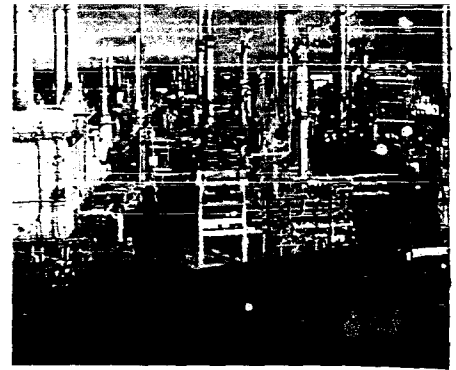


**NIKHIL ADHESIVES LTD.**

An ISO 9001 : 2008 Certified Company



## Company Profile

Nikhil Adhesives Ltd, a listed company with the Bombay Stock Exchange is a multi product company manufacturing various types of polymer emulsions for different industries and is in this business for nearly 20 years. Nikhil Adhesives Ltd have received the accreditation as ISO 9001: 2008 Certified Company by TUV AUSTRIA. It has plants located at Dahanu (Maharashtra) and Silvassa (Union Territory) and another plant is under commission at Dahej (Gujarat). The Company had acquired the emulsion business of M/s. Mafatlal Dyes & Chemicals Ltd. in the year 2003. The company's annual turnover for the fiscal year 2011-12 is Rs. 1800 million.

Nikhil Adhesives Ltd. has a well equipped laboratory to develop products for various 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 demands of the various industries.

The plants at Dahanu & Silvassa have an annual capacity of 12000 Tones each and additional unit at Dahej when fully operational will add another 48,000 Tones p.a.

Nikhil Adhesives Ltd, besides manufacturing polymer emulsion is also in the business of indenting and marketing of bulk raw materials. The company is also diversifying and expanding its activities in other areas, but all under the umbrella of Nikhil Adhesives Ltd. which would also aid to consolidate the company's business objectives.

The Company philosophy to improve '*the quality of life for all*', stems from the strong belief and desire to make best use of the available resources, minimize pollution and provide value addition to the products so as to give the optimum benefits to the customers and society at large.

### Board of Directors

Shri.R.J.Sanghavi  
Shri.U.J.Sanghavi  
Shri.T.J.Sanghavi  
Shri.S.R.Sanghavi  
Shri.H.S.Kamath  
Shri.M.M.Vora  
Dr.A.P.Singh

Executive Chairman  
Managing Director  
Executive Director  
Non Executive, Independent Director  
Non Executive, Independent Director  
Non Executive, Independent Director  
Non Executive, Independent Director

### Auditors

PHD & Associates  
Chartered Accountants

### Bankers

Bank of India  
Standard Chartered Bank

### 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) 7, Govt.Ind. Estate, Phase I  
Behind Durafoam Factory,  
Piparia, Silvassa.

(3) Plot No.D-2/CH/49,  
Dahej - 2 Industrial Estate,  
GIDC, Dahej, Tal.Vagra,  
Dist - Bharuch - 392130  
(Gujarat)

### Registrars & Transfer Agents

Sharex Dynamic (I) Pvt Ltd.  
Unit No.1, Luthra In J. Premises,  
Andheri Kurla Rd., Safed Pool,  
Andheri (E), Mumbai - 400 072

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**NOTICE**

Notice is hereby given that the **Twenty Sixth Annual General Meeting** of **Nikhil Adhesives Limited** will be held on Saturday the 29th September, 2012 at 11.00 a.m at the Registered Office of the Company at **Shreeji Industrial Estate, 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 2012, together with Profit and Loss Account for the year ended on that date together with the reports of the Directors and the Auditors thereon.
- 2) To declare dividend on Equity Shares.
- 3) To appoint a Director in place of Mr. M. M. Vora, who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. S. R. Sanghavi, who retires by rotation and being eligible, offers himself for reappointment.
- 5) To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS**

6) **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 311, 317 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto as amended from time to time and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri Umesh J. Sanghavi (hereinafter referred to as the Appointee) as Managing Director, not liable to retire by rotation, for the period of 5 (five) years with effect from 1<sup>st</sup> January, 2013 to 31<sup>st</sup> December, 2017.

**RESOLVED FURTHER THAT** approval be and is hereby accorded to the remuneration, perquisites, benefits and amenities payable as per the terms and conditions entered into by Shri Umesh J. Sanghavi with the Company for the aforesaid appointment and as per the details provided in the explanatory statement; with authority to the Board of Directors of the Company to alter and/or vary the terms and conditions of the said appointment in accordance with, if any, the prescribed provisions of the Act and/or any schedules thereto.

**RESOLVED FURTHER THAT** the Board may, subject to the approvals, if any required, increase, augment, vary and modify the remuneration payable and the benefits and amenities provided to the Appointee including the monetary value thereof from time to time during Appointee's tenure, up to the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines for managerial remuneration issued by the Central Government from time to time, from the date the statutory amendment, modification, re-enactment and / or the guidelines coming into force.

**RESOLVED FURTHER THAT** in the event of any loss or inadequacy of profits in any financial year during the aforesaid period, the Company will pay the Appointee remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in Section II of Part II Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors, subject to necessary sanctions and approvals.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

7) **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**RESOLVED THAT** subject to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto as amended from time to time and all

guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri Rajendra J. Sanghavi (hereinafter referred to as the Appointee) as Executive Director, liable to retire by rotation, for the period of 5 (five) years with effect from 1<sup>st</sup> January, 2013 to 31<sup>st</sup> December, 2017.

**RESOLVED FURTHER THAT** approval be and is hereby accorded to the remuneration, perquisites, benefits and amenities payable as per the terms and conditions entered into by Shri Rajendra J. Sanghavi with the Company for the aforesaid appointment and as per the details provided in the explanatory statement; with authority to the Board of Directors of the Company to alter and/or vary the terms and conditions of the said appointment in accordance with, if any, the prescribed provisions of the Act and/or any schedules thereto.

**RESOLVED FURTHER THAT** the Board may, subject to the approvals, if any required, increase, augment, vary and modify the remuneration payable and the benefits and amenities provided to the Appointee including the monetary value thereof from time to time during Appointee's tenure, up to the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines for managerial remuneration issued by the Central Government from time to time, from the date the statutory amendment, modification, re-enactment and / or the guidelines coming into force.

**RESOLVED FURTHER THAT** in the event of any loss or inadequacy of profits in any financial year during the aforesaid period, the Company will pay the Appointee remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in Section II of Part II Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors, subject to necessary sanctions and approvals.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

**8) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**RESOLVED THAT** subject to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto as amended from time to time and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri Tarak J. Sanghavi (hereinafter referred to as the Appointee) as Executive Director, liable to retire by rotation, for the period of 5 (five) years with effect from 1<sup>st</sup> January, 2013 to 31<sup>st</sup> December, 2017.

**RESOLVED FURTHER THAT** approval be and is hereby accorded to the remuneration, perquisites, benefits and amenities payable as per the terms and conditions entered into by Shri Tarak J. Sanghavi with the Company for the aforesaid appointment and as per the details provided in the explanatory statement; with authority to the Board of Directors of the Company to alter and/or vary the terms and conditions of the said appointment in accordance with, if any, the prescribed provisions of the Act and/or any schedules thereto.

**RESOLVED FURTHER THAT** the Board may, subject to the approvals, if any required, increase, augment, vary and modify the remuneration payable and the benefits and amenities provided to the Appointee including the monetary value thereof from time to time during Appointee's tenure, up to the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines for managerial remuneration issued by the Central Government from time to time, from the date the statutory amendment, modification, re-enactment and / or the guidelines coming into force.

**RESOLVED FURTHER THAT** in the event of any loss or inadequacy of profits in any financial year during the aforesaid period, the Company will pay the Appointee remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in Section II of Part II Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors, subject to necessary sanctions and approvals.

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

**RESOLVED THAT** pursuant to provisions of sub section (1) and sub section(1B) of section 314 and other applicable provisions of the Companies Act, 1956, the Company hereby consent, to Mr. Ashok J. Sanghavi a relative of the Directors of the company, holding and continuing to hold an office of profit as Senior Vice - President under the company under a contract of service carrying monthly remuneration not exceeding ₹1,25,000 (Rupees One Lac Twenty Five 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 breakup of remuneration into various components such as basic salary, allowances and perquisites as may be mutually acceptable subject to the overall ceiling of ₹1,25,000/- mentioned above.

**Notes:**

1. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business is 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 **25th September, 2012 to 29th September, 2012** (both days inclusive). The dividend as recommended by the Board, if sanctioned at the meeting, will be paid after **1st October, 2012** to those members whose names appear on the Company's Register of Members on **29th September, 2012**. 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 **29th September, 2012** 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 in respect of their shareholding in the company, as permitted under section 109A of the Companies Act, 1956, 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.
9. Pursuant to the provisions of section 205A and 205C of the Companies Act, 1956 as amended, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer of the said amounts to the IEPF.

**Registered Office:**

**Shreeji Industrial Estate,  
Vadkun, College Road, Dahanu,  
Dist. Thane - 401 602  
Date : 30th May, 2012**

**By order of the Board of Directors**

**(Umesh J. Sanghavi)  
Managing Director**

**ANNEXURE TO NOTICE****Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956****Item No. 6, 7, 8**

In the Annual General Meeting held on 29<sup>th</sup> September, 2007, Members approved the appointment/ Reappointment of (1) Mr. Umesh J. Sanghavi (Managing Director), (2) Mr. Rajendra J. Sanghavi (Executive Director), and (3) Mr. Tarak J. Sanghavi (Executive Director); for the tenure of five years w.e.f. 1<sup>st</sup> January, 2008, in each case, on the terms and conditions including the terms of remuneration payable to them as set out in the respective resolutions approved in the meeting. The said tenure shall expire on 31<sup>st</sup> December, 2012. In view of the vast experience of Mr. Umesh J. Sanghavi, Mr. Rajendra J. Sanghavi and Mr. Tarak J. Sanghavi (each one of them hereinafter individually referred to as the said Appointee and collectively referred to as the said Appointees), and considering the progress made by the company during the tenure of their Directorship, the Board, subject to the approval of Members, reappointed the Appointees as Managing Director and Executive Directors respectively, for further tenure of five years w.e.f. 1<sup>st</sup> January, 2013 on the terms and conditions and on the remuneration (including perquisites) payable to them, as set out below in this resolution. Accordingly, consent of the members is sought by this resolution for reappointment of the Appointees and fix their remuneration including perquisites, subject to the limits fixed, with liberty to the Board to determine the remuneration including perquisites, from time to time, during respective Appointee's tenure, as may be agreed to by and between the Board and the respective Appointee.

Details of Remuneration, Perquisites and other Benefits payable to the Appointees are as follows:

- I) The remuneration payable to each Appointee shall not exceed a sum of ₹15,00,000/- per annum or ₹1,25,000/- per month, including dearness allowance, perquisites and other allowances. The perquisites may include reimbursement of medical expenses, leave travel allowance for self and family, rent free or concessional rent furnished/unfurnished residential accommodation, reimbursement of residential electricity and gas, personal accident insurance premium or other perquisites, as may be decided by the Board in consultation with the Appointee.
- II) A motor car with chauffeur shall be provided for discharge of duties as Managing Director; alternatively, the Company shall bear all running, maintenance and repair expenses plus the remuneration of a chauffeur for his own car. The use of car for personal purposes may be treated as perquisites, to be computed as per Income Tax Rules.
- III) Telephone(s) at the residence and cellular phone(s) shall be provided subject to the recovery of long distance personal calls, if any.
- IV) The perquisites shall be evaluated as per Income Tax Rules where so prescribed, and in other cases, on the basis of cost to the Company.
- V) The Appointees shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration as specified above:
  - a) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
  - b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
  - c) encashment of leave at the end of the tenure as per Company's Rules.
- VI) The Appointees shall be entitled to claim reimbursement of all expenses incurred/paid by them in the course of and/or for the purposes of Company's business and/or discharging their functions as a Managing Director/Wholetime Directors.
- VII) The nature of appointment shall be contractual, terminable by either party giving notice of three months.

Further, the Board has been empowered to increase, augment, vary and modify the remuneration including perquisites provided/ to be provided to the respective Appointee subject to the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines for managerial remuneration issued by the Central Government from time to time, from the date the statutory amendment, modification, re-enactment and/or the guidelines coming into force.



Notwithstanding anything to the contrary herein, wherein any financial year during the currency of the tenure of the Managing Director / Executive Director, the Company has no profits or its profits are inadequate, the Company will pay to the Managing Director / Executive Director, remuneration, perquisites, benefits and amenities not exceeding the ceiling for the time being laid down in Section II of Part II to Schedule XIII (as amended) of the Companies Act, 1956 and as may be decided by the Board of Directors of the Company and subject to such sanctions and approvals as may be necessary. The resolution set out in the notice is intended for this purpose.

The copy of the agreement for appointment of Mr. Umesh Sanghavi, Mr. Rajendra Sanghavi and Mr. Tarak Sanghavi, detailing terms and conditions of his appointment is available for inspection by the members at the Registered Office of the Company during working hours between 11.00a.m. and 1.00p.m. on all days except Saturdays, Sundays and Public Holidays, till the conclusion of the ensuing Annual General Meeting.

In the interest of the Company, the Board commends the resolution for approval by the members. Each Appointee is a relative of the other Appointees and hence the respective Appointee shall be deemed to be concerned or interested in each of the resolutions at Item No. 6 to 8 in respect of the Appointee's own appointment or appointment of his relatives. The above information shall also be treated as an abstract and memorandum of interest pursuant to section 302 of the Companies Act.

#### **Item No. 9, 10**

Pursuant to the Resolution passed in the Annual General Meeting held on 26.09.2009, the Board had been empowered to exercise the borrowing powers upto ₹75 Crores (Rupees Seventy Five Crores) from time to time for the business purposes. Since the company has undertaken expansion and also intends to set up new projects, the company will be required to borrow funds for these purposes by way of term loans, funded/non-funded working capital facilities which together with the existing borrowings may exceed the existing borrowing limits of the company i.e. ₹75 Crores (Rupees Seventy five Crores).

In view of this, the Resolution at Item No. 9 is proposed for approval by the members of the company to borrow funds upto ₹100 Crores (Rupees Hundred Crores).

To secure such borrowings, the Company will have to mortgage/ charge/ hypothecate the assets and properties of the Company, both present and future, as may be required by any financial institutions, investment institutions, public sector banks, private sector banks, other bodies corporate and other lenders (hereinafter collectively referred to as "the Lending Agencies").

As the documents to be executed between the Company and the Lending Agencies may contain a power to take over the management of one or more undertakings of the Company in certain events, out of abundant caution, it may be advisable to obtain members consent under Section 293(1)(a) of the Act, although the creation of the mortgages/charge/hypothecations, etc. per se do not attract provisions of the aforesaid section.

None of the Directors are concerned or interested in the above Resolutions.

#### **Item No. 11**

Under sub-section (1B) of section 314 of the Companies Act, 1956, it is necessary to obtain the prior consent of the Company by a special resolution for holding or continuing to hold office or place of profit under the Company by a relative of directors, if any such office or place of profit carries total monthly remuneration of ₹50,000 or more. Mr Ashok J. Sanghavi is a Science Graduate and has more than 35 years of experience in the manufacturing of Emulsions & Adhesives. In view of the significant contribution made by Mr. Ashok J. Sanghavi, the resolution seeks to empower the Board to enhance his remuneration with effect from 1.10.2012, upto ₹75,000/- per month inclusive of all allowances and perquisites.

Your directors recommend the resolution for approval by the 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. Ashok J. Sanghavi is their relative.

**Registered Office:**  
**Vadkun, College Road, Dahanu,**  
**Dist. Thane - 401 602**  
**Date : 30<sup>th</sup> May, 2012**

**By order of the Board of Directors**

**(Umesh J. Sanghavi)**  
**Managing Director**

**Disclosure pursuant to Clause 49 of the Listing Agreement relating to Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting:**

<b>Name of the Director</b>	<b>Mr. U. J. Sanghavi</b>	<b>Mr. R. J. Sanghavi</b>
Date of Birth	26.06.1957	11.12.1955
Date of Appointment	Since Inception	Since Inception
Status	Managing Director	Executive Chairman
Qualification	B. Com	Diploma in Engineering
Expertise in specific functional type	Businessman	Businessman
Directorship of Other Companies	Sanghavi Logistics Pvt. Ltd	Sanghavi Logistics Pvt. Ltd
Shareholding (No. of Shares)	95,340	1,19,700

<b>Name of the Director</b>	<b>Mr. S.R.Sanghavi</b>	<b>Mr. T. J. Sanghavi</b>	<b>Mr. M. M. Vora</b>
Date of Birth	04.06.1929	02.10.1962	22.06.1939
Date of Appointment	03.02.2003	Since Inception	03.02.2003
Status	Non Executive, Independent Director	Executive Director	Non Executive, Independent Director
Qualification	Expertise in Senior Management	B. Com	B.Com
Expertise in specific functional type	Businessman	Commercial Management	Businessman
Directorship of Other Companies	None	None	None
Shareholding (No. of Shares)	Nil	1,12,490	24,643

**DIRECTORS' REPORT**

**To The Members of Nikhil Adhesives Limited**

The Board of Directors is pleased to present the Twenty Sixth Annual Report together with the Audited Accounts for the financial year ended 31st March 2012.

**FINANCIAL HIGHLIGHTS:**

**Summary of the Financial Results for the year on Standalone basis is as under: -**

	( ` in 000's)	
	Financial Year 2011- 2012	Financial Year 2010- 2011
Gross Profit Before Depreciation and Tax	23069	48763
Less :- Depreciation	11562	11188
Profit Before Tax	11507	37575
Less :- Provision for Taxation		
Current Tax	5100	13800
Deferred Tax	(1341)	(896)
Profit After Tax	7748	24671
Add :- Balance Brought Forward	14961	13216
Profits Available For Distribution	<b>22709</b>	<b>37887</b>
<b>Appropriation</b>		
Proposed Dividend Including Dividend Tax	3621	5426
Transfer to General Reserve	775	17500
<b>Carried Forward to Balance Sheet</b>	18313	14961
	<b>22709</b>	<b>37887</b>

**DIVIDEND**

The Board has pleasure in recommending a dividend of 8% i.e. ₹ 0.80 per equity share for the financial year ended 31st March 2012. The proposed dividend will absorb a sum of ₹ 36.21 lacs including tax on dividend.

**TRANSFER TO RESERVES**

Your Company proposes to transfer ₹ 7.75 Lacs to the General Reserve and an amount of ₹ 183.13 Lacs proposed to be retained in the Profit & Loss account.

**RESULT OF OPERATIONS (STANDALONE)**

The Financial year 2011-2012 was another challenging year both globally and domestically. Amidst several challenges, your company endeavoured to achieve the projected business targets. Even though the company's sales surpassed the projections, profits however came under stress mainly due to unstable foreign exchange scenario.

The sales turnover of your company has increased from ₹ 14208 lacs to ₹ 18002 lacs registering growth of approx 26.70 %. Other income for the year is ₹ 10 lacs as against ₹ 2 lacs for the previous year. The operating profit before depreciation and tax is ₹ 230.69 lacs compared to ₹ 487.63 lacs in the previous year registering about 52.69% decrease due to substantial volatility in foreign currency market. The profit after depreciation and tax is ₹ 77.48 lacs compared to ₹ 246.71 lacs for the previous year.

Detailed analysis of the performance of your Company is presented in the Management Discussion and Analysis Report forming part of this Annual Report.

**SUBSIDIARY COMPANY & CONSOLIDATED ACCOUNTS**

In 2009, the company had invested in a wholly owned Subsidiary Company, Sanghavi Logistics Pvt. Ltd. The subsidiary company has not yet commenced its business activities. In accordance with Accounting Standard (AS-21) as well as clause 32 of the Listing Agreement, Consolidated financial statements are provided in the Annual Report. In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Accounts and other documents of the subsidiary company are not being attached with the Balance Sheet of the Company. The company will make available the Annual Accounts of the subsidiary company to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company. Summary of the financial statements of the subsidiary company, pursuant to Section 212(8) of the Companies Act, 1956, forms part of the financial statements.

**DEPOSITS**

During the year the Company has accepted Public Deposits of ₹79.62 lacs within the meaning of Section 58A of the Companies Act 1956. The outstanding Public Deposits as at the Balance Sheet date are ₹147.96 lacs.

**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**

The Auditors, PHD & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

**COMPLIANCE CERTIFICATE**

As required by Proviso to Section 383A of the Companies Act, 1956, a copy of the Compliance Certificate is attached to this report.

**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 Bombay Stock Exchange Ltd. 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 CEO/CFO certification signed by the Managing Director pursuant to clause 49(V) of the Listing Agreement was placed before the Board of Directors at their meeting. 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 very cordial during the year under review. Your Directors appreciate the efficient and devoted services rendered by the executives, staff 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, Standard Chartered Bank 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**  
**Date : 30th May 2012.**

**R. J. Sanghavi**  
**Chairman**

**Annexure to the Directors 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 machinery/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	2011-2012	2010-2011
<b>Electricity</b>		
a) Purchased Units.	971396	923716
Total amount	5770407	4612017
Rate / Unit	5.94	4.99
b) Own generation.		
<b>Coal</b>	Nil	Nil
<b>Furnace Oil</b>		
Qty. (Kgs)	175507	139673
Total Amount	7600764	5437336
Rate/Unit	43.31	38.93
<b>Diesel / LDO</b>		
Qty. (Ltrs.)	25491	80970
Total amount	1101883	3412688
Rate / Unit	43.23	42.15
<b>Consumption per unit of Production of Adhesives &amp; Emulsions</b>		
Electricity	43.92 Per Tonne	45.24 Per Tonne
Diesel / LDO	7.94 Per Tonne	6.84 Per Tonne
Furnace Oil.	1.17 Per Tonne	3.97 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.

> **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**

Capital Expenditure – NIL.

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 Nos. 36 & 38 of Notes forming part of the financial statements for the details in respect of foreign exchange earnings and outgo.

**COMPLIANCE CERTIFICATE**

CIN : L51900 MH 1986.  
Nominal Capital : 5,00,00,000/-.

To,  
The Members,  
Nikhil Adhesives Limited,

We have examined the registers, records, books and papers of NIKHIL ADHESIVES LIMITED (hereinafter referred to as 'the Company') as required to be maintained under the Companies Act, 1956 (hereinafter referred to as 'the Act') and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2012. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed all the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act, and the rules made there under.
3. The Company, being a public limited company, has the prescribed minimum paid up capital.
4. The Board of Directors duly met 4 (Four) times respectively on 30th May, 2011, 13th August, 2011, 15th November, 2011, 14th February, 2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. There were no circular resolutions passed during the financial year.
5. The Company closed its Register of Members during the financial year from 30th June 2011 to 2nd July 2011.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 2nd July, 2011 after giving due notice to the members of the Company and other concerned and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to its directors and/or persons or firms or companies referred in the Section 295 of the Act.
9. The Company has duly complied with the provision of Section 297 of the Act in respect of contracts specified in that Section.
10. The company has made necessary entries in the register maintained under section 301 of the act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company:
  - (i) has delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act;
  - (ii) has deposited the amount of dividend declared in a separate Bank Account on **5<sup>th</sup> July, 2011** which is five days from the date of declaration of dividend.
  - (iii) Paid/Posted warrants for dividend to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with Standard Chartered Bank.
  - (iv) was not required to transfer any amount to Investor Education and Protection Fund, since there were no amounts in unpaid dividend account and there was no application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years.
  - (v) has duly complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The company has not issued any shares, debentures or other securities during the financial year.
20. The company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There was no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has complied with the provisions of section 58A and 58AA read with Companies (Acceptance of Deposits) Rules, 1975/ the applicable directions issued by the Reserve Bank of India/ any other authority in respect of deposits accepted including unsecured loan taken, amounting to ₹ 79,62,463/- raised by the company during the year and the company has filed the copy of advertisement/necessary particulars as required with the Registrar of Companies Maharashtra on 02.07.2011. The Company has also filed the return of deposits with the Register of Companies.
24. The amounts borrowed by the Company from others during the financial year ending 31st March, 2012 are within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened Annual General Meeting held on 26th September, 2009.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its articles of association during the financial year.
31. As per the information and explanations given by officers of the Company, there was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For V. A. Vakharia and Associates

Vinodchandra Vakharia  
Proprietor  
(C.P.No.9973)

Place: Mumbai.  
Dated: 30th May, 2012.



**ANNEXURE A**

REGISTERS AS MAINTAINED BY THE COMPANY:

STATUTORY REGISTERS:

1. Register of Members u/s 150.
2. Register of Directors u/s 303.
3. Register of Directors Shareholding u/s 307.
4. Minutes Book of meetings of the Board of Directors u/s 193.
5. Minutes Book of General Meetings of the members' u/s 193.
6. Books of Accounts u/s 209.
7. Register of Particulars of Contracts in which Directors are interested u/s 301.

OTHER REGISTERS

1. Register of Transfers
2. Register of Charges

**ANNEXURE B**

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during/for the financial year ending 31st March, 2012.

Sr.No.	Form No./Return	Filed Under Section	Particulars	Date of Filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid
1.	Form 23AC/ACA	220	Filing of annual accounts for the year ended 31.03.2011	01/12/2011	Yes	N.A.
2.	Form No.66	125	Filing of particulars of charge	01/12/2011	Yes	N.A.
3.	Form 20B	159	Filing of annual Return for year ended 31.03.2011	31/08/2011	Yes	N.A.
4	Form 62	Rule 4(4) of Companies Acceptance of Deposit Rules, 1975	Filing of text of advertisement for Public Deposits	02/07/2011	Yes	N.A.
5	Form 62	Rule 10 of Companies Acceptance of Deposit Rules, 1975	Filing of Return of Deposits for the year ended 31.03.2011	30/06/2011	Yes	N.A.

No forms or returns were filed with Regional Director, Central Government or other authorities during the financial year ended 31st March, 2012.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****• INDUSTRY STRUCTURE AND DEVELOPMENT**

The company is in the business of manufacturing water thinnable polymer emulsions at its two plants located at Dahanu and Silvassa. A third unit is nearing completion at Dahej in Gujarat and expected to commence production by September 2012. With this addition, the capacity would increase substantially bringing the Company on par with the top emulsion players in the country. The emulsion industry in India has been growing rapidly and with more active participation by foreign companies, there have been several innovations bringing about a significant change in the consuming industries. For example, emulsions are now being used in more quantities in pre-dispersed or powder form; have also partially replaced Titanium Dioxide, a vital and costly pigment for paint manufacture. Also water thinnable emulsions have been introduced to replace the solvent based resins in the manufacture of glossy paints. Water thinnable emulsions are being suitably modified and developed to perform some of the functions which hitherto were confined to solvent based systems. All these are rapidly changing the dynamics of this industry and are expected to play a major role in our daily activities in future.

There are about eight manufacturers who cater to bulk of the emulsion requirements in the country as well as exports. However there are also a number of small manufacturers who cater to local requirements and are restricted to produce only those products being used by the local industries. By nature of its usage, the emulsions are marketed in bulk to major consuming industries and also in very small packings to cater to the needs of retail consumers. All in all, the emulsions business is dynamic and vibrant having immense possibilities for the future.

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

During the year the production has increased from 21280 M. Tonnes to 23380 M. Tonnes in terms of volume registering growth of approx 10%. In value terms the sales has increased from ₹9253 lacs to ₹10640 lacs registering impressive growth of approx. 15%. It is pertinent to note that the share of industrial adhesives, which is an important product category from the company's perspective.

**TRADING DIVISION**

In the trading segment, the turnover has increased from ₹3783 lacs to ₹6003 lacs registering an increase of approx. 59% during the year.

**FOREIGN EXCHANGE FLUCTUATIONS**

The Company's business is import-centric. Due to exceptional volatility in the foreign exchange rates during the year under report, your company incurred foreign currency translation loss of ₹376.24 Lacs as compared to gain of ₹55.82 lacs in the previous year. Your company has reported lower profit after tax of ₹77.48 lacs primarily due to the said foreign currency translation loss.

**STRENGTH, OPPORTUNITIES, THREATS, RISKS, CONCERNS**

The company has been in the business of emulsion for over 25 years and during this period has established rapport and a strong business relation with customers from various industries including Paints, Textiles and Packaging. This forms a core strength which provides a sound base for the Company to spread its wings and keep growing. Several opportunities exists in the form of new products for new applications and also higher volumes with existing units and the huge export markets. Enthused by these factors, your Company is augmenting its existing capacities substantially by putting up an additional plant at Dahej, Gujarat. Though the company does not perceive any major threat to its business, the biggest concern is the political uncertainty and with the government not having an absolute majority; no major policy decisions are being taken, rendering the entire industry almost static. The other concern is the financial crisis in Europe which has affected the entire international community and its effects have also been felt in India. Combination of both these factors is affecting all businesses including the emulsion business. However a prudent policy in such a situation is to have very careful planning and your Company is well equipped to take adequate measures to ensure its healthy growth in these uncertain situations too.

- **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 150 employees including factory workers as on 31.03.2012.

- **OUTLOOK**

The commissioning of the third unit at Dahej is just a step away and with this addition, new products are expected to be introduced. Further tie ups with some of the existing customers as well as addition of new products would ensure full capacity utilization. Backward integrated products for several user industries would make our emulsions more competitive and would also contribute towards enhanced profitability. Exports to more countries are being explored and with new developments where emulsions would replace some of the traditional solvent systems; the outlook for the business appears very bright.

**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 ethical practices in the conduct of its business transparency, professionalism and accountability. The Company continuously endeavours 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; and
- 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 Director and Independent Directors. The Managing Director of the Company is responsible for day to day operations and the overall business of the Company.

During the year under review, the composition of the Board was as under :-

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

**Inter - se relationship between the Directors**

Mr. Umesh Sanghavi, Mr. Tarak Sanghavi and Mr. Rajendra Sanghavi are brothers. There is no relationship between any of the Independent Directors.

**Board Meetings**

During the year under review, four 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
1.	Mr. R. J. Sanghavi	Four	Attended	<b>Annual General Meeting:</b> <ul style="list-style-type: none"> <li>• 2nd July, 2011</li> </ul> <b>Board Meetings held on:</b> <ul style="list-style-type: none"> <li>• 30<sup>th</sup> May, 2011</li> <li>• 13<sup>th</sup> August, 2011</li> <li>• 15<sup>th</sup> November, 2011</li> <li>• 14<sup>th</sup> February, 2012</li> </ul>
2.	Mr. U. J. Sanghavi	Four	Attended	
3.	Mr. T. J. Sanghavi	Four	Attended	
4.	Mr. M. M. Vora	Four	Attended	
5.	Mr. S. R. Sanghavi	One	Attended	
6.	Mr. H. S. Kamath	Four	Attended	
7.	Mr. A. P. Singh	Four	Attended	

**Audit Committee**

**Terms of reference**

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

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	30 <sup>th</sup> May, 2011 13 <sup>th</sup> August, 2011
2.	Mr. S. R. Sanghavi (Member)	Non Executive / Independent	Four	One	15 <sup>th</sup> November, 2011 14 <sup>th</sup> February, 2012
3.	Mr. H. S. Kamath (Member)	Non Executive / Independent	Four	Four	

#### Shareholders / Investors Grievance Committee

Non-Executive Director heading the Committee	Mr. S. R. Sanghavi
Compliance Officer	Mr. Y. 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 Committee

##### Terms of reference

The terms of reference of the committee are as mentioned in clause 49 of Listing Agreement with the Bombay Stock Exchange Ltd that inter alia include determination of the Company's policy on specific remuneration packages for Directors.

Sr. No.	Name of the Director.	Status.	No. of Meetings held.	No. of Meetings attended.	Dates of Remuneration Committee Meetings.
1.	Mr. A. P. Singh (Chairman)	Non Executive / Independent	Two	Two	30 <sup>th</sup> May, 2011 14 <sup>th</sup> February, 2012
2.	Mr. S. R. Sanghavi (Member)	Non Executive / Independent	Two	One	
3.	Mr. M. M. Vora (Member)	Non Executive / Independent	Two	Two	

#### Remuneration Policy

The remuneration policy of the Company is to ensure that executive directors of the Company are rewarded in a fair and responsible manner, for their individual contributions to the success of the Company. The remuneration paid to the Executive Directors is recommended by the Remuneration Committee in accordance with Schedule XIII of the Companies Act, 1956 and approved by the Board of Directors in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities as and when required.

Non - executive independent Directors are paid sitting fees pursuant to Section 309(2) of the Companies Act, 1956 for attending Board meetings and the Audit Committee meetings.

#### Remuneration to Directors

The remuneration details for the financial year 2011 -12 is as follows

Name of the Directors	Status	Salary (₹)	Contribution to Provident Fund (₹)	Comm-Ission	Sitting Fees (₹)	Total (₹)	Contract Period (No. of years)
Mr. R. J. Sanghavi	Executive Chairman	9,00,000	1,08,000	----	---	10,08,000	5 years
Mr. U. J. Sanghavi	Managing Director	9,00,000	1,08,000	----	----	10,08,000	5 years
Mr. T. J. Sanghavi	Executive Director	9,00,000	1,08,000	----	---	10,08,000	5 years
Mr. M. M. Vora	Non -	N.A	---	----	30,000	30,000	N.A.

Name of the Directors	Status	Salary (₹)	Contribution to Provident Fund (₹)	Comm- ISSION	Sitting Fees (₹)	Total (₹)	Contract Period (No. of years)
	Executive/ Independent						
Mr. H. S. Kamath	Non - Executive/ Independent	N.A	----	----	30,000	30,000	N.A.
Mr. A. P. Singh	Non - Executive/ Independent	N.A	----	----	30,000	30,000	N.A.
Mr. S. R. Sanghavi	Non - Executive/ Independent	N.A	----	----	7,500	7,500	N.A.

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	24,643	0.633
Mr. S. R. Sanghavi	Independent	NIL	NIL
Mr. H. S. Kamath	Independent	1,000	0.03
Mr. A. P. Singh	Independent	NIL	NIL

**General Body Meetings**

The last three Annual General Meetings of the Company were held at the registered office of the Company on 26th September, 2009, 25th September, 2010 & 2nd July, 2011 respectively. No special resolution was passed at Annual General Meetings held on 25th September, 2010 & 2nd July, 2011.

**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.43 to the Annual Accounts.
- The Company has not granted any loans or advances in the nature of loans to its Subsidiary Company.
- 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 Board would review implementation of the non-mandatory requirements of the Corporate Governance Code in due course of time.
- The Managing Director CEO/CFO has certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification for the Financial Year ended 31st March, 2012.
- The Company has a detailed Business Risk Management Process which is periodically reviewed by the Board of Directors for determining its effectiveness.
- The Company follows Accounting Standards prescribed by the Companies Accounting Standard Rules, 2006 and relevant provisions of the Companies Act, 1956 and in preparation of financial statements, the Company has not adopted a treatment different from that prescribed in the Accounting Standard(s).

**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 Exchange, 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, 2012.

**For Nikhil Adhesives Limited**

**(Umesh. J. Sanghavi)**

**Managing Director**

**Date: 30th May, 2012.**

**CEO/CFO CERTIFICATION**

The Board of Directors,  
Nikhil Adhesives Limited,  
Mumbai.

**Re: Financial Statements for the year 2011 - 2012 Certification by CEO/CFO.**

I, Umesh. J. Sanghavi, Managing Director of (CEO/CFO) **Nikhil Adhesives Limited**, on the basis of the review of the financial statements and the cash flow statement for the financial year ended March 31, 2012 and to the best of my knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2012 which are fraudulent, illegal or violative of the Company's code of conduct.
4. I accept responsibility for establishing and maintaining internal controls; I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee those deficiencies, of which I am aware, in the design or operation of the internal control systems and that I have taken the required steps to rectify these deficiencies.
5. I further certify that:-
  - a. there have been no significant changes in internal control during this year;
  - b. there have been no significant changes in accounting policies during this year;
  - c. there have been no instances of significant fraud of which I have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

**(Umesh J Sanghavi)**  
**Managing Director**

**30th May, 2012**

**Means of Communications**

Quarterly / Half-yearly financial results of the Company are forwarded to the Bombay Stock Exchange Ltd. published in Free Press Journal (English Daily) and Navshakti (Marathi Daily) and put up on the Company's website ([www.nikhiladhesives.com](http://www.nikhiladhesives.com)).

**General Shareholder Information**

- i) Annual General Meeting Date, Time and Venue : 29<sup>th</sup> September, 2012, 11.00a.m. at Vadkun, College Road, Dahanu, Dist. Thane - 401 602.
- ii) Date of Book closure : 25<sup>th</sup> September, 2012 to 29<sup>th</sup> September, 2012 (both days inclusive)
- iii) Date of Payment of Dividend : 1st October, 2012 onwards
- iv) Financial Calendar (Tentative) :
- Unaudited financial results for the quarter ending 30<sup>th</sup> June, 2012 : 2<sup>nd</sup> Week of August, 2012
  - Unaudited financial results for the quarter ending 30<sup>th</sup> September, 2012 : 2<sup>nd</sup> Week of November, 2012
  - Unaudited financial results for the quarter ending 31<sup>st</sup> December, 2012 : 2<sup>nd</sup> Week of February, 2013
  - Audited financial results for the year ending 31<sup>st</sup> March, 2013 : 4<sup>th</sup> Week of May, 2013
  - Annual General Meeting for the year ending 31<sup>st</sup> March, 2013 : August / September 2013
- v) Listing on Stock Exchange : Bombay Stock Exchange Limited.
- vi) Demat ISIN Number for NSDL & CDSL : INE 926C01014
- vii) Stock Code on Mumbai Stock Exchange : 526159
- viii) Grievance Redressal Division Email ID : ynakre@nikhiladhesives.com

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

Month	BSE (Rs.)		SENSEX	
	High	Low	High	Low
April 2011	43.00	35.75	19,811.14	18,976.19
May 2011	42.50	36.15	19,253.87	17,786.13
June 2011	49.35	37.25	18,873.39	17,314.38
July 2011	52.50	41.05	19,131.70	18,131.86
August 2011	60.90	46.70	18,440.07	15,765.53
September 2011	55.00	44.40	17,211.80	15,801.01
October 2011	52.60	45.00	17,908.13	15,745.43
November 2011	47.00	39.00	17,702.26	15,478.69
December 2011	43.20	36.90	17,003.71	15,135.86
January 2012	41.90	31.20	17,258.97	15,358.02
February 2012	38.95	32.55	18,523.78	17,061.55
March 2012	40.00	32.70	18,040.69	16,920.61



**x) Distribution Schedule of Number of Shares as on 31.03.2012**

	No. of Holders	%	No. of Shares	%
Up to 100	738	49.27	60584	1.56
101 to 200	304	20.12	59062	1.52
201 to 500	241	15.74	100816	2.59
501 to 1000	112	7.30	99351	2.55
1001 to 5000	61	4.05	145211	3.73
5001 to 10000	14	0.93	98768	2.53
10001 to 100000	30	1.99	1343518	34.50
100001 and above	9	0.60	1986990	51.02
<b>TOTAL</b>	<b>1509</b>	<b>100</b>	<b>3894300</b>	<b>100</b>

**xi) DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2012**

Category	Number of Shares	Percentage of Shareholding
<b>A. Promoter's holding</b>		
1. Promoters		
- Indian Promoters.		
- Foreign Promoters	23,26,860	59.75
2. Persons acting in concert		
<b>Sub - Total</b>	<b>23,26,860</b>	<b>59.75</b>
<b>B. Non - Promoters holding</b>		
3. Institutional Investors		
a. Mutual funds and UTI	900	0.02
b. Banks, Financial Institution , Insurance Companies ( Central /State Government Institutions /Non-Government Institutions)		
c. FII(s)		
<b>Sub - Total</b>	<b>900</b>	<b>0.02</b>
4. Others		
a. Bodies Corporate	4,87,592	12.52
b. Indian Public	10,77,540	27.67
c. NRI's / OCBS	1408	0.04
d. Clearing Members	-	-
<b>Sub Total</b>	<b>15,66,540</b>	<b>40.23</b>
<b>Grand Total</b>	<b>38,94,300</b>	<b>100</b>

- xii) Registrars & Transfer Agents : M/s. Sharex Dynamic (India) Pvt. Ltd.  
**Regd. Office :**  
17/B, Dena Bank Building, 2<sup>nd</sup> Floor,  
Homiman Circle, Fort,  
Mumbai - 400 001  
**Branch Office :**  
Unit No. 1, Luthra Ind. Premises,  
Andheri Kurla Road, Safed Pool,  
Andheri (East),  
Mumbai - 400 072.
- xiii) 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.
- xiv) 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 31.03.2012 is 33,58,170 i.e. 86.23% of the total equity share capital of the Company.
- xv) Issue of any GDRs, ADRs etc. : The Company has not issued any GDRs, ADRs, Warrants or any Convertible Instruments.
- xvi) Plant locations :  
1) Vadkun, College Road, Dahanu,  
Dist. Thane - 401 602.  
2) Plot No.7, Govt Ind. Estate  
Phase- I, Piparia, Silvassa.  
3) Plot No.D-2/CH/49,  
GIDC Estate, Dahej, Tal - Vagra.  
Dist. Bharuch, Gujrat - 392130.
- xvii) Registered Office Address : Shreeji Industrial Estate, Vadkun, College Road, Dahanu,  
Dist. Thane - 401 602, Maharashtra.
- xvii) Address for Shareholder's correspondence : M/s. Sharex Dynamic(India) Pvt. Ltd.  
Unit No. 1, Luthra Ind. Premises,  
Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072.

**STATEMENT PURSUANT TO GENERAL EXEMPTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY FOR THE YEAR ENDED 31ST MARCH, 2012**

(Amount in ₹)

Sr. no	Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Turnover	Profit/(Loss) before Taxation	Profit/(Loss) after Taxation	Proposed Dividend
1	Sanghavi Logistics Private Limited	INR	100,000	(8,150)	99,850	8,150	-	(3,150)	(3,150)	-

**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 **31<sup>st</sup> March, 2012** as stipulated in Clause 49 of the Listing Agreement of the said Company with the Mumbai stock exchange.

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 PHD & Associates  
Chartered Accountants  
(Firm Registration No.111236W)**

**(D. V. Vakharia)  
Partner  
Membership No.: 46115  
Place: Mumbai  
Date: 30th May, 2012**

**Auditor's Report to the Members of Nikhil Adhesives Limited**

- 1) We have audited the attached Balance Sheet of **Nikhil Adhesives Limited** as at **31 March 2012** and the Profit and Loss Account and 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 for 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;
  - v. On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 31 March 2012;
    - (b) in the case of the profit and loss account, of the **Profit** for the year ended on that date;
    - (c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date

**For PHD & Associates**  
**Chartered Accountants**  
**Firm Registration No. 111236W**

**D. V. Vakharia**  
**Partner**  
**Membership No.: 46115**  
**Place: Mumbai**  
**Date : 30 May 2012.**

**Annexure referred to in paragraph 3 of the Auditors' Report of even date  
to the members of Nikhil Adhesives Limited  
on the accounts for the year ended 31 March 2012**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets in respect 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 its 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 its fixed assets.
- (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) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) (a) The Company has taken interest free unsecured loans from 1 (one) party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 77,94,588/- and the year-end balance of the aforesaid loan was ₹ 76,43,954/-
- (b) 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 and as such does not carry any specific time schedule for repayment.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets and with regard to the sale of goods and services. In 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 and 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 accepted deposits from the public during the year under issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed there under have been complied with.
- (viii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of business.
- (ix) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.
- (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 information and explanations given to us, there are no dues of sales tax/income tax/ service tax/ custom 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 explanation given to us, the Company has not defaulted in repayment of dues to any 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 and as such the requirement for maintenance of records in respect thereof does not arise.
- (xiv) The Company is neither a chit fund nor a nidhi/mutual benefit fund/society. Hence, 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.
- (xvii) The Company has applied the term loans for the purposes for which the loans 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) According to the information and explanation given to us, the Company has not made preferential allotment of shares to parties and / or companies covered in the register maintained under section 301 of the Act.
- (xx) The Company has not issued any debentures. As such, the question of creation of security in respect thereof does not arise.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For PHD & Associates**  
**Chartered Accountants**  
**Firm Registration No.111236W**

**D. V. Vakharia**  
**Partner**  
**Membership No.: 46115**  
**Place: Mumbai**  
**Date: 30 May 2012.**

## Balance Sheet as at 31 March 2012

Particulars	Note No.	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	2	39,049,603	39,049,603
(b) Reserves and Surplus	3	95,800,108	91,673,415
		<b>134,849,711</b>	<b>130,723,018</b>
<b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings	4	108,428,593	19,641,807
(b) Deferred Tax Liabilities (Net)	5	8,714,253	10,054,847
(c) Other Long-Term Liabilities	6	558,484	246,821
(d) Long-Term Provisions	7	1,510,738	1,163,818
		<b>119,212,068</b>	<b>31,107,293</b>
<b>Current liabilities</b>			
(a) Short-Term Borrowings	8	146,080,283	128,901,929
(b) Trade Payables	9	338,100,014	258,510,644
(c) Other Current Liabilities	10	59,043,731	44,578,866
(d) Short-Term Provisions	11	7,801,222	12,222,506
		<b>551,025,250</b>	<b>444,213,945</b>
<b>Total</b>		<b>805,087,029</b>	<b>606,044,256</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible Assets		86,302,775	96,066,294
(ii) Capital work-in-progress		110,094,556	1,530,000
		196,397,331	97,596,294
(b) Non-Current Investments	13	136,000	136,000
(c) Long-Term Loans and Advances	14	12,519,965	11,211,199
(d) Other Non-Current Assets	15	17,869,462	295,065
		<b>226,922,758</b>	<b>109,238,558</b>
<b>Current Assets</b>			
(a) Inventories	16	151,326,617	191,410,435
(b) Trade Receivables	17	344,024,645	237,420,144
(c) Cash and Bank Balances	18	17,977,034	26,233,542
(d) Short-Term Loans and Advances	19	64,423,348	41,640,382
(e) Other Current Assets	20	412,627	101,195
		<b>578,164,271</b>	<b>496,805,698</b>
<b>Total</b>		<b>805,087,029</b>	<b>606,044,256</b>
<b>Significant Accounting Policies</b>	1		
<b>The accompanying notes are an integral part of the financial statements.</b>			

As per our attached report of even date

For PHD &amp; Associates

Chartered Accountants

Firm Registration No. 111236W

D. V. Vakharia  
Partner

Membership No. 46115

Place : Mumbai

Date : 30 May 2012

For and on behalf of the Board of Directors

U. J. Sanghavi  
Managing DirectorR. J. Sanghavi  
ChairmanT. J. Sanghavi  
Executive DirectorM. M. Vora  
Director

**Statement of Profit and Loss for the year ended 31 March 2012**

Particulars	Note No.	For the Year Ended 31 March 2012 ₹	For the Year Ended 31 March 2011 ₹
Revenue from Operations	21	1,815,504,820	1,435,121,414
Less: Excise Duty	21	151,156,384	131,516,404
		1,664,348,436	1,303,605,010
Other Income	22	973,387	4,226,446
<b>Total Revenue</b>		<b>1,665,321,823</b>	<b>1,307,831,456</b>
<b>Expenses :</b>			
(a) Cost of Materials Consumed	23	881,943,604	774,802,218
(b) Purchases of Stock-in-Trade	24	538,754,842	383,163,113
(c) Changes in Inventories of Finished goods and Stock-in-Trade	25	32,246,793	(40,739,482)
(d) Employee Benefit Expenses	26	38,300,363	31,833,907
(e) Finance Costs	27	22,326,593	26,272,764
(f) Depreciation and Amortization Expense	12	11,561,651	11,188,007
(g) Other Expenses	28	91,057,116	89,318,437
<b>Total Expenses</b>		<b>1,616,190,962</b>	<b>1,275,838,964</b>
<b>Profit Before Exceptional items and Tax</b>		<b>49,130,861</b>	<b>31,992,492</b>
Exceptional Items	30	37,623,920	(5,582,349)
<b>Profit Before Tax</b>		<b>11,506,941</b>	<b>37,574,841</b>
<b>Tax Expense:</b>			
(a) Current Tax		5,100,000	13,800,000
(b) Deferred Tax		(1,340,595)	(895,979)
		3,759,405	12,904,021
<b>Profit for the Year</b>		<b>7,747,536</b>	<b>24,670,820</b>
<b>Earnings per equity share of Nominal Value of ₹ 10/- each</b>			
(a) Basic	39	1.99	6.34
(b) Diluted	39	1.99	6.34
<b>Significant Accounting Policies</b>	1		
<b>The accompanying notes are an integral part of the financial statements</b>			

As per our attached report of even date

For PHD & Associates

Chartered Accountants

Firm Registration No. 111236W

D. V. Vakharia

Partner

Membership No. 46115

Place : Mumbai

Date : 30 May 2012

For and on behalf of the Board of Directors

U. J. Sanghavi  
Managing Director

T. J. Sanghavi  
Executive Director

R. J. Sanghavi  
Chairman

M. M. Vora  
Director



**Notes forming part of the financial statements****NOTE 1 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of accounting and preparation of financial statements**

The financial statements have been prepared on a going concern and on accrual basis, under the historical cost convention and in accordance with the generally accepted accounting principles, the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and relevant provisions of the Companies Act 1956, to the extent applicable.

**(b) Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumption that affect the reported amount of assets, liabilities, revenues & expenses and disclosure of contingent assets & liabilities. The estimates & assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements. Actual results may defer from the estimates & assumptions used in preparing the accompanying Financial Statements. Any differences of actual results to such estimates are recognised in the year in which the results are known / materialised.

**(c) Presentation and disclosure in financial statements**

For the year ended 31 March 2012, the Revised schedule VI notified under Companies Act, 1956 is applicable to the Company for presentation and disclosures in financial statements.

**(d) Revenue Recognition**

- 1 Sales are accounted Net of excise duty and VAT/Sales tax collected from customers
- 2 Sales include goods sold on High Seas / Bond Transfer basis.
- 3 Income from services are accounted Net of service tax collected from customers.
- 4 Interest income is recognised on accrual basis.
- 5 Dividend income is recognised when the right to receive payment is established.
- 6 In respect of other heads of income, the Company accounts the same on accrual basis.

**(e) 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.

**(f) Fixed Assets and Depreciation**

- 1 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.
- 2 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. Cost of the leasehold land is amortised over the primary period of the lease

**(g) 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.

**(h) Capital Work-in-progress**

Projects under Commissioning are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**(i) 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. Finished goods include appropriate portion of overheads.

- (j) **Investments**  
Non-Current Investments are carried at cost. Provision for diminution in the value of Non-Current Investments is made only if such a decline is other than temporary in the opinion of the management. Current Investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.
- (k) **Borrowing Costs**  
Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are included to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are charged to revenue.
- (l) **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.
- (m) **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.
- (n) **Foreign Currency Transactions**
- 1 Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss of the year
  - 2 Foreign currency monetary items of the Company are restated in the accounts on the basis of the exchange rates prevailing at the close of the year.
  - 3 As per the notification dt. 29-12-2011 on "Accounting Standard (AS) 11" relating to "The Effects of Changes in Foreign Exchange Rates" the Company has exercised the option of adding the exchange difference, arising out of fluctuation in exchange rates on period end, to the cost of the Fixed asset and shall be amortised over the balance life of the asset.
- (o) **Employees Retirement Benefits**
- 1 **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.
  - 2 **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 build 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
  - 3 **Compensated Leave**  
Unutilised leave of staff lapses as at the year end and is not encashable. Accordingly, no provision is made for compensated absences.

**(p) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the year).

**Deferred Taxation**

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

**(q) Impairment of Assets**

The Carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

**(r) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

**Notes forming part of the Financial Statements**

**NOTE 2 SHARE CAPITAL**

Particulars	As at 31 March 2012	As at 31 March 2011
	₹	₹
<b>Authorised</b>		
4,950,000 (4,950,000) Equity shares of ₹10/- each	49,500,000	49,500,000
50,000 (50,000) 8% Preference shares of ₹10/- each	500,000	500,000
<b>Issued</b>		
3,894,300 (3,894,300) Equity shares of ₹10/- each	38,943,000	38,943,000
<b>Subscribed and fully paid up</b>		
3,894,300 (3,894,300) Equity shares of ₹10/- each fully paid up	38,943,000	38,943,000
Add : Forfeited Shares Account	106,603	106,603
<b>Total</b>	<b>39,049,603</b>	<b>39,049,603</b>

(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	3,894,300	38,943,000	3,894,300	38,943,000
Outstanding at the end of the year	3,894,300	38,943,000	3,894,300	38,943,000

(b) The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of shareholders holding more than 5% shares in the company :

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity shares of ₹10/- each fully paid :</b>				
Ashok J. Sanghavi	455,180	11.69	455,180	11.69
Vasantben J. Snaghavi	246,960	6.34	246,960	6.34
Mrunalini R. Sanghavi	216,780	5.57	216,780	5.57
Rekha T. Sanghavi	226,440	5.82	226,440	5.82
Vasant Polymers & Chemicals Private Limited	302,000	7.76	302,000	7.76

(d) Details of forfeited shares :

Class of shares	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
Equity Shares	21,320	106,603	21,320	106,603

**Notes forming part of the Financial Statements**
**NOTE 3 RESERVES AND SURPLUS**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Capital Reserve</b>		
Opening Balance	400,000	400,000
Closing Balance	<b>400,000</b>	<b>400,000</b>
<b>Securities Premium Account</b>		
Opening Balance	12,800,000	12,800,000
Closing Balance	<b>12,800,000</b>	<b>12,800,000</b>
<b>General Reserve</b>		
Opening Balance	63,512,415	46,012,415
Add: Transferred during the year	775,000	17,500,000
Closing Balance	<b>64,287,415</b>	<b>63,512,415</b>
<b>Surplus balance in Statement of Profit and Loss</b>		
Opening balance	14,961,000	13,215,843
Add: Profit for the year	7,747,536	24,670,820
Less: <u>Appropriations</u>		
Proposed dividend (Refer Note 32)	3,115,440	4,673,160
Dividend tax	505,403	752,503
Transfer to General Reserve	775,000	17,500,000
Closing Balance	<b>18,312,693</b>	<b>14,961,000</b>
<b>Total</b>	<b>95,800,108</b>	<b>91,673,415</b>

Notes forming part of the Financial Statements

NOTE 4 LONG-TERM BORROWINGS

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Secured (Refer (a), (c) and (d) below):</b>		
<b>Term loans</b>		
From banks	94,061,120	7,964,300
<b>Vehicle Finance</b>		
From banks	426,717	676,269
	<b>94,487,837</b>	<b>8,640,569</b>
<b>Unsecured (Refer (b), (c) and (d) below):</b>		
<b>Deferred payment liabilities</b>		
Sales Tax Deferral	2,910,888	3,365,238
<b>Deposits</b>		
From Public	11,029,868	7,636,000
	<b>13,940,756</b>	<b>11,001,238</b>
<b>Total</b>	<b>108,428,593</b>	<b>19,641,807</b>

(a) Details of security and terms of repayment for the secured long term borrowings:

Particulars	Security and terms of repayment as at 31 March 2012	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Term loans from Banks:</b>			
<b>Bank of India :</b>			
1) Term Loan II	(a) Secured against hypothecation of the plant & machineries & equitable mortgage of factory blocks.  (b) Principle amount to be repayable in 7 monthly installments, last instalment being due in October 2012.  (c) The range of rate of Interest is 13.50%p.a to 14.50% p.a	-	1,962,700
2) Term Loan III	(a) Secured against hypothecation of the plant & machineries & equitable mortgage of factory blocks.  (b) Principle amount to be repayable in 36 monthly installments, last instalment being due in March 2015.  (c) The range of rate of Interest is 13.50%p.a to 14.50% p.a	4,002,400	6,001,600
<b>Shandard Chartered Bank :</b>			
<b>External Commercial Borrowing (ECB)</b>			
	(a) Secured against first charge on present and future movable and immovable fixed assets of the plant at Dahej  (b) Principle amount to be repayable in 17 quarterly installments beginning from January 2013 and last installment falling due in January 2017  (c) Rate of Interest is LIBOR + 350 bppa	90,058,720	-
<b>Total</b>		<b>94,061,120</b>	<b>7,964,300</b>

Vehicle Finance			
Bank of India	(a) Secured against hypothecation of the vehicle financed. (b) Repayable in 4 monthly installments, last installment being due in July 2012. (c) Rate of Interest is 11.25%	-	44,234
HDFC Bank	(a) Secured against hypothecation of the vehicle financed. (b) Repayable in 35 monthly installments, last installment being due in January 2015. (c) Rate of Interest is 8.83%.	426,717	632,035
<b>Total</b>		<b>426,717</b>	<b>676,269</b>

(b) Terms of repayment for the unsecured long term borrowings:

Particulars	Security and terms of repayment	As at	As at
		31 March 2012	31 March 2011
		₹	₹
<u>Sales Tax Deferral</u>	Sales tax collected under Package scheme of Incentives are payable in 5 to 6 yearly installments after 10 to 12 years from the year of collection.	2,910,888	3,365,238
<b>Total</b>		<b>2,910,888</b>	<b>3,365,238</b>
<u>Fixed Deposits from Public</u>	(a) Range of rate of interest is 11% to 12% p.a. b) Repayment tenure varies from 1-3 years	11,029,868	7,636,000
<b>Total</b>		<b>11,029,868</b>	<b>7,636,000</b>

(c) Secured long term borrowings of ₹9,40,61,120/- (Previous year ₹79,64,300/-) are personally guaranteed by some of the directors of the Company

(d) Current maturity of Term Loans/Public Deposits and Vehicle Finance from Banks amounting to ₹1,10,85,438 /- (Previous Year ₹1,07,67,094/-) is disclosed under 'Other Current Liabilities' (Refer Note 10 )

**NOTE 5 DEFERRED TAX LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Tax effect of items constituting deferred tax liability :</b>		
On difference between book balance and tax balance of fixed assets	7,369,818	8,631,272
Deferred Sales Tax liability accounted in Books of Accounts on discounted present value basis which is considered for taxation purpose for tax value	2,049,232	1,992,380
	9,419,050	10,623,652
<b>Tax effect of items constituting deferred tax assets :</b>		
Expenses incurred during the year allowable as deduction in income tax in subsequent years	(704,797)	(568,805)
	(704,797)	(568,805)
<b>Total</b>	<b>8,714,253</b>	<b>10,054,847</b>

**Notes forming part of the Financial Statements**  
**NOTE 6 OTHER LONG TERM LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Interest accrued but not due on Public Deposits	558,464	246,821
<b>Total</b>	<b>558,484</b>	<b>246,821</b>

**NOTE 7 LONG- TERM PROVISIONS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Provision for employee benefits (Refer Note 41)</b>		
Gratuity (Non funded)	1,510,738	1,163,818
<b>Total</b>	<b>1,510,738</b>	<b>1,163,818</b>

**NOTE 8 SHORT-TERM BORROWINGS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Secured (Refer (a) and (b) below) :</b>		
<b>Loans repayable on demand</b>		
Cash Credit from Banks	84,889,760	98,901,929
	<b>84,889,760</b>	<b>98,901,929</b>
<b>Unsecured</b>		
<b>Loans repayable on demand</b>		
From Bank	13,646,569	-
From other parties	39,900,000	30,000,000
<b>Loans and advances from a related party</b>	7,643,954	-
	<b>61,190,523</b>	<b>30,000,000</b>
<b>Total</b>	<b>146,080,283</b>	<b>128,901,929</b>

(a) Particulars of security for the secured short-term borrowings:

Particulars	Nature of security	As at	As at
		31 March 2012	31 March 2011
		₹	₹
<b>Loans repayable on demand</b>			
Cash Credit from Banks :			
1) Bank of India	a) The facilities from the consortium banks viz. Bank of India, Standard Chartered Bank 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 they are collaterally secured against equitable mortgage of factory blocks at Dahanu.	64,516,764	60,253,617
2) Standard Chartered Bank		20,372,996	8,799,004
3) Barclays Bank			29,849,308
<b>Total</b>		<b>84,889,760</b>	<b>98,901,929</b>

(b) Secured short term borrowings of ₹ 8,48,89,760/- (Previous year ₹ 9,89,01,929/-) are personally guaranteed by some of the promoter directors and others 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.



Notes forming part of the Financial Statements

**NOTE 9 TRADE PAYABLES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Trade Payables (Refer Note 44)	338,100,014	258,510,644
<b>Total</b>	<b>338,100,014</b>	<b>258,510,644</b>

**NOTE 10 OTHER CURRENT LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Current maturities of Long term debt (Refer Note 4)	11,085,438	10,767,094
Interest accrued but not due on Public Deposits	135,500	249,254
Unclaimed dividend	650,301	604,835
Liabilities for expenses	32,854,460	23,032,692
Advances from customers	4,585,056	409,285
Security deposits	1,943,617	1,942,266
Statutory dues	4,066,046	3,046,792
Other payables	3,723,313	4,526,648
<b>Total</b>	<b>59,043,731</b>	<b>44,578,866</b>

There are no amounts due and outstanding to be paid the Investors Educations and Protection fund as at 31 March 2012.

**NOTE 11 SHORT TERM PROVISIONS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Provision for employee benefits (Refer Note 41)</b>		
Gratuity (Non funded)	661,545	509,631
Proposed dividend (Refer Note 32)	3,115,440	4,673,160
Distribution Tax on dividend	499,801	752,503
Provision for Taxation (Net of Advance tax)	3,524,436	6,287,212
<b>Total</b>	<b>7,801,222</b>	<b>12,222,506</b>

Notes forming part of the financial statements

NOTE 12 FIXED ASSETS

Fixed Assets	Gross Block				Accumulated Depreciation/Amortisation			Net Block	
	As at 1 April 2011	Additions	Deductions	As at 31 March 2012	As at 1 April 2011	For the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
	(Amount in ₹)								
<b>Tangible Assets</b>									
<b>Own Assets:</b>									
Land	2,130,744	-	-	2,130,744	-	-	-	2,130,744	2,130,744
Buildings	22,423,974	74,668	-	22,498,642	5,229,572	749,994	5,979,566	16,519,076	17,194,402
Plant & Equipment	109,365,499	1,278,525	-	110,644,024	50,592,448	9,432,221	60,024,669	50,619,355	58,773,051
Furniture and Fixtures	3,847,561	51,000	-	3,898,561	1,066,470	242,221	1,308,691	2,589,870	2,781,091
Vehicles	4,447,269	48,000	-	4,495,269	1,336,862	419,936	1,756,798	2,738,471	3,110,407
Computers	5,116,928	345,928	-	5,462,856	3,662,148	608,880	4,271,028	1,191,828	1,454,780
<b>Assets under Lease:</b>									
Land	10,730,204	-	-	10,730,204	108,385	108,388	216,773	10,513,431	10,621,819
<b>Total</b>	<b>158,062,179</b>	<b>1,798,121</b>	<b>-</b>	<b>159,860,300</b>	<b>61,995,885</b>	<b>11,561,640</b>	<b>73,557,525</b>	<b>86,302,775</b>	<b>96,066,294</b>
Previous year	140,152,103	17,910,076	-	158,062,179	50,807,878	11,188,007	61,995,885	96,066,294	89,344,225
<b>Intangible Assets</b>									
<b>Own Assets:</b>									
Goodwill	650,000	-	-	650,000	650,000	-	650,000	-	-
Trademarks	1,098,500	-	-	1,098,500	1,098,500	-	1,098,500	-	-
Technical Know How	3,075,000	-	-	3,075,000	3,075,000	-	3,075,000	-	-
MDC Logo	3,500,000	-	-	3,500,000	3,500,000	-	3,500,000	-	-
No Compete Agreement	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	-	-
<b>Total</b>	<b>9,323,500</b>	<b>-</b>	<b>-</b>	<b>9,323,500</b>	<b>9,323,500</b>	<b>-</b>	<b>9,323,500</b>	<b>-</b>	<b>-</b>
Previous year	9,323,500	-	-	9,323,500	9,323,500	-	9,323,500	-	-
<b>Capital Work In Progress</b>									
	1,530,000	108,564,556	-	110,094,556	-	-	-	110,094,556	1,530,000
<b>Total</b>	<b>1,530,000</b>	<b>108,564,556</b>	<b>-</b>	<b>110,094,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,094,556</b>	<b>1,530,000</b>
Previous year	-	1,530,000	-	1,530,000	-	-	-	1,530,000	-

## Notes forming part of the Financial Statements

## NOTE 13 NON-CURRENT INVESTMENTS

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Investments (At cost less provision for other than temporary diminution, if any):		
<b>Trade (unquoted)</b>		
<b>Investment in equity shares, fully paid up :</b>		
Investment in Subsidiaries :		
10,000 (10,000) Equity Shares of Sanghavi Logistics Private Limited ₹10/- each	100,000	100,000
<b>Trade (quoted)</b>		
<b>Investment in equity shares, fully paid up :</b>		
800 (800) Equity Shares of Bank of India of ₹10/- each	36,000	36,000
<b>Total</b>	<b>136,000</b>	<b>136,000</b>
Aggregate amount of quoted investments	36,000	36,000
Aggregate market value of quoted investments	288,800	286,860
Aggregate amount of unquoted investments	100,000	100,000

## NOTE 14 LONG TERM LOANS AND ADVANCES

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Unsecured, considered good :</b>		
Capital Advances	4,792,470	5,425,000
Security Deposits	4,994,990	4,528,990
Advance Income tax (Net of Provisions)	846,760	904,569
Other loans and advances	1,885,745	352,640
<b>Total</b>	<b>12,519,965</b>	<b>11,211,199</b>

## NOTE 15 OTHER NON CURRENT ASSETS

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Balances with banks :</b>		
Term deposits with more than twelve months maturity	17,696,787	220,485
Interest accrued on Term deposits with banks	172,675	74,580
<b>Total</b>	<b>17,869,462</b>	<b>295,065</b>

The above Term deposits are pledged with banks against Loans, Letter of Credit facilities and Bank Guarantees.

## Notes forming part of the Financial Statements

## NOTE 16 INVENTORIES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
(At lower of cost and Net realisable value)		
Raw Materials and components	97,703,927	106,499,668
Packing Material	5,018,165	3,827,019
Finished goods	22,102,651	21,951,007
Trading Goods	25,220,340	53,802,527
Unused Promotional Material	150,000	-
Fuels	131,534	330,214
<b>Total</b>	<b>151,326,617</b>	<b>191,410,435</b>

## NOTE 17 TRADE RECEIVABLES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Unsecured, considered good :</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	5,094,003	3,090,330
Other Trade receivables	338,930,642	234,329,814
<b>Total</b>	<b>344,024,645</b>	<b>237,420,144</b>

## Notes forming part of the Financial Statements

## NOTE 18 CASH AND BANK BALANCES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts :	2,162,779	5,999,388
Term deposits with less than three months maturity	6,105,641	6,094,329
Cash on hand	134,347	134,709
<b>Total</b>	<b>8,402,767</b>	<b>12,228,426</b>
<b>Other bank balances</b>		
Term deposits with more than three months maturity but due within one year from the reporting date	9,574,267	14,005,116
<b>Total</b>	<b>9,574,267</b>	<b>14,005,116</b>

The above Term deposits are pledged with banks against Loans, Letter of Credit facilities and Bank Guarantees.

## NOTE 19 SHORT-TERM LOANS AND ADVANCES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Unsecured, considered good :</b>		
Advance to Suppliers	5,543,081	5,837,493
Central Excise Balance	51,621,477	31,926,093
Prepaid Expenses	4,494,686	2,058,317
Advances recoverable in cash or in kind	2,764,104	1,818,479
<b>Total</b>	<b>64,423,348</b>	<b>41,640,382</b>

## NOTE 20 OTHER CURRENT ASSETS

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Interest accrued on Term deposits with banks	412,627	101,195
<b>Total</b>	<b>412,627</b>	<b>101,195</b>

Notes forming part of the Financial Statements

**NOTE 21 REVENUE FROM OPERATIONS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Sale of products :</b>		
(a) <u>Manufactured goods</u>		
Adhesives and Emulsions	1,200,084,883	1,042,691,162
(b) <u>Traded goods</u>		
Chemicals	600,088,538	378,101,364
	<b>1,800,173,421</b>	<b>1,420,792,526</b>
<b>Other operating revenues :</b>		
(a) Labour Charges income	14,904,700	13,858,840
(b) Bad debts recovered	266,699	290,629
(c) Miscellaneous income	160,000	179,419
	<b>15,331,399</b>	<b>14,328,888</b>
<b>Revenue from operations (Gross)</b>	<b>1,815,504,820</b>	<b>1,435,121,414</b>
Less : Excise duty	151,156,384	131,516,404
<b>Revenue from operations (Net)</b>	<b>1,664,348,436</b>	<b>1,303,605,010</b>

**NOTE 22 OTHER INCOME**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Interest income	54,573	47,893
Dividend income :		
from non-current investments	5,600	5,600
Other non-operating income :		
(a) Sundry balances written back	788,173	2,983,532
(b) Insurance claims	-	772,496
(c) Sundry income	125,041	416,925
<b>Total</b>	<b>973,387</b>	<b>4,226,446</b>

Notes forming part of the financial statements

**NOTE 23 COST OF MATERIALS CONSUMED**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Raw Materials consumed (Refer details given below)</b>		
Opening stock	106,499,668	64,840,329
Add : Purchases	817,674,044	767,694,892
	924,173,712	832,535,221
Less : Closing stock	97,703,927	106,499,668
	<b>826,469,785</b>	<b>726,035,553</b>
<b>Packing Materials consumed</b>		
Opening stock	3,827,019	2,756,962
Add : Purchases	56,664,965	49,836,722
	60,491,984	52,593,684
Less : Closing stock	5,018,165	3,827,019
	<b>55,473,819</b>	<b>48,766,665</b>
<b>Total</b>	<b>881,943,604</b>	<b>774,802,218</b>

Details of Raw Materials consumed :

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Vinyl Acetate Monomer	159,352,319	133,338,556
Butyl Acetate Monomer	292,998,540	257,876,476
Other chemicals	388,703,051	334,820,521
<b>Total</b>	<b>841,053,909</b>	<b>726,035,553</b>

**NOTE 24 PURCHASE OF TRADED GOODS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Traded Goods</b>		
Vinyl Acetate Monomer	95,569,020	54,489,435
Styrene Monomer	18,076,349	8,377,453
Other chemicals	425,109,473	320,296,225
<b>Total</b>	<b>538,754,842</b>	<b>383,163,113</b>

**NOTE 25 CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-TRADE**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Opening Stock</b>		
(a) <u>Finished goods</u>		
Adhesives & Emulsions	21,951,007	21,433,850
(b) <u>Stock-in-trade</u>		
Chemicals	58,802,527	18,564,026
	<b>80,753,534</b>	<b>39,997,876</b>
<b>Less : Closing Stock</b>		
(a) <u>Finished goods</u>		
Adhesives & Emulsions	22,102,651	21,951,007
(b) <u>Stock-in-trade</u>		
Chemicals	26,220,340	58,802,527
	<b>48,322,991</b>	<b>80,753,534</b>
Changes in Inventories	32,430,543	(40,755,658)
Increase/(Decrease) in Excise duty on Finished goods	(183,750)	16,176
<b>Total</b>	<b>32,246,793</b>	<b>(40,739,482)</b>

Notes forming part of the financial statements

**NOTE 26 EMPLOYEE BENEFIT EXPENSES**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Salaries and wages	34,727,332	28,687,014
Contributions to Provident and other Funds	2,572,606	2,070,853
Staff welfare expenses	1,000,425	1,076,040
<b>Total</b>	<b>38,300,363</b>	<b>31,833,907</b>

**NOTE 27 FINANCE COSTS**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Interest expense	13,461,798	19,552,221
Other borrowing costs	11,117,675	7,831,946
	24,579,473	27,384,167
Less :		
Interest received (Gross)	2,252,880	1,111,403
<b>Total</b>	<b>22,326,593</b>	<b>26,272,764</b>



## Notes forming part of the Financial Statements

### NOTE 28 OTHER EXPENSES

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Stores and spares consumed	2,508,629	2,150,470
Power and fuel	15,635,410	13,778,907
Labour charges	1,619,195	1,859,117
Rent	3,310,848	3,555,633
Repairs and Maintenance :		
Plant & Machinery	904,062	815,772
Building	81,485	92,960
Others	395,763	408,543
Printing and Stationery	839,833	805,063
Insurance	737,388	769,870
Storage charges expenses (Net)	2,694,941	2,266,527
Telephone expenses	2,162,940	2,037,129
Travelling and Conveyance expenses	6,961,514	7,175,101
Service charges	117,483	1,007,980
Legal and Professional charges (Refer Note 29 below)	2,479,914	3,120,624
Sales promotion expenses	3,520,177	4,558,904
Transportation and Octroi charges	27,870,359	29,691,939
Brokerage and Commission	2,969,319	2,289,235
Bad debts	496,427	3,777,820
Discounts/Rebates (Net)	12,675,529	6,282,183
Directors sitting fees	97,500	82,500
Miscellaneous expenses	2,978,400	2,792,160
<b>Total</b>	<b>91,057,116</b>	<b>89,318,437</b>

### NOTE 29 REMUNERATION TO AUDITORS

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Legal and Professional charges includes payments to the auditors towards :		
Audit fees*	275,000	250,000
Other services*	50,000	127,500
<b>Total</b>	<b>325,000</b>	<b>377,500</b>

\* Excluding Service Tax

### NOTE 30 EXCEPTIONAL ITEMS

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Net Foreign currency translation loss/(Gain) (Refer Note 33)	37,623,920	(5,582,349)
<b>Total</b>	<b>37,623,920</b>	<b>(5,582,349)</b>

Notes forming part of the financial statements

**NOTE 31 : CONTINGENT LIABILITIES AND COMMITMENTS**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Contingent Liabilities :</b>		
Claims against the Company not acknowledged as debts	NIL	NIL
Guarantees given by the Company's Banker on behalf of the Company	1,552,950	NIL

**NOTE 32 :** Dividends proposed to be distributed to equity shareholders is ₹ 0. 80 per share (Previous Year ₹ 1.20 per share).

**NOTE 33 :** Loss/Gain on account of Foreign currency translation (Net) has been treated as an exceptional item, since the same has resulted from exceptionally volatile global market developments during the reporting periods.

**NOTE 34 :** Pursuant to Notification no. G.S.R.(914)E dated 29th December 2011, issued by MCA, from the current financial year, the Company has opted to adjust exchange differences arising on reporting of long term foreign currency monetary items, in so far as they relate to the acquisition of depreciable assets, against the cost of such assets and depreciate the said adjustment over the balance life of the asset. Had the option not been exercised, the difference amounting to ₹19,40,120/- on long term foreign currency monetary items relating to depreciable assets would have been charged to Profit and Loss Account and Capital Work in Progress would have been lesser to that extent.

**NOTE 35 CIF VALUE OF IMPORTS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Materials (for Manufacturing & Trading)	620,256,617	537,636,041

**NOTE 36 EXPENDITURE IN FOREIGN CURRENCY**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Travelling	-	153,120

**NOTE 37 VALUE OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS**

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	₹	%	₹	%
<b>Raw Materials :</b>				
Imported	719,933,229	87	525,048,426	72
Indigenous	106,536,556	13	200,987,127	28
<b>Total</b>	<b>826,469,785</b>	<b>100</b>	<b>726,035,553</b>	<b>100</b>
<b>Spare parts and components :</b>				
Indigenous	2,508,629	100	2,150,470	100

**NOTE 38 EARNINGS IN FOREIGN CURRENCY**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
FOB value of exports	2,521,003	2,549,510
Commission	-	35,419
<b>Total</b>	<b>2,521,003</b>	<b>2,584,929</b>

**NOTE 39 EARNINGS PER SHARE**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Nominal Value of Equity shares	10	10
Net profit after tax available to the Equity shareholders	7,747,536	24,670,820
Weighted average number of Equity shares	3,894,300	3,894,300
Basic and Diluted Earnings per share	1.99	6.34

**Notes forming part of the financial statements**
**NOTE 40 DETAILS OF LEASING ARRANGEMENTS**
Operating Lease: As a Lessee

The company has entered into a cancellable operating leases. These lease arrangements are normally renewable on expiry. The lease arrangement can be cancelled either at the option of lessor giving notice for the period ranging from two months to three months or lessee giving two months notice.

Lease payments amounting to ₹3,310,848/- (Previous year ₹3,555,633/-) are included in rental expenditure in the Statement of Profit and Loss during the current year.

**NOTE 41 EMPLOYEE BENEFIT PLANS**
**(a) Defined Contribution Plans:**

The amount recognised as expense in respect of Defined Contribution Plans (Contribution to Provident Fund) aggregate to ₹ 20,17,993/ (Previous year ₹ 16,71,858/-).

**(b) 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 following table summaries the components of the employee benefit expenses recognised in the Profit & Loss account and the amount recognised in the Balance sheet for the gratuity provision made under actuarial method.

**Statement of Profit and Loss**

Net employee benefit expenses recognised in Employee Benefit Expenses (Note No 26)

Particulars	(Amount in ₹)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Components of employer expense</b>		
Current Service cost	299,491	277,384
Interest cost	138,060	131,149
Expected return on plan assets	-	-
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Past Service Cost	-	-
Actuarial Losses/(Gains)	249,381	(97,060)
<b>Total expense recognised in the Statement of Profit &amp; Loss</b>	<b>686,932</b>	<b>311,473</b>

**Balance Sheet**

Details of provision for gratuity

Net asset/(liability) recognised in balance sheet	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Present value of Defined Benefit Obligation	2,172,283	1,673,449
Fair value of plan assets	-	-
Funded status [Surplus/(Deficit)]	(2,172,283)	(1,673,449)
Unrecognised Past Service Costs	-	-
<b>Net asset/(liability) recognised in balance sheet</b>	<b>(2,172,283)</b>	<b>(1,673,449)</b>

Change in Defined Benefit Obligations (DBO) during the year ended	For the year ended	
	31 March 2012	31 March 2011
Present Value of DBO at beginning of period	1,673,449	1,361,976
Current Service cost	299,491	277,384
Interest cost	138,060	131,149
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Plan amendments	-	-
Acquisitions	-	-
Actuarial (gains)/ losses	249,381	(97,060)
Past Service Cost	-	-
Benefits paid	(188,098)	-
<b>Present Value of DBO at the end of period</b>	<b>2,172,283</b>	<b>1,673,449</b>

**Principal actuarial assumptions as at the balance sheet date :**

Particulars	As at 31 March 2012	As at 31 March 2011
Discount Rate	8.75%	8.25%
Salary escalation	5%	5%
Attrition Rate	2%	2%

## Notes forming part of the financial statements

**NOTE 42 SEGMENTS REPORTING**
**(a) Information about Business Segments for the Year Ended 31 March 2012**

(Amount in ₹)

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
<b>Revenue</b>			
Sales/Income From Operations	1,064,099,898	600,248,538	1,664,348,436
Inter-Segment Sales	-	-	-
<b>Total Revenue</b>	<b>1,064,099,898</b>	<b>600,248,538</b>	<b>1,664,348,436</b>
<b>Result</b>			
Segment Result	30,417,801	17,512,137	47,929,938
Unallocated Corporate Expenses(Net)			14,096,404
Operating Profit			33,833,534
Interest Expense(Net)			22,326,593
Income Taxes(including deferred tax)			3,759,405
Profit From Ordinary Activities			7,747,536
Extraordinary Items			-
<b>Net Profit</b>			<b>7,747,536</b>
<b>Other Informations</b>			
Segment Assets	549,753,009	255,198,020	804,951,029
Unallocated Corporate Assets			136,000
<b>Total Assets</b>			<b>805,087,029</b>
Segment Liabilities	338,138,295	63,121,949	401,260,244
Unallocated Corporate Liabilities			268,977,074
<b>Total Liabilities</b>			<b>670,237,318</b>
Add: Share Capital And Reserves			134,849,711
<b>Total Capital &amp; Liabilities</b>			<b>805,087,029</b>
Capital Expenditure	1,469,162	328,959	
Work in Progress	11,094,556	-	
Depreciation	11,057,313	504,338	
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. 42(b)

Notes forming part of the financial statements

**NOTE 42 SEGMENTS REPORTING**

**(b) Information about Business Segments for the Year Ended 31 March 2011**

(Amount in ₹)

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
<b>Revenue</b>			
Sales/Income From Operations	925,302,566	378,302,444	1,303,605,010
Inter-Segment Sales	-	-	-
<b>Total Revenue</b>	<b>925,302,566</b>	<b>378,302,444</b>	<b>1,303,605,010</b>
<b>Result</b>			
Segment Result	55,871,678	21,806,381	77,678,059
Unallocated Corporate Expenses(Net)			13,830,454
Operating Profit			63,847,605
Interest Expense(Net)			26,272,764
Income Taxes(including deferred tax)			12,904,021
Profit From Ordinary Activities			24,670,820
Extraordinary Items			-
<b>Net Profit</b>			<b>24,670,820</b>
<b>Other Informations</b>			
Segment Assets	430,007,658	175,900,598	605,908,256
Unallocated Corporate Assets			136,000
<b>Total Assets</b>			<b>606,044,256</b>
Segment Liabilities	231,736,897	66,522,086	298,258,983
Unallocated Corporate Liabilities			177,062,255
<b>Total Liabilities</b>			<b>475,321,238</b>
Add: Share Capital And Reserves			130,723,018
<b>Total Capital &amp; Liabilities</b>			<b>606,044,256</b>
Capital Expenditure	16,770,251	1,139,824	
Work in Progress	1,530,000	-	
Depreciation	10,727,689	460,318	
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.

**Notes forming part of the financial statements**

**NOTE 43 RELATED PARTY DISCLOSURES**

The following details give the information pursuant to Accounting Standard - 18 " Related Party Disclosures"

**(a) Name of the Related Parties and Nature of Relationship**

Name	Nature of Relationship
Umesh J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Rajendra J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Tarak J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Ashok J. Sanghavi	Promoter and Relative of Directors
Anita U. Sanghavi	Relative of Director
Mrunalini R. Sanghavi	Relative of Director
Rekha T. Sanghavi	Relative of Director
Nikhil U. Sanghavi	Relative of Director
Vasant Polymers & Chemicals Private Limited	A Company Significantly Influenced by relatives of KMP.
Zeki Software & Solutions Private Limited	A Company Significantly Influenced by relatives of KMP.

**(b) Details of Related Party transactions during the year ended 31 March 2012**

(Amount in ₹)

Particulars	Directors & Key Management Personnel	Relatives of Directors & Key Management Personnel	Enterprises that are significantly influenced by the Directors and/or their Relatives	Total
Remuneration paid	3,024,000	1,463,400	-	4,487,400
	(3,024,000)	(1,377,000)	(-)	(4,401,000)
Advance for Expense	-	-	-	-
	(-)	(-)	(500,000)	(500,000)
Loans Received	-	-	20,498,480	20,498,480
	(-)	(-)	(-)	(-)
Loans Repaid	-	-	12,854,526	12,854,526
	(-)	(-)	(-)	(-)
Service charges paid	-	-	-	-
	(-)	(-)	(843,753)	(843,753)
Rent Paid	-	-	240,000	240,000
	(-)	(-)	(240,000)	(240,000)
Sales	-	-	-	-
	(-)	(-)	(26,883,362)	(26,883,362)
Purchases	-	-	15,084,350	15,084,350
	(-)	(-)	(7,899,487)	(7,899,487)
Outstanding Credit/(Debit) Balance	-	-	7,643,954	7,643,954

Figures in brackets relates to the previous year

**Notes forming part of the Financial Statements**

**NOTE 44 :** There are no amounts payable to any Micro, Small and Medium Enterprises as identified by the Management from the information available with the Company and relied by Auditors.

**NOTE 45 :** The accounts of the Trade Receivables and Trade Payables who have not responded to the Company's request for confirmation of balances, are subject to reconciliation, if any, required.

**NOTE 46 :** The Revised Schedule VI has become effective from 1 April 2011 for the presentation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been accordingly regrouped/reclassified, to correspond with the current year's classification/disclosure. This adoption does not impact recognition and measurement principles followed for preparation of financial statements as at 31 March 2011.

**NOTE 47 :** Figures have been rounded off to nearest rupees.

**As per our attached report of even date**

**For PHD & Associates**

**For and on behalf of the Board of Directors**

**Chartered Accountants  
Firm Registration No. 111236**

**U. J. Sanghavi  
Managing Director**

**T. J. Sanghavi  
Executive Director**

**D. V. Vakharia  
Partner  
Membership No. 46115**

**R. J. Sanghavi  
Chairman**

**M. M. Vora  
Director**

**Place : Mumbai  
Date : 30 May 2012**

Cash Flow Statement for the year ended 31 March 2012

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	₹	₹	₹	₹
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before tax		11,506,941		37,574,841
<b>Adjustment for :</b>				
Depreciation and Amortisation	11,561,651		11,188,007	
Finance costs	22,326,593		26,272,764	
Interest income	(54,573)		(47,893)	
Dividend income	(5,600)		(5,600)	
Provision for gratuity	498,834		311,473	
Sales Tax Deferral	(454,353)		(534,327)	
Unrealised Foreign currency translation loss/gain (Net)	850,526		(3,602,524)	
		34,723,078		33,581,900
<b>Operating profit before working capital changes</b>		<b>46,230,019</b>		<b>71,156,741</b>
<b>Adjustments for :</b>				
Trade receivables	(106,604,501)		33,932,326	
Inventories	40,083,818		(83,354,582)	
Long term Loans and advances	(1,999,105)		(689,740)	
Short term Loans and advances	(22,782,966)		(10,860,570)	
Trade payables	78,738,844		95,002,033	
Other Current liabilities	(5,680,959)		10,521,865	
		(18,244,869)		44,551,332
<b>Cash generated from operations</b>		<b>27,985,149</b>		<b>115,708,073</b>
Direct Taxes paid (Net of refunds)		(7,804,967)		(15,908,736)
<b>Net cash flow from operating activities (A)</b>		<b>20,180,183</b>		<b>99,799,337</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed assets including Capital Work-in-Progress and Capital Advances	(87,848,805)		(25,024,621)	
Term deposits with banks with original maturity of more than three months - placed	(27,050,569)		(13,767,567)	
Term deposits with banks with original maturity of more than 3 months - matured	14,005,116		18,231,830	
Dividend income	5,600		5,600	
Interest income	54,573		47,893	
<b>Net cash flow used in investing activities (B)</b>		<b>(100,834,085)</b>		<b>(20,506,865)</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds / (Repayment) of long term borrowings (Net)	87,619,363		5,845,741	
Proceeds / (Repayment) of short term borrowings (Net)	17,178,354		(47,021,882)	
Finance costs	(22,538,211)		(25,807,679)	
Dividend paid (including distribution tax)	(5,431,263)		(5,449,314)	
<b>Net cash flow from / (used in) financing activities (C)</b>		<b>76,828,243</b>		<b>(72,433,134)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		<b>(3,825,659)</b>		<b>6,859,338</b>
Cash and cash equivalents at the beginning of the year		12,228,426		5,369,088
<b>Cash and cash equivalents at the end of the year</b>		<b>8,402,767</b>		<b>12,228,426</b>

Notes:

1 Cash and Cash Equivalents are as under:

Particulars	As at 31 March 2012	As at 31 March 2011
	₹	₹
Cash in hand	134,347	134,709
Balances with banks in current accounts	2,162,779	5,999,388
Term deposits with less than three months maturity	6,105,641	5,094,329
	<b>8,402,767</b>	<b>12,228,426</b>

2 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard -3 on "Cash Flow Statements" issued by the

3 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's presentation.

As Per Our Attached Report Of Even Date  
For PHD & Associates  
Chartered Accountants  
Firm Registration No. 111236W

D. V. Vakharia  
Partner  
Membership No. 46115

Place : Mumbai  
Date : 30 May 2012

For and on behalf of the Board of Directors

U. J. Sanghavi  
Managing Director

T. J. Sanghavi  
Executive Director

R. J. Sanghavi  
Chairman

M. M. Vora  
Director



**Auditor's Report on the Consolidated Financial Statements**

To the Board of Directors of  
Nikhil Adhesives Limited

We have audited the attached Consolidated Balance Sheet of **Nikhil Adhesives Limited** and its subsidiary (collectively referred to as "Group") as at **31 March 2012** and the Consolidated Profit and Loss Account and the Consolidated 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.

We have 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 for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements, as prescribed under the Companies (Accounting Standards), Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiary included in the Consolidated Financial Statements.

In our opinion and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2012;
- (b) in the case of the consolidated profit and loss account, of the **Profit** of the Group for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date

**For PHD & Associates**  
**Chartered Accountants**  
**Firm Registration No. 111236W**

**D. V. Vakharia**  
**Partner**  
**Membership No.: 46115**  
**Place: Mumbai**  
**Date : 30 May 2012.**

**Consolidated Balance Sheet as at 31 March 2012**

Particulars	Note No.	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders Funds</b>			
(a) Share Capital	2	39,049,603	39,049,603
(b) Reserves and Surplus	3	95,791,958	91,668,415
		<b>134,841,561</b>	<b>130,718,018</b>
<b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings	4	108,428,593	19,641,807
(b) Deferred Tax Liabilities (Net)	5	8,714,253	10,054,847
(c) Other Long-Term Liabilities	6	558,484	246,821
(d) Long-Term Provisions	7	1,510,738	1,163,818
		<b>119,212,068</b>	<b>31,107,293</b>
<b>Current liabilities</b>			
(a) Short-Term Borrowings	8	146,080,283	128,901,929
(b) Trade Payables	9	338,100,014	258,510,644
(c) Other Current Liabilities	10	59,051,731	44,583,866
(d) Short-Term Provisions	11	7,801,222	12,222,506
		<b>551,033,250</b>	<b>444,218,945</b>
<b>Total</b>		<b>805,086,879</b>	<b>606,044,256</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible Assets		86,302,775	96,066,294
(ii) Capital work-in-progress		110,094,556	1,530,000
		196,397,331	97,596,294
(b) Non-Current Investments	13	36,000	36,000
(c) Long-Term Loans and Advances	14	12,519,965	11,211,199
(d) Other Non-Current Assets	15	17,869,462	295,065
		<b>226,822,758</b>	<b>109,138,558</b>
<b>Current Assets</b>			
(a) Inventories	16	151,326,617	191,410,435
(b) Trade Receivables	17	344,024,645	237,420,144
(c) Cash and Bank Balances	18	18,076,884	26,333,542
(d) Short-Term Loans and Advances	19	64,423,348	41,640,382
(e) Other Current Assets	20	412,627	101,195
		<b>573,264,121</b>	<b>496,905,698</b>
<b>Total</b>		<b>805,086,879</b>	<b>606,044,256</b>
<b>Significant Accounting Policies</b> The accompanying notes are an integral part of the financial statements.	1		

As per our attached report of even date

For PHD & Associates

Chartered Accountants

Firm Registration No. 111236W

D. V. Vakharia  
Partner

Membership No. 46115

Place : Mumbai

Date : 30 May 2012

For and on behalf of the Board of Directors

U. J. Sanghavi  
Managing Director

R. J. Sanghavi  
Chairman

T. J. Sanghavi  
Executive Director

M. M. Vora  
Director

## Consolidated Statement of Profit and Loss for the year ended 31 March 2012

Particulars	Note No.	For the Year Ended 31 March 2012 ₹	For the Year Ended 31 March 2011 ₹
Revenue from Operations	21	1,815,504,820	1,435,121,414
Less: Excise Duty	21	151,156,384	131,516,404
		1,664,348,436	1,303,605,010
Other Income	22	973,387	4,226,446
<b>Total Revenue</b>		<b>1,665,321,823</b>	<b>1,307,831,456</b>
<b>Expenses :</b>			
(a) Cost of Materials Consumed	23	881,943,604	774,802,218
(b) Purchases of Stock-in-Trade	24	538,754,842	383,163,113
(c) Changes in Inventories of Finished goods and Stock-in-Trade	25	32,246,793	(40,739,482)
(d) Employee Benefit Expenses	26	38,300,363	31,833,907
(e) Finance Costs	27	22,326,593	26,272,764
(f) Depreciation and Amortization Expense	12	11,561,651	11,188,007
(g) Other Expenses	28	91,060,116	89,321,437
<b>Total Expenses</b>		<b>1,616,194,112</b>	<b>1,275,841,964</b>
<b>Profit Before Exceptional items and Tax</b>		<b>49,127,711</b>	<b>31,989,491</b>
Exceptional Items	30	37,623,920	(5,582,349)
<b>Profit Before Tax</b>		<b>11,503,791</b>	<b>37,571,841</b>
<b>Tax Expense:</b>			
(a) Current Tax		5,100,000	13,800,000
(b) Deferred Tax		(1,340,595)	(895,979)
		3,759,405	12,904,021
<b>Profit for the Year</b>		<b>7,744,386</b>	<b>24,667,820</b>
<b>Earnings per equity share of Nominal Value of ₹ 10/- each</b>			
(a) Basic	39	1.99	6.34
(b) Diluted	39	1.99	6.34
<b>Significant Accounting Policies</b>	1		
<b>The accompanying notes are an intergral part of the financial statements</b>			
As per our attached report of even date For PHD & Associates Chartered Accountants Firm Registration No. 111236W		For and on behalf of the Board of Directors	
D. V. Vakharia Partner Membership No. 46115		U. J. Sanghavi Managing Director	T. J. Sanghavi Executive Director
Place : Mumbai Date : 30 May 2012		R. J. Sanghavi Chairman	M. M. Vora Director

**Notes forming part of the Consolidated Financial Statements**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting and preparation of financial statements**

The financial statements have been prepared on a going concern and on accrual basis, under the historical cost convention and in accordance with the generally accepted accounting principles, the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and relevant provisions of the Companies Act 1956, to the extent applicable.

**(b) Principles of consolidation**

The consolidated financial statements relate to Nikhil Adhesives Limited (the company) and its subsidiary (together 'the group'). The Consolidated Financial Statements have been prepared on the following basis:

- 1 The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - Consolidated Financial Statements'.
- 2 The Consolidated Financial Statements are based on the audited financial statements of the company & its subsidiary companies for the year ended 31 March 2012.
- 3 The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the holding company's financial statements.
- 4 The Financial Statement of the holding company and its subsidiaries have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. On consolidation all intra company balances and transactions have been eliminated as far as possible.
- 5 The subsidiaries considered in the preparation of these financial statements and the shareholding of the holding company in them are as follows:

Particulars	Sanghavi Logistics Private Limited
Country of Incorporation	India
% of ownership interest as at 31 March 2012	100%
Period included in consolidation	01/04/2011 to 31/03/2012

**(c) Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumption that affect the reported amount of assets, liabilities, revenues & expenses and disclosure of contingent assets & liabilities. The estimates & assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements. Actual results may defer from the estimates & assumptions used in preparing the accompanying Financial Statements. Any differences of actual results to such estimates are recognised in the year in which the results are known / materialised.

**(d) Presentation and disclosure in financial statements**

For the year ended 31 March 2012, the Revised schedule VI notified under Companies Act, 1956 is applicable to the Group for presentation and disclosures in financial statements.

**(e) Revenue Recognition**

- 1 Sales are accounted Net of excise duty and VAT/Sales tax collected from customers
- 2 Sales include goods sold on High Seas / Bond Transfer basis.
- 3 Income from services are accounted Net of service tax collected from customers.
- 4 Interest income is recognised on accrual basis.
- 5 Dividend income is recognised when the right to receive payment is established.
- 6 In respect of other heads of income, the Group accounts the same on accrual basis.

**(f) 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.

**(g) Fixed Assets and Depreciation**

- 1 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.
- 2 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. Cost of the leasehold land is amortised over the primary period of the lease

**(h) 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.

**(i) Capital Work-in-progress**

Projects under Commissioning are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**(j) 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. Finished goods include appropriate portion of overheads.

**(k) Investments**

Non-Current Investments are carried at cost. Provision for diminution in the value of Non-Current Investments is made only if such a decline is other than temporary in the opinion of the management.

Current Investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

**(l) Borrowing Costs**

Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are included to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are charged to revenue.

**(m) 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.

**(n) 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.

**(o) Foreign Currency Transactions**

- 1 Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss of the year
- 2 Foreign currency monetary items of the Company are restated in the accounts on the basis of the exchange rates prevailing at the close of the year.
- 3 As per the notification dt. 29-12-2011 on "Accounting Standard (AS) 11" relating to "The Effects of Changes in Foreign Exchange Rates" the Company has exercised the option of adding the exchange difference, arising out of fluctuation in exchange rates on period end, to the cost of the Fixed asset and shall be amortised over the balance life of the asset.

**(p) Employees Retirement Benefits****1 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.

**2 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

**3 Compensated Leave**

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

**(q) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the year).

**Deferred Taxation**

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

**(r) Impairment of Assets**

The Carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

**(s) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

Notes forming part of the Consolidated Financial Statements

NOTE 2 SHARE CAPITAL

Particulars	As at 31 March 2012	As at 31 March 2011
	₹	₹
<b>Authorised</b>		
4,950,000 (4,950,000) Equity shares of ₹10/- each	49,500,000	49,500,000
50,000 (50,000) 8% Preference shares of ₹10/- each	500,000	500,000
<b>Issued</b>		
3,894,300 (3,894,300) Equity shares of ₹10/- each	38,943,000	38,943,000
<b>Subscribed and fully paid up</b>		
3,894,300 (3,894,300) Equity shares of ₹10/- each fully paid up	38,943,000	38,943,000
Add : Forfeited Shares Account	106,603	106,603
<b>Total</b>	<b>39,049,603</b>	<b>39,049,603</b>

(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	3,894,300	38,943,000	3,894,300	38,943,000
Outstanding at the end of the year	3,894,300	38,943,000	3,894,300	38,943,000

(b) The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of shareholders holding more than 5% shares in the company :

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity shares of ₹10/- each fully paid :</b>				
Ashok J. Sanghavi	455,180	11.69	455,180	11.69
Vasantben J. Snaghavi	246,960	6.34	246,960	6.34
Mrunalini R. Sanghavi	216,780	5.57	216,780	5.57
Rekha T. Sanghavi	226,440	5.82	226,440	5.82
Vasant Polymers & Chemicals Private Limited	302,000	7.76	302,000	7.76

(d) Details of forfeited shares :

Class of shares	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
Equity Shares	21,320	106,603	21,320	106,603

## Notes forming part of the Consolidated Financial Statements

## NOTE 3 RESERVES AND SURPLUS

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Capital Reserve</b>		
Opening Balance	400,000	400,000
Closing Balance	<b>400,000</b>	<b>400,000</b>
<b>Securities Premium Account</b>		
Opening Balance	12,800,000	12,800,000
Closing Balance	<b>12,800,000</b>	<b>12,800,000</b>
<b>General Reserve</b>		
Opening Balance	63,512,415	46,012,415
Add: Transferred during the year	775,000	17,500,000
Closing Balance	<b>64,287,415</b>	<b>63,512,415</b>
<b>Surplus balance in Statement of Profit and Loss</b>		
Opening balance	14,956,000	13,213,843
Add: Profit for the year	7,744,386	24,667,820
Less: <u>Appropriations</u>		
Proposed dividend (Refer Note 32)	3,115,440	4,673,160
Dividend tax	505,403	752,503
Transfer to General Reserve	775,000	17,500,000
Closing Balance	<b>18,304,543</b>	<b>14,956,000</b>
<b>Total</b>	<b>95,791,958</b>	<b>91,668,415</b>



**Notes forming part of the Consolidated Financial Statements**
**NOTE 4 LONG-TERM BORROWINGS**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Secured (Refer (a), (c) and (d) below):</b>		
<b>Term loans</b>		
From banks	94,061,120	7,964,300
<b>Vehicle Finance</b>		
From banks	426,717	676,269
	<b>94,487,837</b>	<b>8,640,569</b>
<b>Unsecured (Refer (b), (c) and (d) below):</b>		
<b>Deferred payment liabilities</b>		
Sales Tax Deferral	2,910,888	3,365,238
<b>Deposits</b>		
From Public	11,029,868	7,636,000
	<b>13,940,756</b>	<b>11,001,238</b>
<b>Total</b>	<b>108,428,593</b>	<b>19,641,807</b>

**(a) Details of security and terms of repayment for the secured long term borrowings:**

Particulars	Security and terms of repayment as at 31 March 2012	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Term loans from Banks:</b>			
<b>Bank of India :</b>			
1) Term Loan II	(a) Secured against hypothecation of the plant & machineries & equitable mortgage of factory blocks.  (b) Principle amount to be repayable in 7 monthly installments, last installment being due in October 2012.  (c) The range of rate of Interest is 13.50%p.a to 14.50% p.a	-	1,962,700
2) Term Loan III	(a) Secured against hypothecation of the plant & machineries & equitable mortgage of factory blocks.  (b) Principle amount to be repayable in 36 monthly installments, last installment being due in March 2015.  (c) The range of rate of Interest is 13.50%p.a to 14.50% p.a	4,002,400	6,001,600
<b>Shandard Chartered Bank :</b>			
<b>External Commercial Borrowing (ECB)</b>			
	(a) Secured against first charge on present and future movable and immovable fixed assets of the plant at Dahej  (b) Principle amount to be repayable in 17 quarterly installments beginning from January 2013 and last installment falling due in January 2017  (c) Rate of Interest is LIBOR + 350 bppa	90,058,720	
<b>Total</b>		<b>94,061,120</b>	<b>7,964,300</b>

<b>Vehicle Finance</b>			
Bank of India	(a) Secured against hypothecation of the vehicle financed. (b) Repayable in 4 monthly installments, last installment being due in July 2012. (c) Rate of Interest is 11.25%	-	44,234
HDFC Bank	(a) Secured against hypothecation of the vehicle financed. (b) Repayable in 35 monthly installments, last installment being due in January 2015. (c) Rate of Interest is 8.53%	426,717	632,035
<b>Total</b>		<b>426,717</b>	<b>676,269</b>

(b) Terms of repayment for the unsecured long term borrowings:

Particulars	Security and terms of repayment	As at	As at
		31 March 2012	31 March 2011
		₹	₹
<b>Sales Tax Deferral</b>	Sales tax collected under Package scheme of Incentives are payable in 5 to 6 yearly installments after 10 to 12 years from the year of collection.	2,910,888	3,365,238
<b>Total</b>		<b>2,910,888</b>	<b>3,365,238</b>
<b>Fixed Deposits from Public</b>	(a) Range of rate of interest is 11% to 12% p.a. (b) Repayment tenure varies from 1-3 years	11,029,868	7,636,000
<b>Total</b>		<b>11,029,868</b>	<b>7,636,000</b>

(c) Secured long term borrowings of ₹9,40,61,120/- (Previous year ₹79,64,300/-) are personally guaranteed by some of the directors of the Company

(d) Current maturity of Term Loans/Public Deposits and Vehicle Finance from Banks amounting to ₹1,10,85,438 /- (Previous Year ₹1,07,67,094/-) is disclosed under 'Other Current Liabilities' (Refer Note 10).

**NOTE 5 DEFERRED TAX LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Tax effect of items constituting deferred tax liability :</b>		
On difference between book balance and tax balance of fixed assets	7,369,818	8,631,272
Deferred Sales Tax liability accounted in Books of Accounts on discounted present value basis which is considered for taxation purpose for tax value	2,049,232	1,992,380
	<b>9,419,050</b>	<b>10,623,652</b>
<b>Tax effect of items constituting deferred tax assets :</b>		
Expenses incurred during the year allowable as deduction in income tax in subsequent years	(704,797)	(568,805)
	<b>(704,797)</b>	<b>(568,805)</b>
<b>Total</b>	<b>8,714,253</b>	<b>10,054,847</b>

**Notes forming part of the Consolidated Financial Statements**
**NOTE 6 OTHER LONG TERM LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Interest accrued but not due on Public Deposits	558,484	246,821
<b>Total</b>	<b>558,484</b>	<b>246,821</b>

**NOTE 7 LONG- TERM PROVISIONS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Provision for employee benefits (Refer Note 41)</b> Gratuity (Non funded)	1,510,738	1,163,818
<b>Total</b>	<b>1,510,738</b>	<b>1,163,818</b>

**NOTE 8 SHORT-TERM BORROWINGS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Secured (Refer (a) and (b) below) :</b>		
<b>Loans repayable on demand</b>		
Cash Credit from Banks	84,889,760	98,901,929
	<b>84,889,760</b>	<b>98,901,929</b>
<b>Unsecured</b>		
<b>Loans repayable on demand</b>		
From Bank	13,646,569	-
From other parties	39,900,000	30,000,000
<b>Loans and advances from a related party</b>	7,643,954	-
	<b>61,190,523</b>	<b>30,000,000</b>
<b>Total</b>	<b>146,080,283</b>	<b>128,901,929</b>

(a) Particulars of security for the secured short-term borrowings:

Particulars	Nature of security	As at	As at
		31 March 2012	31 March 2011
		₹	₹
<b>Loans repayable on demand</b>			
Cash Credit from Banks :			
1) Bank of India	a) The facilities from the consortium banks viz. Bank of India, Standard Chartered Bank 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 they are collaterally secured against equitable mortgage of factory blocks at Dahanu.	64,516,764	60,253,617
2) Standard Chartered Bank		20,372,996	8,799,004
3) Barclays Bank		-	29,849,308
<b>Total</b>		<b>84,889,760</b>	<b>98,901,929</b>

(b) Secured short term borrowings of ₹ 8,48,89,760/- (Previous year ₹ 9,89,01,929/-) are personally guaranteed by some of the promoter directors and others 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.

Notes forming part of the Consolidated Financial Statements

**NOTE 9 TRADE PAYABLES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Trade Payables (Refer Note 44)	338,100,014	258,510,644
<b>Total</b>	<b>338,100,014</b>	<b>258,510,644</b>

**NOTE 10 OTHER CURRENT LIABILITIES**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Current maturities of Long term debt (Refer Note 4)	11,085,438	10,767,094
Interest accrued but not due on Public Deposits	135,500	249,254
Unclaimed dividend	650,301	604,835
Liabilities for expenses	32,854,460	23,032,692
Advances from customers	4,585,056	409,285
Security deposits	1,943,617	1,942,266
Statutory dues	4,066,046	3,046,792
Other payables	3,731,313	4,531,648
<b>Total</b>	<b>59,051,731</b>	<b>44,583,866</b>

There are no amounts due and outstanding to be paid the Investors Educations and Protection fund as at 31 March 2012.

**NOTE 11 SHORT TERM PROVISIONS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Provision for employee benefits (Refer Note 41)</b>		
Gratuity (Non funded)	661,545	509,631
Proposed dividend (Refer Note 32)	3,115,440	4,673,160
Distribution Tax on dividend	499,801	752,503
Provision for Taxation (Net of Advance tax)	3,524,436	6,287,212
<b>Total</b>	<b>7,801,222</b>	<b>12,222,506</b>

Notes forming part of the Consolidated Financial Statements

NOTE 12 FIXED ASSETS

Fixed Assets	Gross Block				Accumulated Depreciation/Amortisation			Net Block	
	As at 1 April 2011	Additions	Deductions	As at 31 March 2012	As at 1 April 2011	For the Year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
	(Amount in ₹)								
<b>Tangible Assets</b>									
<b>Own Assets:</b>									
Land	2,130,744	-	-	2,130,744	-	-	-	2,130,744	2,130,744
Buildings	22,423,974	74,668	-	22,498,642	5,229,572	749,994	5,979,566	16,519,076	17,194,402
Plant & Equipment	109,365,499	1,278,525	-	110,644,024	50,592,448	9,432,221	60,024,669	50,619,355	58,773,051
Furniture and Fixtures	3,847,561	51,000	-	3,898,561	1,066,470	242,221	1,308,691	2,589,870	2,781,091
Vehicles	4,447,269	48,000	-	4,495,269	1,336,862	419,936	1,756,798	2,738,471	3,110,407
Computers	5,116,928	345,928	-	5,462,856	3,662,148	608,880	4,271,028	1,191,828	1,454,780
<b>Assets under Lease:</b>									
Land	10,730,204	-	-	10,730,204	108,385	108,388	216,773	10,513,431	10,621,819
<b>Total</b>	<b>158,062,179</b>	<b>1,798,121</b>	<b>-</b>	<b>159,860,300</b>	<b>61,995,885</b>	<b>11,561,640</b>	<b>73,557,525</b>	<b>86,302,775</b>	<b>96,066,294</b>
Previous Year	140,152,103	17,910,076	-	158,062,179	50,807,878	11,188,007	61,995,885	96,066,294	89,344,225
<b>Intangible Assets</b>									
<b>Own Assets:</b>									
Goodwill	650,000	-	-	650,000	650,000	-	650,000	-	-
Trademarks	1,098,500	-	-	1,098,500	1,098,500	-	1,098,500	-	-
Technical Know How	3,075,000	-	-	3,075,000	3,075,000	-	3,075,000	-	-
MDC Logo	3,500,000	-	-	3,500,000	3,500,000	-	3,500,000	-	-
No Compete Agreement	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	-	-
<b>Total</b>	<b>9,323,500</b>	<b>-</b>	<b>-</b>	<b>9,323,500</b>	<b>9,323,500</b>	<b>-</b>	<b>9,323,500</b>	<b>-</b>	<b>-</b>
Previous Year	9,323,500	-	-	9,323,500	9,323,500	-	9,323,500	-	-
<b>Capital Work In Progress</b>									
Total	1,530,000	108,564,556	-	110,094,556	-	-	-	110,094,556	1,530,000
Previous Year	-	1,530,000	-	1,530,000	-	-	-	1,530,000	-

Notes forming part of the Consolidated Financial Statements

**NOTE 13 NON-CURRENT INVESTMENTS**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Investments (At cost less provision for other than temporary diminution, if any):		
<b>Trade (quoted)</b>		
<b>Investment in equity shares, fully paid up :</b>		
800 (800) Equity Shares of Bank of India of ₹10/- each	36,000	36,000
<b>Total</b>	<b>36,000</b>	<b>36,000</b>
Aggregate amount of quoted investments	36,000	36,000
Aggregate market value of quoted investments	288,800	286,860

**NOTE 14 LONG TERM LOANS AND ADVANCES**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Unsecured, considered good :</b>		
Capital Advances	4,792,470	5,425,000
Security Deposits	4,994,990	4,528,990
Advance Income tax (Net of Provisions)	846,760	904,569
Other loans and advances	1,885,745	352,640
<b>Total</b>	<b>12,519,965</b>	<b>11,211,199</b>

**NOTE 15 OTHER NON CURRENT ASSETS**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Balances with banks :</b>		
Term deposits with more than twelve months maturity	17,696,787	220,485
Interest accrued on Term deposits with banks	172,675	74,580
<b>Total</b>	<b>17,869,462</b>	<b>295,065</b>
The above Term deposits are pledged with banks against Loans, Letter of Credit facilities and Bank Guarantees.		

Notes forming part of the Consolidated Financial Statements

**NOTE 16 INVENTORIES**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
(At lower of cost and Net realisable value)		
Raw Materials and components	97,703,927	106,499,668
Packing Material	5,018,165	3,827,019
Finished goods	22,102,651	21,951,007
Trading Goods	26,220,340	58,802,527
Unused Promotional Material	150,000	-
Fuels	131,534	330,214
<b>Total</b>	<b>151,326,617</b>	<b>191,410,435</b>

**NOTE 17 TRADE RECEIVABLES**

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>Unsecured, considered good :</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	5,094,003	3,090,330
Other Trade receivables	338,930,642	234,329,814
<b>Total</b>	<b>344,024,645</b>	<b>237,420,144</b>

## Notes forming part of the Consolidated Financial Statements

## NOTE 18 CASH AND BANK BALANCES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	2,262,779	6,099,388
Term deposits with less than three months maturity	6,105,641	6,094,329
Cash on hand	134,347	134,709
<b>Total</b>	<b>8,502,767</b>	<b>12,328,426</b>
<b>Other bank balances</b>		
Term deposits with more than three months maturity but due within one year from the reporting date	9,574,267	14,005,116
<b>Total</b>	<b>9,574,267</b>	<b>14,005,116</b>

The above Term deposits are pledged with banks against Loans, Letter of Credit facilities and Bank Guarantees.

## NOTE 19 SHORT-TERM LOANS AND ADVANCES

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Unsecured, considered good :</b>		
Advance to Suppliers	5,543,081	5,837,493
Central Excise Balance	51,621,477	31,926,093
Prepaid Expenses	4,494,686	2,058,317
Advances recoverable in cash or in kind	2,764,104	1,818,479
<b>Total</b>	<b>64,423,348</b>	<b>41,640,382</b>

## NOTE 20 OTHER CURRENT ASSETS

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
Interest accrued on Term deposits with banks	412,627	101,195
<b>Total</b>	<b>412,627</b>	<b>101,195</b>



Notes forming part of the Consolidated Financial Statements

**NOTE 21 REVENUE FROM OPERATIONS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Sale of products :</b>		
(a) <u>Manufactured goods</u>		
Adhesives and Emulsions	1,200,084,883	1,042,691,162
(b) <u>Traded goods</u>		
Chemicals	600,088,538	378,101,364
	<b>1,800,173,421</b>	<b>1,420,792,526</b>
<b>Other operating revenues :</b>		
(a) Labour Charges income	14,904,700	13,858,840
(b) Bad debts recovered	266,699	290,629
(c) Miscellaneous income	160,000	179,419
	<b>15,331,399</b>	<b>14,328,888</b>
<b>Revenue from operations (Gross)</b>	<b>1,815,504,820</b>	<b>1,435,121,414</b>
Less : Excise duty	151,156,384	131,516,404
<b>Revenue from operations (Net)</b>	<b>1,664,348,436</b>	<b>1,303,605,010</b>

**NOTE 22 OTHER INCOME**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Interest income	54,573	47,893
Dividend income : from non-current investments	5,600	5,600
Other non-operating income :		
(a) Sundry balances written back	788,173	2,983,532
(b) Insurance claims	-	772,496
(c) Sundry income	125,041	416,925
<b>Total</b>	<b>973,387</b>	<b>4,226,446</b>

**Notes forming part of the Consolidated Financial Statements**
**NOTE 23 COST OF MATERIALS CONSUMED**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Raw Materials consumed (Refer details given below)</b>		
Opening stock	106,499,668	64,840,329
Add : Purchases	817,674,044	767,694,892
	924,173,712	832,535,221
Less : Closing stock	97,703,927	106,499,668
	<b>826,469,785</b>	<b>726,035,553</b>
<b>Packing Materials consumed</b>		
Opening stock	3,827,019	2,756,962
Add : Purchases	56,664,965	49,836,722
	60,491,984	52,593,684
Less : Closing stock	5,018,165	3,827,019
	<b>55,473,819</b>	<b>48,766,665</b>
<b>Total</b>	<b>881,943,604</b>	<b>774,802,218</b>

## Details of Raw Materials consumed :

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Vinyl Acetate Monomer	159,352,319	133,338,556
Butyl Acetate Monomer	290,280,263	257,876,476
Other chemicals	376,837,204	334,820,521
<b>Total</b>	<b>826,469,786</b>	<b>726,035,553</b>

**NOTE 24 PURCHASE OF TRADED GOODS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Traded Goods</b>		
Vinyl Acetate Monomer	95,569,020	54,489,435
Styrene Monomer	18,076,349	8,377,453
Other chemicals	425,109,473	320,296,225
<b>Total</b>	<b>538,754,842</b>	<b>383,163,113</b>

**NOTE 25 CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-TRADE**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
<b>Opening Stock</b>		
(a) <u>Finished goods</u>		
Adhesives & Emulsions	21,951,007	21,433,850
(b) <u>Stock-in-trade</u>		
Chemicals	58,802,527	18,564,026
	<b>80,753,534</b>	<b>39,997,876</b>
<b>Less : Closing Stock</b>		
(a) <u>Finished goods</u>		
Adhesives & Emulsions	22,102,651	21,951,007
(b) <u>Stock-in-trade</u>		
Chemicals	26,220,340	58,802,527
	<b>48,322,991</b>	<b>80,753,534</b>
Changes in Inventories	32,430,543	(40,755,658)
Increase/(Decrease) in Excise duty on Finished goods	(183,750)	16,176
<b>Total</b>	<b>32,246,793</b>	<b>(40,739,482)</b>

Notes forming part of the Consolidated Financial Statements

**NOTE 26 EMPLOYEE BENEFIT EXPENSES**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Salaries and wages	34,727,332	28,687,014
Contributions to Provident and other Funds	2,572,606	2,070,853
Staff welfare expenses	1,000,425	1,076,040
<b>Total</b>	<b>38,300,363</b>	<b>31,833,907</b>

**NOTE 27 FINANCE COSTS**

Particulars	For the year ended 31 March 2012 ₹	For the year ended 31 March 2011 ₹
Interest expense	13,461,798	19,552,221
Other borrowing costs	11,117,675	7,831,946
	24,579,473	27,384,167
Less :		
Interest received (Gross)	2,252,880	1,111,403
<b>Total</b>	<b>22,326,593</b>	<b>26,272,764</b>

Notes forming part of the Consolidated Financial Statements

**NOTE 28 OTHER EXPENSES**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Stores and spares consumed	2,508,629	2,150,470
Power and fuel	15,635,410	13,778,907
Labour charges	1,619,195	1,859,117
Rent	3,310,848	3,555,633
Repairs and Maintenance :		
Plant & Machinery	904,062	815,772
Building	81,485	92,960
Others	395,763	408,543
Printing and Stationery	839,833	805,063
Insurance	737,388	769,870
Storage charges expenses (Net)	2,694,941	2,266,527
Telephone expenses	2,162,940	2,037,129
Travelling and Conveyance expenses	6,961,514	7,175,101
Service charges	117,483	1,007,980
Legal and Professional charges (Refer Note 29 below)	2,482,914	3,123,624
Sales promotion expenses	3,520,177	4,558,904
Transportation and Octroi charges	27,870,359	29,691,939
Brokerage and Commission	2,959,319	2,289,235
Bad debts	496,427	3,777,820
Discounts/Rebates (Net)	12,675,529	6,282,183
Directors sitting fees	97,500	82,500
Miscellaneous expenses	2,978,400	2,792,160
<b>Total</b>	<b>91,060,116</b>	<b>89,321,437</b>

**NOTE 29 REMUNERATION TO AUDITORS**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Legal and Professional charges includes payments to the auditors towards :		
Audit fees*	278,000	253,000
Other services*	50,000	127,500
<b>Total</b>	<b>328,000</b>	<b>380,500</b>

\* Excluding Service Tax

**NOTE 30 EXCEPTIONAL ITEMS**

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	₹	₹
Net Foreign currency translation loss/(Gain) (Refer Note 33)	37,623,920	(5,582,349)
<b>Total</b>	<b>37,623,920</b>	<b>(5,582,349)</b>

**Notes forming part of the Consolidated Financial Statements**
**NOTE 31 : CONTINGENT LIABILITIES AND COMMITMENTS**

Particulars	As at	As at
	31 March 2012	31 March 2011
	₹	₹
<b>Contingent Liabilities :</b>		
Claims against the Company not acknowledged as debts	NIL	NIL
Guarantees given by the Company's Banker on behalf of the Company	1,552,950	NIL

**NOTE 32 :** Dividends proposed to be distributed to equity shareholders is ₹ 0. 80 per share (Previous Year ₹ 1.20 per share).

**NOTE 33 :** Loss/Gain on account of Foreign currency translation (Net) has been treated as an exceptional item, since the same has resulted from exceptionally volatile global market developments during the reporting periods.

**NOTE 34 :** Pursuant to Notification no. G.S.R.(914)E dated 29th December 2011, issued by MCA, from the current financial year, the Company has opted to adjust exchange differences arising on reporting of long term foreign currency monetary items, in so far as they relate to the acquisition of depreciable assets, against the cost of such assets and depreciate the said adjustment over the balance life of the asset. Had the option not been exercised, the difference amounting to ₹ 19,40,120/- on long term foreign currency monetary items relating to depreciable assets would have been charged to Profit and Loss Account and Capital Work in Progress would have been lesser to that extent.

**NOTE 35 CIF VALUE OF IMPORTS**

Particulars	For the year ended	For the year ended
	31 March 2012	31 March 2011
	₹	₹
Materials (for Manufacturing & Trading)	620,256,617	537,636,041

**NOTE 36 EXPENDITURE IN FOREIGN CURRENCY**

Particulars	For the year ended	For the year ended
	31 March 2012	31 March 2011
	₹	₹
Travelling	-	153,120

**NOTE 37 VALUE OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS**

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	₹	%	₹	%
<b>Raw Materials :</b>				
Imported	719,933,229	87	525,048,426	72
Indigenous	106,536,556	13	200,987,127	28
<b>Total</b>	<b>826,469,785</b>	<b>100</b>	<b>726,035,553</b>	<b>100</b>
<b>Spare parts and components :</b>				
Indigenous	2,508,629	100	2,150,470	100

**NOTE 38 EARNINGS IN FOREIGN CURRENCY**

Particulars	For the year ended	For the year ended
	31 March 2012	31 March 2011
	₹	₹
FOB value of exports	2,521,003	2,549,510
Commission	-	35,419
<b>Total</b>	<b>2,521,003</b>	<b>2,584,929</b>

**NOTE 39 EARNINGS PER SHARE**

Particulars	For the year ended	For the year ended
	31 March 2012	31 March 2011
	₹	₹
Nominal Value of Equity shares	10	10
Net profit after tax available to the Equity shareholders	7,747,536	24,670,820
Weighted average number of Equity shares	3,894,300	3,894,300
Basic and Diluted Earnings per share	1.99	6.34

**Notes forming part of the Consolidated Financial Statements**

**NOTE 40 DETAILS OF LEASING ARRANGEMENTS**

Operating Lease: As a Lessee

The company has entered into a cancellable operating leases. These lease arrangements are normally renewable on expiry. The lease arrangement can be cancelled either at the option of lessor giving notice for the period ranging from two months to three months. Lease payments amounting to ₹3,310,848/- (Previous year ₹3,555,633/-) are included in rental expenditure in the Statement of Profit and Loss during the current year.

**NOTE 41 EMPLOYEE BENEFIT PLANS**

(a) Defined Contribution Plans:

The amount recognised as expense in respect of Defined Contribution Plans (Contribution to Provident Fund) aggregate to ₹ 20,17,993/- (Previous year ₹ 16,71,858/-).

(b) 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. The following table summarises the components of the employee benefit expenses recognised in the Profit & Loss account and the amount recognised in the Balance sheet for the gratuity provision made under actuarial method.

**Statement of Profit and Loss**

Net employee benefit expenses recognised in Employee Benefit Expenses (Note No 26)

Particulars	(Amount in ₹)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Components of employer expense</b>		
Current Service cost	299,491	277,384
Interest cost	138,060	131,149
Expected return on plan assets	-	-
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Past Service Cost	-	-
Actuarial Losses/(Gains)	249,381	(97,060)
<b>Total expense recognised in the Statement of Profit &amp; Loss</b>	<b>686,932</b>	<b>311,473</b>

**Balance Sheet**

Details of provision for gratuity

Net asset/(liability) recognised in balance sheet	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Present value of Defined Benefit Obligation	2,172,283	1,673,449
Fair value of plan assets	-	-
Funded status [Surplus/(Deficit)]	(2,172,283)	(1,673,449)
Unrecognised Past Service Costs	-	-
<b>Net asset/(liability) recognised in balance sheet</b>	<b>(2,172,283)</b>	<b>(1,673,449)</b>

Change in Defined Benefit Obligations (DBO) during the year ended	For the year ended	
	31 March 2012	31 March 2011
Present Value of DBO at beginning of period	1,673,449	1,361,976
Current Service cost	299,491	277,384
Interest cost	138,060	131,149
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Plan amendments	-	-
Acquisitions	-	-
Actuarial (gains)/ losses	249,381	(97,060)
Past Service Cost	-	-
Benefits paid	(188,098)	-
<b>Present Value of DBO at the end of period</b>	<b>2,172,283</b>	<b>1,673,449</b>

**Principal actuarial assumptions as at the balance sheet date :**

Particulars	As at 31 March 2012	As at 31 March 2011
Discount Rate	8.75%	8.25%
Salary escalation	5%	5%
Attrition Rate	2%	2%

## Notes forming part of the Consolidated Financial Statements

## NOTE 42 SEGMENTS REPORTING

## (a) Information about Business Segments for the Year Ended 31 March 2012

(Amount in ₹)

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
<b>Revenue</b>			
Sales/Income From Operations	1,064,099,898	600,248,538	1,664,348,436
Inter-Segment Sales	-	-	-
<b>Total Revenue</b>	<b>1,064,099,898</b>	<b>600,248,538</b>	<b>1,664,348,436</b>
<b>Result</b>			
Segment Result	30,417,801	17,512,137	47,929,938
Unallocated Corporate Expenses(Net)			14,099,404
Operating Profit			33,830,534
Interest Expense(Net)			22,326,593
Income Taxes(including deferred tax)			3,759,405
Profit From Ordinary Activities			7,744,386
Extraordinary Items			-
<b>Net Profit</b>			<b>7,744,386</b>
<b>Other Informations</b>			
Segment Assets	549,753,009	255,198,020	804,951,029
Unallocated Corporate Assets			135,850
<b>Total Assets</b>			<b>805,086,879</b>
Segment Liabilities	338,138,295	63,121,949	401,260,244
Unallocated Corporate Liabilities			268,985,074
<b>Total Liabilities</b>			<b>670,245,318</b>
Add: Share Capital And Reserves			134,841,561
<b>Total Capital &amp; Liabilities</b>			<b>805,086,879</b>
Capital Expenditure	1,469,162	328,959	
Work in Progress	11,094,556	-	
Depreciation	11,057,313	504,338	
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. 42(b)

## Notes forming part of the Consolidated Financial Statements

## NOTE 42 SEGMENTS REPORTING

## (b) Information about Business Segments for the Year Ended 31 March 2011

(Amount in ₹)

Particulars	Manufacturing of Adhesives & Emulsions	Trading in Chemicals	Total Rupees
<b>Revenue</b>			
Sales/Income From Operations	925,302,566	378,302,444	1,303,605,010
Inter-Segment Sales	-	-	-
<b>Total Revenue</b>	<b>925,302,566</b>	<b>378,302,444</b>	<b>1,303,605,010</b>
<b>Result</b>			
Segment Result	55,871,678	21,806,381	77,678,059
Unallocated Corporate Expenses(Net)			13,833,454
Operating Profit			63,844,605
Interest Expense(Net)			26,272,764
Income Taxes(including deferred tax)			12,904,021
Profit From Ordinary Activities			24,667,820
Extraordinary Items			-
<b>Net Profit</b>			<b>24,667,820</b>
<b>Other Informations</b>			
Segment Assets	430,007,658	175,900,598	605,908,256
Unallocated Corporate Assets			136,000
<b>Total Assets</b>			<b>606,044,256</b>
Segment Liabilities	231,740,782	66,523,201	298,263,983
Unallocated Corporate Liabilities			177,062,255
<b>Total Liabilities</b>			<b>475,326,238</b>
Add: Share Capital And Reserves			130,718,018
<b>Total Capital &amp; Liabilities</b>			<b>606,044,256</b>
Capital Expenditure	16,770,251	1,139,824	
Work in Progress	1,530,000	-	
Depreciation	10,727,689	460,318	
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 Group and there is no geographical segment having differing risk and returns.



**Notes forming part of the Consolidated Financial Statements**
**NOTE 43 RELATED PARTY DISCLOSURES**

The following details give the information pursuant to Accounting Standard - 18 " Related Party Disclosures"

**(a) Name of the Related Parties and Nature of Relationship**

Name	Nature of Relationship
Umesh J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Rajendra J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Tarak J. Sanghavi	Promoter Directors and Key Management Personnel (KMP)
Ashok J. Sanghavi	Promoter and Relative of Directors
Anita U. Sanghavi	Relative of Director
Mrunalini R. Sanghavi	Relative of Director
Rekha T. Sanghavi	Relative of Director
Nikhil U. Sanghavi	Relative of Director
Vasant Polymers & Chemicals Private Limited	A Company Significantly Influenced by relatives of KMP.
Zeki Software & Solutions Private Limited	A Company Significantly Influenced by relatives of KMP.

**(b) Details of Related Party transactions during the year ended 31 March 2012**
**(Amount in ₹)**

Particulars	Directors & Key Management Personnel	Relatives of Directors & Key Management Personnel	Enterprises that are significantly influenced by the Directors and/or their Relatives	Total
Remuneration paid	3,024,000	1,463,400	-	4,487,400
	(3,024,000)	(1,377,000)	(-)	(4,401,000)
Advance for Expense	-	-	-	-
	(-)	(-)	(500,000)	(500,000)
Loans Received	-	-	20,498,480	20,498,480
	(-)	(-)	(-)	(-)
Loans Repaid	-	-	12,854,526	12,854,526
	(-)	(-)	(-)	(-)
Service charges paid	-	-	-	-
	(-)	(-)	(843,753)	(843,753)
Rent Paid	-	-	240,000	240,000
	(-)	(-)	(240,000)	(240,000)
Sales	-	-	-	-
	(-)	(-)	(26,883,362)	(26,883,362)
Purchases	-	-	15,084,350	15,084,350
	(-)	(-)	(7,899,487)	(7,899,487)
Outstanding Credit/(Debit) Balance	-	-	7,643,954	7,643,954

Figures in brackets relates to the previous year

**Notes forming part of the Consolidated Financial Statements**

**NOTE 44 :** There are no amounts payable to any Micro, Small and Medium Enterprises as identified by the Management from the information available with the Company and relied by Auditors.

**NOTE 45 :** The accounts of the Trade Receivables and Trade Payables who have not responded to the Company's request for confirmation of balances, are subject to reconciliation, if any, required.

**NOTE 46 :** The Revised Schedule VI has become effective from 1 April 2011 for the presentation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been accordingly regrouped/reclassified, to correspond with the current year's classification/disclosure. This adoption does not impact recognition and measurement principles followed for preparation of financial statements as at 31 March 2011.

**NOTE 47 :** Figures have been rounded off to nearest rupees.

**As per our attached report of even date**

**For PHD & Associates**

**For and on behalf of the Board of Directors**

**Chartered Accountants  
Firm Registration No. 111236**

**U. J. Sanghavi  
Managing Director**

**T. J. Sanghavi  
Executive Director**

**D. V. Vakharia  
Partner  
Membership No. 46115**

**R. J. Sanghavi  
Chairman**

**M. M. Vora  
Director**

**Place : Mumbai  
Date : 30 May 2012**

Consolidated Cash Flow Statement for the year ended 31 March 2012

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	₹	₹	₹	₹
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before tax		11,503,791		37,571,841
<b>Adjustment for :</b>				
Depreciation and Amortisation	11,561,651		11,188,007	
Finance costs	22,326,743		26,272,764	
Interest income	(54,573)		(47,893)	
Dividend income	(5,600)		(5,600)	
Provision for gratuity	498,834		311,473	
Sales Tax Deferral	(454,353)		(534,327)	
Unrealised Foreign currency translation loss/gain (Net)	850,526		(3,602,524)	
		34,723,228		33,581,900
<b>Operating profit before working capital changes</b>		<b>46,227,019</b>		<b>71,153,741</b>
<b>Adjustments for :</b>				
Trade receivables	(106,604,501)		33,932,326	
Inventories	40,083,818		(83,354,582)	
Long term Loans and advances	(1,999,105)		(689,740)	
Short term Loans and advances	(22,782,966)		(10,860,570)	
Trade payables	78,738,844		95,002,033	
Other Current liabilities	(5,677,959)		10,524,865	
		(18,241,869)		44,554,332
<b>Cash generated from operations</b>		<b>27,985,150</b>		<b>115,708,073</b>
Direct Taxes paid (Net of refunds)		(7,804,967)		(15,908,736)
<b>Net cash flow from operating activities (A)</b>		<b>20,180,183</b>		<b>99,799,337</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed assets including Capital Work-in-Progress and Capital Advances	(87,848,805)		(25,024,621)	
Term deposits with banks with original maturity of more than three months - placed	(27,050,569)		(13,767,567)	
Term deposits with banks with original maturity of more than 3 months - matured	14,005,116		18,231,830	
Dividend income	5,600		5,600	
Interest income	54,573		47,893	
<b>Net cash flow used in investing activities (B)</b>		<b>(100,834,085)</b>		<b>(20,506,865)</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds / (Repayment) of long term borrowings (Net)	87,619,363		5,845,741	
Proceeds / (Repayment) of short term borrowings (Net)	17,178,354		(47,021,882)	
Finance costs	(22,538,361)		(25,807,679)	
Dividend paid (including distribution tax)	(5,431,263)		(5,449,314)	
<b>Net cash flow from / (used in) financing activities (C)</b>		<b>76,828,093</b>		<b>(72,433,134)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		<b>(3,825,809)</b>		<b>6,859,338</b>
Cash and cash equivalents at the beginning of the year		12,328,426		5,469,088
<b>Cash and cash equivalents at the end of the year</b>		<b>8,502,617</b>		<b>12,328,426</b>

**Notes:**

1 Cash and Cash Equivalents are as under:

Particulars	As at 31 March 2012	As at 31 March 2011
	₹	₹
Cash in hand	134,347	134,709
Balances with banks in current accounts	2,262,779	6,099,388
Term deposits with less than three months maturity	6,105,641	6,094,329
	<b>8,502,767</b>	

2 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard -3 on "Cash Flow Statements" issued by the

3 Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's presentation.

As Per Our Attached Report Of Even Date

For PHD & Associates

Chartered Accountants

Firm Registration No. 111236W

D. V. Vakharia

Partner

Membership No. 46115

Place : Mumbai

Date : 30 May 2012

For and on behalf of the Board of Director:

U. J. Sanghavi  
Managing Director

T. J. Sanghavi  
Executive Director

R. J. Sanghavi  
Chairman

M. M. Vora  
Director

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 Six Annual General Meeting of the Company at Shreeji Industrial Estate, Vadkun, College Road, Dahanu, Dist. Thane - 401 602. on Saturday 29<sup>th</sup> September 2012 at 11.00 a.m.

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 on my/our  
behalf at the Twenty Six Annual General Meeting of the Company at Shreeji Industrial Estate, Vadkun,  
College Road, Dahanu, Dist. Thane - 401 602 on Saturday 29<sup>th</sup> September, 2012 at 11.00 a.m.

Please  
Affix Re.1  
Revenue  
Stamp

\_\_\_\_\_ day of September, 2012 \_\_\_\_\_  
Signature

**Note:**

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

# BRANCHES

## TAMIL NADU

East Coast Chambers, "C", Mezzanine Floor,  
92- G. N. Chetty Road, T. Nagar, Chennai- 600 017.  
Tel.: 044 - 3091 3716  
hameedazeez@nikhiladhesives.com

## WEST BENGAL

214, Jodhpur Garden, Opp. South City Mall,  
Mezzanine Floor, Kolkata 700 045  
Ph 033 3292 1664 Fax: 033 2499 5438  
E-Mail: cksinha@nikhiladhesives.com

## RAJASTHAN

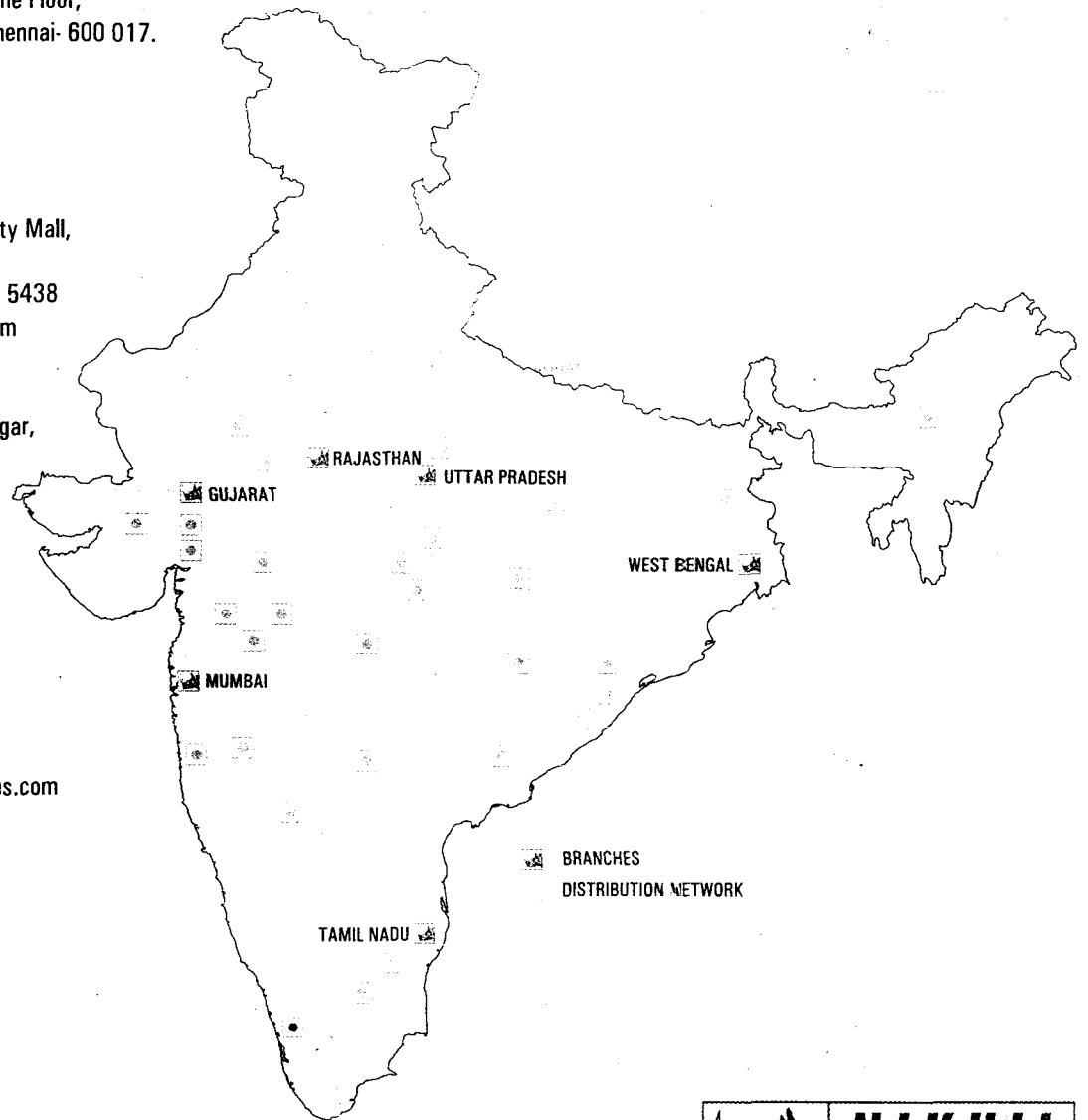
S. B. 4, Vasudev Marg, Subhash Nagar,  
Jaipur - 302 007  
Tel.: 0141 - 313 7070  
amar.kataria@nikhiladhesives.com

## UTTAR PRADESH

A-12 Aditya Corporate Hub,  
5th floor F-408,  
R.D.C. Rajanagar Ghaziabad.  
Tel. No. 0120-3259365  
E-Mail: neeraj.mishra@nikhiladhesives.com

## GUJARAT

15, Gr. Floor, Prithvi Corner,  
N.H.No.8, Vapi-396195.  
Tel. No. 093271 06256



REGD. OFFICE

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

PLANT 1

Shreeji Estate, Vadkun College Road, Dahanu, Maharashtra, Dahanu - 401 602. Tel. : 02528 - 224463 / 223107

PLANT 2

7, Government Industrial Estate, Post - Piparia, Silvassa. -396 230. Tel. : 0260 - 2640055 / 3202186

PLANT 3

Plot No. D-2/CH/49, Industrial Phase-II, G.I.D.C. Industrial Estate, Dahej, Taluka- Vagra Dist. Bharuch-392 130

SALES/ADM. OFFICE

A, 501/502, Mathuria Apt, Near Vishal Hall, Andheri (East), Mumbai - 400 069.  
TEL. : 022 - 26835864 • FAX : 022 - 26840854 • bala@nikhiladhesives.com / ho@nikhiladhesives.com  
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