



Synthetics and Chemicals Ltd.
39th Annual Report 1998-99



SYNTHETICS AND CHEMICALS LTD.

BOARD OF DIRECTORS

SURESH T. KILACHAND : *Chairman*
 HEMRAJ C. ASHER
 UDAY S. KILACHAND : *Managing Director*
 AJAY S. KILACHAND : *Executive Director*
 P.M. KALE : *Nominee Director of ICICI*
 HITEN A. KHATAU
 BAHRAM VAKIL
 HIRALAL C. SHAH
 ASHOK KUMAR : *Nominee Director of GIC*
 H.K. KHAN

COMPANY SECRETARY

NALIN N. SHAH

BANKERS

STATE BANK OF INDIA
 STATE BANK OF PATIALA
 STATE BANK OF SAURASHTRA
 BANK OF TOKYO-MITSUBISHI LTD
 BANK OF BARODA

AUDITORS

MESSRS DALAL & SHAH
Chartered Accountants

LEGAL ADVISORS

MESSRS DAPHTARY FERREIRA & DIVAN
 MESSRS AMARCHAND & MANGALDAS &
 HIRALAL SHROFF & CO.

REGISTERED OFFICE

Oriental House,
 7, Jamshedji Tata Road,
 Mumbai 400 020.
 Phone : 022-2820161
 Fax No. : 91-22-2870299
 91-22-2836209

REGISTRAR AND SHARE TRANSFER AGENT

AND FOR DE-MAT SHARE

MCS Limited,
 403, Dalamal Tower,
 211, Nariman Point,
 Mumbai 400 021.
 Phone : 2049933/2837108
 Fax No. : 91-22-2855188

PLANT

P. O. Bhitaura Rubber Factory,
 Bareilly 243 501.
 Phone : 0581-480711
 Fax No. : 91-0581- 480970

KANDLA TERMINAL

Plot No. 1,
 Near I.O.C. Ltd., (Naptha) Terminal,
 Kandla-Kharirohar Road,
 Kandla (Kachchh) 370 210
 Phone : 02836-70185
 Fax No. : 91-02836-55370

REGIONAL OFFICES

Hindi Bhavan,
 3rd Floor, Vishnu Digambar Marg,
 New Delhi 110 002.
 Phone : 011-3231260/3237009
 Fax No. : 91-011-3238546

2, Brabourne Road, 6th Floor,
 Calcutta 700 071,
 Phone : 033-2257161/7164
 Fax No. : 91-033-2258768

7-E, Century Plaza, 7th Floor,
 560, Mount Road,
 Chennai 600 018.
 Phone : 044-4347948/4349639
 Fax No. : 91-044-4349639

Members are requested to bring their copies of Annual Report along with them to the Annual General Meeting.





SYNTHETICS AND CHEMICALS LTD.

NOTICE

NOTICE is hereby given that the Thirtyninth Annual General Meeting of SYNTHETICS AND CHEMICALS LIMITED will be held at Patkar Hall of SNDT Women's University, 1 Nathibai Thackersey Road, Mumbai 400 020, on Saturday, 21st August, 1999 at 11.00 A.M. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1999 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Hiten A. Khatau, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. H. K. Khan, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H. C. Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution** :

"RESOLVED THAT the retiring Auditor M/s. Dalal & Shah, Chartered Accountants be and are hereby re-appointed as Auditors of the Company for the financial year commencing on 1st April, 1999, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration plus out of pocket expenses, travelling and other expenses as may be mutually agreed upon between the Board of Directors and the Auditors."
6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of the Securities Contracts Regulation Act, 1956, as amended by SEBI Act, 1992 and other applicable provisions, if any, subject to such approvals as may be necessary, and in view of infrequent trading of shares in Bombay Stock Exchange, the Company hereby approves delisting of 2,64,33,159 Equity Shares from the Stock Exchange, Mumbai."

NOTES

- 1) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 2) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE 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 Register of Members and Share Transfer Books of the Company will remain close from 2nd August, 1999 to 7th August, 1999, both days inclusive.
- 4) Members are requested to intimate the change, if any, in their Registered Addresses.

EXPLANATORY STATEMENT Pursuant to Section 173(2) of the Companies Act, 1956.

In respect of Item No. 5

Section 224A of the Companies Act, 1956 provides for the appointment or re-appointment at each Annual General Meeting of the Company (of the Auditor or Auditors of a Company) to be made by a special resolution if the Company is one in which not less than 25 per cent of its subscribed share capital is held whether singly or in any combination inter alia by public financial institutions or Government companies or a Central Government or State Government or any Financial or other institutions established by way of Provincial or State Act in which the State Government holds not less than fifty one percent of the subscribed share capital or a nationalised bank or insurance company doing general insurance business on the date of the Notice.

The holding of the financial institutions in the Company exceeds 25 per cent of its subscribed share capital and hence the re-appointment of the Auditors is required to be made by a special resolution. As required under Section 224 of the Act, written certificate has been received from M/s. Dalal & Shah, Chartered Accountants to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Act.

None of the Directors are concerned or interested in the Special Resolution.

In respect of Item No. 6

At present the Equity Shares of the Company are listed in The Bombay Stock Exchange, Mumbai and National Stock Exchange Ltd., Mumbai.

In view of the infrequent trading of Company's shares, the Directors has passed a resolution in their meeting held on 18th June, 1999 for members approval to delist 2,64,33,159 equity shares from The Stock Exchange, Mumbai. This delisting shall not in the opinion of the Board of Directors prejudicially affect trading in the Company's share as the listing of the Company's Equity Shares with The National Stock Exchange Ltd. will continue as before. However, this measure would result in considerable cost saving to the Company.

The Directors accordingly recommend the resolution for the approval of the Shareholders.

None of the Directors is concerned or interested in the Special Resolution.

Registered Office:
 Oriental House,
 7, Jamshedji Tata Road,
 Mumbai 400 020.
 Dated : 18th June, 1999

By Order of the Board

NALIN SHAH
 Company Secretary



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DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Thirtieth Annual Report with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99 (Rs. in lacs)	1997-98 (Rs. in lacs)
Gross Sales (including Excise)	7073.26	16097.37
Loss before Depreciation and Taxation & Extra ordinary Items	3954.17	1805.26
Add : Depreciation	245.23	269.99
Taxation	5.00	5.00
	4204.40	2080.25
Extra Ordinary Items		
i) SBR Project Abandon & Written Off (Net of Estimated Realisable Value)	7398.00	—
ii) Deferred Expenditure Written off	1022.27	1.14
iii) Prior years Adjustments (Net)	73.89	(18.24)
iv) Provision for Taxation of earlier years	127.67	—
	12826.23	2063.15
Add/Less : Balance brought forward	1139.77	(923.38)
Deficit carried to Balance Sheet	13966.00	1139.77

DIVIDEND

In view of the loss for the year, the Board of Directors are unable to recommend any dividend for the year 1998-99.

OPERATIONS

The year 1998-1999 has been a most difficult year for the Company. SBR production and sales were lower at 11516 MTs. and 11062 MTs. compared to the previous year figures of 22861 MTs. and 24406 MTs. respectively. The gross turnover of the Company is Rs. 70.73 crores compared to Rs. 160.97 crores in the previous year. The margins were affected mainly on account of dumping of SBR by the eastern European countries and sluggish demand condition in the automobile and tyre industries. The Company had approached Government of India for Anti-Dumping Duty measures in September, 1997. However, the Government has notified the Anti-Dumping Duty only in April, 1999 on various grades of SBR.

ABANDONMENT OF SBR EXPANSION PROJECT AND REFERENCE TO BIFR

As you are aware that SBR Expansion Project from 41000 MTs. to 70000 MTs. per annum was undertaken in the year 1989 and the same is near completion. The cost of the project was originally estimated at Rs. 790 million.

However, the project has suffered time and cost overruns from 1989 till date rendering it unviable. Initially the Company could not commence the project due to delay in obtaining import licence for import of plant and machinery from Germany. Subsequently, in 1991-92, the Company obtained the import licence. However, the technology supply agreement had to be re-validated in 1991-92 on account of German reunification which further delayed the project implementation.

The Company's expansion project was reappraised by ICICI in 1992 and the project cost was revised to Rs. 1534.9 million which was to be financed by right issue to PCDs of Rs. 228.9 million, NCDs of Rs. 358.7 million, lease assistance of Rs. 70 million and cash accruals of Rs. 51.9 million.

The Project again suffered time and cost overrun as proposed equity and debt financing could not be raised. The imported

machinery arrived at Site in 1993-1994. Due to cheap import, on account of Value Based Advance Licensing System (VBALS), the sales realisation for the year 1993-94 was lower. Therefore, the Company had to postpone the implementation of Expansion Scheme until the VBALS was rectified in 1994-1995.

In March 1996, ICICI approved a rehabilitation package. The cost of the project was further revised to Rs. 2065 million. As the part of the package, the Institution have funded the outstanding interest into OPCDs. During the year 1997-98, the Company performance was severally affected on account of dumping of SBR from Korea and Japan. Consequent to the currency crisis in South-East-Asia in March 1998, the project was reappraised and cost of the project was revised to Rs. 2290 million.

During the last five years, the Company had never achieved production level of more than 30000 MTs. and production for the year 1998-99 is hardly 25% of the existing capacity of 41000 MTPA. Looking to the past performance and the future projection, the demand for SBR in India, the liberalised imports being allowed, dependency on the imported raw materials, weakening of rupee, the Project has become uneconomic and non-viable. Therefore, the Company decided to abandon the project and value the same at the estimated realisation value.

As a consequent to the abandonment of Project, Rs. 73.98 crores has been charged to Profit & Loss Account under the head Extra Ordinary Items. Similarly, deferred expenditure and interest related to SBR project on various loans etc. has also been charged to Profit & Loss Account.

As a result of the above, the accumulated losses at the end of the Financial Year 1998-99 have exceeded the entire net worth of the Company, the Board of Directors is required to make reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for determination of the measures which shall be adopted with respect to the Company. Reference to BIFR shall be made shortly.

FINANCE

The Company's working was affected mainly on account of acute scarcity of working capital. However, lead bank, State Bank of India has approved the holding on operations pending rehabilitation and revival proposal. Even though, the Company's proposal for restructuring and revival is pending with ICICI, ICICI has filed recovery suits against the Company. The Company is defending the same.

STATUS ON YEAR 2000 PREPAREDNESS

The Company has identified the area in which it will have Y2K problems and its solution cost is Rs. 25 lakhs approximately. The Company has selected the Consulting/Softwares to have Y2K Compliance for its accounting software package before 31st December, 1999. The Company does not have Y2K problems with regard to its processes, operations and other functions and have prepared a contingency plan to remedy the situation.

DEMATERIALISATION OF SHARES

The Company has opted for dematerialisation of Equity Shares in March, 1997. As on date 32% of the Equity Share Capital of the Company have been dematerialised.

DELISTING OF SHARES

The Equity Shares of the Company are listed in The Stock Exchange, Mumbai and The National Stock Exchange Ltd., Mumbai. The Company shares are not frequently traded, therefore, the Board of Directors have decided to delist the equity shares



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from The Stock Exchange, Mumbai. This delisting shall not in the opinion of the Board of Directors prejudicially affect trading in the Company's share as the listing of the Company's Equity Shares with The National Stock Exchange Ltd. will continue as before. However, this measure would result in considerable cost saving to the Company.

SAFETY AND ENVIRONMENT

The Company has the highest standard of safety for its operations at the Plant and continued to upgrade its Safety and Environment Control equipments to meet the stringent standards prescribed by the authorities.

INDUSTRIAL RELATIONS

The Company has cordial industrial relations at all levels during the year under review.

DIRECTORS

Mr. R.K. Kaul, Mr. N.J. Kamath and Lt. Gen. S.P. Malhotra have resigned as Directors of the Company. Mr. Ashok Kumar has been nominated as a Director of the Company on behalf of General Insurance Corporation of India in place of Mr. V. Jagannathan. The Directors have placed on record the valuable services rendered by Mr. V. Jagannathan, Mr. R.K. Kaul, Mr. N.J. Kamath and Lt. Gen. S.P. Malhotra.

Mr. H.K. Khan has been appointed as Director in the casual vacancy caused on the resigning of Mr. R.K. Kaul. In accordance of the provisions of the Companies Act, 1956 and the Articles of Associations of the Company, Mr. Hiten A. Khatau, Mr. H.K. Khan and H.C. Shah will retire by rotation at this Annual General Meeting and being eligible, will offer themselves for re-appointment.

AUDITORS' REPORT

The observations made by the Auditors in their Report have been fully dealt with in the relevant notes forming part of the Accounts which are self-explanatory and do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

AUDITORS

The term of M/s. Dalal & Shah as Auditors expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given certificate to the effect that their re-appointment, if made, will be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

SUBSIDIARY COMPANY

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the Company's subsidiary company, is attached.

PARTICULARS OF EMPLOYEES

The information in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended is given in Annexure "A".

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure "B".

ACKNOWLEDGMENTS

The Directors wish to place on record their grateful appreciation for the excellent co-operation and support received from the Government of India, the Government of Uttar Pradesh, as well as the consortium of Financial Institutions and Commercial Banks. The Directors express their sincere thanks to all the employees for their devotion to duty and dedication to their tasks during difficult year.

Finally, the Directors value greatly and owe their gratitude to all the shareholders, debentureholders, fixed depositors, customers and suppliers for their continued confidence and support.

For and on behalf of the Board

New Delhi
Dated: 18th June, 1999

SURESH T. KILACHAND
Chairman

ANNEXURE "A" TO DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Director's for the year ending 31st March 1999.

Sl. No.	Name, Age & Qualification	Designation & Nature of Duties	Remuneration Received (Rupees)	Date of Commencement of Employment	Experience (Years)	Last Employment held
A. Employed throughout the year.						
1	Mr. Gupta S.S. B.Com., F.C.A.	49 V.P. (Commercial)	8,05,510	01.06.1994	23	G.M (Finance) Shaw Wallace & Co. Ltd.,
2	* Mr. Kilachand U.S.	38 Managing Director	10,46,156	01.07.1987	17	Director & Chief Executive Huns Ind. Agencies Pvt. Ltd.
3.	Mr. Taterh V.S. B.E. (Hons), P.G.D.M.	48 Sr. V.P. (Operation)	6,07,145	15.09.1997	28	V.P. (Development) The National Rayon Corp. Ltd.
B. Employed for part of the year.						
1	Mr. Apsingekar A.S. BSc., M.L.W. & I.R.	46 General Manager (HRD)	5,18,147	24.02.1997	23	G.M. (HRD) Nippon Denro Ispat Ltd.
2.	Mr. Desai T.B. B.Com., F.C.A.	47 V.P. (Finance)	6,79,886	09.02.1998	23	V.P. (Finance) The Standard Batteries Ltd.
3.	Mr. Seth Dilkush B.Com., D.M.M., M.M.	60 General Manager (Marketing)	4,04,097	15.01.1996	37	G.M. (Export) Govind Rubber Ltd.
4.	Mr. Vinekar H.S. B. Tech., D.M.M.	53 Sr. V.P. (Marketing & Business Development)	9,83,648	29.01.1998	31	Sr. V.P. - Marketing (OSC) Vam Organic Chemicals Ltd.

NOTES : -

1. Remuneration includes Salary, Allowances, Gratuity, Leave Encashment, Taxable value of perquisites, Company's contribution to Provident Fund.
2. * Indicates Employment is contractual.



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ANNEXURE "B" TO DIRECTORS' REPORT

Statement of Particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) - Rules, 1988 and Forming Part of Director's Report for the year 1998-99.

A. CONSERVATION OF ENERGY :**a) Energy Conservation Measures Taken :**

- i) Plugging of steam/compressed air/water leaks.
- ii) Maintenance of perfect steam/power balance (No steam venting) with continuous operation of condensing type -turbo generator.
- iii) Better Combustion control by regular monitoring of unburnt in great ash, fly ash and monitoring % oxygen & carbon dioxide/carbon monoxide in flue gases.
- iv) Routine replacement/repair of defective steam traps.
- v) Procurement and use of good quality coal in boilers.
- vi) Heat recovery from CBD with new heat exchanger.
- vii) Replacement of steam turbine of ammonia compressor and cooling water pump by electric motors.
- viii) Time to time acid cleaning of economizer tubes of Boilers.
- ix) Installation & Commissioning of a low capacity cooling water pumps.
- x) Survey of insulated pipe lines and Equipments was done to monitor radiation losses and insulation changed for thickness revised wherever losses were high.
- xi) Monitoring of condensate recovery to minimize its losses and improve quality of Boiler feed water.
- xii) Low TDS content well pumps were operated in order to improve steam efficiency.

b) Additional Investment and Proposals

- i) Installation of electrical motor driven air compressor.
- ii) Planning to replace ID fan steam turbine drive by variable speed motor.
- iii) Improvement in power factor of hydel power to 0.98 by installing HT capacitor bank.
- iv) Replacement of remaining aluminium fans of cooling tower with FRP fan.
- v) Replacement of ordinary lamp with the low power consuming CFL lamps.
- vi) Load management of U.P.S.E.B. to pay rational demand charges.
- vii) Heat recovery from waste steam of Rubber plant by providing washate pumps.

B. TECHNOLOGY ABSORPTION :

Please see Annexure II

C. FOREIGN EXCHANGE EARNINGS & OUTGO :

	1998-99	(Rs. in Lacs) 1997-98
Total Foreign Exchange used	2073.35	4466.56
Total Foreign Exchange earned	—	20.69

Form - A

Form for disclosure of particulars with respect to conservation of energy.

A. Power & Fuel Consumption**1. Electricity****a) Purchased**

	Current Year 1998-99	Previous Year 1997-98
i) Unit (KWH)	44,92,930	63,88,420
ii) Total Amount	Rs. 2,31,20,371	Rs. 2,67,92,212
iii) Rate/Unit (ii/i)	Rs. 5.15	Rs. 4.19

b) Own Generation**i) Through Diesel Generator**

A. Unit (KWH)	17,65,837	19,11,750
B. Unit/Lit of Diesel	4.082	3.177
C. Cost/Unit	Separate cost not available	Separate cost not available

**ii) Through Steam Turbine/Generator
(Through Our Co-Generation Systems)**

A. Unit (KWH)	1,07,76,120	1,99,74,160
B. Unit per Lit of Fuel Oil/Gas	—	—
C. Combined cost of power generated through diesel Generator as well as Steam Turbine	Rs. 6,76,04,433	Rs. 10,33,08,705
D. Combined cost/unit (iiC/IA + iiA)	Rs. 5.39	Rs. 4.72



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2. Coal (specify quality & where used)

Coal is used in boilers.

i) Quality	% ash (Avg.)	28.02	26.116
	% Moisture (Avg.)	12.56	10.017
ii) Quantity (MT)		42,656	76,081
iii) Total Cost		Rs. 10,24,05,233	Rs. 17,77,18,970
iv) Avg. Rate (Rs./MT) (iii/ii)		Rs. 2,400.72	Rs. 2,335.92

3. Furnance Oil (Diesel)

i) Quantity (MT)		118,240	449,320
ii) Total Cost		Rs. 12,58,672	Rs. 43,14,281
iii) Avg. Rate (Rs./MT) (ii/i)		Rs. 10,645.06	Rs. 9,601.80

4. Other/Internal generation

(Please give details)

A. Own generated fuel oil (By product oils)

i) Quantity (MT)		NIL	NIL
ii) Total Cost		NIL	NIL
iii) Avg. Rate (Rs./MT) (ii/i)		NIL	NIL

B. Consumption Per unit of Production.

Standards if any

Production with details

i) Total Saleable			
rubber incl. of Latices (MT)	—	11,517	22,862
ii) Alcohol Production (KL)	—	916,460	3,237,890
Electricity (KWH/MT)	—	1,479,108	1,236,739
Furnace Oil (MT/MT)	—	0.010267	0.0196535
(Diesel Oil+ by Product Oil)			
Coal (Specify Qty.) (MT/MT)	—	3.7037	3.3278
Others (Specify)	—	—	—

- Note :- 1. Separate consumption of Electricity, Furnance oil and coal per Unit of Alcohol production are not available.
2. Coal figures include the quantity of coal used for generation of captive power.

Annexure - II FORM - B (See Rule - 2) Research & Development (R & D)

1. Specific Area in which R & D is Carried Out by the Company

- Applied research related to development of new grades of latices/rubbers and allied chemicals.
- Import substitution and development of alternate sources of raw materials/chemicals.
- Utilisation of by products.
- Cost reduction.
- Improvement of product quality and process.
- Technology absorption.
- Development of test methods.

2. Benefits Derived as a Result of Above R & D

- Market evaluation of high solid SB latex having high bound styrene and its commercialisation.
- Initiation of work to develop a SB Latex suitable for cement compositon.
- Initiation of work to develop a SB Latex with low bound styrene.
- Development of alternate sources for supply of raw materials/chemicals.

3. Future Plan of Action

- Development of new grades of styrene - butadiene rubbers & latices.
- Commercialization of high solids SB Latex having high bound styrene.
- Commercialization of carboxylated SB Latex.
- Development of alternate sources for supply of raw materials/chemicals.
- Import substitution of more raw materials/chemicals.

4. Expenditure of R & D

	1998-99	(Rs. in Lacs) 1997-98
a) Capital Expenditure	—	7.33
b) Revenue Expenditure	16.00	24.77
c) Total	16.00	32.10
d) Total R & D Expenditure as % of Turnover	0.23	0.20

5. Technology Absorption, Adaptation and Innovation

NIL



Annual Report 1998-99**REPORT OF THE AUDITORS' TO THE MEMBERS**

We have audited the attached Balance Sheet of M/s. Synthetics and Chemicals Limited as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report as under :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order :
2. Further to our comments in the Annexure referred to in paragraph 1 above, we have to state that :

Note 2(b)	—	relating to compensation which still remains to be finalised in respect of giving up the possession of land to Border Security Force;
Note 4(b)	—	relating to disputed Sales Tax demands amounting to Rs. 353.57 lacs;
Note 6	—	relating to non-provision of doubtful debts and advances of Rs. 430.04 lacs and Rs. 19.55 lacs respectively, as the loss in respect of which is, at present, indeterminable;
Note 8	—	relating to non-provision of Rs. 155.00 lacs against purchase tax liability as explained and detailed in the note. Such non-provision/reversal results into Reserves and Surplus being higher by the said amount;
Note 9	—	relating to disputed Excise demands amounting to Rs. 2031.00 lacs;
Note No. 13	—	(a) relating to non-provision of expenses amounting to Rs. 201.94 lacs (aggregate till date Rs. 246.10 lacs) as detailed in the note and its resultant effect on the loss for the year. (b) relating to non-provision of interest on Partly Convertible Debentures and Non-Convertible Debentures amounting to Rs. 1154.75 lacs for the year (till date Rs. 2378.59 Lacs) as detailed in the note. In view of what is stated in Note No. 12, in our opinion the above referred interest should have been provided in the books of account and also should have been written off to the Profit and Loss Account. Such non-provision has resulted in the lower write off of capital work-in-progress, and understatement of liabilities, loss for the year and also the accumulated losses till date.
Note 14 (b)	—	relating to change in the practice of taking credit for Insurance claim on lodgement basis as against the past practice of accounting the same on receipt basis, resulting in the loss for the year being lower by Rs. 105.00 lacs;
Note 15	—	relating to scrapping and writing off of the Butadine Plant and consequential reversal of Revaluation Reserve to fixed assets account as detailed in the note;
Note 18	—	relating to an alleged fraud (as claimed by the State Bank of India, Kanpur Branch) by Bank's Manager in collusion with the Company's Depot Agent and other employees at Kanpur and which matter is under investigation by the police as explained in the note. The balance in the collection account with the Bank and the total amount of Sundry Debtors are therefore subject to change/adjustment on the entire matter being finally settled. The extent of effect on the revenue on eventual settlement of the matter cannot, at present, be determined with reasonable accuracy.
Note 22	—	relating to non accounting of interest income for the year Rs. 56.21 Lacs (till date Rs 261.42 Lacs) for the reason stated in the note and its resultant effect on the loss for the year and carried forward losses in the Balance Sheet;
Note 23	—	relating to non-provision of charges payable to Land & Development authority, Delhi, in respect of sale of property as detailed in the note;
Note 19 & 27	—	relating to pending reconciliation of Sundry Debtors, Sundry Creditors, Accrued Expenses, Loans and Advances, deposits and various lenders account and its effect, if any, on Revenue, as detailed in the Notes, are as disclosed by the Books of Account;

Subject to the above, 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;

In our opinion, the attached Balance Sheet of the Company as at 31st March, 1999 and the Profit and Loss account for the year ended on that date, comply with the Accounting Standards referred in Sub-Section 3 (1) of Section 211 of the Companies Act, 1956;

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 of the Company.

The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Accounts, read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view;

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
- b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For and on behalf of
DALAL & SHAH
 Chartered Accountants
SHISHIR DALAL
 Partner

New Delhi : 18th June, 1999.





SYNTHETICS AND CHEMICALS LTD.

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999 OF SYNTHETICS AND CHEMICALS LIMITED

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, all the assets except the assets given on the lease have been physically verified by the Management at reasonable intervals during the year. According to the information and explanations given to us, no material discrepancies were noticed in respect of the assets verified as compared to book records;
2. None of the Fixed Assets have been revalued during the year;
3.
 - a) The stocks of finished goods, stores, spare parts, catalysts and raw materials except the materials given on loan having the value of Rs. 26.63 Lacs have been physically verified by the Management at reasonable intervals during the year and/or at the closed of the year, except those given on loan, and goods lying in bonded warehouse;
 - b) As explained to us, the procedure of physical verification of the stocks referred to in (a) above, followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
 - c) According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks referred to in (a) above, as compared to book records and the same have been properly dealt with in the books of account;
 - d) We have examined and verified the stock verification records of the Company and also where necessary taken assistance from the technical staff of the Company. On the basis of such examinations and verification and also considering the accounting method adopted for accounting of Custom Duty and other charges on goods in bonded warehouse and Excise Duty as referred to in Note No. 10 to the Accounts, we are satisfied that 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.
4. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there is no Company under the same Management within the meaning of Section 370(1B) of the Companies Act, 1956.
5.
 - a) No loans, secured or unsecured, have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there is no Company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956;
 - b) In respect of Loans and Advances in the nature of loan given by the Company, we have to state as under :
 - i) The Company has given loans to Employees who are repaying the principal amount as stipulated and have also been regular in payment of interest wherever applicable;
 - ii) in respect of the loans to Body Corporates in earlier years, amounting to Rs. 281.05 lacs and accrued interest thereon amounting to Rs. 122.32 lacs till 31.3.1995 for which there are no stipulations as to the repayments and no repayment against the principal amount as well as interest have been received during the year. Further as referred in Note No. 22 the Company has not accrued interest amounting to Rs. 56.21 lacs for the year (total interest not accrued till date amounting to Rs. 261.42 lacs);
 - iii) Permanent loans have been given to the institutions connected with workers' welfare. The recovery of interest, wherever chargeable, is regular.
6. 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 the nature of its business with regard to the purchases of stores, raw materials, plant and machinery, equipments and other assets and also for the sale of goods. Attention is invited to Note No. 27 to the Accounts regarding implementation of the integrated accounting software;
7. As disclosed by the Register maintained under Section 301 of the Companies Act, 1956, there are no transactions of purchase of goods and materials and sale of goods, material and services made by the Company in pursuance of contracts or arrangement, aggregating during the year to Rs. 50,000/- or more, made by the Company with the parties listed in the said register.
8. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and necessary provisions for the loss arising on the items so determined have been made in the Books of Account of the Company;
9. The Company has accepted, unsecured loans aggregating to Rs. 50.00 lacs, from an individual to whom no deposit receipt has been issued and there is no stipulation of rate of interest and the period for which it is accepted. However, the balance at the close of the year is Rs. 30.00 lacs. Except this in our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted by it from the public;

