

40TH ANNUAL REPORT 1998-99



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ADARSH CHEMICALS & FERTILIZERS LTD.

40th Annual Report 1998-99

**FORTIETH ANNUAL REPORT 1998-99
BOARD OF DIRECTORS (AS ON 21-01-2000)**

Shri P. N. Vepari

Chairman

Shri Chhotubhai K. Pithawalla

Vice - Chairman

Dr. Prakash D. Patel

Smt. Bhartiben C. Pithawalla

Shri Chandravadan C. Pithawalla

Shri P. D. Morar

Shri Nitesh D. Patel

Additional & Whole-time Director
(w.e.f. 01-06-1999)

AUDITORS

Kantilal Patel & Co.,

Chartered Accountants,

"Paritosh",

Usmanpura, Riverside,

Ahmedabad - 380 013.

BANKERS

Bank of Baroda.

Dena Bank

State Bank of India

REGISTERED OFFICE & WORKS

Udhna, Surat : 394 210

Gujarat State, India.

ADARSH CHEMICALS & FERTILIZERS LTD.**NOTICE**

NOTICE is hereby given that the FORTIETH ANNUAL GENERAL MEETING of the members of ADARSH CHEMICALS & FERTILIZERS LIMITED, will be held at its Registered Office at, Surat Navsari Road, Udhna-394 210, SURAT on MONDAY 28th FEBRUARY, 2000 at 2-00 p.m.

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the year ended as on that date together with the Directors' and Auditors' Report thereon.
2. To re-appoint Shri C. K. Pithawalla, Director, who retires by rotation and being eligible offer himself for re-appointment.
3. To reappoint Smt. B. C. Pithawalla, Director, who retires by rotation and being eligible offer herself for re-appointment.
4. To appoint Messrs, Kantilal Patel & Co., the retiring Auditors from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Sections 198,269,309,311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. Nitesh D. Patel be and is hereby appointed as a Director of the Company and further that consent of the company be and is hereby accorded to the appointment and remuneration payable to Mr. Nitesh D. Patel as a whole Time Director w.e.f. 01.06.99, upon and subject to the terms and conditions including the remuneration as set out in the Agreement to be entered into between Company and Mr. Nitesh D. Patel, a draft whereof is placed before the meeting and for the purpose of identification initiated by the Chairman of the Board of Directors with liberty to the Board from time to time to alter, vary or modify the said terms and conditions in such manner as may be agreed upon between the Board and Mr. Nitesh D. Patel but within the limits specified in that behalf in Schedule XIII of the Companies Act, 1956 or amendments thereof or otherwise as permissible by law for the time being in force.

RESOLVED FURTHER that any Director of the Company be and is hereby authorised to do and perform all such acts, deeds, matter and things as may be necessary, desirable or expedient to give effect to this Resolution".

NOTES :

1. The relative Explanatory Statement pursuant to Sec. 173(2) of the Companies Act, 1956, in respect of the business under item no. 5 set out above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF/HERSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The members are requested to promptly intimate, any changes, in their address to the Company's Share Department situated at the Registered Office of the Company.
4. Members/proxies are requested to bring their copy of the Annual Report and hand over the Attendance Slip, duly filled in and signed at the entrance of the Meeting Place.
5. The Register of Members and Share Transfer books shall remain closed from 22nd Feb '2000 to 28th Feb '2000 (both days inclusive).

By Order of the Board
P. D. MORAR
DIRECTOR

Registered Office :
UDHNA, SURAT-394 210.
DATED : 21st January, 2000

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

In order to comply with the provisions of Section 269 of the Companies Act, 1956, the Board of Directors of the Company had appointed Mr. Nitesh D. Patel as an Additional Director and also as Whole time Director of the Company with effect from 01.06.1999 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Mr. Nitesh D. Patel.

As a Director, he vacates his office at this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 (The Act). Notice under Section 257 of the Act has been received from a member proposing the appointment of Mr. Nitesh D. Patel as a Director of the Company.

The terms and conditions of the appointment and remuneration payable to him are in accordance with the provisions of Schedule XIII of Companies Act, 1956 and are as follows :

- i. Details of Remuneration payable :

Basic Salary	- Rs. 3,750/- p.m.
House Rent Allowance	- Rs. 1,125/- "
Conveyance Allowance	- Rs. 500/- "
Medical Allowance	- Rs. 625/- "
	Rs. 6,000/- p.m.

- a) Employers' Provident Fund contribution @ 12% of basic.
- b) Leave Encashment as per company's rules from time to time.
- c) Gratuity as per rules of the company from time to time.

II. Tenure :

5 years from the date of appointment (i.e. 01.06.1999) with an option to Board to renew the appointment for further period of 5 years.

III. Duties and Responsibilities :

Mr. Nitesh D. Patel will, subject to the superintendence, control and direction of the Board of Directors of the Company be vested with substantial powers of the management and look after the business activities and operations of the Company.

IV. Termination :

Either party will be entitled to terminate the Agreement by giving to the other not less than three months notice in writing.

- V. The Board recommends the passing of the Ordinary Resolution under Section 309, 310, 311 and other applicable provisions of the Companies Act, 1956 as contained in Item No. 5 of the accompanying Notice.

- VI. A copy of the draft Agreement to be entered into between the Company and Mr. Nitesh D. Patel will be open for inspection by members at the Registered Office of the Company between 10.00 a.m. to 12 noon on any working day of the Company upto and including the date of Annual General Meeting.

- VII. Mr. Nitesh D. Patel shall be considered to be interested in passing of this Resolution. None of the other Directors shall be considered to be concerned or interested in passing of this Resolution.

For **ADARSH CHEMICALS & FERTILIZERS LTD.**

DATE : 21.01.2000
PLACE : MUMBAI
Registered Office :
Surat Navsari Road, Udhna-394 210.
SURAT, GUJARAT.

P. D. MORAR
DIRECTOR

40th Annual Report 1998-99**DIRECTORS' REPORT**

Your Directors hereby present the 40th Annual Report of the Company and the Audited Statement of Accounts for the year ended 01.04.98 to 31.03.1999.

	YEAR ENDED (18 MONTHS)	
	1998-1999 Rs. /LACS	1996-98 Rs. /LACS
FINANCIAL RESULTS		
Turn over	150.94	543.07
Gross Loss	1278.12	1070.95
Depreciation	252.37	364.84
Prior Year Adjustment Income/ (Expenditure)	(422.11)	109.00
Extra Ordinary Items (Income)	NIL	1262.13
Loss before tax	1952.60	64.66
Provision for Taxation	NIL	10.81
Loss after tax	1952.60	75.47
Transfer from Investment Allowance (UTILIZED) Reserve	NIL	4.25
Balance of loss of Previous Year brought forward	3584.94	3593.72
Balance of Profit & Loss Account	5537.54	3584.94
Dividend	NIL	NIL

REVIEW OF OPERATIONS :

The Company's operations were recommenced during November, 1998. The performance of the company therefore continued to remain dismal.

The production during the year was meagre and therefore the turn over of the company stood at Rs. 150.94 lacs as against Rs. 543.07 lacs for previous 18 months.

The Maleic Anhydride plant could be operated from November, 1998 onwards due to various reasons reported in our previous years report. The company also had taken steps to restructure, reorganise and revamp its operations. As a result of this the production of Maleic Anhydride during the year could aggregate to only 737 MT and for d,L Malic Acid to 23 Mt.

SUBSEQUENT DEVELOPMENT :

The company has fulfilled most of its obligations under One Time Settlement entered into with Financial Institutions and Banks.

The company is in the process of creation of mortgage for issue of Zero Interest Debentures.

The Company had made reference under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 under a letter dtd. 29.07.1999. The request has been received by the company to make a reference in the prescribed form. As the prescribed form is to be prepared with enormous details, the company is in the process of completing the same.

FUTURE PROSPECTS :

The Company's products namely Maleic Anhydride and d,L Malic Acid are well accepted in the domestic as well as International Market. The Company has envisaged its major thrust on the International Market since it has tremendous potential for exports.

The company is confident in achieving a milestone in the direction.

FIXED DEPOSITS :

Deposits amounting to Rs. 1,77,43,046/- from 1550 Depositors which fell due for repayment as on 31.03.1999, remained overdue.

INSURANCE :

The properties of the Company have been insured from time to time as deemed fit by the Directors under the circumstances.

ENVIRONMENT :

The Company has ensured that the Air, Water and other environment standards are achieved as per prescribed norms.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:

The information in respect of Conservation of Energy, Technology absorption and Foreign Currency earnings and outgo as required u/s 217 (1) (e) of the Companies Act, 1956, are set out in the Annexure which forms part of this Report.

PARTICULARS OF EMPLOYEES :

There was no employee who earned the remuneration in excess of ceiling prescribed under Section 217 (2A) (a) (i) of the Companies Act, 1956 and hence the details are not furnished.

AUDITORS :

The Statutory Auditors, Messrs Kantilal Patel & Company, Chartered Accountants, Ahmedabad, are liable to retire at the conclusion of the 40th AGM of the Company and offers themselves for reappointment.

Y2K COMPLIANCE :

All the operations which required changes for Y2K Compliance, were distinctly identified. A consultancy agency was involved and the requisite hardwares and Softwares were either replaced or modified and proper application of hardware/software were made. This was also tested by the consultants and all the systems are now Y2K compliant.

DIRECTORS' CLARIFICATIONS u/s 217 (3) OF THE COMPANIES ACT, 1956.

Your Directors' offer the following explanations as to the qualifications in the Auditors' Report dt. 24-01-2000

- v) As regards Item 2 (A) (b) (f) in the Auditors' Report relating to non provision of doubtful advance of Rs.11,71,04,580 and doubtful debts of Rs. 7,81,93,523 your Directors wish to inform that due to the dislocation in Administrative office of the Company during the period under review, follow up with the parties could not be taken up. Your Directors are fully seized of the matter and are confident of the recovery for which necessary steps have been initiated.
- vi) As regards Item 2 (A) (e) relating to discontinued plants, your Directors would like to state that necessary steps have been initiated to sell/realise on account of these plant.
- vii) Other qualifications in the Auditors' Report are explained in the notes to the Account and does not require any further elaboration by the Board of Directors.

ADARSH CHEMICALS & FERTILIZERS LTD.**DIRECTORS :**

Shri. C. K. Pithawalla and Smt. B. C. Pithawalla, Directors are liable to retire by rotation and being eligible for re-appointment offers themselves for re-appointment.

INDUSTRIAL RELATIONS :

The Industrial Relations during the period under review, remained cordial.

ACKNOWLEDGMENT :

Your Directors express their sincere gratitude to the Members, Creditors including Fixed Depositors, Financial Institutions and Banks, Government Authorities & Agencies, its valued Customers and employees for their continuous co-operation to the Company.

By order of the Board of Directors

For, **ADARSH CHEMICALS & FERTILIZERS LTD.,**

DATE : 31-01-2000

N. D. PATEL

P. D. MORAR

PLACE : UDHNA

DIRECTOR

DIRECTOR

ANNEXURE TO DIRECTORS' REPORT

(Under Section 217 (1) (e) of the Companies Act, 1956)

A. CONSERVATION of ENERGY

- (1) The vapour compression chiller has been replaced by Absorption Chiller for utilisation of waste steam.
- (2) The process waste steam is being used in the T. G. Set for generating power.

FORM - A**POWER & FUEL CONSUMPTION**

1998-99 1996-98
(18 Months)

1. ELECTRICITY :

a.	Purchased		
	Unit (lac KWH)	22.69	40.16
	Total amount (Rs.Lacs)	102.99	210.61
	Rate/Unit (Rs./KWH)	4.53	5.24

b. Own Generation

(i)	Through Diesel Generator		
	Unit (lac KWH)	0.76	1.69
	KWH/Litre of LDO	0.60	1.04
	Cost per Unit (Rs. / KWH)	6.32	6.93
(ii)	Through Steam Turbine/Generator (from by-product steam of plants)		
	Unit (lac KWH)	--	5.46
	Total cost (Rs. lacs)	--	0.73
	Cost/Unit (Rs./KWH)	--	0.13

2. NATURAL GAS - PURCHASED

	Unit (lac NM)	5.32	6.11
	Total amount (Rs. lacs)	31.97	62.88
	Rate/Unit)	6.01	10.29

CONSUMPTION PER TONNE OF MAJOR PRODUCTION**Electricity (Unit - KWH)**

1.	Maleic Anhydride	2,770.00	1,884.00
2.	D. L. Malic Acid	9,866.00	5,109.00

B. TECHNOLOGY ABSORPTION :**FORM - B****RESEARCH AND DEVELOPMENT**

1. Specific areas in which R & D is carried out by the Company. The Company has well equipped R & D Centre which is currently working on the following areas :-
 - i) Process improvement in the manufacture of d, L Malic Acid including improvement in equipment design.
 - ii) Pilot plant studies on products viz., 1,4 BUTANEDIOL (BDO) GAMMA BUTYROLACTONE (gbl), TETRAHYDROFURAN (THF), Sodium Methyl Allyl Sulfonate (NaMAS) & Arylamido 2-Methyl Propane Sulfonic Acid (AMPs).
2. Benefits derived as a result of the above R & D.
 - i) Improvement in quality of product viz, d, L Malic Acid.
 - ii) The benefits of pilot plants will accrue in the ensuing years.
3. Future plan of action ;
The Company proposes to assign the R & D Division of the FUTURICA PETROCHEMICALS PVT. LTD., on a valuation to be arrived at as a going concern.

	1998-99	1996-98
	Rs./Lacs	Rs./Lacs
4. Expenditure on R & D :		18 months
i) Capital	978.03	500.33
ii) Recurring	1.88	0.92
iii) Total	979.91	501.25
iv) Total R&D expenditure as a percentage to total turnover	647.96	92.13

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

NOT APPLICABLE

2. Benefits : **NOT APPLICABLE**

3. Technology imported during the last five years : **NOT APPLICABLE**

C. FOREIGN EXCHANGE EARNING AND OUTGO

The particulars of foreign exchange earned/utilised during the year are given in items 21 and 22 of the Notes to the Accounts.

By order of the Board of Directors

For **ADARSH CHEMICALS & FERTILIZERS LTD.,**

DATE : 31.01.2000

N. D. PATEL

P. D. MORAR

PLACE : UDHNA

DIRECTOR

DIRECTOR

40th Annual Report 1998-99**AUDITORS' REPORT**

To,
The Shareholders of
Adarsh Chemicals & Fertilizers Limited,
Udhna.

We have audited the attached Balance Sheet of Adarsh Chemicals & Fertilizers Limited as at 31st March, 1999 and also Profit & Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies [Auditors' Report] Order, 1988 issued by the Company Law Board, Government of India under Section 227 [4A] of the Companies Act, 1956, we give in the Annexure referred hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further, to our comments in the Annexure referred to in paragraph 1 above, we report that :

- [A] (a) Despite continued losses resulting in total erosion of net worth of the company, excess of current liabilities over current assets, the financial statement for the year have been prepared on Going Concern Basis on the assumption of continued financial assistance and improvement in the operation (Refer Note No. 2)
- (b) No Provision is made for the doubtful advances amounting to Rs. 11,71,04,580/- (Refer Note No. 3)
- (c) No Provision is made for the duty and warehousing charges for the goods amounting to Rs. 27,41,628/- lying with the customs authority since 1994-95. (Refer Note No. 4)
- (d) The excess of unamortised value over the realisable value is neither ascertained nor provided for the discontinued Plants having written down value of Rs. 1,60,23,416/- as at 31.03.99. (Refer Note No. 5)
- (e) The estimated realisable value of Stores and Spares, valued at Rs. 40,56,463/-, relating to discontinued plant is not ascertained and the loss on account of the adjustments, if any, is not provided for (Refer Note No. 6)
- (f) No provision is made for the doubtful debtors amounting to Rs. 7,81,93,523/- (Refer Note No. 8).
- (g) We are unable to comment whether the insurance claim amounting to Rs. 1,66,06,993/- can be considered good of recovery to the extent shown. (Refer Note No. 9).

(h) Liability for interest has not been ascertained nor provided, for Fixed Deposits and the inter Corporate Deposits amounting to Rs. 1,42,00,000/- and Rs. 1,10,54,707/- respectively. (Refer Note No. 10).

(i) Liability of interest has not been ascertained nor provided, for the overdue acceptances and advance from customers (Refer Note No. 11).

The effect of (b) and (f) of the above has resulted in the under statement of the loss by Rs. 19,52,98,103/- and the over statement of loans & Advances and the Sundry Debtors amounting to Rs. 11,71,04,580/- and Rs. 7,81,93,523/- respectively. Whereas the effect of note nos. (c), (d), (e), (g), (h) and (i) cannot be quantified.

Subject to our comments in (A) above :

- [B] We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- [C] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- [D] The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account.
- [E] In our opinion, the profit and loss account and Balance Sheet comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
- [F] In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with significant accounting policies and notes on account thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- [i] In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999.

AND

- [ii] In the case of the Profit & Loss Account of the 'Loss' for the year ended on that date.

For **KANTILAL PATEL & CO.**
CHARTERED ACCOUNTANT

Place : **Ahmedabd.**
Date : **January 24th 2000**

A. K. PATEL
(PARTNER)

ADARSH CHEMICALS & FERTILIZERS LTD.**ANNEXURE TO THE AUDITOR'S REPORT**

- [i] The Company has maintained the fixed assets register showing full particulars including quantitative details and location of fixed assets, etc. Fixed assets of the company have not been physically verified by the management during the year and hence the discrepancies, if any, cannot be ascertained.
- [ii] None of the fixed assets have been revalued during the year.
- [iii] (a) The stocks of finished goods, stores, spare parts, components and raw materials have been physically verified by the management during the year at reasonable intervals. The discrepancies noticed on such verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- (b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- [iv] The Company has taken interest free loans from the parties covered under the register maintained under section 301 and from the company under the same management within the meaning of section 370[1-B] of the Companies Act, 1956. The other terms and conditions are not prejudicial to the interest of the company.
- [v] The Company has not granted loans to the companies, firms or other parties covered under the register maintained under section 301 and the companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956 so far as applicable to the company.
- [vi] (a) The Company has given interest free advances in the nature of loan to its employees which are being repaid regularly as per stipulations except in case of an ex-employee from whom Rs. 5,69,693/- is recoverable.
- (b) In respect of Loans and Advances in the nature of loans by the company no specific terms have been stipulated for the repayment of the outstanding balances and interest. In absence of specific stipulations of recovery, we are unable to comment upon reasonable steps, if any, taken by the company for recovery thereof.
- [vii] In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of the business for the purchases of stores, raw materials, components, plant and machinery, equipment and other assets and for sale of goods.
- [viii] According to the information and explanations given to us, the Company has neither purchased any raw materials, stores and components nor sold goods, materials in excess of Rs. 50,000/- in value for each type thereof from/to companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. However the company has sold services in excess of Rs. 50,000 which, in our opinion, are reasonable having regard to the nature of services provided.
- [ix] The company has not determined unserviceable or damaged stores, raw materials and finished goods except as stated in Note No. 6 during the year. However, adequate provision in respect thereof is not made in the accounts.
- [x] The Company has accepted deposits, from the Public however, the company has not complied with the provisions made under section 58A and the rules made thereunder in regard to the maintenance of Liquid Assets, repayment of interest and principal amount of fixed deposits, issue of advertisement or the statement in lieu of advertisement, rate of interest.
- [xi] The Company has maintained reasonable records for the sale and disposal of By-products.
- [xii] The Company does not have an internal Audit System.
- [xiii] We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the central government for the maintenance of cost records under section 209 [1] [d] of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records are maintained. We have not made detailed examination of the said accounts and records.
- [xiv] According to the records of the Company, there have been serious delay in depositing the dues towards Provident Fund and Employees State Insurance with the appropriate authorities, Rs. 2,77,905/- and Rs. 32,476/- of Provident Fund and Employees' State Insurance respectively are outstanding as on 31-03-99, of which Rs. 1,53,951/- and Rs. 25,994/- have been deposited with the appropriate authorities subsequently.
- [xv] According to the books and records examined by us and as per the information and explanations given to us, except the amounts mentioned hereunder no undisputed amounts payable in respect of Income tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 1999 for a period exceeding six months from the date they became payable.
- | | |
|-----------------------|-----------------|
| Sales Tax | Rs. 26,94,746/- |
| Turnover Tax | Rs. 6,57,742/- |
| Interest on Sales Tax | Rs. 23,112/- |
| Purchases Tax | Rs. 62,386/- |
- [xvi] During the course of our audit of the books of account carried out in accordance with generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit & Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- [xvii] The Company is a Sick Industrial Company within the meaning of Clause 'o' of Sub-section (i) of Section '3' of the Sick Industrial Companies [Special Provisions] Act, 1985. However, the reference has not been made to the Board for the same to the Industrial and Financial Reconstruction under section 15 of that Act.

Place : Ahmedabd.
Date : January 24, 2000

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANT
A. K. PATEL (PARTNER)