



The BAGLA Group

9th Annual Report 1996-97

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HINDUSTAN ADHESIVES LIMITED



Ninth Annual Report for the year Ended 31.03.1997

Board of Directors	Mr. L.K.Bagla	Chairman :
	Mr. M.S.Bagla	Managing Director
	Mrs. Anju Bagla	Director
	Mr. N.M.Kejriwal	Director
	Mr. M.L.Ameria	Director
	Mr. A.C.Sondhi	Director (Nominee of IDBI)
Company Secretary	Mr. Anil Sharma	
Auditors	M/s Kanodia Sanyal & Associates Chartered Accountants, New Delhi.	
Bankers	The United Western Bank Ltd., New Delhi. The Benares State Bank Ltd., New Delhi. The Allahabad Bank, Ghaziabad.	
Share Transfer Agents	Datanix Computer Services F-11/C, First Floor Okhla Industrial Area, Phase - I New Delhi - 110 020. Ph. : 6818705, 6818706, 6810236 Fax : 6816532	
Registered Office	615, New Delhi House 27, Barakhamba Road New Delhi - 110 001.	
Factory	29th Mile Stone, G.T.Road Village Achheja, Tehsil Dadri Distt. Ghaziabad (U.P.)	

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HINDUSTAN ADHESIVES LIMITED**NOTICE**

Notice is hereby given that the Ninth Annual General Meeting of the members of Hindustan Adhesives Limited will be held on Saturday, the 14th June, 1997 at 10.30 A.M. at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt, audited Profit & Loss Account for the year ended 31st March, 1997, Balance sheet as at that date and the Reports of Directors and Auditors thereon.
2. To declare dividend on equity shares, if any.
3. To appoint a Director in place of Sh. L.K. Bagla who retires by rotation and being eligible offer himself for re-appointment
4. To appoint the statutory auditors and to fix their remuneration.

SPECIAL BUSINESS

- 5 To consider and if thought fit to pass with or without modification(s) if any, the following resolutions as an ORDINARY RESOLUTION:

RESOLVED THAT Mrs. Pushpa Devi Bagla, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

By order of the Board of Directors of
Hindustan Adhesives Ltd.

Place : New Delhi
Date : 19.05.1997

Anil Sharma
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. Members/proxy should bring the attendance slip duly filled in for attending the meeting.
3. The register of members and share transfer books of the company will remain closed from 10.06.97 to 14.06.97 (both days inclusive). Share transfers

received in order at the registered office of the company or at the office of Datanix Computer Services, Share transfer agent, before close of business on 10th June, 1997 will be in time to be passed for payment of dividend, if declared, to the transferees or their mandates and to members whose name shall appear on the register of members of the company on 14th June, 1997 or to their mandates, subject however, to provisions, if any, of the Companies Act, 1956.

4. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed and forms part of this Notice.
5. Members are requested to bring their copy of annual report at the meeting.
6. Members seeking any further information about the accounts are requested to write to the company at least 10 days before the date of annual general meeting so as to enable the management to keep the information ready at the meeting.
7. Copies of relevant Directors report, Auditors Report, Balance Sheet and Profit & Loss Account of the company are enclosed herewith.
8. Members are requested to intimate the company or its share transfer agent about any change in address, address of mandate, if any, on or before 10th June, 1997 so as to enable the company to dispatch the dividend warrants at the correct address.
9. Shareholders are requested to address all communications regarding transfer/ transmission of shares/ change of address etc. to M/S Datanix Computers Services, F-11/C, First Floor, Okhla Industrial Area, Phase-1, New Delhi-110020.
10. Members are requested to quote their folio number in all their correspondence with the company/share transfer agent.
11. No gift or gift coupons will be given at the Annual General Meeting

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.5.**

It is proposed to appoint Mrs. Pushpa Devi Bagla, as a Director of the company whose period of office shall be liable to determination by retirement of Directors by rotation. Mrs. Pushpa Devi Bagla is Wife of Sh. L.K. Bagla, Chairman, Mother of Sh. M.S. Bagla, Managing Director and Mother-in-law of Mrs. Anju Bagla, Director

None of the other directors of the company is, in any way, concerned or interested in the said resolution.

HINDUSTAN ADHESIVES LIMITED**DIRECTORS REPORT**

Dear members,

Your Board of Directors have great pleasure in submitting this **9th Annual Report** along with audited accounts for the Financial Year ended on **31st March, 1997**.

FINANCIAL RESULTS

(Rs in lacs)		
<u>Particulars</u>	<u>Current year</u>	<u>Previous year (15 months)</u>
Gross Income	3225.90	3889.47
Profit before interest, depreciation & tax	582.63	582.67
Interest & financial charges	360.08	314.63
Depreciation	113.66	92.81
Profit before tax	108.89	175.23
Provision for tax	15.00	(3.17)
Net profit after tax	93.89	178.40
Proposed dividend (Paid for the prev. year)	56.28	92.09
Net cash accruals	151.27	179.12
Transfer to general reserve	40.00	82.90
Equity	511.63	511.63
Net worth	991.72	949.46
Book value(in Rs.)	19.38	18.54
EPS (in Rs)	1.84	3.48

The Company in its prospectus dated 13.07.1994 had projected a net sales of Rs. 3286 lakhs for the year ended 31.12.1996. The projected gross profit before interest, Depreciation & Tax and Net Profit for the said period were Rs. 934 lakhs and Rs. 419 lakhs respectively. The projected EPS was Rs. 8.18. The shortfall in the projected performance is on account of higher interest, dep. & tax during the year besides prevailing market conditions and increased competition in the Self Adhesive Tape Industry during the period under review.

DIVIDEND

Your directors recommend for consideration of the shareholders at the Annual General Meeting a

dividend of 10% for the year ended on 31st March, 1997. The dividend if declared by shareholders at the Annual General Meeting will be paid to all those members whose name shall appear on the register of members as on the day of 9th Annual General Meeting.

OPERATIONS

During the year under review, the company could achieve near 90% capacity utilisation in its Aqueous Acrylic Adhesive Tape unit. The company widened its customer base which will result in increased sales during the current year. The company has consolidated its position in the market and is now poised for big leap forward in the current year.

During the year under review the company achieved a sales of Rs. 3184.97 lakhs (Rs. 3588 lakhs for previous year of 15 months) and net profit of Rs. 93.89 lakhs (Rs. 178 lakhs in 15 months period last year).

Much growth in the sales could not be achieved due to lack of capacity in Aqueous Acrylic Adhesive Tape Unit. The lower net profit is on account of factors explained hereinafter. The interest cost during the year went up to Rs. 360.08 lakhs from Rs. 314.63 lakhs for 15 months period in previous accounting year and depreciation increased from Rs. 92.80 lakhs to Rs. 113.66 lakhs. Provision for tax as per MAT, has been made to the tune of Rs. 15.00 lakhs as against a refund of Rs. 3.17 lakhs in the previous accounting period.

During the year under review, as a direct benefit of backward integration project the raw material cost to sales ratio came down to 45.67 % as against 57 % in the last year. However the full impact of the backward integration could not be felt due to capacity constraint of Aqueous Acrylic Adhesive Tape division. To remove this bottle neck your company is planning to expand the capacity of Aqueous Acrylic Adhesive Tape.

MARKET

The Self Adhesive Tape market in India and Abroad has a lot of potential and is growing at a good rate. The company sold its entire capacity of Aqueous Acrylic Adhesive Tapes during the year and an expansion of the capacity has become eminent for catering to the growing requirement of Self Adhesive Tapes in the country.

STRATEGIC ALLIANCE WITH ROHM AND HAAS - A FORTUNE 500 MULTINATIONAL COMPANY

During the year your company has been identified as a strategic account by Rohm and Haas (RH) a Fortune 500 company of United States. Founded in 1909 in Philadelphia, Pennsylvania, RH has been a name to reckon with in the specialty chemicals and adhesive industry throughout the globe. Today RH



boast of having in place a worldwide network of top-notch manufacturing facilities that ensures use of the best possible quality process in manufacturing its adhesive and specialty chemicals. RH is a premier supplier of adhesive and specialty chemicals having sales of more than US \$ 4.00 billion generated through 47 manufacturing units supported by 16 research & technical facilities worldwide. Most of its facilities are having ISO 9002 certification. Being a Strategic Account of Rohm and Haas, your company will be benefited on account of assured regular supply of world class aqueous acrylic adhesive and technical / marketing support being provided by Rohm and Haas.

EXPORT

During the year the Company made a good progress in the export market. The total export sales including deemed export during the year stood at Rs. 150.29 lakhs as against physical exports of Rs. 110.96 lakhs in the previous year. The company is confident that during the current year it will be able to post better export performance.

DIRECTOR

Sh. L. K. Bagla, Director, who retire by rotation under the provisions of the Companies Act, 1956 read with Articles of Association of the company and being eligible offer himself for re-appointment. The necessary resolution for his re-appointment is placed before you for your approval.

It is proposed to appoint Mrs. Pushpa Devi Bagla, as a Director, whose period of office shall be liable to determination by retirement by rotation. The company has received a notice u/s 257 of the Companies Act, 1956 along-with a deposit of Rs. 500/- in this regard. The board recommend her appointment.

AUDITORS

M/S Kanodia Sanyal & Associates, Chartered accountants, statutory auditors of the company for the time being, retire at the conclusion of the 9th Annual General Meeting. The Company has received a certificate from the Auditors that their re-appointment, if made, will be in accordance with sub section (1B) of section 224 of the Companies Act, 1956.

As regards Auditors observations, the relevant notes on accounts are self explanatory and therefore, do not call for any further comments.

FINANCE

The Company continues to enjoy the working capital facility with its bankers namely The United Western Bank Limited (other banks being The Benares State

Bank Limited and Allahabad Bank). IDBI, PICUP and UPFC also continued to support the company with term loan assistance.

FIXED DEPOSITS

During the year under review your company accepted fixed deposits from the public pursuant to provisions of Section 58A of the Companies Act, 1956 and rules made there under in this behalf. The total amount of fixed deposits held on 31.03.1997 were Rs. 86.51 lakhs and deposits worth Rs. 45000/- were unclaimed as on said date.

STATUTORY STATEMENTS

There is no employee in the company drawing salary more than that prescribed under section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975.

Information as required under Section 217(1)(e) read with Companies Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure forming part of this report.

INDUSTRIAL RELATIONS

The relations between management and workers remained cordial throughout the year. The Directors express their appreciation for the hard work and devotion by all the employees.

ACKNOWLEDGMENT

Your Directors wish to place on record their deep appreciation of the devoted services rendered by the officers, staff and workers of the company for its successful working. Directors are also grateful for the help and guidance received by the company from financial institutions, bankers and various government departments. They are also thankful to the esteemed members for the confidence reposed in their board of Directors. The board also wish to thank the Company's valued customers / suppliers in India and abroad for their patronage and confidence in the organisation.

For and on behalf of Board of Directors of
Hindustan Adhesives Limited

New Delhi
19.05.1997

L.K.Bagla
Chairman

HINDUSTAN ADHESIVES LIMITED**ANNEXURE-1 TO THE DIRECTORS REPORT**

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31ST MARCH, 1997.

A. CONSERVATION OF ENERGY

a) Measure taken:

For conservation of energy various energy saving methods were adopted, which are as follows:

Electric Energy:

1. Shunt capacitor for power factor improvement of sufficient rating.
2. Use of synchronised regulator, control systems based on thyristor controlled regulator and safety devices have resulted in energy conservation.
3. Optimisation of high energy and use of high efficiency illumination resulted in energy conservation.
4. Better heat insulation of thermic fluid line has led to energy saving.
5. High efficiency energy saving infra red heating system was installed to save energy.

Saving in fuel consumption:

Fuel consumption in the D.G.set was brought down by 5% approximately by installing fuel economiser.

Electronic temperature controller of high precision and reliability were used for conservation of fuel energy at the optimum level.

- b) Various additional investment proposals for conservation of energy are in pipelines and will be finalised soon.
- c) Due to saving in energy consumption there has been a saving in the energy consumption for per unit of finished goods.
- d) The information required under Form A of Annexure to abovementioned rules is not being given as the company does not fall under the purview of industries specified in schedule.

B. TECHNOLOGY ABSORPTION1. *Research and Development:*

The company is having its own R&D laboratory equipped with all the testing equipment of latest technology besides employing experienced and specialised personnel for the same. The R&D people are working hard for development of various new

and innovative products with an eye on the pollution free environment. The various test procedures being followed by the company are as per specifications prescribed by BIS and ASTM.

2. *Benefits derived:*

The company has been able to save considerable cost of pollution control devices and expensive basic raw material which are being used by other players in the industry. Moreover the quality of the product has also improved significantly.

3. *Future plan of action:*

To secure registration under BIS and ISO 9000

4. *Expenditure on R&D*

Amount in Rs.

Capital	9,983/-
Recurring	1,43,933/-
Total	1,53,916/-

Total R&D expenditure is 0.05 % of the total turnover.

Technology absorption, Adaptation and Innovation:

1. *Efforts made:*

- a. Utilisation of the laboratory coater for development of new high-value added coated products of import substitution.
- b. Addition of laboratory equipments & implementation of testing procedures for standardisation of products with the help of Rohm & Haas.

2. *Benefits derived:*

The quality of the existing product has improved a lot which has benefited the company and its customers because of good & consistent quality.

C. FOREIGN EXCHANGE EARNING AND OUTGO:1. *Activities relating to exports:*

Efforts were made to increase exports and develop new markets for export. Various strategies finalised and adopted during the year will give a boost to exports.

2. *Total foreign exchange earned and used:-*

	(Rs. in Lacs)	
	31.03.1997	31.03.1996
Earnings		
Export Value on FQB Basis	108.72	110.96
Expenditure		
Capital Goods (CIF)	111.79	347.27
Raw Material (CIF)	826.86	591.29
Others	41.59	42.62