



Sadhana Nitro Chem Limited
40th Annual Report 2012-13

BOOK-POST



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Sadhana Nitro Chem Limited
207, Kakad Chambers, 2nd Floor,
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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 Pradeep N. Desai
Shri Nitin R. Jani

Chairman & Managing Director
Director
Director
Director
Director
Director
Director
Director (w.e.f. 12.02.2013)
Director & Company Secretary

BANKERS

STATE BANK OF INDIA, Mumbai & Roha
AXIS BANK LTD., Mumbai
STATE BANK OF PATIALA, Mumbai

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 : sadhananitra@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 **FORTIETH 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 Thursday, the 31st October, 2013 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 and cash flow for the Financial period ended 30th June, 2013 (for 15 months) together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri D.M. Shah who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Abhishek A. Javeri 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 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, Mr. Pradeep N. Desai, who was appointed by the Board of Directors as an Additional Director of the Company in the meeting of the Board of Directors held on 12.02.2013 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
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Worli, Mumbai 400 018.

Date: 28th August, 2013.

By Order of the Board

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. Link Intime India Private Limited (RTA), 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 : sadhananitro@sncl.com.



3. The Register of Members and the Share Transfer Book of the Company will remain closed from Friday, the 25th October, 2013 to Wednesday, the 31st October, 2013 (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 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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Date: 28th August, 2013.

By Order of the Board

N.R. Jani
Director & Company Secretary

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. D. M. Shah (67 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 45 years as Advocate & Tax Consultant.
Mr. A. A. Javeri (30 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 6 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 he holds Directorship	Name of the Companies in which he is a Member of the Committee of the Board
Mr. Dharendra M. Shah	1. Mad Entertainment Limited 2. Faberge Financial Service Pvt. Ltd.	Sadhana Nitro Chem Limited - Audit Committee Remuneration Committee
Mr. Abhishek A. Javeri	1. Manekchand Panachand Trading Investment Co. Pvt. Ltd 2. Lifestyle Networks Limited 3. Chandra Net Private Limited 4. AHANA Inc.,USA 5. Strix Wireless Systems Pvt. Ltd 6. Strix System Inc., USA 7. Smaaash Entertainment Pvt. Ltd	- - - - - - -

Your Directors commend these Resolutions for your approval.

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

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

1. Item No.5

Mr. Pradeep N. Desai, is a B.Sc. (Tech). Considering his qualification as beneficial for the company the Board appointed him as an additional director of the company with effect from 12th February, 2013. 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 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.

Your Directors commend these Resolutions for your approval.

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Date: 28th August, 2013.

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 40th Annual Report together with Audited Accounts for the period ended 30th June, 2013 (for 15 Months).

1. FINANCIAL RESULTS

	2012-13 15 Months ₹	2011-12 12 Months ₹
Sales & Other Income	<u>69,26,00,748</u>	<u>67,06,89,309</u>
Profit before Finance Cost, Depreciation, Exceptional item and Tax	6,19,52,613	8,61,09,212
Finance Cost	(10,17,52,717)	(6,63,93,630)
Depreciation	(3,67,39,899)	(3,15,62,932)
Loss before exceptional item and taxation	(7,65,40,003)	(1,18,47,350)
Profit on sale of assets and investments	8,10,56,718	-
Deferred tax asset written off	(2,24,23,071)	(18,89,599)
Excess provision for tax written back	-	2,45,80,724
Profit/(Loss) after tax	<u>(1,79,06,356)</u>	<u>1,08,43,775</u>

2. REVIEW OF OPERATIONS

Your company, in view of good order position, could have achieved higher turnover but for paucity of working capital which hampered the regular and continuous procurement of raw materials and input services to ensure uninterrupted requisite level of operation. Your company has attained turnover of ₹ 6,925 lacs (P.Y. ₹ 6,706 lacs).

All direct and indirect cost except finance cost are under stringent monitoring and control. All efforts are made to enhance efficiency by improving yield. The adverse effect of slowdown in major economies and stiff price competition were mitigated by adopting aggressive marketing strategy and stringent quality standard which are the back bone of the company. As a result the margins on products have shown improvement despite lower level of operation.

The operating margin are burdened with heavy finance cost consequent to costly short term borrowings to fund the past losses caused by extra ordinary circumstances and huge installment repayment obligations to the banks coupled with this was huge provisioning of mark to market foreign exchange liabilities.

Beneficial effects of steps taken to improve yield, depreciating rupee against US dollar, better sales pricing and product mix were washed out by the effect of above adverse factors.

During the period company has raised share capital by ₹ 175 lacs by allotment of 1750000 9% Non-convertible cumulative redeemable preference shares of ₹ 10/- each on preferential basis to promoters and/or holding company. To hive off non-core assets your company has (a) sold its investment in Lifestyle Networks Limited at ₹ 76.50 lacs (b) sold its land at Roha alongwith Colony at aggregate consideration of ₹ 785 lacs.

3. DIVIDEND

Your Directors, considering above, do not recommend any dividend (P.Y. Nil) for the financial period 2012-13.



4. OUTLOOK

Your company has healthy order book position. Despite continued slowdown in the Global economies the demand for the products of your company is showing sign of improvement with improved product pricing coupled with favourable exchange rate. Gradual product price increase, improved operating efficiency and stringent control on overheads are expected to improve the overall performance.

The company continued to focus on cost control at every level to improve the operational efficiency which alongwith the increased operating level and upward revision of product prices is expected to improve the margin. The rate of flow of orders is encouraging. Production facilities are realigned to meet the demand. Your company barring unforeseen circumstances expects to further improve the turn-over and performance.

5. FINANCE

During the period company has raised share capital by ₹ 175 lacs by allotment of 1750000 9% Non-convertible cumulative redeemable preference shares of ₹ 10/- each on preferential basis to promoters and/or holding company. To hive off non-core assets of the company your company has (a) sold its investment in Lifestyle Networks Limited at ₹ 76.50 lacs (b) sold its land at Roha alongwith Colony at aggregate consideration of ₹ 785 lacs.

The term loan availed by the company from all the 3 bankers were fully repaid. From the working capital limits ₹ 1,275 lacs were carved out and converted into working capital term loans of which company has repaid ₹ 595 lacs to the banks causing strain on working capital for operations. The company had to resort to short term borrowings, which are unsecure but costlier, for its finance requirement. Your company has repaid during the year term loan installments of more than ₹ 710 lacs to the Banks consequently the Banks' Working Capital Term Loan liability have substantially reduced.

This caused severe strain and constraint on working capital which adversely affected operating level and impacted the overall operating profitability.

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 period were ₹ 5,164 lacs (₹ 5,318 lacs P.Y.)

Exports constituted about 75% 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 which is valid upto 31st March, 2015.

9. ISO CERTIFICATON

Your Company has certification as per ISO 14001:2004 & OHSAS 18001:2007 granted by the certifying body KBS Certification Services Pvt. Ltd. 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 ongoing 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 30th June, 2013 is Rs. Nil. There is no Deposit or Interest on the same which has matured and remained unpaid.

14. DIRECTORS

The approval of Central Government for the appointment and payment of Remuneration to Shri A.D. Javeri as Chairman & Managing Director for the period of three years from 01.09.2012 to 31.08.2015 has been received on the terms and conditions mentioned in the said approval letter.

The approval of Central Government for the appointment and payment of Remuneration to Shri N.R. Jani, Director & Company Secretary, for the period of three years from 01.09.2012 to 31.08.2015 is awaited.

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

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. Vinay Mulay & Co, Cost Accountants, Mumbai, to audit the cost accounts relating to its products for the financial year 2012-13. The Cost Audit Report for the year ending 31st March, 2012 has been filed on 11.05.2012.

Cost Audit for the financial period ending 30th June, 2013 is in progress and the same will be filed soon.

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 re-appointment.

17. 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 of your company, is attached.

Lifestyle Networks Limited ceased to be subsidiary of the company during the year.

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.