

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA	✓	AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



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Sadhana Nitro Chem Limited **25th Annual Report 1997-98**





SADHANA NITRO CHEM LIMITED

BOARD OF DIRECTORS

Shri Dhankumar T. Javeri

Chairman

Shri Arvind R. Doshi

Shri Sadanand S. Borkar

Shri Arvind L. Apte

Shri Ramesh A. Shroff

Shri Sitaram S. Jakhete

Shri P. S. Jhaveri

Shri Asit D. Jhaveri

Managing Director

Shri N. R. Jani

Director & Company Secretary

BANKERS

STATE BANK OF INDIA, Mumbai & Roha

ADVOCATES & SOLICITORS

MULLA & MULLA CRAIGIE BLUNT & CAROE

Jehangir Wadia Building,

51, Mahatma Gandhi Road,

Mumbai - 400 023.

AUDITORS

V. SANKAR AIYAR & CO.

Chartered Accountants,

2-C, Court Chambers,

35 New Marine Lines,

Mumbai - 400 023.

INTERNAL AUDITORS

U. S. SHAH & ASSOCIATES

Chartered Accountants,

Bombay Mutual Chambers, 5th Floor,

21, Hamam Street, Fort,

Mumbai - 400 023.

REGISTERED OFFICE

207, Kakad Chambers, 2nd Floor,

132, Dr. Annie Besant Road,

Worli, Mumbai - 400 018.

FACTORY

47, M.I.D.C. Industrial Area,

Roha, Dist. Raigad,

Maharashtra - 402 116

**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the TWENTYFIFTH ANNUAL GENERAL MEETING of the Company will be held at Babasaheb Dahanukar Sabhagriha, Maharashtra Chamber of Commerce, 12 Rampart Row, Fort, Mumbai 400 023 on Thursday, the 17th September, 1998 at 3.00 p.m.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and the Profit and Loss Account for the Financial Year ended 31st March, 1998 together with the Reports of the Directors' and Auditors' thereon.
2. To declare the dividend.
3. To appoint a Director in place of Shri A.R. Doshi who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri S.S. Jakhete who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 269, 309, 311, 314 and other applicable provisions if any, of the Companies Act, 1956, Shri A.D. Javeri is hereby re-appointed as Managing Director of the Company for a period of five years with effect from 1st September, 1998 upon the terms and conditions set out in the draft agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to vary the terms and conditions of the said re-appointment and/or agreement in such a manner as may be agreed to between the Board of Directors and Shri A.D. Javeri, provided the remunerations payable to the Managing Director not to exceed the limits specified in the Schedule XIII of the Companies Act, 1956 or any amendment thereto."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year, aforesaid remuneration by way of salary and perquisite not exceeding the limits specified in Schedule XIII shall be payable to Shri A.D. Javeri, Managing Director, as minimum remuneration."

REGISTERED OFFICE:

207 Kakad Chambers, 2nd Floor
132 Dr. Annie Besant Road
Worli, Mumbai 400 018

Mumbai

Date: 23rd July, 1998

By Order of the Board

N. R. JANI

Director & Company Secretary



NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A 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.
2. The relative explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the business on the item No. 6 set out above is annexed hereto.
3. The Register of Members and the Share Transfer Book of the Company will remain closed from Wednesday the 9th September 1998 to Friday the 17th September 1998 (both days inclusive).
4. The dividend upon its declaration at the Annual General Meeting will be paid to those members, whose names appear on the register of the Company as on 17th September, 1998.
5. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
6. The members are requested to Intimate to the Company changes, if any, in their registered address at an early date.
7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends for and upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said year are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.
8. Entrance Pass and Proxy Form is annexed. Members are requested to affix their signature at the space provided in the entrance pass and hand over the same at the entrance to the place of meeting.
9. Members desiring any information are requested to write to the Company 10 days in advance.



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO.6

The Board of Directors of the Company at its meeting held on 23rd July, 1998 have, subject to approval of the Shareholders, re-appointed Shri A.D. Javeri as the Managing Director of the Company with effect from 1st September, 1998 for a further period of 5 years.

The directors have, keeping in mind the qualification, experience, expertise of and in particular the contribution made by Shri A.D. Javeri in the overall development of the Company and having regard to guideline on managerial remuneration as per the Companies Act, 1956, thought it justified to enhance the remuneration payable to Shri A.D. Javeri within the limits specified by Schedule XIII of the said Act. The present arrangement between the Company and Shri A.D. Javeri expires on 31st August, 1998.

It is therefore proposed to pay, subject to approval of the shareholders, the following remuneration to Shri A.D. Javeri with effect from 1st September, 1998.

i) Salary:

Rs. 45,000/- per month.

ii) Perquisites :

- A) In addition to Salary and Commission, Shri A.D. Javeri will be entitled to the perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, medical insurance, club fees, leave travel concession for himself and his family and such other perquisites and allowances in accordance with the rules of the company or as may be agreed by the Board of Directors and Shri A.D. Javeri. Such perquisites and allowances will be subject to a maximum of 70% of his annual salary.
- B) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-tax Rules, 1962 wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.
- C) For the above purpose "family" means spouse, dependent children and dependent parents of the Managing Director.
- D) In addition to above perquisites the Managing Director shall also be entitled to following benefits which will not be included in the computation of ceiling on perquisites.
 - a) Company's contribution to Provident Fund and superannuation or annuity fund to the extent these either singly or together are not taxable under the Income Tax Act.
 - b) Gratuity payable as per the Rules of the Company.
 - c) Encashment of leave accumulated but not availed of during the tenure will be allowed to be encashed as per Rules of the Company.
 - d) Provision of Company's car with driver.
 - e) Free telephone facility at the residence.



iii) Commission:

@ 1% of the net profits of the Company, subject to overall ceilings laid down in Section 198 and Section 309 of the Act.

- iv) In the event of loss or inadequacy of profits during the aforesaid period, aforesaid remuneration by way of salary and perquisite not exceeding the limits in Schedule XIII shall be payable to Shri A.D. Javeri, Managing Director as a minimum remuneration.
- v) The terms and conditions of the said re-appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion deem fit provided the remuneration payable to the Managing Director not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments made hereafter in that regard.

The Agreement may be terminated by either party by giving the other party six month's notice or by any shorter notice as may be mutually agreed to between the parties.

The Managing Director shall not, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children, in any selling agency of the Company in future without prior approval of the Central Government.

The Managing Director so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or committees thereof.

In compliance with the provisions of Section 269, 309, 311, 314 and other applicable provisions, if any, of the Companies Act 1956, the terms of remuneration specified above are now being placed before the members in the General Meeting for their approval.

The draft Agreement between the Company and Shri A.D. Javeri is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

Shri A.D. Javeri is concerned or interested in his re-appointment as Managing Director and the remuneration payable to him. Shri D.T. Javeri being a relative, is also concerned or interested in the re-appointment of Shri A.D. Javeri and the remuneration payable to him. No other director is interested in the resolution.

This may be treated as an abstract of the terms of re-appointment of Shri A. D. Javeri and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

REGISTERED OFFICE:

207 Kakad Chambers, 2nd Floor
132 Dr. Annie Besant Road
Worli, Mumbai 400 018

Mumbai

Date: 23rd July, 1998

By Order of the Board

N. R. JANI

Director & Company Secretary



DIRECTORS' REPORT

To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 25th Annual Report together with Audited Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

	1997-98 Rs.	1996-97 Rs.
Sales & Other Income	<u>40,20,87,005</u>	<u>33,86,60,428</u>
Profit before Depreciation and Taxation	<u>5,06,48,083</u>	<u>3,83,82,593</u>
Less: Depreciation	<u>3,74,59,079</u>	<u>2,81,40,325</u>
Profit before Tax	<u>1,31,89,004</u>	<u>1,02,42,268</u>
Less: Provision for taxation	<u>13,00,000</u>	<u>10,00,000</u>
Profit after tax	<u>1,18,89,004</u>	<u>92,42,268</u>
Balance brought forward from previous year	<u>3,46,25,634</u>	<u>3,10,97,647</u>
Amount available for appropriation	<u>4,65,14,638</u>	<u>4,03,39,915</u>
APPROPRIATION		
(i) Transfer to General Reserve	<u>75,00,000</u>	<u>25,00,000</u>
(ii) Proposed dividend on Equity Shares	<u>36,52,593</u>	<u>29,22,074</u>
(iii) Tax on proposed dividend	<u>3,65,259</u>	<u>2,92,207</u>
(iv) Balance Carried Forward to Balance Sheet	<u>3,49,96,786</u>	<u>3,46,25,634</u>
	<u>4,65,14,638</u>	<u>4,03,39,915</u>

2. DIVIDEND

Your Directors are pleased to recommend a Dividend of Rs.2.00 (Previous year Rs.2.00) per Equity Share of Rs.10/- each for the financial year 1997-98. Your Directors are also pleased to recommend a Dividend of Rs.0.50 per Equity Share of Rs. 10/- each as additional **Silver Jubilee Year Dividend**.

The proposed Dividend along with Corporate Dividend tax payable thereon will entail an outgo of Rs. 40.18 Lacs as against Rs. 32.14 Lacs in the Previous Year.

3. 25 YEARS IN RETROSPECT.

Incorporated in 1973, your Company has entered in its Silver Jubilee Year in 1997-98.

The first Heavy Organic Chemical Plant of your Company commenced its operation in 1975.

The operations were branched out in 1980-81 by Diversification in several first stage down stream Dye-Intermediates manufacturing. Debottlenecking and expansion of the capacities were undertaken in 1987-88.

A fruitful Foreign Technical Collaboration led to diversification in high value added second stage downstream Dye-Intermediates which went on stream in 1995.

A further expansion of Dye-Intermediate capacities, to manufacture third stage downstream Dye-Intermediates as well as setting up of infrastructure to achieve capabilities to manufacture several other Dye-Intermediates were completed in 1996-97.

The forward integration was aimed at achieving technical synergy and consequential operating economies and the cost benefits.



In December, 1984 there was restructuring of the Management and the Board of Directors of your Company. Shri A.D. Javeri was appointed as the Managing Director and Shri N.R. Jani was appointed as the Company Secretary. Consequent to the restructuring there was major shift in business policies with thrust on quality standards, efficiency for competitive edge and exports. The goals were set for major thrust areas keeping in view the long term perspective. It is heartening to note the success in achieving the said goals through ceaseless and untiring efforts.

After the Management restructuring the top priority was accorded to the quality control along with the Research & Development efforts in upgradation of processes and development of new processes, together aiming at manufacturing of International Standard Quality products at economical cost. Government recognition was obtained for the R&D. To keep pace with the technological advancement the management upgraded and strengthened the R&D facilities by setting up of a pilot plant and by induction of latest sophisticated equipments and instruments from time to time. You will be glad to know that the products of your Company are recognised as quality products in the international market by various quality conscious multinationals of various advanced countries which is a matter of pride.

Determined efforts to cut down wastes and improve operating efficiencies along with cost control on overheads has provided a competitive edge to your Company in facing the unhealthy competition from the Local Small Scale Industries as well as competition from the other International suppliers from China and Japan.

The Company's marketing strategy emphasised on providing quality products in packing of International Standards strictly as per delivery schedule to actual users multinationals. Instead of competing in local market where the quality is compromised, your Company preferred to set a high goal of competing in the International market wherein not only the price but the quality is also of prime importance. Your Company is an EXPORT HOUSE since 1988. The marketing strategies adopted are successful as evident from the fact that the export of your Company which were at Rs. 50.00 lacs in 1983-84 has grown to Rs. 2340.15 lacs in 1997-98, registering a growth of MORE THAN 46 TIMES. The achievements of your Company were recognised by CHEMEXCIL which awarded several export awards including FIRST EXPORT AWARD for the year 1989-90 for its outstanding achievements.

A firm and fair policy adopted by the management enabled your company to achieve, barring a few aberrations, long term cordial relationship with the employees at all levels. Persuasion and participation made it possible to introduce productivity linked settlements with Union, which are very much needed in the present competitive conditions, and are in the long term mutual interest of the employees as well as the Company.

Your Company is conscious about its social responsibility and is committed towards preservation and conservation of environment. You will be glad to note that your company was one among the few in the Roha Industrial Area, which has taken lead in setting up the Effluent Treatment Facilities. In line with the expansion and diversification and based on the operational experience, the Effluent Treatment facilities were upgraded and strengthened. The Primary, Secondary and Tertiary effluent treatment facilities as well as Incinerator has been setup at high capital cost and are being operated at heavy recurring costs to keep the operations of the Company environmental friendly. These endeavours have been appreciated by various environment conscious multinationals of advanced countries having ISO 9000/ISO 14000 Certificates by enlisting your Company in their approved vendor list.

The financial decisions were taken in the light of cautious and conservative policy adopted which helped your Company to tide over various trails and turbulence faced by it. The emphasis was on plough back of profits and reduce the dependence on borrowings to keep inherent financial strength of your company.

Prudent and conservative policies were adopted in respect of accounting Depreciation on WDV basis, Gratuities, Export Incentives etc. No revaluation of Fixed Assets has been accounted. You will be glad to take note of the following indicators for evaluating the performance.

			1997-98	1992-93	1987-88	1982-83
1)	Cash Earnings Per Share (CEPS)	(Rs.)	33.78	15.70	10.29	3.26
2)	Earning Per Share (EPS)	(Rs.)	8.14	8.11	1.47	0.11
3)	Net Worth Per Share (NWPS)	(Rs.)	70.29	65.69	23.96	21.81
4)	Debt Equity Ratio (D/E)		0.8:1	0.4:1	1.3:1	1.2:1

The CEPS and EPS achieved by the Company during the last 10 years are quite impressive vis-a-vis the industry averages. The plough back of profits over years have strengthened the Company with the book value of share at Rs. 70.29 per share without any revaluation of assets and after two Bonus issues.



The shareholders were rewarded with Two Bonus Issues, first in 1988 in the ratio of 2:5 and followed with second in 1996 in the ratio of 2:1. Right issue was made in 1993, at a low premium vis-a-vis market price. Your Company has maintained a good track record of continuous Dividend for last 14 years.

Barring a few aberrations, your Company has performed satisfactorily.

4. REVIEW OF OPERATIONS FOR 1997-98.

The year witnessed significant and wide spread global slow down in most of the sectors of the economy. Over supply situation, wide spread exchange fluctuation in FOREX market, crisis in South Asian Countries etc. adversely affected the market and the relative competitive edge.

The competition was sharper than ever before causing severe pressure on the production, sales and the margin. Unhealthy competition from Local Small Scale Units and severe price competition from other International suppliers not only eroded the margin but also constrained your Company in pushing the sale of high value added products from diversified and expanded capacities. The erratic and slack demand left the Company with no options but to institute, at times, the production cut to avoid inventory build-up. As a result the rated capacity of some plants could not be fully utilised having effect of increasing depreciation and other overheads burden per unit of output.

The spurt in the price of several raw materials and utilities, increased treatment cost due to up gradation of effluent treatment plant, general inflation and increased cost of living index and consequent higher wage bill along with the increased overheads due to under utilisation inflicted severe strain on the margin. Several section of the plant buildings were repaired and revamped with latest methods and technology to mitigate the effect of heavy corrosion. This was inevitable to avoid any untoward incident.

Fast changing business scenario, with the opening of economy necessitates each one to remain competitive throughout. It was the quality of product, competitive pricing, adherence to the delivery schedule, Process improvement and upgradation of technology that kept the company at the cutting edge.

Whereas the stringent cost control and improved productivity made it possible to face cut-throat price competition, the quality of the product, adherence to delivery schedule and ecofriendly operation enabled your company to push the volume of sale though at lower margin in the depressed slow down global market conditions. This increased level of operation led to certain economies of scale which absorbed the impact of above adverse factors.

The overall turnover of your Company for Year under report was Rs. 4020.87 Lacs as against Rs. 3386.60 Lacs in the previous year registering an increase of about 19%.

The profit before Depreciation for the year was at Rs. 506.48 lacs as against Rs. 383.82 lacs in the previous year. The provision for Depreciation for the year was higher at Rs. 374.59 lacs as against Rs. 281.40 lacs in the previous year.

After providing for taxation Rs. 13.00 lacs (Previous Year Rs. 10.00 lacs) the profit after tax was higher at Rs. 118.89 lacs compared to Rs. 92.42 lacs last year registering growth of more than 28%.

Pursuant to the guidelines issued by SEBI and the Listing Agreement, a comparative statement of actual vis-a-vis projections in respects of specified items given in the letter of offer dated 15th July, 1993 issued in connection with the Right Issue made by your company, is given in the Annexure - I appended hereto.

5. EXPORTS

Exports during the year escalated to Rs.2340.15 Lacs compared to Rs. 2178.39 Lacs in the Previous Year attaining an increase of about 7.5%.

Exports constituted more than 75% of the overall sales (excluding Self-consumption and other income). Company's Exports are well diversified in terms of product range as well as the Countries of Export. Exports are to the hard currency areas.

6. PROSPECTS

The performance of your company in the first quarter of the current financial year indicates the continuation of the recessionary trend in the products of your company besides severe price competition from China and Japan. The