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The BAGLA Group

MD	✓	BKC	✓
CS	✓	DPY	✓
RO	✓	DIV	✓
TRA	✓	AC	✓
AGM	✓ ✓	SHE	
YE	✓ ✓		

10th ANNUAL REPORT 1997-98

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HINDUSTAN ADHESIVES LIMITED

615 New Delhi House, 27 Barakhamba Road, New Delhi-110001

ABSTRACT OF THE TERMS OFTHE RE-APPOINTMENT OF MR. M.S. BAGLA AS MANAGING DIRECTOR OF THE COMPANY AND MEMORANDUM OF INTEREST PURSUANT TO SECTION 302 OF THE COMPANIES ACT, 1956.

Mr. M.S. Bagla whose present term as Managing Director will come to end on 9th January 1999 and being eligible the Board of Directors of the Company have re-appointed him as Managing Director for another term of 5 years w.e.f. 10th January 1999 on following terms & conditions at the meeting of Board of Directors held on 9th October 1998.

1. Appointment will be for a period of 5 years w.e.f. 10.01.1999.
2. Salary will be Rs. 20,000/- per month.
3. He will be entitled to follwing perquisites subject to a miximum of Rs. 2,40,000/- per annum :
   a. Medical reimbursement : Expenses incurred for the appointee and his family subject to a ceiling of one month salary in one year .
   b. Leave travel concession : As per rules of the Company.
   c. Club Fees : Fees of clubs subject to a maximum of two clubs . This will not include admission and life membership fee.
   d. Personal Accident insurance : Premium not to exceed Rs. 4000/- per month.
   e. Contribution to provident fund as per rules of the Company.
   f. Gratuity as per rules of the company subject to a maximum of half months salary for each completed year of service.
   g. Encashment of leaves as per rules of the company at the end of the tenure.

MEMORANDUM OF INTEREST

Sh. L.K. Bagla, Chairman and Sh. M.S. Bagla, Managing Director of the Company are to be considered as interested Directors in the resolution of his re-appointment. None of the other Directors of the Company is, in any way, concerned or interested in the said re-appointment.

By order of the Board of Directors of
HINDUSTAN ADHESIVES LTD.

Place : New Delhi
Date : 09.10.1998

ANIL SHARMA
Company Secretary

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TENTH ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH, 1998

Board of Directors	Mr. L.K. Bagla Mr. M.S. Bagla Mr. A.C. Sondhi Mr. N.M. Kejriwal Mr. N.K. Jain
Company Secretary	Mr. Anil Sharma
Retiring Auditors	M/s. Kanodia Sanyal & Associates Chartered Accountants, New Delhi.
New Auditors Proposed to be Appointed at AGM	M/s. Salarpuria & Partners Chartered Accountants, New Delhi.
Bankers	The United Western Bank Ltd., New Delhi The Benaras State Bank Ltd., New Delhi The Allahabad Bank, Ghaziabad
Share Transfer Agent	Datanix Computer Sevices F-11/C, First Floor Okhla Industrial Area New Delhi-110020 Ph.: 6810236, 6816532
Registered Office	615 New Delhi House 27 Barakhamba Road New Delhi-110001. (India)
Factory	29th Mile Stone Village Achheja, Tehsil Dadri Distt. Ghaziabad (U.P.)

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NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the members of Hindustan Adhesives Limited will be held on Friday, the 13th November, 1998 at 10.30 A M at Gandhi Memorial Hall, 2, Bahadur Shah Zafar Marg, New Delhi - 110002 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt audited Profit & Loss Account for the year ended 31st March,1998, Balance sheet as at that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N. M. Kejriwal , who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the statutory auditors and to fix their remuneration. Since the present auditors have expressed unwillingness for re-appointment it is proposed to consider and if thought fit to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION :

   RESOLVED THAT Salarpuria & Partners, Chartered Accountants, be and are herby appointed as the Statutory Auditors of the company to hold the office as such from the conclusion of 10th Annual General Meeting till the conclusion of next Annual General Meeting in place of retiring Auditors, Kanodia Sanyal & Associates, who has expressed unwillingness for reappointment as Statutory Auditors after the conclusion of this Annual General Meeting.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is herby authorised to negotiate and finalise the terms of appointment including fixation of remuneration of the new Statutory auditors.

SPECIAL BUSINESS

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

   RESOLVED THAT Sh. N.K. Jain, a Director who was appointed as an Additional Director in accordance with Section 260 of the Companies Act,1956 in the Meeting of Board of Directors of the Company held on 03.06.1998 and who holds office as such upto the date of 10th Annual General Meeting and in respect of whom notices under under section 257 of the Companies Act,1956 have been received from some members signifying their intention to propose Sh. N. K. Jain as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation.

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 pursuant to section 269 read with schedule XIII to the Companies Act, 1956 and other applicable provisions if any Re-appointment of Sh. M. S. Bagla, as Managing Director of the Company , for period of 5 years w.e.f. 10.01.1999, made by the Board of Directors of the Company in their meeting held on 9th October 1998 be and is hereby approved on following terms and conditions :

   1. Appointment will be for a period of 5 years w.e.f. 10.01.1999 .
   2. Salary will be Rs. 20,000/- per month.
   3. He will be entitled to following perquisites subject to a maximum of Rs. 2,40,000/- per annum :
      a. Medical reimbursement : Expenses incurred for the appointee and his family subject to a ceiling of one month salary in one year .
      b. Leave travel concession : As per rules of the Company.
      c. Club Fees : Fees of clubs subject to a maximum of two clubs . This will not include admission and life membership fee.
      d. Personal Accident insurance : Premium not to exceed Rs. 4000/- per month.
      e. Contribution to provident fund as per rules of the Company.
      f. Gratuity as per rules of the company subject to a maximum of half months salary for each completed year of service.
      g. Encashment of leaves as per rules of the company at the end of the tenure.

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

   RESOLVED THAT the consent of the company be and is hereby accorded under Section 293(i)(a) of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging/charging by extension of charge in favour of the Pradeshiya Industrial & Investment Corporation of U.P. Limited all the immovable and movable properties of the Company both present and future and the whole of the undertaking of the Company or such of them as may be agreed between the Board and THE PRADESHIYA INDUSTRIAL & INVESTMENT CORPORATION OF U.P. LIMITED, hereinafter referred to as PICUP to secure their respective Working Capital Term Loan of Rs. 125 Lakhs and Additional working capital Term Loan of Rs. 75 lakhs together with interest, commitment charges, costs and other charges and expenses payable by the Company to them in terms of the Loan Agreement executed/to be excuted between the Company and the PICUP and on the term and conditions contained in the Letter of Intents nos. PRJ/SBU-III/301197W-8865 dated 10th November 1997 and FUP/1/705/301597W/13030 dated 10th February, 1998.

   RESOLVED FURTHER THAT a copy of the foregoing resolutions duly certified be submitted to PICUP, Banks and other Financial Institutions for their records and they may be requested to take necessary action, if any, at their end.

By order of the Board of Directors of
HINDUSTAN ADHESIVES LTD.

ANIL SHARMA
Company Secretary

Place : New Delhi
Date : 09.10.1998

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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 05.11.98 to 13.11.98 (both days inclusive).
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. 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.
9. Members are requested to quote their folio number in all their correspondence with the company/share transfer agent.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.4.

Mr. N.K. Jain, was appointed as an additional Director of the Company on 03.06.1998 to strengthen the marketing team of the company in South India. He hold his office as such till the date of ensuing annual general meeting. The company has received necessary notice under section 257 of the Companies Act, 1956. Hence this resolution is for his appointment as the Director of the company whose period of office shall be liable to determination by the retirement of Directors by rotation.

Mr. N.K. Jain , is to be considered as interested director in the said resolution. None of the other directors of the company is, in any way, concerned or interested in the said resolution.

ITEM NO. 5

Mr. M.S. Bagla was appointed as Managing Director of the company for a period of 5 years w.e.f. 10.01.1994 . His tenure shall expire on 09.01.1999. MR. M.S. Bagla is eligible for re-appointment as Managing Director of the company . The Board of Directors of the company at its meeting held on 09.10.1998 appointed him as Managing Director for a further period of 5 years w.e.f. 10.01.1999 on the terms and conditions detailed in the resolution .

Sh. L.K. Bagla, Chairman and Sh. M.S. Bagla, Managing Director of the company are to be considered as interested directors in this resolution. None of the other directors of the company is, in any way, concerned or interested in the said resolution.

ITEM NO. 6

The Company has entered into Working Capital Term Loan Agreement with the PICUP in respect of working capital term loan of Rs. 125 lakhs sanctioned by PICUP Limited vide its letter of intent no. PRJ/SBU-III/301197W-8865 dated 10th November 1997 and an additional working capital term loan of Rs. 75 lakhs vide its letter of intent no. FUP/1/705/301597W/13030 dated 10th February, 1998. These loan agreements has been entered into with the stipulation that the Company shall execute and register in their favour a joint equitable mortgage to secure the aforesaid facilities. Copy of the Working Capital Term Loan Agreement entered into between the company and the PICUP Limited alongwith the relevant letter of intent are open for inspection at the Registered Office of the company between 2:00 pm to 4:00 pm on every working day.

None of the Directors of the Company is interested in the aforesaid resolution.

KIND ATTENTION

1. No Gifts/Gift Coupons will be distributed at the Annual General Meeting. It is appealed to all the Shareholders not to ask for or demand the distribution/issue of Gifts /Gift Coupons at the Annual General Meeting.
2. Member may please note that the Auditorium Authorities do not permit hand - bags, cameras, cellular phones, pagers, helmets, drinks (including water bottles) inside the hall. The company will not make any arrangement for safe keeping of articles etc. outside the hall. Members may make their own arrangement which shall be solely at their risk and cost and the company will in no way be responsible for any loss/theft of article etc.

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DIRECTORS' REPORT

Dear members,

Your Board of Directors presents this **10th Annual Report** *along with audited accounts for the accounting period ended on* **31st March,1998.**

FINANCIAL RESULTS

Key Financial figures are as follows:

(Rs in lacs)

Particulars	31.03.1998	31.03.1997
Total Income	2870.76	3243.44
Profit before interest, depreciation & tax	313.74	582.63
Interest & financial charges	419.27	360.08
Depreciation	130.64	113.66
Profit (Loss) before tax	(236.17)	108.89
Provision for tax	nil	15.00
Net profit (Loss) after tax	(236.17)	93.89
Proposed dividend (Paid for the previous year)	nil	56.28
Net cash accruals	(105.53)	151.27
Transfer to general reserve	nil	40.00
Equity	511.63	511.63
Net worth	760.17	991.72
Book value(in Rs.)	14.86	19.38

DIVIDEND

Your directors regret to inform you that on account of losses in the company no dividend is recommended for the year ended 31st March, 1998

OPERATIONS

The prevalent demand recession in the Country effected the sales of the Company and it could not increase the sales of Adhesive Tapes although production capacity was available. The Company caters to a diversified end users market segment of India which include all types of white good manufacturers, consumer durables, textiles, food and confectionery items besides products of daily consumption. The Company noticed a decline in their purchasing during the current year

Although the Company benefited from the backward integration project for BOPP film in terms of quality & availability, the declining trend of plastics prices worldwide coupled with stagnant demand resulted in all producers being forced to reduce prices for BOPP film and this year has been very difficult for this Industry and many companies have incurred huge losses.

MARKET

The Indian market has gone through a difficult year with slowdown from both consumer demand as well as capital investments. The Asian economy with special reference to South East Asian countries have effected the Indian Industry as well and the effects of their devaluation of local currencies and poor domestic demand have forced a downward trend in prices of all plastic materials. The Company expects that the market will stabilise in the current year and the Company will be able to regain the desired growth in sales of its finished products.

DIRECTOR

Sh. N. M. Kejriwal, shall retire by rotation at the ensuing annual general meeting and being eligible offers himself for re-appointment.

Sh. M.S. Bagla was appointed as Managing Director of the Company under Section 269 read with Schedule XIII to the Companies Act, 1956 and Articles of Association of the Company, for a period of 5 years and his present term shall expire on 9th January 1999. Being eligible he offers himself for re-appointment as Managing Director for a further period of 5 years w.e.f. 10th January 1999.

During the year Sh. N.K. Jain was appointed as Additional Director under Section 260 of the Companies Act, 1956. His term will expire at the ensuing annual general meeting of the company. Being eligible he offers himself for re-appointment.

During the year Smt. P.D. Bagla, Smt. Anju Bagla and Sh M. L. Ameria resigned from directorships due to their pre-occupations elsewhere.

AUDITORS

M/s. Kanodia Sanyal & Associates, Chartered Accountants, statutory auditors of the company for the time being, retire at

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the conclusion of the 10th Annual General Meeting . They have expressed their unwillingness to continue after the conclusion of 10th Annual General Meeting. Salarpuria & Parteners, Chartered Accountants have shown their willingness to become statutory suditors from conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting. They have furnished a certificate to the effect that the 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.

FIXED DEPOSITS

During the year 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 deposits held on 31st March,1998 was Rs. 55.98 lakhs. The amount of fixed deposits which became due but not claimed as on 31st March 1998 was Rs. 74,000 .

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 continued to be cordial throughout the year. The Directors wish to place on records their sincere appreciation for the sincere efforts of all the workers and executives of the company for improving the performance of the company.

ACKNOWLEDGMENT

The Board of Directors wish to thank the financial institutions, bankers and various government departments for their support and cooperation extended to the company. The Directors deeply acknowledge the continued trust and confidence reposed by all the shareholders, investors, suppliers and customers of the company.

For and on behalf of Board of Directors of
HINDUSTAN ADHESIVES LIMITED

Place : New Delhi
Date : 09.10.1998

L.K. BAGLA
Chairman

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 DIRECTOR) RULES, 1988 FOR THE YEAR ENDED 31ST MARCH, 1998.

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 temprature controller of high precision and reliablity were used for conservation of fuel energy at the optimum level.

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