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Sadhana Nitro Chem Limited
30th Annual Report 2002-2003

SADHANA NITRO CHEM LIMITED



BOARD OF DIRECTORS

Shri Asit D. Javeri

Chairman & Managing Director

Shri Arvind R. Doshi

Shri Sadanand S. Borkar

Shri Arvind L. Apte

Shri Ramesh A. Shroff

Shri Priyam S. Jhaveri

Shri Dharendra M. Shah

Shri Nitin R. Jani

Director & Company Secretary

REGISTERED OFFICE

207, Kakad Chambers, 2nd Floor,
132, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.
Phone : 2497 3142 Fax : (91)22-5660 4147.

FACTORY

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

SHARE TRANSFER AGENT

INTIME SPECTRUM REGISTRY LTD.
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West)
Mumbai - 400 078.
Phones: 2592 3837 Fax : 2567 2693

BANKERS

STATE BANK OF INDIA, Mumbai & Roha

ADVOCATES & SOLICITORS

MULLA & MULLA CRAIGIE BLUNT &
CAROE
Mulla House,
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.



NOTICE TO THE MEMBERS

NOTICE is hereby given that the THIRTIETH 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 11th September, 2003 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, 2003 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2002-03.
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 R. A. Shroff 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 **SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions if any, of the Companies Act 1956, the consent of the Company be and is hereby accorded to the reappointment of Shri A. D. Javeri as Chairman & Managing Director of the Company for period of 3 (Three) Years with effect from 1st September, 2003 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri A. D. Javeri, a draft whereof is placed before 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 (hereinafter referred to as "the Board" which term shall be deemed to include the remuneration committee constituted by the Board) to alter and vary the terms and conditions of the said reappointment and/or remuneration and/or agreement subject to same not exceeding the limits specified in the Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time or any amendment thereto as may be agreed to between the Board and Shri A. D. Javeri."

"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, Chairman & Managing Director, as minimum remuneration."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT in supersession of the resolution passed by the members at its Annual General Meeting held on 17th September, 2001 and pursuant to the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the reappointment of Shri N. R. Jani as Director & Company Secretary of the Company for the period with effect from 1st October, 2003 to 31st August, 2006 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri N. R. Jani, a draft whereof is placed before 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 (hereinafter referred to as "the Board" which term shall be deemed to include the remuneration committee constituted by the Board) to alter and vary the terms and conditions



of the said reappointment and/or remuneration and/or agreement subject to same not exceeding the limits specified in the Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time or any amendment thereto as may be agreed to between the Board and Shri N. R. Jani."

"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."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT in supersession of the Resolution passed at the Annual General Meeting of the Company held on 19th September, 1996, the consent of the Company be and is hereby accorded pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company, to borrow from time to time any sum or sums of monies for the business of the Company, on such terms and conditions as the Board may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves, that is to say, Reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed including the amounts already borrowed and outstanding on the date of this resolution shall not exceed Rs. 50 (Fifty) Crores, over and above the aggregate of the Paid-up Capital and Free Reserve of the Company."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage, create security or otherwise dispose off the assets of the Company in such form and manner and with such ranking create security or otherwise dispose off the assets of the Company in such form and manner and with such ranking and at such time and on such terms as the Board may determine, upon all or any of the present or future movable and/or immovable properties of the Company, including the whole or substantially the whole of the undertaking(s) of the Company, together with the power to take over the management and business and concern of the Company in certain events of default in favour of the Trustee / Trustees / Lenders for securing and security / securities / financial instrument(s) that may be issued by the Company not exceeding Rs. 50 (Fifty) Crores together with interest, premium, cost, charge, expenses and all other monies payable in connection therewith in terms of Trust deed / other documents to be finalised and executed between the Company-and Trustee / Trustees / Lenders and containing such specific terms and conditions and covenants in respect of enforcement of security / securities / financial instruments as may be stipulated in that behalf and agreed to between the Board of Directors or committee thereof and the Trustee / Trustees / Lenders."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable."

Registered Office:

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

Date: 22nd July, 2003.

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 to 9 is annexed hereto.
3. The Company has appointed M/s. Intime Spectrum Registry Limited (ISRL), C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup, Mumbai 400 078 as Registrars and Share Transfer Agents for Physical Shares. ISRL is already the Depository interface of the Company with both NSDL & CDSL.

However, keeping in view the convenience of Shareholders, documents relating to shares will continue to be received by the Company at its Registered Office. Telephone No. 24973142 , E-mail address : sncshare@snci.com .
4. The Register of Members and the Share Transfer Book of the Company will remain closed from Thursday, the 4th September, 2003 to Thursday, the 11th September, 2003 (both days inclusive) for the purpose of Annual General Meeting.
5. Dividend, if declared, will be paid to those Members whose names appear on the Company's Register of Members on 11th September, 2003. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners as on 11th September, 2003 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited. The Company will despatch dividend warrants on or before 10th October, 2003.
6. 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. up to the date of the Annual General Meeting.
7. 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.
8. Members are requested to notify immediately 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.
9. Pursuant to Section 205A of the Companies Act 1956, all unclaimed dividends for and up to the financial year 1994-95 have been transferred to the General Revenue account of the Central Government/ Investor Education and Protection Funds as applicable.
10. Dividend for the financial year ended 31st March, 1996, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government ("IEPF") later this year, pursuant to the provisions of Section 205A of the Companies Act, 1956.

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1996, or any subsequent financial year(s), are requested to lodge their claims with the Company. In respect of dividend for the financial year ended 31st March, 1996, only those claims which are received by the Company by 30th September, 2003, will be entertained.



Members are advised that once the unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

11. 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.
12. 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.
13. Members desiring any information are requested to write to the Company 10 days in advance.
14. Shares are listed on BSE and fees have been paid. (Clause 43A).

ANNEXURE TO THE NOTICE

Explanatory Statement Under Section 173 of the Companies Act, 1956.

1. Item No. 6 & 7

On the recommendation of the Remuneration Committee and subject to approval of the Members, the Board of Directors of the company at its meeting held on 22nd July, 2003 have reappointed (a) Shri A. D. Javeri, as the Chairman & Managing Director of the Company with effect from 1st September, 2003 for a further period of 3 years and (b) Shri N. R. Jani, as Director & Company Secretary of the Company for a period with effect from 1st October, 2003 to 31st August, 2006.

The directors have, on recommendation of Remuneration Committee and keeping in mind the qualification, experience, expertise of and in particular the contribution made by Shri A. D. Javeri and Shri N. R. Jani in the overall development of the Company and having regard to the provisions in respect of managerial remuneration of the Companies Act, 1956, thought it justified to enhance the remuneration payable to them, within the overall limits specified in the Schedule XIII of the said Act.

The present arrangement between the Company and Shri A. D. Javeri expires on 31st August, 2003.

Shri N. R. Jani was reappointed as Director & Company Secretary of the Company by the Board with effect from 11th March, 2001 for period of 5 Years and his reappointment and the remuneration was approved by the members at the Annual General Meeting held on 17th September, 2001 and the reappointment was to continue upto 10th March, 2006. The Board on the recommendation of the Remuneration Committee at its meeting held on 22nd July, 2003 decided to terminate the appointment of Shri N. R. Jani with effect from 30th September, 2003 with mutual consent (without any break in service and granting continuity but without any terminal compensation) and reappointed him immediately upon termination for a period of 2 years and 11 months with effect from 1st October, 2003 on the revised remuneration mentioned hereunder.

It is therefore proposed to pay, subject to approval of the members, the following remuneration to them which is commensurate with their responsibilities of heading a company of this size.

i) Basic Salary and Annual Increment:

- a) Shri A. D. Javeri : Basic Salary of Rs. 70,000/- per month with effect from 1st September, 2003. Annual increment of Rs. 5,000/- will be given on following 1st September every year during the tenure of agreement.
- b) Shri N. R. Jani : Basic Salary of Rs. 35,000/- per month with effect from 1st October, 2003. Annual increment of Rs. 3,000/- will be given on following 1st September every year during the tenure of agreement.

ii) Perquisites:

- A) In addition to the above Salary they will be entitled to the perquisites and allowances like house rent allowance together with reimbursement of expenses or allowances for utilities



such as gas, electricity, water, furnishings and repairs, education allowance, medical reimbursement, club fees and such other perquisites and allowances in accordance with the rules of the company or as may be agreed by -

- a) The Board of Directors and Shri A. D. Javeri, however, such perquisites and allowances will be subject to a maximum of 70% of his annual salary.
- b) The Board of Directors and Shri N. R. Jani, however, such perquisites and allowances will be subject to a maximum of 25 % of his annual salary.

In addition to above Shri A. D. Javeri and Shri N. R. Jani will, as per rules of the Company, be entitled to Bonus, leave travel allowance for self and family, mediclaim and personal accident policy cover which shall not be considered for above ceiling on perquisites and allowances.

- B) Shri A. D. Javeri shall in addition to the above salary and perquisites and allowance be entitled to a remuneration by way of Commission @ 1% of the Net Profit of the Company calculated in accordance with the provisions of Section 349 of the Companies Act, 1956.
- C) 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.
- D) For the above purpose "family" means spouse, dependent children and dependent parents.
- E) In addition to above perquisites they shall also be entitled to following benefits which will not be included in computation of ceiling on perquisites.
 - a) Company's contribution to Provident Fund, Family Pension 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.
 - 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 specified in Schedule XIII shall be payable to them as a minimum remuneration.
- iv) The terms and conditions of the said reappointment and/or remuneration 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 them not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.

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.

They shall not, so long as they function as such, become interested or otherwise concerned directly or through their wife and / or minor children in any selling agency of the Company in future without prior approval of the Central Government.

They, so long as they function 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 198, 269, 309 read with Schedule XIII and all 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 as well as between the Company and Shri N. R. Jani, are 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 and Shri N. R. Jani are respectively concerned or interested in their respective reappointment and the remuneration payable to them respectively. No other Directors are interested in these resolutions.

This may be treated as an abstract of the terms of reappointment of Shri A. D. Javeri and Shri N. R. Jani and the memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

The Board recommends the Special Resolutions at Item No. 6 & 7 of the notice for your approval.

Additional information for the shareholders, as required under Schedule XIII to the Companies Act, 1956, and to the extent applicable to the Company / Appointees is given below:

1. General information:

- i) Nature of Industry : The Company is engaged in the Manufacturing of various chemical intermediates.
- ii) Date or expected date of commencement of commercial production : The Company was incorporated on 21st July, 1973 and Certificate for Commencement of Business was issued on 10th September, 1973.
- iii) Financial performance based on given indicators: as per published audited financial results for the year ended 31st March, 2003:

Particulars	Rs. In Lacs
Sales and Other Income (including captive sales)	4550
Profit before tax	266
Provision for tax	40
Profit after tax	226
Profit as computed under Section 309(5) read with Section 198	311

- iv) Export performance and foreign exchange earned for the financial year ended 31st March, 2003: FOB value of exports Rs. 2599 Lacs.
- v) Foreign Investment or Collaborators: This is not applicable.

II. INFORMATION ABOUT THE APPOINTEES:

- i) Background details:

Shri A. D. Javeri, aged 47 years, and having Graduation in Science, joined the company in January, 1985 as Managing Director. Prior to joining the company Shri A. D. Javeri had experience of 9 years of running chemical industry. He has been associated with the company for more than 18 years.

Shri N. R. Jani, aged 45 years, and having Graduation in Commerce as well as is a member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He joined the company in December, 1984. Prior to joining the company he had an experience of 2 years. He has been associated with the company for more than 18 years.

- ii) Past remuneration drawn : (In Rupees)

Year	Mr. A.D. Javeri	Mr. N.R. Jani
2000-01	11,52,680	4,10,570
2001-02	11,90,695	4,53,701
2002-03	14,56,362	4,93,712



iii) Job profile and suitability :

Over the years, Shri A. D. Javeri has been entrusted with the overall responsibility of the Company. He has immensely contributed in the overall development of the Company specifically in attaining higher exports and commercialization of several high value added chemical intermediates. Shri A. D. Javeri has taken several initiatives to restructure the business operations and the company has under his leadership attained improved financial performance.

Over the years, Shri N. R. Jani has been entrusted with the responsibility to look after finance, legal accounts and administrative control. He has successfully carried out several specific assignments. He has introduced productivity linked wage and salary in the settlements with the union. He has taken several initiatives for controlling costs at each level. He has effectively contributed towards development of the company in several ways.

iv) Remuneration proposed: The remuneration package is given in detail in the explanatory statement. However, the same is summarized hereunder :

Sr. No.		Shri A. D. Javeri	Shri N. R. Jani
a)	Salary	Rs.70,000/- P.M.	Rs.35,000/- P.M.
b)	Perquisites & Allowances	Maximum 70% of salary	Maximum 25% of salary
c)	Commission	@ 1% of Net Profit of the Company U/s 349	Not applicable
d)	Minimum Remuneration in case of inadequacy of profits during any financial year	Remuneration given in (a) & (b) will be minimum remuneration	Remuneration given in (a) & (b) will be minimum remuneration

v) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

Taking into consideration the size of the Company, the profile of Shri A. D. Javeri and Shri N. R. Jani, the responsibilities shouldered by them and the industry benchmarks, the aforesaid remuneration is commensurate with the remuneration package paid to similar senior level positions in other companies.

vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel:

Besides the remuneration proposed Shri A. D. Javeri and Shri N. R. Jani do not have any other pecuniary relationship with the Company and its managerial personnel except that Shri A. D. Javeri has given personal guarantee for the borrowings of the company and kept deposits with the company.

III. OTHER INFORMATIONS:

- Reasons for loss or inadequate profits : This is not applicable.
- Steps taken by the Company to improve performance: The company is already making handsome profits. The efforts will be put in to maintain and further improve the profitability.
- Expected increase in productivity and profits in measurable terms :

The company has improved its performance in the current year as compared to the previous year.



Relevant comparative parameters indicating the production / sale of the products of the Company are given below:

Products	2002-03		2001-02	
	Production	Sales	Production	Sales
Organic Chemicals	2074 MT	1890 MT	1395 MT	1406 MT
Dye Intermediates	7922 MT	8082 MT	4858 MT	5207 MT

Relevant comparative financial parameters indicating the turnover and profits of the Company are given below:

Particulars	2002-03	2001-02
Sales and other income	4550 Lacs	3146 Lacs
Profit before tax	266 Lacs	134 Lacs
Profit after tax	226 Lacs	119 Lacs

IV. DISCLOSURES :

The details of the remuneration package of Shri A. D. Javeri and Shri N. R. Jani is given in the explanatory statement hereinabove and the same is contained in the respective draft agreements with them which is open for inspection as mentioned hereinabove. Other Directors are paid no remuneration except sitting fees for the meeting of the Board and Committee thereof. Except commission payable to Shri A. D. Javeri which is calculated with reference to the profits of the company, all the components of remuneration are fixed. Both the appointments are contractual and provides for Six months notice period. No stock option has been given to them.

2. Item No. 8

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the consent of the Shareholders is required for borrowing monies in excess of the Paid-up Capital and Free Reserves of the Company.

At the 23rd Annual General Meeting of the company held on 19th September, 1996, the Members had pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, authorised Board of Directors of the Company to borrow from time to time a sum or sums of monies up to Rs. 20 Crores in excess of the Paid-up Capital and Free Reserves of the Company.

In view of the present and future requirement of additional funds to meet the capital expenditure and additional working capital requirements due to increased level of operation, it is expected that the limit of Rs. 20 Crores sanctioned by the Members is likely to exceed, it is therefore proposed to further increase the borrowing powers of the Board of Directors from present limit of Rs. 20 Crores to Rs. 50 Crores in excess of the aggregate of the Paid-up Capital and Free Reserves of the Company.

Your Directors commend this Resolution for your approval.

None of the Directors are concerned or interested in the Resolution.

3. Item No. 9

In view of the present and future requirement of the funds the Company may have to borrow monies from time to time from one or more bodies corporate or bankers or financial institutions or other by creation of mortgage, charges, or hypothecation on or of the assets of the Company or provide take over of the management of the Company in certain events.