



Sadhana Nitro Chem Limited
28th Annual Report 2000-2001



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

Report Junction



NOTICE TO THE MEMBERS

NOTICE is hereby given that the TWENTEENTH 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 Monday, the 17th September, 2001 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, 2001 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2000-01.
3. To appoint a Director in place of Shri. R.A. Shroff who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri. Arvind R. Doshi 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 N.R. Jani, is hereby re-appointed as Director & Company Secretary of the Company for a period of five years with effect from 11th March, 2001 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 N.R. Jani, provided the remunerations payable to the Director & Company Secretary 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 N.R. Jani, Director & Company Secretary, as minimum remuneration."

REGISTERED OFFICE :

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

Mumbai
Dated : 30th July, 2001

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 special business under Item No.6 is annexed hereto.
3. The Register of Members and the Share Transfer Book of the Company will remain closed from Tuesday 11th September, 2001 to Monday, 17th September, 2001 (both days inclusive) for the purpose of Annual General Meeting.
4. Dividend, upon its declaration, will be paid to those Members whose names appear on the Company's Register of Members on 17th September, 2001. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners as on 17th September, 2001 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited. The company will despatch dividend warrants from 17th October, 2001 onwards.



5. All documents referred to in the accompanying Notice and the explanatory statement 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 COMPANY HAS MADE AVAILABLE DEMAT FACILITIES TO THE SHAREHOLDERS.** Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
7. Members are requested to notify immediately any change of address, if any, to their Depository Participants (DPs) in respect of their electronic share accounts and to the Company at its Registered Office in respect of their physical shares.
8. 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.
9. 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, 1998-99 and 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). Consequent upon introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund to be set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
10. 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.
11. Members who hold shares in Dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
12. The Equity Shares of the Company is listed on Stock Exchange Mumbai and the requisite listing fee have been paid for 2001-02.
13. 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 24th April, 2001 have subject to approval of the Shareholders, re-appointed Shri N.R. Jani, as the Director & Company Secretary of the Company with effect from 11th March, 2001 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 N.R. Jani 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 N.R. Jani within the limits specified by Schedule XIII of the said Act. The present arrangement between the Company and Shri N.R. Jani expired on 10th March, 2001.

It is therefore proposed to pay, subject to approval of the shareholders, the following remuneration to Shri N.R. Jani with effect from 11th March, 2001.

- i) Salary:
Rs. 24,000/- per month.



ii) Perquisites and Allowances :

- A) In addition to Salary Shri N.R. Jani will be entitled to the perquisites and allowances like house rent allowance, 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 N.R. Jani. Such perquisites and allowances will be subject to a maximum of 125% of the 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 Director & Company Secretary.
- D) In addition to above perquisites the Director & Company Secretary 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.
 - d) Provision of Company's car for official duties.
 - e) Free telephone facility at the residence.
- iii) 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 N.R. Jani, Director & Company Secretary as a minimum remuneration.
- iv) 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 Director & Company Secretary not to exceed the limits specified in Schedule XIII to the Companies Act 1956, or any amendments made here-after 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 Director & Company Secretary 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 Director & Company Secretary 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 N.R. Jani, 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 N.R. Jani is concerned or interested in his re-appointment as Director & Company Secretary and the remuneration payable to him. No other Directors are interested in the resolution.

This may be treated as an abstract of the terms of re-appointment of Shri N.R. Jani 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
Dated : 30th July, 2001

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 28th Annual Report together with Audited Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

	2000-2001 Rs.	1999-2000 Rs.
Sales & Other Income	<u>37,78,08,184</u>	<u>34,07,30,825</u>
Profit before Depreciation and Taxation	<u>4,62,53,544</u>	5,04,15,721
Less: Depreciation	<u>3,09,06,595</u>	2,92,41,499
Profit before Tax	<u>1,53,46,949</u>	2,11,74,222
Less: provision for taxation	<u>18,00,000</u>	25,00,000
Profit after tax	<u>1,35,46,949</u>	1,86,74,222
Balance brought forward from previous year	<u>3,59,81,312</u>	3,38,61,468
Amount available for appropriation	<u><u>4,95,28,261</u></u>	<u><u>5,25,35,690</u></u>
APPROPRIATION		
(i) Transfer to General Reserve	<u>50,00,000</u>	1,25,00,000
(ii) Proposed dividend on Equity Shares	<u>21,91,556</u>	36,52,593
(iii) Tax on proposed dividend	<u>2,23,539</u>	4,01,785
(iv) Balance Carried Forward to Balance Sheet	<u><u>4,21,13,166</u></u>	3,59,81,312
	<u><u>4,95,28,261</u></u>	<u><u>5,25,35,690</u></u>

2. REVIEW OF OPERATIONS

Vigorous marketing efforts resulted in elevating the overall turnover despite price reduction yielding lower margin. The overall turnover for the year 2000-01 was at Rs. 3778.08 lacs registered an increase of 10.88% over last year.

During the year, the prices of several prime raw materials and fuel increased sharply and the prices of other utilities too registered noticeable rise. Adverse change in product mix in terms of production timing of different products as well as quantum of production resulted in escalated effluent treatment cost, cumulatively increasing production cost.

Increased level of operation calls for increased working capital requirement in term of higher inventory and book debt. On-going capital expenditure too needed funding. These led to higher utilisation of limits sanctioned by bank and other means of finance consequently increasing the finance cost.

Dollar freight rate remaining stagnant, Rupee depreciation against Dollar has resulted in increased freight burden.

In view of general global slow down in electronic technology sector, the newly commenced activities in the field of Software solutions, Web designing and other E-Commerce related services, would require more than expected gestation period before it contributes to profitability.

Consequent to stringent control, despite general cost inflation and higher level of operation, the administrative cost declined compared to last year.



The profit before depreciation for 2000-01 was at Rs. 462.53 lacs as against Rs. 504.15 lacs last year. Alongwith this decline, increased burden of depreciation reduced profit before tax for 2000-01 to Rs. 153.46 lacs as against Rs. 211.74 lacs in the last year. The profit after tax was at Rs. 135.46 lacs registering decline of 27.46% over last year.

3. OUT LOOK AND RESTRUCTURING

The recessionary trend and reduced margin continued to exert severe pressure on the bottomline in the current year too. Add to this, declined level of operation due to lower demand has compounded the adversity. The input prices continued to remain high off setting the economies of operating efficiencies and stringent cost control measures.

Unaudited estimated turnover for the first quarter of 2001-02 was at Rs. 566 lacs (PY Rs. 810 lacs) and the loss was at Rs. 25 lacs (P.Y. PAT Rs. 33 lacs).

All efforts are put to arrest this deceleration.

Economic outlook appearing to be recessionary and with the prevalent difficult market condition, year ahead is expected to be year of hard endeavour and struggle to mitigate the adverse impact on the profitability.

Stringent cost cutting measures encompassing all levels of operational and functional activities are adopted and strictly implemented. Its effectiveness in achieving desired beneficial effects is ensured by continuous monitoring and periodical evaluations.

The project of restructuring and realigning the infrastructure to cut down and control operating costs by effective utilisation of capacities undertaken by your Company was completed in 2000-01. This led to synergy and natural convergence of activities. The benefits of these will be realised with the improvement in market conditions.

High value added chemical intermediates, production of which is commenced in 2000-01 are of international standards and well accepted by the clients. However, they could not contribute as expected due to sluggish market conditions.

Marketing strategy adopted is focussed on enhancing the share of high value added chemical intermediates. The market conditions are hopefully expected to improve in the last quarter of the year.

4. DIVIDEND

Your Directors, considering above, recommend a Dividend of Rs. 1.50 (Previous Year Rs. 2.50) per equity share of Rs.10/- each for the year 2000-01.

The proposed dividend alongwith corporate dividend tax payable thereon will entail an outgo of Rs. 24.15 lacs.

5. EXPORTS

Your Company is having status of a "GOLDEN EXPORT HOUSE" granted by Ministry of Commerce, Government of India.

Despite Global Slow down, the Exports during the year increased to Rs. 2039 Lacs compared to Rs. 1889 Lacs in the previous year, registering an increase of about 7.94%.

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.

6. FINANCE

Rupee term loan of Rs. 300 lacs was availed in 2000-01 from State Bank of India to finance the capital project for restructuring and realignment of infrastructure.



7. EFFLUENT TREATMENT

Your Company is conscious about its social responsibilities and is committed towards reservation and conservation of environment. Besides incurring heavy capital costs on setting up infrastructure, your Company has during the year incurred Rs. 158.95 lacs (P.Y. Rs. 107.36 lacs) towards recurring treatment costs.

8. RESEARCH AND DEVELOPMENT

Process for manufacturing of new high value added chemical intermediates were successfully commercialised during the year. A fully equipped new Laboratory has been set up at the factory to further strengthen the quality check.

9. DEMAT FACILITY

Your Company has, as a measure of convenience to its shareholders voluntarily opted for making available to its shareholders, the facility of Demat by getting its shares activated in depository system of both Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL). Hopefully, the Shareholders will avail the benefits of the same.

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 2001 is Rs. 96.56 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

12. DIRECTORS

Shri Arvind R. Doshi and Shri R. A. Shroff retires by rotation and being eligible offer themselves for re-appointment.

Shri N.R. Jani's term of office as a whole time Director expired on 10th March, 2001. The Board has approved the re-appointment of Shri N.R. Jani as whole time Director for a period of 5 years. The re-appointment has been subject to approval of shareholders in the ensuing General Meeting. Attention of shareholders are invited to Item No. 6 of the Notice convening the Annual General Meeting.

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. COST AUDIT

Pursuant to direction received from Central Government for the Cost Audit, your company has with the Central Government's approval, appointed a qualified Cost Auditor to audit the relevant cost accounts of the company for the year ended 31st March, 2001.

15. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the Annual Accounts for the year ended on 31st December, 2000 of Anuchem B.V.B.A., a foreign subsidiary of your company are Attached.

16. 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 appended hereto and forms part of this Report.



17. EMPLOYEES

The industrial relations during the year were cordial.

18. DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 of the Companies Act, the Directors hereby confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

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 : 30th July, 2001

D. T. JAVERI
Chairman

ANNEXURE TO THE DIRECTORS REPORT

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. RE-SEARCH 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	2000-2001	1999-2000
(a) Capital	36,47,885	8,65,857
(b) Recurring	24,34,466	23,62,007
Total	<u>60,82,351</u>	<u>32,27,864</u>
(c) Total R&D expenditure as a % of total turnover.	1.61%	0.95%

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)

No imports of technology during last 5 years.

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 60% of its dye intermediate production. Besides it is also exporting various products of other indigenous manufacturers. The total exports during the year was Rs. 2039 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)

	2000-2001	1999-2000
(i) Used :		
a) Imports (CIF)	88,33,881	67,44,729
b) Other expenditure	88,77,240	78,86,164
Total	<u>1,77,11,121</u>	<u>1,46,30,893</u>
(ii) Earned:		
Exports (F.O.B.)	<u>19,08,95,360</u>	<u>16,66,70,956</u>

For and On Behalf of the Board of Directors

Mumbai :
Dated : 30th July, 2001

D. T. JAVERI
Chairman