



Sadhana Nitro Chem Limited
27th Annual Report 1999-2000



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 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 Ghandhi 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..D.C. Industrial Area,
Roha, Dist. Raigad,
Maharashtra - 402 116.

Report Junction



NOTICE TO THE MEMBERS

NOTICE is hereby given that the TWENTYSEVENTH 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 Wednesday, the 30th August, 2000 at 3 00 p.m.

1. To receive, consider and adopt the Audited Balance Sheet and the Profit and Loss Account for the Financial Year ended 31st March, 2000 together with the Reports of the Directors' and Auditors' thereon.
2. To note the payment of interim dividend on shares and declare it as final dividend for the year 1999-2000.
3. To appoint a Director in place of Shri. P.S. Jhaveri who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri. A.L. Apte who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

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

Mumbai
Date: 13th July, 2000

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 Register of Members and the Share Transfer Book of the Company will remain closed from Wednesday the 23rd August, 2000 to Wednesday the 30th August, 2000 (both days inclusive) for the purpose of Annual General Meeting.
3. 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. to 1.00 p.m. upto the date of the Annual General Meeting.
4. The members are requested to intimate to the Company changes, if any, in their registered address at an early date.
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 Year 1994-95, 1995-96, 1996-97, 1997-98, 1998-99 & 1999-2000 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. Members desiring any information are requested to write to the Company 10 days in advance.



DIRECTORS' REPORT

To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 27th Annual Report together with Audited Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

	1999-2000 Rs.	1998-1999 Rs.
Sales & Other Income	<u>34,07,30,825</u>	<u>34,42,82,681</u>
Profit before Depreciation and Taxation	<u>5,04,15,721</u>	<u>6,39,99,867</u>
Less: Depreciation	<u>2,92,41,499</u>	<u>4,54,17,333</u>
Profit before Tax	<u>2,11,74,222</u>	<u>1,85,82,534</u>
Less: provision for taxation	<u>25,00,000</u>	<u>32,00,000</u>
Profit after tax	<u>1,86,74,222</u>	<u>1,53,82,534</u>
Balance brought forward from previous year	<u>3,38,61,468</u>	<u>3,49,96,786</u>
Amount available for appropriation	<u>5,25,35,690</u>	<u>5,03,79,320</u>
APPROPRIATION		
(i) Transfer to General Reserve	<u>1,25,00,000</u>	<u>1,25,00,000</u>
(ii) Dividend on Equity Shares	<u>36,52,593</u>	<u>36,52,593</u>
(iii) Tax on dividend	<u>4,01,785</u>	<u>3,65,259</u>
(iv) Balance Carried Forward to Balance Sheet	<u>3,59,81,312</u>	<u>3,38,61,468</u>
	<u>5,25,35,690</u>	<u>5,03,79,320</u>

2. DIVIDEND

Your directors at their meeting held on March 14, 2000 announced an interim dividend of Rs. 2.50 per share (i.e. 25%) for the year 1999-2000 which has already been paid to the shareholders registered as on the record date. The said dividend alongwith corporate dividend tax entailed an outgo of Rs.40.54 lacs.

Your directors recommend that the interim dividend already paid should be taken as final dividend for the year ended 31st March, 2000.

3. REVIEW OF OPERATIONS.

The market situation throughout the year generally remained depressed. The demand remained slack and erratic resulting into high inventories and consequential costs. The sales excluding other income has been at Rs. 3169.28 lacs as against Rs. 3272.81 lacs registered a marginal decline of 3.16%.

The operating costs have increased due to wage settlement with the Union, hike in electricity, fuel and water charges, rise in several raw materials prices and increased effluent treatment costs. However, due to stiff competition your company was unable to pass on the cost increase by raising its final products prices. Not only margins became thin but also the volume of demand was lower having adverse impact on operating performance of the company. The profit before depreciation for the year sharply declined to Rs.504.16 lacs as against Rs.639.99 lacs in the Previous Year registering decrease of 21.22%.



The stringent cost control measures were continuously implemented which has immensely helped in mitigating the impact of the above adverse factors and enabled your company to achieve satisfactory performance despite decline in operating profit.

The insurance claim of your company in respect of the accidental fire that took place in the previous year was settled in the current year for Rs. 29.68 lacs and the same has been received by your company. Your company has sold some of its investments which has resulted in profit for the current year to the extent of Rs. 3.65 lacs. Consequent to these the other income during the year under report was at Rs. 238.02 lacs as against Rs. 170.01 lacs in the Previous Year registering a rise of 40%.

Your company recognising change in market has taken appropriate strategic steps to restructure and realign its infrastructure to cut down and control operating costs by utilising its capacities more effectively. Restructuring has been with a view to reap benefit of synergy and natural convergence of activities. The above measures would help the company significantly in its efforts to remain competitive in the market.

But for the aggressive marketing strategy adopted by your company to change the product mix in favour of increasing the share of high value added product in the total sales there would have been much more decline in sales as well as operating profit.

Considering the difficult market conditions that prevailed in the business segment in which your company operates the overall sales and profit progression can be considered more than satisfactory.

Your Company has taken initiative for setting up division for its new activities in the field of information technology.

4. **QUALITY SYSTEM CERTIFICATION**

Your company has developed and implemented efficient quality system for its various functional operation which has been the core factor for ensuring the assured quality of its final products.

Your company has achieved **ISO-9002** certification for the quality system of the company in respect of manufacturing and supply of its products from Bureau of Indian Standard quality registrar.

Your directors wish to acknowledge the sincere and dedicated efforts put in by the employees of your company in achieving the ISO-9002 certification.

5. **EXPORTS**

Your Company is a "GOLDEN EXPORT HOUSE".

In view of Global slow down, the Exports during the year was at Rs. 1888.58 Lacs compared to Rs. 2014.89 Lacs in the previous year registering a decline of about 6.27%.

Exports constituted more than 77% 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.



6. PROSPECTS

Fast changing global market coupled with intense competition makes it imperative for the company to restructure and realign its operations to remain efficient.

As a result of continuous ongoing efforts the processes for several high value chemical intermediates have been developed in company's laboratory and the same have been tried out successfully in the pilot plant by R&D of your company.

Your company has chalked out a programme for setting up of requisite infrastructure by adding balancing equipments, besides restructuring and realigning certain existing facilities which will provide additional versatility to the existing plants. This will enable your company to utilise these plants as multipurpose plants for manufacturing various chemical intermediates envisaged to be commercialised.

Restructuring and realignment will improve the utilisation of existing idle capacities in efficient manner and will contribute in downsizing the capital cost. The total capital cost for above is estimated at Rs.475 lacs. The new chemical intermediates have applications in plastic additives, agrochemicals and pharmaceutical industries.

The progress on the project is quite satisfactory and is as per schedule. Your company has already incurred more than Rs. 250 lacs from its internal accruals and is arranging for requisite term loan.

Your company has successfully commenced manufacturing and export of two new high value added chemical intermediates. There is good export potential for these chemical intermediates. Negotiations are on for buyback arrangement with foreign multinationals. This will significantly strengthen and provide an edge to your company in overcoming the stagnancy in the turnover, market fluctuations and competition.

The performance of your company in the first quarter of the financial year reflects stagnancy in the turnover. The turnover for the quarter has been at Rs.865 lacs. The unaudited estimated profit after tax has been at Rs.33 lacs.

7. FINANCE

Adherence to strict financial discipline was continued during the year. The debt equity ratio has improved with repayment of substantial portion of term loan. Your company proposes to avail term loan for its project of restructuring and realignment referred to above.

It is regretted that till date the capital subsidy due from SICOM (Government of Maharashtra) has not been received in respect of Meta Amino Phenol plant of your company which was setup in 1995.

8. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the Annual Accounts for the year ended on 31st December, 1999 of Anuchem B.V.B.A., a foreign subsidiary of your company is attached.



9. 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. An additional incinerator has been installed to augment the existing incineration capacity. This has contributed in reducing the load on effluent treatment plant.

10. RESEARCH AND DEVELOPMENT

R&D activities were continued in the areas of process improvement and product development. The processes developed are being commercialised as mentioned herein above.

11. INDUSTRIAL RELATIONS

The industrial relations during the year were cordial. Productivity linked long term settlements were concluded with the Workmen as well as Supervisory staff.

12. Y2K COMPLIANCE

Your directors are pleased to inform that roll over to year 2000 was smooth and the company did not encounter any Y2K problem.

13. INSURANCE

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

14. FIXED DEPOSITS

The total Deposits accepted by your Company as on 31st March 2000 is Rs. 59.26 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

15. DIRECTORS

In accordance with Articles of the Association of the Company Shri. P.S. Jhaveri and Shri. A.L. Apte will retire by rotation at the ensuing Annual General meeting and being eligible offer themselves for reappointment.

16. 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.

17. 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.



18. EMPLOYEES

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.

19. 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, 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 : 13th July, 2000

D. T. JAVERI
Chairman

ANNEXURES TO THE DIRECTORS 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 upgradation.

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	1999-2000	1998-1999
(a) Capital	8,65,857	12,91,471
(b) Recurring	23,62,007	22,05,819
Total	<u>32,27,864</u>	<u>34,97,290</u>
(c) Total R&D expenditure as a % of total turnover.	0.95%	1.02%



TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

The Company has commenced production of some items of chemical intermediates, the process for which has been developed in R&D.

2. 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.

3. 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

- a) 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. 1888.58 Lacs. The Company is putting all its efforts to tap new export markets and widen its clientele base.

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

	1999-2000	1998-1999
(i) Used :		
a) Imports (CIF)	67,44,729	45,24,290
b) Other expenditure	78,86,164	1,45,47,937
Total	<u>1,46,30,893</u>	<u>1,90,72,227</u>
(ii) Earned:		
Exports (F.O.B.)	16,66,70,956	16,64,10,948

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, 2000.

Name & Age (Years)	Designation	Qualification	Experience (Yrs.)	Date of Joining	Remuneration (Rs.)	Previous Employment & Designation
Mr. A. D. Javeri 44	Managing Director	B.Sc (Hons.)	24	22.01.85	12,75,273	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 : 13th July, 2000

D. T. JAVERI
Chairman



AUDITOR'S REPORT

TO THE MEMBERS OF
SADHANA NITRO CHEM LIMITED

We have audited the attached Balance Sheet of SADHANA NITRO CHEM LIMITED as at 31st March, 2000 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto 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 give in the Annexure 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.
 - a) 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.
 - b) In our opinion proper Books of Account as required by Law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the Books of Account.
 - d) In our opinion except for method of Accounting adopted for amortising Foreign Currency fluctuation referred to in Note 7 of Schedule-I the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to sub-sections 3(C) of Section 211 of the Companies Act, 1956.
 - e) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read alongwith notes on Accounts and the Accounting Policies give the information required by the Companies Act, 1956, in the manner so required and read in conjunction with all other notes thereon give a true and fair view.
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000.
 - and
 - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date.

FOR V. SANKAR AIYAR & CO.
Chartered Accountants

V. MOHAN
Partner

Place : Mumbai
Dated: 13th July, 2000