

REGD. OFFICE

Shreeji Estate, Vadkun, College Road, Dahanu, Maharashtra.
Tel. : 02528 - 224463 / 223107

PLANT - 1

Shreeji Estate, Vadkun, College Road,
Dahanu, Maharashtra.
Tel. : 02528 - 224463 / 223107

PLANT - 2

7 - Government Industrial Estate,
Post - Pipria, Silvassa.
Tel. : 0260 - 2640 045

Sales / Adm. Office :

A, 501 / 502, Mathuria Apt., Above Bank of India SSI Branch,
Near Vishal Hall, Sir M. V. Road, Andheri (East), Mumbai 400 069.
Tel. : 2683 5864, 3260 1620 Fax : 91-22-2684 0854
Email : bala@nikhiladhesives.com Website : www.nikhiladhesives.com

Trading Office

A-405, Mathuria Apt., Above Bank of India SSI Branch,
Near Vishal Hall, Sir M. V. Road, Andheri (East), Mumbai 400 069.

OUR BRANCHES

AHMEDABAD

202, Simandhar Avenue,
8 - Kailash Society,
Behind H. K. House Ashram Road,
Ahmedabad - 380 009.
Tel. : 079 - 3293 84 78

NEW DELHI

M - 5, Harsha House,
Karpura Commercial Complex,
New Delhi - 110 015.
Tel. : 011 - 4153 95 33

CHENNAI

East Coast Chambers,
'C' Mezzanine Floor,
92 - G. N. Chetty,
T. Nagar, Chennai - 600 017.
Tel. : 044 - 3091 37 16

UTTAR PRADESH

Plot No - 6,
Punjab Oil Expeller Compound,
Meerut Road,
Ghaziabad - 201 003. U. P.
Tel. : 0120 - 325 93 65

KOLKATA

96 - L, S. P. Mukherjee Road,
Kolkata - 700026.
Tel. : 033 - 3292 16 64

JAIPUR

S. B. 4, Vasudev Marg,
Shubhash Nagar,
Jaipur - 302007.
Tel. : 0141 - 313 70 70



NIKHIL ADHESIVES LIMITED

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Board of Directors

Shri.R.J.Sanghavi	(Executive Chariman)
Shri.U.J.Sanghavi	(Managing Director)
Shri.T.J.Sanghavi	(Excecutive Director)
Shri.S.R.Sanghavi	(Non Excecutive, Independent Director)
Shri.H.S.Kamath	(Non Excecutive, Independent Director)
Shri.M.M.Vora	(Non Excecutive, Independent Director)

Auditors

P.D.Desai & Associates
Chartered Accountants

Bankers

Bank of India
Barclays Bank PLC

Registered Office & Plants

Registered Office :

Shreeji Industrial Estate,
Vadkun, College Road,
Dahanu,
Dist. Thane – 401602.

Plants:

- (1) Shreeji Industrial Estate,
Vadkun, College Road,
Dahanu, Dist. Thane-401602.
- (2) Plot No.7A/7B, Govt.Ind. Estate,
Phase - I, Piparia, Silvassa.

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NOTICE

Notice is hereby given that the **Twenty Second Annual General Meeting of Nikhil Adhesives Limited** will be held on 27th September, 2008 at 11.00 am at the registered office of the Company at **Vadkun, College Road, Dahanu, Dist. Thane - 401 602** to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider, and adopt the audited Balance Sheet as at 31st March 2008, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date together with the report of the Directors and the Auditors thereon.
- 2) To declare a dividend on Equity Shares.
- 3) To appoint a Director in place of Shri R .J .Sanghavi, who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Shri H.S.Kamath, who retires by rotation and being eligible, offers himself for reappointment.
- 5) To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s), the following resolutions as a Special Resolutions.

- 6) **"RESOLVED THAT** pursuant to provisions of sub section (1) and sub section(1B) Section 314 and other applicable provisions of the Companies Act, 1956, the Company hereby consents, to Mrs. Anita U. Sanghavi, a relative of the Directors of the company, holding and continuing to hold an office of profit as Manager - Accounts & Systems under the Company under a contract of service carrying monthly remuneration not exceeding Rs. 50,000/- (Fifty Thousand Only) which limit includes all benefits and monetary value of perquisites.

RESOLVED FURTHER that the Board of Directors be and are hereby authorized to finalize the terms and conditions of appointment, the break up of remuneration into various components such as basic salary, allowances and perquisites as may be mutually acceptable subject to the overall ceiling of Rs. 50,000/- mentioned above.

- 7) **"RESOLVED THAT** in accordance with Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, the name of the Company be changed from "NIKHIL ADHESIVES LIMITED" to "NIKHIL CORPORATION LIMITED" OR



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“NIKHIL UDYOG LIMITED” OR “NIKHIL INDUSTRIAL CORPORATION LIMITED” OR “NIKHIL INDUSTRIES LIMITED” or such other name as may be acceptable to, and approved by, the Central Government.

“**RESOLVED FURTHER THAT** the name NIKHIL ADHESIVES LIMITED, wherever it occurs in the Memorandum and Articles of Association of the Company, be replaced with the new name of the Company”.

“**RESOLVED FURTHER THAT** the Board of Directors be and is hereby empowered to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary for the purpose of giving effect to this Resolution”.

- 8) “**RESOLVED THAT** Pursuant to Sections 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Rules framed thereunder and the provisions of other statutes as applicable, the remuneration of Directors shall be a fee not exceeding Rs. 20,000/- for each non-executive director for each meeting of Board of Directors or Committee thereof attended by him.

“**RESOLVED FURTHER THAT** on the aforesaid resolution for alteration of the remuneration of directors, being duly passed and becoming effective; pursuant to Section 31 and other applicable provisions, if any, of the Companies, Act 1956 and the provisions of other statutes as applicable, Article 77.1 of the Articles of Association of the Company be and is hereby substituted as follows:

Article 77.1

“Remuneration of Directors shall be a fees not exceeding Rs. 20,000/- for each Director for each meeting of Board of Directors attended by him and in addition, subject to the provisions of Sections 309 and 314, all the Directors may receive a commission upto three percent (3%) on the net profit of the Company as computed under provisions of the Companies Act, 1956 and such commission shall be divided amongst them equally or as the Directors may determine. The Directors may waive or reduce their fee for any meeting or period.

- 9) “**RESOLVED THAT** pursuant to Sections 31, 48, 50 and other applicable provisions, if any, of the Companies, Act 1956 and the provisions of other statutes as applicable, Article 104. 2 of the Articles of Association of the Company be and is hereby substituted as follows:

The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorized by it in that behalf and except in the presence of at least one Director and the Director shall sign on every instrument to which the Seal of the Company is so affixed in his presence.

- 10) “**RESOLVED THAT** pursuant to Section 17 and other applicable provisions of the Company Act 1956, the object clause of the Memorandum of Association be and is hereby amended by insertion of Clause No.80 under the caption “Other Objects” as follows :

(80) To carry on the business as traders, dealers, manufacturers and developers of computer softwares for the variety of applications and maintain the softwares and supply the softwares on outright sale basis or transfer them on license basis and use or market them in any other manner.



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Notes :

1. The explanatory statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER. The instrument of proxy, in order to be effective, must be deposited at the Registered Office of the Company duly completed and signed not less than 48 hours before the commencement of the meeting.
3. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification for attendance at the meeting.
4. The Register of Members and the Share Transfer Books of the company will remain closed from **22nd September, 2008 to 27th September, 2008** (both days inclusive). The dividend as recommended by the Board, if sanctioned at the meeting, will be paid on or after **27th September, 2008** to those members whose names appear on the Company's Register of Members on **27th September, 2008**. In respect of the shares in electronic form, the dividend will be payable to the beneficial owners of the shares as at the end of business hours on **21st September, 2008**, as per the details furnished by the depositories for this purpose.
5. Members are requested to notify immediately any change of address:
 - i) To their Depository Participants (DPs) in respect of their electronic share accounts, and
 - ii) To the Company's Registrars, M/s. Sharex Dynamic (India) Pvt. Ltd. in respect of their physical shares, if any, quoting their folio numbers.
6. Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be used for ECS (wherever available)/ printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank account details. Shareholders who wish to change such bank account details are therefore requested to advise their Depository Participants about such change, with complete details of the bank account.
7. Members can avail nomination facilities by filing Form No. 2B as prescribed under the Companies (Central Government's) General Rules and Forms, 1956 with the Company. The Blank Form will be supplied on request.
8. Shareholders desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.

Registered Office:
Shreeji Industrial Estate,
Vadkun, College Road, Dahanu,
Dist. Thane - 401 602
Date : 31st July, 2008

By order of the Board of Directors

(Umesh J. Sanghavi)
Managing Director



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ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956

Item No. 6

Mrs Anita U. Sanghavi has been rendering services for the past 8 years to the Company. Last year her remuneration was increased to Rs. 20,000/- per month. Considering the present standards on the most conservative basis, the nature of services, her experience and her recently acquired technical qualification, the remuneration to her requires an upward revision. As per the provision of the Companies Act, the members by a special resolution can approve remuneration not exceeding Rs. 50,000/- per month to a relative of a director without the permission from the Central Government. Accordingly this resolution gives power to the Board Of Directors to fix her remuneration (inclusive of perquisites if any) not exceeding Rs. 50,000/- per month.

In view of the significant contribution made by Mrs. Anita U. Sanghavi, the directors recommend resolution for approval by members.

The Chairman Mr. Rajendra J. Sanghavi, Managing Director Mr. Umesh J. Sanghavi and Executive Director Mr. Tarak J. Sanghavi are interested in the above resolution as Mr. Anita J. Sanghavi is their relative.

Item No. 7

The business of the Company is now diversified into various products having several applications. The present name conveys a restrictive meaning of the Company manufacturing only the adhesives products. Also, the business of the Company has grown manifold and can be considered as a big size company. For projecting proper image of the Company, it is necessary that its name match with the nature and levels of its activities. In the above background, the Board of Directors, subject to the approval of the Registrar of Companies, propose that the name of the Company be changed to the one of the names specified in the resolution with approval of the members. The resolution also authorizes the Board to accept any other name, in case if any of the aforesaid suggested names are not approved for the change by the Registrar of Companies.

The change of name would also require the alteration of the Memorandum and Articles of Association and hence the resolution is required to be passed as a Special Resolution. The Board is further empowered to take necessary action in this regard.

The Resolution being in the interest of Company, the Board recommends the same for approval by the members.

None of the Directors are interested in the above resolution.

The Memorandum and Articles of Association of the Company shall be open for inspection during the business hours from 11.00 am to 4.00 pm by the members.

Item No. 8

The non-executive and independent directors contribute significantly in the framing of business policies and review of the operations. Hence commensurate with their efforts and contributions the fees for attending each meeting of the board require revision. At present Section 309 of the Companies Act read with rules framed thereunder, permits the fee upto Rs. 20,000 for attending the board meeting to



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each director. Hence it is proposed that all the non-executive/ independent directors shall be entitled to such amount of fees as may be determined by the board within the overall limit prescribed by the statute. Since the above resolution requires alteration of Articles of Association of the Company, the approval of the members by a special resolution is necessary. The board commends the resolution for approval of the members.

Mr. H.S. Kamath, Mr. S.R. Sanghavi and Mr. M.M. Vora who are the independent directors entitled to fees for attending the meeting of the Board or Committee thereof shall be deemed to be interested in the above resolution.

The Memorandum and Articles of Association of the Company shall be open for inspection during the business hours from 11.00 am to 4.00 pm by shareholders.

Item No. 9

As per the provisions of the Companies Act, certain Deeds, Documents & Certificates etc. require affixing of Common Seal of the Company. Many times the affixing of the Seal is mandatory as per the provisions of the other statute. A Common Seal represents signature of the Company. To rationalise the existing article 104.2 of the Articles of Association of the Company, it is proposed to substitute the said article to the effect that any Deed or Document or Certificates etc. requiring affixing of Common Seal shall be so affixed only in the presence of one of the directors of the Company and the concerned director shall also sign the instrument to which the Seal of the Company is affixed in his presence.

Item No.10

The Company intends to develop software business. The Company cannot carry on the business unless it is listed in the object clauses of the Memorandum of Association. Hence for enabling the Company to carry on the aforesaid business the change in the Memorandum of Association is proposed by insertion of Clause No.80 under the head other objects. The resolution is required to be approved by the members by a Special Resolution.

The Board commends the resolution for approval by the members in the interest of the Company. None of the directors are interested in the above resolution.

The Memorandum and Articles of Association of the Company shall be open for inspection during the business hours from 11.00 am to 4.00 pm by shareholders.

Registered Office:

Shreeji Industrial Estate,
Vadkun, College Road, Dahanu,
Dist. Thane - 401 602
Date : 31st July, 2008

By order of the Board of Directors

(Umesh J. Sanghavi)
Managing Director



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DIRECTORS' REPORT

To The Members of Nikhil Adhesives Limited

The Board of Directors is pleased to present the Twenty Second Annual Report together with the audited accounts for the year ended 31st March 2008.

Financial Results	(Rs. in 000's)	
	Financial Year 2007 - 2008	Financial Year 2006 - 2007
Gross Profit Before Depreciation and Tax	35650	27050
Less :- Depreciation	9777	6733
	-----	-----
Profit Before Tax	25873	20317
Less :- <u>Provision for Taxation</u>		
Current Tax	7251	6145
Fringe Benefit Tax	500	400
Deferred Tax	1319	1565
Tax Adjustment For Earlier Years	391	205
	-----	-----
Profit After Tax	16412	12002
Add :- Balance Brought Forward	3013	3068
Profits Available For Distribution	19425	15070
	-----	-----
<u>Appropriation</u>		
Proposed Dividend Including Dividend Tax	4556	4556
Transfer to General Reserve	7500	7500
Carried Forward to Balance Sheet	7369	3014
	19425	15070
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DIVIDEND

The Board has pleasure in recommending a Dividend of 10% i.e. Re. 1 per equity share for the financial year ended 31st March, 2008. The proposed dividend will absorb a sum of Rs.45.56 lakhs inclusive of tax on dividend.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 75 lakhs to the General Reserve and an amount of Rs.73.69 lakhs is proposed to be retained in the Profit & Loss Account.

RESULT OF OPERATIONS

The sales turnover (net of VAT / Sales Tax and Excise Duty) has increased from Rs. 8199 lacs to Rs. 9417 lacs registering a growth of 15%. Other income from operations for the year is Rs. 194 lacs as against Rs. 209 lacs for the previous year. The operating profit before depreciation and tax is Rs. 356.50 lacs compared to 270.50 lacs in the previous year registering 31.79% growth. The profit after depreciation and tax is Rs. 164 lacs compared to Rs. 120 lacs for the previous year registering growth of 36.67%.

The analysis on the performance of your Company is discussed in the Management Discussion and Analysis Report forming part of this report.

DIRECTORS

Mr. H.S. Kamath and Mr. R.J. Sanghavi retire by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Appropriate resolutions for their re-appointment are being placed before you for your approval at the ensuing Annual General Meeting. The brief resume of the aforesaid Directors, their Directorship in other Companies and other information has been detailed in the Corporate Governance Section of this report. Your directors recommend their re-appointment as Directors of your Company.

DEPOSITS

The Company has not accepted any Public Deposit within the meaning of Section 58A of the Companies Act 1956. Also there are no outstanding Public Deposits as at the Balance Sheet date.

INSURANCE

The Company's assets being buildings, plant & machinery and stocks have been adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under section 217(1) (e) of the companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are given in the Annexure to this report.

PARTICULARS OF EMPLOYEES

None of the employees has been paid remuneration exceeding the amount specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. Hence the disclosure requirement under the above section is not applicable.

AUDITORS

M/s P. D. Desai & Associates, Statutory Auditors of the Company, shall retire at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.



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DIRECTORS' RESPONSIBILITY STATEMENT

As required by sub-section (2AA) of section 217 of the Companies Act, 1956, directors state that :-

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Company continues to comply with the requirements of the Listing Agreement entered into with the stock exchange where your Company's shares are listed. Pursuant to the Clause 49, your Company has laid down risk minimization procedures pertaining to key areas of your Company's operations and the same shall be reviewed periodically by the Board of Directors. Your Company has also adopted a Code of Conduct for its Board Members and Senior Management Personnel and the same has been posted on your Company's website. All the Directors and the Senior Management Personnel of your Company have affirmed compliance with the said Code of Conduct.

The Management Discussion and Analysis and a report on Corporate Governance are included as a part of the Directors' Report.

A certificate from the auditors of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this report.

EMPLOYEES RELATIONS

The relations with employees remained cordial during the year. Your Directors appreciate the efficient and devoted services rendered by the executives, staff members and the workers.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks for support and co-operation received from Company's bankers Bank of India and Barclays Bank PLC. Your Directors also acknowledge with gratitude the co-operation received from various Government authorities and other agencies.

On Behalf of the Board of Directors

Place: Mumbai

R. J. Sanghavi

Date: 30th June, 2008

Chairman

**Annexure to the Director's Report**

Information pursuant to the Companies (Disclosure of particulars in Report of the Board of Directors) Rules, 1988

1. Conservation of energy

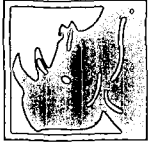
The plant and machinery of the company include energy efficient machineries/equipments. Wherever necessary, energy conservation measures are being implemented and efforts to conserve and optimize the use of energy through improved operational methods will continue.

The details of energy consumption are given below.

Particulars	2007-2008	2006-2007
Electricity		
a) Purchased Units.	643457	389380
Total amount	2675201	2019590
Rate / Unit	4.16	5.18
b) Own generation.		
Coal	Nil	Nil
Furnace Oil	Nil	Nil
Qty. (Kgs)	60060	26025
Total Amount	1199901	403606
Rate/Unit	19.98	15.51
Diesel / LDO		
Qty. (Ltrs.)	69990	81023
Total amount	1897983	2450980
Rate / Unit	27.12	30.25
Consumption per unit of Production of Adhesives & Emulsions		
Electricity	53.63 Per Tonne	43.34 Per Tonne
Diesel / LDO	5.83 Per Tonne	9.02 Per Tonne
Furnace Oil.	5.01 Per Tonne	2.90 Per Tonne

2. Technology Absorption**(a) Research & Development (R & D)****➤ Specific area in which R & D carried out by the Company**

Research efforts are directed towards improvement of yield and new product development, particularly in the area of Paint Emulsions, Consumer and Bazaar products including improvement over packaging of the products.



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➤ **Benefits derived as a result of the above R & D**

Improvement in product quality, achieving cost effectiveness and increase in the market share.

➤ **Future Plan of Action**

To continue and enhance the R & D efforts described herein above.

➤ **Expenditure on R & D**

The Company has incurred capital expenditure being cost of the Building Rs.5,02,000/- and Plant & Machinery Rs.13,10,349/-

The revenue expenditure incurred on R & D is not capable of being segregated accurately.

(b) **Technology Absorption, Adoption and Innovation**

The company has fully absorbed and commercialized the manufacturing process of different emulsion products acquired by it from time to time. The technology for manufacturing of new industrial products is being developed in-house.

3. **Foreign Exchange Earnings and Outgo**

Please Refer Note No. 11 & 12 of Notes to Accounts for the details in respect of foreign exchange earnings and outgo.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

◦ **INDUSTRY STRUCTURE AND DEVELOPMENT**

The company manufactures a variety of polymer emulsions having applications in various industries such as adhesives for furniture, packaging stock label/lamination, as a binder and finishing agent for paint and textile industry, etc. The company sells its products in two major market segments viz. Industrial application and Consumer segment.

In the industrial emulsions segment, products include adhesives for packaging such as BOPP tape, sticker/ stock label and lamination application, emulsions for manufacture of paint, textile, etc. The customers for these products applications vary from medium to large size companies having national presence and also many smaller companies with regional activity. The market share of imported products is less than 10% of Indian consumption.

In the retail segment of branded consumer and bazaar products, the company's products include wood adhesives, construction and paint chemicals, sealants, etc. which find use by carpenters, civil contractors, painters, plumbers, households, students, etc.

◦ **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE
MANUFACTURING DIVISION**

Last Year Company has successfully set up plant at Silvassa with production capacity of 6,000 Tonnes of Emulsions & Adhesives and thus completed the first phase of the envisaged expansion. The Plant was commissioned in March, 2007 & hence the benefits of the expansion



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are visible in the operations of the current financial year. During the year under consideration the installed capacity was increased by 2500 tonnes. The production has increased from 8985 Tonnes to 11999 Tonnes in terms of volume registering the growth of 33.54%. In value terms the sales has increased from Rs. 3054 lacs to Rs. 4391 lacs registering growth of about 43.78%. The job work receipts have increased from Rs.80.63 lacs to 102.05 lacs.

TRADING DIVISION

In the trading segment, the sales have increased to Rs. 4991 lacs against previous year of Rs. 4880 lacs, an increase of about 2.27%. The volume growth registered an increase of about 10.78%.

Foreign Exchange Fluctuations

The Company's business is import centric and the appreciation of Rupee against US Dollar has resulted into foreign exchange fluctuation gains of Rs. 77.55 Lacs.

However the market mechanism requires the Company to pass the benefits to the customers and hence your directors have classified this income as arising from business operations and not from Other Income.

• OPPORTUNITIES, THREATS, RISKS, CONCERNS

Our country is experiencing steady economic growth with increased demand in the local as well as international markets. India is also fast improving its competitiveness against manufacturers from China and other South East Asian countries. The economic growth and particularly the growth in real estate construction segment is likely to result into higher demand for textile products, packaging products, paint and adhesives for wood and other applications. Your Company's products find applications in all these sectors and thus providing good opportunity for growth. Your Company's major raw materials are imported from reputed manufacturers in South East and North East Asia with whom it enjoys long term association. Your company also trades in these chemicals, used for captive production and are also sold to medium and small customers and thus sees an opportunity to economize the cost of purchasing with large volume and timely sourcing. With the implementation of VAT in most of the states, we see improving competitiveness. Although there is good opportunity for growth of business, it is not free from threats and risks. With every year reduction in customs duty in line with WTO agreement, we expect competition from manufacturers of Chinese and other South East Asian countries. Further, the raw materials required for manufacturing emulsions attract lower import tariffs in countries like China, Taiwan, South Korea etc. it is likely that imported emulsions can pose threat to domestic manufacturers and also threat to our export potential to other countries like Sri Lanka, Bangladesh, Middle East etc. The rising oil prices, and increase in the rate of interest may reduce our margins.

In spite of the threats, polymer emulsion industry has seen steady growth with increased applications, withstood all the challenges and will continue to grow.



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- **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has in place the control systems based on the use of computer softwares that generate sufficient management information for internal control purpose. The executive directors closely monitor the operations of the Company personally. Having regard to the size and nature of the business, your Company has adequate internal control procedures for managerial control.

- **HUMAN RESOURCES/INDUSTRIAL RELATIONS**

The industrial relations are cordial from inception till date. There were in all 80 employees including factory workers as on 31.03.2008.

- **OUTLOOK**

After having acquired the brand and technology of manufacturing polymer emulsions products from Mafatlal Dyes & Chemicals (MDC), we have fully absorbed the technology of manufacturing and have undertaken improvement wherever required on an ongoing basis. Our products are well approved and accepted by the industry resulting into widening of our customer base.

Our products find applications in various industries like Textiles, Packaging, Paint, Furniture and other miscellaneous industries. Paint industry is growing by more than 15% & hence our paint emulsion has good demand. Considering a healthy growth scene in some of the above industries like paint, textiles, packaging, your company's future in industrial segment appears encouraging. With small beginning in retail space of wood adhesives in last two years and with the introduction of many new products we expect steady growth in this segment as well under our brand Mahacol.

DISCLAIMER

Statements in the Management Discussion and Analysis Report describing the Company's objectives, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/ supply, price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes.

**REPORT ON CORPORATE GOVERNANCE****Company's Philosophy on Corporate Governance**

Your Company firmly believes in and continues to practice good Corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis. In order to achieve the objective the Company is driven by the following guiding principles. :

- Improving the effectiveness of the Board of Directors in supervising management;
- Improving the quality of information and communication with stakeholders.

The Company believes that these two principles will result in a better shareholders value.

Board of Directors

The Board of Directors of the Company comprise of Executive Chairman, Managing Director, Executive Directors and Independent Directors. The Managing Director of the Company is responsible for day to day operations related issues and the overall business of the Company.

The Company has Six Directors.

Sr. No.	Name of the Director	Status	No. of other Director ships	No. of other Committee Memberships	
				Chairman	Member
1)	Mr. R. J. Sanghavi	Executive Chairman, Promoter	Nil	Nil	Nil
2)	Mr. U. J. Sanghavi	Managing Director, Promoter	Nil	Nil	Nil
3)	Mr. T. J. Sanghavi	Executive Director, Promoter	Nil	Nil	Nil
4)	Mr. M. M. Vora	Non - Executive, Independent	Nil	One	One
5)	Mr. S. R. Sanghavi	Non - Executive, Independent	Nil	One	One
6)	Mr. H. S. Kamath	Non - Executive, Independent	Nil	Nil	Nil

**Board Meetings**

During the year under review, nine Board Meetings were held. Details of attendance at the Board Meetings and Annual General Meeting for each of the Directors are given below:

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance At Annual General Meeting	Dates of Meetings (Annual General Meetings)
1.	Mr. R. J. Sanghavi	Nine	Attended	Annual General Meeting: <ul style="list-style-type: none">• 29th September, 2007 Board Meeting held on: <ul style="list-style-type: none">• 24th May, 2007• 2nd June, 2007• 8th June, 2007• 12th July, 2007• 31st July, 2007• 23rd Oct, 2007• 31st Dec, 2007• 31st Jan, 2008• 29th Feb, 2008
2.	Mr. U. J. Sanghavi	Nine	Attended	
3.	Mr. T. J. Sanghavi	Nine	Attended	
4.	Mr. M. M. Vora	Five	Attended	
5.	Mr. S. R. Sanghavi	Two	-	
6.	Mr. H. S. Kamath	Five	Attended	



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Information about Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting:

Name of the Director	H.S.Kamath	R.J.Sanghavi
Date of Birth	10.06.1942	11.12.1955
Date of Appointment	15.02.2004	29.09.1986
Status	Non Executive, Independent Director	Executive Chairman
Qualification	B.E Mechanical	Diploma in Engineering
Expertise in specific functional type	Technical expertise in production process control & quality	Businessmen
Directorship of Other Companies	None	None
Shareholding	1000	119700

Audit Committee

The powers and terms of reference of the committee are as mentioned in clause 49 of Listing Agreement with the Mumbai Stock Exchange.

Sr. No.	Name of the Director.	Status.	No. of Meetings held.	No. of Meetings attended.	Dates of Audit Committee Meetings.
1.	Mr. M. M. Vora (Chairman)	Non Executive / Independent	Four	Four	• 24 th May, 2007 • 31 st July, 2007 • 23 rd October, 2007
2.	Mr. S. R. Sanghavi (Member)	Non Executive / Independent	Four	One	• 31 st January, 2008
3.	Mr. H. S. Kamath (Member)	Non Executive / Independent	Four	Four	

**NIKHIL ADHESIVES LIMITED**

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Non-Executive Director heading the Committee	Mr. Samaldas Sanghavi
Compliance Officer	Mr. Yogendra Nakre
Number of shareholders complaints received so far	NIL
Number of complaints not solved to the satisfaction of Shareholders	NIL
Number of pending Complaints	NIL

Remuneration to Directors

Remuneration has been paid to the Executive Directors in accordance with Schedule XIV of the Companies Act within the overall limits approved by the Members.

The remuneration details for the financial year 2007 - 08 is as follows

Name of the Directors	Status	Salary (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)	Contract Period (No. of years)
Mr. R. J. Sanghavi	Executive Chairman	5,88,000	-	-	5,88,000	5 Years
Mr. U. J. Sanghavi	Managing Director	5,88,000	-	-	5,88,000	5 Years
Mr. T. J. Sanghavi	Executive Director	5,88,000	-	-	5,88,000	5 Years
Mr. M. M. Vora	Non - Executive/ Independent	N.A	-	25,000	25,000	N.A
Mr. S. R. Sanghavi	Non - Executive/ Independent	N.A	-	10,000	10,000	N.A
Mr. H. S. Kamath	Non - Executive/ Independent	N.A	-	25,000	25,000	N.A



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Notice period for the Directors is as applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company does not have a scheme for stock options for the Directors or the employees.

Shareholding of the Non Executive Directors.

Name of the Director	Nature of Directorship	No of Shares held	Percentage to the paid-up capital
Mr. M. M. Vora	Independent	2083	0.053
Mr. S. R. Sanghavi	Independent	-----	-----
Mr. H. S. Kamath	Independent	1000	0.026

General Body Meetings

The last three Annual General Meetings of the Company were held at the registered office of the Company on 29th September, 2005, 30th September, 2006 and 29th September, 2007 respectively. Five special resolutions were passed at Annual General Meeting held on 29th September, 2007.

Disclosures

- There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large.
- Related party disclosures as required under Accounting Standards 18 issued by the Institute of Chartered Accountants of India are made vide Note No.18 (A) & (B) in Schedule P to the Annual Accounts.
- There were no instances of non-compliance nor have any penalties, strictures been imposed by Stock Exchange or SEBI or any other statutory authority during the last three years on any matter related to the capital markets.
- The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.
- The Managing Director (CEO) has certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO certification for the Financial Year ended 31st March, 2008.



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DECLARATION BY THE CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERANCE TO THE CODE OF CONDUCT.

In accordance with Clause 49 sub - clause I(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2008.

For Nikhil Adhesives Limited

Umesh. J. Sanghavi

Managing Director

Date: 30th June, 2008



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Means of Communications

Quarterly / half yearly financial results of the Company are forwarded to the Bombay Stock Exchange and also published in Free Press Journal (English Daily) and Navshakthi (Marathi Daily). The Company's website address is www.nikhiladhesives.com

General Shareholder Information

- | | | | |
|------|---|---|--|
| i) | Annual General Meeting Date, Time and Venue | : | 27 th September, 2008, 11.00 am
at Shreeji Ind.Estate, Vadkun,
College Road, Dahanu,
Dist. Thane - 401 602 |
| ii) | Date of Book closure | : | 22 nd September, 2008
to 27 th September, 2008
(both days inclusive) |
| iii) | Date of Payment of Dividend | : | 1 st October, 2008 onwards |
| iv) | Financial Calendar (Tentative) | : | |
| | • Unaudited financial results for the quarter ending 30 th June, 2008 | | 4 th Week of July 2008 |
| | • Unaudited financial results for the quarter ending 30 th September, 2008 | | 4 th Week of October, 2008 |
| | • Unaudited financial results for the quarter ending 31 st December, 2008 | | 4 th Week of January 2009 |
| | • Audited financial results for the year ending 31 st March, 2009 | | 4 th Week of May / June 2009 |
| | • Annual General Meeting for the year ending 31 st March, 2008 | | August / September 2009 |
| v) | Listing on Stock Exchange | : | Bombay Stock Exchange Ltd. |
| vi) | Demat ISIN Number for NSDL & CDSL | : | INE 926C01014 |
| vii) | Stock Code on Mumbai Stock Exchange | : | 526159 |



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viii) High / Low share price during last financial year (month wise)

Month	BSE (Rs.)		SENSEX	
	High	Low	High	Low
April 2007	34.50	25.25	14383.72	12425.52
May 2007	38.00	24.40	14576.37	13554.34
June 2007	33.85	26.00	14683.36	14638.88
July 2007	29.65	25.00	15868.85	13779.88
August 2007	40.15	23.35	15542.40	15323.05
September 2007	40.50	29.25	17361.47	15323.05
October 2007	32.45	25.60	20238.16	17144.58
November 2007	30.95	26.00	20204.21	18182.83
December 2007	45.30	27.00	20498.11	18886.40
January 2008	53.45	29.35	21206.77	15332.42
February 2008	34.00	28.45	18895.77	16457.74
March 2008	33.45	22.05	17227.56	14677.24

ix) Distribution Schedule of Number of shares as on 31.03.2008

	No. of Holders	%	No. of Shares	%
Up to 100	795	44.51	70078	1.80
101 to 200	387	21.67	75133	1.93
201 to 500	324	18.14	134907	3.46
501 to 1000	136	7.61	120021	3.08
1001 to 5000	72	4.03	165594	4.25
5001 to 10000	18	1.01	136794	3.51
10001 to 100000	45	2.52	1774403	45.56
100001 and above	9	.50	1417370	36.40



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x) DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2008

Category	Number of Shares.	Percentage of Shareholding.
A. Promoter's holding		
1. Promoters		
- Indian promoters	21,33,600	54.79
- Foreign promoters		
2. Persons acting in concert		
Sub - total	21,33,600	54.79
B. Non-Promoters holding		
3. Institutional investors		
a. Mutual funds and UTI	900	0.02
b. Banks, financial institutions, insurance companies (central/ State Government institutions/ non-government institutions)		
c. FII(s)		
Sub - total	900	0.02
4. Others		
a. Private corporate bodies	1,12,790	2.90
b. Indian public	16,46,669	42.28
c. NRI's / OCBs	173	0.004
d. Clearing Members	168	0.004
Sub Total	17,59,800	45.19
Grand Total	38,94,300	100



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- xi) Registrars & Transfer Agents : M/s. Sharex (India) Pvt. Ltd.
Regd. Office :
17/B, Dena Bank Building, 2nd Floor,
Horniman Circle, Fort, Mumbai - 400 001
Branch Office :
Unit No. 1, Luthra Ind. Premises,
Andheri Kurla Road, Safed Pool,
Andheri (East), Mumbai - 400 072.
- xii) Share Transfer Systems : Since the Company's shares are compulsorily traded in the demat segment on the BSE, bulk of the transfers take place in the electronic form. Share transfers in physical form are registered and returned within the stipulated time, if documents are clear in all respect. The Committee of Directors for Share Transfer meets frequently to approve transfer of shares.
- xiii) Dematerialization of shares and liquidity : Trading in equity shares of the Company is permitted only in dematerialized form. Total No. of Shares dematerialized up to 31.03.2008 is 32,22,260 i.e. 82.74% of the total equity share capital of the Company.
- xiv) Issue of any GDRs, ADRs etc. : The Company has not issued any GDRs, ADRs, Warrants or any Convertible Instruments.
- xv) Plant locations :
1) Shreeji Industrial Estate,
Vadkun, College Road, Dahanu,
Dist. Thane - 401 602.
2) Plot No. 7A & 7B, Govt Ind. Estate
Phase- I, Piparia, Silvassa.
- xvi) Registered Office Address : Vadkun, College Road, Dahanu,
Dist. Thane - 401 602
- xvii) Address for Shareholder 's correspondence : M/s. Sharex (India) Pvt. Ltd.
Unit No. 1, Luthra Ind. Premises,
Andheri Kurla Road, Safed Pool,
Andheri (East), Mumbai - 400 072.



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COMPLIANCE CERTIFICATE FROM AUDITORS OF THE COMPANY

To
The Members of
Nikhil Adhesives Limited

We have examined the compliance of conditions of the Corporate Governance by **Nikhil Adhesives Limited** for the year ended on **31st March, 2008**, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Mumbai stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For P. D. Desai & Associates
Chartered Accountants

(P. V. Vakharia)
Partner
Membership No.: 38220
Place: Mumbai
Date: 30th June, 2008



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Auditor's Report to the Members of Nikhil Adhesives Limited

- 1) We have audited the attached balance sheet of Nikhil Adhesives Ltd. as at 31st March, 2008, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;



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- v) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (b) in the case of the profit and loss account, of the **profit** for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For P. D. Desai & Associates
Chartered Accountants

(P. V. Vakharia)
Partner
Membership No. : 38220
Place : Mumbai
Date : 30th June, 2008



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**Annexure referred to in paragraph 3 of the Auditor's Report of even date
to the members of Nikhil Adhesives Limited
on the accounts for the year ended 31st March, 2008**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of major items of fixed assets.
- (b) During the year under consideration, physical verification of major items of fixed assets was carried out as per regular program of verification followed by the Company which in our opinion is reasonable, having regard to the size of the Company and the nature of fixed assets. No material discrepancies were noticed in respect of the assets physically verified during the year.
- (c) The Company has not disposed off substantial part of the fixed assets during the year.
- (ii) (a) The inventory (except the bonded stocks) has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and the same have been properly dealt with in the books of account.
- (iii) (a) The Company has during the year granted an unsecured loan to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.1,20,33,927/- and the year end outstanding balance is Rs.1,11,83,927/-.
- (b) The rate of interest and other terms and conditions of the aforesaid loan are not prima facie prejudicial to the interest of the Company.
- (c) The loan is repayable on demand basis and hence we cannot comment on the regularity of the repayment of the principal amount. The interest is recovered as stipulated.



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- (iv) (a) The Company had taken unsecured loans from 1 (one) party covered in the register maintained u/s. 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.68,13,073/- and the year-end balance of the said loan was Rs.NIL.
- (b) The rate of interest and other terms and conditions of the loans are prima facie not prejudicial to the interest of the Company.
- (c) The loan is repayable on demand after a specified period and as such does not carry any specific time schedule for repayment of the loan. Also, as per the agreed terms, the interest is credited as at the year end to the running account. Hence we are unable to comment on regularity of payment of interest amount.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (vi) (a) According to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) The Company has not accepted any deposit from the public during the year under review. Consequently, the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed there under are not applicable.



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- (viii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) We are informed by the management that the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of any of the products manufactured by the Company.
- (x) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, custom duty, excise duty, service tax, cess and other material statutory dues with appropriate authorities.
- (b) According to the information and explanation given to us, there are no dues of sales tax / income tax / service tax / customs duty / wealth tax / excise duty / cess which have not been deposited on account of any dispute.
- (xi) The Company does not have accumulated losses as at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders during the year,
- (xiii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Hence, the question of maintenance of adequate documents and records in respect thereof does not arise.
- (xiv) The Company is neither a chit fund nor a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xvi) The Company has not given any guarantee for loans taken by others from banks or financial institutions.



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- (xvii) In our opinion, the term loans have been applied for the purpose for which they were obtained.
- (xviii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xix) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xx) The Company has not issued debentures and hence the question of creation of securities in respect thereof does not arise.
- (xxi) The Company has not raised any money by way of public issue during the year.
- (xxii) No fraud on or by the Company has been noticed or reported during the course of our audit.

For P. D. Desai & Associates
Chartered Accountants

(P. V. Vakharia)
Partner
Membership No. : 38220
Place : Mumbai
Date : 30th June, 2008



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NIKHIL ADHESIVES LIMITED BALANCE SHEET AS AT 31ST MARCH, 2008

Particulars	Schedule	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	39,049,603	39,049,603
Reserves & Surplus	B	50,082,070	38,225,968
		89,131,673	77,275,571
LOAN FUNDS			
Secured Loans	C	126,409,565	64,681,222
Unsecured Loans	D	53,141,689	50,761,782
		179,551,254	115,443,004
Deferred Tax Liability (Net)		9,014,282	7,695,127
TOTAL		277,697,209	200,413,702
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		126,456,581	105,642,931
Less : Depreciation		40,912,004	31,135,598
Net Block	E	85,544,577	74,507,333
INVESTMENTS			
	F	36,000	236,000
CURRENT ASSETS, LOANS & ADVANCES			
	G	400,654,703	276,094,617
LESS : CURRENT LIABILITIES & PROVISIONS			
Net Current Assets	H	208,538,071	150,424,248
		192,116,632	125,670,369
TOTAL		277,697,209	200,413,702
Significant Accounting Policies	O		
Notes Forming Part of The Accounts	P		

As per attached report of even date
For P. D. Desai & Associates
Chartered Accountants

(P. V. Vakharia)
Partner

Place : Mumbai
Date : 30th June 2008

For and on behalf of the Board

(U. J. Sanghavi)
Managing Director

(R. J. Sanghavi)
Chairman

(T. J. Sanghavi)
Executive Director

(M. M. Vora)
Director



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NIKHIL ADHESIVES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2008

Particulars	Schedule	For the Year Ended 31.03.2008 Rs.	For the Year Ended 31.03.2007 Rs.
INCOME			
Sales / Income from Operations	I	961,073,205	840,835,162
Other Income	J	3,956,670	1,362,739
TOTAL		965,029,875	842,197,901
EXPENDITURE			
Cost of Materials	K	840,098,342	751,803,024
Personnel Expenses	L	18,046,758	13,417,206
Operation Expenses	M	49,657,833	36,852,317
Finance Expenses	N	21,577,388	13,075,828
Depreciation/ Amortisation		9,776,406	6,731,940
Total		939,156,727	821,880,315
Profit Before Taxation		25,873,148	20,317,586
Less : <u>Provision for Taxation</u>			
Current Tax		7,251,000	6,145,000
Deferred Tax		1,319,155	1,565,127
Fringe Benefit Tax		500,000	400,000
Tax Adjustments for earlier Year/s		390,755	205,839
		9,460,910	8,315,966
Net Profit for the year		16,412,238	12,001,620
Add : Balance brought forward		3,013,553	3,068,069
Profits available for appropriation		19,425,791	15,069,689
Proposed Dividend		3,894,300	3,894,300
Dividend Tax		661,836	661,836
Transferred to General Reserve		7,500,000	7,500,000
Balance carried to Balance Sheet		7,369,655	3,013,553
Earning per share (Refer note no. 14)		4.21	3.80
Significant Accounting Policies	O		
Notes Forming Part of The Accounts	P		

As per attached report of even date
For P. D. Desai & Associates
Chartered Accountants

(P. V. Vakharia)
Partner

Place : Mumbai
Date : 30th June 2008

(U. J. Sanghavi)
Managing Director

(R. J. Sanghavi)
Chairman

For and on behalf of the Board

(T. J. Sanghavi)
Executive Director

(M. M. Vora)
Director



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SCHEDULES TO THE BALANCE SHEET AS AT 31 ST MARCH, 2008

Particulars	As At	As At
	31.03.2008	31.03.2007
	Rs.	Rs.
<u>Schedule - A</u>		
<u>Share Capital</u>		
<u>Authorised</u>		
49,50,000 (Previous year : 39,50,000) Equity Shares of Rs. 10/- each	49,50,000	49,50,000
50,000 8% Non Cumulative Redeemable Preference Shares of Rs.10/- each	500,000	500,000
TOTAL	50,00,000	50,00,000
<u>Issued, Subscribed & Paid up</u>		
38,94,300 (Previous year : 38,94,300) Equity Shares of Rs.10/- each fully paid up	38,943,000	38,943,000
Add : Forfeited Shares Account	106,603	106,603
TOTAL	39,049,603	39,049,603
<u>Schedule - B</u>		
<u>Reserves & Surplus</u>		
<u>Capital Redemption Reserve</u>		
Balance as per last year	400,000	400,000
<u>General Reserve</u>		
Balance as per last year	22,012,415	14,512,415
Add: Transfer From Profit & Loss Account	7,500,000	7,500,000
Closing Balance	29,512,415	22,012,415
<u>Securities Premium</u>		
Balance as per Last Year	12,800,000	12,800,000
Profit & Loss Account Balance	7,369,655	3,013,553
TOTAL	50,082,070	38,225,968



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SCHEDULES TO THE BALANCE SHEET AS AT 31STMARCH, 2008

Particulars	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Schedule - C		
Secured Loans		
From Bank of India		
Cash Credit Facility	65,123,082	6,802,961
Term Loan I	16,135,904	14,205,583
Term Loan II	3,150,083	8,154,622
Loan against Fixed Deposits	4,499,394	-
	88,908,463	29,163,166
From State Bank of India		
Cash Credit Facility	-	29,706,978
Term Loan	-	5,623,402
From Barclays Bank		
Barclays Bank PLC	33,720,000	-
Barclays Bank PLC Term Loan	2,791,123	-
From ICICI Bank Ltd		
Vehicle Finance	-	173,674
From HDFC Bank Ltd.		
Vehicle Finance	-	14,002
From Bank of India		
Vehicle Finance	989,979	-
TOTAL	126,409,565	64,681,222
<p>1. The above working capital facilities and letters of credit facilities (inland / foreign) from the consortium banks viz. Bank of India and Barclays Bank are secured against hypothecation of stock of raw & packing materials, finished goods, book debts, and plant & machineries of the company on pari passu basis. Further the above credit facilities are collaterally secured against equitable mortgage of factory blocks.</p> <p>2. The term loan facilities from the consortium banks are secured on pari passu basis against hypothecation of the plant & machineries & equitable mortgage of factory blocks subject to however the Bank of India having first charge over Plant & Machineries and Factory Building at Silvassa in respect of Term Loan II.</p> <p>3. All the credit facilities mentioned in note no.1 & 2 above are secured by personal guarantees of the promoter directors and are collaterally secured against equitable mortgage of certain residential flats of the promoter directors in favour of the said banks on pari passu basis. The execution of document for creation of charge in favour of Barclays Bank is pending and the same is expected to be completed in due course.</p> <p>4. The principal amounts of the vehicle loan instalments due within one year from the date of balance sheet is Rs. 3,46,020/- (Previous Year Rs.1,02,890). The loans are secured against hypothecation of the vehicles financed.</p>		
Particulars	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Schedule - D		
Unsecured Loans		
A. Short term Loans		
From Bank	29,292,745	26,450,035
	-	-
B. Other Loans		
From Companies	20,000,000	20,925,073
Sales Tax Deferral (Under Package Scheme of Incentives)	3,848,944	3,386,674
TOTAL	53,141,689	50,761,782

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SCHEDULES TO THE BALANCE SHEET AS AT 31 ST MARCH, 2008

SCHEDULE - E

FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	As At 01.04.2007	Additions during the year	Sale/Return during the year	As At 31.03.2008	Written off till 31.03.2007	Adjustments	For the year	Written off till 31.03.2008	As At 31.03.2008	As At 31.03.2007
<u>Tangible Assets</u>										
Factory Land	1,473,012	400,000		1,873,012	-			-	1,873,012	1,473,012
Factory Buildings	18,688,615	2,090,446		20,779,061	2,431,797		652,844	3,084,641	17,694,420	16,256,818
Plant & Machinery	69,627,476	16,704,623	64,700	86,267,399	18,010,986		7,420,431	25,431,417	60,835,982	51,616,490
Computers	2,828,329	495,025		3,323,354	1,993,617		258,884	2,252,501	1,070,853	834,712
Vehicles	1,764,339	1,374,142	707,221	2,431,260	573,183	(244,516)	181,529	510,195	1,921,065	1,191,156
Furniture & Fixtures	1,937,660	276,819		2,214,479	478,791		128,018	606,809	1,607,670	1,458,869
<u>Intangible Assets</u>										
Goodwill	650,000			650,000	502,271		100,000	602,271	47,729	147,729
Technical Know How	3,075,000			3,075,000	2,166,470		615,000	2,781,470	293,530	908,530
Trademark	1,098,500			1,098,500	773,940		219,700	993,640	104,860	324,560
MDC Logo	3,500,000			3,500,000	3,500,000		-	3,500,000	-	-
No Complete Agreement	1,000,000			1,000,000	704,543		200,000	904,543	95,457	295,457
TOTAL	105,642,931	21,341,055	771,921	126,212,065	31,135,598	(244,516)	9,776,406	40,667,487	85,544,578	74,507,333
PREVIOUS YEAR	(65,395,613)	(40,247,318)	-	(105,642,931)	(24,403,658)	-	(6,731,940)	(31,135,598)	(74,507,333)	-



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SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008

Particulars	Nos.	Face Value	As At	As At
			31.03.2008	31.03.2007
			Rs.	Rs.
Schedule - F				
Investments (At Cost)				
(Long Term - Non Trade)				
Quoted				
Equity Shares of Bank of India	800	10	36,000	36,000
Unquoted				
Units of Mutual Funds				
SBI ONE INDIA FUND	20000	10	-	200,000
TOTAL			36,000	236,000
Market Value of Quoted Investments			202,320	134,240



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SCHEDULES TO THE BALANCE SHEET AS AT 31 ST MARCH, 2008

Particulars	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Schedule - G		
<u>Current Assets, Loans & Advances</u>		
<u>Current Assets</u>		
Stock-in-trade (Taken and Certified by Managing Director) (Valued at lower of cost or net realisable value)		
Raw Materials	52,488,231	21,839,649
Packing Materials	2,449,254	2,007,715
Finished Goods	23,499,509	22,078,904
Fuels	176,764	113,692
Stores, Spares & Consumables	11,513	160,825
Trading Goods	26,504,019	38,607,145
Sub Total	105,129,290	84,807,930
<u>Sundry Debtors (Unsecured)</u>		
<u>Over Six Months</u>		
- Considered Good	3,898,138	1,668,071
- Considered Doubtful.	-	-
	3,898,138	1,668,071
Other Debts Considered Good	229,068,754	136,216,013
Sub Total	232,966,892	137,884,084
<u>Cash & Bank Balances</u>		
Cash on Hand	387,188	572,711
<u>Balance with Scheduled Banks</u>		
- In Current Accounts	6,859,574	3,787,065
- Term Deposits (Pledged with Bank against Loans and Letters of Credit facilities)	23,168,767	24,141,043
Sub Total	30,415,529	28,500,819
<u>Loans & Advances</u>		
(Unsecured & Considered Good)		
Advances Recoverable in Cash or in Kind or for Value to be Received	21,042,377	21,273,818
Central Excise Balance	8,324,095	1,217,086
Deposits	2,776,520	2,410,880
Sub Total	32,142,992	24,901,784
TOTAL	400,654,703	276,094,617



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SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2008

Particulars	As At	As At
	31.03.2008	31.03.2007
	Rs.	Rs.
Schedule - H		
Current Liabilities & Provisions		
<u>Current Liabilities</u>		
<u>Sundry Creditors</u>		
i) Total Outstanding Dues of Small Scale Industrial Undertaking(s)	965,301	2,303,628
ii) Total Outstanding Dues of Creditors other than Small Scale Industrial Undertaking(s)	185,284,287	126,673,473
	186,249,588	128,977,101
Security Deposit from Customers	1,024,448	1,220,794
Unclaimed Dividends	365,861	359,509
Other Liabilities	11,449,441	9,437,805
Sub Total	199,089,338	139,995,209
<u>Provisions</u>		
Provision for taxation (Net)	4,234,328	5,363,831
Proposed Dividend (including dividend tax)	4,556,136	4,556,136
Provision for Gratuity / Bonus	658,269	509,072
Sub Total	9,448,733	10,429,039
TOTAL	208,538,071	150,424,248

Note :

The names of Small Scale Industrial Undertakings to whom the company owes any sum together with interest, outstanding for more than 30 days as on 31/03/08 are as follows :

- | | |
|------------------------------|-----------------------------|
| 1) Appolo Plastic Industries | 6) BSA Polycontainer |
| 2) Colourflex Laminator Ltd. | 7) Kris Flexipacks Pvt.Ltd. |
| 3) B.M.Raj Industries | 8) Yash Synthetics Pvt.Ltd. |
| 4) Mahaveer Packaging | 9) Ankur Polyplast |
| 5) Newgen Packaging System | |



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SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2008

Particulars	For the Year Ended 31.03.2008 Rs.	For the Year Ended 31.03.2007 Rs.
Schedule - I		
Sales / Income from operations		
Sales (Net of VAT/ Sales Tax)	1,023,743,423	876,269,472
Less : Excise Duty	82,060,246	56,374,367
Sales (Net of VAT/ Sales Tax & Excise Duty)	941,683,177	819,895,105
Labour Charges Income	10,205,460	8,063,980
Commission Income	1,190,615	885,310
Service Charges Income (Net)	238,940	5,067,052
Foreign Currency Translation Gains (Net)	7,755,013	4,688,701
Sales Tax Incentives	-	2,235,014
TOTAL	961,073,205	840,835,162
Schedule - J		
Other Income		
Interest Income (TDS Rs.13,234/- Previous Year Rs.8976/-)	59,745	40,000
Dividend Income	1,200	4,000
Sundry credit balances written back	-	392,625
Miscellaneous Income	3,895,725	926,114
TOTAL	3,956,670	1,362,739
Schedule - K		
Cost of Materials		
Raw Materials Consumed	329,466,075	236,910,377
Packing Materials Consumed	29,851,184	25,634,984
Cost of Raw/Packing Materials Resale	3,223,885	25,112,590
Sub Total	362,541,144	287,657,951
Increase /(Decrease) in Stock of Finished Goods		
Opening Stock	22,078,904	14,241,481
Closing Stock	(23,499,509)	(22,078,904)
Sub Total	(1,420,605)	(7,837,423)
Increase /(Decrease) in Excise Duty on Finished Goods Stock		
On Opening Stock	(3,135,967)	(2,103,051)
On Closing Stock	2,559,993	3,135,967
Sub Total	(575,974)	1,032,916
Cost of Trading Goods Sold		
Opening Stock	38,607,145	19,841,964
Add : Purchases	467,450,651	489,714,761
	506,057,796	509,556,725
Less : Closing Stock	26,504,019	38,607,145
Sub Total	479,553,777	470,949,580
TOTAL	840,098,342	751,803,024
Schedule - L		
Personnel Expenses		
Salaries, Wages, Bonus, Gratuity etc.	14,773,148	10,524,406
Directors' Remuneration	1,764,000	1,764,000
Staff Welfare	863,374	531,026
Contribution to Provident Fund, etc.	646,236	597,774
TOTAL	18,046,758	13,417,206



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SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2008

Particulars	For the year Ended 31.03.2008 Rs.	For the Year Ended 31.03.2007 Rs.
Schedule - M		
Operation Expenses		
Stores Consumed	1,238,465	1,179,353
Power & Fuel	5,816,695	4,896,242
Labour Charges	4,452,356	219,613
Rent	3,040,774	1,921,556
Repairs & Maintenance		
Plant & Machinery	497,756	606,939
Buildings	196,526	76,880
Others	285,509	303,226
Sub Total	979,791	987,045
Printing & Stationery	470,898	465,443
Insurance	600,923	540,811
Storage Charges Expenses (Net)	365,976	95,644
Rates & Taxes	65,075	73,429
Postage & Telephone	1,817,647	1,449,470
Conveyance & Vehicle Expenses	2,657,650	1,627,849
Service Charges	1,992,963	1,918,955
Legal & Professional Fees	1,252,626	1,556,007
Travelling Expenses	2,779,574	2,788,520
Advertising and Sales Promotion Expenses	586,607	592,087
Transportation, Octroi & Coolie Charges	14,880,567	10,031,037
Brokerage and Commission	1,441,345	775,032
Bad Debts	315,887	1,841,788
Loss on sale of Assets	214,565	-
Discounts / Rebates (Net)	2,584,256	1,039,526
Directors' Sitting Fees	60,000	55,000
Miscellaneous Expenses	2,043,193	2,797,910
TOTAL	49,657,833	36,852,317
Schedule - N		
Finance Expenses		
Bank Interest on Term Loans	3,197,058	2,673,168
Bank Interest on Other Credit Facilities	12,486,478	6,406,794
Cash Discounts	640,684	134,141
Bank Charges	2,344,924	2,041,865
Bills / Letters of Credit Discounting Charges	4,225,653	3,069,875
Other Interest	472,902	162,165
	23,367,699	14,488,008
Less :		
Interest Received (Gross) (TDS Rs.3,95,688/- Previous Year Rs.3,23,673/-)	1,790,311	1,412,180
TOTAL	21,577,388	13,075,828

**NIKHIL ADHESIVES LIMITED**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**Schedule - O****Significant Accounting Policies****1. Basis of Accounting**

Financial statements are prepared on historical cost basis and as per accrual system of accounting.

2. Tangible Fixed Assets and Depreciation

- Fixed Assets are stated at cost less depreciation. The cost of fixed assets include purchase price, transportation, duties, taxes and other attributable expenses, but excludes Cenvat/VAT/Service Tax Credits, if any, available.
- Depreciation is provided as per rates prescribed in schedule XIV of the Companies Act, 1956 on Straight Line Method. In respect of assets acquired/ disposed off during the year, prorata depreciation is provided from/ till the date of acquisition/ disposal.

3. Intangible Assets and Amortisation

Intangible assets are recognized and stated in financial statements in accordance with AS - 26 "Intangible Assets" and are amortised on a straight line basis over a period of useful economic life or a period of ten years whichever is less, except when it is clearly established that the useful economic life of the asset is exceeding the period of ten years- in which case it is amortised over its useful economic life with adequate disclosure in accordance with AS - 26 "Intangible Assets". The assets acquired during the year are amortised on pro-rata basis.

4. Inventories

Inventories are valued at lower of cost (Net of VAT Credits) or net realisable value. The Cost is ascertained on First In First Out (FIFO) basis.

5. Investments

Long term investments are stated at cost. Current Investments are stated at lower of cost and fair market value.

**6. Sales and Services**

- Sales are accounted net of excise duty and VAT/sales tax collected from customers.
- Sales include goods sold on High Seas / Bond Transfer basis.
- Income from services are accounted net of service tax collected from customers.

7. Excise Duty and Indirect Taxes

Excise Duty, VAT/Sales Tax and Service Tax collected from customers are credited to respective collection accounts. The Cenvat/VAT/Service Tax set off available is reduced from the cost of related materials or the expenses, and is adjusted against the Excise Duty or the Service Tax or the VAT liability, as per set off rules under the relevant statutes.

8. Sales Tax Deferment

Deferred sales tax liability under the Incentive Scheme of the Government is accounted for at its discounted present value as at the Balance Sheet date, calculated by applying the appropriate discount factor. The difference between the face value and the discounted value is credited to the profit and loss account in the year/(s) in which the deferment benefit is availed. In the subsequent years the Profit and Loss Account is debited by an appropriate amount such that the accumulation in Sales Tax Deferral Account is equal to the amount of deferred sales tax liability falling due from time to time.

9. Research and Development expenditure

Capital expenditure incurred for acquiring tangible fixed assets for the purpose of research & development is capitalised as fixed asset. Revenue expenditure on research and development is charged as expense in the year in which it is incurred under the respective heads of account.

10. Foreign Currency Transactions

- Foreign Currency transactions are generally recorded on the basis of exchange rate prevailing on the transaction date.
- Foreign Currency assets and liabilities, if any, as on the Balance Sheet date are restated in the accounts on the basis of exchange rate prevailing at the close of the year.
- The Foreign Currency translation gains/losses are recognised in the profit and loss account.



11. Employees Retirement Benefits

(a) Provident Fund

The Company contributes to a recognised provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

(b) Gratuity

The employees of the Company are eligible for Gratuity in accordance with the Payment of Gratuity Act, and is a Defined Employee Benefit. The above benefit is not funded but provision is made in the accounts.

The Company's net obligation in respect of the gratuity benefit is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value.

The present value of the obligation under such benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to built up the final obligation.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the profit and loss account

(c) Compensated Leave

Unutilised leave of staff lapses as at the year end and is not encashable. Accordingly, no provision is made for compensated absences.

**NIKHIL ADHESIVES LIMITED**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**Schedule - P****Notes Forming Part of The Accounts :**

1. Previous year's figures have been regrouped and / or rearranged wherever necessary to make them comparable with current year's figures.
2. The accounts of the Sundry Debtors and Creditors who have not responded to the Company's request for confirmation of balances, are subject to reconciliation, if any, required.
3. Particulars of Intangible Assets pursuant to AS - 26 'Intangible Assets'.

Particulars of Intangible Assets	Amortisation Period	Amortisation method	Gross Value of Acquisition	Accumulated Amortisation till date
<u>Acquired Assets</u>				
Goodwill-Old	*	*	1,50,000	1,50,000
Goodwill-New	5 Years	Straight Line Method	5,00,000	4,52,271
Technical Knowhow	5 Years	Straight Line Method	30,75,000	27,81,470
TradeMark	5 Years	Straight Line Method	10,98,500	9,93,640
Licence to use Logo Design	3 Years	Straight Line Method	35,00,000	35,00,000
No Compete Agreement	5 Years	Straight Line Method	10,00,000	9,04,543

* Written off fully in the financial year ended 31.03.2004 pursuant to Paragraph 99 of the aforesaid Accounting Standard.



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Particulars	31.03.2008 Amount(Rs.)		31.03.2007 Amount(Rs.)	
	4 (a) Contingent Liabilities	NIL		NIL
(b) Estimated amount of contracts remaining to be executed on capital account - not provided for.	NIL		NIL	
5 Details of Principal items of raw materials consumed.	Qty.(Kgs.)	Amount(Rs.)	Qty.(Kgs.)	Amount(Rs.)
Vinyl Acetate Monomer	2,354,512	129,221,567	1,972,898	103,959,805
Butyl Acrylate Monomer	1,032,971	76,136,631	692,226	52,948,574
Other Chemicals		124,107,877		80,001,998
TOTAL		329,466,075		236,910,377
6 Break-up of value of consumption of raw materials	%	Amount(Rs.)	%	Amount(Rs.)
Imported	85	281,458,239	81	192,421,655
Indigeneous	15	48,007,836	19	44,488,722
TOTAL	100	329,466,075	100	236,910,377
7 Break up of value of stores consumed	%	Amount(Rs.)	%	Amount(Rs.)
Imported	-	-	-	-
Indigeneous	100	1,238,465	100	1,179,353
TOTAL	100	1,238,465	100	1,179,353
8 Value of imports calculated on C.I.F. basis				
Materials (for Manufacturing & Trading)		363,178,137		352,820,873
TOTAL		363,178,137		352,820,873
* Due to nature of the business, segregation of CIF value between manufacturing & trading segment is not practicable				
9 Details of managerial remuneration				
Salaries to Managing Director		588,000		588,000
Salaries to Whole Time Directors		1,176,000		1,176,000
Contribution to Provident Fund, etc		-		-
Perquisites		-		-
TOTAL		1,764,000		1,764,000
10 Details of Auditors Remuneration (Excluding service tax)				
Audit Fees		150,000		155,000
Tax Audit Fees		50,000		65,000
Certification Fees		-		70,000
TOTAL		200,000		290,000
11 Foreign Currency Expenditure				
- Travelling		22,157		20,360
12 Foreign Currency Earnings				
- FOB value of exports		3,147,700		3,271,300
- Commission received		-		885,310
TOTAL		3,147,700		3,271,300
13 Earning per share is calculated as under				
Net Profit after Tax		16,412,238		12,001,620
Weighted average number of equity shares(Basic and Diluted)		3,894,300		3,157,862
Face Value of Equity Shares(in Rs.)		10		10
Basic and Diluted Earning per share(in Rs.)		4.21		3.80

NIKHIL ADHESIVES LIMITED

14) Quantitative details of Turnover, Purchase and Production of Finished Goods for the year ended 31st march, 2008

Particulars	Units	Opening Stock		Purchases		Production *	Sales		Closing Stock	
		Qty	Amount	Qty	Value	Qty.	Qty	Amount	Qty	Amount
Adhesives & Emulsions	Kgs.	455,853 (306,592)	22,078,904 (14,241,481)	- -	- -	9,447,393 (6,968,366)	9,427,889 (6,819,105)	439,102,518 (305,398,402)	475,357 (455,853)	23,499,509 (22,078,904)
Other Chemicals	Kgs.	489,983 (302,812)	38,607,145 (19,841,964)	6,846,015 (6,552,608)	467,450,647 (489,714,761)	- -	7,051,768 (6,365,437)	499,072,962 (488,029,049)	284,230 (489,983)	26,504,019 (38,607,145)
Sale of Raw / Packing Materials etc.								3,507,697 (26,467,654)		
Total			60,686,049		467,450,647			941,683,177		50,003,528
Previous Year			(34,083,445)		(489,714,758)			(819,895,105)		(60,686,049)

* Excluding production for captive consumption and the production of 25,51,365kg.(Previous Year 20,16,835 kg.) on job work basis.

Notes :

- 1) Since the licensing requirement does not apply to the Company, Licensed Capacity is not stated.
- 2) Installed capacity for manufacture of Adhesives & Emulsions as on the balance sheet date is 17,000 tonnes per annum [Previous Year 14,500 tonnes per annum].
Being a technical matter, the installed capacity as certified by the management is relied upon by the Auditors.





15. Pursuant to Accounting Standard "Accounting for Taxes on Income" (AS - 22) issued by the Institute of Chartered Accountants of India, the Company has recorded Deferred Tax adjustments in respect of various items as follows :

Components of Deferred Tax	Deferred Tax Balance as on 31.03.2007	Deferred Tax Arising/ Reversing during the year	Balance as on 31.03.2008
<u>Deferred Tax Liabilities</u>			
Depreciation on fixed assets	5,765,281	1,524,362	7,289,643
Deferred Sales Tax liability accounted in Books of Accounts on discounted present value basis which is considered for taxation purpose for tax value	2,102,879	(154,495)	1,948,384
<u>Deferred Tax Assets</u>			
Expenses incurred during the year allowable as deduction in income tax in subsequent years	(173,033)	(50,712)	(223,745)
Net Deferred Tax Liabilities/ (Assets)	7,695,127	1,319,155	9,014,282



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16. Retirement Benefit- Gratuity

The employees of the Company are eligible for Gratuity in accordance with the Payment of Gratuity Act, and is a Defined Employee Benefit. The above benefit is not funded but provision is made in the accounts for accrued gratuity under Projected Unit Credit Method of actuarial valuation.

The employees of the Company are eligible for Gratuity in accordance with the Payment of Gratuity Act, and is a Defined Employee Benefit. The above benefit is not funded but provision is made in the accounts for accrued gratuity under Projected Unit Credit Method of actuarial valuation.

Profit and Loss account

Net employee benefit expenses (recognised in employee cost) Schedule No 10

Particulars	Year ended 31.03.2008
Current service cost	159,294
Interest on defined benefit obligation	25,487
Net actuarial losses/(gains) recognised in the year	314,194
Past service cost	-
Total included in "employee benefit expenses"	498,975

Balance Sheet

Details of provision for gratuity

Particulars	As At 31.03.2008
Discounted Present value of accrued gratuity liability as at the year end determined as per Actuarial valuation (Schedule No 7)	658,269
Amount in balance Sheet	658,269

Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended 31.03.2008
Liability at the beginning of the year	159,294
Interest cost	25,487
Current Service Cost	159,294
Past service cost (non vested benefit)	-
Past service cost (vested benefit)	-
Benefits paid	-
Actuarial (gain)/losses	314,194
Liability at the end of the year	658,269

Principal actuarial assumptions as at the balance sheet date:

Discount rate	8%
Salary escalation	5%
Employees attrition rate	5%



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17 (a) Information about Business Segments for the years ended 31st March, 2008

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
Revenue			
Sales/Income From Operations	453,506,970	507,566,235	961,073,205
Inter-Segment Sales	-	-	-
Foreign Currency Translation Gains (Net)			7,755,013
Miscellaneous Income			3,956,670
Total Revenue	453,506,970	507,566,235	968,828,218
Result			
Segment Result	34,811,576	19,205,893	54,017,469
Unallocated Corporate Expenses(net)			6,566,933
Operating Profit			47,450,536
Interest Expense(net)			21,577,388
Income Taxes(including deferred tax)			9,460,910
Profit From Ordinary Activities			16,412,238
Extraordinary Items			-
Net Profit			16,412,238
Other Informations			
Segment Assets	244,093,729	242,105,550	486,199,280
Unallocated Corporate Assets			36,077
Total Assets			486,235,357
Segment Liabilities	88,827,050	124,406,961	213,234,012
Unallocated Corporate Liabilities			183,869,595
Total Liabilities			397,103,607
Add: Share Capital And Reserves			89,131,751
Total Capital & Liabilities			486,235,358
Capital Expenditure	19,742,976	1,598,080	
Depreciation	9,430,265	346,141	
Non Cash Expenses Other Than Depreciation	-	-	

Notes :

- 1) The Information stated above is in conformity with Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.
- 2) The Business Segment is the Primary Segment of the Company and there is no geographical segment having differing risk and returns.
- 3) For comparison with previous year, refer Note No. 16(b)



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17 (b) Information about Business Segments for the years ended 31st March, 2007

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
Revenue			
Sales/Income From Operations	315,697,395	520,449,066	836,146,461
Inter-Segment Sales	-	-	-
Foreign Currency Translation Gains (Net)	-	-	4,688,701
Total Revenue	315,697,395	520,449,066	840,835,162
Result			
Segment Result	21,052,315	16,255,254	37,307,569
Unallocated Corporate Expenses(net)			3,914,155
Operating Profit			33,393,414
Interest Expense(net)			13,075,828
Income Taxes(including deferred tax)			8,315,966
Profit From Ordinary Activities			12,001,620
Extraordinary Items			-
Net Profit			12,001,620
Other Informations			
Segment Assets	171,578,399	170,023,550	341,601,949
Unallocated Corporate Assets			9,236,077
Total Assets			350,838,026
Segment Liabilities	45,733,441	96,936,720	142,670,161
Unallocated Corporate Liabilities			130,892,218
Total Liabilities			273,562,379
Add: Share Capital And Reserves			77,275,647
Total Capital & Liabilities			350,838,026
Capital Expenditure	39,779,018	468,300	
Depreciation	6,442,790	289,150	
Non Cash Expenses Other Than Depreciation	-	-	

Notes :

- 1) The Information stated above is in conformity with Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.
- 2) The Business Segment is the Primary Segment of the Company and there is no geographical segment having differing risk and returns.



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18 Related Party Disclosures.

The following details give the information pursuant to Accounting Standard - 18 " Related Party Disclosures" issued by The Institute of Chartered Accountants of India.

A) Name of the Related Parties and nature of Relationship

Name	Nature of Relationship
List of Related Parties	
Umesh J. Sanghavi	Promoter Directors and Key Management Personnel
Rajendra J. Sanghavi	" "
Tarak J. Sanghvi	" "
Ashok J. Sanghavi	Promoter and Relative of Directors
Anita U. Sanghavi	Relative of Director
Mrunalini R. Sanghavi	" "
Avni R. Sanghavi	Relative of Director
Vasant Polymers & Chemicals Pvt. Ltd.	A Company significantly influenced by relatives of KMP.

B) Details of Related Party transactions during the year ended 31.03.2008

Particulars	Amount in Rupees			
	Promoter Directors & Key Management Personnel	Relatives of Promoter Directors & Key Management Personnel	Companies/ Enterprises that are significantly influenced by the Directors and/or their Relatives	Total
Remuneration paid	1,764,000	912,850	-	2,676,850
Loans Received/(Repaid)	-	-	(17,054,000)	(17,054,000)
Interest Received/(Paid)	-	-	263,199	263,199
Service charges paid	-	-	1,673,483	1,673,483
Rent Paid	-	-	240,000	240,000
Purchases	-	-	3,414,799	3,414,799
Outstanding Credit/(Debit) Balance	-	-	(11,183,927)	(11,183,927)



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19 Balance Sheet abstract and Company's general business profile pursuant to part IV of Schedule VI of the Companies Act, 1956.

(Rupees in '000 s)

I	Registration Details :	
	Registration No.	41062
	State Code	11
	Balance Sheet Date	31.03.2008
II.	Capital raised during the year :	Rs.
	Public Issue	N . A .
	Rights Issue	N . A .
	Bonus Issue	N . A .
	Private Placement (Including Securities Premium of Rs.12,800)	N . A .
III.	Position of Mobilisation and Deployment of funds :	
	Total Liabilities	277,697
	Total Assets	277,697
	Sources of Funds :	
	Paid -up Capital	39,050
	Reserves & Surplus	50,082
	Secured Loans	126,410
	Unsecured Loans	53,142
	Deferred Tax Liability (Net)	9,014
		277,698
	Application of Funds :	
	Net Fixed Assets	85,545
	Investments	36
Net Current Assets	192,117	
Accumulated Losses	-	
	277,698	

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IV.	<u>Performance of the Company</u>	Rs.
	Turnover	965,030
	Total Expenditure	939,157
	Profit Before Tax	25,873
	Profit After Tax	16,412
	Earning per Share in Rupees (Face Value Rs. 10/-)	4.21
	Dividend Rate %	10%
V.	<u>Generic Names of three Principal Products / Services of Company (as per monetary terms)</u>	
	i) Item Code No (ITC Code) Product Description	29159000 Vinyl Acetate Monomer
	ii) Item Code No (ITC Code) Product Description	29160000 Butyl Acrylate Monomer
	iii) Item Code No (ITC Code) Product Description	39051000 Co-polymer & Homo Polymer Emulsion

'SIGNATURE TO SCHEDULES "A" To "P"

As per attached report of even date
For P. D. Desai & Associates
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

(P. V. Vakharia)
Partner

(U. J. Sanghavi)
Managing Director

(T. J. Sanghavi)
Executive Director

Place : Mumbai
Date : 30th June 2008

(R. J. Sanghavi)
Chairman

(M. M. Vora)
Director



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NIKHIL ADHESIVES LTD CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	For the Year 2007-2008 Rs.	For the Year 2006-2007 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	25,873,148	20,317,586
Adjustments for :		
Depreciation	9,776,406	6,731,940
Dividend Income	(1,200)	(4,000)
Interest Income	(59,745)	(40,000)
Interest & Other Financial Expenses	21,577,388	13,075,828
Exchange Loss / (Gain) On Foreign Currency Loans	(74,298)	(664,617)
Provision for Sales Tax Deferral	462,270	607,514
Loss On Sale Of Car	214,565	-
Other Non Operating Income	(2,514,891)	(998,987)
Operating Profit before Working Capital Changes	55,253,643	39,025,264
Adjustments for :		
Trade and Other Receivables	(102,232,812)	(12,056,472)
Inventories	(20,321,360)	(24,703,269)
Trade Payables	68,406,862	6,698,660
Provision for Deferred Sales Tax	-	-
Provision for Gratuity	149,197	133,901
Cash Generated from Operations	1,255,530	9,098,084
Direct Taxes Paid	(9,271,258)	(3,916,834)
NET CASH FLOW FROM OPERATING ACTIVITIES	(8,015,728)	5,181,250
B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Investments	(200,000)	(200,000)
Purchase of Fixed Assets	(30,660,140)	(38,565,075)
Sale of Fixed asset	312,840	-
Sale of investment	539,248	-
Dividend Income	1,200	4,000
Interest Received	59,745	40,000
Gain On Foreign Currency Trading	2,375,643	921,485
NET CASH FLOW FROM INVESTING ACTIVITIES	(27,571,464)	(37,799,590)
C) CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Borrowings	141,906,222	53,860,623
Repayment of Borrowings	(77,931,426)	(22,505,028)
Sales Tax Deferral Instalments Paid	-	-
Proceeds from Issue of Shares	-	20,800,000
Interest Paid	(21,923,110)	(13,111,398)
Dividend paid (including dividend tax)	(4,549,784)	(3,283,321)
NET CASH FLOW FROM FINANCING ACTIVITIES	37,501,902	35,760,876
Net Increase/(Decrease) in Cash And Cash Equivalents	1,914,710	3,142,536
Cash and Cash equivalents at Commencement	28,500,819	25,358,283
Cash and Cash equivalents as at year end	30,415,529	28,500,819

Note :

Cash and cash equivalents as at the year end include Bank Fixed Deposits of Rs. 2,31,68,767/- (Previous Year : Rs.2,41,41,043/-) pledged with the bank against Letters of Credit and/or credit facilities.

This cashflow statement also complies with requirement of clause 32 of Listing Agreement.

As per attached report of even date

For and on behalf of the Board

For P. D. Desai & Associates

Chartered Accountants

(P. V. Vakharia)

Partner

Place : Mumbai

Date : 30th June,2008

(U. J. Sanghavi)

Managing Director

(R.J.Sanghavi)

Chairman

(T. J. Sanghavi)

Executive Director

(M.M. Vora)

Director



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ATTENDANCE SLIP

NIKHIL ADHESIVES LIMITED

Registered Office : Shreeji Industrial Estate, Vadkun, College Road,
Dahanu, Dist. Thane – 401 602.

I certify that I am a registered shareholder / proxy for the registered shareholder
of the Company.

I hereby record my presence at the Twenty Second Annual General Meeting of the Company
at Shreeji Industrial Estate, Vadkun, College Road, Dahanu, Dist. Thane – 401 602,
on 27th September, 2008 at 11.00 am.

Member's / Proxy's Name (in Block Letter) _____

Member's / Proxy's Signature _____

NOTE :

Please fill in this attendance slip and hand it over at the ENTRANCE

ATTENDANCE SLIP

NIKHIL ADHESIVES LIMITED

Registered Office : Shreeji Industrial Estate, Vadkun, College Road,
Dahanu, Dist. Thane – 401 602.

I/we _____ of _____

being a member / members of the above mentioned Company, hereby appoint

Mr/Mrs/Ms. _____ of _____

or failing him/her Mr/Mrs/Ms. _____ of _____

as my / our proxy to attend and vote for me / us my behalf at the Twenty Second
Annual General Meeting of the Company at Shreeji Industrial Estate, Vadkun,
College Road, Dahanu, Dist. Thane – 401 602, on Saturday 27th September, 2008 at 11.00 am

_____ day _____ 2008

Signature

Please
Affix
Re. 1
Revenue
Stamp

NOTE:

1. A Proxy need not be member
2. The Proxy form to be duly stamped with a revenue stamp of Re.1 and executed by the member and should reach the Company's Registered Office at least 48 hours before the time of the meeting.

Company Profile

Nikhil Adhesives Ltd. is a multi products company manufacturing various types of polymer emulsions for different industries and in this business for nearly 20 years. It has plants located at Dahanu (Maharashtra) and Silvassa (Union Territory). The Company had acquired the emulsion business of M/s. Mafatlal Dyes & Chemicals Ltd. in the year 2002.

Nikhil Adhesives Ltd. has a well equipped laboratory to develop products for specific applications and is committed to manufacture products at affordable prices for its customers. The company believes in constantly upgrading and introducing new products to meet the ever growing needs of the various industries.

Paint Emulsions / Construction Chemicals : All Acrylic, Styrene Acrylate, Vam Acrylate, Vinyl Acetate Versatate, Thickeners, Dispersants and products tailor made for specific applications. Specialty polymer based products for construction industries.

Textile Emulsions / Binders : Finishing agents from very soft to stiff finish for cotton, polyester, woolen and different blends of textile material and also used for finishing application.

Industrial / Consumer Adhesives : Packaging applications, print lamination, pressure sensitive adhesives, wood working adhesives and epoxy adhesives for daily household applications.

Trading : NAL has a trading division in various chemicals & Plastic representing MITCO (Petronas) Malaysia and other multinationals.

Distribution Channels : NAL has Regional Offices at Chennai, Ahmedabad, Delhi, Kolkata, Jaipur & Ghaziabad having Stocking Facilities by way of warehouses. It has more than 150 Distributors spread all over India.

The company believes in protecting environment and enforces pollution control and other measures for cleaner and greener surroundings.



के निर्माता की ओर से...

Formerly Emulsion Business of Mahabond Dyes & Chemicals Ltd.

if undelivered please return to :

Nikhil Adhesives Ltd.

A- 501 / 502, Mathuria Apt., Sir M. V. Road, Andheri (E), Mumbai - 400 069.