implemented.

The Company is planning to reduce the age of superannuation of its employees from 60 years to 58 years. In this regard, the Company has requested the Labour Department, Punjab for amendment in Standing Orders of the Company under the provisions of Section 3 read with Section 10 of the Industrial Employment (Standing Orders) Act, 1946.

In view of the above, the Directors are hopeful of improvement in the Company's financial position in the days to come.

Environment and Energy Conservation

The Company's endeavor has always to accord high priority to carry out its operations in an environment-friendly fashion and has been taking appropriate pollution control and safety measures. 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 2016-17 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 2017-18 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 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 adopted a "Policy on Sexual Harassment at Workplace" in accordance with the provisions of the 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. 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 2016-17 is annexed herewith as Annexure III forming a part of this report and the Corporate Governance Report for the financial year 2016-17 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 Shri D.P. Reddy, IAS as Director and Chairman of the Company vice Shri Anirudh Tewari, IAS w.e.f. 26th April, 2017. Consequently, Shri Anirudh Tewari, IAS resigned as a Director of the Company w.e.f. 26th April, 2017. The Board of Directors of the Company has appointed Shri D.P. Reddy, IAS, as Additional Director of the Company w.e.f. 26th April, 2017.



The PSIDC nominated Shri Rakesh Kumar Verma, IAS as Director and Chairman of the Company vice Shri D.P. Reddy, IAS w.e.f. 30th June, 2017. Consequently, Shri D.P. Reddy, IAS resigned as a Director of the Company w.e.f. 30th June, 2017. The Board of Directors of the Company has appointed Shri Rakesh Kumar Verma, IAS, as Additional Director in the capacity of Chairman the Company w.e.f. 30th June, 2017.

The PSIDC nominated Shri Moneesh Kumar, PCS as its Nominee Director on the Board of Directors of the Company in place of Shri Amit Dhaka, IAS w.e.f. 2nd January, 2017. Shri Amit Dhaka, IAS resigned as a Director as well as Managing Director of the Company w.e.f. 2nd January, 2017. The Board of Directors of the Company has appointed Shri Moneesh Kumar, PCS, as Additional Director of the Company w.e.f. 2nd January, 2017 and has also appointed him as the Managing Director of the Company for a period of five years w.e.f. 2nd January, 2017.

The PSIDC nominated Shri Amit Dhaka, IAS as its Nominee Director on the Board of Directors of the Company in place of Shri Moneesh Kumar, PCS w.e.f. 20th March, 2017. Shri Moneesh Kumar, PCS resigned as a Director as well as Managing Director of the Company w.e.f. 20th March, 2017. The Board of Directors of the Company has appointed Shri Amit Dhaka, IAS, as Additional Director of the Company w.e.f. 20th March, 2017 and has also appointed him as the Managing Director of the Company for a period of five years w.e.f. 20th March, 2017. The Directors feel that the Company will benefit tremendously from his rich experience.

Shri Rakesh Kumar Verma, IAS and Shri Amit Dhaka, 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 Shri Rakesh Kumar Verma, IAS and Shri Amit Dhaka, IAS as Directors of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation.

Smt Indu Malhotra, IAS, Director of the Company, retires as Director by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

The Directors place on record their appreciation of the valuable contribution made by Shri Anirudh Tewari, IAS, Shri D.P. Reddy, IAS and Shri Moneesh Kumar, PCS.

During the year under view, Shri Pradeep Nauharia, resigned as Company Secretary & Sr. General Manager (Co. Affairs) with effect from 19th October 2016. The Board of Directors of the Company had appointed CS Sugandha Kukreja as Company Secretary and Compliancy Officer of the Company with effect from 20th October, 2016.

The Board of Directors of the Company had appointed Shri Ajay Pal Singh as Chief Financial Officer of the Company on 24th May, 2017 on Contractual Basis for a further period of one year with effect from 6th June, 2017.

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, 2017, 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, 2017 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.

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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 had adopted the Vigil Mechanism and Whistle Blower Policy of the Company. 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 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. S. Tandon & Associates, Chartered Accountants (Regn. No. 006388N) and M/s. A.K. Sood & Associates, Chartered Accountants (Regn. No. 000072N), had been appointed as Auditors of the Company in the 39th Annual General Meeting (AGM) held on 29th September, 2014 for a period of 3 (Three) years in terms of provisions of Section 139 of the Companies Act, 2013 to hold office from the 39th AGM to the 42nd AGM in the year 2017 (subject to ratification by the members at every Annual General Meeting). Accordingly, the tenure of M/s. S. Tandon & Associates, Chartered Accountants and M/s. A.K. Sood & Associates, Chartered Accountants as Auditors of the Company shall conclude in the ensuing Annual General Meeting. The Board of Directors place on record their appreciation for the services rendered by M/s. S. Tandon & Associates, Chartered Accountants and M/s. A.K. Sood & Associates, during their tenure as Auditors of the Company.

Further, the Board recommends the appointment of M/s Hari S. & Associates, Chartered Accountants (Regn No.007709N) as Auditors of the Company in place of retiring auditors M/s. S. Tandon & Associates, Chartered Accountants and M/s. A.K. Sood & Associates Chartered Accountants, in terms of provisions of Section 139 of the Companies Act, 2013 for the approval of members in the ensuing Annual General Meeting, to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the fifth consecutive Annual General Meeting in the year 2022 (subject to the ratification by members at every Annual General Meeting). Certificate from the proposed auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013.

Cost Auditors

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 2017-18.

Secretarial Audit

M/s. A. Arora & Co., Practising Company Secretaries, were appointed as Secretarial Auditors of the Company for the Financial Year 2016-17. Their Secretarial Audit Report of the Company for the financial year ended 31st March, 2017 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 2017-18.

Extract of Annual Return

Pursuant to Section 134 (3)(a) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return in Form MGT-9 is annexed as Annexure-V to this Report.

Acknowledgements

Your Directors place on record their appreciation of the cooperation and support extended by the Central and State Governments, Financial Institutions, Punjab State Industrial Development Corporation Limited, Punjab State Power Corporation Limited, Company's Bankers and esteemed customers.

Your Directors also acknowledge the valuable contribution made by the members of management team, staff and work-force.

Place : Chandigarh
Date : August 16, 2017

For and on behalf of the Board
Sd/-
(RAKESH KUMAR VERMA)
Chairman



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, 2017.

Energy Consumption and Conservation	2016-17	2015-16
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
(i) From Punjab State Power Corporation Limited		
Units (lacs KWH)	1718.57	1014.94
Total Amount (Rs.in lacs)	14623.96	8753.30
Rate / Unit (Rs.)	8.51	8.62
(ii) From Other Sources through Indian Energy Exchange		
Units (lacs KWH)	637.05	1211.70
Total Amount (Rs.in lacs)	3538.62	7325.46
Rate / Unit (Rs.)	5.55	6.05
(iii) Total		
Units (lacs KWH)	2355.62	2226.64
Total Amount (Rs.in lacs)	18162.58	16078.76
Rate / Unit (Rs.)	7.71	7.22
(b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil/LDO/HSD		
Quantity (K. litres)	1755.06	1059.69
Total Amount (Rs.in lacs)	453.10	231.94
Average Rate (Rs. per K.litre)	25816.68	21887.53
4. Others	Nil	Nil
B. Consumption per Unit of Caustic Soda Produced		
1. Electricity (KWH)		
- Caustic Soda Lye	2667	2731
- Additional Consumption for conversion to Caustic Soda Flakes	Nil	Nil
2. Furnace Oil/LDO/HSD (ltrs.)		
- For Caustic Soda Lye	19.88	13.00
- 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 has replaced the Membranes of its Plant Unit-I and Unit-II and the Anodes and Cathodes recoated in the Electrolysers of its Plant Unit-I. This has lead to increase in plant efficiency and reduction in power consumption per unit of Caustic Soda Lye.

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. 350.04 lacs on account of imported Raw Materials, Stores & Spares and Membranes.

For and on behalf of the Board

Place : Chandigarh
Date : August 16, 2017

Sd/-
(RAKESH KUMAR VERMA)
Chairman

Punjab Alkalies & Chemicals Limited

ANNEXURE - III TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE FINANCIAL YEAR 2016-17

Caustic Soda Industry in India

At present, there are about 35 Caustic Soda Units in operation in the Country having a total operational installed capacity of about 37 lac M.T. per annum. The Caustic Soda and Chlorine are produced as Co-Products in the ratio of 1:0.88. Caustic Soda is used in Alumina, Paper, Textiles, Detergents, Soaps, Pharmaceuticals Industries etc. and Chlorine is used in CPW, Chloromethane, PVC, Pulp & Paper, Pesticides, Water Purification, etc. The growth of this Industry is highly correlated to the GDP in the Country. The demand of the both the products are linked to the Indian GDP group because these products are considered as the building blocks of various other Industries. The domestic demand for Caustic Soda and Chlorine in 2016-17 is estimated to be about 36 lacs TPA and 29 lacs TPA respectively. The prices of Caustic Soda are influenced by import parity alongwith domestic demand - supply situations. The prices of Chlorine are driven only by local demand supply factors and the import of Chlorine derivatives.

The capacity Utilisation of Caustic Soda Industry viz-a-viz PACL for the last five years is as follows:

Year	2011-12	2012-13	2013-14	2014-15	2015-16
PACL	89	96	90	93	82
Caustic Soda Industry	82	81	79	81	84

Performance

During the financial year 2016-17, the Company's production of Caustic Soda Lye was 88301 M.T. as against 81517 M.T. in the last financial year 2015-16. The capacity utilisation of the Company's plant at 89% in the financial year under review is higher as compared to 82% during the financial year 2015-16. In the financial year 2016-17, the combined average realisation at Rs.35864 per M.T. of Caustic Soda as compared to Rs.35107 per M.T. of Caustic Soda during the preceding financial year. The Sales Turnover during the financial year under review was Rs.302.77 crores as against Rs.272.54 crores in the preceding financial year. This year, the Company has achieved a saving of about Rs.6 crores only as compared to previous year saving of Rs.10 crores as a result of purchase of part of power at cheaper rates through Indian Energy Exchange under Open Access System due to restrictions imposed by PSPCL on purchase of power through Indian Energy Exchange under Open Access System since September, 2016. The Company has incurred a Net Loss (after tax) of Rs.27.66 crores in the financial year 2016-17 because of provisioning of surcharge and interest amount on deferment of power bills, major critical repairs of Plant and additional provisioning of gratuity and leave encashment consequent upon wage revision and on account of decrease in discount rate as per actuarial valuation.

Marketing

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

Product	Sales	
	Quantity	Value (Rs. in crores)
Caustic Soda Lye	84423 M.T.	274.34
Liquid Chlorine	63348 M.T.	9.38
Hydrochloric Acid	46512 M.T.	5.44
Sodium Hypochlorite	18452 M.T.	8.25
Hydrogen Gas	26.98 Lacs NM ³	5.36

The combined average sales realisation of all the products has been Rs.35,864 per M.T. of Caustic Soda during the financial year 2016-17 as compared to Rs.35,107 in the preceding financial year.

Opportunities

The Company has locational advantages as its Caustic Soda Plants are situated in its Complex at Naya Nangal, District Ropar, Punjab, which is close to a State Highway and about 12 Kms. from the Bhakra Left Bank Power Generating Station and about 2.5 Kms. from River Sutlej. These include the availability of uninterrupted Power- a crucial input, continuous water source, skilled labour and proximity to rail/road besides the existence of various end-user Units in industries like paper, fertilizers, soaps and detergents, etc. in its natural marketing zone. The Company is also supplying Hydrogen Gas to two Hydrogen Compressing & Bottling Units adjoining the Company's Plant Complex. The Company is also utilising Hydrogen as a fuel, resulting in gainful utilisation of this by-product.

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. 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 Government of India continued the levy of anti-dumping duty on the import of Caustic Soda from some countries in order to curb the unhealthy competition from overseas. The Cost of Power is likely to get reduced as committed by Government of Punjab which will result in low cost of production. The Punjab Government has disbanded the Transport Unions across the States which was earlier major threat for the Company. The Company is expectant to get huge gain on account of this. The company is planing to reduce the age of superannuation of its employees from 60 years to 58 years. In this regard, the company has requested the Labour Department, Punjab for amendment in Standing Orders of the Company under the provisions of section 3 read with Section 10 of the Industrial Employment (Standing Orders) Act, 1946. This will likely to reduce the employee cost in PACL and ultimately benefit the company financially.

The Company is optimistic about a better performance.

Risks and Concerns

The major concerns for the Company are increase in power wheeling charges, restrictions imposed by PSPCL on purchase of power under Open Access System, rise in other input costs, import of Caustic Soda at cheaper rates, expansion of installed capacities in the domestic Caustic Soda Industry and maintaining the production of Caustic Soda while demand of Chlorine decreases.

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 - resulting in imbalance in Demand and Supply and (2) Advancement in Technology -Company not being in a position to upgrade due to financial constraints as Major External Risks. 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 lays due emphasis on sound human resource management practices and appraisal systems with focus on cordial employer-employee relations to ensure higher level of productivity and operational efficiency. Adequate Initiatives have been taken to strengthen and develop its human resources as a key strength through continuous training inputs and focused development plans. During the financial year under review, the industrial relations continued to be cordial. As on 31st March, 2017, the Company had 410 employees (including 21 employees on deputation to Punjab Small Industries and Export Corporation Limited).

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/-
(RAKESH KUMAR VERMA)
Chairman

Place : Chandigarh
Date : August 16, 2017