

19th
ANNUAL
REPORT
2000-2001

ADHUNIK SYNTHETICS LTD.

ADHUNIK SYNTHETICS LIMITED**BOARD OF DIRECTORS**

Radheshyam Poddar : Chairman & Managing Director
 Pradeep Poddar : Joint Managing Director
 Sunil Poddar : Joint Managing Director

AUDITORS

R. S. Agrawal & Associates,
 Chartered Accountants,
 Mumbai.

BANKERS

Central Bank of India
 Bank of Baroda
 State Bank of India

REGISTERED OFFICE

Plot No.5, Municipal Industrial Estate,
 Sai Nagar, 1st M. G. Cross Lane,
 Kandivli (West), Mumbai - 400 067.

PLANTS

A-6/1, M.I.D.C.
 Murbad Dist. Thane
 (Maharashtra)

J/49, Addl.
 M.I.D.C. Jalgaon
 (Maharashtra)

Plot No.179/2,
 Village Palod
 Dist. Surat
 (Gujarat)

R.S. No.43,
 Village Palgam
 Umbergaon,
 Dist. Valsad
 (Gujarat)

C-4, MIDC
 Awdhan, Dhule
 (Maharashtra)

REGISTRARS & TRANSFER AGENTS

Computronics Financial Services (I) Ltd.
 1, Mittal Chambers, Nariman Point,
 Mumbai-400 021

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NINETEENTH ANNUAL REPORT 2000 - 2001**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Adhunik Synthetics Limited will be held on Saturday, 29th September, 2001 at 11.00 a.m. at Smt. Kalawati Maganlal Hall No. 3 (Thathai Bhatia Hall) Kandivli (West), Mumbai 400067 to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001, and the Profit and loss Account for the year ended on that date along with Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Radheshyam Poddar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors and fix their remuneration.

By Order of the Board
For ADHUNIK SYNTHETICS LIMITED

RADHEYSHYAM PODDAR
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai.
Date : 17th August, 2001.

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NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need be a member of the company. Proxy should be lodged with the Company 48 hours before the commencement of the meeting.
2. The Registers of Members and Transfer Books of the Company will remain closed from Friday, the 21st September, 2001 to Saturday, the 29th September, 2001 (both days inclusive).

ADHUNIK SYNTHETICS LIMITED**DIRECTORS' REPORT**

To,
The Members,
ADHUNIK SYNTHETICS LIMITED

Yours' Directors have pleasure in presenting the Nineteenth Annual Report and Audited Statement of Accounts for the year ended 31st March 2001.

FINANCIAL HIGHLIGHTS:

	(Rs. in lacs)	
	2000-2001	1999- 2000
Sales and other Income	1210.88	2295.95
Profit/(loss) before provision of Depreciation & Tax	(620.78)	(449.24)
Less/(add): Provision for Depreciation	(140.80)	(152.62)
Profit/(loss) before tax	(761.58)	(601.86)
Less/(add): Tax adjustment	(0.21)	10.87
Less/(add): Provision for Doubtful Debts/advances	(38.42)	(109.94)
Profit/(loss) after tax	(800.21)	(700.93)

OPERATIONS:

The year under review resulted in the net loss of Rs.800.21 lacs as compared to net loss of Rs. 700.93 lacs during the previous year. During the previous year the Plant & Machinery of the Kim unit was sold and manufacturing operations at Jalgaon units were remained suspended. The weaving units were in operation mainly on job work basis due to shortage of working capital.

DIVIDEND:

In view of losses, the Board is not recommending any dividend for the year ended 31st March 2001.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri Radheshyam Poddar retires by rotation and being eligible offer himself for re-appointment.

INSURANCE

All the properties and assets of the company are sufficiently insured against the risk of the fire and other risks.

LISTING

The equity shares of the company are listed on Mumbai, Delhi, Calcutta, Madras and Ahemdabad Stock Exchanges. The annual listing fees have been paid till (a) 1997-98 for Calcutta, Madras and Ahemdabad Stock Exchanges (b) 1998-99 for Dehli Stock Exchange and (c) 2000-2001 for Mumbai Stock Exchange.

FIXED DEPOSITS

The company has not accepted any fixed deposits from public during financial year 2000-2001.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility statement, it is hereby confirmed:

1. That the preparation of accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and the profit or loss of the company for the year under review.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

NINETEENTH ANNUAL REPORT 2000 - 2001**PROVISION OF SICA, 1985:**

As reported last year, the company's net worth as per the audited accounts as at 31st March, 2000 stood fully eroded and accordingly a mandatory reference was made to BIFR under section 15 of the SICA, 1985 on 31st July, 2000 which was duly registered under case no. 272/2000. On hearing on 7th March, 2001 before BIFR, the proceedings of which was received on 23rd April, 2001, the company was declared as a sick industrial undertaking, however, the BIFR, as per the provisions of section 18, appointed Central Bank of India, as Operating Agency for preparation of Techno Economic Viability Study and revival scheme with a cut off date of 30th September, 2001 for submitting the same. The company has already appointed Technical Consultant and the report is under preparation.

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

Information pursuant to section 217(i) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 is given here below: -

A. CONSERVATION OF ENERGY:

As in the past, the company continues its efforts to improve methods of energy conservation and utilisation.

The information of power and fuel consumption and cost per unit of production is furnished in the prescribed form here below: -

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Units	Current Year	Previous Year
a. Power and Fuel Consumption			
1. Electricity-Purchased			
Unit (KWH)	Thousands	1302.03	1945.57
Total Amount	Rs. in lacs	53.82	84.48
Average Rate	Rs. per unit	4.13	4.34
2. High Speed Diesel			
Quantity	Kilo Litres	11.90	38.66
Total Cost	Rs. in lacs	2.16	5.26
Average Rate	Rs. per Ltrs.	18.18	13.62
b. Consumption per unit of production.			
1. Electricity (KWH)			
Cloth	100 mtrs	47.33	39.00
Yarn	100 kgs.	-	203.95
2. Light Speed Diesel (litres)			
Cloth	100 mtrs	0.43	0.43
Yarn	100 kgs.	-	12.55

B. TECHNOLOGY ABSORPTION:

The Company is doing research and development for improvement in shades of yarns and fabrics as routine activities.

C. FOREIGN EXCHANGE EARNING AND OUTGO.

There is no foreign exchange earning during the year and foreign exchange outgo is Rs.20.88 lacs.

PARTICULARS OF EMPLOYEES:

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 are not attached with this report as no employee comes under the purview of these provisions.

AUDITORS:

M/s. R. S. Agrawal & Associates, Chartered Accountants, the Auditors of the Company are retiring at the forthcoming Annual General Meeting. The Auditors have informed that they are eligible for re-appointment. The members are requested to appoint the auditors.

AUDITORS' REPORT:

The Auditors report is self-explanatory and hence do not require any clarification.

APPRECIATION:

The Board of Directors place on record their appreciation for the support and co-operation received from the Government, Bankers, IDBI, SICOM, Dealers, Suppliers, Employees and you the shareholders

For and on behalf of the Board
For ADHUNIK SYNTHETICS LIMITED

Radheshyam Poddar
Chairman

Mumbai, 17th August, 2001

ADHUNIK SYNTHETICS LIMITED**AUDITORS' REPORT**

To,
The Members,
ADHUNIK SYNTHETICS LIMITED

We have audited the attached Balance Sheet of ADHUNIK SYNTHETICS LIMITED as at 31st March 2001, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph No.1 above:
 - a) We have obtained all the information and explanations, except referred to elsewhere in the report, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the profit and loss account and Balance Sheet comply with the mandatory accounting standards referred to in sub section (3C) of the section 211 of the Companies Act, 1956 except;
 - i) AS-1 as referred to in Note No.13 of schedule 21 that the financial statements have been prepared on the concept that the company will continue as a going concern, though at Jalgaon unit of the company the manufacturing operations stand suspended and plant and machinery of Kim unit was sold and the company is not in a position to honour its commitment towards various secured and unsecured liabilities. Further the company has continuously incurred losses and thereby the accumulated loss has exceeded the net worth of the company and a substantial loss is carried forward as on 31st March 2001 hence it cannot be said whether the company will continue to be so.
 - ii) AS-2 as referred to in Point No. 5 of schedule 20 of significant accounting policies for valuation of inventories, the impact the same is not exactly ascertainable. Attention of the members is also invited to refer para no. 6 of annexure to the Auditors' Report and
 - iii) AS-15 as referred to in Note No. 6 of schedule 21 for non-provision of gratuity and bonus, the amount is not precisely ascertainable.
 - e) Attention of the members is invited to:
 - i) Note no. 2 of schedule 21, no independent confirmation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Loans from Financial Institutions & Banks and other balances have been produced before us and consequential impact, if any, could not be ascertained.
 - ii) Note no.7 of schedule 21, lower charge of depreciation, as a result, up to date depreciation charge is lower by Rs 154.46 lacs after taking into account Rs 18.24 lacs (net) excess charge for the year under review.
 - iii) Note no. 10 of schedule 21, no provision has been made for interest accrued and due on the unpaid installments which have already become due pertaining to Special Capital Incentives and Sales Tax Incentives received in the form of unsecured loans, the amount could not be ascertained in absence of proper information available with the company
 - iv) Note no.15 of schedule 21, non-ascertainment of the extent of recoverability, even after making the provision for doubtful accounts where there was no transaction during the last three years, of certain long outstanding Sundry Debtors and Loans & Advances Rs 643.03 lacs and Rs 54.79 lacs respectively and provision required there against. Attention of the members is also invited to refer para no. 8 of annexure to the Auditors' Report.
 - v) Note no.16 of schedule 21, no provision has been made for diminution in the value of investments in the equity shares of (a) Adhunik Yarns Ltd, a sick industrial undertaking within the meaning of Section 3 (1) (o) of the SICA, 1985 Rs 81.87 lacs and (b) Adhunik Fintrade Ltd., a substantial loss making company Rs.5.94 lacs.
 - vi) Note no.17 of schedule 21, no provision has been made for liquidated damages, overdue and compound interest on late payments/defaults in payment of interest as well as repayment of installments of loans, as the same could not be determined/ascertained properly.
 - f) We, further report that, overall impact of the above referred remarks, without considering items mentioned at d) i), ii), iii), e) i), iii), iv), v) and vi) above, the effect of which could not be determined, the loss for the year would have been lower by Rs.18.24 lacs and the debit balance in Profit & Loss Account would have been higher by Rs.154.46 lacs.

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- g) All the directors of the company, are disqualified as on 31st March 2001, to be appointed as a director of any other public company, as the company has failed to redeem its debentures on due dates, as referred to in Section 274 (1) (g) of the Companies Act, 1956.
- h) In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts, subject to the forgoing and read together with the accounting policies and other notes 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 Balance Sheet, of the state of affairs of the Company as at 31st March 2001 and;
- (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date.

For R. S. AGRAWAL & ASSOCIATES
Chartered Accountants

R. S. Agrawal
Partner

Mumbai, 17th August 2001

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH (1) OF THE AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2001 OF ADHUNIK SYNTHETICS LIMITED ON THE BASIS OF SUCH CHECKS AS WE CONSIDER APPROPRIATE AND IN TERMS OF THE INFORMATION AND EXPLANATION GIVEN TO US, WE STATE THAT:

1. The Company has maintained records, showing particulars including quantitative details and situation of its fixed assets. As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. We are informed that no material discrepancies have been noticed by the management on such verification as compared to the aforesaid records of fixed assets.
2. None of the fixed assets of the Company have been revalued during the year.
3. As informed to us, physical verification was conducted by the management at the close of the year in respect of finished goods, stores, spare parts and raw materials save and except goods lying with third parties.
4. As explained to us, the procedures of physical verification of stocks, except goods lying with third parties, followed by the management are, in our opinion, need to be strengthened in relation to the size of the Company and the nature of its business.
5. As informed to us there were no material discrepancies noticed on physical verification of stocks as compared to book records and the same has been properly dealt with in the books of account, *however in the absence of complete details, we could not verify the same.*
6. In our opinion, subject to point no. 5 of schedule 20, the valuation of finished goods, stores, spare parts and raw materials is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the proceeding year *except in respect of fabric division of the company, in view of various qualities of fabrics produced, the valuation of grey fabrics and finished fabrics is based on the past experience and judgement of the management as regards to attribution of cost elements which is not fully verifiable for want of cost records. The inventory holding levels, in view of steep decline in the turnover in past few years, as compared to earlier years with turnover, are higher, therefore there is a possibility of loss on sale of slow moving items also. The impact of the above remarks, is presently not ascertainable and, therefore, cannot be commented upon.*
7. The company has taken interest free short term unsecured loan from the parties listed in the register maintained under section 301 of the Companies Act 1956 and/or from the companies under the same management as defined under section 370 (1-B) of the Companies Act 1956. The other terms and conditions of such loan are not, *prima facie*, prejudicial to the interest of the company.
8. The Company has granted interest free advances/trade advances to the parties listed in the register maintained section 301 of the Companies Act, 1956 and/or to the companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956 as referred to in note No. 12 of Schedule 21. *The Sundry debtors include Rs. 269.98 lacs granted as trade advances in the earlier years to Adhunik Yarns Ltd. which is a sick industrial undertaking within the meaning of section 3 (1) (o) of the SICA, 1985 and also Rs.88.03 lacs to Adhunik Fintrade Ltd. which is also a substantial loss making company. For non-ascertainment of recoverability of the same and provision required there against, the impact of this is, presently not determinable and, therefore, cannot be commented upon.*
9. The Company has granted interest free loans and advances in the nature of loans to its employees and other parties, and we are informed that there is no stipulation as regards to repayment of the principal amount.
10. On the basis of the selective checks carried out during the course of Audit and according to the information and explanations given to us, the internal control procedures followed by management need to be strengthened commensurate with the size of the Company and nature of its business for purchase of stores, raw material including components, plant and machinery, equipments and other assets and for the sale of goods.