

Preliminary Information Memorandum

**Disinvestment of the entire 44.26% Equity Shareholding of
Punjab State Industrial Development Corporation Limited,
(a corporation of the Government of Punjab)**

**in
Punjab Alkalies and Chemicals Limited**

Directorate of Public Enterprises & Disinvestment
Government of Punjab

October 2013

**Global Advisors
IFCI Ltd.**



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1. CORPORATE INFORMATION

1.1 Brief History of Punjab Alkalies & Chemicals Ltd. (PACL)

PACL was incorporated as a Public Limited Company on December 1, 1975 under the name Punjab Alkalies Limited. The name of the company was subsequently changed to Punjab Alkalies & Chemicals Limited and a Fresh Certificate of Incorporation dated April 19, 1983 consequent on Change of Name was obtained from the Registrar of Companies, Jalandhar. PACL is one of the largest caustic soda manufacturers in the country and has an aggregate capacity of 99,000 TPA. PACL is engaged in the manufacture of Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Sodium Hypochlorite and Hydrogen Gas.

Table I –Brief History

Year	Major Events
1984	Commenced operations with an installed capacity of 37,059 TPA of Caustic Soda and 16,500 TPA of Liquid Chlorine
1987	Caustic Soda Concentration & Flaking Unit Commissioned
1988	Changeover from Graphite Anodes to Dimensionally Stable Metal Anodes and installed an Anode Control and Protection Device
1991	Installed capacity of Caustic Soda Lye and Liquid Chlorine increased to 41,152 TPA and 29,700 TPA respectively
1992	Installed Capacity of Caustic Soda Lye increased to 50,820 TPA
1995	100 TPD, grassroot plant, based on the HOECHST-UHDE Membrane Cell Technology was commissioned. Installed capacity of caustic soda Lye increased to 83,820 TPA and Chlorine to 52,800 TPA respectively.
1998	Conversion of existing 170 TPD Mercury Cell plant to 200 TPD Membrane Cell Plant.
2001	Sodium Hypochlorite plant was installed in 200TPD Membrane cell Plant
2007	Hydrogen Gas Holder was installed in 100 TPD membrane Cell plant.

PACL has been promoted by Punjab State Industrial Development Corporation Limited (PSIDC), a corporation wholly owned by the Govt. of Punjab. Presently, it has facilities for manufacturing 99,000 TPA of caustic soda and various bye-products at Naya Nangal, Punjab. Main products of PACL are caustic soda lye, liquid chlorine, hydrochloric acid, hydrogen gas and sodium hypochlorite. Flaker Unit has been scrapped and is presently under disposal.

1.2 Registered Office and Plant Location

The Registered and Head Office of PACL is located at Chandigarh and the Plant is located at Naya Nangal in District Ropar, Punjab (India). The location is ideal and is well connected by rail and road. Being so close to the Bhakra Dam, the plant has an assured and continuous good quality power supply - which is a major input for Caustic Soda. The addresses of its Registered and Head Office, proposed Corporate Office and Plant are given below:

Registered and Head Office	Proposed Corporate Office	Plant
<i>S.C.O. 125-127, Sector 17B, Chandigarh – 160017(INDIA) Phones - 0091-172-2703645/ 2703646/ 2703647,3072500-501, 3072521 Fax – 0091-172-2704797</i>	<i>Plot No. 46-50, Sector 31-A, Chandigarh (To be constructed)</i>	<i>Nangal-Una Road Naya Nangal - 140 126 PUNJAB (INDIA) Phones : 0091-1887-220751 to 254, 220552(D) Fax : 0091-1887-220742</i>

1.3 Management

Punjab State Industrial Development Corporation Limited (PSIDC), a corporation wholly owned by Govt. of Punjab is the promoter of the PACL. PSIDC has combined role of an Institutional Entrepreneur and a Financial Institution. PSIDC has a good track record in promoting new projects. The day to day management of PACL is looked after by Managing Director (Nominee of PSIDC) subject to overall superintendence, direction and control of the Board. The Particulars of the Board of Directors is given as under:

Table II – Composition of Board of Directors

S.No.	Name	Promoter/ Independent
1.	Shri Karan Avtar Singh, IAS, Chairman (PSIDC Nominee)	Promoter's Nominee
2.	Shri Yogesh Goel (PSIDC Nominee)	Promoter's Nominee
3.	Shri S. S. Bains IAS (PSIDC Nominee)	Promoter's Nominee
4.	Dr. A. K. Kundra, IAS (Retd.)	Independent
5.	Shri J.S. Man	Independent
6.	Shri J.S. Saraon	Independent
7.	Shri D.C. Mehandru	Independent
8.	Shri Ravi Kumar	IDBI Nominee
9.	Shri Gautam Meour	IFCI Nominee

1.4 Capital Structure

The authorised capital of PACL is Rs.4000 lakhs consisting of 4,00,00,000 equity shares of Rs.10/- each. The issued capital consists of 2,05,37,900 equity shares of Rs.10/- each and the paid up capital consists of 2,05,35,550 shares of Rs.10/- each aggregating to Rs.2053.56 lakhs as at 31.03.2013.

Table III – Shareholding Pattern as on 31.03.2013

Category	No. of Shares Held	% of Shareholding
Promoters (PSIDC)	9090000	44.26
Mutual Funds & UTI	11700	0.06
Banks & Insurance Companies	9400	0.05
NRIs/OCBs/FIIs	487105	2.37
Corporate Bodies	3411800	16.61
Indian Public	7525545	36.65
Total	20535550	100.00

The shareholding pattern of PACL, as on 31.03.2013 was as under:

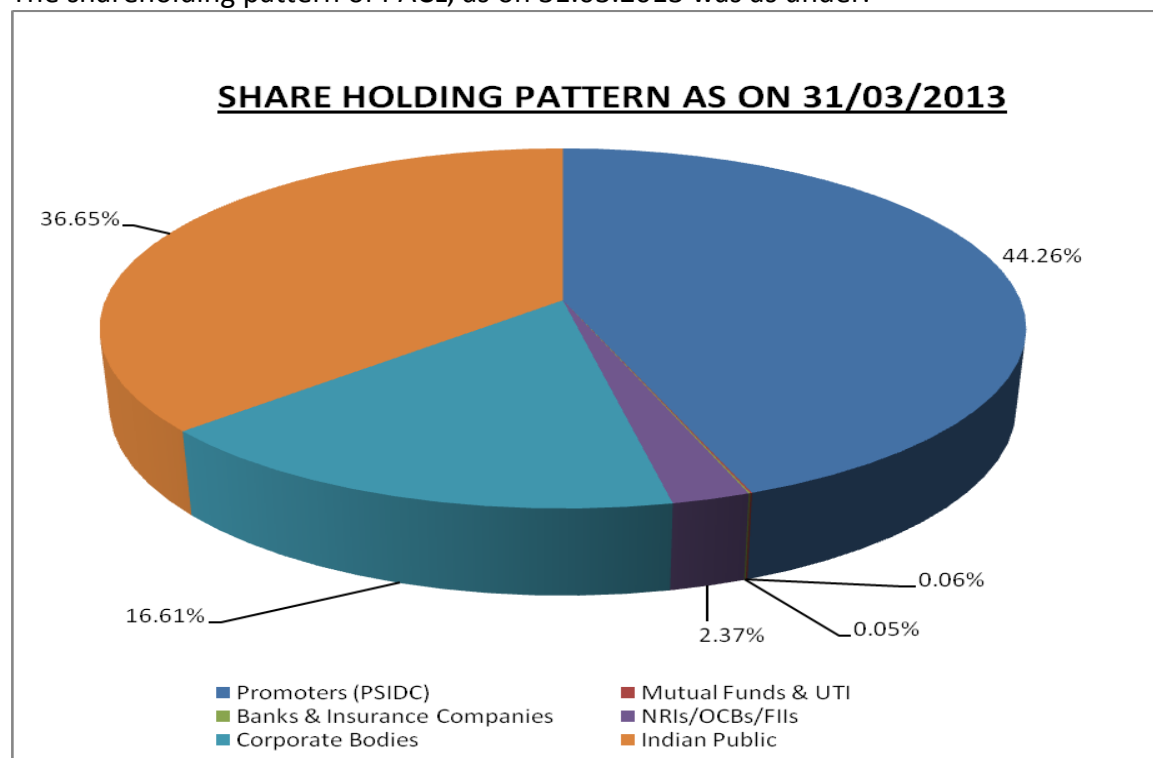


Table IV - Public Category Shareholders of PACL holding more than 1% of total shares as on 31.03.2013

Name of Shareholder	No. of Shares	Percentage
Amrit Steels Private Limited	476679	2.32%
Delhi Iron & Steel Co. Pvt. Ltd	430893	2.10%
The Punjab State Co-operative Supply & Marketing Federation Limited	410000	2.00%
Anil Kumar Goel	300000	1.46%
Total	1617572	7.88%

1.5 Listing and Performance of PACL at Stock Market

The Equity shares of PACL are listed on Bombay Stock Exchange Ltd with a Scrip code 506852.

As on March 31, 2013, the Share of PACL (FV Rs.10/-) is quoted at Rs 19.40 (BSE). Last One Month High is Rs.25.00 and Low is Rs.17.30 per share (for the period 01.03.2013 to 31.03.2013) whereas 52 week high is Rs 34.00 (on 25.09.2012) and low is Rs 13.60 per share (on 04.06.2012) for the Period 01.04.2012 to 31.03.2013.

Table V – Highlight of the stock prices of PACL at BSE during the last one year

Date	Open Price	High Price	Low Price	Close Price	Wt. Avg. Price	No. of Shares	No. of Trades	Total Turnover	Spread (Rs.)	
									H-L	C-O
02.04.12	16.90	16.90	16.05	16.20	16.25	2146	24	34876	0.85	-0.70
16.04.12	16.90	17.15	16.60	17.00	16.92	2005	23	33934	0.55	0.10
02.05.12	16.05	16.55	16.05	16.55	16.18	980	10	15856	0.50	0.50
15.05.12	14.65	15.20	14.50	14.90	14.58	2652	26	38662	0.70	0.25
01.06.12	14.25	14.75	13.90	14.12	14.17	2778	16	39374	0.85	-0.13
15.06.12	14.40	14.90	14.40	14.47	14.71	3569	21	52504	0.50	0.07
02.07.12	14.85	15.39	14.35	14.55	14.68	9247	23	135788	1.04	-0.30
16.07.12	18.20	18.60	17.76	17.86	18.04	8800	39	158737	0.84	-0.34
01.08.12	16.25	16.80	16.25	16.80	16.43	1508	8	24781	0.55	0.55
16.08.12	16.70	17.20	16.60	16.70	16.71	2435	13	40678	0.60	0.00
03.09.12	19.15	22.05	19.15	21.35	21.63	29052	207	628402	2.90	2.20
17.09.12	22.50	24.80	22.50	23.75	23.99	27136	102	650892	2.30	1.25
01.10.12	31.75	33.60	31.75	32.60	32.59	138286	654	4506473	1.85	0.85
15.10.12	27.00	27.70	27.00	27.40	27.34	6212	59	169815	0.70	0.40
01.11.12	24.40	24.40	23.50	23.80	23.78	3958	40	94109	0.90	-0.60
15.11.12	27.20	27.20	24.50	26.05	25.93	6932	39	179758	2.70	-1.15
03.12.12	26.15	27.20	25.00	26.55	26.31	15679	88	412576	2.20	0.40
17.12.12	28.95	29.00	27.00	28.85	28.18	24884	104	701293	2.00	-0.10
01.01.13	29.40	29.40	28.25	28.95	28.87	15126	51	436695	1.15	-0.45
15.01.13	27.45	28.00	27.40	27.60	27.64	11245	20	310783	0.60	0.15
01.02.13	24.25	24.25	23.75	23.90	24.02	6865	34	164876	0.50	-0.35
15.02.13	24.00	24.00	22.35	22.60	22.87	3755	25	85861	1.65	-1.40
01.03.13	22.90	22.90	20.65	22.55	21.53	3858	26	83079	2.25	-0.35
15.03.13	21.55	22.50	21.25	22.15	21.95	4760	26	104465	1.25	0.60
28.03.13	18.65	19.50	18.65	19.40	19.13	3680	19	70389	0.85	0.75

Source: BSE Website.

1.6 Plant Details

The caustic soda plant of the company commenced operations in January 1984 originally with an installed capacity of 37,059 TPA of caustic soda. In September 1987, the Company commissioned its Caustic Soda Concentration and Flaking Unit and in 1988, completed the changeover from Graphite Anodes to dimensionally Stable Metal Anodes in all the cells and also installed an Anode Control and Protection Device in its caustic soda plant. In October, 1991, the company commissioned the Capacity Optimisation Project Phase-I, as a result of which the installed capacity of Caustic Soda and Liquid Chlorine increased to 41,152 TPA and 29,700 TPA, respectively. The Capacity Optimisation Project Phase-II was commissioned in end 1992 as a result of which the installed capacity of Caustic Soda further increased to 50,820 TPA. The Company has also implemented the Capacity Optimisation Project Phase-III to ensure continuity of operations. The company had also commissioned a Waste Air Dechlorination (Sodium Hypochlorite) Unit in November 1992. This was not only an additional Pollution Control Measure but also resulted in production of Sodium Hypochlorite – a saleable product.

The Company's 100 Tons Per Day (TPD) Membrane Cell Caustic Soda Plant based on HOECHST-UHDE Membrane Cell Technology at its existing site at Naya Nangal, District Ropar, Punjab commenced commercial production in August, 1995.

With a view to achieve substantial saving in production cost and eliminate mercury pollution, the company also undertook conversion of existing 170 TPD mercury based Plant into 200 TPD membrane cell plant in 1996-97 which was completed in December, 1998.

PACL has two manufacturing units viz. Unit – I & II, both located at Nangal-Una Road, Naya Nangal, District, Ropar, Punjab. Both the units are engaged in manufacture of Caustic Soda, Liquid Chlorine, Hydrochloric Acid and other products such as Sodium Hypochlorite, and Hydrogen. Unit – I & II have a capacity of 100 TPD and 200 TPD respectively. The main plant and machinery includes the following:

Table VI – Unit-wise major Plant and Machinery Details

Name of the equipment	Unit – I		Unit – II	
	Nos.	Capacity	Nos.	Capacity
Brine Saturators	2	85CuM X 2	3	60CuM X 3
Precipitation Tanks	2	40CuM X2	2	72CuM X 2
Brine Clarifier	1	770CuM	1	1420 CuM
Lamella Clarifier	-	-	1	60 CuM
Filtered Brine Tank	1	50CuM X 1	1	40CuM X 1
Polished Brine Tank	1	50CuM X1	1	57CuM X 1
Ion Exchange Filters	2	60CuM/HR	2	120CuM/HR
Electrolytic Cells	3 electrolyzers of 96 elements each		6 electrolyzers of 105 elements each	
Anolyte Tank	1	20CuM X 1	1	40CuM X 1
Catholyte Tank (1MT)	1	80CuM	1	80 CuM
Chlorine handling capacity of Chlorine Compressors	3	50TPDX3	5	70TPDX5
Chlorine Liquifier	1	90 TR	2	90 TRX2
Dechlorinated brine tank	-	-	1	100CuM
Caustic Storage Tanks	3	1000CuM X 3	4	500CuM X 3 250CuM X 1
Chlorine Storage Tanks	4	80T X 4	4	90T X 4
Sodium Hypo Storage Tanks	1	50 MT	2	50 MT X 2
Flaking unit	NA	NA	-	Scrapped
HCL storage Tanks	2	300 CuM X 2	3	100CuM X 3
Rectifiers	2	22KA, 365 VDC each	3	90 KA , 110 VDC each
DCS	1	CS 3000 3 Screens	1	CS 3000 3 Screens
HCL Furnace	1	40TPD	2	40 TPD X2
Boilers (H2+ FO fired)	1	5 TPH	2	10 TPHX1 1.5 TPHX1
Power Transformers and matching Switch yard Equipments	2 nos, 66/11 KV, 35 MVA each which is common for both the units.			
Auxiliary Transformer	2	2 MVA X 2	3	2 MVA x 3
Sodium Hypochlorite Units	1	307 Kgs of Cl ₂ in 5 minutes	1	1300 Kgs of Cl ₂ in 10 minutes
Caustic Concentration Units	1	10 M ³ / hour	1	20 M ³ /hr
Vapour Absorption Machine	1	120 TR / day	-	--
Chilled Water Compressors	2	100 TR X2	5	80 TR X4 120 TR X 1
Hydrogen Gas Holder	1	120 NM ³	1	200 NM ³
DG Set	1	500 KVA	2	500 KVA X 2
Chlorine Tonners	-	--	2994	900 kg each
Locomotive	SEN-DL-300 HP			



Aerial View of Plant

Both the units are co-located at the same site. Unit – I & II are spread over an area of approximately 88.72 acres. While the main manufacturing plants for activities such as Brine saturation/ Precipitation/ Filtration, Electrolysis, etc. are separate for the two units, these units have some common facilities such as stores, administration, dispatches, accounts, quality control, security, etc.



**Caustic Soda Concentration Unit
& Boiler**



Chlorine Storage Area

Table VII - Capacity Details of PACL

Product	Unit	Capacities	
		Licensed	Installed
Caustic Soda	MT	99000	99000
Liquid Chlorine	MT	87714	87714
Hydrochloric Acid (100% basis)	MT	73755	39600
Calcium Hypochlorite (scrapped) (Bleach Liquor)	MT	2000	-
Sodium Hypochlorite	MT	--	1750
Hydrogen Gas	Lacs NM ³	277.20	277.20

The Sodium Hypochlorite Unit is within the overall licensed capacity (2000TPA) of Calcium Hypochlorite.

1.7 Technical Details

PACL adopted HOECHST-UHDE Membrane Cell Technology in both the Plants which has following advantages :

- (1) Highly energy efficient, helps in curtailing the production costs,
- (2) Membrane Cell is environment friendly, which is in line with the Management's commitment to cleaner environment
- (3) Most modern technology for manufacturing caustic soda/chlorine.

PACL in its Unit-I as well as in Unit-II has MEMBRANE CELL TECHNOLOGY with the cell design provided by Krupp Uhde GmbH, Germany (now known as ThyssenKrupp Uhde), who are one of the premier technology suppliers in this field

PACL's ISO-9001-2008 certification from Det Norske Veritas (DNV), is a commitment to its customers to manufacture and deliver quality products that meet their own stringent quality requirements. It is a resolve to give its customers total satisfaction.

The Company has implemented an Environmental Management System conforming to ISO 14001:2004 Standard at its Works and the Company's Environment Management System (EMS) has been certified by Det Norske Veritas (DNV).

Recoating and Remembraning

The company is in the process of recoating Anodic Pans of its electrolyzers in Unit-II and the present status of recoating and remembraning of its electrolyzers in Unit-I and Unit-II is as follows:

Unit –I

Electrolyser A 30 elements remembraned in September, 2012 and 60 elements remembraned in April, 2013 (last recoated in October, 2006)

Electrolyser B 96 elements remembraned in January, 2010 (last recoated in May, 2004)

Electrolyser C 96 elements remembraned in April, 2010 (last recoated in October, 2004)

Unit –II

100 elements recoated and remembraned in January, 2010

100 elements recoated and remembraned in December, 2010

35 elements recoated (Anodic Pans Only) and remembraned in August, 2012

35 elements recoated (Anodic Pans Only) and remembraned in November, 2012

35 elements recoated (Anodic Pans Only) and remembraned in January, 2013

68 elements recoated (Anodic Pans Only) and remembraned in May, 2013

1.8 Raw Material and other Inputs

Industrial salt (NaCl) is the main raw material which is purchased by the company and transported from the State of Gujarat by road or rail to the company's plant at Naya Nangal. The requirement of salt is approximately 1,60,000 MT on 100% production basis.

Other Inputs: Barium carbonate, Soda Ash, sodium Bisulphite, sulphuric acid, etc. are other inputs which are used in the process.

Power – Power is one of the major component of the cost of production. The company has a connected power load of **58.876 MW** from Punjab State Power Corporation Limited (PSPCL). The contract demand is 40.00 MVA.

The company is entitled to import/ wheel power from any other source under Open Access Policy. The Company is also meeting a part of its power requirement by purchasing power at cheaper rate under Open Access System

Water – The company has an arrangement with the Govt.of Punjab for drawing upto **2 cusecs** of water from the Nangal Dam reservoir. The agreement for the same is executed on yearly basis and the current agreement is valid till 10.05.2014.

Furnace Oil (FO): FO along with Hydrogen (which is a co-product) is used in boilers for producing steam.

1.9 Sales and Marketing

The company's products are sold mainly in the states of Punjab, Himachal Pradesh, Haryana, Delhi, Uttar Pradesh, Uttarakhand and Rajasthan and are sold directly to the consumers as also through a network of dealers. Around **20-25%** (FY: 2012-13) of the total sales is direct and the remaining through company's authorised dealers.

The company has been supplying its products to various industries such as paper, soaps & detergents, power, petrochemicals, fertilizers, pharmaceuticals/ chemicals, steel, etc.

1.10 Land Details

PACL Plant is located at Naya Nangal, District Ropar, Punjab which is close to State Highway. It is about 3 Km from Nangal Railway Station and about 12 Kms from Bhakra Dam. It is about 2.5 Kms from River Sutlej. It is well connected by rail and road and railway siding facility is available for unloading of raw material, mainly salt. Punjab National Fertilizer & Chemicals Ltd. ("PNFC") and NFL are located in the vicinity of PACL. The total availability of land including office plot at Chandigarh, as per the details provided by PACL, is given below:-

Table VIII – Land Details

Location	Area Available	Ownership Details
Plot No. 46-50, Sector 31-A, Chandigarh	722.085 Sq. Yds	Leasehold for 99 years.
Factory Land – Located in Villages Binewal, Poona, Rampur Sahni (District Ropar)	88.72 acres	Freehold
Old PACL-PNFC Housing Colony – Naya Nangal (Distt. Ropar)	2.674 acres (Area on which PACL Houses/ Quarters, etc. are constructed)	The Houses/ Quarters, etc. of PACL in Old PACL-PNFC Housing Colony are built on 2.674 acres of land leased by NFL exclusively to PACL for a period of 50 years since November 1982. The Houses/Quarters, etc. of PNFC in Old PACL-PNFC Housing Colony are built on the land leased by NFL exclusively to PNFC for a period of 50 years since November 1982. NFL had also leased 30.53 acres of land on 50 years lease since November 1982 to PACL and PNFC jointly. The common parks and roads in the Old PACL-PNFC Housing Colony had been constructed on an area of 13.68 acres out of the said land on joint lease. Out of the remaining about 16.85 acres of vacant and
New PACL Housing Colony – Naya Nangal (Distt. Ropar)	8.61 acres	

Location	Area Available	Ownership Details
		unutilized land on joint lease, PACL has utilized 8.61 acres for the purpose of constructing the New PACL Housing Colony.

The Company has allocated 3 acres of land to M/s. Flow Tech Chemicals Pvt. Limited for a period of 30 years, 1.04 acres of land to M/s. JBR Technologies Pvt. Limited for a period of 15 years, about 4.7 acres of land to M/s. SEL Ecochem Pvt. Limited for a period of 20 years and about 20 acres of land to M/s. Purab Infrastructure Projects Limited for a period of 20 years.

1.11 Operational Performance

During the Financial year 2012-013, the capacity utilization of PACL was 96%.

PACL's combined average realization during the year 2012-13 was Rs.35,390 per Electro Chemical Unit (ECU) as against Rs.30,950 per ECU during 2011-12.

Table IX – Operational Performance of PACL

(Rs. in Crores)

Parameters	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Production (MT)	95144	84551	73362	78172	88173	94948
Capacity Utilization	96%	85%	74%	79%	89%	96%
Gross Revenue	235.40	233.78	169.02	194.43	264.49	326.97
Total Expenditure (excl. Fin. Ch. & Depr.)	204.02	198.92	173.97	196.58	234.39	302.13
PBDIT	31.38	34.86	-4.95	-2.15	30.10	24.84
Depreciation	12.79	11.87	11.94	12.49	12.80	12.99
Interest	11.40	9.78	8.08	9.64	10.76	7.75
PBT	7.19	13.21	-24.97	-24.28	6.54	4.10
Tax	3.25	6.09	-2.56	-	2.15	1.28
Net Profit	3.94	7.12	-22.41	-24.28	4.39	2.82
Earnings per share (Rs.)	1.92	3.47	-10.94	-11.85	2.14	1.37
Average Capacity Utilization of Industry	83%	77%	74%	76%	82%	

Table X- Production Performance for the last 6 years

Product	Unit	Actual Production					
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Caustic Soda	MT	95144	84551	73362	78172	88173	94948
Liquid Chlorine	MT	68169	57842	48843	53300	60932	65122
Hydrochloric Acid	MT	50788	52585	50432	50785	58864	66434
Calcium Hypochlorite (Bleach Liquor) / Sodium Hypochlorite (as chlorine)	MT	14214	14026	11815	11492	11934	12323
Hydrogen Gas	Lacs NM ³	241.04	208.50	179.02	205.41	209.86	253.44

1. Actual production of Calcium Hypochlorite & Sodium Hypochlorite is on liquor basis.
2. Actual production of Hydrochloric Acid is on 30-33% concentration basis.
3. In case of Hydrogen Gas internal consumption and saleable quantity is taken as actual production.

Table XI – Product-wise Sales for last 6 years

(values in Rs. Crores)

Product	Sales											
	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Caustic Soda Lye (MT)	88382	176.28	76522	188.88	66801	130.03	74373	136.40	84458	227.33	91097	303.74
Caustic Soda Flakes (MT)	3268	7.68	2737	8.09	3735	8.19	536	1.14	-	-	-	-
Liquid Chlorine (MT)	68083	33.76	57475	17.95	49354	15.19	52896	34.74	60991	17.07	65217	0.46
Hydrochloric Acid (MT)	45611	8.08	47993	8.16	47203	7.31	45793	13.74	53175	9.50	58579	7.07
Calcium Hypochlorite/ Sodium Hypochlorite (as chlorine) (MT)	14224	3.99	13977	4.69	11834	3.11	11538	3.00	11947	3.33	12308	4.30
Hydrogen Gas (Lacs NM ³)	27.76	2.05	20.71	2.49	21.27	3.05	17.91	2.73	20.40	4.25	31.96	6.83

* The above does not include the sale of traded items.

Table XII – Financial Performance of PACL*(Rs. Crores)*

Particulars	As at 31 st Mar'08	As at 31 st Mar'09	As at 31 st Mar'10	As at 31 st Mar'11*	As at 31 st Mar'12*	As at 31 st Mar'13*
Net Block (Incl. CWIP)	160.33	147.71	180.58	166.16	152.91	143.52
Equity Capital	20.50	20.50	20.50	20.50	20.50	20.50
Res. & Surplus (excl. revaluation reserve, land subsidy & investment incentive)	35.95	38.62	35.95	35.95	35.95	35.95
Accumulated Losses	12.75	-	19.74	44.02	39.63	36.82
Misc. Exp. not written off	2.16	1.73	4.16	5.98	4.28	5.12
Net Worth	41.54	57.39	32.55	6.45	12.54	14.51
Long Term Debts	97.32	73.29	82.09	78.76	75.52	48.46
Current Assets	60.63	59.27	56.73	47.35	54.42	47.65
Current Liabilities & Provisions	34.23	34.56	39.89	52.20	38.11	47.38
DER	2.34	1.28	2.52	12.21	6.02	3.34
Current Ratio	1.77	1.71	1.42	0.91	1.43	1.01
FACR	1.65	2.01	2.20	2.11	2.02	2.96

* As per new format of balance sheet

Corporate Debt Restructuring

The Corporate Debt Restructuring (CDR) Empowered Group had restructured the debt liabilities of the Company in January, 2003 and had thereafter revised, reworked and modified the same from time to time. The CDR Empowered Group has 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. In terms of the same, the Company had to make payment of, (a) Upfront Payment of 35% of the O.T.S. Amount as first tranche, 10% of the balance 65% of O.T.S. amount as second tranche by 30th September, 2014 and the remaining 90% of the balance 65% of O.T.S. amount as third tranche by 1st April, 2015; and (b) Interest from 1st July, 2012 to 30th September, 2012 on the entire outstanding amount and interest from 1st October, 2012 to the date of payment of first tranche on 35% of O.T.S. Amount along with the payment of first tranche and interest from 1st October, 2012 to the date of payment of first tranche on balance 65% of O.T.S. Amount by 31st October, 2013. No interest is chargeable on the balance 65% of O.T.S. Amount from the date of payment of first tranche. The CDR Empowered Group has also stipulated some other terms and conditions in respect of the said O.T.S. Accordingly, the Company has made the

payment of the first tranche of the O.T.S. amount by 29th December, 2012 and the interest payable therewith by 31st December, 2012.

As per the terms of the O.T.S., the Company is required to create a Reserve of 40% of the outstanding O.T.S. amount by 30th September, 2014 with a grace period of 2 months failing which lenders shall restore the original rate of interest and the company shall be liable to pay the dues as per original package.

The amount paid under the O.T.S. would be towards full and final settlement of the Company's dues towards financial institutions and banks against their various credit facilities. The conditions of recompense and conversion clauses of the previous packages shall stand waived in case the Company complies with the provisions of present OTS package.

Sales Tax/VAT

The Hon'ble Punjab & Haryana High Court has vide Orders dated 16.4.2012 allowed the Civil Writ Petitions filed by the Company and quashed the Sales Tax/VAT demands raised by the Department of Excise and Taxation, Punjab in respect of the disallowance of the Sales Tax/VAT Exemption for the financial years 2003-04 to 2005-06 on the total production claimed by the Company on the basis of Punjab Industrial Incentive Code under the Industrial Policy, 1996. The Sales Tax/VAT Assessments upto the financial year 2008-09 stand finalized and there is no pending liability on this account upto the financial year 2008-09.

1.12 Manpower

Table XIII – Manpower (As on 31.03.2013)

Location	Manpower				
	Managerial	Supervisory	Skilled	unskilled	Total
Head Office (at Chandigarh)	18	37	27	11	93
Works (at Naya Nangal)	16	97	239	34	386
Total	34	136	264	45	479

1.13 Common Facilities of PACL & PNFC and Related Issues

PACL & Punjab National Fertilizer & Chemicals Ltd. (PNFC) (under liquidation), both promoted by PSIDC, are located at Naya Nangal, adjacent to each other. To minimize expenditure, it was agreed to share the infrastructure facilities amongst both the units. An Agreement was executed between PACL & PNFC dated 1.3.1986 for sharing the common facilities, which included:

SN	Common facilities	Remarks
(i)	Exchange of land between PACL and PNFC for straightening of common boundary wall, laying of railway tracks and construction of PACL approach road.	-
(ii)	Water Reservoir and Pumping System in factory premises of PNFC and at Nangal Dam Reservoir and Water Pipe Line from Nangal Dam Reservoir to Reservoir in PNFC factory premises.	Owned by PNFC. PACL is drawing water through PACL's pipe line and pumps from the Reservoir in PNFC factory to PACL's Reservoir in PACL's premises.
(iii)	Common power sub-station for supply of power.	PACL has got its independent 66 KV power sub-station inside PACL factory premises. Supply to PNFC sub-station located inside PNFC factory premises is being fed from 66 KV sub-station owned by PSEB but located inside PACL factory premises.
(iv)	Common railway track.	The cost of laying the common railway track from NFL factory to the 'Y' junction (i.e. the point from where bifurcation of the Railway Tracks starts for the PACL Factory and PNFC Factory) had been borne by PACL and PNFC jointly in the proportion of 1/3 and 2/3, respectively. The cost of laying the individual Railway Tracks from the said 'Y' junction to the factories of PACL and PNFC had been borne independently by PACL and PNFC, respectively.
(v)	Loco Shed in PNFC premises	Cost of Construction shared by PACL and PNFC.
(vi)	Storm water drain	-
(vii)	Common PACL-PNFC staff housing colony	The Houses/ Quarters, etc. of PACL in Old PACL-PNFC Housing Colony are built on 2.674 acres of land leased by NFL exclusively to PACL for a period of 50 years since November 1982. The Houses/Quarters, etc. of PNFC in Old PACL-PNFC Housing Colony are built on the land leased by NFL exclusively to PNFC for a period of 50 years since November 1982. NFL had also leased 30.53 acres of land on 50 years lease since November 1982 to PACL and PNFC jointly. The common parks and roads in the Old PACL-PNFC Housing Colony had been constructed on an area of 13.68 acres out of the said land on joint lease. Out of the remaining about 16.85 acres of vacant and unutilised land on joint lease, PACL has utilised 8.61 acres for the purpose of constructing the New PACL Housing Colony.

Subsequent Issues with PNFC:

PNFC had become sick and made a reference to the Board for Industrial and Financial Reconstruction (BIFR) in 1987. BIFR had declared PNFC a sick company and subsequently on 1.3.2000, BIFR recommended winding up of PNFC. The Punjab & Haryana High Court had vide its order dated 27.07.2001 in CP No.71 of 2000 ordered that the PNFC be wound up. The Official Liquidator (OL) attached to the High Court of Punjab & Haryana at Chandigarh as its Liquidator, took possession of the assets of PNFC other than the PNFC's houses/quarters in the housing colony. Currently, the assets and affairs of PNFC (in Liquidation) are under the control of Official Liquidator.

PACL is operating, running and maintaining water supply system since August, 2000 pursuant to various orders passed by the Punjab & Haryana High Court, through its employees and at its expenses.

The OL started the process of sale of assets of PNFC. The High Court had vide its Order dated 27.07.2006 in PACL's Company Petition No. 75 of 2006, issued directions to the Official Liquidator that separate lot of common facilities shall be subject to the rights of PACL in common facilities in terms of the agreement dated 1.3.1986 entered between PNFC & PACL.

In the meanwhile, PSIDC, promoters of PNFC and also guarantors to the secured lenders of PNFC, has settled with all secured creditors of PNFC by way of one time settlement.

2. KEY STRENGTHS OF PACL

Strengths of PACL include:-

- ❖ One of the largest Caustic Soda manufacturers in the country's Northern Region.
- ❖ Capacity utilization higher than industry average during last 5 years.
- ❖ Plant is strategically located at Naya Nangal, District Ropar, Punjab with close proximity to Bhakra Nangal Dam & River Sutlej. Location of plant is best suited due to availability of uninterrupted Power and continuous water resources which are crucial inputs.
- ❖ Existence of several end user Units in industries like paper, fertilizers, soaps and detergents in the vicinity.
- ❖ Existence of Hydrogen Compressing and Bottling Units in close proximity of Plant to whom Hydrogen is supplied by the Company through pipeline.
- ❖ The place is also well connected by rail and road.
- ❖ Hydrogen, a by-product of the Plant, is gainfully utilized as a fuel.
- ❖ The company uses the environment friendly Membrane Cell technology in its manufacturing process.
- ❖ The Company is exempted from weekly offs and power cuts as on date.
- ❖ The company is entitled to import/ wheel power from any other source under Open Access Policy.
- ❖ Products meet quality requirements and the Company possesses ISO: 9001:2008 certification for its Quality Management System.
- ❖ The company has implemented an environmental management system confirming to ISO 14001:2004 Standard at its works.
- ❖ Large pool of skilled and experienced manpower.
- ❖ Cordial industrial relations with no stoppage of work due to any labour unrest during last more than 25 years.

- ❖ Availability of Natural Gas for setting up a Gas based Power Plant at Nangal from GAIL (India) Limited Dadri Bawana- Nangal Pipe Line.
- ❖ The Company has signed a Memorandum of Understanding (M.O.U.) with M/s. Purab Infrastructure Projects Limited for setting up 45 MW Power Plants on Build, Own and Operate (B.O.O.) basis in the Company's Plant Complex for supply of 35 MW power to the Company from the said plant or from any other source, at a cheaper rate than the State Grid cost.
- ❖ The Company has signed a M.O.U. with M/s. Flow Tech Chemicals Private Limited for setting up a Chlorinated Paraffin Wax (CPW) Plant on B.O.O. basis in the Company's Plant Complex for smooth sale of Chlorine to increase capacity utilisation and reduce requirement for additional Chlorine Tonners.
- ❖ The Company had got a Reverse Osmosis based Effluent Treatment Plant set up on B.O.O. basis in the Company's Plant Complex by M/s. J.B.R. Technologies Private Limited for treatment of effluents of the Company for achieving Zero Discharge of Effluents from its Plant.
- ❖ The Company has signed a M.O.U. with M/s. SEL Ecochem Private Limited for setting up a Hydrogen Peroxide Plant on B.O.O. basis in the Company's Plant Complex for purchasing 30,000 NM³ Hydrogen Gas per day from PACL and also supplying Saturated Steam to PACL for better realization of Hydrogen Gas.

3. INDUSTRY OUTLOOK

Caustic Soda Industry and Indian Scenario

Electrolysis of brine solution results in 3 products – Caustic Soda, Chlorine gas and Hydrogen in the proportion of 1 MT: 0.886 MT: 280 NM³. Combination of Caustic Soda and Chlorine in the above given proportion is termed as Electro Chemical unit (ECU). For caustic soda manufacturers balancing the prices of Caustic Soda & Chlorine becomes critical to get maximum returns on ECU. The ability of the aggregate selling prices of caustic soda and chlorine to generate a surplus over the aggregate cost of production, determines the profitability of a chlor-alkali manufacturer.

Various industries using caustic soda are pulp & paper (12%), manmade fibre (18%), soap & detergent (7%), alumina (14%), dyes and chemicals, water treatment etc. Major consuming industries for chlorine are vinyls including PVC (16%), CPW (13%), Pulp and Paper (5%), Pesticides/ insecticides (4%), water treatment (3%), Pharmaceutical, textiles and various organic and inorganic chemicals etc.

Table XIV – Demand-Supply of Caustic Soda during last 6 years

(Figures in '000 MT)

Year	Opening Stock	Production	Imports	Total Domestic Availability	Physical Exports	Domestic Consumption	Closing Stock
2003-04	37.80	1741.20	73.10	1852.10	31.20	1801.00	19.90
2004-05	19.90	1812.40	54.90	1887.20	17.60	1855.70	13.90
2005-06	13.90	1936.70	58.30	2008.90	30.90	1960.10	17.90
2006-07	17.90	1993.10	140.70	2151.70	39.00	2092.80	19.90
2007-08	19.90	2160.30	172.50	2352.70	37.80	2288.90	26.00
2008-09	26.00	2198.50	185.10	2409.60	59.00	2317.10	33.50
2009-10	33.50	2326.00	270.50	2630.00	18.20	2575.10	36.70
2010-11	36.70	2457.60	186.60	2680.90	77.40	2579.70	24.80
2011-12	24.10*	2555.80	219.50	2799.40	85.00	2691.10	23.30

* The Difference in Closing and Opening stock is due to the deletion of capacity and stock of the units lying closed like NRC, Hindustan Heavy Chemicals and Hindustan Organic Chemicals Limited.

(Source: The AMAI Annual Reports)

The production of Caustic Soda in India during the year 2011-12 was approximately 25.56 lakh MT as against 24.58 lakh MT during the year 2010-11. Thus, there has been an increase in Caustic Soda production by 4% as compared to 2010-11.

There are about 34 Caustic Soda units in the country having aggregate installed capacity to the extent of 3.126 million tonnes as on 31.3.2012. These plants co-produce chlorine in the ratio of 1 : 0.89. Today 95% plants are running on state of the art energy efficient membrane cell technology. Rest 5% operating on mercury cell process. Gujarat is the largest caustic soda producing state with 1.6 million tonnes capacities. Caustic soda manufacturing is highly energy consuming process & consumes about 2.5 MW per MT of caustic soda. Gujarat Alkalies & Chemicals Ltd. is the market leader with installed capacity of 429,050 TPA. Other major producers are Grasim Industries Ltd., Reliance Industries Ltd., Andhra Sugars Ltd., Sree Rayalseema Alkalies & Allied Industries. In northern India, SIEL Chemical Complex, Rajpura (Punjab) (unit of Mawana Sugars Ltd.), DSCL, Kota and ABCIL, Renukoot Chemical Division, Renukoot are the main competitors.

Imports have increased from 0.14 million tonnes in 2006-07 to 0.219 million tonnes in 2011-12. Exports increased from 52,000 tons to 85,000 tonnes during the same period.

With the shift in emphasis on product innovation, brand building and environmental friendliness, this industry is increasingly moving towards greater customization and customer orientation. The key raw material for the industry is salt and India has adequate volumes of this resource. Indian industry is mature and developed with over 93% capacity based on latest energy efficient, environment friendly membrane cell technology next only to Japan. India has more than adequate capacity to meet domestic demand of both caustic soda & chlorine. The trading of energy saving certificates (ESC) under national mission for enhanced energy efficiency (NMEEE) will facilitate the chlorine alkali sector to be more competitive in the domestic as well as in the global market.

The average price of caustic soda lye witnessed a decline of 7.5% on a month-on-month basis in March 2013. On a year-on-year basis, the price of caustic soda lye registered a decline of 12.8%. Recently, caustic soda lye prices stood in the range of Rs 30,000/- to Rs. 32000/- per tonne FOR. The drop in caustic soda price was due to reduced offtake by consuming industries.

According to industry players, cheap imports from other countries have also put additional pressure on domestic prices. Further, the anti-dumping duty charged on a reference price basis on caustic soda imports is felt to be insufficient according to the players.

Global scenario

China has the highest caustic soda capacity at 27 million tonnes, accounting for 34% of world capacity. North America has a capacity of 15 million tonnes. China and Middle East are fast emerging as key production hubs for caustic soda. It is expected that there would not be any significant capacity additions in developed countries like North America and Western Europe, primarily due to unattractive cost structures and flat demand.

Current global consumption of caustic soda is estimated at 65 million tonnes. Asia is the largest consumer of caustic soda and is expected to remain the same in near future. Majority of caustic soda is exported from North America, the Middle East and Asia. Australia and Latin America are the leading importers.