

43RD ANNUAL REPORT : 2001 - 2002



ADARSH CHEMICALS & FERTILIZERS LIMITED

43rd Annual Report 2001-2002

FORTY THIRD ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Shri Chhotubhai K. Pithawalla	Director
Dr. Prakash D. Patel	Director
Shri Chandravadan C. Pithawalla	Director (upto 8-3-03),
Shri P. D. Morar	Director
Shri Nitesh D. Patel	Whole-time Director
Shri Bharat M. Patel	Director (w.e.f. 8-3-03)

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 43rd ADJOURNED ANNUAL GENERAL MEETING of the members of **ADARSH CHEMICALS & FERTILIZERS LIMITED**, will be held at "SAMRUDDHI", Near Makkai Bridge, Nanpura, Surat on Friday, 11th July, 2003 at 11.00 a.m.

ORDINARY BUSINESS :

- (1) To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2002 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-394 210, SURAT.
DATED : May 15, 2003

By Order of the Board

N. D. PATEL
WHOLE-TIME DIRECTOR

SHIFTING OF REGISTERED OFFICE

SHAREHOLDERS ARE HERewith INFORMED THAT REGISTERED OFFICE OF THE COMPANY, WITH EFFECT FROM 1ST JULY 2003, WILL SHIFT TO THE FOLLOWING ADDRESS.

ADARSH CHEMICALS & FERTILIZERS LTD.

39, UPPER GROUND FLOOR, SURYAKIRAN APPARTMENT, GHOD DOD ROAD,
SURAT-395 007. GUJARAT.

ALL THE CRORESPONDENCE INCLUDING TRANSFER OF SHARES SHOULD BE
MADE AT THE ABOVE ADDRESS ON OR AFTER 1ST JULY 2003.

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DIRECTORS' REPORT :

Your Directors hereby present the 43rd Annual report of the Company and the Audited Statement of Accounts for the year ended on 31-03-2002.

FINANCIAL RESULTS	2001-02 Rs. / LACS	2000-01 Rs. / LACS
Total Income	493.79	41.15
Gross Profit / (Loss)	85.60	(585.76)
Depreciation	242.36	245.80
Prior Year Adjustment Income/ (Expenditure)	-	(1.16)
Profit / (Loss before tax)	(156.76)	(832.72)
Provision for taxation	Nil	Nil
Profit / (Loss after tax)	(156.76)	(832.72)
Balance of Profit / (Loss) of Previous Year Brought Forward	(7937.72)	(7105.00)
Balance of Profit & Loss Account	(8094.47)	(7937.72)
Dividend	Nil	Nil

ADJOURNED 43rd AGM :

The 43rd AGM of the company was held on 10-8-2002 and was adjourned 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 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 operation of Melic Anhydride Plant has been discontinued since March 2000. The company has initiated the restructuring process of repayment of dues to the Fixed Deposit Holders, Financial Institutions and Banks. Subsequent to year end, the company has realised money through the development of land and repaid part of the dues of the financial institutions and part of the fixed deposit holders.

The company has also decided to sell off the Melic Anhydride Plant and other property of the company.

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 V(i)(a) in the Auditors' Report relating to non provision of liability for Penalty imposed for non-submission of documents for fulfillment of export obligation amounting to Rs.133,384,605/-, your directors are initiating steps to extinguish the penalty by submitting the relevant documents with the government authority.

- As regards Item v(i)(b) relating to discontinued plants, your Directors would like to state that necessary steps have been initiated to sell/realise on account of these plant.
- As regards Item v(i)(c) in the Auditors' Report relating to non provision of doubtful advance and doubtful debts of Rs. 159,057,897/-, your Directors wish to inform that due to discontinuation of operation and non-availability of administrative staff during the period under review, follow up with the parties could not be taken up.
- As regards Item v(i)(d) in the Auditors' Report relating to non provision of interest of outstanding fixed deposits and inter corporate deposits, your directors are negotiating with the parties for the waiver of interest on settlement of principal dues and your directors are confident for waiver of interest by the said parties.
- As regards Item v(i)(e) relating to non-compliance of the OTS, your directors have approached to the banks and financial institutions for payment of dues from the realisation of the sale of assets and your directors are of the view that the OTS is in continuance.
- 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.

CORPORATE GOVERNANCE :

The company has not complied with the conditions of the Corporate Governance as stipulated in the Clause 49 of the Listing Agreement with the Stock Exchange in regard to formation of the Audit Committee, Share Transfer and Investors' Grievance Committee and the Remuneration Committee as the company could not find person willing to be appointed as independent directors on the Board of the company considering the financial position and other limitations. Hence, the company has not obtained the certificate of Compliance of conditions of the Corporate Governance from the Auditors of the Company.

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 have prepared the annual accounts on a going concern basis, though the activities are discontinued and property is to be disposed off.

ACKNOWLEDGMENT :

Your Directors express their sincere gratitude to the Members, Creditors including Fixed Depositors, Financial Institutions and Banks, Government Authorities for their patience and bearing with the Company.

For, ADARSH CHEMICALS & FERTILIZERS LTD.,

Date : May 15, 2003
PLACE : UDHNA

N. D. PATEL
WHOLE-TIME DIRECTOR

ADARSH CHEMICALS & FERTILIZERS LTD.

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

2001-02

2000-01

1. ELECTRICITY

a. Purchased

Unit (lac KWH)

Total Amount (Rs. Lacs)

Rate/Unit (Rs./KWH)

b. Own Generation

(i) Through Diesel Generator

Unit (lac KWH)

KWH/Litre of LDO

Cost per Unit (Rs./KWH)

(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)

Total amount (Rs. lacs)

Rate/Unit

CONSUMPTION PER TONNE OF MAJOR PRODUCTION

Electricity (Unit - KWH)

1. Maleic Anhydride

2. D. L. Malic Acid

For, ADARSH CHEMICALS & FERTILIZERS LTD.,

DATE : MAY 15, 2003
PLACE : UDHNA

N. D. PATEL
WHOLE-TIME DIRECTOR

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AUDITORS' REPORT

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

- (i) We have audited the attached Balance Sheet of **Adarsh Chemicals & Fertilizers Limited** as at 31st March, 2002 and also Profit & Loss Account and the Cash Flow statement 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.
- (ii) 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 principles 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.
- (iii) As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
- (iv) The Company has decided to sell off the property, consequently, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amount and classification of liabilities that may be necessary.
- (v) Further to our comments in the Annexure referred to in para iii above and subject to the remarks in para iv, we report that:
- [i] (a) No provision is made for liability for penalty amounting to Rs. 133,384,605/- [Refer Note No. 1(B)].
- (b) The excess of unamortised value over the realisable value is neither ascertained nor provided for the assets of the discontinued Plants having written down value of Rs. 255,026,237/- and discontinued Capital Work in Progress of Rs. 6,585,676/- as at 31-03-02. [Refer Note 2 (b)]
- Further, the estimated realisable value of Store and Spares, valued at Rs. 10,541,529/- relating to discontinued plants is not ascertained and the loss on account of the adjustments, is not provided for. [Refer Note No. 2 (B)]
- (c) No Provision is made for the doubtful debt and advances amounting to Rs. 159,057,897/- [Refer Note No. 2(c)]
- (d) Liability for interest has not been ascertained nor provided for Fixed Deposits and the Inter Corporate Deposits amounting to Rs. 61,620,601/- and Rs. 1,707,900/- respectively. [Refer Note No. 2(d)]
- (e) Liability has not been ascertained nor provided for the non-compliance in terms and conditions of One Time Settlement (OTS) with the banks and financial institutions. (Refer Note No. 3)

- (f) 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)

- (g) Non disclosure of dues to small scale industries (Refer Note No. 5)

The effect of para (a) and (c) of the above has resulted in the under statement of the loss and the Current Liabilities by Rs. 292,442,502/- and Rs. 133,384,605/- respectively and the over statement of Loans & Advances and the Sundry Debtors amounting to Rs. 101,197,881/- and Rs. 57,860,016/- respectively. Whereas the effect of note nos. (b), (d), (e), (f) and (g) cannot be quantified.

- [ii] 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.
- [iii] 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 2(d), on fixed deposits of Rs. 61,620,601/- and inter corporate deposits of Rs. 1,707,900/- as terms and conditions of settlement are not finalised.
- [iv] The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account.
- [v] 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. 2(b) of discontinued plants and stores related thereto, and AS 22 "Accounting for taxes on Income" as stated in Note No. 7, 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.
- [vi] 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 of the company in terms of section 274(1) (g) of the Act [Refer Note 8]
- [vii] In our opinion and to the best of our information and according to the explanation given to us, because of the effects of the matters discussed in Paragraphs IV and V(i) as referred above, the financial statements do not give a true and fair view in conformity with the accounting principles generally accepted in India:
- [a] In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2002.
- [b] In the case of the Profit & Loss Account of the 'Loss' for the year ended on that date.
- AND
- [c] In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

**A. K. PATEL
(Partner)**

Membership No. 34032

**Place : Ahmedabad
Date : May 16, 2003**

202, 'Paritosh', Usmanpura (River Side),
Ahmedabad - 380 013, INDIA. Tel : 7551333, 7552333.
Fax : 91-79-7550538.

ADARSH CHEMICALS & FERTILIZERS LTD.

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 stores, spare parts and components have not been physically verified by the management during the year. Hence, discrepancies, if any, have not been ascertained.
 [b] **In our opinion, except as stated in Note No. 2(b)(i), 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 the companies under the same management as defined under 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 as defined under section 370 (1-B) of the companies Act, 1956.
- [vi] In respect of Loans and Advances in the nature of loans given by the company, the outstanding balances amounting to Rs. 101,197,881/- have not been recovered. Further, no provision has been made, in regard to the said advances. [Refer note 2 (c)]
- [vii] 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.
- [viii] The Company does not have an Internal Audit System.
- [ix] 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. 22,544/- and Rs. 7,440/-

of Provident Fund and Employees' State Insurance respectively were outstanding as on 31-3-02, which have been deposited with appropriate authorities till the date of our report.

- [x] According to the books and records examined by us and as per the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 2002 for a period exceeding six months from the date they became payable.
- [xi] During the course of our audit of the books of account carried out in accordance with generally accepted auditing practice s, 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.
- [xii] **The Company is a Sick Industrial Company within the meaning of Clause 'o' of Sub-section [1] 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.**
- [xiii] The company has not carried out manufacturing activity during the year and hence the sub-clauses x, xi, xii, xiv, and xvi of clause A of Paragraph 4 have not been reported.

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

**A. K. PATEL
(Partner)**

**Place : Ahmedabad
Date : May 16, 2003**

Membership No. 34032

202, 'Paritosh', Usmanpura (River Side),
Ahmedabad - 380 013, INDIA. Tel : 7551333, 7552333.
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