



Sadhana Nitro Chem Limited
34th Annual Report 2006-2007

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SADHANA NITRO CHEM LIMITED

**BOARD OF DIRECTORS**

Shri Asit D. Javeri
Shri Arvind R. Doshi
Shri Arvind L. Apte
Shri Ramesh A. Shroff
Shri Priyam S. Jhaveri
Shri Dharendra M. Shah
Shri Abhishek A. Javeri
Shri Nitin R. Jani

Chairman & Managing Director
Director
Director
Director
Director
Director
Additional Director
Director & Company Secretary

BANKERS

STATE BANK OF INDIA, Mumbai & Roha
 UTI BANK LTD., Mumbai
 STATE BANK OF PATIALA, Mumbai
 EXIM BANK OF INDIA, Mumbai

ADVOCATES & SOLICITORS

MULLA & MULLA CRAIGIE BLUNT & CAROE
 Mulla House,
 51, Mahatma Gandhi Road,
 Mumbai - 400 023.

AUDITORS

V. SANKARAIYAR & 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 : 6660 4881 - 5 (5 Lines) Fax : (91)22-6660 4147.
 Email : sadhananitro@sncl.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 : 25963838 Fax : 25946969
 Email : isrl@intimespectrum.com



NOTICE TO THE MEMBERS

NOTICE is hereby given that the **THIRTYFOURTH 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 27th September, 2007 at 3.00 P.M. to transact the following business :-

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, 2007 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2006-07.
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.

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Abhishek A. Javeri, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from some members proposing him for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:

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

By Order of the Board

N.R. Jani
Director & Company Secretary

Date: 25th July, 2007.

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 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. 25963838 E-mail address: isrl@intimespectrum.com, Fax No. 25946979.

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. 66604881-5, E-mail address : sadhananitra@sncl.com .



4. The Register of Members and the Share Transfer Book of the Company will remain closed from **Friday, the 21st September, 2007 to Thursday, the 27th September, 2007** (both days inclusive) for the purpose of payment of dividend.
5. Dividend, if declared, will be paid to those members whose name appear on the company's register of members on Thursday, the 27th September, 2007. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners as at the end of business hours on Thursday, the 20th September, 2007 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in dematerialised form.
6. All documents referred to in the accompanying notice and the explanatory statements 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 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.
10. 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, 1999 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
31.03.2000	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
31.03.2005	15.09.2005	14.09.2012	13.10.2012
31.03.2006	26.09.2006	14.09.2013	13.10.2013

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2001 onwards are requested to lodge their claims with the Company.



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).

Registered Office:

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

Date: 25th July, 2007.

By Order of the Board

N.R. Jani

Director & Company Secretary

ANNEXURE TO THE NOTICE

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

1. Item No.6

Mr. Abhishek A. Javeri has degree in Economics (North Western University – USA). Considering it beneficial for the company the Board appointed him as an additional director of the company with effect from 21st January, 2007. In terms of the provisions of the Section 260 of the Companies Act, 1956 and Article 121 of Articles of Association of the Company he will hold office only upto the date of ensuing Annual General Meeting. However he is eligible for re-appointment. As required by Section 257 of the Act, a notice has been received alongwith the requisite deposit from members signifying their intention to propose his candidature for the office of the director. The board recommends the resolution.

None of the Directors except Shri A.D. Javeri, is concerned or interested in the Resolution.

This Ordinary Resolution is accordingly being proposed for consideration of the Members. The Directors recommend the said Ordinary Resolution for acceptance by the Members.

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Worli, Mumbai 400 018.

Date: 25th July, 2007.

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 34th Annual Report together with Audited Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

	2006-07 Rs.	2005-06 Rs.
Sales & Other Income	<u>67,05,07,282</u>	56,30,35,256
Profit before Depreciation and Taxation	<u>4,25,93,522</u>	4,69,55,427
Less: Depreciation	<u>3,94,77,751</u>	3,39,60,822
Profit before Tax	<u>31,15,771</u>	1,29,94,605
Less: provision for taxation	<u>8,00,000</u>	25,00,000
Profit after tax	<u>23,15,771</u>	1,04,94,605
Balance brought forward from previous year	<u>4,31,99,849</u>	4,06,69,895
	<u>4,55,15,620</u>	5,11,64,500
APPROPRIATION		
(i) Provision for Taxation of earlier year (net)	-	22,50,000
(ii) Transfer to General Reserve	<u>1,25,000</u>	10,50,000
(iii) Proposed dividend on Equity Shares	<u>30,68,177</u>	40,90,902
(iv) Tax on proposed dividend	<u>5,21,437</u>	5,73,749
(v) Balance Carried Forward to Balance Sheet	<u>4,18,01,006</u>	4,31,99,849
	<u>4,55,15,620</u>	5,11,64,500

2. REVIEW OF OPERATIONS

During the year under review your company has achieved turnover of Rs. 6705 lacs as against Rs. 5630 lacs in the Previous Year registering an year on year growth of more than 19 %.

Market conditions during the year under report continued to be highly price competitive. Prices of several raw materials and furnace oil escalated noticeably during the year. Besides there was irregularity in availability and supply of raw materials. Due to power shortage the supply of electricity was highly irregular which necessitated use of costly diesel generated power. These irregularities and interruption hampered continuous production resulted in escalated cost of production.

The burden of increased interest rates has affected the profitability. The benefits of cost control measures, improved operating efficiency and higher operating levels were swayed away by the negative impact of above extraneous factors adversely affecting the overall performance.

The profit before depreciation was at Rs. 426 Lacs (P.Y. Rs. 470 Lacs). After providing for depreciation of Rs. 395 Lacs (P.Y. Rs. 340 Lacs) and Tax provision of Rs. 8 Lacs (P.Y. Rs. 25 Lacs) the profit after tax was at Rs. 23 Lacs (P.Y. Rs. 105 Lacs).

3. DIVIDEND

Your Directors, considering above, recommend a Dividend of Rs. 1.50 (P.Y. Rs. 2.00) per equity share of Rs.10/- each for the year 2006-07.

The proposed dividend, if approved, will entail an outflow of Rs.35.90 lacs inclusive of dividend distribution tax.

4. PROJECTS

The Colour Former (CF) II Project is in its mid stream and has got delayed due to fund constraint arising from last two years margin erosion. The export demand for the CF is good. CF II project will be now implemented.



5. OUTLOOK

The turnover is expected to get further boost in the current year as there will be full year affect of MAP III expansion. The order book position is quite satisfactory; however, prime concern is the appreciating rupee and increasing interest rate

The Company continues to focus on cost control at every level to improve the operating efficiency which alongwith the increased operating level and up ward revision of product prices is expected to improve the overall performance from second half of 2007-08.

Unaudited estimated sales for the first quarter of 2007-08 was at Rs.1642 lacs (P.Y. Rs. 1612 lacs) and the Profit/ (-)Loss After Tax was at Rs. (-)112 lacs (P.Y. Profit Rs. 40 lacs). Escalating Raw material prices, irregular supply of essential raw material together with sudden and sharp appreciation of rupee has squeezed out margin completely, resulting in the loss for the quarter.

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. 5675 Lacs compared to Rs. 4660 Lacs in the previous year, registering a handsome increase of more than 22 %.

Exports constituted more than 87% 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 renewal of 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 renewed 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 on going activity to enable your company to keep pace with technological advancement and improve operating efficiency.

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 2007 is Rs. 100.70 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

13. DIRECTORS

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

Shri Abhishek A. Javeri was appointed as Additional Director on 24th January, 2007. He holds office upto the date of the ensuing Annual General Meeting and is eligible for reappointment. The Company



has received a notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director.

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

During the year Lifestyle Networks Private Limited (LNPL) has become Public Limited. The project of providing Metro wide Wi-Fi Network in the city of Mumbai has been held up for delay in issue of requisite licence by Department of Telecommunication.

Pursuant to the provisions of Section 212 of the Companies Act 1956, the Annual Accounts of Anuchem B.V.B.A., a wholly owned foreign subsidiary and LNPL a partly owned Indian subsidiary of your company, are attached.

In compliance with accounting standard AS-21, your company has attached the consolidated statement of account giving therein the consolidated financial statement relating to the company and its subsidiaries.

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, UTI Bank Limited, State Bank of Patiala 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
Date : 25th July, 2007

Asit 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>2006-07</u>	<u>2005-06</u>
1. Electricity		
a) Purchased Unit in kwh	51,48,502	42,75,465
Total amount (Rs.)	2,26,65,520	1,53,48,919
Rate/Unit (Rs.)	4.40	3.59
b) Own generation		
Through Diesel Generator Units in kwh	2,39,432	1,35,062
Unit per liter of diesel oil (kwh)	3.71	3.08
Liter of Diesel	84,122	43,763
Total amount (Rs.)	31,28,845	14,91,478
Cost/Units (Rs.)	13.07	11.04
2. Furnace Oil		
Quantity(KL)	3,110	2,403
Total Amount (Rs.)	5,22,80,636	3,49,83,213
Average Rate (Rs./KL.)	16,810.49	14,558.14
3. Water		
Quantity(M3)	1,92,282	1,95,057
Total Cost (Rs.)	36,08,979	35,18,830
Average Rate (Rs./M3)	18.77	18.04

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.