



SYNTHETICS AND CHEMICALS LTD.

40TH ANNUAL REPORT 1999-2000



SYNTHETICS AND CHEMICALS LTD.

BOARD OF DIRECTORS

SURESH T KILACHAND	:	<i>Chairman</i>
UDAY S KILACHAND	:	<i>Director</i>
AJAY S KILACHAND	:	<i>Director</i>
H K KHAN	:	<i>Director</i>
K P JOHN	:	<i>Nominee Director of GIC</i>
APARNA CHATURVEDI	:	<i>Nominee Director of UTI</i>

BANKERS

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

AUDITORS

MESSRS DALAL & SHAH
Chartered Accountants

LEGAL ADVISORS

MESSRS DAPHTARY FERREIRA & DIVAN
MESSRS LITTLE & CO.

REGISTERED OFFICE

Oriental House
7 Jamshedji Tata Road
Mumbai 400 020
Phone : 282 01 61
Fax : 91-22-2870299

REGISTRAR AND SHARE TRANSFER AGENT FOR DE-MAT SHARE

MCS Limited
403 Dalamal Towers
211 Nariman Point
Mumbai 400 021
Phone : 2049933/2837108
Fax : 91-22-2855188

PLANT

P O BHITaura RUBBER FACTORY
Bareilly 243 501
Phone : 0581-480711
Fax : 91-0581-480970

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

The Board of Directors have decided to place the following resolution before the Shareholders, who are attending the Annual General Meeting.

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NOTICE

NOTICE is hereby given that the Fortieth annual general meeting of SYNTHETICS & CHEMICALS LIMITED will be held at M C Ghia Hall, Bhogilal Hargovindas Bldg., 2nd floor, 18/20, Kaikhurshru Dubash Marg, Mumbai - 400 001 on Thursday the 10th January, 2002 at 10.00 a.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet of the company as at 31st March, 2000 and Profit and Loss account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. 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 to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting at a remuneration plus travelling and out of pocket expenses as may be mutually agreed upon between the Board of Directors and the Auditors."

SPECIAL BUSINESS

3. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Suresh T. Kilachand an additional Director of the company in respect of whom a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director has been received, be and is hereby appointed as Director of the Company liable to retire by rotation".
4. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Ajay S. Kilachand an additional Director of the company in respect of whom a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director has been received, be and is hereby appointed as Director of the Company liable to retire by rotation".
5. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Uday S. Kilachand an additional Director of the company in respect of whom a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director has been received, be and is hereby appointed as Director of the Company liable to retire by rotation".
6. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary

resolution.

"RESOLVED THAT Mr. H.K. Khan an additional Director of the company in respect of whom a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director has been received, be and is hereby appointed as Director of the Company liable to retire by rotation".

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 closed from Monday 3rd December, 2001 to Monday 10th December, 2001 (both days inclusive).
- 4) Members are requested to intimate the change, if any, in their registered addresses.
- 5) Members are requested to note that the Securities and Exchange Board of India (SEBI) has made it compulsory for all investors to trade in the equity shares of the company in dematerialised form only with effect from 26/06/2000. The International Securities Identification Number (ISIN) code of the equity shares is INE6024A1012.
- 6) The facility for making nominations is available for shareholders, debenture holders and fixed deposit holders in respect of the shares, debentures and deposits held by them. Nomination forms can be obtained from the company's share transfer department at the registered office of the company.

EXPLANATORY STATEMENT pursuant to section 173(2) of the Companies Act, 1956.

Item No. 3

Mr. S.T. Kilachand was to retire by rotation at the then annual general meeting, which was to have been held on or before 30th September 2000. Consequently, he had to vacate his office on the said date due to the non-holding of the AGM. The Board of Directors had appointed him as an additional Director with effect from 1st October 2000 at the meeting held on 30th September 2000. He would have held office upto the next annual general meeting, which was to have been held on or before 30th September 2001. Since that AGM was also not held Mr. S.T. Kilachand ceased to hold office on 30th September 2001. Mr. S.T. Kilachand was appointed as



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additional Director at the Board meeting held on 4th October 2001.

Mr. S.T. Kilachand, aged 70 years is an industrialist having been involved in various companies and manufacturing organisation for more than 50 years. He has with him rich and varied experience in management of industrial enterprises in India.

In terms of section 260 of the Act, Mr. S.T. Kilachand shall hold office of director only upto the ensuing annual general meeting of the company. The company has received a valid notice and requisite deposit from a member of the company under section 257 of the Act, proposing the candidature of Mr. S.T. Kilachand for the office of Director. The Board recommends the resolution for approval of the members.

Mr. Suresh T. Kilachand, being the incumbent and Mr. Uday S. Kilachand and Mr. Ajay S. Kilachand being the sons of Mr. S.T. Kilachand are concerned or interested in the resolution.

Item No. 4

Mr. A.S. Kilachand was to retire by rotation at the then annual general meeting, which was to have been held on or before 30th September 2000. Consequently, he had to vacate his office on the said date due to the non-holding of the AGM. The Board of Directors had appointed him as an Additional Director with effect from 1st October 2000 at the meeting held on 30th September 2000. He would have held office upto the next annual general meeting, which was to have been held on or before 30th September 2001. Since that AGM was also not held Mr. A.S. Kilachand ceased to hold office on 30th September 2001. Mr. A.S. Kilachand was appointed as additional Director at the Board meeting held on 4th October 2001.

Mr. A.S. Kilachand, aged 36 years and having experience of 10 years.

In terms of section 260 of the Act, Mr. A.S. Kilachand shall hold office of director only upto the ensuing annual general meeting of the company. The company has received a valid notice and requisite deposit from a member of the company under section 257 of the Act, proposing the candidature of Mr. A.S. Kilachand for the office of Director. The Board recommends the resolution for approval of the members.

Mr. A.S. Kilachand, being the incumbent and Mr. S.T. Kilachand

and Mr. Uday S. Kilachand being the relatives of Mr. A.S. Kilachand are concerned or interested in the resolution.

Item No. 5

The term of office of Mr. U.S. Kilachand, Managing Director of the company expired on 30th September 2001. He was appointed as an additional Director at the Board Meeting held on 28th September 2001 which will be effective from 1st October 2001. Accordingly he holds office as additional Director of the company upto the ensuing annual general meeting.

Mr. U.S. Kilachand, aged 40 years and having experience of 19 years.

In terms of section 260 of the Act, Mr. U.S. Kilachand shall hold office of director only upto the ensuing annual general meeting of the company. The company has received a valid notice and requisite deposit from a member of the company under section 257 of the Act, proposing the candidature of Mr. U.S. Kilachand for the office of Director. The Board recommends the resolution for approval of the members.

Mr. U.S. Kilachand, being the incumbent and Mr. S.T. Kilachand and Mr. A.S. Kilachand being the relatives of Mr. U.S. Kilachand are concerned or interested in the resolution.

Item No. 6

Mr. H.K. Khan would have retired by rotation at the annual general meeting, which was to have been held on or before 30th September 2001. Since that AGM was not held Mr. H.K. Khan ceased to hold office on 30th September 2001. Mr. H.K. Khan was appointed as additional Director at the Board meeting held on 4th October 2001.

Mr. H.K. Khan, aged 68 and is having several years experience in the corporate world.

In terms of section 260 of the Act, Mr. H.K. Khan shall hold office of director only upto the ensuing annual general meeting of the company. The company has received a valid notice and requisite deposit from a member of the company under section 257 of the Act, proposing the candidature of Mr. H.K. Khan for the office of Director. The Board recommends the resolution for approval of the members.

None of the directors of the company except Mr. H.K. Khan is in any way concerned or interested in the resolution.

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By Order of the Board

UDAY S. KILACHAND
Director

Mumbai
Date: 10th October 2001
Registered Office:
6th floor, Oriental House
7, J. Tata Road, Churchgate
Mumbai 400 020

ANNUAL REPORT 1999-2000**DIRECTORS REPORT TO THE MEMBERS**

The Directors present the Fortieth Annual Report with the audited accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

	1999-00 (Rs. in lacs)	1998-99 (Rs. in lacs)
Gross Sales (including excise)	1023.45	7073.26
Loss before Depreciation, taxation and extra-ordinary items	3751.08	3954.17
Add : Depreciation	223.24	245.23
Taxation	5.00	5.00
	<u>3979.32</u>	<u>4204.40</u>
Extra-ordinary Items	—	—
i) SBR Project Abandon & written off (net of estimated realisable value)	—	7398.00
ii) Deferred expenditure written off	—	1022.27
iii) Prior year adjustments (net)	2933.07	73.89
iv) Provision of taxation of earlier years	—	127.67
	<u>6912.39</u>	<u>12826.23</u>
Add/Less: Balance brought forward	13966.00	1139.77
Deficit carried to Balance Sheet	<u>20878.39</u>	<u>13966.00</u>

DIVIDEND

In view of the loss for the year, the Board of Directors are unable to declare any dividend for the year.

OPERATIONS

Since July, 1999 the Company's manufacturing operations were completely suspended due to severe working capital constraints, labour situation, and power supply being disconnected.

There has been a lot of dumping of SBR from South East Asia & other countries due to liberalisation. The Government imposed an anti-dumping duty on the company's product. Unfortunately this action on the part of the government was too late as by then the company's net worth had eroded due to heavy losses.

The company declared lock-out in the month of November, 1999 in the factory. However the labour commissioner of Bareilly did not approve the lockout as legal. The UPSEB disconnected the power supply as the company had not been able to make the payment of electricity charges. Added to all these problems the Financial Institutions and the Banks instead of providing relief to the Company have filed Suits for recovery of debts.

Due to non-availability of power the computerised system installed in the factory was non-functional and as such the data required for preparing the final accounts for the year ended 31.03.2000 could not be adequately retrieved. Also the personnel working in the factory particularly in the

Accounts and other departments have left, resigned or retired from the services of the company. All these effected the preparation and the audit of the final accounts for the year ended 31st March, 2000 and hence the meeting could not be convened as required by the Act.

REFERENCE TO BIFR

The Company filed a reference u/s 15(I) of Sick Industrial Companies (Special Provisions) Act, 1985 on the basis of its audited accounts for the year ended 31.03.1999. Honorable BIFR had rejected the said reference of the company vide order dated 09.03.01 by disallowing the write-off of Rs. 8420 lacs made by the company in its balance sheet for the year ended 31.03.1999 on the abandonment of the SBR Expansion Project and by holding that the company had made undue haste in finalising its Balance Sheet for the F.Y. ending 31.03.1999 and making a reference of the company before the BIFR. The company had filed an appeal before Honorable AAIFR against the above said order of Honorable BIFR. Said appeal had been dismissed by Hon'ble AAIFR vide their order dated 23.08.01. As per the company's accounts for the current year its net worth amounting to Rs. 9209.24 lacs consisting of paid-up share capital of Rs. 2645.52 lacs and free reserves amounting to Rs. 6563.72 lacs stands fully eroded by its accumulated losses amounting Rs. 19575.05 lacs. As such the Company has made another reference before Honorable BIFR based on its accounts for the current year, since the auditors also have certified the company as a sick industrial company under Section 3(1)(0) of the Sick Industrial Companies Act, 1985.

REVIVAL PLAN

The management is negotiating with various parties for joint venture, collaboration, job contract or any other means by which the company could revive its operations.

SAFETY AND ENVIRONMENT

The company had the highest standard of safety for its operations at the Plant and had upgraded its Safety and Environment Control equipments to meet the stringent standards prescribed by the authorities.

INDUSTRIAL RELATIONS

Due to the extremely adverse financial position of the company, many employees of the company started resigning/ retiring or had left the organisation for better prospects elsewhere.

Similarly, due to constraints of working capital finance, and also due to agitation and labour unrest, the plant operations had to be suspended. As a result, the company declared a lockout at the factory. A notice as required by the local regulations was advertised in the local newspapers as well as prominently displayed at the entrance to the factory premises. However due to intervention of the District Magistrate, Bareilly, the matter is still under dispute.



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RESERVATIONS OF AUDITORS

The auditors have audited the accounts with the available information and have raised various points with regard to accounts, provisions made or to be made by the company. However, Directors state that the notes to the accounts referred to by the auditors in their report have explained factually the company's point of view. If the reservations of the auditors are taken in to account, the same may enhance the accumulated losses.

LEGAL CASES

Following the deterioration of the company's financial position, several cases including winding up petitions have been filed against the company at various courts, tribunals and other judicial authorities by the suppliers, employees, landlords, fixed deposit holders, banks, financial institutions, debenture trustees etc. The company has also received legal notices from various affected parties claiming payment of their outstanding dues. Besides, the government authorities like income-tax, sales tax, central excise, customs have also filed or threatening to file cases against the company for recovery of statutory dues.

LISTING/ DEMATERIALISATION OF SHARES

The Company's shares are listed on the Bombay Stock Exchange and the National Stock Exchange. The company had opted for dematerialisation of equity shares in March 1997. As on date, 39% of the equity share capital of the company have been dematerialised.

FIXED DEPOSITS

The fixed deposits amounting to Rs.2.68 crores matured and due as on date have not been repaid. Interest thereon amounting to Rs.47.6 lacs are also not paid.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors make the following statement in terms of Section 217 (2AA) of the Companies Act 1956:

- a) That in the preparation of the annual accounts for the year the applicable accounting standards have been followed along with proper explanation relating to material departures as given in the notes. In view of this, barring the constraints brought out in note 2 of Schedule 19, the company has endeavoured to ensure compliance with the prescribed accounting standards as required in Section 211(3) (c) of the companies Act, 1956.
- b) That such accounting policies in the annual accounts subject to the comments of the auditors have been selected and applied consistently and judgments and estimates that are reasonable and prudent so as to give a statement of affairs of the company at the end of the financial year and of the loss of the Company for that year.
- c) That sufficient care was being taken for the maintenance of adequate accounting records in accordance with provisions of the Companies Act 1956 for safe guarding the assets of the company and to prevent and detect fraud and other irregularities.

- d) That the annual accounts for the year have been prepared on a going concern basis.

DIRECTORS

During the year under review, Mr. Hemraj C. Asher, Mr. P.M. Kale, Mr. Hiten Khatau, Mr. Bahram Vakil and Mr. Hiralal C. Shah have resigned from the Board of Directors of the company. GIC has appointed Mr. K.P. John as its nominee director on the Board of Directors of the company in place of Mr. Ashok Kumar.

Mr. S.T. Kilachand and Mr. A.S. Kilachand who were to retire by rotation at the annual general meeting scheduled to be held on or before 30th September 2000 had to vacate their offices on the said date due to the non holding of the AGM. The Board of Directors have appointed them as Additional Directors at the meeting held on 30th September 2000. They would have held office upto the next annual general meeting scheduled to be held on or before 30th September, 2001. Mr. H.K. Khan would have retired by rotation at the AGM. Since that AGM was also not held all the three Directors ceased to hold office on 30th September, 2001.

The term of office of Mr. U.S. Kilachand, Managing Director of the company expired on 30th September 2001. He was appointed as an additional Director at the Board Meeting held on 28th September, 2001 which will be effective from 1st October, 2001. The company proposes to fill-up the position of Managing Director in due course of time.

Mr. S T Kilachand, Mr. A S Kilachand and Mr. H K Khan were appointed as additional Directors at the meeting held on 4th October, 2001. All the additional Directors appointed would retire at the ensuing Annual General Meeting of the Company and are eligible to be reappointed as Directors. The company has received notices proposing their names as Directors along with the requisite fees. The company places on record its appreciation for the services rendered by Mr. Hemraj C. Asher, Mr. P.M. Kale, Mr. Hiten Khatau, Mr. Bahram Vakil and Mr. Hiralal C. Shah during their tenure. Board places on record the valuable services rendered by Mr. Uday S Kilachand as the Managing Director of the Company during his tenure.

The Board of Directors recommend the re-appointment of Mr. S. T. Kilachand, Mr. A. S. Kilachand, Mr. U. S. Kilachand and Mr. H. K. Khan as additional Directors.

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. Auditors have given certificate to the effect that the re-appointment if made would be within the prescribed limits specified under section 224(1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The company is endeavouring to comply with the provisions of Corporate Governance as specified in the Companies Act, 1956. The company has constituted an audit committee

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comprising of the following Directors :

- 1) Mr. H.K. Khan *Chairman*
- 2) Mr. S.T. Kilachand *Member*
- 3) Mr. U.S. Kilachand *Member*

The Audit Committee met 10th October 2001 during the year to review the audit observations in respect of the audited accounts for the year ending 31 March 2000.

CASH FLOW STATEMENT

Since the company is a sick industrial company and due to non availability of accounting records and personnel, the company was not able to comply with the said provision.

PARTICULARS OF EMPLOYEES

The information in accordance with section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 :

Since no remuneration was paid to the concerned employees, this information is not given.

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

Since the company's operations are discontinued and due to non-availability of records and personnel, the company was not able to comply with the said 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 not given.

For and on behalf of the Board

SURESH T. KILACHAND
Chairman

New Delhi
Dated: 12th October, 2001

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REPORT OF THE AUDITORS TO THE MEMBERS

We have audited under the limitations and constraints as brought out in para 2 hereunder, the attached Balance Sheet of Synthetics & Chemicals Ltd. as at 31st March, 2000 and also the relative Profit and Loss Account for the year ended on that date and report that:-

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 para 4 and 5 of the said order.*
2. *Further to our comments in Para 1 above, the audit was carried out in the absence of availability of all particulars and records which could not be made available to us by the company due to the following constraints and limitations reported to us by the management as detailed in Note No. 2 of the notes to the accounts-*
 - a. *Manufacturing operations has been discontinued;*
 - b. *Oracle Accounting System at Bareilly was completely shut down;*
 - c. *Many of the workers and staff members have left the company due to discontinuation of its manufacturing operations and as uncertainty continued to loom over them;*
 - d. *In the absence of availability of all the records and particulars, the possibility of some of items of losses having been left out for incorporation in the accounts is not ruled out;*
 - e. *Some of the items of losses and expenses have been taken in the perception and judgment of the management of the company;*
 - f. *Balances in the accounts of receivables, loans and deposits, advances, pending confirmation and reconciliation, the extent of possible loss on account of non-recovery is not possible to ascertain at present with reasonable accuracy, which may affect revenue, have been taken as per the books of accounts only;*
 - g. *Balances in the accounts of Sundry creditors, other liabilities, secured and unsecured lenders, loans and advances, deposits, sub-ledgers of debenture holders, fixed deposit holders, inventory records, fixed assets are subject to confirmation, reconciliation and adjustments, if any, which may affect revenue, are therefore, as per the books of accounts only;*
3. *Note No. 3 relating to non provision of wages and contribution towards P.F. and ESIC etc. aggregating to Rs. 1433.73 lacs (as estimated) payable to and for workers for the period for which they have not worked, which in the opinion of the Board, the Company is not liable for the same;*
4. *Note No. 4 relating to non-provision of various expenses aggregating to Rs. 2013.49 Lacs for the year (till 31.03.2000 Rs 4532.26 Lacs) as detailed in the note;*
5. *Note No.5 relating to non write off of Rs. 2378.59 Lacs being the interest element in respect of SBR project, which has been abandoned and written off during 1998-99, as the same is not provided for in the accounts;*
6. *Note No. 7 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/adjustments 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;*
7. *Note No.14 relating to compensation, which still remains to be finalised in respect of giving up the possession of land to the Border Security Force in an earlier year;*
8. *Note No.17 relating to non-creation of Debenture Redemption Reserve aggregating to Rs. 80.00 Lacs for the year (till 31-3-2000 Rs.410.00 Lacs);*
9. *Note No. 18 relating to non-provision of Rs. 155.00 Lacs against purchase tax liability as explained and detailed in the note;*

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10. Note No.19 relating to Excise demands amounting to Rs. 2031.00 Lacs. In view of what is stated in Note No. 2 we are unable to comment whether still disputed and pending for final disposal;
11. Note No. 23 relating to non-accruing of interest income for the year Rs.56.21 Lacs (till date Rs 317.63 Lacs) for the reasons stated in the note and its resultant effect on the loss for the year and carried forward losses in the Balance Sheet;
12. Relating to non-provision for doubtful debts and advances of Rs 563.48 Lacs and Rs 19.55 Lacs respectively;
13. Non-valuation of year end inventories in accordance with the Accounting Standard AS-2, in view of what is stated in para 2 above, the impact of which is not ascertainable;
14. In view of what is stated in para 2 above the information appended in note No. 26 are as certified by the Board of Directors and are subject to corrections and adjustments as mentioned in the para 2;
15. On the date of reporting on the accounts for the year ended 31-3-2000 the company does not have a managing director as required by Section 269 of the Companies Act, 1956;
16. On the date of reporting on the accounts for the year ended 31-3-2000 the company does not have a Company Secretary as required by Section 383A of the Companies Act, 1956;
17. In view of what is stated in para 2 above we are unable to comment whether the attached Balance Sheet of the Company as at 31st March, 2000 and Profit and Loss Account for the year ended on that date comply with the Accounting Standards referred to in Section 211(3) (C) of the Companies Act, 1956;
18. We are unable to comment about the directors who have authenticated the annexed accounts, whether their appointments are in order;
19. AAIFR had held and concluded in its order and judgment passed on 23rd August, 2001, in appeal No. 114/2001 filed by the company that the charge of Rs. 84 crores to the Profit & Loss Account for the year 1998-99 on account of write off due to abandoning of SBR project and deferred revenue expenditure was not proper as the decision to abandon the project would have become final after it was approved by the shareholders and, in any case by the Board of Directors on 18-6-1999 and, hence after excluding the said loss of Rs. 84 crores, the net worth of the company was positive as on 31-3-1999 and therefore, its appeal was dismissed by the AAIFR. Since the decision to abandon the SBR project has become final on 18-6-1999 is in the year under report, no rectification entry in this regard was found necessary in the books of accounts during the year 1999-2000;
20. The Annexed Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account prepared in the manner stated in Para 2 above;

Subject to what is stated in above, (without taking into account Para 7, 14 and 13 as the extent of loss as, at present in respect of which is unascertainable/not ascertained) the loss for the year would be higher by Rs 6240.04 Lacs and accumulated losses carried in the Balance Sheet would be higher by Rs 8827.39 Lacs. Further in view of what is stated in Note No. 2 of the notes to the accounts and para 1 to 20 of our audit report above and uncertainties arising therefrom, we are unable to express our opinion about the true and fair view:

- (a) In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2000;
- (b) In the case of 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

Mumbai: 12th October, 2001



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ANNEXURE TO THE AUDITOR'S REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITOR'S REPORT TO THE MEMBERS OF SYNTHETICS AND CHEMICALS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2000

1. Records maintained by the company in respect of its fixed assets have not been updated after 31-3-1999. According to the information and explanation given to us, in view of the facts detailed in Note No. 2 of the Notes to the Accounts, the fixed assets have not been physically verified by the management either during the year or at the close of the year, therefore the question of noticing the discrepancy and properly dealing of the same in the books of account does not arise;
2. The fixed assets have not been revalued during the year;
3. The company has not taken or granted loans to / from, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956. We are informed that there are no companies under the same management within the meaning of sub-section (1B) of section 370 of the Companies Act 1956;
4. Advances in the nature of loans have been given by the company to its employees at Head Office and workers at Factory as well to other parties in earlier year/s. In view of the facts detailed in Note No. 2 we are unable to comment whether any recoveries are made towards principal and interest wherever applicable;
5. In an earlier year 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 was no stipulation of rate of interest and the period for which it was accepted. During the year the company has not accepted any deposits from public. In respect of deposits accepted from public in earlier years, the company has not made payments of interest due on fixed deposits and repayments of fixed deposits on due dates. Further in view of the facts detailed in Note No. 2 reconciliation of balance between General Ledger and Subsidiary Statements in respect of the said deposits accepted from the public in earlier years is pending. In our opinion the company has not complied with the provisions of the Section 58A of the Companies Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975. As explained to us, the company has not filed the Return of Deposits as of 31-3-2000;
6. On the basis of (i) the examination of the Books of to the extent as referred to in Note No. 2 of the notes to the accounts, (ii) the vouchers produced to us for our verification, (iii) the explanations given and representations made to us on our inquiries and (iv) the checks and controls relating to authorising the expenditure on the basis of contractual obligations to the employees, accepted business practices having regard to the Company's need and exigencies, we have not come across any expenses charged to revenue which, in our opinion and judgement and to the best of knowledge and belief, could be regarded as personal expenses;
7. On the basis of annexed accounts the net worth of the company has been completely eroded and 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 Provision) Act, 1985;
8. In view of what is stated in para two of audit report and Note No. 2 and other notes of the Notes to the Accounts, we are unable to offer our comment on the items No. (iii), (iv), (v), (vi), (x), (xi), (xii), (xiv), (xv), (xvi), (xvii), (xviii) of 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;

For and on behalf of

DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner

Mumbai: 12th October, 2001