

Punjab Alkalies & Chemicals Limited

NOTICE

Notice is hereby given that an **Extra-Ordinary General Meeting** of the Members of **Punjab Alkalies & Chemicals Limited** will be held in **National Institute of Technical Teachers' Training and Research Auditorium, NITTR Complex, Sector 26, Chandigarh** on **Saturday, the 24th September, 2011 at 12.00 hours** to transact the following business:-

As Special Business

1. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that the Report of Board of Directors to the Members pursuant to Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 regarding the erosion at the end of the financial year ended 31st March, 2011 of more than fifty percent of the peak net worth of the Company during the immediately preceding four financial years and the reasons for the same, be and is hereby received, considered, approved and adopted."

By Order of the Board of Directors

Registered Office:
S.C.O.125-127,
Sector 17-B,
Chandigarh-160 017
Dated : August 12, 2011

Sd/-
(PRADEEP NAUHARIA)
Company Secretary &
Sr. Gen. Manager (Co. Affairs)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY (BLANK FORM ENCLOSED) DULY STAMPED, COMPLETED AND SIGNED SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business at item No.1 is annexed. The Report of Board of Directors to the Members pursuant to Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 is also annexed.
3. Members are requested to bring with them the attendance slip sent with the Notice duly completed and signed and hand it over at the entrance.
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 1

The Report of Board of Directors to the Members pursuant to Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 regarding the erosion at the end of the financial year ended 31st March, 2011 of more than fifty percent of the peak net worth of the Company during the immediately preceding four financial years and the reasons for the same, is annexed and is being placed before the Members for their consideration at the Extra-Ordinary General Meeting in terms of Section 23(1) of the said Act.

The Directors recommend the Resolution for the approval of the members.

None of the Directors, is in any way, concerned or interested in the Resolution.

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S.C.O.125-127,
Sector 17-B,
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Dated : August 12, 2011

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Sd/-
(PRADEEP NAUHARIA)
Company Secretary &
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REPORT OF BOARD OF DIRECTORS TO THE MEMBERS PURSUANT TO SECTION 23(1) (b) OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

As the members are aware, the Company had achieved profits in six successive financial years i.e. financial years 2003-04 to 2008-09 and was able to wipe out its entire accumulated losses. However, the Company incurred Net Losses (after tax) of Rs.22.41 crores and Rs.24.28 crores in the financial years 2009-10 and 2010-11, respectively due to factors over which the Company had virtually no control. As a result of the same, the accumulated losses of the Company at the end of the financial year ended 31st March, 2011 amounting to Rs.44.02 crores have resulted in erosion of more than fifty percent of its peak net worth of Rs.57.39 crores (as on 31st March, 2009) during the immediately preceding four financial years.

The Company's operations remained under tremendous pressure during the said two financial years 2009-10 and 2010-11 due to uncontrollable factors of excess capacity and surplus supply position in the Chlor-Alkali Industry, cheaper imports and the consequent lower combined average sales realisations of the Caustic Soda and other co-products and escalating production costs. These accompanied by the technical disruptions in the Plant operations coupled with the high finance costs and the high input costs, aggravated by the upward revisions in the power tariff by the Punjab State Electricity Regulatory Commission (PSERC) w.e.f. 1st April, 2009 and 1st April, 2010, discontinuation of H.T. rebate by the PSERC w.e.f. 1st April, 2010 and increase in the rate of electricity duty from 10% to 13% w.e.f. 1st April, 2010 by the Government of Punjab, the burden of all of which could not be absorbed by the market, led to losses in the said two financial years 2009-10 and 2010-11. The same have resulted in accumulated losses of Rs.44.02 crores at the end of the financial year ended 31st March, 2011 and the consequent erosion at the end of the financial year ended 31st March, 2011 of more than fifty percent of Company's peak net worth during the immediately preceding four financial years.

The Company has been making continuous efforts to reduce costs. The Caustic Soda Industry is a capital-intensive and power-intensive industry. At the request of the Company, the Corporate Debt Restructuring (CDR) Empowered Group of CDR Cell, had restructured the debt liabilities of the Company in January, 2003 and has thereafter revised, reworked and modified the same from time to time. However, the finance costs still continued to be high. The power costs of the Company constitute more than 60% of the total cost of production. The Company has replaced the Membranes in two Electrolysers of its Plant Unit-I and one Electrolyser of its Plant Unit-II and got the Anodes and Cathodes recoated in two Electrolysers of its Plant Unit-II, at a cost of about Rs.6.50 crores during the financial years 2009-10 and 2010-11. These resulted in reduction in power consumption per unit of Caustic Soda Lye and increase in capacity utilisation in the financial year 2010-11. The Company has been endeavouring to purchase a maximum portion of its power requirements at cheaper rates through Indian Energy Exchange (IEX) under Open Access System since 19th December, 2010, which led to savings in power costs to the tune of about Rs.3.95 crores in the period from 19th December, 2010 to 31st March, 2011 and to the extent of about Rs.5.75 crores during the period from 1st April, 2011 to 31st July, 2011.

The performance of the Company in the first Four Months ended 31st July, 2011 of the current financial year 2011-12 has been encouraging with the combined average realisation going up from Rs.25,600 per Electro-Chemical Unit (ECU) in the financial year 2010-11 to Rs.30,300 per ECU during the said Four Months Period, said savings to the tune of about Rs.5.75 crores due to purchase of power at cheaper rates through IEX under Open Access System and the release of an amount of about Rs.2.46 crores by the Punjab State Power Corporation Limited (PSPCL) on account of the disallowed H.T. rebate in respect of the financial year 2010-11. As a result of these favourable developments, the Company has achieved a Net Profit of Rs.4.75 crores in the said Four Months Period ended 31st July, 2011 as against a Net Loss (after tax) of Rs.24.28 crores in the financial year 2010-11. The performance during the said Four Months Period would have been still better but for the hike in power tariff w.e.f. 1st April, 2011 by the PSERC and increase in the Open Access Charges w.e.f. 1st July, 2011 by the PSPCL.

Your Directors are optimistic of improvement in the performance of the Company in the days to come.

Place : Chandigarh
Date : August 12, 2011

For and on behalf of the Board
Sd/-
(S.S. BAINS)
Managing Director