



Sadhana Nitro Chem Limited
37th Annual Report 2009-10

CONTENTS

Page No.

Board of Directors etc.....	01
Notice to the Members.....	02
Directors' Report.....	04
Corporate Governance Report.....	10
Management Discussion and Analysis.....	22
Auditors' Report.....	24
Balance Sheet.....	28
Profit & Loss Account.....	29
Cash Flow Statement.....	30
Schedules to Balance Sheet.....	31
Schedules to Profit & Loss Account.....	36
Notes on Balance Sheet and Profit & Loss Account.....	38
Balance Sheet Abstract.....	47
Statement Pursuant to Section 212 related to subsidiary company.....	48
Annual Report of the Subsidiary Companies - 1) ANUCHEM B. V. B. A.....	49
2) ANUCHEM PTE. LTD.....	53
3) LIFESTYLE NETWORKS LTD.....	59
Auditor's Report on the Consolidated Financial Statement.....	71
Consolidated Balance Sheet, Profit and Loss Account & Cash Flow.....	72
Five Year Highlights.....	80
Proxy & Entrance Pass.....	81

**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. SANKAR AIYAR & CO.
Chartered Accountants
2-C, Court Chambers, 35, New Marine Lines,
Mumbai - 400 020.

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 Website : www.sncl.com

FACTORY

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

**REGISTRAR AND
TRANSFER AGENT (RTA)**

LINK INTIME INDIA PRIVATE LIMITED
{Formerly known as Intime Spectrum Registry Limited}
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West), Mumbai - 400 078.
Phones : 022-25946970 Fax : 022-2594 6969.
Email : rnt.helpdesk@linkintime.co.in

NOTICE TO THE MEMBERS



NOTICE is hereby given that the **THIRTYSEVENTH 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 Monday the 20th September, 2010 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, 2010 together with the Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Shri D.M. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A.A. Javeri who retires by rotation and being eligible offers himself for re-appointment.
4. 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 : 29th July, 2010.

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. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai - 400 078 as Registrars and Share Transfer Agents (RTA) for Physical Shares. The said RTA is also the Depository interface of the Company with both NSDL & CDSL. Their Telephone No. 022-25946970 E-mail address : mt.helpdesk@linkintime.co.in, Fax No. 022-25946969.
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.
3. The Register of Members and the Share Transfer Book of the Company will remain closed from Tuesday, the 14th September, 2010 to Monday, the 20th September, 2010 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
5. Members are requested to notify immediately change of address, if any, to their Depository Participants (DPs) in respect of their electronic share accounts and Link Intime India Private Limited (RTA), or to the Company at its Registered Office in respect of their physical shares.
6. 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.



7. Members who hold shares in Dematerialised form are requested to bring their client ID and DP ID numbers for easy identification for attendance at the meeting.
8. Members desiring any information are requested to write to the Company 10 days in advance.

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By Order of the Board

N.R. Jani

Director & Company Secretary

Date : 29th July, 2010.

ANNEXURE TO THE NOTICE

DIRECTOR'S 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. Dharendra M. Shah (63 Yrs)	Advocate & Tax Consultant	He joined the company as a Director from 29 th July, 2002. He is B.Com and LL.B having experience of 42 years as Advocate & Tax Consultant.
Mr. Abhishek A. Javeri (26 Yrs.)	B.A. in Economics from North Western University, USA.	He joined the company as a Director from 24 th January, 2007. He is B.A. in Economics from North Western University, USA, having experience of 3 years.

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 in which he holds Directorship	Name of the Companies in which he is a Member of the Committee of the Board
Mr. Dharendra M. Shah	1. Sadhana Nitro Chem Limited 2. Mangaldas Damodardas Invt. Pvt. Ltd. 3. Mad Entertainment Limited 4. Faberge Financial Service Pvt. Ltd.	1. Audit Committee 2. Remuneration Committee — — —
Mr. Abhishek A. Javeri	1. Lifestyle Networks Limited 2. Chandra Net Private Limited 3. Manekchand Panachand Trading Investment Company Pvt. Ltd.	— — —

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By Order of the Board

N.R. Jani

Director & Company Secretary

Date : 29th July, 2010.

DIRECTORS' REPORT



To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 37th Annual Report together with Audited Accounts for the year ended 31st March, 2010.

1. FINANCIAL RESULTS

	2009-10 Rs.	2008-09 Rs.
Turnover and Other Income	<u>36,31,99,750</u>	<u>78,86,91,690</u>
(Loss)/Profit before Effect of Foreign Exchange Contracts, Exceptional Items, Finance cost, Depreciation and Taxation	(1,67,217)	11,11,27,250
Finance Cost	(5,50,88,048)	(5,60,73,917)
Depreciation	(3,44,23,222)	(3,74,20,074)
(Loss)/Profit before Effect of Foreign Exchange Contracts, Exceptional Items, and taxation	(8,96,78,487)	1,76,33,259
Forex (Loss)/Gain	-	(11,87,46,163)
Exceptional Items	-	(56,92,481)
Loss before Tax	(8,96,78,487)	(10,68,05,385)
Provision for taxation		(4,05,000)
Deferred tax (Debit)/Credit	(20,15,772)	1,66,28,434
Loss after tax	(9,16,94,259)	(9,05,81,951)
Balance brought forward from previous year	<u>(6,99,74,728)</u>	<u>2,06,07,223</u>
	<u>(16,16,68,987)</u>	<u>(6,99,74,728)</u>

2. REVIEW OF OPERATIONS

Your company's major markets like Europe, Japan and USA continued to remain under severe recessionary trend for the products of your company during the year under report. Unhealthy competition from certain countries further aggravated the market conditions. Market condition during the year under report continued to be subdued and highly price competitive. Turnover of your company for the year sharply declined to Rs. 3,632 Lacs as against Rs. 7,887 Lacs in the P.Y. registering a decline of over 53%.

The costs were under close monitoring and stringent control. The company has taken several initiatives like process improvement, lower consumption norms, use of cheaper alternate raw material and fuel. All efforts were made to reduce and control the overheads. Finance cost continued to remain high in view of the liquidity tightness.

Gradual product price increase, improved operating efficiency and stringent control of overheads have, to an extent mitigated the adverse impact of decline in turnover due to above extraneous factors. Your company's operations during the year resulted into a loss after tax of Rs. 916.99 lacs (P.Y. Rs. 905.81 lacs).

3. DIVIDEND

Your Directors, considering above, do not recommend any dividend (P.Y. Nil) for the year 2009-10.

4. PROJECTS

During the year your Company has converted one of its furnace oil based boiler to Bagasse based boiler. Conversion to Bagasse is mainly due to three reasons (1) insulate against high volatility of oil prices, which incidentally are on the rise and have touched USD 80 to a barrel, (2) to be more eco-friendly and green emission and (3) reduced cost of production. The company has also carried out several process changes to improve the operating efficiency. In view of the lower turnover, expected benefit of such measures could not be reaped to the fullest extent.

5. OUTLOOK

Your company having about 80% of the revenue from export, follows the global economics trend. The first quarter of the current year witnessed improved order book position. Due to interruption in the smooth availability of raw material and the liquidity tightness continuous production was hampered resulting in escalated production cost. As a result entire order book could not be catered to as scheduled during the first quarter.

The rate of flow of orders is encouraging. Production facilities are realigned to meet the demand. Your company barring unforeseen circumstances expects good improvement in turnover. The company continued to focus on cost control at every level to improve the operation efficiency which alongwith the increased operating level and upward revision of product prices is expected to improve the margin.

Unaudited estimated sales for the first quarter of 2010-11 was at Rs. 1,170 lacs (P.Y. Rs. 993 lacs) and the loss after tax was at Rs. 134 lacs (P.Y. Rs. 159 lacs).

6. DEBT RESCHEDULING

Foreseeing the squeeze on liquidity and profitability, company approached its banker to reschedule its facilities. In view of genuineness of the case, bankers of your company rescheduled the repayment of sanctioned Loans as well as extended additional facility to meet cash flow requirements of the company.

Your company has repaid fully the term loan of Rs. 1050 Lacs availed from Axis Bank Ltd and Rs. 562 Lacs availed from Exim Bank Ltd.

7. EXPORTS

Your Company is having status of a “TWO STAR EXPORT HOUSE” granted by Ministry of Commerce, Government of India.

Due to recessionary trend and unfair severe price competition from China, the exports of your company during the year were Rs. 2798 Lacs compared to Rs. 6786 Lacs in the previous year, registering a decrease of 58.76%.

Exports constituted more than 80% 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. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis, the Corporate Governance Report, together with the Auditors Certificate on compliance with the conditions of Corporate Governance as laid down, form part of this Annual Report.

9. EXPORT ORIENTED UNIT (EOU)

Your Company has one of its plant registered as an EOU with the Development Commissioner, SEEPZ Special Economic Zone. The Registration of the unit which had expired has been renewed for further five years upto 09.03.2015 and further the company has also been issued Green Card valid upto 31.03.2015. The Board took note of the same.



10. ISO CERTIFICATION

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

11. EFFLUENT TREATMENT

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

12. 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.

13. INSURANCE

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

14. FIXED DEPOSITS

The total Deposits accepted by your Company as on 31st March, 2010 is Rs. 287.49 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

15. DIRECTORS

The approval of Central Government for the appointment and payment of Remuneration to Shri A.D. Javeri as Chairman & Managing Director and Shri N.R. Jani as Director & Company Secretary for the period of three years from 1.9.2009 to 31.8.2012 has been received on the terms and conditions mentioned in their respective approval letters.

Directors, Shri D.M. Shah and Shri Abhishek A. Javeri, retire by rotation and being eligible offer themselves for reappointment.

16. AUDITORS

Messrs V. Sankar Aiyar & Co. Chartered Accountants, (Firm Regn. No. 109208W) Auditors of your Company, retires at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

17. SUBSIDIARY

In case of one of the subsidiaries Lifestyle Networks Limited (LNL), the accumulated loss has exceeded its paid up capital. LNL in Joint Venture with Chandra Net Pvt. Ltd. has been able to successfully role out fixed wireless network of 90 sq. km. in Ahmedabad under the brand name of 'SPIDIGO'. The network started functioning from September 2009 and has more than 170000 customers.

During the year LNL has repaid the company Rs. 3.72 Crores of loans advanced to it.

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.

18. 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.



19. 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.

20. 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 have 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.

21. 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 working of your Company during the year under report.

For and On Behalf of the Board of Directors

Place : Mumbai
Date : 29th July, 2010

Asit D. Javeri
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT



ANNEXURE - I

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>2009-10</u>	<u>2008-09</u>
1. Electricity		
a) Purchased Unit in kwh	27,37,025	40,62,438
Total amount (Rs.)	1,28,31,595	1,96,10,308
Rate/Unit (Rs.)	4.69	4.83
b) Own generation		
Through Diesel Generator Units in kwh	31,024	47,920
Unit per liter of diesel oil (kwh)	2.50	2.45
Liter of Diesel	12,498	19,596
Total amount (Rs.)	4,39,287	7,11,603
Cost/Units (Rs.)	14.16	14.85
2. Furnace Oil		
Quantity(KL)	905	2,923
Total Amount (Rs.)	1,86,13,628	7,14,96,792
Average Rate (Rs./KL.)	20,568	24,460
3. Briquettes		
Quantity(MT)	95,427	-
Total Cost (Rs.)	87,70,704	-
Average Rate (Rs./MT)	4,772	-
4. Water		
Quantity(M3)	95,427	1,43,944
Total Cost (Rs.)	23,08,770	34,30,948
Average Rate (Rs./M3)	24.19	23.84

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.
- Benefits derived as a result of the above R&D.
R&D efforts have resulted in development of process for several chemical intermediates, the commercial production of which are commenced, besides improving quality and operating efficiency of existing products.
- Future Plan of Action.
To continue R&D in the relevant areas to achieve its benefits.