



Sadhana Nitro Chem Limited
38th Annual Report 2010-11

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**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

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 - 400 020.

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 : 022-25963838 Fax : 022-2594 6969.
Email : rnt.helpdesk@linkintime.co.in

NOTICE TO THE MEMBERS



NOTICE is hereby given that the **THIRTYEIGHTH ANNUAL GENERAL MEETING** of the Company will be held at, SASMIRAAUDITORIUM, The Synthetic & Art Silk Mills' Research Association, 3rd Floor, SASMIRA Marg, Worli, Mumbai - 400030 on Tuesday the 30th August, 2011 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, 2011 together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri A.L. Apte who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri P.S. Jhaveri who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT in supression of the Resolution passed at the Annual General Meeting of the Company held on 11th September, 2003, the consent of the Company be and is hereby accorded pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company, to borrow from time to time any sum or sums of monies for the business of the Company, on such terms and conditions as the Board may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves, that is to say, Reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed including the amounts already borrowed and outstanding on the date of this resolution shall not exceed ₹ 75 (Seventy Five) Crores, over and above the aggregate of the Paid-up Capital and Free Reserve of the Company.”

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

“RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage, create security or otherwise dispose off the assets of the Company in such form and manner and with such ranking create security or otherwise dispose off the assets of the Company in such form and manner and with such ranking and at such time and on such terms as the Board may determine, upon all or any of the present or future movable and/or immovable properties of the Company, including the whole or substantially the whole of the undertaking(s) of the Company, together with the power to take over the management and business and concern of the Company in certain events of default in favour of the Trustee / Trustees / Lenders for securing and security / securities / financial instrument(s) that may be issued by the Company not exceeding ₹ 75 (Seventy Five) Crores together with interest, premium, cost, charge, expenses and all other monies payable in connection therewith in terms of Trust deed / other documents to be finalised and executed between the Company and Trustee / Trustees / Lenders and containing such specific terms and conditions and covenants in respect of enforcement of security / securities / financial instruments as may be stipulated in that behalf and agreed to between the Board of Directors or committee thereof and the Trustee / Trustees / Lenders.”



“RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable.”

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 : 17th June, 2011

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 for Physical Shares. The said (RTA) is also the Depository interface of the Company with both NSDL & CDSL. Their Telephone No. 022-25963838 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 Wednesday, the 24th August, 2011 to Tuesday, the 30th August, 2011 (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, 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 of 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 : 17th June, 2011

ANNEXURE TO THE NOTICE



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

1. Item No. 5

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956 the consent of the Shareholders is required for borrowing monies in excess of the Paid-up Capital and Free Reserves of the Company.

At the 30th Annual General Meeting of the company held on 11th September, 2003, the Members had pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 authorised Board of Directors of the Company to borrow from time to time a sum or sums of monies up to ₹ 50 Crores in excess of the Paid-up Capital and Free Reserves of the Company.

In view of the present and future requirement of additional funds to meet the capital expenditure and additional working capital requirements due to increased level of operation, it is expected that the limit of ₹ 50 Crores sanctioned by the Members is likely to exceed, it is therefore proposed to further increase the borrowing powers of the Board of Directors from present limit of ₹ 50 Crores to ₹ 75 Crores in excess of the aggregate of the Paid-up Capital and Free Reserves of the Company.

Your Directors commend this Resolution for your approval.

None of the Directors are concerned or interested in the Resolution.

2. Item No. 6

In view of the present and future requirement of the funds the Company may have to borrow monies from time to time from one or more bodies corporate or bankers or financial institutions or other by creation of mortgage, charges, or hypothecation on or of the assets of the Company or provide take over of the management of the Company in certain events.

Section 293(1)(a) of the Companies Act, 1956 provide that the Board of Directors of the Public Limited Company shall not without the consent of the Company in General Meeting sell, lease or otherwise dispose off whole or substantially whole of the undertaking of the Company.

Since mortgage and/or charging of immovable and movable properties as aforesaid may be regarded as disposal of the Company's properties, it is therefore necessary to pass the aforesaid Resolution.

Your Directors commend this Resolution for your approval.

None of the Directors are concerned or interested in the Resolution.

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. A.L. Apte (76 Yrs)	Arts Graduate	He has an experience of Textile Industry and Sugar Industry over a period of 45 years. He joined the company as a Director from 7 th August, 1973.
Mr. P.S. Jhaveri (56 Yrs)	Commerce Graduate	He is a Commerce graduate and having experience in chemical industries of Nanavati Groups of companies. He joined the company as a Director from 11 th March, 1996.



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. A.L. Apte	1. Sadhana Nitro Chem Limited 2. Shanudeep Pvt. Ltd. 3. Dr. Writers Food Products Pvt. Ltd.	- - -
Mr. P.S. Jhaveri	1. Sadhana Nitro Chem Limited 2. Indian Extractions Limited 3. Excel Industries Limited 4. Phthalo Colours & Chemicals (I) Ltd. 5. Lifestyle Networks Limited 6. Sonera Investments Pvt. Ltd. 7. Sonega Trades & Investments Pvt. Ltd. 8. Nanavati Sons Private Limited 9. Nanavati Speciality Chemicals Pvt. Ltd. 10. Nanavati Electronics Private Limited 11. Nanavati Organics Private Ltd. 12. Nanavati Chemex Private Ltd. 13. R.L. Dalal & Co. Pvt. Ltd. 14. Medchem Technologies Pvt. Ltd.	Sadhana Nitro Chem Limited Remuneration Committee Audit Committee Shareholders' Grievance Committee Indian Extraction Limited Share Transfer Committee Excel Industries Limited Remuneration Committee Audit Committee Phthalo Colours & Chemicals (I) Limited Audit Committee

Your Directors recommend these Resolutions for your approval.

None of the Directors are concerned or interested in the Resolution.

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By Order of the Board

N.R. Jani
Director & Company Secretary

Date : 17th June, 2011

DIRECTORS' REPORT



To the Members of SADHANA NITRO CHEM LIMITED

Your Directors have pleasure in presenting to you the 38th Annual Report together with Audited Accounts for the year ended 31st March, 2011.

1. FINANCIAL RESULTS

	2010-11 ₹	2009-10 ₹
Sales & Other Income	56,17,05,560	36,31,99,750
Profit/(Loss)before Finance Cost	3,81,99,026	(1,67,217)
Finance Cost	(5,39,86,648)	(5,50,88,048)
Depreciation	(3,35,91,323)	(3,44,23,222)
Loss before Taxation	(4,93,78,945)	(8,96,78,487)
Deferred tax (Debit)/Credit	(8,78,361)	(20,15,772)
Loss after tax	(5,02,57,306)	(9,16,99,259)
Balance brought forward from previous year	(16,16,68,987)	(6,99,74,728)
Short provisions of tax for earlier year	(25,00,000)	-
Balance Transferred to Balance sheet	(21,44,26,293)	(16,16,68,987)

2. REVIEW OF OPERATIONS

The turnover of your company during the year under report registered a satisfactory growth of more than 54% over the previous year. Your company achieved the turnover of ₹ 5617 lacs (P.Y. ₹ 3632 lacs). Your company could over come the negative fall out of the global slowdown.

Despite stiff price competition from China, the top line growth has been achieved due to focussed marketing efforts and qualitative edge of the company. The margin on the products continued to remain under pressure. The earning before finance cost for the year has been at ₹ 382 lacs (P.Y. Loss ₹ 1.67 lacs).

The earnest efforts in controlling cost and improving efficiency at all levels have borne fruit resulting in reduction in the loss after tax for the year to ₹ 527.57 lacs (P.Y. Loss ₹ 916.99 lacs). The cash loss also reduced to ₹ 166.66 lacs (P.Y. Loss ₹ 572.76 lacs). The reduction in the loss after tax and cash loss compared to last year has been more than 45% and 70% respectively.

The performance could have been better but for the impact of uncontrollable factors like span of erratic supply of important raw materials during the year, unfavourable change in certain input prices, appreciation of INR against USD and escalating fuel cost. Beside there has been escalating finance cost due to rising interest rates.

The costs continued to remain under stringent monitoring and control. The company's efforts are directed towards improving processes, productivity and other operational parameters. All efforts are being made to reduce and control the overheads. Finance cost continued to remain high in view of increasing interest rate and liquidity crunch.

3. DIVIDEND

Your Directors, considering above, do not recommend any dividend (P.Y. Nil) for the year 2010-11.

4. OUTLOOK

The company has been making several chemicals in different dedicated plants. Due to unhealthy price competition from China and the changing scenario in the world chemical market, the company is



evaluating to add new products for better utilisation of the idle capacity without entailing new CAPEX. This will improve the top line as well as it will contribute towards the improvement in the overall performance due to economies of scale.

The company has good orders on hand. As more than 80% of the revenue is from export, the performance of your company mainly follows the Global economy trend. Major economies which are now on recovery and revival mode are expected to stabilise in 2011-12. With the stabilization, the companies are now revising their inventory norms from bare minimum to optimum levels which should provide good growth opportunities. Indian market is growing. Your company will focus on increasing the local market share.

Your company, barring unforeseen circumstances, expects improvement in turnover. The company will continue 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.

5. FINANCE

During the year company has repaid Term loan installments of ₹ 338 lacs to the banks. State Bank of Patiala has already converted partially its INR Term loan into FCTL in USD at the Libor related interest rate. During the year Axis Bank has converted its INR Term loan into FCTL in USD at the Libor related interest rate. The company has requested State Bank of India and State Bank of Patiala to convert its balance INR Term loan into FCTL in USD at the Libor related interest rate. This will reduce the interest burden and insulate partially against from rising Indian interest rate.

6. EXPORTS

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

Despite recessionary trend and unfair severe price competition from China, the Exports of your company during the year rose to ₹ 4462 lacs compared to ₹ 2798 lacs in the previous year, registering a increase of more than 59%.

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.

7. 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.

8. EXPORT ORIENTED UNIT (EOU)

Your company has one of its plants 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.

9. 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.

Your company has started the process to get itself accreditation for ISO 14000 & ISO 18000.

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, 2011 is ₹ 598.31 Lacs. There is no Deposit or Interest on the same which has matured and remained unpaid.

14. DIRECTORS

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

15. COST AUDIT

As per the requirement of the Central Govt. and pursuant to Section 233B of the Companies Act, 1956, the Company carries out an audit of cost accounts relating to its product every year. Subject to the approval of Central Government, the Company has appointed M/s. P.D. Dani & Co, Cost Accountants, Mumbai, to audit the cost accounts relating to its products for the financial year 2011-12. The Cost Audit Report for the year ending 31st March, 2010 has been filed on 21.10.2010.

16. 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.

17. SUBSIDIARY

In case of one of the subsidiaries M/s. Lifestyle Networks Limited the accumulated loss has exceeded its paid up capital.

During the year M/s. Lifestyle Networks Limited has fully repaid alongwith interest to the company ₹ 2.26 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.

There is no Employee drawing Remuneration in excess of the limits prescribed by the Companies (Particulars of Employees) Rules, 1975.