



Sadhana Nitro Chem Limited
32nd Annual Report 2004-2005

CONTENTS**Page No.**

Board of Directors etc.....	01
Notice to the Members.....	02
Directors' Report.....	04
Auditors' Report.....	10
Balance Sheet.....	14
Profit & Loss Account.....	15
Schedules to Balance Sheet.....	16
Notes on Balance Sheet & Profit & Loss Account.....	22
Schedule to Profit & Loss Account.....	29
Balance Sheet Abstract.....	31
Cash Flow Statement.....	32
Statement Pursuant to Section 212 related to subsidiary company.....	36
Accounts of the Subsidiary Company.....	37
Auditor's Report on the Consolidated Financial Statement.....	44
Consolidated Balance Sheet, Profit and Loss Account & Cash Flow.....	45
Five Year Highlights.....	53
Proxy & Entrance Pass.....	55



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

UTI BANK, 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 THIRTYSECOND 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 400030 on Thursday the 15th September, 2005 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, 2005 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2004-05.
3. To appoint a Director in place of Shri S.S. Borkar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri Arvind L. Apte who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

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

Date: 26th July, 2005.

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. 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. Tele. 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 Friday, the 9th September, 2005 to Thursday, the 15th September, 2005 (both days inclusive) for the purpose of Dividend.
4. Dividend, if declared, will be paid on or after 16th September, 2005 to those Members whose names appear on the Company's Register of Members on 15th September, 2005. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners as on 15th September, 2005 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
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, 1997 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
31.03.1998	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
31.03.2004	15.09.2004	14.09.2011	13.10.2011

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1998, 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).

Registered Office:

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

By Order of Board

Date: 26th July, 2005.

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 32nd Annual Report together with Audited Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS

	2004-05 Rs.	2003-04 Rs.
Sales & Other Income	<u>46,83,03,215</u>	<u>38,78,26,957</u>
Profit before Depreciation and Taxation	6,78,85,901	6,54,66,905
Less : Depreciation	4,12,87,354	3,81,97,432
Profit before Tax	2,65,98,547	2,72,69,473
Less : provision for taxation	93,75,000	42,00,000
Profit after tax	1,72,23,547	2,30,69,473
Balance brought forward from previous year	4,31,10,999	3,96,67,058
	<u>6,03,34,546</u>	<u>6,27,36,531</u>
APPROPRIATION		
(i) Transfer to General Reserve	1,50,00,000	1,50,00,000
(ii) Proposed dividend on Equity Shares	40,90,902	40,90,902
(iii) Tax on proposed dividend	5,73,749	5,34,630
(iv) Balance carried forward to Balance Sheet	4,06,69,895	4,31,10,999
	<u>6,03,34,546</u>	<u>6,27,36,531</u>

2. REVIEW OF OPERATIONS.

During the year under review your company has achieved turnover of Rs. 4683 lacs as against Rs. 3878 lacs in the Previous Year registering a year on year growth of about 21%. This was achieved despite cutthroat global competition.

Unprecedented and sharp global increase in prices of crude oil and steel has affected adversely the prices of several key raw materials and consequent input costs of the products. The sales realisation of the products improved but it was gradual and was with time lag due to contractual commitments. Rupee appreciation against US Dollar also dampened the improvement in sales realisation of the products.

The operating profits were under severe pressure of escalating raw material prices which were driven by rising crude oil prices. Gradual product price increase, improved operating efficiency, stringent control on overheads and higher operating level have to an extent mitigated the adverse impact of above extraneous factors.

The profit before depreciation did, though not come up to the expectations, increased to Rs. 679 Lacs as against Rs. 655 Lacs in the P.Y. The depreciation burden for the year was higher at Rs. 413 Lacs as against Rs. 382 Lacs in the Previous Year. The tax burden also escalated to Rs. 94 Lacs as against Rs. 42 Lacs in the Previous Year due to withdrawal of export tax incentives.

The profit after tax for the year has been at Rs. 172 Lacs (P.Y. Rs. 231 Lacs). Considering the gravity of



several external adverse factors, the results for the year are quite 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 2004-05.

The proposed dividend, if approved, will entail an outflow of Rs. 46.65 lacs inclusive of dividend distribution tax.

4. PROJECTS.

The Third MAP expansion project and the Colour Formers project undertaken by your company were under implementation during the year. The aggregate project cost is estimated at Rs. 1400 Lacs and the same has been funded through Internal Accruals and Term Loan of Rs. 1050 Lacs from UTI Bank Limited. First phase of the projects are expected to be operational by August, 2005 and the Second phase of the projects are expected to be operational by November, 2005. The total expenditure incurred till date on the projects has been Rs. 927 Lacs. On completion of Third MAP expansion, your company will be one of the largest manufacturers of MAP.

5. OUTLOOK.

The turnover will get further boost in the second half of the current year from the commercialisation of Third MAP expansion and the new Colour Formers project.

The benefits of further improvement in the operating efficiency due to higher operating level and operating synergy together with better product mix are expected to accrue during the current year. Fiscal benefits from EOU Registration of one of the plant and the introduction of VAT will partially compensate the negative burden of declining fiscal and other export incentives. Several infrastructural changes carried out, are expected to curtail several recurring operating costs and improving operating efficiencies.

The future outlook, barring unforeseen circumstances, seems encouraging and your company has now better equipped itself to meet the future challenges and to avail of the future opportunities looming in the visible horizon.

Unaudited estimated sales for the first quarter of 2005-06 was at Rs. 1024 lacs (P.Y. Rs. 937 lacs) and the Profit After Tax was at Rs. 31 lacs (P.Y. Profit Rs. 32 lacs).

6. EXPORTS.

Your Company is having status of a "TWO STAR 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. 3441 Lacs compared to Rs. 3124 Lacs in the previous year, registering a handsome increase of 10.15%.

Exports constituted more than 76% of the overall sales (excluding other income). Company's Exports are well diversified in terms of product range as well as the Countries of Export.

7. EXPORT ORIENTED UNIT (EOU)

Your Company has obtained EOU Registration for one of its plant from the Development Commissioner, SEEPZ Special Economic Zone, which will provide several operating and fiscal benefits.

8. ISO CERTIFICATION

Your Company has been granted certification as per ISO 9001:2000 by the certifying body Registro Italiano Navele India Private Limited (RINA) for the development and manufacture of Chemical Intermediates.



9. EFFLUENT TREATMENT

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

10. 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.

11. INSURANCE

The assets of your company are adequately insured. Your company has also taken out suitable cover for Public Liability.

12. FIXED DEPOSITS

The total deposits accepted by your company as on 31st March, 2005 is Rs. 165.82 Lacs. There is no deposit or interest on the same which has matured and remained unpaid.

13. DIRECTORS

Directors, Shri S.S. Borkar and Shri A.L. Apte retire by rotation and being eligible offer themselves for reappointment.

14. 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.

15. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the annual accounts for the year ended on 31st December, 2004 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.

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 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.

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, UTI Bank Limited 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

Place : Mumbai
Dated : 26th July, 2005

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>2004-2005</u>	<u>2003-2004</u>
1. Electricity		
a) Purchased Unit in kwh	39,34,330	38,36,446
Total amount (Rs.)	1,37,47,397	1,38,84,869
Rate/Unit (Rs.)	3.49	3.62
b) Own generation		
Through Diesel Generator Units in kwh	72,270	78,256
Units/Ltr. of Diesel oil (Kwh)	3.18	2.74
Units/Ltr. of Diesel	22,761	28,593
Total amount (Rs.)	6,40,071	8,08,301
Cost/Units (Rs.)	8.86	10.33
2. Furnace Oil		
Quantity(KL)	2,345	2,169
Total Amount (Rs.)	2,73,15,104	2,28,04,713
Average Rate (Rs./KL.)	11,648.23	10,513.93
3. Light Diesel Oil		
Quantity(KL)	5.950	155.085
Total Amount (Rs.)	1,24,232	30,13,982
Average Rate (Rs./KL.)	20,879.33	19,434.39
4. Water		
Quantity(M ³)	1,71,514	1,57,504
Total Cost (Rs.)	30,76,166	30,25,199
Average Rate (Rs./M ³)	17.93	19.21

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.