

22nd Annual Report
2003-2004

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ADHUNIK SYNTHETICS LIMITED

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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NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Members of **Adhunik Synthetics Limited** will be held on Thursday 30th September 2004 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 2004, 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

Mumbai, 18th August 2004

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 24th September 2004 to Thursday 30th September 2004 (both days inclusive).

ADHUNIK SYNTHETICS LIMITED**DIRECTORS' REPORT**

To,
The Members,
ADHUNIK SYNTHETICS LIMITED

Yours' Directors have pleasure in presenting the 22nd Annual Report and Audited Statement of Accounts for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS:**(Rs. in lacs)**

	2003-2004	2002-2003
Sales and other Income	246.94	368.33
Profit/(loss) before provision of Depreciation & Tax	(639.13)	(577.05)
Less/(add): Provision for Depreciation	(33.61)	(99.15)
Profit/(loss) before tax	(672.74)	(676.20)
Less/(add): Tax adjustment	2.57	6.71
Less/(add): Provision for Doubtful Debts/advances	(86.59)	(83.12)
Profit/(loss) after tax	(756.76)	(752.61)

OPERATIONS:

The year under review resulted in the net loss of Rs. 756.76 lacs as compared to net loss of Rs. 752.61 lacs during the previous year. As was in earlier years, the manufacturing operations at Jalgaon unit were remained suspended and 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 2004.

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

Due to continuous financial difficulties only few assets of the company are insured against the risk of the fire and other risks.

LISTING

The equity shares of the company are listed on Mumbai, Delhi, Kolkatta, Chennai and Ahmedabad Stock Exchanges. The annual listing fees have been paid till (a) 1997-98 for Kolkatta, Chennai and Ahmedabad 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 2003-2004.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- That the preparation of accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 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.
- 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.
- That the Directors' have prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

PROVISION OF SICA, 1985:

Further to the reported last year, in the hearing before BIFR on 7th July 2004, formed, prima-facie, an opinion that it would be just, equitable and in public interest that the company be wound up u/s 20(1) of the Act. Notice is directed to be given in newspapers to shareholders, workers, creditors and customers etc of the company. The objections and suggestions would be heard on 23rd September 2004.

ACCUMULATED LIABILITIES :

In respect of liabilities provided in the audited accounts further to add that pursuance to the heavy losses, the Company suspended its yarn manufacturing Works / functioning in its units / factories long back and in lieu of no improvement in the textile market but reactant slack down, it has closed down yarn manufacturing units/factories long back and approached to BIFR in the year 2000-2001 and subsequently BIFR declared the company sick industrial undertaking.

Therefore it is pertinent to say that the liabilities of the company towards all financial institution/banks, of its principles amounts, interest and compound interest along with rate inconceivable/untenable and can not be taken as the admitted liabilities but under scanner / scrutinisation / arbitrated /prima-facie and subject for the verdict of an appropriate Court of Law as per provision i.e. the liabilities stand as disputed / integrated.

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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	1067.46	1169.22
Total Amount	Rs. In lacs	44.57	48.11
Average Rate	Rs. per unit	4.18	4.11
2. High Speed Diesel			
Quantity	Kilo Litres	6.155	13.330
Total Cost	Rs. In lacs	1.45	3.07
Average Rate	Rs. per Ltrs.	23.51	22.95
b. Consumption per unit of production.			
1. Electricity (KWH)			
Cloth	100 mtrs	45.15	45.84
Yarn	100 kgs.	-	-
2. Light Speed Diesel (litres)			
Cloth	100 mtrs	0.26	0.52
Yarn	100 kgs.	-	-

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. Nil (Rs. Nil).

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 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, 18th August 2004

ADHUNIK SYNTHETICS LIMITED**AUDITORS' REPORT**

To
The Members of
ADHUNIK SYNTHETICS LIMITED

1. We have audited the attached Balance Sheet of **ADHUNIK SYNTHETICS LIMITED** as at 31st March 2004, the Profit & Loss Account and also 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.

2. 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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

(i) 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.

(ii) 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 those books.

(iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

(iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3-C) of section 211 of the Companies Act, 1956 except:

(a) AS-1 as referred to in Note No.12 of schedule 21 that the financial statements have been prepared on the concept that the company will continue as a going concern, though;

aa) Manufacturing operations at Jalgaon unit of the company continued to stand suspended,

ab) Plant and Machinery of Kim unit was already sold in an earlier year,

ac) Murbad and Umbergaon units of the company (including plant and machineries of Dhule unit which were, during the year, shifted to the locations of these units) were not operating at full capacity.

ad) The company is not in a position to honour its commitment towards various secured and unsecured creditors.

ae) 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 2004.

af) The BIFR also directed to issue show cause notice to wound up u/s. 20(1) of the Act.

ag) Further impairment of the assets as reported in the following paragraphs and also in annexure to report, cannot be ruled out on realization / recovery.

Hence it cannot be said whether the company will continue to be so.

Therefore financial statements for the year under consideration do not include any adjustments relating to recorded amounts and classification of assets; or to amounts and classification of liabilities that may be necessary if the company is unable to continue as a going concern.

(b) AS-2 as referred to in Point No. 5 of schedule 20 of Significant Accounting Policies for valuation of inventories, the method of valuation is not as per Accounting Standard. Secondly, even in respect of fabric division of the company, in view of various qualities, as explained to us, of fabrics produced, valuation of grey and finished fabrics is based on the past experience and judgment of the management as regards to attribution of cost elements which is not fully verifiable for want of cost records. Thirdly, the comparative inventory holding levels, in view of steep decline in the turnover in past few years, as compared to earlier years with turnover, in our opinion, are higher therefore there is a possibility of loss on sale / realization of slow moving / old items also. The impact of the above remarks, presently not ascertainable and, therefore, cannot be commented upon

(c) AS-15 as referred to in Note No. 5 of schedule 21 for non-provision of gratuity, for want of necessary information, the amount is not precisely ascertainable.

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- (d) AS-13 as referred to in Note no.15 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) (c) of the SICA, 1985 and BIFR formed, *prima facie*, an opinion that the company be wound up and forwarded the matter to concerned High Court, Rs 81.87 lacs and (b) Adhunik Fintrade Ltd., a substantial loss making company Rs. 5.94 lacs.
- v) Attention of the members is invited to:
- (a) 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.
- (b) Note no.6 of schedule 21, lower charge of depreciation, as a result, up to date depreciation charge is lower by Rs 95.23 lacs after taking into account Rs 9.18 lacs (net) excess charge for the year under review.
- (c) Note no. 9 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.
- (d) Note no.14 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 528.64 lacs and Rs 34.72 lacs respectively and provision required there against. Attention of the members is further invited to refer para no. (iii) of annexure to the Auditors' Report.
- (e) Note no.16 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 & debentures, as the same could not be determined/ascertained properly.
- vi) We, further report that, overall impact of the above referred remarks, without considering items mentioned at iv) a), b), c), d) and v) a), c), d), and e) above and para no (i), (ii) and (xv) of Annexure to the Auditors' Report, the effect of which could not be determined, the loss for the year would have been lower by Rs. 9.18 lacs and the debit balance in Profit & Loss Account would have been higher by Rs.95.23 lacs.
- vii) All the directors of the company, are disqualified as on 31st March 2004, 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.
- viii) As informed to us, the company has not complied with the conditions of the Corporate Governance as stipulated under Clause 49 of the Listing Agreement.
- ix) Minutes Books of Meetings of the Board of Directors and Shareholders and other Statutory Registers required to be maintained under the Companies Act 1956 by the company, were not produced to us for our verification.
- x) Note No. 7 of Schedule 21, the company has paid managerial remuneration amounting to Rs. 4.95 lacs without satisfying the conditions of Schedule XIII of the Act.
- xi) Note No. 13 of Schedule 21 for non-availability of the relevant information with the company, the information of SSI creditors could not be complied.
- xii) 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 2004;
- (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date; and
- (iii) In case of Cash Flow Statement, of the cash flows for the year ended on that date.
- For R. S. AGRAWAL & ASSOCIATES**
Chartered Accountants
- R.S. Agrawal**
Partner
- Mumbai
18th August 2004
- Membership No. 33216

ADHUNIK SYNTHETICS LIMITED

ANNEXURE REFERRED IN PARAGRAPH (3) OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2004 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:

(i) a) *The fixed assets register was not produced to us for our verification, however a statement was produced to us containing the broad particulars of the fixed assets on the basis of that it can not be said that the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. We are informed that plant and machineries of Dhule Unit were shifted to Murbad and Umbergaon Units of the company.*

b) *As informed to us, the management has, at reasonable intervals during the year, physically verified the fixed assets except the fixed assets of Units located at Jalgaon and Kim where manufacturing operations were shut down and found no discrepancies. Hence, discrepancies, if any, in the fixed assets situated on above locations, could not be ascertained.*

c) *During the year the company has not disposed off a substantial part of its fixed assets.*

(ii) a) *As informed to us, the inventory has been physically verified at the close of the year by the management except the stocks and other items of stores and spares lying at the units located at Jalgaon and Kim, where manufacturing operations were shut down and goods lying with third parties. In our opinion, the verification of inventory only at the close of the year in respect of all the items cannot be said to be reasonable and also no confirmation /certificates have been produced to us for physical verification of the inventories, for the inventories lying with third parties.*

b) *The procedures of physical verification of inventories, as explained, followed by the management are, in our opinion, needs to be strengthened in relation to the size of the company and the nature of its business as no records evidencing the physical verification were produced to us except confirming the same as done.*

c) *The company, for inventory, has maintained no specific records that can be said proper. As informed to us no material discrepancies have been noticed on physical verification of stock except the stocks and other items of stores and*

spares lying at the units located at Jalgaon and Kim, where manufacturing operations were shut down and goods lying with third parties as inventories at these locations were not physically verified, as compared to book records / statements and the same has been properly dealt with in the books of account. Hence discrepancies, if any, in the stocks lying at above locations and with the third parties, could not be ascertained.

(iii) a) *As informed to us, the company has given unsecured loans to 2 companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 387.16 lacs (including trade advances given in earlier years) and the year-end balance of such loans was Rs. 379.26 lacs which are included in sundry debtors. The company has given, during the year, loans contrary to the provisions of section 295 of the Act which requires previous approval of Central Government.*

During the year the company has, as informed to us, not taken any loans or advance in the nature of loans from the companies, firms or other parties covered in the register maintained under section 301 of the Act.

b) *The aforesaid advances in the nature of loans are interest-free and therefore, in our opinion, are prejudicial to the interest of the company.*

c) *The payment of principal amount of the aforesaid loans, however it is informed that there was/is no stipulation, still, in our opinion, are not regular as the same are outstanding since long.*

d) *As stated above, that there was no stipulation yet, in our opinion, the whole amount is, prudently, overdue as one of these company is a sick industrial undertaking declared by BIFR for which BIFR also formed, prima-facie, an opinion for wound up and other one is a loss making company. No specific recovery steps, as informed to us, were taken by the Company.*

(iv) *In our opinion and according to the information and explanations given to us, internal control procedures followed by the management need to be strengthened commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of audit, no major weakness has been noticed in these internal controls.*

(v) a) *The company has not produced the register required to be maintained under section 301 of the Act, for our verification, hence it can not be said whether transactions that need to be entered into such register have been so entered.*