



Sadhana Nitro Chem Limited
31st Annual Report 2003-2004

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SADHANA NITRO CHEM LIMITED**BOARD OF DIRECTORS****Shri Asit D. Javeri***Chairman & Managing Director***Shri Arvind R. Doshi***Director***Shri Sadanand S. Borkar***Director***Shri Arvind L. Apte***Director***Shri Ramesh A. Shroff***Director***Shri Priyam S. Jhaveri***Director***Shri Dharendra M. Shah***Director***Shri Nitin R. Jani***Director & Company Secretary***BANKERS**STATE BANK OF INDIA, Mumbai & Roha
EXIM BANK OF INDIA, Mumbai**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.**REGISTERED OFFICE**207, Kakad Chambers, 2nd Floor,
132, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.
Phone : 5660 4881 - 5 (5 Lines) Fax : (91)22-5660 4147.
Email : sncl@vsnl.com**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 : 5555 5454 Fax : 5555 5353
Email : isrl@intimespectrum.com

NOTICE TO THE MEMBERS



NOTICE is hereby given that the THIRTYFIRST ANNUAL GENERAL MEETING of the Company will be held at SASMIRA AUDITORIUM, The Synthetic & Art Silk Mills' Research Association, 3rd Floor, SASMIRA Marg, Worli, Mumbai 400025 on Wednesday, the 15th September, 2004 at 3.00 P.M. to transact the following business :-

1. To receive, consider and adopt the Audited Balance Sheet and the Profit and Loss Account for the Financial Year ended 31st March, 2004 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2003-04.
3. To appoint a Director in place of Shri Arvind R. Doshi who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri D.M. Shah who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Registered Office:

By Order of the Board

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

Date: 19th July, 2004.

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 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 also the Depository interface of the Company with both NSDL & CDSL. Their Telephone No. 55555454, E-mail address: isrl@intimespectrum.com, Fax No. 55555353.

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. 5660 4881-5, E-mail address : sncl@vsnl.com.
3. The Register of Members and the Share Transfer Book of the Company will remain closed from Thursday, the 9th September, 2004 to Wednesday, the 15th September, 2004 (both days inclusive) for the purpose of Annual General Meeting.
4. Dividend, if declared, will be paid to those Members whose names appear on the Company's Register of Members on 15th September, 2004. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners as on 15th September, 2004 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited. The Company will despatch dividend warrants on or before 15th October, 2004.
5. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.



6. 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 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 up to 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.
9. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Members are advised that once the unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof. The Company has already transferred the unclaimed dividend for the year ended 31st March, 1996 to the IEPF.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below :-

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31.03.1997	18.09.1997	17.09.2004	15.10.2004
31.03.1998	17.09.1998	16.09.2005	14.10.2005
31.03.1999	09.09.1999	08.09.2006	06.10.2006
31.03.2000	30.08.2000	29.08.2007	28.09.2007
31.03.2001	17.09.2001	16.09.2008	16.10.2008
31.03.2002	18.09.2002	17.09.2009	16.10.2009
31.03.2003	11.09.2003	10.09.2010	08.10.2010

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1997, or any subsequent financial year(s), are requested to lodge their claims with the Company.

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

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By Order of the Board

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

Date: 19th July, 2004.

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 31st Annual Report together with Audited Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

	2003-04 Rs.	2002-03 Rs.
Sales & Other Income	<u>56,23,17,330</u>	<u>45,45,32,861</u>
Profit before Depreciation and Taxation	6,54,66,905	5,93,17,764
Less : Depreciation	3,81,97,432	3,27,59,903
Profit before Tax	2,72,69,473	2,65,57,861
Less : provision for taxation	42,00,000	40,00,000
Profit after tax	2,30,69,473	2,25,57,861
Add : Excess tax provision for earlier years written back	—	9,36,811
Balance brought forward from previous year	3,96,67,058	5,07,87,435
	<u>6,27,36,531</u>	<u>7,42,82,107</u>
APPROPRIATION		
(i) Transfer to General Reserve	1,50,00,000	3,00,00,000
(ii) Proposed dividend on Equity Shares	40,90,902	40,90,902
(iii) Tax on proposed dividend	5,34,630	5,24,147
(iv) Balance carried forward to Balance Sheet	4,31,10,999	3,96,67,058
	<u>6,27,36,531</u>	<u>7,42,82,107</u>

2. REVIEW OF OPERATIONS.

During the year under review your company has achieved turnover of Rs. 5623 lacs as against Rs. 4545 lacs in the Previous Year registering a year on year growth of more than 23%. The strategic initiative of expanding Meta Amino Phenol (MAP) capacity has been vital for enhancing the turnover and the competitiveness.

The profitability however did not come up to the expectations in pace with the increased turnover due to several extraneous factors. Sharp and unprecedented increase in the prices of several inputs which were driven by globally rising crude oil and steel prices, rise in utility costs and severe price competition impacted the profitability adversely neutralising the increased contribution generated from enhanced turnover and capacity utilisation.

The challenges that came its way during the year were successfully combated to contain its impact on the results of the company. It is noteworthy that despite increased operating level there has been a control on the overheads. Judicious mix of borrowings as well as the reduction in the interest rate has reduced the finance charges despite increased level of operation.

The company has posted profit before depreciation of Rs.654.67 lacs (P.Y. Rs. 593.18 lacs) registering a rise of over 10%. After providing increased depreciation of Rs. 381.97 lacs (P.Y. Rs. 327.60 lacs) and taxation of Rs. 42 lacs (P.Y. Rs. 40 lacs) the profit after tax has been Rs. 230.69 lacs (P.Y. Rs. 225.58 lacs)



registering a marginal increase.

Against this backdrop the performance of your company has been satisfactory.

3. DIVIDEND.

Your Directors, considering above, recommend a Dividend of Rs. 2.00 (P.Y. Rs. 2.00) per equity share of Rs.10/- each for the year 2003-04.

The proposed dividend, if approved, will entail an outflow of Rs. 46.26 lacs inclusive of dividend distribution tax.

4. PROJECTS.

Your company has already developed in its own R&D, processes for several chemical intermediates. Existing Multi Purpose Plant (MPP) is proposed to be further upgraded to enhance its capacity and versatility to manufacture diverse chemicals on marketing campaign basis.

On successful completion of R & D and pilot plant study, your company has taken trial batches of high value MAP derivatives which have been exported to actual user foreign client. These products have stringent specification and have good export demand from developed countries. Upon completion of commercial negotiations for sales tie up which is expected soon, a dedicated plant will be setup for these derivatives. On commercialisation of derivatives of MAP, there will be a need to de-bottleneck MAP capacity.

These initiatives have strengthened the overall preparedness of your company to face future challenges and its efforts to create and sustain development of your company.

The capital outlay on above projects will be financed by a suitable term loan and internal accruals.

5. OUTLOOK.

The year 2004-05 ahead is a tough year with the continued increasing raw material prices consequent to rising crude oil and steel prices internationally and the strengthening of rupee against US dollar.

Utilisation of MPP is expected to increase on commercialisation of the process developed by in-house R&D for high value chemical intermediates which will contribute to the performance of the company in the second half of the year. The trend of high value added products progressively increasing their share in the turnover is expected to be continued during the current year.

Aggressive marketing strategy focusing on high value added products, stringent cost control and economies of scale through increased turnover will continue to remain the main plank of your Company's strategy to sustain growth trend. The various initiatives have been undertaken to further control costs and improve productivity on one hand and to improve sales realisation on other hand. Barring unforeseen circumstances, your Company expects to maintain its performance in the current year.

Unaudited estimated sales for the first quarter of 2004-05 was at Rs. 1487 lacs (P.Y. Rs. 1234 lacs) and the Profit After Tax was at Rs. 32 lacs (P.Y. Profit Rs. 52 lacs).

6. EXPORTS.

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

Aggressive marketing strategy along with thrust on high value products has resulted in escalating the exports of your company to a new peak. Exports during the year were Rs. 3124 Lacs compared to Rs. 2645 Lacs in the previous year, registering a handsome increase of more than 18%.

Exports constituted more than 88% 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.

7. FINANCE

Foreign Currency Term Loan of USD 1.25 Million (equivalent to about Rs.550 lacs) was sanctioned during the year by Exim Bank of India under its production equipment finance programme to part finance the company's capital expenditure of Rs. 630 lacs. Exim Bank has disbursed Rs. 415.40 lacs during the year.

8. EFFLUENT TREATMENT

Your company is conscious about its social responsibilities and is committed towards preservation and conservation of environment.

9. RESEARCH AND DEVELOPMENT

Your company has continuously attached high priority to the R & D Department which is engaged in developing new processes and further improving the existing processes as an ongoing activity to enable your company to keep pace with technological advancement and improve operating efficiency. The product development efforts are directed towards developing high value intermediates having high degree of operating integration and synergy.

10. INSURANCE

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 2004 is Rs. 150.44 Lacs. There is no deposit or interest on the same which has matured and remained unpaid.

12. DIRECTORS

Shri Arvind R. Doshi and Shri D.M. Shah retire by rotation and being eligible offer themselves for reappointment.

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 reappointment.

14. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the annual accounts for the year ended on 31st December, 2003 of Anuchem B.V.B.A., a wholly owned foreign subsidiary of your company, are attached.

In compliance with accounting standard No. 21, your company has attached the consolidated statement of account giving therein the consolidated financial statement relating to the company and its subsidiary.

15. 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.

16. EMPLOYEES.

The industrial relations during the year were cordial.



17. 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 judgements 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.

18. 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 Exim Bank of India. 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

Report Junction.com

Place : Mumbai
Dated : 19th July, 2004

A. D. JAVERI
Chairman & Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

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

Form-A: Form of disclosure of particulars with respect to conservation of energy.

A. Power, Fuel and Water Consumption

	<u>2003-2004</u>	<u>2002-2003</u>
1. Electricity		
a) Purchased Unit in kwh	38,36,446	30,93,760
Total amount (Rs.)	1,38,84,869	1,15,03,438
Rate/Unit (Rs.)	3.62	3.72
b) Own generation		
Through Diesel Generator Units in kwh	78,256	67,680
Units/Ltr. of Diesel oil (Kwh)	2.74	3.10
Units/Ltr. of Diesel	28,593	21,827
Total amount (Rs.)	8,08,301	4,86,260
Cost/Units (Rs.)	10.33	7.18
2. Furnace Oil		
Quantity(KL)	2,169	1497.76
Total Amount (Rs.)	2,28,04,713	1,66,44,461
Average Rate (Rs./KL.)	10,513.93	11,112.90
3. Light Diesel Oil		
Quantity(KL)	155.085	313.87
Total Amount (Rs.)	30,13,982	41,38,535
Average Rate (Rs./KL.)	19434.39	13185.51
4. Water		
Quantity(M ³)	1,57,504	1,28,332
Total Cost (Rs.)	30,25,199	18,30,242
Average Rate (Rs./M ³)	19.21	14.26

B. TECHNOLOGY ABSORPTION:

FORM-B : FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY.

RESEARCH AND DEVELOPMENT

- 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.