

LETTER OF OFFER*(Private & Confidential)***SADHANA NITRO CHEM LIMITED**

(Incorporated as "SADHANA NITRO CHEM LIMITED" on 21st July 1973 under Companies Act, 1956)

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ISSUE OF 71,59,079 EQUITY SHARES OF RS. 10/- EACH AT PAR (ISSUE PRICE OF RS. 10/-) AGGREGATING RS.715.90 LACS ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 7 (SEVEN) EQUITY SHARE FOR EVERY 2 (TWO) EQUITY SHARES (I.E. 7:2) HELD ON RECORD DATE I.E. MONDAY SEPTEMBER 22, 2008.

THE ISSUE PRICE IS SAME AS THE FACE VALUE

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document.

The attention of investors is drawn to the statement of Risk Factors beginning on page no. v of this Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity shares of the company are listed on Bombay Stock Exchange Limited (BSE), (the Designated Stock Exchange). The Company has received in-principle approval from BSE vide its letter no. DCS/PREF/JA/IP-RT/795/08-09 dated July 7, 2008 for listing of the equity share being issued in terms of this Letter of Offer.

LEAD MANAGER TO THE ISSUE**KEYNOTE**

CORPORATE SERVICES LTD

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building,

5, J. N. Heredia Marg,

Ballard Estate, Mumbai - 400001

Tel : +91-022-30266000-3; **Fax:** + 91-022-22694323

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SEBI Regn. No.: INM 000003606

AMBI Regn No: AMBI/040

REGISTRAR TO THE ISSUE**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup (West),

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Tel : +91-22- 2596 0320 (9 Lines)

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ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSSES ON
Monday September 29, 2008	Monday October 06, 2008	Monday October 13, 2008

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DEFINITIONS/ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

Term	Description
Act	The Companies Act, 1956 and subsequent amendments thereto
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
FY/ Financial year or Fiscal Year	The twelve months ended March 31 st of a particular year
Security Certificate	Equity Share Certificate
Security(ies)	Equity Share(s)
SE/ Stock Exchange(s)	BSE

ISSUE RELATED TERMS

Term	Description
Articles	Articles of Association of Sadhana Nitro Chem Ltd.
Board	Board of Directors, of Sadhana Nitro Chem Ltd.
BSE/ Designated Stock Exchange	Bombay Stock Exchange Limited
CAF	Composite Application Form
Directors	Directors on the Board of Sadhana Nitro Chem Ltd.
Equity Shareholders	Equity Shareholders of the Company whose name appear as: <ul style="list-style-type: none"> ✓ Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in electronic form and ✓ On the Register of Members of the Company in respect of the Equity Shares held in Physical form
Equity Shares	Equity Shares of the Company of Rs.10/- each
Lead Manager/ LM	Lead Manager to the Issue i.e. Keynote Corporate Services Ltd.
Issue/ Rights Issue	The issue of 71,59,079 Equity Shares of Rs.10/- each for cash at par (Issue Price Rs.10/-) per Equity Share on rights basis to existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Share for every 2 (Two) Equity Shares held on Record Date i.e, Monday September 22, 2008 (Record Date) aggregating Rs.715.90 lacs as per this Letter of Offer.
Issue Price	The price at which the equity shares will be issued by the Company under this Letter of Offer i.e Ra.10/- per share.
Issuer/ Company/ SNCL	Sadhana Nitro Chem Ltd.
Letter of Offer/ LOO/ Offer Document	This Letter of Offer dated September 17, 2008 circulated to the Equity Shareholders and filed with the Stock Exchanges containing <i>inter alia</i> the Issue price and the number of equity shares to be issued and other incidental information.

ABBREVIATIONS

Abbreviations	Full Form
AGM	Annual General Meeting
CDSL	Central Depository Services (India) Limited
CLB	Company Law Board
DCA	Department of Company Affairs
DP	Depository Participant
EGM	Extraordinary General Meeting



Abbreviations	Full Form
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FI	Financial Institution
FII (s)	Foreign Institutional Investors registered with SEBI under applicable laws.
GIR Number	General Index Registry Number
GOI	Government of India
NA	Not Applicable
NAV	Net Asset Value
NPA	Non Performing Assets
NR	Non Resident
NRE Account	Non Resident External Account
NRI(s)	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
MOU	Memorandum of Understanding
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit Before Depreciation and Tax
PBIDT	Profit Before Interest Depreciation and Tax
PBT	Profit Before Tax
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
ROC	Registrar of Companies
ROI	Return on Investment
RBI	The Reserve Bank of India
SCRR	Securities Contracts (Regulations) Rules, 1957 as amended from time to time.
SEBI	Securities and Exchange Board of India

COMPANY/INDUSTRY RELATED TERMS

Term	Description
BIS	Beureau of Indian Standards
BTCA	Butane Tera Carbolic Acid
B.V.B.A.	Besloten Vennootschap met Beperkte Aansprakelijkheid
CHEMEXIL	Basic Chemicals, pharmaceuticals and cosmetics promotion council
EOU	Export Oriented Unit
CAS No.	Chemical Abstracts Serial Number
M.W.	Molecular Weight
MPCB	Maharashtra Pollution Control Board
USD	U S Dollar
NOF	Net Owned Funds
FIPB	Foreign Investment Promotion Board
MICR	Magnetic Ink Character Reader
RTGS	Real Time Gross Settlement
SICA	Sick Industrial Companies Act



CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million" and the word "One hundred crore" means "Billion". In this Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Letter of Offer, all figures have been expressed in Lacs unless otherwise stated. All references to "India" contained in this Letter of Offer are to the Republic of India.

For additional definitions used in this Letter of Offer, see the section "Definitions and Abbreviations" on page i of this Letter of Offer. Industry data used throughout this Letter of Offer has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.

CURRENCY OF PRESENTATION

In this Letter of Offer, all references to "Rupees" and "Rs." are to the legal currency of India,



FORWARD-LOOKING STATEMENTS

This Letter of Offer contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals also are forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about the company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations include, among others:

- ◆ General economic and business conditions in India and other countries.
- ◆ Regulatory changes relating to our industry / sector in India and our ability to respond to them;
- ◆ Price of Raw Materials our company consumes and the price of products that our company produces;
- ◆ Fluctuation in operating costs;
- ◆ The ability to successfully implement the strategy, growth and expansion plans and technological changes;
- ◆ Changes in the value of Rupee and other currency changes;
- ◆ Changes in laws and regulations that apply to the customers of the Company;
- ◆ Increasing competition in and the conditions of the customers of the Company;
- ◆ The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, changes in domestic and foreign laws, regulations and taxes.
- ◆ Occurrence of natural disaster or calamities;
- ◆ Changes in political conditions in India.

For further discussion of factors that could cause actual results to differ, please see the section titled “Risk Factors” beginning on page no. v of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Lead Manager team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



SECTION I - RISK FACTORS

An investment in equity shares involves a high degree of risk. The investors shall carefully consider all of the information in this Letter of Offer, in evaluating the Company and its business, including the risks and uncertainties described below, before making any investment decision. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and the investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified:

INTERNAL RISK FACTORS AND RISKS RELATING TO COMPANY'S BUSINESS

1. *Outstanding Litigations/disputes/cases pending against the Company/ Promoter / Directors and Group companies :*

I. **Litigations involving criminal cases against Company/Promoters/Directors**

Following litigations involving criminal cases are pending against our Company and Promoters/Directors :

1. Criminal case no. 2/03 filed by Maharashtra Pollution Control Board (**MPCB**) is pending before Judicial Magistrate Court, Roha against our Company, Mr. A.D. Javeri, Chairman & Managing Director and Mr. N.R. Jani Director & Company Secretary regarding alleged breach of provisions of Water (Prevention & Control of Pollution) Act, 1974.
2. Criminal case no.987 of 2006 under Motor Vehicles Act (**M.V. Act**) filed by Rasila Shashikant Vasvani & others against SNCL and Shri Abhishek A. Javeri, Director is pending for disposal under M.V. Act.
3. Criminal case no.5541/06 is pending against Shri Ramesh Shroff, one of the Directors of the Company, in respect of non payment of deposit made with Alpic Ltd. (now in liquidation) where he was one of the Directors.

For details, refer to "Outstanding Litigations and Defaults" commencing on page no. 94.

II. *Litigations against the Company*

The Company is involved in certain legal proceedings, incidental to its business and operations, which if determined against the Company, could have an adverse impact on the results of its operations and financial condition. The Summary of the litigations is as follows:

Sr. No	Particulars	No. of cases/disputes	Approx. amount involved where quantifiable (Rs. In lacs)
1	Criminal proceedings	2	Not quantified
2	Civil Proceedings	2	2.12
3	Statutory Disputes - Income Tax	6	386.56



For more information please refer to “Outstanding Litigations and defaults” commencing on page no. 94 of this Letter of Offer.

III. Litigations pending against Group Companies

The following are the details pending against Chandra Net Pvt. Ltd.

Sr. No	Particulars	No. of cases/disputes	Approx. amount involved where quantifiable (Rs. In lacs)
1	Civil Proceedings	1	1.70

For more information please refer to “Outstanding Litigations and defaults” commencing on page no. 94 of this Letter of Offer.

IV. Litigations involving the promoters/ directors

Sr. No	Particulars	No. of cases/disputes	Nature of case/ dispute
1	Promoters	1	Criminal
2	Directors	7	Criminal, Civil and others

For more information please refer to “Outstanding Litigations and defaults” commencing on page no. 94 of this Letter of Offer.

2. We have certain contingent liabilities not provided for that may affect our financial conditions.

As on March 31, 2008 the audited accounts, SNCL has contingent liabilities not provided for in respect of items detailed below:

(Rs. in Lacs)	
Particulars	Year ended 31/03/2008
a) Estimated amount of contracts remaining to be executed on capital accounts (Net of Payments)	19.07
b) In respect of Guarantee given by the Company's Banker for Central Excise and other purposes.	0.95
c) In respect of corporate guarantee given by the company for loans availed by the subsidiary company - Lifestyle Networks Ltd.	683.26
d) In respect of Bills discounted	1012.97
e) Disputed income Tax demand	270.60
TOTAL	1986.85

In the event such contingent liabilities materialize it may have an adverse effect on the company's financial condition and future financial performance.

3. The company has suffered losses in the past two years as per consolidated financial results.

As per the audited consolidated financial results, the company has suffered losses in previous years as follows:

(Rs. In lacs)	
Particulars	Amount of loss
31/03/2008	655.17
31/03/2007	12.30



The losses are mainly on account of rising raw material cost consequent to rise in international crude oil prices coupled with appreciation of Rupee against US Dollar. The sudden and sharp appreciation of Indian rupee against USD had sharp adverse effect on reducing the value of export sales despite increase in quantitative sale.

4. *Promise Versus Performance*

The company had its maiden public issue in the year 1974 for 1,95,000 equity shares of Rs.10/- each and 5,000 9.8% Redeemable Cumulative preference Shares of Rs.100/- each. The Company thereafter came out with its Rights Issue during the year 1993 for the existing shareholders of the company with entitlement ratio of 7 equity shares for every 10 equity shares held in the company. The Company had made certain projections on the operating and financial performances based on the then prevailing situation. However, the actual performance varied with the projections made. The detail of the variations in the promises vs. performance is detailed as under:

Particulars	As on 31.3.1996		As on 31.3.1997		(Rs. In lacs) As on 31.3.1998	
	Promises as given in the offer document	Actual performance	Promises as given in the offer document	Actual performance	Promises as given in the offer document	Actual performance
Sales & Other Income	2392	3015	2502	3387	2612	4021
Profit before interest, tax & depreciation	315	541	357	524	398	685
Interest	153	139	132	140	114	179
Cash Profit	162	403	220	383	268	506
Depreciation	98	281	95	281	91	375
Tax	0	4	5	10	16	13
Net profit	64	118	125	92	177	119
Share capital	99	146	99	146	99	146
Free Reserves	616	741	721	802	878	881
Net worth	715	887	820	948	977	1027
EPS (Rs.)	6.46	8.07	12.63	6.33	17.88	8.14
Cash Earning Per Share (Rs.)	16.42	27.29	22.30	26.21	27.16	46.88
Book Value per share (Rs.)	72.22	60.77	82.83	64.90	98.69	70.29

5. *Lifestyle Networks Limited - subsidiary company and Chandra Net Private Limited - group company have suffered losses as set forth in the table below.*

Name of the company	(Rs. In lacs)		
	2007-08	2006-07	2005-06
Lifestyle Networks Ltd.	298.35	45.52	--
Chandra Net Pvt. Ltd.	10.71	6.14	0.55

6. *Low trading volumes in the shares of the company on BSE affects the liquidity.*

The equity shares of the company are reporting a low trading volume on BSE. As a result the liquidity in the shares of the company is adversely affected.



7. *The shortfall in working capital requirements will not be fully met with the present rights issue proceeds.*

Based on audited accounts for year ended March 31, 2008 and our estimates for year ended March 31, 2009 the shortfall in working capital requirements is Rs.930.57 lacs. The rights issue proceeds towards working capital funding are estimated to be Rs.686.00 lacs. Presently, the company has availed inter corporate deposits to the extent of Rs.400 lacs to ease the pressure on the fund requirements and agreed to mark a lien on the rights issue proceeds. The tenure of the said ICD is upto 30/11/2008 and the rate of interest is 15% p.a. The company proposes to fund the working capital gap through internal accruals, availing fresh bank finance and/or interchanging of the fund based and non-fund based limits by requesting existing banks.

8. *High susceptibility to variations in raw material prices may affect our profits adversely.*

Raw material costs range from 50 per cent to 65 per cent of sales, and are a major constituent of costs. The raw material that forms the major constituent cost of the company include Benzene, Caustic Potash Flakes, Iron Powder and Furnance oil. Typically, derivatives of crude oil are used as raw materials. This makes the company vulnerable to fluctuations in oil prices as well as supply disruptions. In competitive markets, chemical producers have been unsuccessful in passing on cost escalations to the end consumer. In addition, higher oil prices could contribute to the economic slowdown, which in turn may reduce demand for chemical derivative products. Logistic cost is also a significant component of raw material costs, especially for the commodity chemicals industry comprising mostly of voluminous raw materials.

9. *Working capital requirements of the company for the current period are yet to be assessed by all the working capital Banks. Any delay in the assessment would adversely affect the fund flow of the company.*

The company is enjoying working capital facility from State Bank of India, State Bank of Patiala and Axis Bank Ltd. with aggregate fund based limit of Rs.2825.00 lacs as on March 31, 2008. State Bank of India has renewed the fund based limit for Rs.1000.00 lacs as against Rs.1150.00 lacs sanctioned earlier. The non fund based limit is enhanced from Rs.100.00 lacs to Rs.300.00 lacs. The assessment from the other banks is awaited. Any change in limits sanctioned will further affect the fund flow of the company adversely. With the proposed infusion of working capital funds through the present rights issue, the liquidity constraints would be eased.

10. *Top 3 customers account for a large percentage (approx. 60%) of our operating revenue and the loss of one or more of them could significantly affect our revenues.*

The break-up of percentage contributed by each of customers is as follows:

(%)			
Client	2005-06	2006-07	2007-08
Bayer Cropscience GMBH	3.23	16.79	23.71
Rainbow Chemicals (US)	16.39	20.63	12.49
Sojitz Chemicals Corpn. (Japan)	15.12	11.75	24.01
TOTAL	34.74	49.17	60.20

Any loss of customer mentioned above would affect the revenues of the company.

11. *Usage of hazardous chemical substance and other risk in production process may lead to accidents.*

The company is exposed to risk of usage of hazardous chemicals and substances like Benzene, sulphuric Acid, Dibutyl Keto-Acid etc. in production. Several processes involve high pressure and / or explosive materials. Any mishandling of hazardous chemicals/ in the process could lead to fatal accident which may affect the business operations. In order to prevent any mishandling, several safety and precautionary measures are provided in the process.



12. *The company's success depends upon its professionals who are its key managerial personnel and its ability to attract and retain these personnel.*

The success of any company depends upon its management team and key personnel and the Company's ability to attract and retain such persons. The resignation or loss of key management personnel may have an adverse impact on its business, future financial performance.

13. *Restrictive covenants in the financing agreement with the banks and financial institutions.*

As on March 31, 2008 SNCL has availed from bankers/financial institutions aggregate of Rs. 3316.52 lacs as secured loans which are secured by way of mortgage of fixed assets and hypothecation of current assets both present and future. Any default in repayment could adversely impact our operation. In addition to above our financing arrangement also include conditions and covenants that requires consents of our lenders prior to carrying out certain activities and entering into certain transactions likely to affect any change in capital structure/undertaking of any new projects/expansion/modernization scheme or, enter into borrowing arrangement either on secured or unsecured basis with any other bank/ financial institutions/ borrower or otherwise etc.

14. *The customers of the company may not be able to pay their debts to the company due to local economic conditions.*

Normally, the company delivers a significant portion of products against future payment. The credit terms vary according to local market practice. The customers are exposed to downturns in the local economy that may impact their ability to pay their debts, which could materially and adversely affect the company's results of operations. The outstanding debtors for more than 6 months are negligible. As per our estimates the total amount of debt which may not be recovered is about Rs.3.73 lacs ie; about 1% of the total outstanding debts.

15. *Change in interest rate and exchange risks*

The company borrows from Banks and institutions for working capital and term loans which are at floating interest rates and such borrowings could be in foreign currencies. About 90% of the company's sales comprises of exports in foreign currencies. Any adverse change in the interest rate or exchange rate may affect the performance of the company.

EXTERNAL RISK FACTORS

1. *Lack of independent and credible source, tends to affect the quality of information about customers.*

A nation wide credit bureau has only recently been established in India. Non availability of such credible source may affect the quality of information available to the Company about the credit history of its new customers. Therefore as a result, the decision to extend credit is based on information, including financial information furnished by or on behalf of customers and dealers. SNCL may also rely on certain representation as to the accuracy and completeness of that information.

2. *Environmental and safety regulations*

The industry is increasingly focusing on improving its commitment to the environment and responding to public concerns regarding the manufacture and use of chemicals. Several initiatives at the global, industry and organization level have been undertaken to reduce pollution. The Kyoto protocol is an illustration of the commitment of developed countries towards reduction in emissions world-wide. The company does follow most of the environment protection and safety norms at its production facilities but is prone to the environmental litigations.



3. *Increasing international competition may reduce the profit margins of the company.*

The company is predominantly an export oriented entity. The percentage of revenue contributed by international business for the past 3 years is 75.98%, 85.09% and 87.06% for the years ended March 31, 2005; March 31, 2006 and March 31, 2007 respectively. The emergence of large capacities in China with a focus on exploring into global markets has contributed to enhanced levels of trade. Chinese production facilities are able to provide the quality chemicals at cheaper rates as compared to the Indian suppliers.

4. *Business cyclicalities leading to over-capacity*

The chemical industry is a cyclical industry and is driven largely by the business cycles of end customer segments. However, the effect of cyclicalities is compounded by imbalances in demand and supply that arise due to inappropriate timing of capacity additions.

5. *Material changes in the regulation*

The industry segment, in which the company operates, is regulated by several statutes and any change in them could affect the operations and/ or operating costs. Such impact could adversely affect the performance of the company. For further information on industry regulations and necessary approvals please refer page no. 99 of the letter of offer.

6. *Sensitivity to the economy and extraneous factors*

The company's financial results are influenced by the macro economic factors determining the growth of the Indian economy in general and continued growth of the chemical industry. The Company's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Company.

7. *Absence of entry barriers*

Apart from high initial capital investments and requirement of customer relationships, there are no entry barriers, regulatory or otherwise, for setting up a speciality chemical plant. Due to absence of such entry barriers, many players from the organized as well as the un-organised sector may enter this industry. The entry of several new large organized players may result in excess capacity, competition and resultant price pressure on the products.

8. *The growth of the Company will depend on its continued ability to access funds at competitive rates.*

With the growth of its business the Company is increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds are competitive, hence the ability of the company to obtain funds at competitive rates will depend on various factors including its ability to maintain its credit rating. Borrowing costs have been competitive in the past due to its ability to structure innovative debt products, credit rating and the quality of its asset portfolios. If the Company is unable to access funds at an effective cost that is comparable to or lower than its competitors, the Company may not be able to offer competitive price to its customers. This may adversely impact the company's business, its future financial performance and the price of its Equity shares.

9. *Change in technology*

Worldover there are technological changes, new uses, substitution of inputs, etc. to economise costs and/ or improve quality and/or utility of the products. Any such change in the process, raw material consumed in the products manufactured by the company or changes in the process by the competitors of the company may affect the operations of the company. Eg; use of substitutes for production of the



chemicals and use of cheaper raw material or substitutes by the end user may eliminate the demand for our products.

10. Operational risks associated with the industry

The industry is exposed to many types of operational risk, including the risk of fraud or misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty system.

NOTES TO RISK FACTORS

1. The networth of the company as on March 31, 2008 is Rs. 1804.82 lacs.
2. The average cost of acquisition of Equity shares of the promoters is Rs. 26.45 per equity share.
3. The Book value per share as on March 31, 2008 is Rs. 88.24 per equity share.
4. There is no interest of promoters/directors/ key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
5. The aggregate value of the related party transactions for the period ended March 2008 amounts to Rs. 1274.02 lacs. For details on Related party disclosures refer page no. 78 of this Letter of Offer
6. Investors are free to contact the Lead Manager for any complaints/ information/ clarification pertaining to this Issue. For contact details of the Lead Manager, please refer to the cover page of this Offer Document.
7. All information shall be made available by the LM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
8. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 24 of this Offer Document before making an investment in this Issue.
9. The Lead Manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.



PART I

SECTION II - INTRODUCTION

The Industry information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials and has not been prepared or independently verified by the Issuer or the Lead Manager.

INDUSTRY SUMMARY

Chemical industry is one of the oldest industries in India. It not only plays a crucial role in meeting the daily needs of the common man, but also contributes significantly towards industrial and economic growth of the nation.

The global chemical industry, estimated at US \$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, chemicals industry has still grown at a rate higher than the overall manufacturing segment.

As per the industry reports, the pharmaceutical segment contributes approximately 26% of total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approximate size of \$ 750 billion while the speciality and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approximately half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of speciality chemicals, fine chemicals and pharmaceuticals.

The Indian Chemical Market Segment wise is as under: -

Segment	Market Value (billion US\$)
Basic Chemicals	20
Speciality Chemicals	9
High End / Knowledge Segment	6
Total	35



The Indian Chemical Industry comprises both small and large-scale units. The fiscal concessions granted to small sector in mid-eighties led to establishment of large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, brand building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

As the Indian economy was a protected economy till the early nineties, very little large-scale R&D was undertaken by the Chemical industry to create intellectual property. The Industry would, therefore, have to make large investments in R&D to successfully counter competition from the international chemicals industry. India has a number of scientific institutions and the country's strength lies in its large pool of highly trained scientific manpower.

India also produces a large number of fine and speciality chemicals, which have very specific uses and are essential for increasing industrial production. These find wide usage as food additives and pigments, polymer additives, anti-oxidants in the rubber industry, etc.

(Source extracts from: www.chemicals.nic.in/chem3.htm as on March 03, 2008)

COMPANY SUMMARY

Sadhana Nitro Chem Ltd. (SNCL) is a company committed to producing high quality chemical intermediates viz; Nitrobenzene and its downstream derivatives.

Over the years the company has built up a reputation of manufacturing quality products accompanied by excellence in service to its clients worldwide.

At present, SNCL is engaged in the manufacture and marketing of Nitrobenzene and its downstream derivatives and intermediates for various applications in Pharma, Agro, Dyes, optical blackening agents, Epoxy resin hardeners, colour formers, light stabilizers, resin for aerospace, special fibres, etc.

SNCL also has 2 wholly owned subsidiaries: Anuchem b.v.b.a. Antwerp, Belgium and Anuchem Pte. Ltd. in Singapore to provide "Just in Time Service" to the clientele.

In recognition of its superior performance, SNCL has been granted the status of "Two Star Export House" by the Directorate General of Foreign Trade, Ministry of Commerce, Government of India on 18/05/2005 and the validity of the recognition is upto March 31, 2009.

CHEMEXIL has awarded SNCL export awards for excellent performance in exports of dyes and dye intermediates and chemicals category during the years 1985-86, 1986-87 and 1989-90. SNCL is ISO 9001:2000 certified company.

SNCL has a well equipped research and development department recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India and the status is valid upto March 31, 2009.

SNCL has a dividend paying track record of 28 years out of the 34 years of operation. The 60.23% of the present equity of the company comprises of the bonus shares issued from time to time.

Issue Details

Issue of 71,59,079 Equity Shares of Rs. 10/- each at par (Issue Price of Rs.10/-) aggregating Rs.715.90 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Shares for every 2 (Two) Equity Shares held on Monday September 22, 2008 (Record Date). The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is same as the face value.



SUMMARY OF FINANCIAL DATA

Please read the following data in conjunction with the detailed Auditors' Report commencing on page no. 65 under the heading 'FINANCIAL INFORMATION'

Statement of Assets & Liabilities

(Rs. In Lacs)

PARTICULARS	2008	2007	2006	2005	2004
FIXED ASSETS					
Gross Block	8325.25	7799.49	6481.19	5718.21	4882.72
Less : Accumulated Depreciation	4925.53	4519.05	4124.28	3784.67	3405.00
NET BLOCK	3399.72	3280.43	2356.91	1933.54	1477.72
Capital Work in Progress	831.32	929.23	1314.47	291.46	539.00
Investment	61.22	54.30	55.07	118.37	69.56
Deffered Tax Assets	148.35	43.23	24.06	25.25	20.13
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	1580.58	1528.71	1135.01	1060.52	816.44
Cash & Bank Balances	36.11	26.63	38.00	52.78	36.03
Other Current Assets (Sundry Debtors)	363.18	393.21	825.65	750.91	465.09
Loans And Advances	1281.62	1020.68	775.96	452.77	479.80
Total Current Assets, Loans & Advance	3261.49	2969.24	2774.62	2316.98	1797.36
TOTAL ASSETS	7702.10	7276.42	6525.13	4685.60	3903.77
LIABILITIES AND PROVISIONS					
Secured Loans	3316.52	3654.30	2817.69	1459.43	1178.23
Unsecured Loans	708.23	177.60	223.11	199.32	201.80
Current Liabilities And Provisions	1872.53	1384.53	1430.77	1007.90	634.95
TOTAL LIABILITIES AND PROVISIONS	5897.28	5216.43	4471.57	2666.65	2014.98
NET WORTH	1804.82	2059.99	2053.56	2018.93	1888.79
Represented By :					
Equity Share Capital	204.54	204.54	204.54	204.54	204.54
Reserves	1600.28	1855.45	1849.00	1814.40	1683.69
NET WORTH	1804.82	2059.99	2053.54	2018.93	1888.79
DETAILS OF RESERVES & SURPLUS					
Capital Reserve	0.94	0.94	0.94	0.94	0.94
Preference Share Redemption Reserve	5.00	5.00	5.00	5.00	5.00
Share Premium	54.97	54.97	54.97	54.97	54.97
Deffered Tax Reserve	148.35	43.23	24.06	25.25	20.13
General Reserve	1333.30	1333.30	1332.05	1321.55	1171.55
Surplus in Profit & Loss Account	57.72	418.01	432.00	406.70	431.11
TOTAL	1600.28	1855.45	1849.02	1814.40	1683.69



Statement of Profit and Loss

(Rs. In Lacs)

PARTICULARS	2008	2007	2006	2005	2004
INCOME					
Sales	7478.77	6654.08	5605.93	4528.64	5302.63
TOTAL GROSS SALE	7478.77	6654.08	5605.93	4528.64	5302.63
Less : Excise duty on Sales	81.29	135.49	129.99	0.00	0.00
NET SALE	7397.48	6518.58	5475.93	4528.64	5302.63
<u>Other Income :-</u>					
Export Incentive	147.82	135.71	63.01	159.24	255.40
Dividend	0.02	1.60	2.46	10.33	14.27
Profit On Sale of Investments	0.00	0.59	43.67	5.81	10.20
Profit On Sale of Assets	4.47	0.00	0.00	5.27	0.00
Miscellaneous Income	39.51	48.58	45.27	(26.25)	40.62
Increase/(Decrease) in Inventories	(151.74)	71.56	(30.63)	(27.52)	200.28
TOTAL INCOME	7437.56	6776.62	599.71	4655.52	5823.45
EXPENDITURE					
Raw Material Consumption	4850.12	4104.00	3343.99	2513.12	3831.69
Power and Fuel	936.81	816.84	553.42	449.03	435.37
Operation & Maintenance	251.12	325.61	309.97	229.07	165.19
Staff Cost	311.89	327.80	296.26	272.68	298.31
Administrative Expenses	244.97	227.03	189.57	170.25	180.24
Selling & Distribution Expense	277.77	262.07	240.85	189.71	158.00
Managerial Remuneration	45.15	36.10	29.02	27.97	25.72
Payment To Auditors	2.00	3.17	2.54	2.18	2.10
Diminution of Investments	-	0.77	-	-	-
Interest & Finance Cost	432.15	247.30	164.54	122.64	72.16
Depreciation	410.95	394.78	339.61	412.87	381.97
TOTAL EXPENDITURE	7762.93	6745.47	5469.78	4389.52	5550.76
PROFIT/(LOSS) BEFORE TAX	(325.36)	31.16	129.95	265.99	272.69
LESS : TAXES					
Income Tax	0.00	0.00	17.60	93.75	42.00
Fringe Benefit Tax	11.00	8.00	7.40	0.00	0.00
PROFIT/(LOSS) AFTER TAX	(336.36)	23.15	104.95	172.24	23069
Add.: I.T. Adjustment of earlier Year	0.00	0.00	0.00	0.00	0.00
Balance as per last balance sheet	418.01	432.00	406.70	431.11	396.67
TOTAL	81.65	455.15	511.65	603.35	627.36
APPROPRIATIONS					
Provision for Taxation of earlier years (Net)	0.00	0.00	22.50	0.00	0.00
Transfer to General Reserve	0.00	1.25	10.50	150.00	150.00
Proposed Dividend on Equity Shares	20.45	30.68	40.91	40.91	40.91
Tax on Proposed Dividend	3.48	5.21	5.74	5.73	5.35
Balance Transferred to Balance Sheet	57.72	418.01	432.00	406.70	431.11
TOTAL	81.65	455.15	511.65	603.35	627.36

**NOTES:**

- a. The balance in inventory increased from Rs.816.44 lacs in 2004 to Rs.1060.52 lacs in 2005 and from Rs.1135.01 lacs in 2006 to Rs.1528.71 lacs in 2007 and Rs.1580.58 lacs in 2008. The reasons for increase in inventory is on account of general increase in the prices of inputs such as stores and spares, raw material and consequent increase in stock and goods in process. The increase in inventory is commensurate with the turnover of the Company.
- b. The loans and advances increased form Rs.1020.68 lacs in 2007 to Rs. 1281.62 lacs in 2008. The increase in loans and advances is mainly on account of advances given to raw material suppliers, general/transport suppliers, stores/capital goods suppliers, duties and taxes, deposits with central excise, public bodies and a portion of loan to subsidiaries.
- c. The deferred tax reserve contains the same amount as of deferred tax asset of Rs.148.35 lacs in 2008 The deferred tax asset has been disclosed separately in accordance with the AS 22 issued by ICAI. The Company has been following practice of accounting deferred tax assets arising on account of timing difference. The company debits the deferred tax asset and credit is given as deferred tax reserve under the head 'Reserves & Surplus'. The same has been shown under the reserves & surplus separately as "Deferred Tax Reserve".
- d. The excise duty on sales has increased from Nil in 2005 to Rs.129.99 lacs in 2006, Rs.135.49 lacs in 2007 and to Rs.81.29 lacs in 2008. Till March 31, 2005 the Company was following practice of showing the gross sales net of excise duty. From the accounting year ended March 31, 2006; net sales were shown after reducing excise duty from the gross sales. The excise duty on sales has been shown as actual duty and the increase in excise duty is commensurate with the total sales on year to year basis.
- e. The export incentives are reduced from Rs. 255.40 lacs in 2004 to Rs. 159.24 lacs in 2005. It increased in 2007 to Rs. 135.71 lacs and increased to Rs.147.82 lacs in 2008. The export incentives are based on prevalent rates prescribed in the export import policy which are subject to change on year to year basis. The rates also defer from product to product and various modes of offering incentives like advance license where the incentive is by way of duty free import of raw materials. In view of these reasons and also on account of change in the export products mix the incentive amount varies from year to year.
- f. The profit before tax has decreased from Rs.129.95 lacs in 2006 to Rs.31.16 lacs in 2007 and resulted into a loss of Rs.325.36 lacs in 2008. The reasons for decrease in Profit Before Tax is escalation of price of several raw materials, appreciation of Rupee against US Dollar which resulted in lower export realization. In addition to this, on account of highly competitive market conditions it was difficult to pass on the cost of escalation to the ultimate buyers and also the contracted prices for supply of material could not be revised as same were fixed in advance.
- g. The amount of investment made by the Company in the subsidiaries is Rs. 40.14 lacs as on March 31, 2008 details of which have been mentioned on page no. 82 under Annexure 9 'Investments'. The investment by Sadhana Nitro Chem Limited in Anuchem B. V. B. A., Belgium and Anuchem Pte. Ltd., Singapore is 100% of the capital whereas investment in Lifestyle Networks Limited is to the extent of 51% of the equity capital.
- h. The amount of sundry debtors has decreased from Rs.766.99 lacs in 2006 to Rs. 382.68 lacs in 2007 and Rs. 380.86 lacs as on 2008 for details of sundry debtors refer Annexure 4 on page no. 70 .On account of aggressive recovery policy and proper banking arrangements for realization of export bills, there has been a fall in debtors' level in past few years. As a result there has been a decrease in level of debtors.



- i. The bifurcation of sales into domestic and export sales for all the years and periods is as follows :
(Rs. in lacs)

Particulars	Year ended 31st March				
	2008	2007	2006	2005	2004
Domestic sales	814.00	843.78	816.53	1087.37	2178.88
Export sales	6583.48	5674.80	4659.40	3441.27	3123.75
NET SALES	7397.48	6518.58	5475.93	4528.64	5302.63

- j. The amount of unsecured loans has increased from Rs. 177.60 lacs in 2007 to Rs. 708.23 lacs. As mentioned, Company has been facing strain on working capital funds. As a result Company has been borrowing funds from time to time to meet the working capital requirements from promoter/promoter group and other sources. As a result there has been an increase in unsecured loan. The details of unsecured loan have been mentioned under Annexure 16 on page no.87.



THE ISSUE

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Rights Issue	Equity Shares	71,59,079	10/-	10/-	Cash

ISSUE BREAK-UP

Particulars	No. of Equity Shares
Equity Shares offered (Issue Size)	71,59,079 Equity Shares
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Shares for every 2 (Two) Equity Shares held as on the Record Date.
Market Lot	The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").
Equity shares outstanding prior to the Issue	20,45,451 Equity Shares
Equity shares outstanding after the issue	92,04,530 Equity Shares

Use of proceeds:

Please see section titled "Objects of the Issue" on page 18 of this Offer Document

ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Monday September 29 , 2008	Monday October 06, 2008	Monday October 13, 2008

BOOK CLOSURE & OTHER DETAILS

Particulars	Date(s)
Book Closure	From Tuesday, September 23, 2008 to Thursday, September 25, 2008
Purpose	<ul style="list-style-type: none"> ▪ Annual General Meeting (Thursday, September 25, 2008) ▪ Dividend (10%) ▪ Rights Entitlement (7:2)
No Delivery Period on BSE	Tuesday, September 16, 2008 to Monday, September 22, 2008
Ex-right /Ex-dividend	Tuesday, September 16, 2008



GENERAL INFORMATION

Dear shareholder(s),

The Board of Directors at their meeting held on December 7, 2007 decided to make the offer to the existing shareholders of the Company on Rights basis. Accordingly a resolution in respect of this rights issue was passed by the shareholders of the Company at the Extra Ordinary General Meeting of the Company held on January 22, 2008 and authorized the Board of Directors to decide on terms of the issue and also to take steps to give effect to the said resolution. The Board of Directors decided to make the following offer to the existing shareholders of the company:

Issue of 71,59,079 Equity Shares of Rs. 10/- each at par (Issue Price of Rs.10/-) aggregating Rs.715.90 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Shares for every 2 (Two) Equity Shares held on Monday September 22, 2008 (Record Date). The face value of the Equity Shares is Rs. 10/- per share and the Issue Price is 1 time the face value.

Name of the Company	:	Sadhana Nitro Chem Limited
Registered Office	:	207, Kakad Chambers, 132, Dr. Annie Besant Road, Worli, Mumbai-400 018 Tel: 91-022-6660 4881-5; Fax: 91- 022-6660 4147 Email: sadhananitro@sncl.com
R&D Center	:	Dindoshi Industrial Premises Co-op Society Ltd. Sunflower, Ambedkar Chowk, C.T.S. No. 36A, Goregaon Mulund Link Road, Goregaon (E), Mumbai - 400 063
Factory Address	:	47, MIDC, Dhatav Roha - 402116 Dist. Raigad, Maharashtra Tel: 02194 - 263801/02/03; Fax: 02194 - 263522
Registration No.	:	16698 of 1973-1974
Contact person:	:	Mr. Nitin R. Jani , Compliance Officer & Company Secretary
Registrar of Companies	:	100, Everest, Marine Drive, Mumbai - 400 002

IMPORTANT

1. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on Monday September 22, 2008 (Record Date).
2. Your attention is drawn to the section on risk factors starting from page no. v of this Letter of Offer.
3. Please ensure that you have received the CAF with this Letter of Offer.
4. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.
5. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.



6. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
7. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises of:

Name of the Director	Designation	Status
Mr. Asit D. Javeri	Chairman & Managing Director	Non- Independent, Executive Director
Mr. Arvind R. Doshi	Director	Independent, Non- Executive Director
Mr. Arvind L. Apte	Director	Independent, Non- Executive Director
Mr. Ramesh A. Shroff	Director	Independent, Non-Executive Director
Mr. Priyam S. Jhaveri	Director	Independent, Non-Executive Director
Mr. Dharendra M. Shah	Director	Independent, Non-executive Director
Mr. Abhishek A. Javeri	Director	Non-independent, Non- Executive Director
Mr. Nitin R. Jani	Director & Company Secretary	Non-Independent, Executive Director

For further details of the Board of Directors of SNCL, please refer to the chapter titled “Management” on page. 46 of this Letter of Offer

ISSUE MANAGEMENT TEAM

Compliance Officer & Company Secretary

Mr. Nitin R. Jani
Compliance Officer & Company Secretary
207, Kakad Chambers,
132, Dr. Annie Besant Road, Worli,
Mumbai-400 018
Tel: 91-022-6660 4881-5;
Fax: 91- 022-6660 4147
Email: sadhananitro@sncl.com

Advocates & Solicitors

Mulla & Mulla Craigie Blunt & Caroe
Mulla House,
51, Mhatma Gandhi Road,
Mumbai – 400 023
Tel: 91-22-2204 4960, 2287 5121
Fax: 91 22 2204 0246, 2204 4717
E-mail: mullas@vsnl.com
Contact person: Mr. J.N. Mistry

Bankers to the Company

State Bank of India

Commercial Branch
N.G.N. Vaidya Marg, Post Box No. 10141
Mumbai – 400 023
Tel. no: 022 - 2662205
Fax no. 022 - 2659589

State Bank of Patiala

Commercial Branch
Atlanta, Nariman Point, Mumbai – 400 021
Tel. no: 22047020, 22047016
Fax no. 022 – 66375703, 22832448

Axis Bank Ltd.

Atlanta, Ground Floor
209 Nariman Point, Mumbai 400 021
Tel. no: 022 – 22870238, 22834296
Fax no. 022 – 66390935

EXIM Bank

Centre One Building, Floor 21,
World Trade Centre Complex,
Cuffe Parade, Mumbai 400 005
Tel. no: 022 - 22172600
Fax no. 022 – 22188076



Lead Managers to the issue

KEYNOTE

CORPORATE SERVICES LTD

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building,
5, J. N. Heredia Marg, Ballard Estate,
Mumbai – 400 001

SEBI Regn No: INM 000003606

Tel : +91 022 2267 1321/ 2269 4324; **Fax:** + 91 022 22694323

Website: www.keynoteindia.net

E-mail: mbd@keynoteindia.net

Contact Person: Ms. Swati Sinha

Registrars to the issue



INTIME SPECTRUM REGISTRY LTD.

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai – 400 078

Tel No: (022) – 2596 0320 (9 lines)

Fax: (022) – 2596 0328/29

Website: www.intimespectrum.com

E-mail: isrl@intimespectrum.com

SEBI Registration no: INR 000003761

Contact person: Ms. Awani Thakker

Bankers to the Issue

AXIS BANK LTD.

Atlanta, Ground Floor
209 Nariman Point, Mumbai 400021

Tel. no: 022 – 22870238, 22834296

Fax no. 022 - 66390935

Email-id: gauri.deshpande@axisbank.com

Contact person: Ms. Gauri Deshpande/
Mr. Yash Mayakar

Auditors to the Company

V. SANKAR AIYAR & CO.

Chartered Accountants,
2-C, Court Chambers,
35, New Marine Lines, Mumbai-400 023

Tel No: 022 – 22004465, 22067440

Fax no: 022 - 22000649

Email: vsa@bom5.vsnl.net.in

Contact Person: Mr. Arvind Mohan

INTER SE ALLOCATION OF RESPONSIBILITIES

Not Applicable

CREDIT RATING/DEBENTURE TRUSTEE

This being Rights Issue of equity shares, neither Credit Rating nor appointment of Debenture Trustee is required.

MONITORING AGENCY

Not Applicable

APPRAISING ENTITY

Not Applicable

MINIMUM SUBSCRIPTION

- i. If the Company does not receive minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within Fifteen days from the date of closure of the issue.
- ii. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e., Fifteen days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

UNDERWRITING/STANDBY SUPPORT

This issue of equity shares is not being underwritten and/or no standby support is being sought for the said issue.



CAPITAL STRUCTURE OF THE COMPANY

Details as on the date of Letter of Offer	Aggregate Nominal Value (Rs. in Lacs)
A. Authorised Capital	
1,00,00,000 Equity Shares of Rs. 10/- each	1000.00
10,00,000 Unclassified Shares of Rs. 10/- each	100.00
B. Issued, Subscribed & Paid-up Capital	
20,45,451 Equity Shares of Rs. 10/- each, fully paid - up	204.55
C. Present Rights Issue	
71,59,079 Equity shares of Rs. 10/- each for cash at par	715.91
D. Post Issue Capital	
92,04,530 Equity shares of Rs. 10/- each	920.45
E. Share Premium Account	
Before the offer	54.97
After the offer	54.97

Notes to Capital Structure:

1. Changes in the Authorised Capital of the Company:

Date of Resolution	Increased From	Increased To
26/09/1989	Rs. 100.00 lacs consisting of 20,000 preference shares of Rs. 100/- each, 8,00,000 equity shares of Rs. 10/- each	Rs. 300.00 lacs consisting of 25,00,000 equity shares and 5,00,000 unclassified shares of Rs.10/- each
13/09/1995	Rs. 300.00 lacs consisting of 25,00,000 equity shares and 5,00,000 unclassified shares of Rs.10/- each	Rs. 500.00 lacs consisting of 40,00,000 equity shares and 10,00,000 unclassified shares of Rs.10/- each
22/01/2008	Rs. 500.00 lacs consisting of 40,00,000 equity shares and 10,00,000 unclassified shares of Rs.10/- each	Rs. 1,100.00 lacs consisting of 1,00,00,000 equity shares and 10,00,000 unclassified shares of Rs.10/- each

2. Details of increase in the paid-up Equity Share capital are as follows:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative No. of shares	Nature of allotment	Consideration	% to Post Issue Capital (%)
21/07/1973	10	10	670	670	Subscription to Memorandum	Cash	0.01
31/03/1974	10	10	3,24,330	3,25,000	Public Issue	Cash	3.52



Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative No. of shares	Nature of allotment	Consideration	% to Post Issue Capital (%)
31/03/1976	10	10	81,250	4,06,250	Rights Issue (Ratio of 1:4)	Cash	0.88
23/03/1988	10	-	1,62,470	5,68,720	Bonus in the (Ratio of 2:5)	-	1.76
02/08/1989	10	-	30	5,68,750	Bonus in the (Ratio of 2:5)	-	-
07/10/1993	10	50	3,84,332	9,53,082	Rights issue (Ratio of 7:10)	Cash	4.17
17/01/1994	10	50	17,530	9,70,612	Rights issue (Ratio of 7:10)	Cash	0.19
25/03/1994	10	50	3,413	9,74,025	Rights issue (Ratio of 2:5)	Cash	0.04
01/01/1996	10	-	4,78,177	14,52,202	Bonus in the (Ratio of 1:2)	-	5.19
01/02/1996	10	-	8,835	14,61,037	Bonus in the (Ratio of 1:2)	-	0.10
30/12/2002	10	-	5,80,668	20,41,705	Bonus in the (Ratio of 2:5)	-	6.31
13/01/2003	10	-	3,746	20,45,451	Bonus in the (Ratio of 2:5)	-	0.04
TOTAL			20,45,451				

3. Promoters' Contribution and Lock-in

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable.

4. Present Rights Issue:

Type of Instrument	Ratio	Face Value (Rs.)	No. of shares	Issue Price (Rs.)	Consideration
Equity Shares	7:2 (Seven Equity shares for every Two equity shares held)	10/-	71,59,079	10/-	Cash

Pre & Post issue shareholding pattern of the Company assuming full subscription in the present rights issue is given below:-

	Category of Shareholder	Pre-issue		Post-issue	
		Number of Shares	% of pre-issue capital	Number of Shares	% of post issue capital
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/ Hindu Undivided Family	5,75,408	28.13	25,89,335	28.13
(b)	Central Government/ State Government(s)/ Government company	--	--	--	--
(c)	Bodies Corporate	4,37,191	21.38	19,67,360	21.38
(d)	Financial Institutions/ banks	--	--	--	--
(e)	Any Other (Directors/ Promoters & their Relatives & Friends)	22,561	1.10	1,01,525	1.10
	Sub- Total (A)(1)	10,35,160	50.61	46,58,220	50.61
2	Foreign				
(a)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	--	--	--	--
(b)	Bodies Corporate	--	--	--	--



	Category of Shareholder	Pre-issue		Post-issue	
		Number of Shares	% of pre-issue capital	Number of Shares	% of post issue capital
(c)	Institutions	--	--	--	--
(d)	Any other (specify)	--	--	--	--
	Sub-Total (A)(2)	--	--	--	--
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	10,35,160	50.61	46,58,221	50.61
(B)	Public shareholding				
1	Institutions				
(a)	Mutual Funds/ UTI	560	0.03	2,520	0.03
(b)	Financial Institutions/ Banks	621	0.03	2795	0.03
(c)	Central Government/ State Government(s)	--	--	--	--
(d)	Venture Capital Funds	--	--	--	--
(e)	Insurance Companies	--	--	--	--
(f)	Foreign Institutional Investors	4,000	0.20	18,000	0.20
(g)	Foreign Venture Capital Investors	31,141	1.52	1,40,135	1.52
(h)	Any Other (specify)				
	1. Clearing Member	3,857	0.19	17,357	0.19
	2. Market Maker	24,028	1.170	1,08,126	1.17
	Sub-Total (B)(1)	64,207	3.14	2,88,932	3.14
2	Non-institutions				
(a)	Bodies Corporate	94,505	4.62	4,25,273	4.62
(b)	Individuals-				
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	8,23,512	40.26	37,05,804	40.26
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	28,067	1.37	1,26,302	1.37
(c)	Individuals (Non-Resident Individuals/ Foreign non Individuals)	-	-	-	-
(d)	Overseas Corporate Bodies	-	-	-	-
	Sub-Total (B)(2)	9,46,084	46.25	42,57,378	46.25
	Total public shareholding (B)= (B)(1)+(B)(2)	10,10,291	49.39	45,46,310	49.39
	TOTAL (A)+(B)	20,45,451	100.00	92,04,530	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	--	--	--	--
	GRAND TOTAL (A)+(B)+(C)	20,45,451	100.00	92,04,530	100.00

The total number of shareholders as on date in the company is 4,593.



5. The shareholding pattern of the promoter group is as detailed below:

Particulars	Present		Post Rights	
	No. of equity shares of Rs. 10/- each	% of present capital	No. of equity shares of Rs. 10/- each	% of post issue capital
a) Promoters/ Directors				
M/s. Manekchand Panachand Trading & Investment Company Pvt Ltd	4,37,191	21.37	19,67,360	21.37
Mr. Asit Dhankumar Javeri	3,77,963	18.48	17,00,834	18.48
Mr. Nitin R Jani	6,087	0.30	27,391	0.30
Mr. Arvind Raoji Doshi	1,562	0.08	7,029	0.08
Mr. Arvind L Apte	1,444	0.07	6,498	0.07
Mr. Ramesh A Shroff	259	0.01	1,165	0.01
Mr. Priyam S Jhaveri	6,300	0.31	28,350	0.31
Mr. Dharendra M Shah	840	0.04	3,780	0.04
Mr. Abhishek A Javeri	37,100	1.81	1,66,950	1.81
SUB - TOTAL	8,68,746	42.47	39,09,357	42.47
b) Immediate relatives of promoters/ directors (Spouse, Parent, Child, Brother, Sister):				
Ms. Molina Dhankumar Javeri	79,661	3.89	3,58,475	3.89
Ms. Seema Asit Javeri	7,327	0.36	32,971	0.36
Ms. Chandrika Dhankumar Javeri	29,190	1.43	1,31,355	1.43
Ms. Anuaradha A Javeri	2,100	0.10	9,450	0.11
Ms. Sadhana Rajiv Jain	29,190	1.43	1,31,355	1.43
Mr. Vinod R Jani	3,150	0.15	14,175	0.15
Ms. Asha Nitin Jani	1,050	0.05	4,725	0.05
Ms. Hansa Dave	770	0.04	3,465	0.04
Mr. Kavin D Dave	1,120	0.05	5,040	0.05
Ms. Bhavana R Jani	420	0.02	1,890	0.02
Mr. Dineshkumar S Dave	280	0.01	1,260	0.01
Mr. Pritam A Doshi	2,029	0.10	9,131	0.10
Ms. Priyadarshini A Doshi	1,307	0.06	5,881	0.06
Ms. Pratibha Arvind Doshi	1,260	0.06	5,670	0.06
Ms. Gayatri Priyam Jhaveri	6,300	0.31	28,350	0.32
Mr. Bhartendu D Shah	1,050	0.05	4,725	0.05
Ms. Dhanyashree D Shah	210	0.01	945	0.01
SUB - TOTAL	1,66,414	8.14	7,48,863	8.14
c) Company in which 10% or more of the share capital is held by the promoter/his immediate relative, firm or HUF in which the promoter or his immediate relative is a member.	--	--	--	
d) Company in which the Company mentioned in © above holds 10% or more of the share capital				
SUB - TOTAL				
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total.	N.A.	N.A.	N.A.	N.A.
GRAND TOTAL	10,35,160	50.61	46,58,220	50.61



The promoters/ promoter group collectively intend to subscribe to their rights entitlement as well as the entire undersubscribed portion in the present rights issue from other shareholders, if any, in this rights issue in full. The promoters/ promoter group 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 un-subscribed portion if any by the public shareholders. One of the promoter group companies, Manekchand Panachand Trading Co. Pvt. Ltd. has brought in this unsecured loan of Rs.350 lacs and has consented to adjust the same towards their rights entitlement.

Presuming no subscription is received from other shareholders and the promoters/promoter group subscribing to the entire unsubscribed portion, their shareholding may increase to 89.02% of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/promoter group may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding. This subscription and acquisition of additional equity shares by the Promoter/promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

The promoters/promoter group have confirmed that in case the Rights Issue of the Company is completed with their subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Issue falls below the permissible minimum level as specified in the listing condition or listing agreement, they will make an offer for sale of their holdings so that the public shareholding is raised to the minimum level specified in the listing agreement or in the listing conditions within a period of 3 months, as per the requirements of sub-clause 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto.

6. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company.
7. Equity shares of the Company are being traded in compulsory dematerialized mode. The market lot of the equity shares is 1 (one).
8. There are no transactions in the securities of the Company during preceding 6 months which were financed/undertaken directly or indirectly by the promoters, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons except as follows:

Name of the Person	Nature of transaction	Date	Rate per share (Rs.)	No. of shares	Consideration
Mr. Asit D. Javeri	Equity shares purchased	06.02.08	84.15	200	Cash
		11.02.08	71.72	200	Cash

9. a) The ten largest shareholders two years prior to the date of filing of this Letter of Offer with Stock Exchanges are as follows:

Sr. No.	Name of the Shareholders	No. of Equity Shares	% age of holding
1.	M/s. Manekchand Panachand Trd. Inv. Co. P. Ltd.	4,37,191	21.38
2.	Mr. Asit Dhankumar Javeri	3,77,563	18.46
3.	Ms. Molina Dhankumar Javeri	78,661	3.85
4.	Mr. Abhishek A. Javeri	37,100	1.81
5.	Ms. Chandrika Dhankumar Javeri	29,190	1.43
6.	Ms. Sadhana Rajiv Jain	29,190	1.43
7.	M/s. Analax Chemifarma Pvt. Ltd	28,000	1.37
8.	Jalco Financial Services Pvt. Ltd	27,059	1.32
9.	M/s. Veerdhawal Investments Pvt. Ltd	10,450	0.51
10.	Ms. Shilpa Jain	9,109	0.45
	TOTAL	10,63,513	52.00

9. b) The ten largest shareholders 10 days prior to the date of filing of the Letter of Offer with Stock Exchanges are as follows:

Sr. No.	Name of the Shareholders	No. of Equity Shares	% age of holding
1	M/s. Manekchand Panachand Trd. Inv. Co. P. Ltd.	4,37,191	21.38
2	Mr. Asit Dhankumar Javeri	3,77,963	18.48
3	Ms. Molina Dhankumar Javeri	79,661	3.89
4	Mr. Abhishek A. Javeri	37,100	1.81
5	Ms. Chandrika Dhankumar Javeri	29,190	1.43
6	Ms. Sadhana Rajiv Jain	29,190	1.43
7	M/s. R.B.K. Share Broking Ltd.	21,073	1.03
8	Mr. P.S. Ramanathan	20,655	1.01
9	M/s Nanavati Sons Pvt. Ltd.	20,000	0.98
10	Ms. S. Sangeetha	17,040	0.83
	TOTAL	10,69,063	52.27

9. c) The ten largest shareholders as on the date of filing of the Letter of Offer with Stock Exchanges are as follows:

Sr No.	Name of the Shareholders	No. of Equity Shares	% age of holding
1	M/s. Manekchand Panachand Trd. Inv. Co. P. Ltd.	4,37,191	21.37
2	Mr. Asit Dhankumar Javeri	3,77,963	18.48
3	Ms. Molina Dhankumar Javeri	79,661	3.89
4	Mr. Abhishek A. Javeri	37,100	1.81
5	Ms. Chandrika Dhankumar Javeri	29,190	1.43
6	Ms. Sadhana Rajiv Jain	29,190	1.43
7	M/s. R.B.K. Share Broking Ltd.	21,073	1.03
8	Mr. P.S. Ramanathan	20,655	1.01
9	M/s. Nanavati Sons Pvt. Ltd.	20,000	0.98
10	Ms. S. Sangeetha	17,040	0.83
	TOTAL	10,69,063	52.27



10. The Company/Promoters/Directors/Lead Managers have not entered into buy back or similar arrangements for purchase of securities issued by the Company.
11. As on the date of filing the letter of offer there are no partly paid up shares in the company. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.
12. The company has availed an Inter Corporate Deposit (ICD) from IDream Holdings Pvt. Ltd. to the extent of Rs.400 lacs. The company has confirmed a lien on the proceeds of the forthcoming rights issue in favour of IDream Holding Pvt. Ltd. to the extent of outstanding loan.
13. The equity shares of the company are of face value of Rs.10/- and marketable lot is 1 (one). At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.
14. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Letter of Offer to SEBI for the Rights Issue till the securities referred in the Letter of Offer have been listed or application money refunded, if any.
15. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this LOO or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.

OBJECTS OF THE ISSUE

The objects of the present issue of equity shares on rights basis are:

1. To augment the Long Term Working Capital requirements of the Company.
2. To meet the expenses of the issue

The main object clause and the objects incidental or ancillary to the main object clause of the Memorandum of Association; enable the Company to undertake the existing activity and the activities for which the funds are being raised by the Company through the present rights issue.

FUNDS REQUIREMENT

(Rs. in Lacs)	
Long term working capital	686.00
Issue Expenses	29.90
Total	715.90

FUNDING PLAN

(Rs.in Lacs)	
Rights Issue	715.90
Total	715.90

DETAIL BREAK UP OF FUNDS REQUIREMENT

1. Working Capital Requirement

The working capital requirements of the Company are met through following sources:-

- (a) Working Capital facilities from Bank,
- (b) Suppliers' credit and;
- (c) Own funds.

The Working Capital requirement of the company is assessed by the Banks from time to time from whom working capital limit are being presently enjoyed by the Company. The working capital requirement of the Company is based on audited balance sheet for 2007-08 and estimates for 2008-09.

Calculation of maximum permissible bank finance

(Rs. in Lacs)			
Sr. No.	Particulars	31/03/2008 (Audited)	31/03/2009 Estimates
A	1) Export receivables	1303.51	1911.43
	2) Other current assets	2957.51	3211.37
	Total current Assets	4261.02	5122.80
B	Current liabilities other than bank borrowings	3235.67	3098.73
C	Working Capital Gap (A-B)	1025.35	2016.07
D	Minimum stipulated net working capital (25% of C - A(1)).	(1047.17)	(1407.41)
E	Actual/ projected Net Working Capital (NWC)	(1698.10)	(1589.50)
F	Item C - D	2072.52	3423.49
G	Item C - E	2723.45	3605.57
H	Maximum permissible bank finance (MPBF)	2723.45	3605.57
I	Actual sanction / Estimated Bank borrowings	2825.00	2675.00
J	Excess/ (Short fall) in working capital funding	101.55	(930.57)



Based on the past working capital assessment Maximum Permissible Bank Finance for 2008-09 works out to Rs. 3605.57 lacs. The proposal for assessment of working capital of the company based on financial results as on March 31, 2008 has been submitted to the banks. The present aggregate fund based working capital facility sanctioned by all the bankers of the company is Rs. 2825 lacs. State Bank of India has renewed the fund based limit for Rs.1000 lacs as against Rs. 1150 lacs sanctioned earlier. The assessment from other working capital banks is yet to be completed. Thus there is a gap of Rs.930.57 lacs which is proposed to be part financed through the present rights issue.

The declining profit before depreciation coupled with the term loan repayment liability has adversely affected the company's long term fund component in the Working Capital which resulted in excess working capital borrowing from the banks. During the year 2007-08 the company has repaid long term loan liability of Rs.732.60 lacs which after adjusting cash accruals of Rs.54 lacs of the year resulted in depletion of Rs.678.60 lacs during the year.

In view of the above, various ratios such as current ratio, debt service coverage ratio, etc deteriorated below their acceptable benchmark norms of the bankers to enable them to sanction enhanced limits. With the increasing operating level the requirement of working capital also increased due to which there was a need to infuse long term owned funds to augment the present and future working capital requirements and to ease the liquidity constraint for smoother operations.

With the increase in operating levels the working capital requirements has also increased. Thus there was a need to infuse long term funds to augment the present and future working capital requirements and ease the liquidity constraint for smoother operations and better current ratio.

Inventory & Receivables Holding Levels:

Particulars	Audited		Estimates	
	Holding Level (Months)	31/03/2008 (Rs.in Lacs)	Holding Level (Months)	31/03/2009 (Rs.in Lacs)
Raw Materials				
1. Imported	(2.00)	264.17	(2.00)	416.67
2. Indigenous	(1.31)	355.49	(0.56)	233.33
Stock in process	(0.29)	160.91	(0.20)	175.00
Finished Goods	(0.37)	213.80	(0.66)	550.00
Receivables				
3. Export	(2.38)	1303.51	(2.25)	1911.43
4. Domestic	(0.92)	72.64	(0.86)	94.39
Advances to suppliers of RM, Stores & spares	-	128.56	-	70.00
Consumable spares	--	370.89	--	300.00
Other Current Assets	-	1391.05	-	1371.65
Total Current Assets	-	4261.02	-	5122.47
• Creditors	3.37	1509.12	2.88	1800.00
Other Current Liabilities	-	1652.39		1229.47
Statutory Liabilities	-	74.16		77.26
Total Current Liabilities (other than Bank Borrowings)	-	3235.67		3106.73

***Justification for holding levels:***

Raw materials :- Benzene, Nitric Acid, Cast Iron Powder, Caustic Potash Lye, Caustic Potash flakes, are the major raw materials for the company. The company imported about 14% of raw material where as about 86% of the total raw material was procured indigenously during the Year ended March 31, 2008. The company is gradually increasing the share of imported raw materials in its total raw materials consumption which has dual benefit of ensuring availability at competitive cost as well as has partial hedging against foreign exchange fluctuations. For imported raw materials the Company has projected a holding level of 2.00 months for the year ended March 31, 2009 which is equal to the levels for the last year. For Indigenous raw materials the Company has projected a holding level of 0.56 months for the year ended March 31, 2009 as against actual level of 1.31 months for the year ended March 31, 2008.

Stock in process: - The Company has projected a holding level of 0.20 months for the year ended March 31, 2009 as against actual level of 0.30 months for the year ended March 31, 2008.

Finished goods: The Company has projected a holding level of 0.66 months for the year ended March 31, 2009 as against actual level of 0.37 months for the year ended March 31, 2008.

Receivables: The export sales were about 87% of the overall sales (excluding other income) for the financial year ended March 31, 2008. Outstanding export receivables as on 31/03/2008, are for less than 90 days. The company expects the exports to remain at the same level. The company proposes to curtail credit period to its clients to reduce the working capital requirement and also to reduce cost of such credit. For export receivables the Company has projected a holding level of 2.25 months for the year ended March 31, 2009 as against level of 2.39 months for the year ended March 31, 2008. For Domestic receivables the Company has projected a holding level of 0.86 months for the year ended March 31, 2009 as against level of 0.83 months for the year ended March 31, 2008.

Consumable stores: The gross block of fixed assets of the company is about Rs. 9000 lacs. The consumable stores includes certain long delivery as well as insurance spare parts which are necessary to be kept in inventory to ensure quick maintenance of break down to avoid rejection of any on going batch in the production process as well as to avoid production loss. The Company has projected for consumable stores holding level of 3.33% of fixed assets gross blocks for the year ended March 31, 2009 as against the level of 3.80% for the year ended March 31, 2008.

Other current assets: This includes receivables from government agencies on account of refunds of Central Excise and State VAT paid on various inputs and duties and taxes paid on the imported inputs which the company is unable to setoff fully against its liabilities for the said taxes and duties which is payable on its domestic sales which is about 10-15% only of its total turnover.

Creditors: The Company proposes to reduce its dependence on supplier's credit as it is not only costly but also because it is uncertain during period of short supply of the raw materials. Due to liquidity crunch the creditors had shot up during the year ending March 31, 2008. The creditors rose to the level of 3.37 months for the year ending March 31, 2008. The company has started sourcing the raw material from the international market instead of depending entirely on indigenous market. It is an added advantage of hedging against rupee appreciation. The company has projected creditors at level of 2.88 months for the year ended March 31, 2009.



Banks Existing Sanctioned Limits

The existing fund based limits Rs.2675 Lacs and non-fund based limits Rs.1000 Lacs are shared amongst banks as follows:

(Rs.in Lacs)

S.No.	Name of Bank	Total Fund Based Limits Amount	%	Non-Fund Based Limits Amount	%
1	State Bank of India	1,000	37.38	300	30.00
2	Axis Bank Ltd.	1,200	44.85	400	40.00
3	State Bank of Patiala	475	17.75	300	30.00
	TOTAL	2,675	100.00	1,000	100.00

Currently the company is enjoying the above working capital facilities from the banks. The State Bank of India has renewed the fund based limit for Rs.1000 lacs as against Rs.1150 lacs sanctioned earlier. The non-fund based limit sanctioned by SBI is increased from Rs. 100 lacs to Rs. 300 lacs. The effect of the same has been given in estimates of working capital requirements by mentioning actual figures

As per the estimates of the company the shortfall in working capital requirements based on estimates for the year March 31, 2009 is Rs.930.57 lacs. One of the promoter group companies has brought in unsecured loan to the extent of Rs.350 lacs upto March 31, 2008 and has consented to adjust the same towards their rights entitlement. Further, the company has availed Inter Corporate Deposit (ICD) from IDream Holding Pvt. Ltd. to the extent of Rs.400 lacs. The company has agreed to mark a lien on the proceeds of the rights issue towards repayment of the said ICD. The company proposes to fund the working capital gap through internal accruals, availing fresh bank finance and/or interchanging of the fund based and non-fund based limits by requesting existing banks.

The proceeds of the Rights issue to the extent of Rs.686.00 Lacs would be infused to augment working capital requirements which will go a long way in improving the current ratio. The infusion of working capital funds at this stage would improve the liquidity position.

2. Issue Expenses

The break up of issue expenses is as given below:

(Rs. in Lacs)

Sr. No.	Particulars	Amount
1	Fees to the intermediaries	20.00
2	Printing & Stationery and Postage expenses	4.00
3	Legal, statutory and other certification charges	1.50
4	Advertisement	3.50
5	Miscellaneous Expenses	0.90
	Total	29.90

APPRAISAL

The fund requirement is not appraised by any Bank or Financial Institution. The same is based on existing working capital requirements estimated by the company.



SCHEDULE OF IMPLEMENTATION

Deployment of Issue Proceeds:

Activity	Jan '08 to March '08 (Rs.in Lacs)	Apr '08 to March '09 (Rs.in Lacs)	Total (Rs.in Lacs)
Long term working capital	350.00	336.00	686.00
Issue expenses	3.50	26.40	29.90
Total	353.50	362.40	715.90

SOURCES & DEPLOYMENT OF FUNDS

As certified by the auditors of the company M/s. V Sankar Aiyar & Co. the company has deployed an amount of Rs. 750.00 lacs, out of the sources of finance mentioned below including towards the Objects stated in the Letter of Offer to be issued to the shareholders of the Company for the proposed rights issue as detailed below:

(Rs. in lacs)	
Particulars	Amount
Deployment of Funds	
Working Capital	740.30
Issue Expenses	9.70
Total	750.00
Sources of Fund	
Unsecured loan from promoters	350.00
Inter Corporate Deposit	400.00
Total	750.00

As per the estimates of the company the shortfall in working capital requirements based on estimates for the year March 31, 2009 is Rs.930.57 lacs. One of the promoter group companies has brought in unsecured loan to the extent of Rs.350 lacs upto March 31, 2008 and has consented to adjust the same towards their rights entitlement. Further, the company has availed Inter Corporate Deposit (ICD) from IDream Holding Pvt. Ltd. to the extent of Rs.400 lacs. The company has agreed to mark a lien on the proceeds of the rights issue towards repayment of the said ICD.

INTERIM USE OF FUNDS

The deployment of funds raised through the rights issue would be mainly for the purposes of funding long term working capital requirements. The interim use of funds is not involved as funds will be available on completion of issue.

MONITORING OF UTILIZATION OF FUNDS

There is no requirement for a monitoring agency in terms of clause 8.17 of the SEBI (DIP) Guidelines. The audit committee appointed by the Board of Directors will monitor utilization of Issue proceeds. The



company will disclose the utilization of the proceeds of the issue under a separate head in the balance sheet clearly specifying the purpose for which such proceeds have been utilized. The company will also, in the balance sheet provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

BASIC TERMS OF THE ISSUE

The Equity shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Letter of offer and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, GOI, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable



BASIS FOR ISSUE PRICE

QUALITATIVE FACTORS

1. Experienced promoters and professional management:

The promoters of the company have more than 34 years of experience in chemical industry. The company is managed by a team of experienced professionals from the field of Chemicals with vast experience. The company has good profit making track record except for few aberrations due to external factors.

2. Strong product mix

The company has a strong product mix and its products are well accepted with its clients nationally as well as internationally.

3. The company's in-house Research & Development unit is recognized by Department of Scientific and Industrial Research, Ministry of Science & Technology, Govt. of India.

4. Strong customer relationships

The company's team interacts closely with customers to understand their needs and product requirements.

QUANTITATIVE FACTORS

(a) Earnings Per Share (EPS)

Year Ended	EPS (Rs)	Weights
31/03/2006	5.13	1
31/03/2007	1.13	2
31/03/2008	(16.44)	3
Weighted Average EPS	(6.99)	

Diluted Earning Per Share of the company as on March 31, 2008 is negative

Diluted Earning Per Share = $\frac{\text{Restated profit available to equity shareholders}}{\text{Weighted no. of diluted equity shares}}$

(b) Price Earning Ratio (PE)

The P/E based on the EPS as on March 31, 2008 is negative

(c) Return on Net worth (RONW)

Year Ended	RONW (%)	Weights
31/03/2006	5.11	1
31/03/2007	1.12	2
31/03/2008	(18.63)	3
Weighted Average RONW	(8.09)	

(d) RONW of the company is negative as on March 31, 2008 i.e. (18.63)%

Minimum Return on increased network required to maintain pre issue EPS of Rs.(6.99) = 25.52%

**(e) Net Asset Value (NAV)**

NAV as on March 31, 2008 (Rs.)	88.24
Post Issue (Rs.)	27.39

Note: Net Asset Value Per Share = (Equity Share Capital *plus* Reserves & Surplus *less* Miscellaneous Expenditure to the extent not written off)/No. of Equity Shares

(f) Industry P/E Ratio

Highest (Godrej Industries Limited)	71.80
Lowest (Panama Petrochem Limited)	2.90
Average	13.80
Source: Capital Market Issue Sep 08- Sep 21, 2008; Segment- Chemicals	

Comparison of key ratios with the companies in the same industry group

Company Name	Equity (Rs. in Cr.)	Face Value (Rs.)	Sales as on 31/03/2008 (Rs. in Cr.)	Book Value (Rs.)	EPS (Rs.)	Price as on 10/09/2008	P/E Ratio at the market price as on 10/09/2008
BOC India Limited	85.28	10	298.20	113.7	2.0	173.55	86.78
Panama Petrochem Limited	4.36	10	196.90	73.3	24	129.60	4.17
Arvind Chemicals Limited	9.90	10	90.30	11.0	2.7	45.70	228.50
Kilburn Chemicals Limited	8.18	10	70.60	40.1	7.6	22.05	9.18
Punjab Chemicals & Crop Protection Limited	6.59	10	308.90	122.5	9.9	293.20	6.56
Vivimed Labs Limited	7.26	10	126.30	88.3	18.5	74.20	3.88
Sadhana Nitro Chem Limited	2.04	10	50.35	86.83	(16.44)	73.45	--

Source: Capital Market Issue Sept 08 – Sept 21, 2008; Segment- Chemicals

The Companies in the above list have been selected on the basis that they are listed Companies engaged in providing specialty chemicals. However, their performance may not be directly comparable with that of our business as they cater to different segments of the market and therefore their business portfolio will vary.

The Issue Price of Rs. 10/- per share is the same as the Face Value of Rs.10/- per share of the Equity Shares being issued. The market price of the shares of the Company as on the date of approval of the rights issue by the Board ie; December 7, 2007 was Rs. 67.65 at BSE. The price of the shares of the Company as on the date Extra Ordinary General Meeting ie; January 22, 2008 was Rs. 90.45 at BSE.

Considering the above qualitative and quantitative factors, the issue price of Rs.10/- per equity share (i.e.; at par) is justified.



STATEMENT OF TAX BENEFITS

The Board of Directors,
Sadhana Nitro Chem Limited
Mumbai

We hereby report that the enclosed annexure states the tax benefits available to Sadhana Nitro Chem Limited (The Company) and its shareholders under the tax laws presently in force in India. Several of these benefits are dependent on the company or its shareholders to derive the tax benefits in dependent upon them fulfilling such conditions, which on business imperatives the company faces in the future, the company may or may not choose to fulfil.

The benefits discussed in the statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In viewing individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising from their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- (i) the company or its shareholders will continue to obtain these benefits in future, or
- (ii) the conditions prescribed for availing the benefits have been/ or would be met with.

The contents of this Annexure are based on information, explanations and representations obtained from the company on the basis of our understanding of the business activities and operations of the company.

For V. Sankar Aiyar & Co
Chartered Accountants

Sd/-

V. Mohan
Partner
M.No: 17748

Mumbai
Date: April 29, 2008

STATEMENT OF TAX BENEFITS

Under the Income Tax Act, 1961 (The Act)

Specific Benefit available to the Company

1. Under Section 10B of the Income Tax Act the company will be entitled to a deduction of 90% of the profits and gains derived by a hundred per cent export oriented undertaking upto the beginning of the assessment year 2010.

General Benefits available to the Company.

1. Any dividend received by the Company as referred to in Sec 115-O from other domestic companies is exempt u/s 10(34) of the Income Tax Act, 1961.
2. Under Section 35(1)(iv) of the Income tax Act the Company will be entitled to a deduction of the entire capital expenditure (other than on acquisition of land) incurred on Scientific Research related to the business carried on by the company in the year such expenditure is incurred.
3. The Company will be entitled to amortization of expenses over a period of 5 years under the provisions of section 35D of the Income Tax Act, in respect of the expenditure incurred by the Company being in nature of preliminary expenses and share issue expenses such as underwriting commission, brokerage other charges etc., subject to the limits prescribed under the said section.
4. Under Section 115JAA(1A) ,for the amount of tax paid under Section 115JB(1) ,credit shall be allowed in accordance with the provisions of that Section ,which can be adjusted against future tax liability.

Benefits available to resident shareholders

Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or specified Mutual Fund units) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and specified Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other listed securities or units of UTI or specified Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.



Under section 10(38) of the Act, long term capital gains arising on sale of shares where the transaction of sale is entered into on a recognized Stock Exchange in India, on or after the date on which Chapter VII of the Finance Act, 2004 comes into force, such transaction chargeable to Securities Transaction Tax shall be exempt from tax.

Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company that are not exempt under section 10(38) of the Act, shall not be chargeable to tax if the whole or any part of the capital gains is invested in certain notified bonds within a period of six months after the date of such transfer. However, if the said bonds are transferred or converted into money within 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company that are not exempt under section 10(38) of the Act, shall not be chargeable to tax if the whole or any part of the capital gains is invested in acquiring equity shares of Indian Company forming part of an “eligible issue of share capital” within a period of six months after the date of such transfer. However if the said shares are transferred within a period of one year from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are transferred. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Under section 54F of the Act, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company, will be exempt from tax subject to other conditions specified therein, if the sale proceeds from such shares are used for the purpose of purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Under section 111A of the Act, short term capital gains arising on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after the date on which Chapter VII of the Finance Act, 2004 comes into force shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

Under section 112 and other relevant provisions of the Act, long term capital gains arising on transfer of shares of the company not covered by section 10(38) of the Act, shall be subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder. However, as per the proviso to section 112(1) of the Act, if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10% without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

Benefits available to Non Residents

By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115-0 of the IT Act, are exempt from tax in the hands of the recipients.

Tax on Investment Income and Long Term Capital Gain:

Under Section 10(38) of the Act, long term capital gains arising on sale of shares where the transaction of sale is entered into on a recognized Stock Exchange in India, on or after 01/10/2004, such transaction chargeable to Securities Transaction Tax shall be exempt from tax.

Under Section 111A of the Act, short term capital gains arising on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after 01.10.2004 shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to certain Incomes of Non-Residents.

Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge) without indexation benefit but with protection against foreign exchange fluctuation. Capital gain on transfer of Foreign Exchange Assets, not to be changed in certain cases.

Under provisions of Section 115F of the Income tax Act, 1961, long term capital gains (not covered under section 10(36) of the Act) arising to a non resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition. Return of Income not to be filed in certain cases.

Under provisions of Section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

Other provisions:

Under Section 115-1 of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 if the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost Indexation benefits will not be available in such a case.

Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10 (36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a



period of 6 months from the date of transfer in the bonds issued by National Bank of Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988. Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act 1956. National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987. Small Industries Development Bank of India Act, 1989. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

Under Section 54F of the Income Tax Act, 1961 and Subject to the condition and to the extent specified therein. Long term capital gains (incase not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Under Section 112 of the Income Tax Act, 1961, and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to Section 48; indexation not available if investments made in foreign currency as per the first proviso to section 48 stated above) or at 10% (plus applicable surcharge) (without indexation), at the option of assessee.

Benefits available to Mutual Funds

Under section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income-tax on all their income, including income from investment in the equity shares of a company.

Benefits available to Venture Capital Companies / Funds

Under section 10(23FB) of the Act, all venture capital companies / funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income-tax on all their income, including income from investment in the equity shares of a company.

Benefits available to resident shareholders under the Wealth Tax Act, 1957

Shares of the Company held by the shareholders will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and hence Wealth Tax will not be applicable.

Benefits available to resident shareholders under the Gift Tax Act, 1958

Gift of shares of the Company made on or after October 1, 1998 would not be liable to Gift Tax provided the gift is made to related persons. Gift of shares of the company to unrelated persons exceeding Rs 25,000/- would however be taxed as income in the hands of the recipient as per amendment made by the Finance Act, 2004.



SECTION III - ABOUT COMPANY

The Industry information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Company, the Lead Manager or any of their respective affiliates or advisors or the sources referred to herein.

In this Section, we have relied on and referred to information regarding the industry and competitors from market research reports, and other publicly available sources. Although we believe that this information is reliable, we have not independently verified the accuracy and completeness of the information.

INDUSTRY OVERVIEW

Industry brief

Chemical industry is one of the oldest industries in India. It not only plays a crucial role in meeting the daily needs of the common man, but also contributes significantly towards industrial and economic growth of the nation.

The global chemical industry, estimated at US \$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, chemicals industry has still grown at a rate higher than the overall manufacturing segment.

As per the industry reports the pharmaceutical segment contributes approximately 26% of total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approx. size of \$ 750 billion while the speciality and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of speciality chemicals, fine chemicals and pharmaceuticals.

The Indian Chemical Market Segment wise is as under: -

Segment	Market Value (billion US\$)
Basic Chemicals	20
Speciality Chemicals	9
High End / Knowledge Segment	6
Total	35

The Indian Chemicals Industry comprises both small and large-scale units. The fiscal concessions granted to small sector in mid-eighties led to establishment of large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, branch building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

As the Indian economy was a protected economy till the early nineties, very little large-scale R&D was undertaken by the Chemical industry to create intellectual property. The Industry would, therefore, have to make large investments in R&D to successfully counter competition from the international chemicals industry. India has a number of scientific institutions and the country's strength lies in its large pool of highly trained scientific manpower.

India also produces a large number of fine and speciality chemicals, which have very specific uses and are essential for increasing industrial production. These find wide usage as food additives and pigments, polymer additives, anti-oxidants in the rubber industry, etc.

Dye Industry

The Dyestuff sector is one of the important segments of the chemicals industry in India, having forward and backward linkages with a variety of sectors like textiles, leather, paper, plastics, printing inks and foodstuffs. The textile industry accounts for the largest consumption of dyestuffs. From being importers and distributors in the 1950's, it has now emerged as a very strong industry and a major foreign exchange earner. India has emerged as a global supplier of dyestuffs and dye intermediates, particularly for reactivities, acid, vat and direct dyes. India accounts for 7% of the world production.

Pesticides Industry

Chemical fertilizers and pesticides played an important role in the "Green Revolution" during the 1960s and 1970s. Indian exports of agrochemicals have shown an impressive growth over the last five years. The key export destination markets are USA, U.K., France, Netherlands, Belgium, Spain, South Africa, Bangladesh, Malaysia and Singapore.

India is one of the most dynamic generic pesticide manufacturers in the world with more than 60 technical grade pesticides being manufactured indigenously by 125 producers consisting of large and medium scale enterprises (including about 10 multinational companies) and more than 500 pesticide formulators spread over the country. India is the 4th largest producer of agrochemicals after USA, Japan and China. The agrochemicals market in India is Rs.4500 crores.

The government is promoting research on the use of alternative and safe pesticides using neem seeds. A country programme entitled "Development and production of neem products as Environment Friendly

Pesticides” is being undertaken by the Department of Chemicals & Petrochemicals with the financial assistance of United Nations Development Programme (UNDP).

Licensing Policy

In Chemical Sector, 100% FDI is permissible. Manufacture of most chemical products inter-alia covering organic / inorganic, dyestuffs & Pesticides is delicensed. The entrepreneurs need to submit only IEM with the Department of Industrial Policy & Promotion provided no locational angle is applicable. Only the following items are covered in the compulsory licensing list because of their hazardous nature.

- Hydrocyanic acid & its derivatives
- Phosgene & its derivatives
- Isocyanates & di-isocyanates of hydrocarbons.

Customs Duty

- The peak rate of Customs Duty on most Chemicals is 7.5%
- On basic raw materials like acid grade fluorspar, sulphur, rock phosphate, natural borates is 5%
- On most building blocks & feedstock the duty is 5% (ethylene, propylene, crude, naptha, benzene, toluene, xylene, ethyl benzene)

Group-wise capacity & production of major chemicals in organized sector

(Fig. in MT)

Main Groups	Inst. Cap. as on	Production					
	March 2007	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6	7	8
I: ALKALI	7072334	4342305	4792345	5070374	5271675	5474614	5268987
II: NORGANIC	748615	374132	403827	440608	508157	543965	602309
III: ORGANIC	1889448	1166575	1352653	1473855	1505895	1545262	1545442
IV:PESTICIDES	145391	81803	69565	85118	93966	82240	84701
V : DYES	52591	24789	26196	25940	28498	29541	32552
TOTAL MAJOR CHEMICALS (I+II+III+IV+V)	9908379	5989604	6644586	7095895	7408191	7675622	7533991



GROUP - WISE EXPORT & IMPORT OF CHEMICALS

(Rs. Crore)								
Group	ITC- HS Commodity Level Code	Trade	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Inorganic Chemicals *	2 digit- 28	Export	1259	1946	1949	2871	3431	3629
		Import	5730	5579	5916	8130	10446	11473
Organic Chemicals	2 digit - 29	Export	7624	10190	12975	16269	21504	25950
		Import	8795	10695	14363	18785	22776	27330
Dyeing, Tanning and Coloring matter	2 digit - 32	Export	2436	2943	3112	3111	3750	4562
		Import	1138	1344	1617	1878	2245	2720
Pesticides	4 digit - 3008	Export	1356	1487	1746	2096	2791	2877
		Import	362	287	501	712	754	806

**including compounds of precious metals, or rare earth metals of radioactive elements or of isotopes as classified by DGCIS Kolkata.*

(Source extracts from: www.chemicals.nic.in/chem3.htm as on March 03, 2008)

CHEMICAL SPECIALITY

Speciality chemicals have a huge role in global economy. In virtually every process of step followed in any industry the use of speciality chemical can be found. Even in agriculture speciality chemical is being used to increase the production of crops. In agriculture speciality chemical can be found in many forms like fertilizers.

Some major areas apart from agriculture, where speciality chemical is used are construction & pipes, electronic materials, ink and graphics, fabric care, packaging, paint and coating, paper and board, personal care, photo and digital imaging, plastics and rubber, textile and fibers, water treatment and in automotive areas.

Under the category speciality chemical there are several subcategories like adhesive chemicals, mining chemicals, agricultural chemicals, aromatic chemicals, automotive chemicals, battery chemicals, cleaning chemicals, coating chemicals, construction chemicals and cosmetics chemicals to name a few.

Industrial Chemicals

Industrial chemicals are widespread in consumer products and in the environment. Industrial chemicals are used for solving problems, though the consequences or the price to be paid, in the form of environmental degradation and poor public health.

Commercially available industrial chemicals are used as starting materials or precursors, in the production of chemical agents. Industrial chemicals include chlorine, ammonia, solvents, pesticides, fertilizers and petrochemicals such as ethylene glycol and chlorinated hydrocarbons (such as chloroform and TCE). Industrial chemicals are extensively used in plastic manufacturing. Many toxic industrial chemicals might be used as weapons.



AGRICULTURAL CHEMICALS

Agricultural Chemicals are a generic term for the various chemical products used in agriculture. In most cases, agri chemical refers to the broad range of pesticides, herbicides, and fungicides, but it may also include synthetic fertilizers, hormones and other chemical growth agents, and concentrated stores of raw animal manure. Most agri chemicals are toxic, and all agri chemicals in bulk storage pose significant environmental and/or health risks, particularly in the event of accidental spills.

TEXTILE CHEMICALS

Textile manufacturing is usually synthesized from chemicals. Numerous types of textile chemicals are divided in two categories i.e. one that remain on the fiber, and one that is used to wet or clean the fiber or otherwise function in some related operation. Textile chemicals are usually used in the finishing of fabrics. Furthermore, some other chemical contributions are finishes on traditional fabrics for wrinkle resistance, shrinkage control, and color fastness.

Preparation is concerned with wet chemical processes that removes the foreign matter from the fabric. Prolonged hot treatment with alkali (sodium hydroxide) and strong detergent is required to break down and remove the naturally occurring impurities in cotton. Coloring is done by dyeing and the coloring materials may be either dyes or pigments. Antistatic, antibacterial or soil-repellent finishes, may be applied to fit the fabric for specific use

Production capacity of the company

(metric tonnes per annum)

Product	Installed	Capacity utilized		
		2007-08	2006-07	2005-06
Nitrobenzene	9000	3073.04	2783.41	2598.92
Metanilic Acid	1800	436.11	344.72	572.11
Aniline 2,5 DSA	750	528.14	273.62	300.87
Aniline 2,4 DCA	200	98.02	281.94	120.82
Meta Amino Phenol	2000	1420.68	1357.23	1144.69
BTCA	250	221.02	142.94	321.56
Colour Former	175	144.67	132.60	53.30

Competition Scenario in Major Products manufactured by SNCL:

Nitrobenzene:

Nitrobenzene is manufactured mainly for captive consumption for manufacturing other down stream value added products. About 90-95% of the Nitrobenzene production is consumed captively and only 5-10% of the production is sold in the domestic market. There is a fair degree of competition from other domestic manufacturers like Hindustan Organic Chemicals Limited, Arti Industries Limited, etc. However company is not much affected by competition as Nitrobenzene is mainly consumed captively.

Metanilic Acid, Aniline 2,5, Disulphonic Acid and Aniline 2,4 Disulphonic Acid:

About 80-85% of above products are exported and only 15-20% is sold in domestic market. There is high degree of price competition from Chinese manufacturers and local small and medium scale manufacturers. The competitors have marginally lower overheads in terms of lower wages. However the company has efficient production processes and the Nitrobenzene which is a major raw material for Metanilic Acid and Metanilic Acid is major raw material for Aniline 2,5 Disulphonic Acid are captively available. Thus the company has a better operating synergy than its competitors. The quality of above



product produced by the company is superior to that of the competitors. The company has competitive edge in International market against Chinese Manufacturers in terms of quality of products and its commitment to honour the contract.

Meta Amino Phenol:

About 90-95% of Meta Amino Phenol is exported and only 5-10% is sold in local market. There was competition from Japanese competitors who have as per market information suspended their Meta Amino Phenol production which has curtailed the global capacity. Presently the competition is from Chinese manufacturers. The competitors have marginally lower overheads in terms of lower wages, taxes etc. However the company has efficient production process and the Sodium Metanilate produced from Nitrobenzene which is a major raw material for Meta Amino Phenol is captively available. Thus the company has better operating synergy than its competitors. The quality of Meta Amino Phenol produced by the company is superior to that of the competitors. The company has competitive edge in International market against Chinese Manufacturers in terms of quality of products and its commitment to honour the contract.

BTCA:

BTCA plant of the company is 100% EOU Unit. There exists Japanese and Chinese competition in BTCA market for the company. The company has cost advantages in terms of lower overheads than that of Japanese competitors and better quality standards than the Chinese competitors. The entire production of BTCA of the company is exported to Japan.

Colour Former:

More than 100% of the Colour Formers are exported. There exists competition from Chinese, Japanese, Swiss and US manufacturers. However, in view of cost advantage in terms of lower overheads and high standard of quality the company is able to export its entire production.

As per the estimates of the Company the average demand scenario for past 3 years for the major products of the company are as follows:

(Units: Tonnes per annum)

Name	Demand		No. of Competitors	Countries where products are sold
	Local	Exports		
Nitrobenzene	70000	NA	3	Belgium, Italy, India
Metanilic Acid	1000	12000	6	Germany, Korea, Taiwan, India
Aniline 2,5	1000	15000	8	Germany, Korea, Brazil, Spain, India
Aniline 2,4	NA	1500	5	Taiwan, Germany, Korea
Meta Amino Phenol	350	4000	7	Germany, USA, Spain, China, Japan, Taiwan, Singapore, Pakistan, India and Brazil
BTCA	NA	1000	3	USA, Japan, Korea, UK
Colour Former	NA	8000	6	USA, Japan, Korea, China

NA= Not available as data pertaining to exports market is not available with the company.

To the best of our knowledge/ information there is no local demand for these products.



BUSINESS OVERVIEW

Sadhana Nitro Chem Ltd. (SNCL) is an ISO 9001:2000 certified company committed to producing high quality chemical intermediates, Nitrobenzene and its downstream derivatives.

Over the years the company has built up a reputation of manufacturing quality products accompanied by excellence in service to clients worldwide.

At present, SNCL is engaged in the manufacture and marketing of Nitrobenzene and its downstream derivatives and intermediates for various applications in Pharma, Agro, Dyes, Optical Blackening agents, Special Fibers, Epoxy resin hardeners, colour formers, light stabilizers, resin for aerospace, etc.

SNCL has 2 wholly owned subsidiaries as: Anuchem b.v.b.a. Antwerp, Belgium and Anuchem Pte. Ltd. in Singapore set up to provide "Just in Time Service" to the clientele.

In recognition of its superior performance, SNCL has been granted the status of a "Two Star Export House" by the Directorate General of Foreign Trade, Ministry of Commerce, Government of India.

CHEMEXIL has awarded SNCL export awards for the excellent performance in exports of dyes and dye intermediates and chemicals category during the years 1985-86, 1986-87 and 1989-90.

SNCL has a well equipped research and development department recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India.

Products of the company:

Product name	Features				Key applications
	Appearance	Purity	CAS No.	M.W.	
Nitrobenzene	Pale yellow colored liquid	Min 99.5%	98-95-3	123.0	Used in the manufacture of Aniline, dyes, pharmaceuticals and agrochemicals
Metanilic Acid	Off white to white colored powder	Min 99.0%	121-47-1	173.2	Dye intermediate used in the manufacture of Azo dyes, direct dyes, reactive dyes, fluorescent brightening agent
Sodium Meta Nitrobenzene Sulfonic Acid	Off white to light yellowish colored powder or granules of 2-3 mm size	Min 96.0%	127-68-4	225.2	Used as a mild oxidizing agent in textile printing of clothes and also in electroplating industries and dyes.
3,3 Dinitro Diphenyl Sulphone	White colored floppy powder		1228531	308	Used in epoxy resin hardner
Aniline 2,4 Disulfonic Acid	White colored moist crystalline powder	Min 75.0%	137-51-9	253	Manufacture of dyes



Product name	Features				Key applications
	Appearance	Purity	CAS No.	M.W.	
Aniline 2,5 Disulfonic Acid	Very slight pinkish white moist powder	Min 80.0%	98442	253	Intermediate used in the manufacture of optical brightening agents and dyes
Meta Amino Phenol	Off white to white colored flakes	Min 99.5%	591-27-5	109.13	Color formers, dyes, leather dyes, hair dyes, agrochemicals, pharmaceutical & M fibers, Resin for aerospace
N,N Diethyl Meta Amino Phenol	Faint pinkish	Min 99.0%	91-68-9	165.23	Dyes & color formers
3 - Diethylamino phenetole	Drak brown vicious liquid	Min 99.0%	1864-92-2	193	Intermediates for dyes
Butane 1,2,3,4 Tetracarboxylic Acid	White colored crystalline powder	Min 99.0%	1700-50-0	234.16	Light stabilizer
3 - Isopropoxy Aniline	Colorless to pale brownish transparent	Min 98.0%		151	Agro Chemicals
Spiro[isobenzofuran-1(3H), 9' [9H]xanthenes - 3 one 6' (diethylamino)- 3' methyl - 2' (phenyl amino)	Off white to light pinkish tinge colored powder	Min 99.0%	29512-49-0	476	Thermal dyes
Spiro[isobenzofuran-1(3H), 9' [9H]xanthenes]-3-one 6' (dibutylamino)-3'-methyl-2'-(phenyl amino)	Light colored powder	Min 99.5%	89331-94-2	532	Thermal dyes
Spiro[isobenzofuran-1(3H), 9' [9H]xanthenes]-3-one-6'-(diethyl amino)-3'-methyl-2'-(2,4-dimethylphenylamino)	Off white to light buff colored powder	Min 99.0%	36431-22-8	504	Thermal dyes
2-Di(phenyl methyl)amine-6'-diethylaminospiro(isobenzofuran-1(3H), 9'-[9H] xanthen-3-one		Min 99.0%	34372-72-0	566.73	Thermal dyes

Manufacturing process:

Sadhana Nitro Chem Limited established in 1972 has started its first plant of Nitrobenzene in 1974 having capacity to produce 9000 MT / Year.

Nitrobenzene is produced continuously by nitration of Benzene with Nitric Acid and Sulphuric Acid. Once nitration is over organic layer of crude Nitrobenzene is separated out and spent acid is stored as a byproduct. Crude Nitrobenzene is washed with alkalie and then with water and is distilled out to get pure Nitrobenzene.



To make use of Nitrobenzene captively its down stream products were developed in company's Research & Development Laboratory. These products are Metanillic Acid, Resist Salt, Meta Amino Phenol, Aniline 2,5 Disulphonic Acid and are produced commercially in various plants.

Afterwards other products such as Aniline 2,4 Disulphonic Acid and 1,2,3,4 Butane tetracarboxylic acid were developed and commercialised.

Later on downstream products from m.Amino Phenol known as Colour Formers were developed and also started producing in multipurpose plant. These Colour Formers are SND-9, SNB-18, SND-27 & SNG-36.

Metanillic Acid & Resist Salt are produced by Sulphonation of Nitrobenzene with Oleum followed by dumping in alkalie to neutralise it. From this Resist Salt is produced by concentration etc. or if it is reduced by iron in acidic media to get Na-Metanillate which is raw material for producing Meta Amino Phenol.

If Na-Metanillate is neutralised with acid then Metanillic Acid is produced.

Aniline 2, 5 Disulphonic Acid is produced by Sulphonation of Metanillic Acid and then salting it out with suitable salt.

Aniline 2, 4 Disulphonic Acid is produced by Sulphonation of Sulphanilic Acid followed by salting it out.

1,2,3,4 Butane tetracarboxylic acid is produced by oxidation of Tetra Hydro Pthalic Anhydride.

Colour Formers :-

SND-9

This is produced by condensation of Diethyl Keto Acid with Methyl Methoxy Diphenyl Amine and then cyclisation in alkaline condition is done followed by recovery of solvent and isolation of product.

SNB-18

This is produced by condensation of Diethyl Keto Acid with Trimethoxy Diphenyl Amine followed by cyclisation recovery of solvent and isolation of product.

SND-27

This is produced by condensation of Dibutyl Keto Acid with Methyl Methoxy Diphenyl Amine followed by cyclisation, recovery of solvent and isolation of product.

SNG-36

This is produced by condensation of Diethyl Keto Acid with Diphenyl Amine followed by cyclisation, recovery of solvent and isolation of product.

Above various products manufactured by Sadhana Nitro Chem Limited involves various chemical reactions such as Nitration, Sulphonation, Reduction, Isolation, Fusion, Desalification, Oxidation, Condensation, Cyclisation, High Vacuum distillation and so on.

SWOT Analysis

Strengths:

- Good and well maintained manufacturing facility
- Experienced Senior Management team
- Good Research and development
- Independent Quality Control
- Trained manpower and;
- Established and reputed clientele

Weaknesses:

- **Cost disadvantage:** An analysis of the cost structure reveals that the company faces a number of disadvantages when compared to companies in other developing countries. The company has to face higher taxes, higher cost of finance and an unfavorable import duty structure. Poor infrastructure in the country makes it difficult to transport feedstock as well as the finished goods. In addition, the high cost of raw materials, utilities and capital translate into higher manufacturing costs.
- **Labour laws**
- **Losses:** Accumulated losses are affecting the cash flows of the company & may also affect Capacity utilization level.
- **High debt repayment liability vis-à-vis profitability**

Opportunities:

- **Demand:** Demand for the range of products of the company are in the increasing trends all over the world
- **Loyal clientele:** The current customers of the company are big & their demand is also in the increasing trend.
- **Facilities:** As the company has a good setup and also the company has licenses for many products, which are presently not produced.

Threats:

- **High raw material prices:** Increased price of raw material due to high demand is a major threat to the company.
- **Increase in crude oil prices**
- **Increase in interest rate**
- **Adverse foreign Exchange fluctuation**

Property:

The details of Property of the company are as under:

Sr. No	Location	Purpose	Ownership	Monthly rent
1.	207, Kakad chambers, 132, Dr. Annie Besant Road, Worli, Mumbai 400 018	Corporate Office	Owned	--
2.	Dindoshi industrial Premises Co-Op. Society Ltd. Sunflower, Ambedkar Chowk, C.T.S. No.36A, Goregaon Mulund Link Road, Goregaon (E), Mumbai 400 063	R&D Center	Leave and License Agreement for a period of 3 years from 7/05/2008	Rs.90,000 p.m.
3.	47, MIDC, Dhatav, Roha - 402 116 Dist. Raigad, Maharashtra	Plant	Leave and License for 99 years	Re. 1 p.a.



REGULATIONS AND POLICIES

The chief raw materials that are used in the manufacture of chemical intermediates are various types of petroleum derivatives.

Environment Regulation

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 ("WPA"), the Air (Prevention and Control of Pollution) Act, 1981 ("APA") and the Environment Protection Act, 1986 ("EPA").

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The EPA has been enacted for the protection and improvement of the environment. The Act empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

Employee Regulations

The Factories Act, 1948 applies to all such premises where ten or more workers work and where a manufacturing process is carried on with the aid of power. The Factories Act, 1948 regulates the conditions of work for workmen in a factory.

The Employees' Provident and Miscellaneous Provisions Fund Act, 1952 deals with the statutory contribution to be made by an employer towards the provident fund that is to be maintained for the benefit of the employees. In addition to the provident fund scheme, the Employees' Provident and Miscellaneous Provisions Fund Act, 1952 stipulates that the Central Government may also frame an Employee's Pension Scheme and an Employee's Deposit linked Insurance Scheme whereby the employer shall be liable to make certain contributions towards such Schemes.

The Employees State Insurance Act, 1948 mandates compulsory insurance of all employees (who earn less than Rs. 6,500) in establishments, as notified by the Government. Under the aforesaid Act, the employer as well as the employees have to make contributions towards the Employees State Insurance



Fund. The contributions made are disbursed upon an application from the employee or his/her dependants as sickness benefits, maternity benefit and disablement benefits by the Employees State Insurance Corporation.

In accordance with the Income Tax Act, 1961 any income earned by the way of the profit by a company incorporated in India is subject to Tax levied on it in accordance with the tax rate as declared as part of annual finance Act. The Company, like any other company, avail of certain benefits available under the Income Tax, Act 1961.

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Government of India, the implementation of which is regulated by the FIPB. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 as amended ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals are required from the RBI for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Labour and Industrial Laws

SNCL is required to comply with labour and industrial laws, including Industrial Disputes Act 1947 as amended, the Employees' Provident Funds and Miscellaneous Provisions Act 1952 as amended, the Minimum Wages Act, 1948 as amended, the Payment of Bonus Act, 1965 as amended, Workmen Compensation Act, 1923 as amended, the Payment of Gratuity Act, 1972 as amended, the Payment of Wages Act, 1936 as amended and the Factories Act, 1948 as amended. In addition the Company is also governed by the provisions of the Employees' Provident Funds Act, 1952 as amended and the rules made thereunder and are accordingly required to make periodic contributions to the Employees Provident Fund Scheme and the Employees' Pension Scheme as applicable. The Company is also required to make contributions under the Employees' State Insurance Act, 1948 as amended.

Fiscal Regulations

In accordance with the Income Tax Act, 1961 as amended any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act.



HISTORY

In 1973, the company was promoted and incorporated as a Public Limited company by its founder Chairman Late Mr. D.T.Javeri with other co-promoters. The shares of the company were listed at Bombay Stock Exchange Ltd. Thereby a beginning was made in the field of chemical manufacturing with commitment to produce high quality chemical intermediates.

In 1975, the company set up its first plant to manufacture Nitrobenzene (12,000 TPA) which is a Heavy Organic Chemical at Roha, 135 Kms. from Mumbai. The plant was setup with the technology from AB Chematur Division of the Nobel Industries, Sweden.

In 1979, the company diversified by forward integration into the manufacture of downstream products of Nitro Benzene viz., Metanilic Acid and Sodium Meta Nitrobenzene sulphonate based on the in-house technology.

In December, 1984 there was restructuring of the management and the Board of Directors of the company. Consequent to the restructuring there was a major shift in the business policies with thrust on quality standards, efficiency for competitive edge and exports. Emphasis and priority was placed on the quality control along with the research and development efforts by upgradation of processes and development of new processes.

The company also set up projects for manufacture of 3, 3 Dinitro Diphenyl Sulphone, Aniline 2, 4 Disulphonic acid. The company further diversified by forward integration into manufacture of downstream products of Metanilic Acid viz., Aniline 2,5 Disulphonic acid.

In 1995, SNCL commissioned a 500 TPA plant to manufacture Meta Amino Phenol. This project was set up in technical collaboration with Biazzi S.A., Switzerland. As a reputed manufacturer SNCL has been able to enter into contracts with foreign companies for custom and toll manufacturing. In the year 2000 a new 350 TPA plant to produce Butane Tetra 1,2,3,4 Carboxylic Acid was commissioned. In its R & D Laboratory, development work is going on for new chemical intermediates.

In 2002-03, SNCL expanded its Meta Amino Phenol (MAP) plant which was further expanded in 2006-07 to total capacity of 2,000 TPA. Today SNCL is one of the largest manufacturers of MAP.

In the year 2005, SNCL started the production of color former plant with the capacity of 150 TPA based on its own inhouse technologies.

Since inception, SNCL has devoted its resources exclusively for manufacture and sale of intermediates. Production of intermediates under rigid quality standards has been the hallmark of SNCL's success in attuning and propelling it to customer requirements.

The transition of product line, with reliance on its well-equipped quality control laboratory has been the motivating force in sustaining growth and export, in competition with giants in the international market, satisfying highly discerning and quality conscious clients, including multinationals, spread across the world.

In recognition of its superior performance, SNCL has been granted the status of "Two Star Export House" by the Directorate General of Foreign Trade, Ministry of Commerce, Government of India on May 18, 2005 and the validity of the recognition is upto March 31, 2009.

In recognition of its export performance SNCL has been awarded number of export awards. SNCL also has its Research & Development Laboratory, housing sophisticated instruments/



equipments/ pilot plant etc., for carrying out developmental work on various downstream derivatives and chemical intermediates. Some of the intermediates developed in the R & D Laboratory have been commercialised and few more intermediates are under developmental stage. The R&D department is recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India and the status is valid upto March 31, 2009.

The company is conscious about its social responsibilities and is committed towards preservation and conservation of the environment. The company was amongst the first few in Roha Industrial Area, which took a lead in setting up the Effluent Treatment facilities. The primary, secondary and tertiary effluent treatment facilities as well as incinerator have been setup at high capital cost and are being operated at heavy recurring costs to keep the operations of the company environmental friendly. These endeavours have been appreciated by various environment conscious multinationals of advanced countries.

Milestones and awards

Year	Event
1973	Incorporated as a public limited company
1975	Commencement of Heavy Organic Chemical Plant
1980-1981	Diversification in first stage down stream Dye- Intermediates manufacturing.
1987-1988	Expansion of capacities of metanilic Acid.
1989-1990	Recognised as Two Star Export House.
1995	Foreign Technical Collaboration with Biazzi S.A., Switzerland
1996-97	Completion of third stage downstream Dye- Intermediates
2002-03	First Expansion of Meta Amino Phenol (MAP) plant
2005	Started production of color former plant
2006-07	Completion of further expansion of Meta Amino Phenol (MAP) plant to reach the capacity of 2000 TPA

Changes in Registered Office of the Company

Date of change	Address Changed	
	From	To
21/01/1991	IBI House, 1 st Floor, S-86 Andheri Kurla Road, Marol Naka, Mumbai 400 059	207, Kakad Chambers, 2 nd Floor, 132, Dr. Annie besant Road, Worli, Mumbai 400 018

MAIN OBJECTS OF THE COMPANY

The main objects of the company are as follows:

- (A) THE MAIN OBJECTS OF THE COMPANY TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE :
- (1) To carry on business as manufacturers, producers, sellers, importers, exporters, merchants, distributors and dealers in chemicals, organic and inorganic and Chemical Preparations used in industry, agriculture, medicine, pharmaceutical preservatives.
 - * (1a) To manufacture, purchase, sell or otherwise transfer, lease, import, export, hire, license, use, dispose of, operate, fabricate, construct, distribute, assemble, design, charter, acquire, market, recondition, work upon or otherwise, generally deal in Web Site, Internet, Intranet, E-Commerce and connected or related services and in any electronic,



electrical, mechanical and electromechanical product, machine, apparatus, appliance, custom products, merchandise, systems, software procedures, peripheral products, computers, tabulators, data processing machines and systems and components thereof, electronic calculators, electric and electromechanical accounting systems, terminal products and systems, machines for registering, data preparation, recording, perforating, tabulating, sorting, printing, typewriting, products which possess an internal intelligence for recognition and correlating any type of data or information to be processed, recognition and memory systems, optical scanning machine, transmission lines, transmission equipment, terminals, copying, reproducing and distributing machines, check signing, protecting and disbursing equipment, machines for facsimile reproduction, facsimile transmission and word processing, facilities and accessories and devices of all kinds, and for all purposes, and any products and component parts thereof or materials or articles used in connection therewith, and any and all other machinery, appliances, apparatus, devices, materials, substances, business forms and supplies, articles or things of a character similar or analogous to the foregoing, or any of them or connected therewith.

- * (1b) To carry on the business of developing, improving, designing, marketing, selling and licensing software and program products of any and all description.

- * *(Inserted vide Resolution passed in Extraordinary General Meeting held on 27.01.2000.)*

SUBSIDIARIES OF THE COMPANY

There are 3 subsidiaries of the company. Details of the same are on page no. 58

SHAREHOLDERS' AGREEMENTS

There is no subsisting shareholders' agreement.

STRATEGIC PARTNERS

At present the company has no strategic partners.

OTHER AGREEMENTS

At present the company has not entered into any strategic or financial agreements.

The Managing director, Mr. Asit D. Javeri and Director Mr. Nitin R. Jani have entered into an employment agreement with the company.

CHANGES IN MEMORANDUM

Dates on which some of the main clauses of the Memorandum of Association of the Company has been altered citing the details of Amendment as under:

Date of Approval	Clause	Amendment
26.09.1989	V	Increase of Authorised Capital from 1.00 Cr. to 3.00 Cr.
13.09.1995	V	Increase of Authorised Capital from 3.00 Cr. to 5.00 Cr.
27.01.2000	III.(1a), (1b), (3a), (3b)	Change of Main Object clause of the company
22.01.2008	V	Increase of Authorised Capital from 5.00 Cr. to 11.00 Cr.



MANAGEMENT

The details of the board of directors of the company are given below:

Name, Age, Designation, Father's name, Address and Occupation, Nationality	Qualification	Other Directorships	Date of Appointment Latest term	Date of expiration of current term	No. of shares held
Mr. Asit D. Javeri , (51), Chairman & Managing Director - Non-independent S/o (Late) Mr. Dhankumar T. Javeri Ratnagar Palace 37 Chowpatty Seaface Mumbai - 400007 Industrialist Indian DIN: 268114	B.Sc. (Hon.)	<ul style="list-style-type: none"> ▪ Premier Ltd ▪ Indian Extractions Ltd. ▪ Lifestyle Networks Ltd. ▪ Phthalo Colours & Chemicals (I) Ltd ▪ Anuchem B.V.B.A., Belgium ▪ Anuchem Pte. Ltd., Singapore ▪ Manekchand Panachand Trading Inv. Co. Pvt. Ltd. ▪ Medchem Technologies Pvt. Ltd. ▪ Chandra Net Pvt. Ltd. 	01.09.2006	Non-Rotational	3,77,963
Mr. Arvind R. Doshi , (68), Director - (Independent) S/o (Late) Raoji Sakharam Doshi 2A, Windcliffe, 50-D, Peddar Road Cumballa Hill, Mumbai 400 006 Industrialist Indian DIN: 15293	Civil & Sanitary Engineer, Diploma in Business Management	<ul style="list-style-type: none"> ▪ PAE Limited 	27.09.2007	Rotational	7,137
Mr. Arvind L. Apte , (73), Director - (Independent) S/o (Late) Mr. Laxman Vaman Apte Clover Hills No. 70 Undri Pisoli Road Off. NIBM Road Kondhwa, Pune-411048 Industrialist Indian DIN: 199839	B.A.	<ul style="list-style-type: none"> ▪ Madhav Marbles & Granites Ltd ▪ Shanudeep Pvt. Ltd ▪ Dr. Writers Food Products Pvt.Ltd. 	15.09.2005	Rotational	1,444



Name, Age, Designation, Father's name, Address and Occupation, Nationality	Qualification	Other Directorships	Date of Appointment Latest term	Date of expiration of current term	No. of shares held
Mr. Ramesh A. Shroff, (82) Director - (Independent) S/o (Late) Mr. Amarchand Shroff 67 Rupam, 18 Worli Seaface Mumbai 400025. Advocates & Solicitors Indian DIN: 24594	Law Graduate	<ul style="list-style-type: none"> CIPLA Ltd. Simmonds Marshall Ltd. 	26.09.2006	Rotational	259
Mr. Priyam S. Jhaveri, (52), Director - (Independent) S/o Mr. Shantilal B. Jhaveri Printemps, 26, B.G. Kher Marg Mumbai 400 006. Industrialist Indian DIN: 45038	B.Com, DBM	<ul style="list-style-type: none"> Phthalo Colours & Chemicals (I) Ltd. Indian Extractions Ltd. Excel Industries Ltd. Lifestyle Networks Ltd. 	26.09.2006	Rotational	6300
Mr. Dharendra M. Shah, (61) Director - (Independent) S/o Late Mr. Mangaldas Damodardas Shah 501, Krishna Baug, 8 th & 11 th Road Corner Khar (W), Mumbai 400052 Advocate - Tax Consultant Indian DIN: 360008	B.Com, LL.B	<ul style="list-style-type: none"> Mad Entertainment Ltd. 	27.09.2007	Rotational	840
Mr. Abhishek A. Javeri, (25) Director - (Non-Independent) S/o Mr. Asit D. Javeri Ratnagar Palace 37 Chowpatty Seaface Mumbai - 400007 Business Indian DIN: 273030	B.A. (Economics)	<ul style="list-style-type: none"> Lifestyle Networks Ltd. Chandra Net Pvt. Ltd. 	27.09.2007	Rotational	37100
Mr. Nitin R. Jani, (49), Director & Company Secretary -(Non-Independent) S/o (Late) Mr. Rameshchandra N. Jani Plot No. 177, Room No. 16, Jawahar Nagar, Road No.2,	B.Com., ACA, ACS	<ul style="list-style-type: none"> Anuchem B.V.B.A, Belgium Anuchem Pte. Ltd, Singapore Lifestyle Networks Ltd. Chandra Net Pvt. 	01.09.2006	Non-Rotational	6087



Name, Age, Designation, Father's name, Address and Occupation, Nationality	Qualification	Other Directorships	Date of Appointment Latest term	Date of expiration of current term	No. of shares held
Goregaon (W), Mumbai - 400 062. Indian DIN: 272691		Ltd. ▪ N.R. Jani & Co. (Chartered Accountants)			

Mr. Asit D. Javeri, aged 52 years is a Science graduate. He joined company in December 1984 as a Director of the company and in January 1985, he was appointed as the Managing Director. Prior to joining the company he had experience of 9 years of running chemical company. He has been associated with the company for more than 23 years.

Mr. Arvind R. Doshi aged 68 years. He is a Civil & Sanitary Engineer from VJTI, Mumbai and Diploma in Business Management. He joined the company as a Director from 17th September, 1974. He has a wide experience in industries like Engineering & Automobiles since 1965. He has received Prestigious Dadabhai Naroji International award for Excellence & Achievement in 1999. Also he has been awarded Samaj Ratna by Mahamastaka Abhishek Committee 2006. Presently he is acting as a Chairman & Managing Director of PAE Limited.

Mr. Arvind L. Apte aged 73 years. He is an 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 7th August, 1973.

Mr. Ramesh A. Shroff aged 82 years. He is a Law graduate and has an experience of 49 years as Advocate & Solicitors. He joined the company as a Director from 22nd January, 1985.

Mr. Priyam S. Jhaveri aged 53 years. He is a Commerce graduate and having experience in chemical industries of Nanavati Groups of companies. He joined the company as a Director from 11th March, 1996.

Mr. Dharendra M. Shah aged 62. He is B.Com and LL.B having experience of 40 years as Advocate – Tax Consultant. He joined the company as a Director from July 29, 2002.

Mr. Abhishek A. Javeri aged 25. He is B.A. in Economics from North Western University, USA. He joined the company as a Director from January 24, 2007.

Mr. Nitin Jani, aged 49 years is a commerce graduate, chartered accountant and company secretary. He joined company the company in December 1984 as Company Secretary. Prior to joining the he had experience of 2 years in a chemical company. He was appointed as Director and Company secretary in March 1996. He has been associated with the company for more than 23 years.

RELATIONSHIP AMONG DIRECTORS

Mr. Abhishek A. Javeri is son of Mr. Asit D. Javeri, Chairman and Managing Director of the company.

CHANGE IN BOARD OF DIRECTORS DURING THE LAST THREE YEARS

The changes in the Board of Directors of the Company in the last three year are as under:

Name of Director	Date of Appointment/Resignation	Reason for Appointment/Resignation
Mr.Sadanand S. Borkar	08.09.2005	Resigned
Mr.Abhishek A. Javeri	24.01.2007	Appointed as Additional Director

**DETAILS OF BORROWING POWER IN TERMS OF THE RESOLUTION PASSED IN THE GENERAL MEETING HELD ON SEPTEMBER 11, 2003.**

"In suppression of the Resolution passed at the Annual General Meeting of the Company held on September 19, 1996, 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 Rs. 5000 (Five Thousand) lacs, over and above the aggregate of the Paid-up Capital and Free Reserve of the Company."

"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 Rs. 5000 (Five Thousand) lacs 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."

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.

INTEREST OF DIRECTORS

All the Directors of the company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board and its committees and reimbursement of expenses. All the directors may also be deemed to be interested to the extent of equity shares, if any, already held by them and /or by their friends /relatives in the Company that may be subscribed for or allotted to them in the present offer and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares. All the directors may also be deemed to be interested to the extent of normal transactions, if any, with the company. The Directors may also be regarded as interested in the equity shares, if any, held or that may be allotted to the companies, firms and trust in which they are interested as directors, members, partners and or trustees.

Mr. Asit D. Javeri, Chairman and Managing Director, and Mr. Nitin R. Jani, Whole Time Director may be deemed to be interested to the extent of remuneration paid/payable to them.



CORPORATE GOVERNANCE

The provisions of Listing Agreement entered into with Stock Exchange with respect to Corporate Governance is not applicable to the company in view of the Capital and/or Networth of the company is below the limits prescribed under Clause 49 of the Listing Agreement. Post proposed Right Shares listing on the Stock Exchange the company intends to comply with the provisions of the Corporate Governance Pursuant to Clause 49 of the Listing Agreement with respect to the appointment of independent directors in the Board and constitution of the following board committees.

- * The Audit Committee
- * The Remuneration Committee
- * The Investors Grievance Committee

The company has adopted the Corporate Governance Code in its meeting of the Board of Directors held on April 29, 2008, as per Clause 49 of the listing agreement entered with the Stock Exchange. The company is complying with the circular SEBI/CFD/DIL/CG/1/2008/08/04 dated April 08, 2008 on Clause 49 of the Listing Agreement.

1. Company's Philosophy on Corporate Governance

The company's philosophy on corporate governance continues to aim at high levels of transparency, accountability and equity in all areas of its operations and its dealing with members, employees, customers, lenders, regulatory and government agencies.

2. Board of Directors

a. Composition and size of the Board

The Board of Directors of the company has an optimum combination of Executive and Non-Executive Directors as envisaged in Clause 49 of Listing Agreement, with not less than 50% of the Board of Directors comprising of Non-Executive Directors.

Moreover since the Chairman of the Company is an Executive Director accordingly not less than 50% of the Board of Directors comprises of Independent Directors.

3. Committees of the Board

A. Audit Committee :

The following members constitute the Audit Committee and the first meeting of the committee was held on July 31, 2008.

Sr. no	Name of the Director	Designation	Category
1	Mr. Dhirendra .M. Shah	Chairman	Independent
2	Mr. Arvind R. Doshi	Member	Independent
3	Mr. Priyam .S. Jhaveri	Member	Independent

Powers of Audit Committee:

- Investigate any activity within its frame work and scope of activity which can refer to finance, accounts, management strategies, internal systems and procedures, delegation of authority, etc.



- Seek any information from any employee within its terms of reference and in connection with execution of its powers.
- Obtain legal or professional advices from third parties in connection with carrying out its objectives, but within the frame work of the terms of reference, and not the least.
- Secure the attendance of outsiders with relevant expertise, if it considers necessary for carrying out the objects for which the committee is formed.

Role of Audit Committee

The role of Audit committee includes the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to :
 - a) Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.



9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
 Explanations (i): The “related party transactions” shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accounts of India.
 Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

B. Remuneration Committee

The Remuneration Committee has been constituted as under:

Sr.no.	Name of the Director	Designation	Category
1	Mr. Arvind R. Doshi	Chairman	Independent
2	Mr. Priyam .S. Jhaveri	Member	Independent
3	Mr. Dharendra .M. Shah	Member	Independent

The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement to be entered into with the Stock Exchange. It will determine the Company’s policy on specific packages of Executive Directors.

Remuneration policy of the company is given below:

For Executive Directors of the company

Mr. Asit D. Javeri was appointed as Chairman and Managing Director of the Company for the period of 3 years w.e.f. 01/09/2006. The brief terms of appointment are as follows:

Salary	:	Basic Salary of Rs. 1,00,000 per month with effect from 01/09/2006. Annual Increment of Rs. 15,000 will be given on following 1 st September every year
Perquisites & Allowances	:	Maximum 70% of the salary
Other Perquisites	:	Contribution to Provident Fund, Family Pension Fund, Superannuation or annuity fund and other perquisites
Other Terms	:	Annual Performance Allowance upto 35% of annual basic salary



Mr. Nitin R. Jani was appointed as Director and Company Secretary of the Company for the period of 3 years w.e.f. 01/09/2006. The brief terms of appointment are as follows:

Salary and Allowance	:	Basic Salary of Rs. 65,000 per month with effect from 01/09/2006. Annual Increment of Rs. 10,000 will be given on following 1 st September every year.
Perquisites & Allowances	:	Maximum 30% of the salary
Other Perquisites	:	Contribution to Provident Fund, Family Pension Fund, Superannuation or annuity fund and other perquisites.
Other Terms	:	Annual Performance Allowance upto 35% of annual basic salary.

For Non-Executive Directors

The details of remuneration / fees paid to the non-executive directors for the year 2007-08 and the shares held by them are given below.

(Rs in lacs)		
Name of the Director	Sitting Fees	No of equity shares held
Mr. Arvind Raoji Doshi	0.30	7,137
Mr. Arvind Laxman Apte	0.10	1,444
Mr. Ramesh Amarchand Shroff	0.30	259
Mr. Priyam Shantilal Shah	0.30	6,300
Mr. Dharendra Mangaldas Shah	0.25	840
Mr. Abishek Asit Javeri	0.30	37,100

Notes:

1. The appointment of Executive Directors is governed by the Articles of Association of the company and the resolutions passed by the board of directors and members of the company. These cover the terms and conditions of such appointment. The Executive Directors were reappointed for a period of 3 years with effect from September 1st, 2006. They will hold office up to August 31, 2009. The Company have service contract with the company.
2. In terms of the Articles of Association, the resignation of a director becomes effective upon its acceptance by the Board.
3. The company does not have a scheme for stock option either to its directors or employees.

C. Shareholders' / Investors' Grievance Committee

The functions of the committee are to redress the grievances of shareholders / investors and to create and review the systems for improving the services.

Composition

The composition of the Shareholders' and Investors' Grievance Committee is given below:

Sr.no	Name of the Director	Designation	Category
1	Mr. Ramesh .A. Shroff	Chairman	Independent
2	Mr. Arvind R. Doshi	Member	Independent
3	Mr. Priyam .S. Jhaveri	Member	Independent

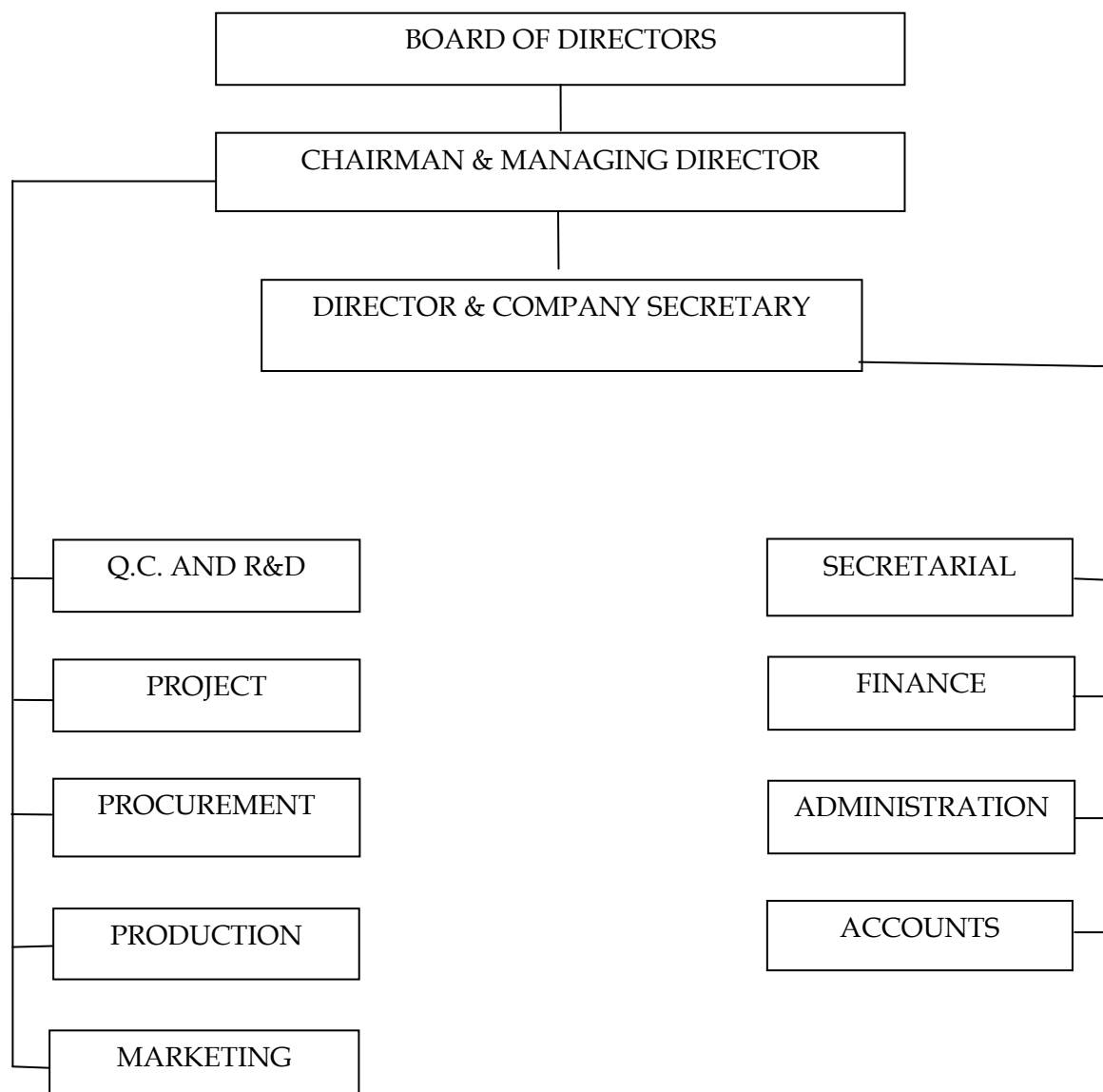
The Committee has been constituted to look into the redressal of shareholder's and investors' complaints like non-receipt of share certificates sent for transfer/ approve issue of duplicate/split/consolidated share certificates and oversee the matters connected with the transfer of securities.

The following are the dates of the meetings held:

Sr. no.	Date	Sr. no.	Date
1.	15.04.2008	6.	30.06.2008
2.	30.04.2008	7.	15.07.2008
3.	15.05.2008	8.	31.07.2008
4.	31.05.2008	9.	14.08.2008
5.	16.06.2008	10.	29.08.2008

Mr. Nitin R. Jani, Compliance Officer, is responsible for redressal of the investor grievances related to the issue.

ORGANISATION STRUCTURE





DETAILS OF KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/engineering/distribution/marketing/finance and corporate laws. Following are the key functionaries in different functions of the Company excluding the promoters/directors of the Company: -

Sr. No	Name, Age and Designation	Date of appt.	Qualification	Experience in the Company (Years)	Total Experience (years)	Salary p.a. (Rs. In lacs)
1	Mr. A. Coutinho, (70), Vice President-QC	15.12.1984	B.Sc.(Chem)	25	48	5.40
2	Mr. Y.C. Shah, (60), Vice President - R&D	15.12.1984	M.Sc., DBM	25	39	5.40
3	Mr. A.G. Marathe (68), Vice President - Project.	12.10.1992	D.M.E.	17	46	5.40
4	Mr. D. Senapathy (56), DGM - Import & Legal	20.12.1984	B.Com., BGL	25	37	3.81
5	Mr. V. Ramakrishnan (56), DGM - Administration	22.06.1987	S.S.L.C.	22	36	3.81
6	Mr. M.T. Doshi (56), DGM - Purchase-RM	15.06.1979	B.Com.	30	36	3.81
7	Mr. M.G. Kesarkar (62), DGM - Shares & FD	10.11.1979	(B.A.)	30	42	3.81
8	Mr. V.J. Modi (59), DGM (Sales)	03.09.1974	B.Com	35	36	3.81
9	Mr. J.K. Shah (60), DGM (Accounts)	25.03.1987	B.Com.	22	37	3.81
10	Mr. Sridhar N. Iyer (42) AGM- Accounts	14.12.2006	B.Com.	2	14	3.31
11	Mr. M.M. Bhate (50), DGM - Projects	01.11.1993	S.S.C, DMD	14	29	3.56
11	Mr. D.S. Parkhe (50), DGM - Personnel & Administration.	01.02.2001	B.A., MLS	7	22	3.81
12	Mr. R.M. Gandhi (51), DGM - Account & Administration	21.08.1977	B.Com	32	31	3.81
13	Mr. P.A. Patil (53), DGM - Production	17.11.1979	B.Sc.(Chem)	30	31	3.81
14	Mr. G.K. Kuttu (56), DGM - Production	25.08.1979	B.Sc(Chem.)	30	31	3.81
15	Mr. S.A. Sali (50) Manager (Exports)	01.08.1984	F.Y.B.Com., GCD, DIEM	24	30	3.01


SHAREHOLDING OF KEY MANAGERIAL PERSONNEL AS ON March 31, 2008.

Sr. No.	Name of the Key Managerial Personnel	Designation	No. of Shares	% of the paid up capital
1.	Mr. A. Coutinho	Vice President-QC	840	0.04
2.	Mr. Y.C. Shah	Vice President – R&D	840	0.04
3.	Mr. A. G. Marathe	Vice President – Project	420	0.02
4.	Mr. D. Senapathy	DGM – Import & Legal	05	0.00
5.	Mr. M.T. Doshi	DGM – Pur. RM	254	0.01
6.	Mr. M.G. Kesarkar	DGM - Shares & FD	300	0.01
7.	Mr. V.J. Modi	DGM – Sales	694	0.03
8.	Mr. D.S. Parkhe	DGM – Personnel & Administration.	200	0.01
9.	Mr. R.M. Gandhi	DGM – Account & Administration	306	0.01
10.	Mr. P.A. Patil	DGM – Production	105	0.00
11.	Mr. G.K. Kuttu	DGM – Production	210	0.01
12.	Mr. S.A. Salian	Manager (Exports)	480	0.02

LOAN OUTSTANDING OF KEY MANAGERIAL PERSONNEL AS ON March 31, 2008

Sr. No	Name, Age and Designation of the Person	Loan outstanding Rs.
1	Mr. D. Senapathy - DGM – Import & Legal	91,000
2	Mr. V. Ramakrishnan - DGM – Administration	26,000
3	Mr. M.T. Doshi - DGM – Purchase-RM	9,000
4	Mr. M.G. Kesarkar - DGM - Shares & FD	41,000
5	Mr. V.J. Modi - DGM (Sales)	54,000
6	Mr. J.K. Shah - DGM (Accounts)	73,000
7	Mr. D.S. Parkhe - DGM – Personnel & Administration.	18,000
8	Mr. R.M. Gandhi - DGM – Account & Administration	69,545
9	Mr. S.A. Salian – Manager (Exports)	60,000

All the above mentioned key managerial personnel are permanent employees of the Company. The Company has not offered any profit sharing plan to its Key Managerial Personnel.

CHANGES IN KEY MANAGERIAL PERSONNEL IN THE LAST THREE YEARS

Mr. K. Venkatramanan (Manager- Exports), one of the key managerial persons expired on March 18, 2008 and Mr. Atul N. Shah resigned with effect from August 23, 2008. Besides these, there is no change in the key managerial personnel in the last three years.


EMPLOYEE STOCK OPTION SCHEMES

Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

PAYMENT OR BENEFIT (NON-SALARY RELATED) TO OFFICERS OF THE COMPANY

Except as stated in this Letter of Offer, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, and key managerial personnel.

PROMOTERS

	<p>Mr. Asit D. Javeri (51) is the Chairman & Managing Director of Sadhana Nitro Chem Limited. He has joined the company in December, 1984 as a Director and in January, 1985 he was appointed as Managing Director. Prior to joining the company Mr. Asit D. Javeri had an experience of 9 years of running chemical company. He has been associated with the company for more than 23 years.</p> <p>Driving License No. : 540458, MT/04/023/168859 Passport No.: F 8658489 Voter ID No. : MT/04/023/168859 PAN: AEDPJ15388B</p>
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We confirm that the Permanent Account Number, Bank Account Numbers, Passport Number have been submitted to the Stock Exchanges at the time of filing of the Letter of Offer. Further, the Promoter has not been detained as willful defaulter by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by the Promoter in the past or any such proceedings are pending against the Promoter.

COMMON PURSUITS

The Associate Companies are carrying on separate businesses and there is no conflict of interest situation except certain related party transaction mentioned on page no. 78.

INTEREST OF DIRECTORS

The Promoter may be deemed to be interested to the extent of Remuneration and reimbursement of expenses, if any, payable to him. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members or firms in which they are partners.



PROMOTER GROUP COMPANIES

THE FINANCIAL PERFORMANCE OF SUBSIDIARIES AND ALL THE GROUP CORPORATE COMPANIES MENTIONED FROM PAGE NO. 58 TO 63 ARE AS PER AUDITED ACCOUNTS OF THE RESPECTIVE VENTURES

SUBSIDIARIES:

1. Lifestyle Networks Limited (LNL)

Corporate Information:

Lifestyle Networks Limited was incorporated on March 01, 2006 with Registrar of Companies Maharashtra, Mumbai. Registration No. of the company is 11-155530 (CIN NO. **U72900MH2005PLC155530**). The company is engaged in the business of Internet Service Providers and/or Internet application Service Providers. LNL has its registered office at 207 Kakad Chambers, 2nd Floor, 132 Dr. Annie Besant Road, Worli, Mumbai 400018. The promoters of the Company are Sadhana Nitro Chem Limited and Mr. Asit D. Javeri.

Board of Directors of the company is as under

Sr. No.	Name	Designation
1	Mr. Asit D. Javeri	Director
2	Ms. Seema A. Javeri	Director
3	Mr. Abhishek A. Javeri	Director
4	Mr. Nitin R. Jani	Director
5	Mr. Priyam S. Jhaveri	Additional Director
6	Mr. Pradeep N Desai	Additional Director

Shareholding Pattern as on March 31, 2008:

Particulars	No. of Equity Shares of Rs. 10/- each	% of total Equity holding
Bodies Corporate – Sadhana Nitro Chem Limited	2,55,000	51%
Individuals	2,45,000	49%
Grand Total	5,00,000	100%

Financial Performance:

(In Lacs.)

Particulars as at	Financial Year Ended 31 st March		
	2007-08	2006-07	2005-06
Equity Share Capital	50.00	50.00	50.0
Reserves & Surplus/Deferred Reserve	242.21	0.07	0.27
Sales & Other Income	45.85	37.19	24.07
Total Income	45.85	37.19	24.07
Profit After Tax	(298.35)	(45.42)	0.27
Earning Per Share (Rs.) (Face ValueRs.10)	(59.67)	(9.08)	0.05
Net Asset Value (NAV)	(38.44)	10.01	10.05

LNL is not listed on any Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.



2. Anuchem B.V.B.A., Belgium

Anuchem B.V.B.A., Belgium was incorporated on April 07, 1993 at Antwerp, Belgium. Registration No. of the company is 0449.832.352. The company is engaged in the business of Trading in Chemicals. Anuchem b.v.b.a has its Registered Office at Havaen 200, Schomhoeveweg 13, 2030 Antwerpen 3, Belgium. The promoter of the Company is Sadhana Nitro Chem Limited.

Board of Directors of the company is as under

Sr. No.	Name	Designation
1	Mr. Asit D. Javeri	Director
2	Mr. Ronny Verschaeren	Director
3	Mr. Rik Geerardyn	Director
4	Mr. Nitin R. Jani	Director

Shareholding Pattern as on March 31, 2008:

Particulars	No. of Equity Shares of 25 Euros each	% of total Equity holding
Bodies Corporate- Sadhana Nitro Chem Limited	750	100%
Grand Total	750	100%

Financial Performance:

(Rs. In lacs.)

Particulars as at	01/01/2008 to 31/03/2008	31/12/2007	31/12/2006
Equity Share Capital	11.97	11.97	11.97
Reserves & Surplus	18.92	23.07	21.57
Sales & Other Income	216.50	2635.03	201.07
Total Income	216.50	2635.03	201.07
Profit After Tax	1.32	1.50	1.64
Earning Per Share (Rs.)	176	200	219
Net Asset Value (NAV)	0.04	0.04	0.04

Figures have been converted into Indian Rupees as against Euro in which the accounts of the company are drawn (Conversion: 1 Eur = Rs.66.83 as on September 10, 2008- Source RBI website)

Anuchem b.v.b.a is not listed on any Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

3. Anuchem Pte. Limited, Singapore

Anuchem Pte. Limited, Singapore was incorporated on October 12, 2007. The company is engaged in the business of Trading in Chemicals. Anuchem Pte. Limited has its registered office at 10, Jalan Besar, # 10-12, Sim Lim Tower, Singapore 0820. The promoter of the Company is Sadhana Nitro Chem Limited.

Board of Directors of the company is as under

Sr. No.	Name	Designation
1	Mr. Asit D. Javeri	Director
2	Mr. Nitin R. Jani	Director
3	Ms. Tiah Tan Lim	Director


Shareholding Pattern as on March 31, 2008:

Particulars	No. of Equity Shares of 1 SGD each	% of total Equity holding
Body Corporate – Sadhana Nitro Chem Limited	25,000	100%
Grand Total	25,000	100%

Financial Performance:
(Rs. In lacs.)

Particulars	31/03/2008
Equity Share Capital	8.13
Reserves & Surplus	(2.92)
Sales & Other Income	-
Total Income	-
Profit After Tax	(2.92)
Earning Per Share (Rs.)	(11.68)
Net Asset Value (NAV)	20.84

Figures have been converted into Indian Rupees as against Singapore dollar in which the accounts of the company are drawn (Conversion: 1 SGD = Rs.27.60 as on March 31, 2008- Source RBI website)

Anuchem Pte. Limited is not listed on any Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

Group Companies:
1. Chandra Net Private Limited: (CNPL)

CNPL was incorporated on 16 March, 1999 with Registrar of Companies Gujarat, Dadra & Nagar Haveli. Registration No. of the company is 04 – 35595 of 98-99 (CIN NO. U72200GJ1999PTC035595). The company is engaged in the business of Internet Service Provider. CNPL has its registered office at A/203, Sunbeam Apartment, Near Old Sharda Mandir Railway Crossing, Ellisbridge, Ahmedabad – 380006. The present promoter of the Company is Mr. Asit D. Javeri.

Board of Directors of the company is as under

Sr. No.	Name	Designation
1	Mr. Asit D. Javeri	Director
2	Mr. Abhishek A. Javeri	Director
3	Mr. Nitin R. Jani	Director
4	Mr. Alkesh Mahesh Kumar Shah	Director

Shareholding Pattern as on March 31, 2008:

Particulars	No. of Equity Shares of Rs.10/- each	% of total Equity holding
Individuals	2,32,000	66.29
Bodies Corporate	1,18,000	33.71
Grand Total	3,50,000	100.00

**Financial Performance:**

(Rs. in Lacs)

Particulars as at	Financial Year Ended 31 st March		
	2007-08	2006-07	2005-06
Equity Share Capital	35.00	35.00	35.00
Reserves & Surplus	(50.70)	(34.57)	(28.50)
Total Income	2.22	13.48	5.83
Profit After Tax	(10.71)	(6.14)	(0.55)
Earning Per Share (Rs.) (Face Value Rs.10)	(3.06)	1.75	(0.16)
Net Asset Value (NAV)	(4.49)	0.12	1.86

CNPL is not listed on any Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

2. Manekchand Panachand Trading Investment Co. Pvt. Ltd. (MPTI)

MPTI was incorporated on 05.09.1985 with Registrar of Companies Maharashtra, Mumbai. Registration No. of the company is 37397 (CIN NO. U67120MH1985PTC037397). The company is engaged in investment and trading activities. MPTI has its registered office at Hira Baug, C.P. Tank, Mumbai 400004. The present promoter of the Company is Mr. Asit D. Javeri.

Board of Directors of the company is as under

Sr. No.	Name	Designation
1	Mr. Asit D. Javeri	Director
2	Ms. Seema A. Javeri	Director
3	Ms. Molina D. Javeri	Director
4	Ms. Chandrika D. Javeri	Director

Shareholding Pattern as on March 31, 2008:

Particulars	No. of Equity Shares of Rs. 10/- each	% of total Equity holding
Individuals	75,000	100.00
Grand Total	75,000	100.00

Financial Performance:

(Rs. In Lacs)

Particulars as at	Financial Year Ended 31 st March		
	2007-08	2006-07	2005-06
Equity Share Capital*	3.75	3.75	3.75
Reserves & Surplus	122.17	108.73	96.55
Sales	--	8.93	7.45
Other Income	29.56	14.36	31.25
Total Income	29.56	23.29	38.70
Profit After Tax	14.05	10.22	26.39
Earning Per Share (Rs.) (Face Value Rs.10)	18.73	13.63	35.19
Net Asset Value (NAV)	167.89	150.00	133.73

MPTI is not listed on any of the Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.



3. Manekchand Panachand & Co. (MPC)

MPC is a partnership firm formed on 11.08.1948. The firm is engaged in the business of investment. The company has its office located at Hira Baug, C.P.Tank, Mumbai 400 004.

The partners of the company and their shareholding is as under

Sr. No.	Name	Designation	% of holding
1	Mr. Asit D. Javeri	Partner	50
2	Ms. Seema A. Javeri	Partner	25
3	Mr. Abhishek A. Javeri	Partner	25
	TOTAL		100

Financial Performance:

(In Lacs.)

Particulars as at	Financial Year Ended 31 st March		
	2007-08	2006-07	2005-06
Share Capital	23.52	71.57	85.85
Reserves & Surplus	39.37	39.37	39.37
Total Income	8.39	26.76	12.70
Profit/ loss After Tax	0.55	(2.30)	(1.41)

MPC is not listed on any of the Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

4. IBI Engineering & Services Pvt. Ltd. (IBI)

IBI Engineering & Services Pvt. Ltd. was engaged in the business of engineering and consultancy services and pursuant to the EGM held on 27/03/02 the company is under winding up. IBI has its registered office at Hira Baug, C.P. Tank Mumbai 400 004.

Pursuant to the EGM held on 27.03.2002 a special resolution was passed for voluntary winding up of the company. Accordingly the company has proceeded with the formalities for member's voluntary winding up as provided in the Companies Act, 1956. The company has not drawn any financial statements since 31st march 2002.

IBI is not listed on any of the Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

5. Amnisera Corporation (Amnisera)

Amnisera Corporation was incorporated on 14th January 1971 as a partnership firm. The company is engaged in the business of booking air tickets and providing passport and visa assistance. Amnisera has its registered office at Room No.21, Western India House, Sir Phirozshah Mehta Road, Mumbai 400 001. The present partners of the Company are as under:

Sr. No.	Name	Designation	% Holding
1	Mrs. R.S. Shah	Partner	47.50
2	Mrs. S.A. Javeri	Partner	47.50
3	Mrs. S.K. Parekh	Partner	5.00

**Financial Performance:**

(Rs. In Lacs)

Particulars as at	Financial Year Ended 31 st March		
	2007-08	2006-07	2005-06
Equity Share Capital	17.12	14.23	12.07
Total Income	6.01	6.98	8.82
Profit After Tax	2.70	2.91	3.74

Amnisera is not listed on any of the Stock Exchange and is not a Sick Industrial Company within the meaning of the SICA.

COMPANY/FIRM FROM WHICH THE PROMOTERS HAVE DISASSOCIATED THEMSELVES DURING PRECEDING THREE YEARS

The promoter has not been disassociated from any of the Companies during three preceding years.

RELATED PARTY TRANSACTIONS

For details of Related Party Transaction please refer to details given under the section titled "Related Party Transactions" on page 78 of this Letter of Offer.



DIVIDEND POLICY

The Board of Directors of the company may, at its discretion, recommend dividend to be paid to the members of the company. The factors that may be considered by the Board before making any recommendations for the dividend includes but not limited to profits/ earnings during the financial year, liquidity of the company, need for reserving resources for future growth, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories from time to time etc.

Dividend will be declared and approved at the Annual General meeting of the shareholders based on the recommendations by the Board. The Board may also from time to time pay to the member's interim dividend if it considers justified by the profits generated by the company.

The company has a track record of consistent dividend payment since the year 1979 except for the year 1984. The details of dividend paid during the last five years is as follows:

Year	Dividend (%)
Proposed (2007- 08)	10
2006 -- 07	15
2005 -- 06	20
2004 -- 05	20
2003 -- 04	20
2002 -- 03	20



PART II

SECTION IV - FINANCIAL INFORMATION

AUDITOR'S REPORT

The Board of Directors
Sadhana Nitro Chem Limited
 Mumbai.

We have examined the financial information of **Sadhana Nitro Chem Limited** (The Company) as attached to this report, and as approved by the Board of Directors of the Company, which has been prepared in terms of the requirements of –

- (i) Para B (1) of Part II of Schedule II to the Companies Act, 1956;
- (ii) SEBI (Disclosure and Investor protection) Guidelines, 2000 (The Guidelines);
- (iii) In pursuance of your mandate dated September 02, 2008 wherein you have requested us to examine the financial information referred to above and proposed to be included in the Letter of Offer of the Company in connection with its proposed rights issue of Equity Shares.

Financial Information of the Company

1. 'Summary Statement of Profit and Loss- for each of the financial years ended on March 31 2004, 2005, 2006, 2007 and 2008, the 'Summary Statement of Assets and Liabilities as on those dates, the 'Statement of Cash Flows for the years/ period ended on those dates as extracted from the audited financial statements for each of the financial years ended on March 31, 2004, 2005, 2006, 2007 and 2008, approved by the Board of Directors of the company after making the necessary and relevant in accordance with the provisions of Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines.
2. 'Statement of consolidated Profit and Losses for each of the financial years ended on March 31, 2004, 2005, 2006, 2007 and 2008, the 'Statement of Consolidated Assets and Liabilities as on those dates, and the 'Statement of Consolidated Cash flows for the years/ period ended on those dates as extracted from the Audited Consolidated Financial Statements for each of the financial years ended on March 31, 2004, 2005, 2006, 2007 and 2008, approved by the Board of Directors of the company after making the necessary and relevant disclosures in accordance with the provisions of Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines.
3. The consolidated Summary Statements that have been examined by us, is based on the audit of the respective companies that have been conducted by their respective auditors and related reports on the examination by the other auditors that have been furnished to us. We did not audit the financial statements of subsidiary companies in respect of –
 - (a) Anuchem BVBA (Belgium) for the years ended on December 31, 2003, 2004, 2005, 2006 and 2007 which were audited by M/s. Agiver Belgium;
 - (b) Anuchem Pte Ltd (Singapore) for the period ended on December 31, 2007 which was audited by M/s. MGI N Rajan Associates, Singapore.



4. The financial statements of the above mentioned foreign subsidiaries have been drawn up to the reporting dates as that of the holding company for the purpose of consolidated financial statements.
5. The capitalization statement of the company as at March 2008.
6. The taxation statement for the preceding financial years of the company.
7. The transactions with companies in the promoter group and details and transactions with group company / promoters including outstanding loans taken by the company.
8. Significant accounting policies, details of Director's remuneration, schedule of investments, details of other income, debtors ageing between less than and more than six months, details of secured and unsecured loans and details of contingent liabilities.

Except for the information referred to in the aforesaid, other pages of the Letter of Offer have not been reviewed by us.

This report is intended solely for the use of **Sadhana Nitro Chem Limited**, for the purpose of inclusion in the Offer Document in connection with the proposed Rights Issue of the company, this report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to, any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent, may be given, only after full consideration of the circumstances at that time.

Place: Mumbai
Date: September 5, 2008

For V. Sankar Aiyar & Co
Chartered Accountants
Sd/-
Arvind Mohan
Partner
M.No: 124082

ANNEXURE - 1

Statement of Assets & Liabilities

(Rs. In Lacs)

Particulars	2008	2007	2006	2005	2004
FIXED ASSETS					
Gross Block	8325.25	7799.49	6481.19	5718.21	4882.72
Less : Accumulated Depreciation	4925.53	4519.05	4124.28	3784.67	3405.00
NET BLOCK	3399.72	3280.43	2356.91	1933.54	1477.72
Capital Work in Progress	831.32	929.23	1314.47	291.46	539.00
Investment	61.22	54.30	55.07	118.37	69.56
Deferred Tax Assets	148.35	43.23	24.06	25.25	20.13
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	1580.58	1528.71	1135.01	1060.52	816.44
Cash & Bank Balances	36.11	26.63	38.00	52.78	36.03
Cash & Bank Balances	363.18	393.21	825.65	750.91	465.09
Other Current Assets (Sundry Debtors)	1281.62	1020.68	775.96	452.77	479.80
Loans And Advances	3261.49	2969.24	2774.62	2316.98	1797.36
Total Current Assets, Loans & Advance	7702.10	7276.42	6525.13	4685.60	3903.77
TOTAL ASSETS					
LIABILITIES AND PROVISIONS					
Secured Loans	3316.52	3654.30	2817.69	1459.43	1178.23
Unsecured Loans	708.23	177.60	223.11	199.32	201.80
Current Liabilities And Provisions	1872.53	1384.53	1430.77	1007.90	634.95
TOTAL LIABILITIES AND PROVISIONS	5897.28	5216.43	4471.57	2666.65	2014.98
NET WORTH	1804.82	2059.99	2053.56	2018.93	1888.79
Represented By :					
Equity Share Capital	204.54	204.54	204.54	204.54	204.54
Reserves	1600.28	1855.45	1849.00	1814.40	1683.69
NET WORTH	1804.82	2059.99	2053.54	2018.93	1888.79
DETAILS OF RESERVES & SURPLUS					
Capital Reserve	0.94	0.94	0.94	0.94	0.94
Preference Share Redemption Reserve	5.00	5.00	5.00	5.00	5.00
Share Premium	54.97	54.97	54.97	54.97	54.97
Deffered Tax Reserve	148.35	43.23	24.06	25.25	20.13
General Reserve	1333.30	1333.30	1332.05	1321.55	1171.55
Surplus in Profit & Loss Account	57.72	418.01	432.00	406.70	431.11
TOTAL	1600.28	1855.45	1849.02	1814.40	1683.69

Annexure - 2

Statement of Profit and Loss

(Rs. In Lacs)

	2008	2007	2006	2005	2004
INCOME					
Sales	7478.77	6654.08	5605.93	4528.64	5302.63
TOTAL GROSS SALE	7478.77	6654.08	5605.93	4528.64	5302.63
Less : Excise duty on Sales	81.29	135.49	129.99	0.00	0.00
NET SALE	7397.48	6518.58	5475.93	4528.64	5302.63
Other Income :-					
Export Incentive	147.82	135.71	63.01	159.24	255.40
Dividend	0.02	1.60	2.46	10.33	14.27
Profit On Sale of Investments	0.00	0.59	43.67	5.81	10.20
Profit On Sale of Assets	4.47	0.00	0.00	5.27	0.00
Miscellaneous Income	39.51	48.58	45.27	(26.25)	40.62
Increase/(Decrease) in Inventories	(151.74)	71.56	(30.63)	(27.52)	200.28
TOTAL INCOME	7437.56	6776.62	5599.71	4655.52	5823.45
EXPENDITURE					
Raw Material Consumption	4850.12	4104.00	3343.99	2513.12	3831.69
Power and Fuel	936.81	816.84	553.42	449.03	435.37
Operation & Maintenance	251.12	325.61	309.97	229.07	165.19
Staff Cost	311.89	327.80	296.26	272.68	298.31
Administrative Expenses	244.97	227.03	189.57	170.25	180.24
Selling & Distribution Expense	277.77	262.07	240.85	189.71	158.00
Managerial Remuneration	45.15	36.10	29.02	27.97	25.72
Payment To Auditors	2.00	3.17	2.54	2.18	2.10
Diminution of Investments	-	0.77	-	-	-
Interest & Finance Cost	432.15	247.30	164.54	122.64	72.16
Depreciation	410.95	394.78	339.61	412.87	381.97
TOTAL EXPENDITURE	7762.93	6745.47	5469.78	4389.52	5550.76
PROFIT/(LOSS) BEFORE TAX	(325.36)	31.16	129.95	265.99	272.69
LESS : TAXES					
Income Tax	0.00	0.00	17.60	93.75	42.00
Fringe Benefit Tax	11.00	8.00	7.40	0.00	0.00
PROFIT/(LOSS) AFTER TAX	(336.36)	23.15	104.95	172.24	230.69
Add.: I.T.Adjustment of earlier Year					
Balance as per last balance sheet	0.00	0.00	0.00	0.00	0.00
TOTAL	418.01	432.00	406.70	431.11	396.67
APPROPRIATIONS	81.65	455.15	511.65	603.35	627.36
Provision for Taxation of earlier years (Net)					
Transfer to General Reserve					
Proposed Dividend on Equity Shares	0.00	0.00	22.50	0.00	0.00
Tax on Proposed Dividend	0.00	1.25	10.50	150.00	150.00
Balance Transferred to Balance Sheet					
	20.45	30.68	40.91	40.91	40.91
	3.48	5.21	5.74	5.73	5.35
	57.72	418.01	432.00	406.70	431.11
Total	81.65	455.15	511.65	603.35	627.36

ANNEXURE - 3

CASH FLOW STATEMENT

Particulars	(Rs. In Lacs)				
	2008	2007	2006	2005	2004
A) CASH FLOW ARISING FROM OPERATING ACTIVITIES :					
NET PROFIT BEFORE TAX	(325.36)	31.16	129.95	265.99	272.69
Add : a. Depreciation	410.95	394.78	339.61	412.87	381.97
b. Interest and Finance Cost	367.55	247.30	164.54	116.43	67.31
c. Loss on Sale of Fixed Assets	0	0	0	1.62	4.85
d. Loss on Sale of Investments	0	0	3.16	4.59	0
e. Excess tax provision of earlier years written back	0	0	0	0	0
f. Provision for Diminution of Investment Value	0	0.77	0	0	0
g. Diminution in Derivatives	64.60	0	0	0	0
Less : a. Profit on Sale of Investments	0	0.59	46.83	5.80	10.21
b. Profit on Sale of Fixed Assets	4.47	0	0	5.27	0
c. Dividend Received	0.02	1.60	2.46	10.33	0
CASH OPERATING PROFIT	513.24	671.81	587.96	780.09	716.61
ADJUSTMENTS FOR CHANGE IN WORKING CAPITAL					
a. Trade & Other Receivables	30.03	432.44	(74.74)	(285.82)	(167.54)
b. Inventories	(51.87)	(393.70)	(74.49)	(244.08)	(95.86)
c. Loans & Advances	(384.75)	(244.37)	(323.15)	26.56	(87.02)
d. Trade Payables	622.00	(28.82)	417.07	330.80	(83.27)
	215.42	(234.46)	(55.30)	(172.54)	(433.69)
CASH FLOW BEFORE FOLLOWING PAYMENTS	728.66	437.35	532.65	607.55	282.93
a. Interest and Finance Cost (Paid)	0	0	(166.49)	(114.24)	(63.85)
b. Direct Taxes (Paid)	(12.54)	(12.14)	(38.91)	(54.55)	(50.07)
	(12.54)	(12.14)	(205.40)	(168.78)	(113.92)
NET CASH FLOW FROM (A)	716.12	425.21	327.26	438.77	169.01
B) CASH FLOW ARISING FROM INVESTING ACTIVITIES :					
a. Purchase of Fixed Assets (Net of Adjustment for Capital work-in-progress)	(472.45)	(933.06)	(1785.99)	(637.74)	(429.65)
b. Investment in Subsidiary	(6.92)	0	0	0	0
c. Acquisition / Sale of Investments (Net)	0	0.59	106.98	(47.59)	12.08
d. Sale of Fixed Assets	12.00	0	0	19.66	37.03
e. Dividend Received	0.02	1.60	2.46	10.33	0
f. Interest Received on Loans	56.73	24.30	0	0	0
NET CASH FLOW FROM (B)	(410.63)	(906.56)	(1676.55)	(655.34)	(380.54)
C) CASH FLOW ARISING FROM FINANCING ACTIVITIES :					
a. Secured Borrowings - Net of Repayment	(337.78)	836.62	1356.99	281.20	222.23
b. Unsecured Borrowings - Net of Repayment	530.62	(45.51)	23.79	(2.47)	47.29
c. Dividend Paid (See Note III)	(35.79)	(46.02)	(46.27)	(45.42)	(44.96)
d. Interest and Finance Cost Paid	(453.07)	(275.11)	0	0	0
NET CASH FLOW FROM (C)	(296.02)	469.98	1334.51	233.31	224.55



Particulars	2008	2007	2006	2005	2004
NET CHANGE IN CASH / CASH EQUIVALENTS (A+B+C)	9.47	(11.37)	(14.78)	16.74	13.04
ADD : OPENING BALANCE	26.63	38.00	52.78	36.04	23.00
CASH / CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	36.10	26.63	38.00	52.78	36.04

NOTE: THE FIGURES IN BRACKET REPRESENTS CASH OUTFLOW.

Annexure – 4

Consolidated Statement of Assets and Liabilities

(Rs.in Lacs)

Particulars	2008	2007	2006	2005	2004
FIXED ASSETS					
Gross Block	8330.70	7803.87	6482.35	5719.24	4883.70
Less : Accumulated Depreciation	4927.83	4520.56	4125.30	3785.70	3406.56
Net Block	3402.87	3283.31	2357.05	1933.54	1477.14
Capital Work-in-Progress	831.32	1686.99	1355.02	291.46	539.01
Investment	21.08	21.08	21.85	110.66	61.85
Deferred Tax Assets	249.64	43.30	24.06	25.24	20.13
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	2512.73	1864.99	1176.98	1160.88	909.53
Cash And Bank Balances	101.95	76.41	80.97	101.43	38.26
Sundry Debtors	380.86	382.68	766.99	620.09	396.48
Loans And Advances	923.96	737.21	817.30	453.09	480.49
Total Current Assets, Loans & Advances	3919.50	3061.29	2842.25	2335.50	1824.76
Debit Balance in Profit & Loss A/C	245.31	0	0	0	0
TOTAL	8669.72	8095.97	6600.22	4696.40	3922.89
LIABILITIES AND PROVISIONS					
Secured Loans	3999.78	4335.85	2817.69	1459.43	1178.23
Unsecured Loans	908.02	277.22	259.53	199.32	201.80
Current Liabilities and Provisions	1908.40	1423.08	1434.15	1009.43	636.67
TOTAL	6816.20	6036.15	4511.37	2668.18	2016.70
NET WORTH	1853.52	2059.82	2088.85	2028.22	1906.19
Represented By :					
Equity Share Capital	204.54	204.54	204.54	204.54	204.54
Minority Interest	0	2.37	24.63	0.00	0.00
Reserves	1648.98	1852.93	1859.68	1823.68	1701.65
NET WORTH	1853.52	2059.82	2088.85	2028.22	1906.19
DETAILS OF RESERVES & SURPLUS					
Capital Reserve	0.94	0.94	0.94	0.94	0.94
Capital Reserve On Consolidation	3.97	2.99	2.54	2.89	2.32
Preference Share Redemption Reserve	5.00	5.00	5.00	5.00	5.00
Share Premium	54.97	54.97	54.97	54.97	54.97
General Reserve	1334.46	1334.37	1333.08	1322.61	1172.55
Deferred Tax Reserve	249.64	43.30	24.05	25.25	20.13
Profit & Loss Account	0	411.36	439.10	412.02	445.74
TOTAL	1648.98	1852.93	1859.68	1823.68	1701.65

Annexure - 5

Consolidated Statement of Profit and Losses

(Rs. In Lacs)					
Particulars	2008	2007	2006	2005	2004
INCOME					
Sales	7495.11	6772.27	5724.63	4596.02	5560.08
NET SALE	7495.11	6772.27	5724.63	4596.02	5560.08
Other Income :-					
Export Incentive	147.82	0.00	0.00	0.00	0.00
Dividend	0.02	0.00	0.00	0.00	0.00
Profit on Sale of Investments	0.00	0.00	0.00	0.00	0.00
Profit on Sale of Assets	4.47	0.00	0.00	0.00	0.00
Miscellaneous Income	40.17	0.00	0.00	0.00	0.00
Increase/Decrease in Inventories	(199.96)	364.16	(69.06)	66.59	274.11
Total	7487.63	7136.43	5655.57	4662.61	5834.19
EXPENDITURE					
Raw Material Consumption	4888.59	4424.22	3371.95	2513.12	3831.69
Power & Fuel	936.81	816.84	553.42	449.03	435.37
Operation & Maintenance	235.70	325.61	309.97	229.07	165.19
Staff Cost	353.65	335.87	296.35	272.68	298.31
Administrative Expenses	403.38	249.56	194.21	173.14	182.87
Selling & Distribution Expenses	297.33	284.93	255.33	203.35	167.32
Managerial Remuneration	45.16	36.10	29.02	27.98	25.72
Payment To Auditors	2.28	3.43	2.64	2.17	2.10
Diminution on Investments	0.00	0.76	0.00	0.00	0.00
Interest and Finance Cost	556.43	267.49	170.21	121.34	71.68
Depreciation	412.01	395.22	339.63	412.88	382.02
Total Expenditure	8131.34	7140.03	5522.73	4404.76	5562.27
Profit/(Loss) Before Tax	(643.70)	(3.60)	132.84	257.85	271.93
Provision for Tax	11.47	8.70	25.13	93.76	42.08
Profit/(Loss) After Tax	(655.17)	(12.30)	107.71	164.09	229.85
Add : As Per last balance sheet	411.36	439.09	412.02	445.73	412.59
I.T. Adjustment of earlier year.	0.00	0.00	0.00	0.00	0.00
Profit Available for Appropriation	(243.81)	426.79	519.73	609.82	642.44
APPROPRIATE					
Transfer to General Reserve	0.00	1.25	10.50	150.00	150.00
Proposed Dividend on Equity Shares	20.45	30.68	40.91	41.44	40.91
Tax on Proposed Dividend	3.48	5.21	5.74	5.74	5.35
Reserved on Consolidation	2.07	0.40	0.85	0.62	0.45
Minority Interest	(24.50)	(22.12)	0.13	0.00	0.00
Provision for Taxation of earlier year	0.00	0.00	22.50	0.00	0.00
Balance transferred to Balance Sheet	(245.31)	411.37	439.10	412.02	445.73
	(243.81)	426.79	519.73	609.82	642.44

ANNEXURE - 6

CONSOLIDATED CASH FLOW STATEMENT

	(Rs. In Lacs)				
Particulars	2008	2007	2006	2005	2004
A) CASH FLOW ARISING FROM OPERATING ACTIVITIES					
NET PROFIT BEFORE TAX					
Add : a. Depreciation	(643.70)	(3.61)	132.83	257.85	271.93
b. Interest and Finance Cost	412.01	395.22	339.63	412.87	382.02
c. Loss on Sale of Fixed Assets	556.43	267.49	170.21	116.58	66.83
d. Loss on Sale of Investments	0	0	0	1.62	4.85
e. Excess tax provision of earlier years written back	0	0	3.16	4.59	0
f. Provision for Diminution of Investment Value	0	0	0	0	0
	0	0.77	0	0	0
Less : a. Profit on Sale of Investments	0	0.59	46.83	5.81	10.21
b. Profit on Sale of Fixed Assets	4.47	0	0	5.27	0
c. Dividend Received	0.02	1.60	2.46	10.33	0
CASH OPERATING PROFIT	320.25	657.67	596.54	772.10	715.42
ADJUSTMENTS FOR CHANGE IN WORKING CAPITAL :-					
a. Trade & Other Receivables	1.82	384.32	(146.90)	(223.61)	(102.15)
b. Inventories	(26.49)	(688.01)	(16.10)	(251.35)	(170.56)
c. Loans & Advances	(187.22)	80.44	(364.16)	26.93	(82.13)
d. Trade Payables	496.83	5.63	418.06	330.07	(85.22)
	284.94	(217.62)	(109.10)	(117.96)	(440.07)
CASH FLOW BEFORE FOLLOWING PAYMENTS	605.19	440.05	487.44	654.14	275.35
a. Indirect (Paid) (See Note II)	0	(295.29)	(172.16)	(114.39)	(63.37)
b. Direct Taxes (Paid)	(13.85)	(12.14)	(38.91)	(54.55)	(50.15)
	(13.85)	(307.43)	(211.07)	(168.94)	(113.52)
NET CASH FLOW FROM (A)	591.34	132.62	276.37	485.20	161.83
B) CASH FLOW ARISING FROM INVESTING ACTIVITIES :-					
a. Purchase of Fixed Assets	(283.54)	(1653.49)	(1826.67)	(637.74)	(429.65)
(Net of Adjustment for Capital work-in-progress)					
b. Acquisition / Sale of Investments (Net)	0	0.59	106.98	(47.59)	12.08
c. Reduction in Capital W.I.P.	0	0	0	0	0
d. Sale of Fixed Assets	12.00	0	0	19.66	37.03
e. Dividend Received	0.02	1.60	2.46	10.33	0
f. Interest Received on Loan	0	24.30	0	0	0
NET CASH FLOW FROM (B)	(271.52)	(1626.99)	(1717.23)	(655.34)	(380.53)
C) CASH FLOW ARISING FROM FINANCING ACTIVITIES :-					
a. Secured Borrowings - Net of Repayment	(336.06)	1518.16	1356.99	281.20	222.23
b. Unsecured Borrowings - Net of Payment	630.80	17.68	60.21	(2.47)	47.29
c. Dividend Paid	(35.79)	(46.02)	(46.80)	(45.42)	(44.96)
d. Investment in Subsidiary	0	0	0	0	0
e. Share Capital	0	0	50.00	0	0
f. Interest Paid	(553.23)	0	0	0	0
NET CASH FLOW FROM (C)	(294.28)	1489.82	1420.40	233.31	224.55
D) CHANGE IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION (D)	0	0	0	0	0
NET CHANGE IN CASH / CASH EQUIVALENTS (A+B+C+D)	25.54	(4.56)	(20.46)	63.17	5.86



Particulars	2008	2007	2006	2005	2004
ADD : OPENING BALANCE	76.41	80.97	101.43	38.27	32.41
CASH / CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	101.95	76.41	80.97	101.43	38.27

NOTE: - THE FIGURES IN BRACKET REPRESENTS CASH OUTFLOW.

Annexure – 7

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Financial Statements

The Accounts have been prepared on historical cost basis and as a going concern complying in all material aspects with applicable accounting principles in India, the Accounting Standard issued by Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results are known/ materialized.

c) Revenue Recognition

- (i) Sales of Products are recognized when significant risks and rewards of ownership of products are passed on to customers. Sales are stated at realizable values and include exchange differences, and are net of excise duty recovery, sales tax and returns.
- (ii) Dividend Income is recognized when the right to receive dividend is established.
- (iii) Interest income is recognized on the time proportion method.

d) Fixed Assets

- (i) Fixed assets are stated at their original cost including interest, borrowing cost and other expenses directly related to qualifying assets during construction period.
- (ii) Cost of fixed assets not ready for their intended use before such date are disclosed under Capital Work in Progress.
- (iii) All costs relating to up gradations/ enhancements are generally charged off as revenue expenditure unless they bring significant additional benefits of lasting nature.
- (iv) CENVAT Credits on capital goods are recognised in the books when the company becomes eligible to claim the same and are reduced from the cost of respective asset. Depreciation on these assets are calculated on the net amount.

e) Depreciation



- (i) Assets individually costing Rs 5,000/- or less are depreciated fully in the year of purchase.
- (ii) Depreciation on Leasehold land is over the primary period of lease.
- (iii) Depreciation on Building and Plant and Machinery added upto 30th June 1986, are charged on straight line method at the rates prevalent when the assets were capitalised under Section 205(2)(b) of the Companies Act, 1956.
- (iv) Depreciation on Plant and Machinery and equipments acquired after 1st July, 1986 upto 31st March, 2006 are charged on the written down value method as provided in Schedule XIV to the Companies Act, 1956.
- (v) Depreciation on Plant & Machinery acquired after 1st April, 2006 are calculated on straight line method at rates provided under Schedule XIV of Companies Act, 1956.
- (vi) Depreciation on Computers, Factory and Non factory Building, Vehicles acquired after 1st July, 1986 have been calculated on written down method at rates specified under Schedule XIV of Companies Act, 1956.
- (vii) Depreciation on Effluent Treatment Plant has been provided @ 100%.

f) Impairment

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed assets is determined. An impairment loss is recognized, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is the greater of assets net selling price or its value in use. In assessing value in use, the estimated future cash flows from the use of the assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, are allocated to its assets on a prorate basis.

g) Investments

Long term investments are stated at cost net of provisions. Investments in shares of foreign subsidiary is expressed in Indian currency at the rate of exchange prevailing at the time when the original investment was made. When market value becomes less than cost, provision is considered only when the diminution is considered as being permanent by the management.

h) Valuation of Inventories

Inventories of Raw Materials, Stores and Spare parts, Packing Material, Fuel, Goods-in-progress and Finished Goods are stated 'at cost or net realisable value, whichever is lower'. Stock of Scrap and Spent Acid is valued at net realizable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost formulae used are 'First-In-First-Out' or 'Average cost' as applicable. Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the Company.

i) Foreign Currency Transaction



Foreign currency transactions are recorded by applying the rates on the date of transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account for the year.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing on the balance sheet date. The resultant exchange differences are recognised in the profit and loss account for the year. All non-monetary assets and liabilities are stated at the rates prevailing on the date of the transaction.

The premium or discount on forward exchange contracts is recognized in the profit and loss account over the period of the contract.

Gain or loss on restatement of forward exchange contracts for hedging purposes are recognised in the profit and loss account.

j) Retirement Benefits

(i) Encashment of Leave:

The liability in respect of encashment of unavailed earned leave is provided in the Accounts.

(ii) Gratuity:

The Company has established an Irrevocable Trust to administer Gratuity. The Trust has taken a policy under the Group Gratuity-cum-Life Insurance Scheme from Life Insurance Corporation of India covering all eligible employees. The Company makes payment of annual premium to the Trust.

k) Research and Development cost:

(i) Revenue expenses on Research and Development are written off to the Profit and Loss Account.

(ii) Capital expenditure on Research and Development is shown as addition to fixed assets.

l) Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognised subject to the consideration of prudence in respect of deferred assets on timing differences; being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. In the event of unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realize such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

From 2005-06 onwards

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of 'Fringe Benefit' as defined under the Income Tax Act 1961.

m) Provisions

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical evaluation and past experience. Provisions are not



discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

n) Insurance Claims

Claims receivable are accounted at the time of lodgment depending on virtual certainty of receipt.

o) Earnings Per Share (EPS)

Basic EPS

The earnings considered in ascertaining the Company's basic EPS comprise the net profit/(loss) after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

Diluted EPS

The net profit/(loss) after tax and the weighted average number of shares outstanding during the year are adjusted for all the effects of dilutive potential equity shares for calculating the diluted EPS.

NOTES TO ACCOUNTS

1) Consolidated financial statement of Sadhana Nitro Chem Limited, includes Anuchem, BVBA from financial year ending March 2004, Lifestyle Networks Limited from financial year ending March 2005 and Anuchem PTE Ltd., Singapore for the period ended March, 2008.

2) For financial year ending 2004, sales includes captive consumption from financial year ending 2005 onwards, sales does not include captive consumption for financial years ending 2004 & 2005, sales excludes taxes and duties.

3) Since the losses applicable to the minority in consolidated financial statements for the period ending March 2008 is in excess of their interest, such excess is adjusted against the majority interest.

4) The repayment of Loan falling due within one year is as under:-

a) Secured Term Loans : Rs.717.49 lacs

b) Unsecured Loans :-

Fixed Deposit	Rs.46.41 lacs
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Other Loan	Rs.230.85 lacs
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5) a) Sundry Creditors includes Rs.23.71 lacs (P.Y. Rs. 48.61 lacs) being total outstanding dues to Small Scale Industrial Undertakings to the extent identified on the basis of information available with the company.

b) Names of Small Scale Industrial Undertaking to whom the Company owes as on 31.03.2008, an amount exceeding Rs.1.00 Lac which is outstanding for more than 30 days: i) Dyechem Industries - 11.68 Lacs ii) Niki Chemical Industries - 3.28 lacs. (iii) R.K. Dutt Concerns - 2.80 lacs (iv) Laxmi Chemicals - 2.15 Lacs (v) Super Tiles & Marbles - 1.65 Lacs.

6) Information about Primary Segment reporting - Geographical

(Rs.in lacs)

PARTICULARS	2008			2007		
	Export Segment	Local Segment	Total	Export Segment	Local Segment	Total
Segment Revenue						
a) External Turnover	6583	814	7397	5674	844	6518
b) Export Incentives	148	0	148	136	0	136
Other Un-allocated Revenue/Income						
a) Dividend			0			2
b) Other Revenue			44			49
TOTAL	6731	814	7589	5810	844	6705
Segment Results	403	71	474	565	57	622
Un-allocable Revenue			44			51
Operating Profits			518			673
Interest			(432)			(247)
Depreciation			(411)			(395)
Profit Before Taxation			(325)			31

- a. The company is mainly engaged in manufacturing of Chemical Intermediates having similar risks and returns, constituting a single segment. Revenue from other activities pursued are insignificant. Operations of the company are classified into two primary Geographical Segments namely Exports and Local. These segments have been identified and reported taking into account exchange control regulations, underlying currency risks and the internal financial reporting segments.
- b. Segment Revenue and Expenses:-
- Revenue directly attributable each of the segments is shown under segment revenue.
 - Segment expenses include directly attributable and certain indirect expenses allocated on a reasonable basis. It exclude interest expenses, depreciation and other common expenses which cannot be allocated on a reasonable basis.
- c. Segment Assets and Liabilities:-
- Fixed Assets used in the companies business are not identifiable to any particular reportable segment, consequently management believes that it is not practical to provide segment disclosures relating to capital employed.



7. Disclosures requirements as per Accounting Standard 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India.

(Rs.in lacs)				
Nature of Transaction	Subsidiary Company	Associate Company	Key Management Personnel	Total
a) Sale of goods	651.40	0	0	651.40
b) Purchase of Assets	15.42	0	0	15.42
c) Receiving services	0	21.57	0	21.57
d) Managerial Remuneration	0	0	43.56	43.56
e) Directors' Sitting Fees	0	0	1.60	1.60
f) Interest Expenses	0	17.26	19.11	36.37
g) Loans Given	76.29	0	0	76.29
h) Loans Accepted	0	373.52	0	373.52
i) Interest Income	54.29	0	0	54.29
TOTAL				1274.02

I) List of Related Parties

i)	Subsidiary Company	M/s. Anuchem B.V.B.A.,Belgium
		M/s.Lifestyle Networks Ltd
		M/s. Anuchem Pte.Ltd. Singapore
ii)	Associate Companies	M/s. IBI Engineering & Services Pvt. Ltd. (In Voluntary Winding Up)
a.		Manekchand Panachand Trading Investment Co.Pvt.Ltd.
		Chandra Net Pvt.Ltd.
b.	Partnership Firm	Manekchand Panachand & Co.
		Amnisera Corporation

II) Key Management Personnel

i)	Shri A.D.Javeri	Chairman & Managing Director
ii)	Shri N.R. Jani	Director & Company Secretary
ii)	Relatives	Smt.Seema A. Javeri wife of Shri A.D. Javeri
		Smt. Molina D. Javeri Mother of Shri A.D. Javeri
		Mr.Abhishek A. Javeri son of Shri A.D. Javeri

8. Deferred tax Asset arising on account of timing differences

(Rs. In lacs)			
	Particulars	2008	2007
(a)	Depreciation and Amortization	(52.26)	(9.99)
(b)	Unabsorbed depreciation & c/f business losses	183.84	24.55
(c)	Expenditure allowed under IT Act on payment basis	16.77	28.67
	Total Deferred tax asset	148.35	43.23

9. Earnings per share of Nominal value of Rs.10/- each computed in accordance with Accounting Standard (AS-20) for the year.

(Rs. In lacs)

	Particulars	2008	2007
(a)	Profit after tax as per P&L account (Rs.)	(336.36)	(23.16)
(b)	Opening number of equity shares outstanding	20.45	20.45
(c)	Closing number of equity share outstanding	20.45	20.45
(d)	Basic/ Diluted earning per share	(16.44)	1.13

10. Contingent Liabilities not provided for :

(Rs. in lacs)

	Particulars	2008	2007
(a)	Estimated amount of contracts remaining to be executed on capital accounts (Net of Payments)	19.07	70.01
(b)	In respect of Guarantee given by the Company's Banker for Central Excise and other purposes	0.95	0.75
(c)	In respect of corporate guarantee given by the company for Loans re- by subsidiary	683.26	681.54
(d)	Disputed Central Excise claim in appeal	0	0
(e)	In respect of Bills discounted	1012.96	1090.69
(f)	Disputed Income Tax demand	270.60	270.60
	(Hon'ble Bombay High Court was pleased to issue Rule in company's writ petition challenging the assessment order in re-opened Assessments. Based on Legal Advise, (company is hopeful of succeeding in the writ proceedings and accordingly no provision may be required)		

11. Payment to Auditors :

(Rs. in lacs)

(a)	Audit Fees	1.50	1.50
(b)	Tax Audit	0.25	0.25
(c)	Certification and Tax Representation	0.24	1.43
	TOTAL		3.18

12. Managerial remuneration under Section 198 of the Companies Act 1956 :

(Rs. in lacs)

(a)	Salary	21.55	17.60
(b)	Performance Allowance	3.23	1.73
(c)	Provident Fund	2.59	2.11
(d)	Other Perquisites	16.18	13.54
(e)	Director's sitting fees	1.60	1.11
	TOTAL	45.15	36.09

13.

Remittance in foreign currency on account of		
dividend to non-resident shareholders	0.50	0.27

(A) LICENSED, INSTALLED CAPACITY AND PRODUCTION

(Rs.in lacs)

Particulars	Licensed	* Installed	PRODUCTION	
	DGTD Rgn.	Capacity	2007-2008	2006-2007
	Capacity			
	M.T. (P.A.)	M.T. (P.A.)	M.T.	M.T.
Chemical Intermediates	3,575	3,575	14741	14,365
Organic Intermediates	9,036	9,036	3158	2,839

* Certified by Chairman & Managing Director on which the Auditors have relied.

(B) DETAILS OF TURNOVER, PURCHASES, OPENING STOCK AND CLOSING STOCK

(Rs.in lacs)

Item		Opening Stock		Purchases		Turnover(Net)		Closing Stock
		01.04.2007						31.03.2008
	Qty.	Amount	Qty.	Amount	Qty. *	Amount	Qty.	Amount
	M.T.	Rs.	M.T.	Rs.	M.T.	Rs.	M.T.	Rs.
Chemical Intermediates	276	399.91	-	0	14827	7308.27	190	174.11
	(376)	(265.56)	(5)	(7.25)	(14,470)	(6376.47)	(276)	(399.91)
Organic Intermediates	69	43.25	-	-	3153	89.21	74	40.00
	(118)	(52.37)	-	-	(2,888)	(142.12)	(69)	(43.25)
TOTAL		443.17		-		7397.48		214.11
		(317.94)		(7.25)		(6518.58)		(443.17)

* Turnover quantity includes quantity used for captive consumption.

(C) RAW MATERIALS CONSUMED

(Rs.in lacs)

Item	Qty.	31.03.2008	Qty.	31.03.2007
	M.T.	Rs.	M.T.	Rs.
Benzene	2021	909.13	1,822	786.22
Nitric Acid	2824	357.86	2,222	212.07
Cast Iron Powder	3326	611.81	3,102	520.42
Caustic Potash Lye	339	62.36	1,747	303.22
Caustic Potash Flakes	2538	771.44	1,433	492.51
Others		2137.52		1789.56



TOTAL		4850.12		4104.00
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(D) VALUE OF IMPORTS CALCULATED ON CIF BASIS

Capital Goods (Rs.)		0	7,02,004
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(E) EXPENDITURE IN FOREIGN CURRENCY

(To the extent paid)

(Rs. in lacs)

Travelling Expenses		9.70	22.29
Commission		9.71	9.68
Purchases		1316.41	757.81
Interest and other charges on FC Loan		18.13	30.38
TOTAL		1353.95	820.16

(F) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED AND PERCENTAGE OF EACH TO THE TOTAL CONSUMPTION:**(Rs. in lacs)**

Particulars		2007-08	2006-07
(a) Raw Materials:			
(i) Imported	32.59%	1580.46	14.35% 588.95
(i) Indigenous	67.41%	3269.66	85.65% 3515.05
(b) Spares parts & Components :			
(i) Imported	0.00%	0	0.00% 0
(i) Indigenous	100.00%	42.04	100.00% 54.57

(G) EARNINGS IN FOREIGN EXCHANGE:**(Rs. in lacs)**

Export Sales on FOB Value	6438.26	5550.60
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Annexure - 8

Director Remuneration

(Rs. in Lacs)

	Year ended 31 st March 2008	Year ended 31 st March 2007
Remuneration to Managing Director/Director		
Salaries	21.55	17.60
Commission/Performance Allowance	0	1.73
Provident Fund	2.59	2.11
Other Perquisites	16.19	13.54
Director sitting fees	1.60	1.11
Performance Allowance	3.23	0
TOTAL	45.16	36.10

Annexure - 9

Investments

(Rs. in Lacs)

Particulars	2008	2007	2006	2005	2004
INVESTMENTS (NON TRADE) (AT COST) :					
Subsidiaries:					
Anuchem B.V.B.A. - Belgium	7.72	7.72	7.72	7.72	7.72
Anuchem Private Limited - Singapore.	6.92	-	-	-	-
Life Style Networks Ltd.	25.50	25.50	25.50	-	-
Others					
11.50% Preference shares of Phthalo Colours & Chemicals Ltd.	20.00	20.00	20.00	20.00	20.00
TOTAL (A)	60.14	53.22	53.22	27.72	27.72
Units of Mutual Funds - Quoted		-	-	46	40
Equity Shares - Quoted	10.75	10.75	10.75	53.56	10.75
Total (B)	10.75	10.75	10.75	99.56	50.75
Total (A+B)	70.89	63.97	63.97	127.28	78.47
Less : Provision for Diminution of Investment Value	9.67	9.67	8.90	8.90	8.90
	61.22	54.30	55.07	118.38	69.57
Aggregate market value of quoted investments as on	0.87	1.08	54.60	103.94	68.76



Annexure - 10

Statement of Dividend Paid

Particulars	2008	2007	2006	2005	2004
Equity Shares					
Number of Equity Shares	2045451	2045451	2045451	2045451	2045451
Face Value Per Share (Rs.)	10	10	10	10	10
Paid Up Value per Share (Rs.)	10	10	10	10	10
Rate of Dividend (%)	10%	15%	20%	20%	20%
Total Dividend (Rs. In Lacs)	20.45	30.68	40.91	40.91	40.91
Corporate Dividend Tax on above (Rs. In Lacs)	3.47	5.21	5.74	5.74	5.35

Annexure- 11

Accounting Ratios

(Rs.in Lacs)

Particulars	2008	2007	2006	2005	2004
Net Profit After Tax to Turnover (PAT/TO)	(4.54%)	0.35%	1.91%	3.80%	4.35%
Networth	1804.83	2059.99	2053.55	2018.95	1888.24
Capital Employed	7553.75	7233.19	6501.07	4660.35	3883.64
Profit before interest, depreciation & tax	517.74	673.24	634.10	801.51	726.83
ACCOUNTING RATIOS					
Earning Per Share - Basic	(16.44)	1.13	5.13	8.42	11.28
Earning Per Share - Diluted	(16.44)	1.13	5.13	8.42	11.28
Return on Investments :-					
PBT to Capital Employed [pbt/(cap+rs+sl+ul+cl)]	(4.31%)	0.43%	1.99%	5.68%	6.99%
PAT to Capital Employed [pbt/(cap+rs+sl+ul+cl)]	(4.45%)	0.32%	1.61%	3.68%	5.91%
PAT to Shareholder Fund [pat/(cap+rs)]	(18.63%)	1.12%	5.11%	8.53%	12.22%
Proprietary Ratio (PR)					
Proprietary Fund to Total Assets [(cap+rs)/FA+CA]	37.68%	19.13%	22.19%	25.13%	28.27%
Proprietary Fund to WC [(cap+rs)/(ca-cl)]	129.94%	129.99%	152.81%	154.08%	162.44%
a. Profit After Tax (Rs. In Lacs)	(325.36)	23.15	104.95	172.24	230.69
b. Closing Number of Equity Shares Outstanding	2045451	2045451	2045451	2045451	2045451
c. Weighted Average Number of Equity Share Outstanding	2045451	2045451	2045451	2045451	2045451
d. Share Capital (Rs. In Lacs)	204.54	204.54	204.54	204.54	204.54
e. Reserves (Rs. In Lacs)	1600.28	1855.45	1849.00	1814.40	1683.69
f. Earning Per Share - Basic (Rs.) (a/b)	(16.44)	1.13	5.13	8.42	11.28
g. Earning Per Share - Diluted (Rs.) (a/c)	(16.44)	1.13	5.13	8.42	11.28
h. Return on Net Worth [(ax100)/(d+e)]	(23.00%)	1.12%	5.11%	8.53%	12.22%
i. Book Value [(e+d)/c]	88.24	100.71	100.4	98.70	92.31

Annexure - 12

Capitalisation Statement

Particulars	Year ended 31 st March 2008	As On 31-12-2007	Post Issue
Short Term Debt	2432.26	2432.26	2432.26
Long Term Debt	1842.88	1842.88	1842.88
	4275.41	4275.41	4275.14
Shareholder's Fund:			
Share Capital	204.54	204.54	920.45
Reserve & Surplus	1571.48	1571.48	1571.48
	1776.02	1776.02	2491.93
Debt Equity Ratio			
Long Term Debt/(Capital +Reserve)	1.03	1.03	0.74

Annexure - 13

Statement of Taxation

Particulars		2008	2007	2006	2005	2004
A	Tax Rate					
	Normal Tax Rate	33.66%	33.66%	33.66%	36.56%	35.875%
	MAT u/s 115 JB of IT Act,1961	11.33%	11.33%	7.50%	7.84%	7.69%
B	Taxable Income					
	i) Normal Computation	NIL	NIL	NIL	157.06	162.93
	ii) Under MAT	NIL	NIL	NIL	265.98	158.09
C	Tax payable					
	i) On normal computation	NIL	NIL	NIL	57.47	58.45
	ii) Under MAT	NIL	NIL	NIL	NIL	NIL

Note : Above data are compiled as per Income Tax Return Furnished under Section 139(1) of the Income Tax Act, 1961.

Annexure - 14

Schedule of Other Income

(Rs.in Lacs)					
Particulars	2008	2007	2006	2005	2004
Export Incentives	147.82	135.71	63.01	159.24	255.39
Dividend Income	0.02	1.60	2.46	10.33	14.27
Profit On Sale of Investment	0.00	0.59	43.67	5.81	10.21
Miscellaneous Income	39.51	48.58	45.27	-	-
Profit On Sale of Assets	4.47	-	-	5.27	-
Foreign exchange gain/(loss)	-	-	-	(26.25)	40.67
	191.82	186.48	154.41	154.40	320.54

Annexure - 15

Details of Secured Term Loans as at 31.03.2008

I. For working capital (fund based)

(Rs.in lacs)				
NAME OF BANK	FACILITY	SANCTION	O/S AMOUNT	RATE OF INTEREST %
State Bank of India	Cash Credit/ EPC/PCFC	525	473.53	11.50%
AXIS Bank	Cash Credit/ RPC	750	700.04	12.00%
State Bank of Patiala	Cash Credit	475	463.15	11.50%

Security:

Primary :- Secured By Hypothecation of Raw Materials, Finished Goods, Semi - Finished Goods, Book Debts, Stores & Other Assets.

Collateral :- Personal guarantee of Shri A.D.Javeri, Chariman & Managing Director.



II. For Term Loan

(Rs.in lacs)					
NAME OF BANK	FACILITY	SANCTION	O/S AMOUNT	RATE OF INT. %	REPAYMENT SCHEDULE
State Bank of India	Corporate Rupee Loan	450	281	10.75%	16 Equal quarterly installment from Dec.06 to Sep. 2010
AXIS Bank	Term Loan	1050	525	10.50%	16 Equal quarterly installment from Dec.06 to Jan 2010
State Bank Of Patiala	Term Loan	900	674	11.50%	16 Equal quarterly installment from Jun.07 to Feb. 2011
EXIM Bank of India	Term Loan (in FC)	\$1.25mn.	\$2.75 lacs	LIBOR+3.50BPS	9 Equal half yearly installment from Mar.05 to Mar. 2009.

Security :

Primary :- Pari Passu 1st charge on the immovable assets and Hypothecation charge on the movable assets of the company

Collateral :- Personal guarantee of Shri A.D.Javeri, Chariman & Managing Director.



Annexure -16

Details of Unsecured Loans as on 31.03.2008

(Rs. In Lacs)

PARTICULARS	AMOUNT	RATE OF INTEREST	REPAYMENT SCHEDULE
Jamnalal Sons Private Limited.	200.00	12.75%	12 months- due on 19.11.08
Manekchand Panachand Trading Investment Company Private Limited	350.00	12%	Between 6 months to 1 year
Sales Tax Deferral Scheme-2001-02	12.09	Interest free	Between year 2012 to 2016 in 5 equal installments
Sales Tax Deferral Scheme-2002-03	5.82	Interest free	Between year 2013 to 2017 in 5 equal installments
Sales Tax Deferral Scheme-2003-04	2.99	Interest free	Between year 2014 to 2018 in 5 equal installments
Deposits from Public	106.47	9 to 10%	Between year 2014 to 2018 in 5 equal installments
Manekchand Panachand Trading Investment Company Private Limited	21.18	10.00%	Between 6 months to 3 years
IBI Engineering Services Private Limited	2.29	10.00%	Average maturity period of 90 days
Jamnalal Sons Private Limited	7.39		Average maturity period of 90 days
			Interest provided
Total	708.23		

Annexure - 17

Sundry Debtors

(Rs.in Lacs)

	Particulars	2008	2007	2006	2005	2004
1.	Sundry Debtors					
	Outstanding for more than six months.	4.72	1.66	29.41	151.38	28.43
2.	Other Debts	358.46	391.55	796.24	599.53	436.66
	TOTAL	363.18	393.21	825.65	750.91	465.09

Annexure - 18

Statement of Capital Commitments

(Rs. in Lacs)

Particulars	2008	2007	2006	2005	2004
Estimated amount of contracts remaining to be executed on capital accounts (Net of Payment)	19.07	70.01	415.06	463.30	6.91



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Industry Structure and Developments:

The global chemical industry, estimated at US \$ 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and demanding international environmental protection standards now adopted globally, chemicals industry has still grown at a rate higher than the overall manufacturing segment.

As per the industry reports the pharmaceutical segment contributes approximately 26% of total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approx. size of \$ 750 billion while the speciality and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US\$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of speciality chemicals, fine chemicals and pharmaceuticals.

The Indian Chemicals Industry comprises both small and large-scale units. The fiscal concessions granted to small sector in mid-eighties led to establishment of large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, branch building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.



An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

The second quarter of the financial year 05-06 witnessed unprecedented flood situation in the area where the factory is located and frequent interruptions in raw material supplies. This impacted adversely the production and the cost of production due to unabsorbed overhead burden resulting in heavy loss during that period. Besides this there are no unusual or infrequent events.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, appreciation of Indian Currency vis-a-vis US Dollar could adversely affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares. Any further Rupee appreciation against the US dollar would affect the income of the company.

3. Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

To the best of knowledge of the management, there are no known trends or uncertainties that may have material adverse impact on the income except the currency fluctuations of Indian rupee vis-a-vis international currencies.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labor or material costs or prices that will cause a material change are known.

Raw material costs range from 50 per cent to 65 per cent of sales, and are a major constituent of costs. Typically, derivatives of crude oil are used as raw materials. This makes the company vulnerable to fluctuations in oil prices as well as supply disruptions. In competitive markets, chemical producers have been unsuccessful in passing on cost escalations to the end consumer. In addition, higher oil prices could contribute to the economic slowdown, which in turn may reduce demand for chemical derivative products. Logistic cost is also a significant component of raw material costs, especially for the commodity chemicals industry comprising mostly of voluminous raw materials.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Color formers were launched by the company during the year 2005. The expansion of MAP plant capacities was completed and the plant was operative in year 2007. These contributed to the increase in sales volumes. The aggressive marketing strategy alongwith thrust on high value products have resulted in escalation of exports of the company. The increase in sales is mainly on account of increase in export turnover.

6. Total turnover of each major industry segment in which the Company operated

The company is mainly engaged in manufacturing of chemical intermediates having similar risk and returns, constituting a single segment. Operations of the company are classified into two primary Geographical Segments namely Exports and Domestic. These segments have been



identified and reported taking into account exchange control regulations, underlying currency risk and the internal financial reporting systems.

7. Status of any publicly announced new product

There are no new publicly announced products of the company.

8. The extent to which the business is Seasonal

The business of the company is not seasonal in nature except to the extent to the products of the company are used in agrochemicals.

9. Dependence on single or few suppliers / customers

Top 3 customers account for a large percentage (68%) of our operating revenue and the loss of one or more of them could significantly affect our revenues.

10. Competitive conditions

The company has a threat from the Chinese manufacturers. Please refer page 37 for details.

Discussions on Financial/Operational performance: The details of financial performance from the year 31st March 2004 to 31st March, 2007 as per the audited financial results are given in the below table:

STATEMENT OF PROFITS AND LOSSES

(Rs. In Lacs)

Particulars	March 31, 2008	March 31,2007	March 31,2006	March 31,2005
INCOME				
Sales and Other Income	7589	6705	5630	4683
Increase/(Decrease) in Stock	(152)	72	(31)	(28)
EXPENDITURE				
Raw Material consumption	4850	4104	3344	2513
Power & Fuel	937	817	553	449
Operation and Maintenance	251	326	310	229
Salaries, Wages and Benefits to Employees	312	328	296	273
Administrative Expenses	245	227	190	170
Selling and Distribution	278	262	241	190
Finance Cost	432	247	165	123
Depreciation for the year	411	395	340	413
PROFIT BEFORE TAXATION	(325)	31	130	266
Less: Provision for Taxation	-	-	18	94
Provision for FBT	11	8	7	-
PROFIT AFTER TAXATION	(336)	23	105	172
Basic & Dilute Earning Per Share of Nominal Value of Rs. 10/- each (Rs. per share)	(16.44)	1.13	5.13	8.42



Comparison of Financial Statements for the year 2007-2008 with 2006-2007

1. Sales & Other Income

The company achieved a turnover of Rs.7589 Lacs as against Rs.6705 Lacs in the previous year and registered year-on-year growth of more than 13%. During the year the company made efforts to improve contribution from the sales by marketing better production mix, implementing various cost cutting measures and improving operational efficiencies. Marketing efforts were directed to push the sales price up and increase the volume.

2. Expenditure

The manufacturing expenses increased by about 15% from Rs.5247 Lacs in 2006-2007 to Rs.6038 Lacs in 2007-2008. Market conditions during 2007-2008 continued to be highly price competitive. Price of several raw materials and furnace oil escalated noticeably during the year. Besides, there were irregularities in availability and supply of raw material. Due to power shortage the electricity supply was highly irregular which necessitated use of costly diesel generated power. This has resulted in irregularities and interruption in continuous production which in turn escalated the cost of operations.

The salaries and wages were decreased marginally and administrative expenses and selling and distribution costs were increased marginally.

3. Finance Cost

The finance cost of the company increased to Rs.432 Lacs for 2007-2008 as against Rs.247 Lacs for the year March, 2007 i.e. by about 75% over the previous year. During the year colour former II project was in midstream and got delayed due to various constraints arising from erosion in margin for last 2 years. The burden of increased interest rates has affected the profitability.

4. Depreciation

Depreciation has increased from Rs.395 Lacs to Rs.411 Lacs for 2007-08 by about 4% due to marginal increase and change in the depreciation method to straight basis from written down value method provided upto 31st March 2006.

5. Net Loss

Loss after providing depreciation & tax was at Rs.336 Lacs as against Profit Rs.23 Lacs in the previous years. There has been a drop in PAT to the extent of 1561%. The benefit of cost control measures, improved operational efficiencies and highly operating levels were negated by the impact of extraneous factors. The exports constituted about 89% of the sales of the company. The rising raw material cost consequent to international crude oil prices coupled with appreciation of Rupee against USD has affected the profitability considerably. Sudden and sharp appreciation of Indian Rupee against US Dollar had consequential sharp adverse effect of reducing value of export sales despite increased quantitative sales. This has wiped out the profitability considerably.

Comparison of Financial Statements for the Year 2006-2007 with 2005-2006

1. Sales & Other Income

The company achieved a turnover of Rs.6705 Lacs as against Rs.5630 Lacs in the previous year and registered year-on-year growth of more than 19%. During the year the company made efforts to improve contribution from the sales by marketing better production mix, implementing various cost cutting measures and improving operational efficiencies. Marketing efforts were directed to push the sales price up and increase the volume.



2. Expenditure

The manufacturing expenses increased by about 25% from Rs.4207 Lacs in 2005-2006 to Rs.5247 Lacs in 2006-2007. Market conditions during 2006-2007 continued to be highly price competitive. Price of several raw materials and furnace oil escalated noticeably during the year. Besides, there were irregularities in availability and supply of raw material. Due to power shortage the electricity supply was highly irregular which necessitated use of costly diesel generated power. This has resulted in irregularities and interruption in continuous production which in turn escalated the cost of operations.

The salaries & wages, administrative expenses and selling and distribution costs were increased marginally.

3. Finance Cost

The finance cost of the company increased to Rs.247 Lacs for 2006-2007 as against Rs.165 Lacs for the year March, 2006 i.e. by about 50% over the previous year. During the year colour former II project was in midstream and got delayed due to various constraints arising from erosion in margin for last 2 years. The burden of increased interest rates has affected the profitability.

4. Depreciation

Depreciation has increased from Rs.340 lacs to Rs. 395 lacs for 2006-07 by about 16% due marginal increase and change in the depreciation method to straight basis from written down value method provided upto 31st March 2006.

5. Net Profit

Profit after providing depreciation & tax was at Rs.23 Lacs as against Rs.105 Lacs in the previous years. There has been a drop in PAT to the extent of 78%. The benefit of cost control measures, improved operational efficiencies and highly operating levels were negated by the impact of extraneous factors. The exports constituted about 87% of the sales of the company. The rising raw material cost consequent to international crude oil prices coupled with appreciation of Rupee against USD has affected the profitability considerably. Sudden and sharp appreciation of Indian Rupee against US Dollar had consequential sharp adverse effect of reducing value of export sales despite increased quantitative sales. This has wiped out the profitability considerably.

Comparison of Financial Statements for the Year 2005-2006 with 2004-2005

1. Sales & Other Income

The company achieved a turnover of Rs.5630 Lacs as against Rs.4683 Lacs in the previous year and registered year-on-year growth of 20%. During the year the company adopted aggressive marketing strategy alongwith thrust on high value added products resulting in increase in exports to a new peak.

2. Expenditure

The manufacturing expenses increased by about 32% from Rs.3191 Lacs in 2005-2006 to Rs.4207 Lacs in 2006-2007. The input prices, energy costs, freight etc. continued to escalate. The second



quarter of the year witnessed unprecedented flood situation in the area where the factory is located. This impacted adversely the production and cost of production.

The company managed to restrict the expenditure on the salaries & wages, administrative expenses and selling and distribution costs.

3. Finance Cost

The finance cost of the company had reduced to Rs.123 Lacs for 2005-2006 as against Rs.165 Lacs for the year March, 2005 i.e. by about 34% over the previous year. During the year on account of timely repayment of the loans availed.

4. Depreciation

Depreciation has decreased from 340 lacs to 413 lacs for 2006-07 by about 21% in the normal course of operations.

5. Net Profit

Profit after providing depreciation & tax was at Rs.105 Lacs as against Rs.172 Lacs in the previous years. There has been a drop in PAT to the extent of 39%. The overheads increased on account of severe interruptions in raw material and other utility supplies during the the second quarter of 05-06 which is mainly on account of unprecedented flood in July 2005 and rising prices.

WORKING RESULTS

Information relating to the company sales, gross profit etc., as required by the Ministry of Finance vide circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even no. dated March 8, 1977 as under:-

The results of the company for the period from April 01, 2008 to July 31, 2008:-

Particulars (Consolidated)	(Rs.in lacs)
Net Sales	2780.00
Other income	50.00
Total income	2830.00
Total expenditure	2286.00
Interest & Financial charges	360.00
Depreciation	121.00
Provision for taxation	3.00
Net Profit/ (Loss) after Tax	60.00
Paid-up equity share capital	205.00



V- LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its directors or Promoters or companies promoted by promoters that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its directors, its Promoters or companies promoted by its promoters.

CONTINGENT LIABILITIES OF THE COMPANY

As on March 31, 2008, the company has contingent liabilities not provided for in respect of items detailed below:

(Rs. in Lacs)	
Particulars	Year ended 31/03/2008
a) Estimated amount of contracts remaining to be executed on capital accounts (Net of Payments)	19.07
b) In respect of Guarantee given by the Company's Banker for Central Excise and other purposes.	0.95
c) In respect of corporate guarantee given by the company for loans availed by the subsidiary company - Lifestyle Networks Limited	683.26
d) In respect of Bills discounted	1012.97
e) Disputed income Tax demand	270.60
TOTAL	1986.85

PENDING LITIGATIONS AGAINST THE COMPANY

Cases filed against the Company

Save and except as stated below, there are no outstanding litigations, disputes, penalties against company, including tax liabilities, economic offences, criminal or civil prosecutions launched against the company, for any offence irrespective of whether or not specified in Paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956.

1. Litigation involving criminal cases

- a) Criminal case No. 2/03 Complainant MPCB v/s Sadhana Nitro Chem Limited: MPCB has launched criminal case against the Company for alleged breach of provisions of Water (Prevention & Control of Pollution) Act, 1974, in the Judicial Magistrate Court, Roha.
- b) Case No. 987 of 2006 under M.V. Act:- Ms. Rasila Shashikant Vasvani and ANR v/s. Sadhana Nitro Chem Ltd. and The Oriental Insurance Co. Ltd. is pending for disposal.



2. Litigation involving civil cases

Sl No	Parties	Court	Reasons	Case No.	Current status	Amount involved (Rs. In lacs)
1.	Nilesh H. Chandan v/s SNCL	High Court at Mumbai	Alleged Recovery of Dues payable to plaintiff which has been set off against the Counter claim of the defendant.	638 of 2004	Case transferred to Long Court	2.12 Plus interest for over due period
2.	Bank of India v/s CRB Capital Market Ltd & Others including SNCL.	Debt Recovery Tribunal No. II, Mumbai. (Being High Court transferred to Suit No. 1978 of 1997).	Bank of India filed the suit for the recovery of its due of CRB Capital Markets Ltd. After filing of suit CRB Capital Markets Ltd. was wound up and official Liquidator was appointed. SNCL is defendant No. 6 and arrears and future lease rental and possession of equipment and machinery has been claimed inter-alia from them.	Original application No. 578 of 2000 (Being High Court transferred to Suit No. 1978 of 1997).	SNCL has filed its written statement and also filed affidavit in defense and compilation of document in Debt Recovery Tribunal. In view of order dated 25.08.2006 passed by Delhi High Court sanctioning a scheme of modification / restructuring of CRB Capital Market Ltd. The proceedings before the DRT have been stayed till vacation of the stay granted by the Delhi High Court.	Nil

3. Litigation involving Statutory Disputes

Details of pending Income Tax cases

Sl No	Assessment year	Outstanding Demand (Rs. In lacs)	Details of disputes
1.	1998-1999	143.57	Writ Petition No. 762-2006 filed in High Court at Mumbai
2.	1999-2000	127.04	Writ Petition No. 763-2006 filed in High Court at Mumbai
3.	2001- 2002	62.12	ITAT 3041/MUM/ 2007 - Pending
4.	2002-2003	4.10	ITAT 2377/ MUM/ 2006 - Pending
5.	2003-2004	11.47	ITAT 3042/ MUM/ 2007 - Pending
6.	2004-2005	38.26	ITAT 4851/ MUM/ 2007 - Pending



4. Defaults

The company has not defaulted in the payment of interest and repayment of principal to other Companies, Financial Institutions, deposit holders etc. The company has not defaulted in meeting statutory dues, institutional dues and dues towards, fixed deposits, and other arrears.

Other than the above there are no disputes /litigation towards tax liabilities or any criminal or civil prosecutions against the company for any offence, economic or otherwise.

Cases filed by SNCL

1. Litigation involving criminal cases

Sr No	Parties	Court	Reasons	Case No.	Current status	Amount involved (Rs. In lacs)
1.	SNCL v/s Riverside Industries Ltd.	Metropolitan Magistrate, 7 th Court, Dadar, Mumbai	Complaint filed under section 138 of negotiable instruments act in connection with dishonor of cheque.	2433/SS of 2007	Case adjourned to 22.10.2008 for issue of warrant.	2.50
2.	SNCL v/s S.K. Lahoti	Metropolitan Magistrate, 7 th Court, Dadar, Mumbai	Complaint filed under section 138 of negotiable instruments act in connection with dishonor of cheque.	32/SS of 2004	Non bailable warrant issued on 17.10.2007 against accused. Police is unable to produce accused in court on 2.1.2008. Fresh non-bailable warrant issued by the Learned Magistrate. Next hearing on 08.12.08	0.89

2. Litigations involving civil cases

Sl No	Parties	Court	Reasons	Case No.	Current status
1.	SNCL v/s Vasant Mhatre	Judicial Magistrate Court, Roha	Civil Suit was filed against Vasant Mhatre on the count of removal of encroachment and the suit was allowed and confirmed by District Court and Honorable High Court at Mumbai as well.	Darkha st No. 6 of 2005	Decree execution has been filed. Next date is 29.09.08



Against the Directors/Promoters

Mr. A.D. Javeri, Chairman & Managing Director:

Reg. Criminal case No. 2/03 Complainant MPCB v/s A.D. Javeri:

MPCB has launched criminal case against the Company for alleged breach of provisions of Water (Prevention & Control of Pollution) Act, 1974, in the Judicial Magistrate Court, Roha wherein Mr. A.D. Javeri has been made a party to the case.

Mr. N.R. Jani, Director & Company Secretary:

Reg. Criminal case No. 2/03 Complainant MPCB v/s N.R. Jani:

MPCB has launched criminal case against the Company for alleged breach of provisions of Water (Prevention & Control of Pollution) Act, 1974, in the Judicial Magistrate Court, Roha.

Mr. Arvind R. Doshi, Director

As an Ex-Director in Premier Automobiles Limited (prior to January 16, 2007) the following cases are pending against him:

Sr. No.	Nature of cases	No. of cases	Remarks
1.	Civil case	2	<p>Case under section 274(1)(g)(B) was filed by Mr. Virendra N. Shah and others, shareholders of the Company in the Hon'ble City Civil Court, Bombay. The case was dismissed and an Order was passed in favour of Premier Ltd. and the Director Mr. Virendra N. Shah has now filed an appeal in the High Court, Bombay and the same is pending.</p> <p>Civil suit filed by Mr. Jagdish Khanna, former employee of PAE Limited, Delhi Branch, in the court of the Senior Civil Judge, Delhi, against the Chairman and Managing Director of PAE Limited and the Branch Manager, PAE Limited, Delhi for recovery of VRS dues as per VRS scheme. The case is fixed for final arguments on 16 May, 2008. The matter is adjourned till 04/10/2008, for orders/ arguments, is any.</p>
2.	Statutory and other cases: Cases filed by ROC	2	Case nos. 108/S/2000 and 495/S/2004 were filed by the Registrar of Companies, Maharashtra on 22 nd October, 1999 and 21 st October, 2004, respectively, in the 19 th Espalande Court, Mumbai for late payment of dividend by Premier Ltd. (Formerly The Premier Automobiles Ltd.) for the financial year ended 30 th September, 1998.

Mr. Ramesh Shroff, Director

The following case is pending against Mr. Ramesh Shroff:

Sr. No.	Nature of cases	No. of cases	Remarks
1.	Criminal case	1	Case no. 5541/06 State Vs. Ravi Kumar & Others- regarding non-payment of deposit made with Alpic Ltd. (now in Liquidation)

**Mr. Abishek A. Javeri, Director**

Reg. Case No. 987 of 2006 Under Motor Vehicals Act – Smt. Rasila Shashikant Vasani & ANR V/s. Sadhana nitro chem. Ltd. and The Oriental Insurance Company Limited is pending for disposal.

Other than above there are no outstanding litigations towards tax liabilities or any criminal/ civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act, 1956), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences or securities related or other offences against the Directors/Promoter of the Company.

OUTSTANDING LITIGATIONS AGAINST GROUP COMPANIES

The details of the case pending against Chandra net Pvt. Ltd. one of the group company are as follows:

One civil case pending at small causes court by bharat Sanchr Nigam Ltd. V/s. Chandra Net Pvt. Ltd. at Ahmedabad. The case no is 1499/2005 and the next date of hearing is June 30, 2008. The dispute is regarding the billing by Bharat Sanchar Nigam Ltd. and the amount disputed is Rs.1.70 lacs (Rs.0.25 lacs is already deposited)

MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

There are no material developments after the date of the latest balance sheet, that are likely to materially affect the performance and the prospects of the company. The company has not discontinued any of its existing business nor commenced any new business during past year.

ADVERSE EVENTS

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Letter of Offer with the Stock Exchange.



GOVERNMENT APPROVALS

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

The Company is incorporated under the Companies Act, 1956 has to comply with the provisions of the said Act, the Rules made there under by the Central Government as also the administrative instructions given by the Governmental authorities from time to time.

The company is also a listed company and the provisions of the Securities (Contracts) Regulations Act, 1956 and the Rules made there under, the Securities and Exchange Board of India Act, 1992 and the Rules and Regulations made there under, the provisions of the Listing agreement entered into with the stock exchanges, the Depositories Act, 1996 and the Rules made there under are also applicable.

The Company is engaged in the business of manufacturing the company is engaged in the business of manufacturing various chemicals. For the purpose of the businesses undertaken by the Company, we are required to obtain licenses and approvals depending upon the prevailing laws and regulations as applicable. The Labour related Acts and Regulations, The environmental laws and regulations, the Commercial Laws and Provisions that are applicable to the Company include.

- Industries (Development and Regulations) Act, 1951;
- Factories Act, 1948;
- Employees State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Payment of Minimum Wages Act
- Contract Labour (Regulations and Abolition) Act, 1970;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Environment protection Act, 1986, and Rules, 1986;
- Water (Prevention and Control of Pollution) Act, 1974, and Rules, 1975;
- Water (Prevention and Control of Pollution) Cess Act, 1977, and Rules, 1978;
- Air (Prevention and Control of Pollution) Act, 1981, and Rules, 1982;
- Inter-state Migrant Workmen Act, 1979;
- Hazardous Waste (Management and Handling) Rules, 1989; and
- Workmen's Compensation Act, 1922.
- Income Tax Act and Rules
- Central Excise Act, Central Excise Tariff Act and Rules
- Customs Act and Customs Tariff Act and Rules
- Central Sales Tax Act, Central/ Maharashtra State Value Added Tax Act and Rules
- The Foreign Exchange Management Act and Regulations and notifications made by the Reserve Bank of India there under

Investment Approvals (FIPB/ RBI, etc.)

As per Notification No.FEMA 20/ 2000 – RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank; the Company is not required to make an application for Issue of Equity Shares to NRIs/ FIIs with repatriation benefits. However, the allotment/ transfer of the Equity Shares to



NRIs/ FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to relevant RBI Guidelines and subject to the Indian tax laws and regulations and any other applicable laws.

STATUTORY APPROVALS AND LICENCES

The company has received the necessary consents, licenses, permissions and approvals from the Governments and various Governmental agencies required for our present business and except as mentioned below, no further materials approvals are required for our present business.

It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the Government does not take any responsibility for the financial soundness of the company or for the correctness of any of the statements or any commitments made or opinions expressed.

The Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further approvals are required by the company for carrying on the present business activities of the Company,. No further approvals from any Government authority/Reserve Bank of India (RBI) are required by the Company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

It must, however, be distinctly understood that in granting the above approvals the Government, RBI and other authorities do not take any responsibility for the financial soundness of the company or for the correctness of any of the statements or any commitments made or opinions expressed in the Letter of Offer.

The following statement sets out of the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Licences from different authorities:

Particulars	Issuing Authority	Name of the Act	Registration No.	Issued on	Validity Period
Certificate of Incorporation	Registrar of Companies, Maharashtra, Mumbai.	Companies Act, 1956	16698 / 1973-74	21.07.1973	Lifetime of the company
Certificate of Commencement of Business	Registrar of Companies, Maharashtra, Mumbai.	Companies Act, 1956	16698	10.09.1973	Lifetime of the company
PAN	Income Tax Department	Income Tax Act, 1961	AABCS1231R	19.11.98	Lifetime of the co.
TAN	Income Tax Department	Income Tax Act, 1961	MUMS 37459C		Lifetime of the company
Certificate of Importer-Exporter Code (IEC)	Director General of Foreign Trade	Export Import Policy			Lifetime of the company
Service Tax Registration	Commissionerate of Service Tax	Finance Act, 1994	AABCS1231R ST-001		Lifetime of the company
Registration	Regional	Employees	MH/15072		Lifetime of the



Particulars	Issuing Authority	Name of the Act	Registration No.	Issued on	Validity Period
under Employees Provident Funds and Miscellaneous Provisions Act, 1952	Provident Commissioner, Mumbai.	Provident Fund & Miscellaneous Provisions Act, 1952			company
Registration under Employees' State Insurance Act, 1948	Employees' State Insurance Commission, Mumbai.		31-42613-102		Lifetime of the company
Registration under Sales Tax Act and Registration under Value Added Tax 2005	CST TIN 27400257069C w.e.f. 01.04.06 VAT TIN 27400257069V w.e.f. 01.04.06				
ISO Certification	Registro Italiano Navale India Pvt. Ltd. (RINA)	ISO 9001:2000	12633/05/S	06.06.2008	22.3.2011

LICENSES FOR FACTORY UNIT:

Particulars	Issuing Authority	Covered under (Name of the Act)	Registration No.	Issued on	Validity Period	Remarks
Factory License	Director Health & Safety	Factories Act, 1948.	92300	19.12.07	31.12.2010	Renewable on expiry
EOU Licence/ Registration	Development Commissioner of Central Excise	EOU Act	2005/1185		28.02.2010	Renewable on expiry
Consent to Operate under Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981 for E-443	State Pollution Control Board	Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981	Consent No. BO/RO Raigad/PCI-I/ EIC-0605/07/R/ CC-120	28.03.07	31.12.2011	Renewable on expiry
Authorization for operating a facility for collection, reception, storage and transport of	State Pollution Control Board	Hazardous Waste (Management and Handling) Rules, 1989	No. BO/RO Raigad/ PCI-I/EIC-0605/07/R/ CC-120	28.03.07	31.12.2011	Renewable on expiry



Particulars	Issuing Authority	Covered under (Name of the Act)	Registration No.	Issued on	Validity Period	Remarks
Hazardous Waste						
Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952.	Regional Provident Commissioner, Mumbai.	Employees Provident Funds and Miscellaneous Provisions Act, 1952.	MH/15072		Lifetime of the company	
Registration under Employees' State Insurance Act, 1948	Employees State Insurance Commission	Employees State Insurance Act, 1948	31-42613- 102		Lifetime of the company	
Registration under Contract Labour (Regulation & Abolition) Act, 1970	Commissioner of Labour	Labour Act, 1970			30.12.2008	Renewable on expiry
Registration under Central Excise Act (DTA Unit)	Assistant Commissioner of Central Excise	Central Excise Act, 1944	AABCS1231R XM001		Lifetime of the company	
(EOU Unit)	"	"	AABCS1231R XM002		"	
Registration under Sales Tax Act	Sales Tax Officer	Central Sales Tax Act	CST TIN- 27 400257069C	01.04.06	Lifetime of the company	
Tax Identification No. under VAT Act	Sales Tax Officer	Value Added Tax, 2005	VAT TIN- 27 400257069V	01.04.06	Lifetime of the company	
Recognition of In- house R&D Units	Ministry of Science & Technology, Govt. of India.	Recognition of In-House R&D Unit(s)	TU/IV-RD/ 1177/2006	17.04.06	31.03.2009	Renewable on expiry
Standard Weight & Science Instrument	Chief Inspector of Weights & Measures	Weight & Measures Department	Weight Bridge 40 MT / Scales		19.06.2008 to 19.06.2009	Renewable on expiry
Registration under Employees Provident Funds and Miscellaneous Provisions Act, 1952.	Regional Provident Commissioner, Mumbai.	Employees Provident Funds and Miscellaneous Provisions Act, 1952.	MH/15072		Lifetime of the company	



SECTION VI - REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

The Board of Directors at their meeting held on December 07, 2007 have approved the rights issue of equity shares of the Company of Rs 10/- each to the existing holders of equity shares in the ratio of Seven equity share for every Two equity shares held by them on a date to be announced by the Board (Record Date) for a total amount of Rs. 715.90 lacs. The Special resolution was passed at the Extra Ordinary General Meeting of the shareholders of the Company held on January 22, 2008 authorising the Board of the Company to raise capital up to Rs 715.90 lacs.

Issue of 71,59,079 Equity Shares of Rs. 10/- each at par (Issue Price of Rs.10/-) aggregating Rs.715.90 lacs on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (One) Equity Share for every 2 (Two) Equity Shares held on Monday September 22, 2008. The face value of the Equity Share is Rs. 10/- per share and the Issue Price is 1 time the face value. The Board of Directors of the Company has approved the Letter of Offer in the board meeting held on April 29, 2008.

PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

ELIGIBILITY FOR THE ISSUE

Sadhana Nitro Chem Limited is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4.1(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, SNCL, group companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL



RELEVANT INFORMATION IN OFFER DOCUMENT, LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED June 16, 2008 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - a) THE LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - c) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID, EXCEPT THAT OF REGISTRAR TO THE ISSUE.
4. WE CERTIFY THAT REQUIREMENT OF PROMOTER'S CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (a), (b) or (c)} ARE NOT APPLICABLE IN RESPECT OF THE SAID ISSUE.
5. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
6. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY



AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

7. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT, IF ANY, IN THE ISSUE.
8. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
9. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER :
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
 - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

CAUTION STATEMENT / DISCLAIMER CLAUSE OF THE ISSUER AND THE LEAD MANAGER

The Issuer Company and the Lead Manager accept no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

DISCLAIMER IN RESPECT OF JURISDICTION

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorised under their constitution to hold and invest in shares), Foreign Collaborators and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any jurisdiction other than India. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai, State of Maharashtra, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Sadhana Nitro



Chem Ltd. since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

LISTING

Presently the Equity shares of SNCL are listed on Bombay Stock Exchange Limited (BSE) (Designated Stock Exchange).

The Company has received in-principle approval from BSE vide its letter no. DCS/PREF/JA/IP-RT/795/08-09 dated July 7, 2008 for listing of the equity share being issued in terms of this Letter of Offer.

If the permissions to deal in and for an official quotation of the equity shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE), THE DESIGNATED STOCK EXCHANGE

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated [●], permission to this Company to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein for any other reason whatsoever.

FILING

A copy of this Letter of Offer has been filed with SEBI, SEBI Bhavan, Plot No. C-4A, C- Block, Bandra - Kurla complex, Bandra (East), Mumbai 400 021 and Bombay Stock Exchange Ltd., (BSE) (Designated Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai.



IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) **makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) **otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Lead Manager to this Issue and Registrar to this Issue to the Issue to act in their respective capacities have been obtained and filed with Stock Exchanges at the time of filing this Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Offer Document and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

EXPERT OPINION

Except as stated elsewhere in this Offer Document, the Company has not obtained any expert opinions.

EXPENSES OF THE ISSUE

The total expenses of the issue are estimated to be Rs. 29.90 Lacs. All expenses with respect to the issue would be met out of the proceeds of the issue. The split of issue expenses is as under: -

(Rs. in Lacs)				
Sr. No.	Particulars	Amount	% of the proceeds of the issue	% of the issue expenses
1	Fees to the intermediaries	20.00	2.79	66.89
2	Printing & Stationery and Postage expenses	4.00	0.55	13.38
3	Legal, statutory and other certification charges	1.50	0.20	5.01
4	Advertisement	3.50	0.48	11.70
5	Miscellaneous Expenses	0.90	0.12	3.02
	Total	29.90	4.14	100.00

Fees payable to Lead Manager

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed amongst the company and the Lead Manager, a copy of which is available for inspection at the Registered office of SNCL.



Fees payable to Registrar to the Issue

The total fees payable to the Registrar to the issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the issue, a copy of which is available for inspection at the registered office of SNCL.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

No Underwriting, Brokerage and selling Commission will be payable for this issue.

PREVIOUS ISSUE DETAILS

The company has not made any public/rights issue of its equity shares during the last five years. However the company made a rights issue to the existing shareholders of the company in the year 1993.

ISSUES OTHERWISE THAN FOR CASH

Except as stated in the section titled "Capital Structure" beginning on page 11 of this Offer Document, we have not issued any Equity Shares for consideration otherwise than for cash.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

The Company has not made any Public / Rights Issue during last five years, hence any commission or brokerage has been paid.

PROMISE VIS-À-VIS PERFORMANCE

a) Of the Company :

The promise-vs.-performance in respect of the rights issue is as under:

The Company had come out with its previous Rights Issue during the year 1993. The Company had made certain projections on the operating and financial performances based on the then prevailing situation. However, due to various reasons, the projections could not be achieved. The detail of the variations in the promises vs. performance is detailed herein under:

Particulars	As on 31.3.1996		As on 31.3.1997		As on 31.3.1998	
	Promises as given in the offer document	Actual performance	Promises as given in the offer document	Actual performance	Promises as given in the offer document	Actual performance
Sales & Other Income	2392	3015	2502	3387	2612	4021
Profit before interest, tax & depreciation	315	541	357	524	398	685
Interest	153	139	132	140	114	179
Cash Profit	162	403	220	383	268	506
Depreciation	98	281	95	281	91	375
Tax	0	4	5	10	16	13
Net profit	64	118	125	92	177	119
Share capital	99	146	99	146	99	146
Free Reserves	616	741	721	802	878	881
Net worth	715	887	820	948	977	1027
EPS (Rs.)	6.46	8.07	12.63	6.33	17.88	8.14
Cash Earning Per Share (Rs.)	16.42	27.29	22.30	26.21	27.16	46.88
Book Value per share (Rs.)	72.22	60.77	82.83	64.90	98.69	70.29

b) Listed Ventures of Promoters :

There are no listed ventures of the promoters.

STOCK MARKET DATA FOR SHARES OF THE COMPANY

The equity shares of the company are listed on The Bombay Stock Exchange Ltd. (BSE).

Particulars	High			Low			Average Price (Rs.)	Total Volume (no. of shares)
	High (Rs)	Date	Volume on date of high (no of shares)	Low (Rs)	Date	Volume on date of Low (no of shares)		
2005	179.40	21/09/2005	76,860	54.10	29/03/2005	1,545	116.75	18,57,702
2006	128.00	07/02/2006	1,289	54.70	24/07/2006	262	91.35	4,38,244
2007	117.90	20/12/2007	6,444	45.20	09/10/2007	361	81.80	8,43,629
Nov 2007	64.90	28/11/2007	3,212	48.55	15/11/2007	250	56.73	60,487
Dec 2007	117.90	20/12/2007	6,444	61.05	03/12/2007	7,684	89.48	3,81,964
Jan 2008	118.40	01/01/2008	3,065	76.00	30/01/2008	1,150	97.20	77,939
Feb 2008	84.65	06/02/2008	455	67.75	12/02/2008	1,241	76.10	19,521
March 2008	80.00	03/03/2008	691	45.05	27/03/2008	4,064	62.53	51,401
April 2008	61.40	17/04/2008	118	50.00	01/04/2008	526	55.70	12,762
May 2008	64.00	16/05/2008	349	54.00	15/05/2008	330	59.00	10,042
				54.00	26/05/2008	1,093		
June 2008	60.00	02/06/2008	887	45.85	27/06/2008	860	52.93	13,859
July 2008	56.00	30/07/2008	385	46.20	02/07/2008	195	51.10	5,273
August 2008	63.95	04/08/2008	810	48.80	04/08/2008	810	56.38	3,886

Week end price of equity Shares of SNCL on the BSE.

Week ended	Price (Rs.)
22/08/2008	54.25
29/08/2008	60.50
05/09/2008	70.80
12/09/2008	69.10

The stock market data for the equity shares on the BSE are as follows:

The market price of the equity shares of the company as on April 29, 2008 the date on which the Board of Directors approved the draft Letter of Offer was Rs.57.60 (BSE) and Rs. 24.60 as on September 17, 2008 on which final Letter of Offer was approved.

- The equity shares of the company were in no delivery period from Tuesday, September 16, 2008 to Monday, September 22, 2008.
- The cum-rights closing price of the shares of the company as on Monday, September 15, 2008 was Rs.65.65 on BSE.
- The ex-rights closing price of the shares of the company as on Tuesday, September 16, 2008 was Rs. 23.45 on BSE.



INVESTOR GRIEVANCE REDRESSAL SYSTEM

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed Mr. Nitin R. Jani, as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Rights Issue and ensure timely settlement.

All grievances related to the offer may be addressed to the Registrar to the Rights Issue quoting the application No. (Including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted.

The normal time taken by the company for redressal of investor grievance is given below:-

S.No	Type of Request	Normal Time Taken (No of Days)
1	Issue of Duplicate Share Certificate	Within 45
2	Transfer of shares	Within 30
3	Transmission of shares	Within 30
4	Demat/remat of shares	Within 21
5	Non receipt of dividend	Within 30
6	Non receipt of Annual Report	Within 30
7	Change of residential address/ Bank mandate	Within 30
8	Consolidation/split of share certificates	Within 30

CHANGE IN AUDITORS

There has been no change in the Auditors of the company during the past three years.

CAPITALISATION OF RESERVES OR PROFITS

The company has not capitalized its reserves or profit during the last five years.

REVALUATION OF ASSETS

The company has not revalued its asset during the last five years.



SECTION VII - OFFERING INFORMATION

A. TERMS OF THE ISSUE

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advice or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

Ranking of equity shares

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

Mode of payment of dividend

The dividend is paid to all the eligible shareholders as per the provisions of Companies Act.

Face value & issue price

The Face Value of Equity Shares of the company is Rs.10/-. The Equity Shares of Rs. 10/- each are being issued at par i.e. at a price of Rs. 10/- per share in the present rights issue.

Rights of equity shareholders

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, 1956, the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

Market lot

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

Nomination

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.



The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s)) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the office of the Company located at Kakad Chambers, 207, Dr. Annie Besant Road, Worli, Mumbai – 400 018 or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.

Minimum subscription

- i) If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the Issue.
- ii) If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Disposal of odd lots

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Restrictions on transfer and transmission of shares and on their consolidation/ splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.



B. ISSUE PROCEDURE

BASIS OF THE OFFER

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of Seven Equity Shares for every Two Equity Shares held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on Monday September 22, 2008 at the close of business hours shall be entitled to the Equity Shares on the Rights basis in the ratio of Seven equity shares for every Two Equity Shares held by them.

OPTION TO SUBSCRIBE

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Intime Spectrum Registry Ltd. on March 12, 2001 and with Central Depository Services (India) Limited (CDSL) and Intime Spectrum Registry Ltd. on January 19, 2001, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

FRACTIONAL ENTITLEMENT

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same to be adjusted from one of the promoter's entitlement.

JOINT-HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS

Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations there under. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general



permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

NOTICES

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

OPTIONS AVAILABLE TO THE EQUITY SHAREHOLDERS

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares



IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

HOW TO APPLY

For Resident Indian Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Letter of Offer. Payment should be made in cash (not more than Rs.20,000/-) or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

For Non-Resident Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/certificates/ payment of dividends etc. Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

For applicants residing at places other than designated Bank collecting branches.

Applicants residing at places other than the cities where the Bank collection centers have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Intime Spectrum Registry Limited alongwith demand drafts, net of demand draft and postal charges, payable at Mumbai in favour of "SNCL - Rights Issue" crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e Monday October 13, 2008.

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.



The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renouncees

Part D: Form for request for split application forms

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF:

Sr. No	Options available	Action Required
1.	Accept whole or part of the Equity Shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for.
2.	Renounce all the Equity Shares offered to you to one person (joint renouncees are deemed as one person) without your applying for any of the Equity Shares offered to you.	Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renouncee. The renouncee/ joint renouncee(s) must fill in and sign Part C of CAF.
3.	Accept a part of your entitlement and renounce the balance or part of it to one or more Renouncee(s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue.
	OR	On receipt of Split Forms :
4.	Renounce your entitlement or part of it to one or more persons (joint renouncees are deemed as one person).	<div>a</div> For the Equity Shares you are accepting, fill in and sign Part A. <div>b</div> For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renouncees should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

Acceptance of Offer

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal charges, payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated



branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

Application for additional Equity Shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Designated Stock Exchange. In the case of requests for additional Equity Shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional Equity Shares without assigning any reasons thereof. The renounces can also make an application for additional shares.

Renunciation

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitution to hold shares in a company), OCBs, minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renounee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

Procedure for renunciation

(i) To Renounce in WHOLE

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounees) should complete and sign PART C of the CAF. In case of joint renounees, all joint renounees must sign.

(ii) To Renounce in PART

If you wish to either accept this offer in part and renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. Monday October 06, 2008.



If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renouncee(s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- b) Only the person to whom this Letter of Offer has been addressed and NOT the renouncees shall be entitled to split forms. Forms once split cannot be resplit.

Request for split forms:

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Demand Draft payable at Mumbai which should be drawn in favour of "SNCL- Rights Issue" crossed A/c Payee Only and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e Monday October 13, 2008) and should contain the following particulars:

- Name of Issuer, being Sadhana Nitro Chem Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on Monday September 22, 2008 (Record Date).
- Certificate numbers and distinctive numbers, if held in physical form
- Number of Rights Equity Shares entitled



- Number of Rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 10/-per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
- Each of the applicant should mention his/her Permanent Account Number (PAN) allotted under the IT Act.
- In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Mumbai be drawn in favour of "SNCL - Rights Issue" crossed "A/c Payee only".

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

Quoting of PAN/GIR no. in the application forms

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the applicants should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

Last date for submission of CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is Monday October 13, 2008. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under "Basis of Allotment".

Incomplete application

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

TERMS OF PAYMENT

The entire amount of Rs. 10/- per share is payable on application by all shareholders/applicants.

MODE OF PAYMENT

For Resident Shareholders/Applicants

Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centers should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Mumbai ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to "SNCL - RIGHTS ISSUE". All cheques/ drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

For Non-Resident Shareholders/Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of "SNCL - RIGHTS ISSUE - NR" payable at Mumbai and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of



exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of "SNCL - RIGHTS ISSUE" payable at Mumbai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT ("ASBA") PROCESS

This section is for the information of Equity Shareholders proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Shareholders do not exceed the applicable limits under laws or regulations. Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.



The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Equity Shares in the Issue through the ASBA Process is only available to Shareholders of the Company on the Record Date and who:

- ✓ Is holding Equity Shares in dematerialised form and has applied for entitlements or additional Securities in the Issue in dematerialised form;
- ✓ Has not renounced his/her entitlements in full or in part;
- ✓ Has not split the CAF;
- ✓ Is not making an application on plain paper;
- ✓ Is not a Renouncee to the Issue;
- ✓ Applies through a bank account with one of the SCSBs.

CAF

The Registrar will despatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. The method of applying under ASBA process will not be available for Investors applying on plain paper. The Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

Mode of payment

The Shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrars. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Shareholder in the CAF. This amount will be transferred in terms of the SEBI Guidelines, into the separate bank account maintained by the Company as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalisation of the basis of allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.



The Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds.

Options available to the Shareholder applying under the ASBA Process

The summary of options available to the Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the respective CAFs received from Registrar:

<u>Option Available</u>	<u>Action Required</u>
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>)
2. Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)

The Shareholder applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Shareholder has selected to apply through the ASBA process option.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares that you are entitled too, provided that (i) you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under the section entitled 'Basis of Allotment' on page 130 of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Renunciation under the ASBA Process

Renouncees cannot participate in the ASBA Process.

Application on Plain Paper

Applications on plain paper cannot be made by Equity Shareholders availing of the ASBA Process.



Last date of Application

The last date for submission of the duly filled in CAF is October 13, 2008. The Issue will be kept open for a minimum of 15 (fifteen) days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue or if the CAF is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under "Basis of Allotment".

Option to receive Securities in Dematerialized Form

SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON RECORD DATE.

General instructions for Shareholders applying under the ASBA Process

- (a) Please read the instructions printed on the respective CAF carefully.
- (b) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF must be filled in English.
- (c) The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- (d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- (e) All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company/or Depositories.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. In case of joint applicants,



reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

- (h) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.
- (i) Only the person or persons to whom Securities have been offered and not renouncee(s) shall be eligible to participate under the ASBA process.

Do's:

- a. Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- b. Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- c. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- d. Ensure that the CAFs are submitted at the SCSBs whose details of bank account have been provided in the CAF.
- e. Ensure that you have mentioned the correct bank account number in the CAF.
- f. Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- g. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.
- h. Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- i. Each applicant should mention their Permanent Account Number ("PAN") allotted under the I. T. Act.
- j. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
- k. Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- 1) Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- 2) Do not pay the amount payable on application in cash, by money order or by postal order.
- 3) Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- 4) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- 5) Do not instruct their respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection for ASBA Process:

CAF in addition to the “Grounds of Technical Rejection” mentioned under 128 can be rejected on following additional grounds:

- a) Application on plain paper or on spilt form.
- b) Application for entitlements or additional shares in physical form.
- c) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- d) Sending CAF to a Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- e) Renouncee applying under the ASBA Process.
- f) Insufficient funds are available with the SCSB for blocking the amount.
- g) Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- h) Account holder not signing the CAF or declaration mentioned therein.

Depository account and bank details for Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Shareholders applying under the ASBA Process should note that on the basis of Depository Participant’s name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Shareholders such as address, bank account details and occupation (“Demographic Details”). Hence, Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Shareholders including mailing of the letters intimating unblock of bank account of the respective Shareholder. The Demographic Details given by Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking would be mailed at the address of the Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of bank account.



Note that any such delay shall be at the sole risk of the Shareholders applying under the ASBA Process and none of the Company, the SCSBs or the Lead Manager shall be liable to compensate the Shareholder applying under the ASBA Process for any losses caused to such Shareholder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, name(s) of the Shareholder(s) (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

Application will not be accepted by the Lead Manager or by the Company.

Note on cash payment (section 269 SS)

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

FORFEITURE

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue and hence no requirement of any forfeiture.

APPLICATION UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporate or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

BANK DETAILS OF THE APPLICANT

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.



GROUNDINGS FOR TECHNICAL REJECTIONS

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- ☞ Amount paid does not tally with the amount payable for;
- ☞ In case of physical shareholders, bank account details (for refund) are not given;
- ☞ Age of first applicant not given in case of renouncee(s);
- ☞ PAN not stated or copy of GIR number furnished instead of PAN. See the section titled "Issue Procedure – Permanent Account Number or PAN/ GIR;
- ☞ Cash applications for an amount exceeding Rs.20,000/-;
- ☞ In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- ☞ If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;
- ☞ If the Applicant desires to have shares in electronic form, but the CAF does not have the Applicant's depository account details;
- ☞ CAFs are not submitted by the Applicants within the time prescribed as per the CAF and the Draft Letter of Offer;
- ☞ Applications not duly signed by the sole/joint Applicants;
- ☞ Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- ☞ In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- ☞ Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- ☞ Multiple applications.

GENERAL

- (a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- (b) Please read the instructions in the enclosed CAF carefully.
- (c) ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.
- (d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- (e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
- (g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are



- printed with these details after the name. Applications without this information are liable to be rejected.
- (h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A,B,C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
 - (i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
 - (j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
 - (k) The last date for receipt of CAF alongwith the amount payable is Monday October 13, 2008. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 30 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

For further instructions please read CAF carefully.

DEMATERIALIZATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of SNCL are traded in the demat segment. The Company has entered into a tripartite agreement dated March 12, 2001 with the National Securities Depository Ltd. (NSDL) for dematerialization of the equity shares of the Company. The Company has also entered into a tripartite agreement dated January 19, 2001 with the Central Depository Services Limited (CDSL) for dematerialization of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE 888C01016.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have at least one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of equity shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.



Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue

The applicant is responsible for the correctness of the applicant's demographic details given in the share application form vis-à-vis those with his/her DP. Equity shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 6 weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e. forty-two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by the Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page 128 of this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange (ie; BSE) in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the renouncee(s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
2. Allotment to the shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on the basis of the Equity Shares held as on the Record Date.
3. Allotment to the renouncees who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.



4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The issue will become undersubscribed after considering the number of shares applied as per the entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the Issue.

The promoters/directors/associates/promoter group intend to subscribe to their rights entitlement as well as the entire undersubscribed portion from public and/or foreign collaborator, if any, in this rights issue in full. Presuming no subscription is received from other shareholders and the promoters/directors/associates/promoter group subscribing to the entire unsubscribed portion, their shareholding shall increase to 89.02 % of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/ directors/ associates may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding. This subscription and acquisition of additional equity shares by the Promoter/Directors/Associates, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

The Promoter/Directors/Associates have confirmed that in case the Rights Issue of the Company is completed with their subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Issue falls below the permissible minimum level as specified in the listing condition or listing agreement, they will make an offer for sale of their holdings so that the public shareholding is raised to the minimum level specified in the listing agreement or in the listing conditions within a period of 3 months, as per the requirements of sub-clause 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto.

LETTERS OF ALLOTMENT OR REFUND ORDERS

Company shall ensure dispatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in section, Terms of the Issue clause "Mode of Payment" as stated below, as applicable, only at the sole or First Applicant's sole risk within 15 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

Allotment of Equity Shares to non-residents and the issue of letters of allotment/share certificates to nonresidents shall be subject to the approval received from RBI.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☞ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
- ☞ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.



MODE OF PAYMENT OF REFUND

Applicants should note that on the basis of name of the applicant, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the depositories the applicant's bank account details including nine digit MICR code. Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to applicant at the applicant's sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, shall be undertaken in any of the following manners:

1. **NEFT:** Payment of refund shall be undertaken through National Electronic Fund Transfer (NEFT) wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the Demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
2. **ECS -** Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centers.
3. **Direct Credit:** Applicants having bank accounts with the Banker(s) to the Issue / Refund Banker(s), as appointed by the company, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by the Issuer.
4. **RTGS:** Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under Certificate of Posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by



cheques, pay orders or demand drafts drawn on the refund banker as appointed by the company, and payable at par.

INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% per annum as stipulated under Section 73 of the Act.

UNDERTAKING

The Company undertakes that:

- i) that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of basis of allotment.
- iii) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- iv) where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant after closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- v) that the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.
- vi) that no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
- vii) At any given time there shall be only one denomination for the shares of the company and
- viii) The company shall comply with such disclosure and accounting norms specified by the Board (SEBI) from time to time.

The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors declares that:

- (i) all monies received out of issue of shares or debentures to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- (ii) details of all monies utilized out of the issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the purpose for which such monies had been utilized; and
- (iii) details of all unutilized monies out of the issue of shares or debentures, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the form in which such monies have been invested.



- (iv) the utilization of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the issuer company, indicating the purpose for which such monies have been utilized.
- (v) the details of all monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such monies have been invested.

The promoters/ directors of Sadhana Nitro Chem Limited, Mr. Ashit Javeri, Mr. Arvind Doshi, Mr. Arvind Apte, Mr. Ramesh Shroff, Mr. Priyam Jhaveri, Mr. Dharendra Shah, Mr. Abhishek Javeri and Mr. Nitin Jani confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this draft letter of offer has been suppressed withheld and / or incorporated in the manner that would amount to mis-statement/misrepresentation and in the event of its transpiring at any point in time till allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/ or amounts to a mis-statement/ misrepresentation, the promoters/directors undertake to refund the entire application monies to all subscribers within 7 days thereafter without prejudice to the provisions of section 63 of the companies act.

ACCESS TO FUNDS

The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.



SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

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IV Capital

- 7 The Authorised Share Capital of the Company is Rs. 11,00,00,000/- (Rupees Eleven Crores) only divided into 1,00,00,000 (one crore) Equity Shares of Rs. 10/- (Rupees ten) each and 10,00,000 (Ten Lacs) unclassified shares of Rs. 10/- (Rupees Ten) each.
- The share capital of the Company for the time being shall be capable of being increased, reduced and repaid, whether wholly or in part in accordance with the regulations of the Company and the Legislative provisions for the time being in force in that behalf.
- 8 The Preference Shares shall be subject to, and governed by the following rights, privileges and restrictions to the exclusion of the provisions in that behalf contained in these Articles and the Rules and Regulations of the Company for the time being in force in relation to the other shares of the Company, that is to say :-
- (i) The Preference Shares shall confer on the holders thereof the right to a fixed Cumulative Preferential Dividend on the Capital for the time being paid up thereon at such rate as shall be fixed by the Company at the time of the issue thereof.
 - (ii) The Preference Shares shall confer on the holders thereof the right to rank in the winding up of the Company, both for capital and arrears of dividend, upto the commencement of the winding up (whether such dividend shall have been declared or not), in priority to the other shareholders of the Company but not the right to participate in any profits or surplus assets of the Company; and
 - (iii) The Preference Shares shall not (except to the extent and in the events mentioned in Sec. 87 (2) of the Act) confer upon the holders thereof as such the right, by reason of the holding thereof or otherwise, to vote on any question either personally or by proxy or as proxy for another Preference Shareholder at any General Meetings or upon a Poll.
- 9 The Board shall be entitled from time to time and at any time to create and issue subject to the provisions of the Act other Preference Shares ranking in all respects and for all purposes *pari passu* with the existing Preference Shares or in such other manner as it may deem fit.
- 10 The Board shall be entitled to redeem all or any of its Preference Shares subject to, and in accordance with the provisions of Sec. 80 of the Act.
- 11 Without prejudice to the generality of the powers and authorities of the Board,

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the Board shall be entitled to determine the number of Preference Shares to be redeemed by the casting of lots or in such other manner as it may deem fit in that behalf as also the periods within which any such shares may be reduced.

- 12 After the expiration of the date stated in any Notice for Redemption of any Preference Shares, the Preference Shares in respect of which notice shall have been given, shall not thenceforth carry any dividend and the holders thereof shall be bound to surrender their shares on payment of the amount paid thereon together with the dividend due, whether declared or not, upto the date specified in such Notice of Redemption.
- 13 Whenever the Company shall issue shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of value of the premium on those shares shall be transferred to an amount to be called the "Share Premium Amount" and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in this Article, apply as if the Share Premium Amount were paid up share capital of the Company. The Share Premium Amount, may, notwithstanding anything otherwise in this Article contained, be applied by the Company in General Meeting in paying up un-issued shares of the Company to be issued to members of the Company as fully paid bonus shares and/or in writing off the expenses of, or the commission paid, or discount allowed on, any issue of shares or debentures of the Company and/or in providing for the premium payable on the redemption of any Redeemable Preference Shares or of any Debentures of the Company.
- 14 The Company shall be entitled to issue shares at a discount in the manner provided for in, and subject to the provisions of Sec. 79 of the Act.
- 15 The Board shall have the power and authority to increase the Subscribed Capital of the Company from time to time and at any time, by the issue and allotment of further shares, out of its authorised and Un-issued Capital for the time being and subject to any directions to the contrary, which may be given by the Company in General Meeting to the Board, such further shares shall be offered by the Board in accordance with the provisions of Sec. 81 of the Act. But so that in the event of any Renunciation being in favour of any person who is not a member of the Company, the acceptance thereof shall be subject to the approval thereof by the Board which shall be in its absolute discretion. The option or right to the call of shares shall not be given to any person except with the sanction of the Company in General Meeting.

V. ALTERATION OF CAPITAL

- 17 The Company may, from time to time, in General Meeting, by an Ordinary Resolution, increase its Authorised Share Capital by the creation of New Shares as may be deemed expedient, whether all the shares for the time being authorised shall have been issued or not and whether all the shares for the time

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being shall have been fully called up or not. Such New Shares may be divided into such classes and may be of such respective amounts, with such rights and privileges and such terms and conditions attached thereto, as the Resolution authorising such increase directs.

- 18 Except so far as may have been otherwise provided by the conditions of issue, or by these presents, may capital raised by the creation of New or Further Shares shall be considered as part of the Original Capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transfer and transmission, forfeiture, lien, surrender, voting and otherwise.
- 19 The Company, may from time to time, in General Meeting, by an Ordinary Resolution, cancel shares which at the date of such Resolution have not been or agreed to be taken and diminish the amount of its capital by the amount of the shares so cancelled.
- 20 The Company, may from time to time, in General Meeting, by an Ordinary Resolution, sub-divide its shares or any of them into shares of smaller amount than that fixed by these presents but so that in such sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
- 21 The Company, may from time to time, in General Meeting, by an Ordinary Resolution, consolidate and divide all the shares, or any of them, into shares of a large amount than that of its shares in existence from the time being.
- 22 The Company, may, from time to time, in General Meeting, by a Special Resolution, determine that any portion of its share capital, which has not been already called up, shall not be capable of being called up except in the event and for the purposes of the Company being wound up, and thereupon that portion of its share capital shall not be capable of being called up except in that event and for those purposes.
- 23 The Company, may from time to time, in General Meeting by a Special Resolution, reduce its capital and any "Capital Redemption Reserve Account" in any manner and with, and subject to any incident authorised and consent required by Law for the time being; and in particular and WITHOUT PREJUDICE to the generality of the foregoing power, by extinguishing or reducing such liability by canceling any paid up share capital which is lost or unrepresented by available assets, or by paying off any paid up share capital which is in excess of the wants of the Company or otherwise as may seem expedient. The Capital may be paid off on the footing that the same might be called up again.

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The paid up capital may be cancelled as aforesaid without reducing the nominal amount of the shares by the like amount to the intent that the unpaid and callable capital shall be increased by a like amount.

VI. SHARES AND MEMBERS

- 24 The Board shall within three months after any allotment of any of its shares, or Debentures or Debenture-stock, and within two months after the application for the registration of the transfer of any such shares, debentures or debenture-stock, complete and have ready for delivery the certificate of all shares and debentures and the Certificates of all Debenture-stock allotted or transferred, unless the conditions of the issue thereof shall otherwise provide.

The expression "transfer" for the purposes of this Article, shall mean a transfer duly stamped and otherwise valid in terms hereof but not any transfer which the Board is entitled, for any reason, to decline to register and does not register.

- 25 If by the conditions of allotment of any share the whole or any part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time, shall be the registered holder of the shares or by his heirs, executors, administrators and legal representatives as the case may be.
- 26 Every member, his heirs, executors, administrators, assigns or other representatives, shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time in accordance with the Company's Regulations, require or fix for the payment thereof, and so long as any member or any account however such member in default shall not be entitled, at the option of the Board, to exercise any rights or privileges available to him as a member of the Company.
- 27 If any share stands in the name of two or more persons, the person first named in the Register of Members, shall as regards voting at Meeting, service of Notices and all or any other matters connected with the Company (except the transfer of the shares, the receipt of dividends and any other matter herein otherwise provided) be deemed to be the sole holder thereof. But so that the joint-holders of a share shall be severally as well as jointly liable for the payment of all deposits, installments and the calls due in respect of such share and for all the incidence thereof.
- 28 Save as herein otherwise expressly provided, the Board shall be entitled to treat the Registered holder of any share as the absolute owner thereof; and accordingly shall not (except as may be ordered by a Court of competent jurisdiction, or as by statute required) be bound to recognise any trust

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whatsoever, or any equitable, contingent, future, partial or any other claim to, or interest in, such share on the part of any other person; and no notice of any two or more persons or the survivor or survivors of them as may be desired as well as to recognise a trust of which it actually has notice.

- 29 Every member or allottee of shares of shares shall be entitled without payment to receive one Share Certificate and if the Board so approves, to several Certificates each of one or more shares under the Common Seal of the Company, in such form as the Board shall prescribe or approve, specifying the number and denoting the number or numbers of the share or shares registered in his name or allotted to him, and the amount paid up thereon. For such several or further Certificates, including the splitting up of shares, the Board shall be entitled (without being so bound) to prescribe a charge not exceeding Rs. 2/- for each such Certificate and/or splitting up.
- 30 Any two or more joint allottees of a share shall for the purpose of the last preceding Article be treated as a single member, and the Certificate of any share which may be the subject of joint ownership, may, unless otherwise directed by them in writing, be delivered to any one of them on behalf of them all.

VIII. ISSUE OF SHARE CERTIFICATES

- 34 The form of the certificates of any shares in the Company, the printing, signing, sealing and the issuance thereof as well as the keeping maintenance and preservation of the records thereof, shall be governed by The Companies (Issue of Share Certificates) Rules 1960 or any statutory modification thereof for the time being in force.

XXX. INDEMNITY

- 205 Subject to the provisions of Sec. 201 of the Act. Every officer or Agent for the time being of the Company and his respective heirs, executors, administrators, legal representatives, estate and effects shall be indemnified by the Company out of the assets of the Company against all losses, costs, charges and expense which he may incur or become liable to by reason of any contract entered into or any act deed matter or thing done by him, as such, or in any way in or about the discharge of his duties and any liability incurred by him as such Officer or Agent in defending any proceeding whether civil and / or criminal in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any proceedings under Sec.633 of the Act in which relief is given to him by the Court.

In the Directors or any of them and / or any other person who shall become personally liable for the payment of any sum primarily due from the Company the Board may execute or cause to be executed any indemnity mortgage charge or security for or affecting the whole or any part of the assets of the Company so as thereby to secure the Director and / or the person so becoming liable, form

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any loss in respect of such liability.

- 206 Except as provided by Sec. 201 of the Act, no Director, Officer or agent shall be liable for the acts, receipts, neglects or defaults of any other officer or agent or for joining in any receipt of other acts for the sake of conformity merely, or for any losses or expenses happening to the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, firm, company, corporation to or with whom any moneys securities or effects of the Company shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission default or oversight on his part or for any other loss, damage and misfortune whatever which shall happen in relation to the execution or performance of the duties of his office or in relation thereof, unless the same be conclusively proved to have happened through his own dishonesty or fraud.

XXXI. SEAL AND AUTHENTICATION

- 207 The Board shall provide a Common Seal engraved with the fully name of the Company in legible character for the purpose of the Company and shall have power from time to time to destroy the same and substitute a New Seal in lieu thereof.

The Board shall provide for the safe custody of the Seal for the time being.

The Seal of the Company shall never be used except by the authority in that behalf of the Board or a Committee of Directors.

- 208 Subject to the provisions applicable in respect of the Share Certificate, every deed or other instrument to which the Seal of the company is required to be affixed, shall, unless the same be executed on behalf of the Company by a duly Constituted Attorney of the Company, be sealed in the presence and under the signature of any one Director of the Company, or of any other person authorized or appointed from time to time by the Board.

- 209 Save as otherwise expressly provided in the Act., a document or proceeding requiring authentication by the Company may be signed by a Director, the Manager, the Secretary or other Officer of the Company authorized by the Board, either generally or specifically, and need not be under its Common Seal.

XXXV. WINDING UP AND RECONSTRUCTION

- 224 It upon the winding up the Company, the assets available for distribution among the members as such shall be more than sufficient to repay the whole of the paid up capital at the commencement of the winding up, the excess shall be

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distributed amongst the members holding the Equity shares of the Company in proportion to the capital paid or which ought to have been paid on the shares at the commencement of the winding up held by them respectively, other than the amounts paid in advance of calls. If the assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid or which ought to have been paid on the shares at the commencement of the winding up held by them in advance of calls.

The foregoing is without prejudice to the rights of the holders of any shares issued upon special terms and conditions.

- 225 In the event of the Company being proposed to be, or being wound up, voluntarily and whole or any part of its business or property, being proposed to be transferred or sold to another Company, whether a Company within the meaning to the Act or not, the Liquidator may subject to a special Resolution of the Company in General Meeting receive by way of compensation or part compensation for the transfer or sale of shares, policies, or other like interests in the other Company for distribution among the members of the Company or enter into any other arrangement whereby the members of the Company may in lieu of receiving cash, shares, policies, or other like interest in the other Company, or in addition thereto, participate in the profits, or receive any other benefit from the other Company.

Any such sale or arrangement in pursuance of the above shall be binding on the members of the Company provided however, that if any members of the Company who does not vote in favour of the Special Resolution, expresses his dissent therefrom in writing addressed to the Liquidator and left at the Registered Office of the Company within 7 days after the passing of the Resolution (time being of the essence) may require the Liquidator either to abstain from carrying the Resolution in to effect, or to purchase his interest at a price to be determined by agreement or by arbitration. If the Liquidator elects to purchase the member's interest, the purchase money shall be paid before the Company is dissolved, and be raised by the Liquidator in such manner as may be determined by the Special Resolution.

Such special Resolution shall not be invalid for the purposes hereof by reason only that it is passed before, or concurrently, with, a Resolution for Voluntary Winding up or for appointing a Liquidator. But so that if an Order is made within a year for the winding up the Company,

- 226 Subject to the provisions of the Act as to preferential payments, the assets of the Company, shall on its winding up, be applied in satisfaction of its liabilities *pari passu* and subject to such application, shall be distributed amongst the members holding the Equity Shares Capital of the Company.
- 227 The Liquidator may, with the sanction of the Court, when the Company is being wound up by or subject to the provision of the Court, and with the sanction of a Special Resolution of the Company, in case of a Voluntary Winding Up, pay any

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classes of Creditors in full, make any compromise or arrangement with the Creditors or having or alleging themselves to have any claim, present and or future certain or contingent, ascertained or sounding only in damages against the Company, or whereby the Company may be rendered liable, or compromise any call or liability to call, debt and certain or contingent ascertained or sounding only in damages, subsisting or alleged to subsist between the Company and a Contributory or alleged Contributory or any debtor or person apprehending liability to the Company, and all questions in any way relating to or affecting the assets or liabilities of the winding up the Company, on such terms as may be agreed, and take for security of the discharge of any such call, debt, liability or claim and give a complete discharge in respect thereof.

**SECTION IX - OTHER INFORMATION****MATERIAL CONTRACTS AND DOCUMENTS**

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer may be inspected at the Registered Office of the Company between 11.00 a.m. - 4.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

A. MATERIAL CONTRACTS

1. Copy of Memorandum of Understanding dated February 04, 2008 between SNCL and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated February 02, 2008 between SNCL and Intime spectrum Registry Limited, Registrar to the Issue.
3. Copy of tripartite agreement dated March 12, 2001 between SNCL, National Securities Depository Limited (NSDL) and Intime Spectrum Registry Ltd.
4. Copy of tripartite agreement dated January 19, 2001 between SNCL, Central Depository Services (India) Limited (CDSL) and Intime Spectrum Registry Ltd.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum of Articles and Articles of Association of SNCL.
2. Copies of Annual report of SNCL for the year ended, March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007 and March 31, 2008.
3. Memorandum and Articles of Association and copies of Annual Report of the group companies and subsidiaries for the year ended, March 31, 2006; March 31, 2007 and March 31, 2008.
4. Copy of Special Resolution under section 81, and other relevant provisions of Companies Act, 1956 dated January 22, 2008 passed at the Extra Ordinary General Meeting of the company authorizing present issue of equity shares & Copy of the Board resolution dated December 07, 2007 recommending the rights issue of the company.
5. Copy of certificate dated September 05, 2008 issued by M/s. V. Sankar Aiyar & Co. Chartered Accountants & Statutory Auditors of the Company reporting financials of the company in terms of Part II Schedule II of the Companies Act, 1956 and including capitalization statement, taxation statement, accounting ratios.
6. Copy of letter dated April 29, 2008 received from M/s. V. Sankar Aiyar & Co, Chartered Accountant, regarding tax benefits accruing to the company and its shareholders.



7. Copy of certificate dated September 17, 2008 received from M/s. V. Sankar Aiyar & Co, Chartered Accountant, regarding sources & deployment of funds in respect of the objects of the issue.
8. Copy of Letter of Offer dated July 15, 1993 in respect of the Rights Issues made by SNCL.
9. Copies of undertakings from SNCL.
10. Copies of Consents from the Directors of the Company, Auditors of the Company, Registrar to the Issue, Lead Mangers to the Issue, Banker to the Company and Bankers to the Issue
11. Copies of in-principle approval received from BSE vide letter no. DCS/PREF/JA/IP-RT/795/08-09 dated July 07, 2008.
12. Agreement between Mr. Asit D. Javeri, Managing Director and Chairman of SNCL and SNCL dated September 27, 2006.
13. Agreement between Mr. Nitin R. Jani, Whole Time Director and Company Secretary of SNCL and SNCL dated September 27, 2006.
14. Copy of SEBI Observation letter no. CFD/DIL/ISSUES/PB/PN/136612/2008 dated September 1, 2008 and compliance thereof.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Letter of Offer is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Letter of Offer are true and correct.

SIGNED BY ALL THE DIRECTORS OF SADHANA NITRO CHEM LIMITED



Asit D Javeri
Chairman and Managing Director




Arvind Apte
Director




Priyam S. Jhaveri
Director



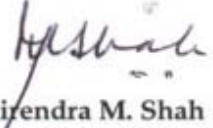
Abhishek A. Javeri
Director



Arvind Doshi
Director



Ramesh A. Shroff
Director



Dhirendra M. Shah
Director



Nitin R. Jani
Director

Place: Mumbai

Date: September 17, 2008