



**Sadhana Nitro Chem Limited**  
35th Annual Report 2007-08

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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*  
*Director*  
*Director & Company Secretary*

**BANKERS**

STATE BANK OF INDIA, Mumbai & Roha  
 AXIS 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 : 2596 3838 Fax : 2594 6969  
 Email : isrl@intimespectrum.com

## NOTICE TO THE MEMBERS



NOTICE is hereby given that the **THIRTYFIFTH ANNUAL GENERAL MEETING** of the Company will be held at SASMIRAAUDITORIUM, The Synthetic & Art Silk Mills' Research Association, 3<sup>rd</sup> Floor, SASMIRA Marg, Worli, Mumbai 400030 on Thursday the 25<sup>th</sup> September, 2008 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 31<sup>st</sup> March, 2008 together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year 2007-08.
3. To appoint a Director in place of Shri Arvind L. Apte who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri P.S. Jhaveri who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

### 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: 30<sup>th</sup> July, 2008.

### 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. As per requirement of Clause 49 VI(A) of the Listing Agreement with Stock Exchange, the particulars of Directors retiring by rotation and eligible for re-appointment is given in the Annexure.
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. 2596 3838 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. 6660 4881-5, E-mail address : sadhananitra@sncl.com.
4. The Register of Members and the Share Transfer Book of the Company will remain closed from **Tuesday, the 23<sup>rd</sup> September, 2008 to Thursday, the 25<sup>th</sup> September, 2008** (both days inclusive) for the purpose of payment of dividend.
5. Dividend, if declared, will be paid to those members whose name appears on the company's register of members on Thursday, the 25<sup>th</sup> September, 2008. 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 Monday, the 22<sup>nd</sup> September, 2008 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 31<sup>st</sup> March, 2000 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
31.03.2001	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
31.03.2007	27.09.2007	15.09.2014	14.10.2014

Members who have not encashed their dividend warrant(s) for the financial year ended 31<sup>st</sup> March, 2001, or any subsequent financial year(s), 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.

By Order of the Board

N.R. Jani  
Director & Company Secretary

Date: 30<sup>th</sup> July, 2008.

**ANNEXURE TO THE NOTICE****DIRECTORS INFORMATION PURSUENT TO CLAUSE 49 VI(A) OF THE LISTING AGREEMENT****Profile of Directors being re-appointed at the ensuing Annual General Meeting:**

Name Age	Educational Qualification	Experience
Mr. Arvind L. Apte (73 Yrs.)	B.A.	He has an experience of Textile Industry and Sugar Industry over 45 Years. The Board of Directors had first appointed him as an Additional Director of the Company with effect from 7th August, 1973. He is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment.
Mr. Priyam S. Jhaveri (53 Yrs.)	B.Com, DBM	He is having experience in Chemical Industry of Nanavati Groups of Companies. He has over 33 Years of Experience. The Board of Directors had first appointed him as an Additional Director of the Company with effect from 11th March, 1996. He is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment.

**Name of the Companies in which Directors to be re-appointed by Shareholders holds directorship and the membership of Committees of the board :**

Name of the Director	Name of the Companies he holds Directorship	Name of the Companies in which he is a Member of the Committee of the Board
Mr. Arvind L. Apte	1. Madhav Marbles & Granites Ltd. 2. Shanudeep Pvt. Ltd. 3. Dr. Writers Food Products Pvt. Ltd.	_____
Mr. Priyam S. Jhaveri	1. Phthalo Colours & Chemicals (I) Ltd 2. Indian Extractions Ltd. 3. Excel Industries Ltd. 4. Sadhana Nitro Chem Ltd.	- Audit Committee. - Share Transfer Committee. - Audit Committee. - a. Audit Committee. b. Remuneration Committee. c. Shareholders'/Investors' Grievance Committee

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By Order of the Board

**N.R. Jani**

Director & Company Secretary

Date: 30<sup>th</sup> July, 2008.

## DIRECTORS' REPORT



To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 35<sup>th</sup> Annual Report together with Audited Accounts for the year ended 31st March, 2008.

### 1. FINANCIAL RESULTS

	2007-08 Rs.	2006-07 Rs.
Sales & Other Income	<u>75,89,30,707</u>	<u>67,05,07,282</u>
Profit before Depreciation and Taxation	<u>85,59,159</u>	4,25,93,522
Less: Depreciation	4,10,94,833	3,94,77,751
Profit / (Loss) before Tax	(3,25,35,674)	31,15,771
Less: provision for taxation	11,00,000	8,00,000
Profit / (Loss) after tax	(3,36,35,674)	23,15,771
Balance brought forward from previous year	<u>4,18,01,006</u>	<u>4,31,99,849</u>
	<u>81,65,332</u>	<u>4,55,15,620</u>
APPROPRIATION		
(i) Transfer to General Reserve	-	1,25,000
(ii) Proposed dividend on Equity Shares	20,45,451	30,68,177
(iii) Tax on proposed dividend	3,47,624	5,21,437
(iv) Balance Carried Forward to Balance Sheet	<u>57,72,257</u>	<u>4,18,01,006</u>
	<u>81,65,332</u>	<u>4,55,15,620</u>

### 2. REVIEW OF OPERATIONS

During the year under review your company has achieved turnover of Rs.7589 lacs as against Rs. 6705 lacs in the Previous Year, registering a year on year growth of more than 13 %.

The prices of Crude oil, other basic chemicals like Kcl. Sulphur etc and Cast Iron have seen an unprecedented rise in the international market. These have consequential increase in the prices of their derivatives. Major raw materials like Benzene, Furnace Oil, Sulphuric Acid, Potassium Hydroxide Oleum, Cast Iron Powder etc. used by the company are derivatives of above chemicals. This unprecedented raw material price rise trend during last two years has posed major challenge for managing the variable costs. Growing domestic economy has also created pressure on existing raw material suppliers' capacity leading to shortage and price hike besides affecting smooth and continuous availability of several raw materials.

During the beginning of financial year, sudden and sharp appreciation of Indian Rupee against U.S. Dollar has adversely affected rupee realisation on the committed export orders on hand. This has substantially contributed in squeezing out the margins.

Increasing interest rate, curtailment in the procurement credit period, increased inventory level and reduced margin has resulted in increased burden of finance cost. This has substantially impacted the overall performance.

Due to stringent cost control measures, except finance cost, all other overheads recorded improvement as a percentage to sales.

Due to highly competitive market, the escalation in variable cost could not be recovered fully and in time through price revision. The burden of increased variable cost, adverse impact of exchange rate



fluctuations and increased finance cost out weighed the benefits of cost control measures and severely impacted operating performance of the company. The operations during the year resulted into a loss after tax of Rs. 336 lacs as against the profit after tax of Rs. 23.15 lacs in the previous year.

### 3. DIVIDEND

Your Directors, considering above, recommend a Dividend of Rs. 1.00 (P.Y. Rs. 1.50) per equity share of Rs.10/- each for the year 2007-08.

The proposed dividend, if approved, will entail an outflow of Rs. 23.93 lacs inclusive of dividend distribution tax.

### 4. PROJECTS

The Colour Former (CF) II Project continued to be kept on hold due to liquidity constraint arising from last two years margin erosion.

### 5. OUTLOOK

The turnover is expected to get further boost in the current year on account volume growth as well as due to cost push sale price escalation. The company is facing tough market conditions. The order book position is quite satisfactory. However, the prime concern is increasing raw material prices and increasing interest rate.

All efforts are put in towards mitigating the impact of these adverse factors, by providing for escalation clause for main raw material price increase in the price contracts and price commitments are now made for shorter period only. A focussed strategy has been initiated to optimise the cost structure and improve margin.

The Company is striving to control costs at every level to improve the operating efficiency which alongwith the increased operating level and up ward revision of product prices is expected to mitigate and neutralise the negative impact of the rising costs.

Unaudited estimated turnover for the first quarter of 2008-09 was at Rs. 2020 lacs (P.Y. Rs. 1667 lacs) and the Profit / (Loss) after Tax was at Rs. 43 lacs (P.Y. Rs. (112) lacs).

### 6. RIGHT ISSUE

The proposed right issue of 71,59,079 Equity shares of Rs. 10/- each at par on right basis to existing equity shareholder in the ratio of 7 right equity shares for every 2 existing equity shares by the company was approved by the Extra Ordinary General Meeting held on 22<sup>nd</sup> January, 2008. The draft letter of offer has been filed with the Bombay Stock Exchange (BSE) and Securities and Exchange Board of India (SEBI). BSE has granted its In-principle approval of draft letter of offer and listing. SEBI has sought certain clarification which has been submitted. Subject to SEBI and all other statutory clearances the Letter of Offer, will be despatched some time in the September, 2008. The Promoters have already brought in an amount of Rs. 350 lacs by way of unsecured loan which will be adjusted towards their entitlement and subscription to unsubscribed portion, if any, by the public shareholders.

### 7. 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. 6583 Lacs compared to Rs. 5675 Lacs in the previous year, registering an increase of 16%.

Exports constituted more than 89% 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.





#### 8. 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.

#### 9. 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.

#### 10. EFFLUENT TREATMENT

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

#### 11. 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.

#### 12. INSURANCE

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

#### 13. FIXED DEPOSITS

The total Deposits accepted by your Company as on 31st March 2008 is Rs. 106.47 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

#### 14. DIRECTORS

Directors, Shri Arvind L. Apte and Shri P.S. Jhaveri, retire by rotation and being eligible offer themselves for reappointment.

#### 15. AUDITORS

Messrs V. Sankar Aiyar & Co. Chartered Accountants, Auditors of your Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

#### 16. SUBSIDIARY

Pursuant to the provisions of Section 212 of the Companies Act 1956, the Annual Accounts of Anuchem B.V.B.A. (Belgium), Anuchem Pte. Ltd. (Singapore), wholly owned foreign subsidiaries and Lifestyle Networks Limited 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.

#### 17. 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-I appended hereto and forms part of this Report.

#### 18. EMPLOYEES

The industrial relations during the year were cordial.



The Particulars of the Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure-II appended here to and Forms part of the report.

#### **19. 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.

#### **20. 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, Axis 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 : 30<sup>th</sup> July, 2008

**Asit D. Javeri**  
Chairman & Managing Director