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41ST ANNUAL REPORT - 1999-2000



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**ADARSH CHEMICALS
& FERTILIZERS LIMITED**

FORTY FIRST ANNUAL REPORT 1999-2000 BOARD OF DIRECTORS

Shri P. N. Vepari	Chairman (Upto 25-3-2000)
Shri Chhotubhai K. Pithawalla	Vice Chairman
Smt. Bhartiben C. Pithawalla	Director (Upto 25-3-2000)
Dr. Prakash D. Patel	Director
Shri Chandravadan C. Pithawalla	Director
Shri P. D. Morar	Director
Shri Nitesh D. Patel	Whole-time Director

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.

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NOTICE :

NOTICE is hereby given that the 41st ADJOURNED ANNUAL GENERAL MEETING of the members of ADARSH CHEMICALS & FERTILIZERS LIMITED, will be held at it "SAMRUDDHI", Near Makkai Bridge, Nanpura, Surat on Thursday, 13th March, 2003 at 11.00 a.m.

ORDINARY BUSINESS :

- (1) To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2000 and the Profit & Loss Account for the year ended as on that date together with the Directors' and Auditors' Report thereon.

NOTES:

1. 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.
2. 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.
3. 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.

Registered Office :
Surat Navsari Road,
Udhna-394210, SURAT
DATED : October 3, 2002

By Order of the Board

N. D. PATEL
WHOLE - TIME DIRECTOR

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DIRECTORS' REPORT :

Yours Directors hereby present the 41st Annual report of the Company and the Audited Statement of Accounts for the year ended on 31-03-2000.

FINANCIAL RESULTS	1999-00 Rs. / LACS	1998-99 Rs. / LACS
Turn Over	423.45	168.58
Gross Loss	1314.31	1278.12
Depreciation	250.34	252.37
Prior Year Adjustment Income/ (Expenditure)	(2.81)	(422.11)
Loss before tax	1567.46	1952.60
Provision for taxation	Nil	Nil
Loss after tax	1567.46	1952.60
Balance of Loss of Previous Year Brought Forward	5537.54	3584.94
Balance of Profit & Loss Account	71050.00	5537.54
Dividend	Nil	Nil

ADJOURNED 41st AGM :

The 41st AGM of the company was held on 19-5-2001 and was postponed for the adoption of accounts by the members of the company, as the accounts could not be prepared. As the qualified employees of the company had left including the a power-cut in the company and delay in compiling the details for the preparation of accounts, the company had to employ outside professional staff to prepare the accounts of the company.

REVIEW OF OPERATIONS :

The production during the year was meager and therefore the turn over of the company stood only at Rs. 423.45 lacs as against Rs. 168.58 lacs for the previous year.

The Maleic Anhydride plant could be operated upto March 2000. The company also had taken steps to restructure, reorganize and revamp its operations. As a result of this the production of Maleic Anhydride during the year could aggregate to only 1466 MT and for d, L Malic Acid 31MT.

The company faces financial difficulties and hence the operation could not be continued on regular basis. Further, frequent shut down of the operation of the plants increases the re-start cost of the plants. The board of the company is in the process of alternate use of assets of the company and repayment of dues to the financial institutions, banks and fixed depositors.

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.

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

Your Directors offer the following explanations as to the qualifications in the Auditors' Report :

- As regards item 2(A)(a) and 2(A) in the Auditors' Report relating to non provision of doubtful advance of Rs. 10,48,11,137 and doubtful debts of Rs. 7,28,93,980 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 after making sincere efforts of recovery, the unrecovered amounts will be dealt with in accounts.
- As regards item 2(A)(c) relating to discontinued plants, your Directors would like to state to that necessary steps have been initiated to sell/realise on account of these plant.
- Other qualification in the Auditors' Report, are explained in the notes to the Account and does not require any further elaboration by the Board of Directors.

DIRECTOR'S RESPONSIBILITY :

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that :

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures in the Notes on Accounts.
- The directors had selected such accounting policies and applied them consistently and fair view of the affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- The directors had 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.

The directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT :

Your Directors express their sincere gratitude to the Members, Creditors including Fixed Depositors, Financial Institutions and Banks, Government Authorities for their continuous co-operation to the company.

By order of the Board of Directors
For, ADARSH CHEMICALS & FERTILIZERS LTD.,

Date : October 3, 2002
PLACE : UDHNA

N. D. PATEL
WHOLE-TIME 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 utilization of waste steam.
- (2) The Process waste steam is being used in the T. G. Set for generating power.

FROM - A

POWER & FUEL CONSUMPTION

1. ELECTRICITY

a. Purchased		
Unit (lac KWH)	42.74	22.69
Total Amount (Rs. Lacs)	260.32	102.99
Rate/Unit (Rs./KWH)	5.85	4.53

b. Own Generation

(i) Through Diesel Generator		
Unit (lac KWH)	0.48	0.76
KWH/Litre of LDO	2.41	0.60
Cost per Unit (Rs./KWH)	8.25	6.32

(ii) Through Steam Turbine/Generator (From by-product Steam of plants)		
Unit (lac KWH)	--	--
Total cost (Rs. lacs)	--	--
Cost/Unit (Rs./KWH)	--	--

2. NATURAL GAS - PURCHASED

Unit (lac NM)	16.54	5.32
Total amount (Rs. lacs)	113.68	31.97
Rate/Unit)	6.87	6.01

CONSUMPTION PER TONNE OF MAJOR PRODUCTION

Electricity (Unit - KWH)

1. Maleic Anhydride	2,624	2,770.00
2. D. L. Malic Acid	13,788.00	9,866.00

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 center which is currently working on the following areas :
 - (i) Process improvement in the manufacture of d, L. Malic Acid plant 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) & Arylarnido 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 CHEMINTEL INDIA PVT. LTD., on a valuation to be arrived at as a going concern.

4. Expenditure on R & D :	1999-00 Rs. / LACS	1998-99 Rs. / LACS
(i) Capital	628.42	978.03
(ii) Recurring	0.51	1.88
(iii) Total	628.93	979.91
(iv) Total R & D expenditure as a percentage to total turnover	148.53	581.27

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/utlized 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 : October 3, 2002
PLACE : UDHNA

N. D. PATEL
WHOLE-TIME DIRECTOR

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, 2000** and Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

Further to our comments in the Annexure referred to above, we report that:

- (1) The financial statements are prepared on Going Concern Basis by the management, though the accumulated loss as on 31-3-2000 exceeds the net worth of the company, current liabilities exceeds current assets, total liabilities exceeds total assets. The plants of the company remained non-operational for more than two years as on date due to stringent financial position and employees of the company have been retrenched. Without any concrete restructuring program in place, there is substantial doubt whether the company will be able to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities. (refer Note No. 2)

Further to our comments in the Annexure referred to in paragraph 1 above, we report that:

- 2 [A] (a) No Provision is made for the doubtful advances amounting to Rs. 10,48,11,137/- (Refer Note No. 4(a))
- (b) 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(b))
- (c) The excess of unamortised value over the realisable value is neither ascertained nor provided for the discontinued Plants having written down value of Rs. 1,85,80,037/- as at 31-3-00 (Refer Note No. 5)
- (d) The estimated realisable value of Stores and Spares, valued at Rs. 40,56,463/- relating to discontinued plants is not ascertained and the loss on account of the adjustments, if any, is not provided for (Refer Note No. 6)
- (e) We are unable to comment for the realisable value, being a technical matter, of stock-in-process valued at Rs. 65,71,548/- due to non-operation of plant for more than two years as on date of the report. (refer Note No. 7)
- (f) No provision is made for the doubtful debtors amounting to Rs. 7,28,93,980/- (Refer Note No. 9)

- (g) We are unable to comment whether the insurance claim and Refund of Electricity Duty receivable amounting to Rs. 1,66,06,993/- and Rs. 32,87,685/- respectively can be considered good of recovery to the extent shown. (Refer Note No. 10)
- (h) We are unable to comment whether Deferred Revenue Expenses of Rs. 1,06,28,545/- comprising of unamortised value of catalyst is representing the value of unconsumed catalyst (refer Note No. 11)
- (i) Liability for interest has not been ascertained nor provided, for Fixed Deposits and the Inter Corporate Deposits amounting to Rs. 4,37,47,000/- and Rs. 74,28,459/- respectively. (Refer Note No. 12)
- (j) Non disclosure of dues to small scale industries. (Refer Note No. 15)

The effect of (a) and (f) of the above has resulted in the under statement of the loss by Rs. 17,77,05,117/- and the over statement of Loans & advances and the Sundry Debtors amounting to Rs. 10,48,11,137/- and Rs. 7,28,93,980/- respectively, Whereas the effect of note nos. (b), (c), (d), (e), (g), (h) and (i) cannot be quantified.

- [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 subject to non-ascertainment and consequently non provision of interest, as stated in note 12, on fixed deposits of Rs. 4,37,47,000/- and inter corporate deposits of Rs. 74,28,459/- as terms and conditions of settlement are not finalised.
- [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, except As 10 "Accounting for Fixed Assets" and As 2 "Inventory" to the extent of non-ascertainment of realisable value, as stated in note no. 5 & 6, of discontinued plants and stores related thereto, the profit and loss account and Balance Sheet and the Profit and Loss account dealt with by this report, comply with the accounting standard referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
- [F] As per the expert opinion obtained by the company, the directors on the board of the company are not disqualified for being appointed as directors in terms of section 274 (1) (g) of the act.
- [G] In view of our observations in para 1 and 2 [A] above, we are unable to express our opinion whether the said financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- [I] In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2000.
- 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 ACCOUNTANTS

Place : Ahmedabad
Date : August 13, 2002

A. K. PATEL
(Partner)

ANNEXURE TO THE AUDITORS' 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 re-valued 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, except as stated in Note No. 6 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. The other terms and conditions are not prejudicial to the interest of the company. The provisions of section 370 (1-B) are considered not applicable on or after 31-10-1998.
- [v] The Company has not granted loans to the companies, firms or other parties covered under the register maintained under section 301. The provisions of section 370 (1-B) are considered not applicable on or after 31-10-1998.
- [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 given 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 its 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 as stated in Note No. 6 during the year.
- [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 accounts 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. 1,83,100/- and Rs. 17,486/- of Provident Fund and Employees' State Insurance respectively were outstanding as on 31-3-00 of which Rs. 1,21,123/- and Rs. 17,486/- have been deposited with 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, 2000 for a period exceeding six months from the date they became payable.
- | | |
|--------------|----------------|
| Sales Tax | Rs. 7,26,144/- |
| Turnover Tax | Rs. 6,57,742/- |
| Purchase 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 Industrial and Financial Reconstruction under section 15 of that Act.

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Date : August 13, 2002

A. K. PATEL
(Partner)