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Sadhana Nitro Chem Limited

26th Annual Report 1998-99



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 (up to 27-5-99)

Shri P. S. Jhaveri

Shri Asit D. Javeri

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

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NOTICE TO THE MEMBERS

NOTICE is hereby given that the TWENTYSIXTH ANNUAL GENERAL MEETING of the Company will be held at Babasaheb Dahanukar Sabhagriha, Maharashtra Chamber of Commerce, 12 Rampart Row, Fort, Mumbai 400023 on Thursday the 9th September, 1999 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, 1999 together with the Reports of the Directors' thereon.
2. To declare the dividend.
3. To appoint a Director in place of Shri D. T. Javeri who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S. S. Borkar 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 the and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**.

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby amended in following manner:

- i) The following new Article 5A with the marginal note be inserted after the existing Article 5;

5A : Power of Company to purchase its own securities

The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required Under Section 77A and other applicable provisions of The Companies Act, 1956, The Securities and Exchange Board of India Act, 1992 and The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and any amendments, modification, re-promulgation or re-enactment thereof.

- ii) The following Article 45A shall be inserted with the marginal note after the existing Article 45;

45A : Right of Nomination

Every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death. Such nomination and right of nominee to be registered as holder of shares/debentures as the case may be or for transfer of shares/debentures as the case may be, shall be governed by the provisions of Sections 109A and 109B and other applicable provisions of the Companies Act, 1956.

REGISTERED OFFICE:

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

Mumbai

Date: 21st July, 1999

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 Books of the Company will remain closed from Wednesday the 1st September, 1999 to Thursday the 9th September, 1999 (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 9th September, 1999.
5. 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 years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.
6. Members are requested to claim from the Company their Unclaimed Dividend(s), if any, in respect of Financial Years 1994-95, 1995-96, 1996-97 & 1997-98 at the earliest by submitting their dividend warrant for revalidation or by applying for issuance of duplicate dividend warrant(s) if they have lost or misplaced the original dividend warrant(s).
7. 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.
8. The members are requested to intimate to the Company Changes, if any, in their registered address at an early date.
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 Article of Association is proposed to be altered as proposed in the resolution at Item No. 6 of the Notice.

- i) The proposed amendment to Article of Association by inserting new Article 5A is based on Section 77A of the Companies Act, 1956 pursuant to the Companies (Amendment) Act, 1999 and The Securities and Exchange Board of India (Buy back of securities) Regulations, 1998. The Amendment would enable the Company to Buy back its shares or other securities if so required, at any time by passing suitable resolution and complying with other formalities.
- ii) The proposed amendment to Article of Association by inserting new Article 45A is based on the facility for Nominations provided under Section 109A and 109B of the Companies Act, 1956 pursuant to the Companies (Amendment) Act, 1999.

The above alteration to the Article is proposed based on and to bring it in conformity with the Amendment in statutes.

This being a Resolution to incorporate statutory changes, none of the Directors are interested or concerned in the Resolution.

The Articles of Association can be inspected at the Registered Office of the Company on any working day during business hours.

The Board recommends adoption of the above Resolutions as proposed.

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Mumbai
Date: 21st July, 1999

By Order of the Board
N. R. JANI
Director & Company Secretary

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DIRECTORS' REPORT

To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 26th Annual Report together with Audited Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99 Rs.	1997-98 Rs.
Sales & Other Income	34,42,82,681	40,20,87,005
Profit before Depreciation and Taxation	6,39,99,867	5,06,48,083
Less: Depreciation	4,54,17,333	3,74,59,079
Profit before Tax	1,85,82,534	1,31,89,004
Less: Provision for taxation	32,00,000	13,00,000
Profit after tax	1,53,82,534	1,18,89,004
Balance brought forward from previous year	3,49,96,786	3,46,25,634
Amount available for appropriation	5,03,79,320	4,65,14,638
APPROPRIATION		
(i) Transfer to General Reserve	1,25,00,000	75,00,000
(ii) Proposed dividend on Equity Shares	36,52,593	36,52,593
(iii) Tax on proposed dividend	3,65,259	3,65,259
(iv) Balance Carried Forward to Balance Sheet	3,38,61,468	3,49,96,786
	5,03,79,320	4,65,14,638

2. DIVIDEND

Your Directors are pleased to recommend a Dividend of Rs.2.50 (Previous year Rs. 2.50 including Rs. 0.50 Silver Jubilee Year Dividend) per Equity Share of Rs. 10/- each for the financial year 1998-99.

The proposed Dividend along with Corporate Dividend tax payable thereon will entail an outgo of Rs. 40.18 Lacs.

3. REVIEW OF OPERATIONS.

During the year, the economy remained in the grip of recession coupled with the political uncertainties. The economic activities decelerated with consequent unutilised capacities, declining sales and cut-throat competition were prevalent during the major portion of the year. However, some improvement in market condition was witnessed in the later part of the year. There was an accidental fire in a Section of one Plant which disrupted its operations for about three weeks.

Your company has achieved the Turnover of Rs. 3442.83 Lacs during the year under report as compared to Rs. 4020.87 Lacs during the Previous Year, registering a decline of about 14.38%.

Vigorous marketing efforts, to shift from volume driven company to value driven company, enabled your company to enhance the share of high value added products in its turnover. This shift contributed substantially in sustaining and improving the overall performance despite decline in the turnover and stiff competition from several indigenous small scale units and international companies.



To overcome the adverse impact of economic slow down, your company has initiated several measures focusing on effective sourcing of raw materials, better fund management, relentless efforts in improving the productivity and operating efficiency at all levels together with all round cost reduction. These measures have resulted in significant savings and has visible beneficial impact on the overall performance despite several adversities.

The Accounting policies in respect of treatment of Foreign Exchange Fluctuation on foreign currency loans, amortisation of intangible assets and providing for unavailed leave were modified and accordingly the effect has been given in the accounts. The net additional burden of Rs.159.76 Lacs in view of above changes has been absorbed during the year. With regard to the observation made in the Auditor's report, the relevant notes on Accounts as contained in Schedule - I of the Accounts are self explanatory and therefore do not call for any further comments Under Section 217 (3) of the Companies Act, 1956.

The Foreign Currency Loan of USD 2.2 Million (Rs. 690.70 Lacs) was taken for Meta Amino Phenol Plant in 1994-95. During the year the repayment of the said loan was completed fully. However, it is regretted that till date the capital subsidy in respect of Meta Amino Phenol Plant due from SICOM (Government of Maharashtra) has not been received despite several reminders. With the repayment of the above loan the debt level has substantially declined. This will lead to reduced interest burden and cash outflow in the current year.

The Profit before tax for the year was at Rs. 185.83 Lacs as against Rs.131.89 Lacs during the previous year. After providing Rs. 32.00 Lacs (Previous Year Rs. 13.00 Lacs) towards Taxation, the profit after tax for the year has been at Rs. 153.83 Lacs as against Rs. 118.89 Lacs in the previous year, registering a remarkable growth of 29.38%.

4. EXPORTS

Your Company has been granted status of "GOLDEN EXPORT HOUSE" by Directorate General of Foreign Trade, Ministry of Commerce, Government of India.

In view of Global Slow down, the Exports during the year was at Rs. 2014.89 Lacs compared to Rs. 2340.15 Lacs in the previous year, registering a decline of about 13.90 %.

Exports constituted more than 76% 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.

5. PROSPECTS

The performance of your Company in the first quarter of the current financial year indicates stagnancy in turnover besides severe price competition from China and Japan continues. The various measures which will be taken by the Government in Post War like situation are expected to have an inflationary effect. The margins remained under pressure. The turnover has been Rs. 790 lacs during the first quarter of 1999-2000. The Unaudited estimated PBDT and PAT are at Rs. 42.00 lacs & Rs. 36.00 lacs respectively for the said quarter.

The uncertainties in the global market continues hampering the prospect of quick recovery.

The process development for high value added products are under way in R & D Laboratory and the experimental results are encouraging. On successful process development, it will be commercialised which will be a step further in attaining the goal of extending market penetration in high value added products and enhance the product range.

6. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the Annual Accounts for the year ended on 31st December, 1998 of Anuchem B.V.B.A., a foreign subsidiary of your company are attached.

**7. EFFLUENT TREATMENT**

Your company continues to have its commitment towards preservation and conservation of environment. The operation of upgraded effluent treatment process has been satisfactory in line with your Company's environmental friendly policy. To further improve the operating and cost efficiency of effluent treatment, the company proposes to take several measures in the current year.

8. RESEARCH AND DEVELOPMENT

R&D activities were continued in the areas of process improvement and product development. Process upgradation implemented during the year is expected to improve cost efficiencies.

9. Y2K COMPLIANCE

Your company has taken effective steps for achieving Y2K compliance and it is expected that your company will be Y2K compliant by September 1999. There has been continuous ongoing upgradation of computer hardware and software in a phased manner. The cost to be incurred are not likely to be material in view of phasewise upgradation. The company has also drawn up a contingency plan to minimise disruption due to Y2K problem arising out of Y2K non-compliance by external agencies.

10. INSURANCE

All the assets of your Company are adequately insured. Your Company has also taken out suitable cover for Public Liability.

11. FIXED DEPOSITS

The total Deposits accepted by your Company as on 31st March 1999 is Rs. 56.20 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

12. DIRECTORS

Shri. S. S. Jakhete, Director of your company, passed away on 27th May, 1999. He was associated with the company for several years during which he rendered valuable services to the company in areas of various expansions and diversification project monitoring and implementation in budgeted cost and time. He took initiative and active participation in preparing, compiling and co-ordinating various procedures as well as creating awareness among concerned personnel for achieving ISO 9002 certification for the company. Your Directors place on record their deep sorrow at the sudden demise of Shri S.S. Jakhete and offer their heartfelt condolences to his wife and other members of his family.

In accordance with the Articles of Association of the Company, Shri. D. T. Javeri and Shri S. S. Borkar retire by rotation and being eligible offer themselves for re-appointment.

13. AUDITORS

Messrs V. Sankar Aiyar & Company, Chartered Accountants, Auditors of your Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO.

The information required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters are given in Annexure-I appended hereto and forms part of this Report.

15. EMPLOYEES

The industrial relations during the year were cordial.

The statement containing particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, is given in the Annexure-II appended hereto and forms part of this Report.



16. CONTRIBUTION TOWARDS WELFARE OF ARMY JAWANS

Your Company contributed Rs. 2,02,000/- out of which Rs. 1,51,000/- was to The Times of India Relief Fund for Kargil Martyrs for the relief and welfare of needy families of our brave jawans who sacrificed their lives and Rs. 51,000/- was to The Army Welfare Fund for rehabilitation of disabled jawans and bereaved families. The Employees at all level also have wholeheartedly contributed one day pay aggregating to Rs. 45,672/- of which Rs. 15,816/- was to The Times of India Relief Fund and Rs. 29,856/- was to Army Welfare Fund.

17. ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the assistance and co-operation received from the Bankers State Bank of India, Mumbai and Roha, State Bank of India, Nassau and State Bank of India, Bahrain. They also wish to place on record their appreciation for the co-operation and contribution of the staff and workmen in the achievements of your Company during the year under report.

For and On Behalf of the Board of Directors

Mumbai
Dated : 21st July, 1999

D.T. JAVERI
Chairman

ANNEXURES TO THE DIRECTOR'S REPORT

ANNEXURE - I

Information required under the companies (Disclosure of particulars in the Report of the Board of Director's) Rules, 1988.

A. CONSERVATION OF ENERGY

Several measures are undertaken to conserve and optimise the use of energy which will be continued.

The Company is not covered in the list of the industries specified in the Schedule to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988. Hence the Company is not required to furnish information in Form-A of the said Rules.

B. TECHNOLOGY ABSORPTION : FORM-B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY. RESEARCH AND DEVELOPMENT

1. Specific areas in which R&D carried out by the Company.

The R&D efforts of the Company are directed towards process development, energy conservation, Pollution control, efficiency improvement and quality up gradation.

2. Benefits derived as a result of the above R&D.

R&D efforts have resulted in development of process for some items of dye intermediates the commercial production of which are commenced, besides improving quality of existing products.

3. Future Plan of Action.

To continue R&D in the relevant areas to achieve its benefits.

4. Expenditure on R&D	1998-99	1997-98
(a) Capital	12,91,471	2,58,698
(b) Recurring	22,05,819	20,59,184
Total	34,97,290	23,17,882
(c) Total R&D expenditure as a % of total turnover.	1.02%	0.58%



TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation.
The Company has commenced production of some items of dye intermediates, the process for which has been developed in R&D.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.
There is improvement in quality and yield of the product and has widened product range for marketing.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
Company has imported Know-how and Basic Engineering for manufacturing Meta Amino Phenol (MAP). The MAP Plant became operative during the year 1994-95.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans.

The Company is exporting more than 90% of its dye intermediate production. Besides it is also exporting various products of other indigenous manufacturers. The total exports during the year is Rs.2014.89 Lacs. The Company is putting all its efforts to tap new export markets and widen its clientele base.

- Total Foreign Exchange used and earned. (in Rupee)

	1998-99	1997-98
(i) Used :		
a) Imports (CIF)	45,24,290	29,97,094
b) Other expenditure	1,45,47,937	1,44,89,628
Total	1,90,72,227	1,74,86,722
(ii) Earned :		
Exports (F.O.B.)	16,64,10,948	21,40,36,262

ANNEXURE - II

Statement under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1999.

Name & Age (Years)	Designation	Qualification	Experience (Yrs)	Date of joining	Remuneration (Rs.)	Previous Employment & Designation
Mr.A.D.Javeri (43)	Managing Director	B.Sc (Hons.)	23	22.01.85	1449060	BEC Chemicals Pvt.Ltd Executive Director

The appointment is contractual. The remuneration includes Salary, Provident Fund, House Rent Allowance, Medical, Personal Accident Insurance, Leave Travel Allowance etc. Mr.A.D. Javeri is related to Mr.D.T. Javeri, who is a Director of the Company.

For and On Behalf of the Board of Directors

Mumbai
Dated : 21st July, 1999

D.T. JAVERI
Chairman