



The **BAGLA** *Group*

21st Annual Report 2008-2009



HINDUSTAN ADHESIVES LIMITED

HINDUSTAN ADHESIVES LIMITED



21ST ANNUAL REPORT

2008 - 2009

BOARD OF DIRECTORS:

Mr. L. K. Bagla
Mr. M. S. Bagla
Mr. K.C. Dwivedi
Mr. M. M. Haque
Mr. K. C. Gupta
Mr. Pawan Sharma

COMPANY SECRETARY:

Mr. S. S. Dua

AUDITORS:

M/s. Salarpuria & Partners
Chartered Accountants,
1008 Chiranjiv Tower, 43, Nehru Place,
New Delhi-110019

BANKERS:

IDBI, New Delhi
Allahabad Bank, Parliament Street, New Delhi

SHARE TRANSFER & DEMAT AGENT:

Link Intime India Pvt. Ltd.
A-40 2nd Floor, Naraina Ind. Area
Phase-II, Near Batra Banquet, New Delhi-110028

REGISTERED OFFICE:

340/2-A, G. T. Road,
Shahdara, Delhi-110095

FACTORY:

29th Mile Stone, Village Achheja,
Tehsil-Dadri Distt.- Gautam Budh Nagar (U.P.)
Ghaziabad - 203 207

SHARES LISTED AT:

Delhi, Mumbai, Calcutta & Jaipur
Stock Exchanges

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HINDUSTAN ADHESIVES LIMITED



NOTICE

Notice is hereby given that the 21st Annual General Meeting of the members of Hindustan Adhesives Limited will be held on Tuesday, the **29th September, 2009 at 10.00 A.M. Ashok Avenue, Main Chattarpur Road, Asola Fatehpur Beri, New Delhi-110074** to transact the following business.

ORDINARY BUSINESS:

- 1 To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2009 and the Profit & Loss Account for the year ended on that date together with Report of Directors and Auditors thereon.
- 2 To appoint a Director in place of Sh. K.C.Dwivedi, and Sh. M.M.Haque, who retire by rotation and being eligible offers them selves for re-appointment.
- 3 To appoint the statutory auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the approval of Board of Directors and pursuant to the provisions of the Section 269 and Schedule XIII of the Companies Act, 1956 and subject to the approval of Shareholders at the ensuing Annual General Meeting of the Company and approval of Financial Institution and other statutory Authority as may required Mr.M.S.Bagla, Managing Director of the Company be and is hereby re-appointed for a period of three year w.e.f. 01.04.2009 on following terms and conditions

1 Salary will be Rs.2, 50,000/- per month.

2 He will be entitled to following perquisites subject to a maximum of Rs.30, 00,000/- per annum.

Medical Reimbursement: Expenses incurred for the appointee and his family subject to a ceiling of one month salary in one year.

Leave Travel Concession: As per rule of the Company.

Club Fees: Fees of club subject to maximum of two clubs. This will not include admission and life-membership fees.

Personal Accident Insurance: Premium not to exceed Rs.4000/per month.

Contribution to Provident Fund: As per Company rules

Gratuity: As per Company rules subject to maximum of half months salary for each completed year of service.

Encashment of leaves: As per rules of the Company at the end of tenure.

The Managing Director shall be entitled to have reimbursement of car expenses. Further, that the company will arrange to deposit the Margin Money, if required to obtain finance for the vehicle for the use of Managing Director.

The Margin Money as aforesaid shall be adjusted / recovered from the director after the full and final settlement of the vehicle loan taken by the director.

"Resolved Further that in the absence or inadequacy of profits in any financial year, remuneration payable to the Managing Director shall be governed by Section II of part II of schedule XIII to the Companies Act, 1956 as in force from time to time."

"Resolved Further that the Board of Directors be and is hereby authorized to alter and vary the aforesaid terms as to the remuneration (including perquisites) within the ceiling Limits in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time."

"Resolved Further that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise in such manner as it may deem fit."

5. To consider and if thought fit to pass with or without modification(s) if any, the following resolution as SPECIAL RESOLUTION.
"RESOLVED THAT pursuant to the provisions of the Section 314 of the Companies Act, 1956 approval be and is hereby accorded to increase the salary of Mrs Anju Bagla to Rs.25000/-P.M w.e.f. 01.10.2009."

**By order of the Board of Directors of
Hindustan Adhesives Limited**

PLACE : DELHI
DATE : 04.09.2009

(L.K.BAGLA)
Chairman



HINDUSTAN ADHESIVES LIMITED

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 registers of members and shares transfer books of the company will remain closed from 26.09.2009 to 29.09.2009 (all 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 Director's report, Auditor's 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 share, change of Address etc. to Link Intime India Pvt. Ltd., A-40, 2nd Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet, New Delhi-110028.
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. M.S.Bagla is Managing Director of the Company looking after day today affairs of the Company. His term of appointment expires on 01.04.2009 and he has been re-appointed as Managing Director for Three years. As per the provisions of Section 269 of the Companies Act, 1956 reappointment of Managing Director requires the approval by way of an ordinary Resolution. Mr. M.S.Bagla and Sh L.K.Bagla being relatives are deemed to be interested/concerned in the resolution contained as above. None of the other Directors of the company is, in any way, concerned or interested in the said resolution.

ITEM NO. 5

Board of Director Proposes to increase the Salary of Mrs. Anju Bagla to Rs.25000/-pm. w.e.f. 01.10.2009. As per the provisions of Section 314 of the Companies Act, 1956 the approval of the same require the Consent of Shareholders by way of Special Resolution. Mr.M.S.Bagla and Mr. L.K. Bagla being relatives are deemed to be interested/concerned in the resolution contained as above. None of the other Directors of the company is, in any way, concerned or interested in the said resolution

INSPECTION

Copy of the Memorandum and Articles of Association of the Company together with the proposed alteration shall be open for inspection of Shareholders at the Company's Registered Office on any working day up to and inclusive of the date of Annual General Meeting between 10.00 A. M. to 1.00 P.M.

By order of the Board of Directors of
Hindustan Adhesives Limited

PLACE : DELHI
DATE : 04.09.2009

(L.K.BAGLA)
Chairman

HINDUSTAN ADHESIVES LIMITED



DIRECTOR'S REPORT

Dear Members,

Your Board of Directors presents this 21st Annual Report along with audited accounts for the accounting period ended on 31st March 2009.

FINANCIAL RESULTS

Key Financial figures are as follows:

(Amount in lakhs)

Particulars	31.03.09	31.03.08
Total Income	4878.22	4256.10
Profit Before Interest, Depreciation & tax	664.90	480.09
Interest & Financial Charges	180.90	175.13
Depreciation	130.56	163.60
Profit / (Loss) before tax and extraordinary items	353.45	141.37
Extraordinary items	54.33	223.79
Less: Provisions for Tax		
Income Tax	50.00	42.00
Fringe Benefit	6.40	6.16
Wealth Tax	0.35	0.04
Add: Excess Provision W/off	0.18	NIL
Less: Income Tax for earlier year	2.69	NIL
Less: Deferred tax Assets/ (liabilities)	(108.87)	(57.70)
Net profit after tax & Extra Ordinary Items	239.65	259.25
Equity	511.63	511.63
Net worth	621.34	381.69

DIVIDEND

Yours directors regret to inform you that on account off insufficient profit in the company no dividend is recommended for the year ended 31st March 2009.

OPERATIONS

During the year under review:

The Company continues to increase the sales of its primary finished product namely Carton Sealing Tapes and other specialty Adhesive Coated products by using the latest technology in the manufacturing process and continuously innovating the product. In the current year the Company has introduced a revolutionary 'MysticGold' Brand carton sealing tape where it has reinforced the existing tape with four strips of high tensile filament yarn and thus giving the product an excellent strength and as well a security feature. These innovations have given a superior exclusivity to the end product of the Company, and have thus resulted in higher sales and as well better contribution to the profits of the company in the current year and the new finished product has been well appreciated by leading multinational companies now operating in India.

Prices for all raw materials for producing BOPP film continued to be very volatile this year and also the excess production capacity in the Indian market continued, and prevented the Company from being able to sell any surplus capacity of BOPP film in the market. With the global economic slowdown in the world the prices of raw materials came down sharply and the demand of these products were poor. In the long term the company has decided to concentrate and focus on increasing the coating capacities and better the capacity utilization by introducing new innovative adhesive coated products, so as to use maximum capacity of its BOPP film for forward integration by converting the film produced into packaging tapes and have no need at all to sell any surplus capacity of BOPP film in the market.

In the last financial year the company has substantially improved the total sales of the Company and it is further buoyant for

HINDUSTAN ADHESIVES LIMITED

the current year sales as the Indian economy is performing better than most of the global economies and despite negative sentiments in the world most of the Indian companies are flourishing and having impressive growth in sales thus increasing the demand for the product manufactured by the Company.

The Company is also exploring options to exit the BOPP film business and enhance the Adhesive Tape business further in the long term so as to maximize the earnings of the Company.

CURRENT SCENARIO

The growing sales of Carton Sealing Tapes and the acceptance of the new products developed by Company for the Indian market and as well growth in the fast moving consumer goods sector in India for all manufactured products and services provides ample opportunity for the Company to utilize full capacities for production of Self Adhesive Tapes in the near future, if it can manage its financial requirements well enough and be able to focus on building its Brand and Image as a quality supplier of Adhesive Coated Products in India.

The Company appreciates the initiatives of the Government of India for reduction in CST to 2% and its further phase wise reduction and eventual elimination, and also the implementation of VAT and as well eventual conversion to an uniformed and combined tax regime of GST which will help the company to be more competitive and reduce the burdens of double taxations to the customers.

The goodwill that the Company commands because of superior quality products makes it a preferred choice supplier to many new and existing multinational companies setting up facilities in India and also leading domestic companies who prefer to rely on the company for all of their requirements of packaging tapes.

The Company has also purchased land at Uttarakhand for larger expansion of the Coating facilities, for which the production has to commence latest by March 2012 so as to enable it to take advantage of the 5 years income tax holiday and other benefits available in the State.

The Company has now been able to repay all its long term debts to financial institutions and has settled all disputed liabilities with Banks thus improving the financial health of the Company. This now enables the company to expand and explore more opportunities in the adhesive coating business in the future and it would be able to take advantage of the global network created by it over the last few years with consistent exports to various parts of the world for different types of adhesive coated products.

FINANCIAL RESULTS

The total income of the Company has increased substantially by about 15%, whereas the PBITD has increased by 38.50%. The Secured Loans of the Company have substantially reduced by more than 25.36% in the current year and the Company has also written off all the dead and unusable fixed assets which were non-performing and has thus reflected the true and current value of plant and machinery, all of which are now in operations.

The Company is confident of further improving the performance in the Current financial year and is hopeful of wiping out all the accumulated losses by the accounting year ending March 2010.

RESPONSIBILITY STATEMENT

Pursuant to Section 217(2A) of the Companies (Amendment) Act, 2000, the Director's confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent has been made so as to give a true and fair view of the State of Affairs at the end of the Financial year and the profit of the Company for the Financial year ended March 31, 2009.
- Proper and sufficient care has been taken 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 the detecting fraud and other irregularities; and
- The annual accounts have been prepared on a going concern basis.



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BOARD OF DIRECTORS

Sh. K.C.Dwivedi and Sh. M.M.Haque are the directors that retire by rotation at the conclusion of forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/S Salarpuria & Partners, Chartered Accountants, the retiring auditors of the Company have shown their willingness to be re-appointed as statutory auditors 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.

AUDIT COMMITTEE:

Audit Committee of the Company is duly constituted.

SHAREHOLDERS GRIEVANCE COMMITTEE:

Shareholders Grievances Committee of the Company is duly constituted.

FIXED DEPOSITS

During the year no deposit was accepted or renewed from the public pursuant to provisions of section 58A of the Companies Act, 1956 and rules made there under in this behalf.

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 Employee) Rule, 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.

LISTING

The Shares of the Company are listed with Bombay, Delhi, Kolkata and Jaipur Stock Exchanges. The Company is pursuing with Kolkata and Jaipur Stock Exchanges for delisting of its Shares.

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.

ACKNOWLEDGEMENT

The Board of Directors wish to thank the Financial Institutions, Bankers and various Government Departments for their support and co-operation 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 behalf of the Board of Directors of
Hindustan Adhesives Limited

PLACE : Delhi

DATE : 04.09.2009

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 DIRECTOR) RULES 1988 FOR THE YEAR ENDED 31ST MARCH 2009.

A. CONSERVATION OF ENERGY

The Company is extremely thankful to the UP Government State electricity board for providing good quality and reasonably consistent power supplies which have been effectively used by the Company with the help of required transformers, voltage stabilizers and UPS systems so as to now run most of the operations with the help of state electricity as against usage of Diesel Generator sets. This has helped in conservation of high cost diesel fuels and also minimize the unit cost of power required for operations. The Company has also been able to increase the speed of the machines whereby reducing the consumption of fuel per unit of production and hence has contributed to saving energy.

B. TECHNOLOGY ABSORPTION:

1. R&D:

The Company continues to develop exciting new products based on customer feedback and requirements of safety, security and protection. It is also now developing products for enhancement of the visual aspect of the finished product and thus making the same more attractive. The Company has recently also designed special dispensing equipment for application of the newly invented MysticGold branded product. It has also applied for patent rights of the Mysticgold product and the basic advantage of the same are for providing additional safety and security to customers using Carton Sealing Tapes, from the time the product is manufactured and during transit till it finally reaches the consumer.

2. Benefits derived:

The Company has been able to offer its valued customers with additional products that are innovative, developed with the expertise and experience of the Company and are based on the needs of the customer, and this has helped improve the image of the company, and retain the confidence of the customers thus enhancing the profitability of the Company.

3. FUTURE PLANS OF ACTION

The company plans to expand the capacities at Uttarakhand and hence reduce the cost of production of the existing products whilst continuing to introduce more innovative products for the growing retail segment in the country.

The Company would further like to continue to understand the imagination and needs of its customers and develop products which would be able to comply with their specific requests and give the packaging industry in India new inventions and opportunities.

Efforts made:

- a. Existing equipments were calibrated and latest testing equipments installed.
- b. Company is doing a lot of R&D efforts to introduce new products for the packaging industry and is hopeful of increasing its revenues from the same in the current year.
- c. ISO-9001 and ISO-14001 systems were further strengthened and this has helped the Company to produce consistent quality product of International standards.
- d. Clean room conditions were created in the production areas to meet the needs of the customers and to maintain the highest standards of qualities.

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4. Expenditure on R&D:	Amount in Rs.
Capital	NIL
Recurring	4,07,945.00
Total	4,07,945.00

Total R&D expenditure is 0.084% of the total turnover.

Technology absorption, adoption and innovation:

1. Efforts Made:

- Existing equipments were calibrated and new testing equipments installed.
- Company is doing a lot of R&D efforts to introduce new products for the packaging industry and is hopeful of increasing its revenues from the same in the current year.

2. Benefits derived:

Company has been able to improve its profitability in the last financial year because of efforts to reduce costs and as well introduce some specialty products with higher value addition. Also, the confidence of the customers in the Company has increased and opened new opportunities for the future. With the implementation of both ISO-9001 and ISO-14001 systems in the Company the confidence of the customers in the Company has been maintained and allows the Company to be the preferred vendor for most companies in the Country.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

1. Total Foreign exchange earned and used:	Rs. In Lakhs	
Earnings:	31.03.2009	31.03.2008
Export value of FOB basis	527.64	606.89
Expenditure:		
Capital Goods (CIF)	10.37	38.22
Raw Material (CIF)	310.14	244.80
Others	18.26	9.82

For and on behalf on Board of
Hindustan Adhesives Limited

PLACE : New Delhi
DATE : 04.09.2009

L.K.BAGLA
Chairman

HINDUSTAN ADHESIVES LIMITED



Annexure 'A' to Director Report

Report on Corporate Governance

(Pursuant to clause 49 of the Listing Agreement)

1. Philosophy on code of Corporate Governance:

The Fundamental object of Corporate Governance is the enhancement of Shareholder value, keeping in view the interest of other stakeholders. It refers to a blend of law, regulations and voluntary practices which enable the company to harness financial and human capital, perform efficiently and expediently and thereby perpetuate it into generating long term association and economic value for its Shareholders, while respecting interests of other stakeholders and the society at large.

It aims to align interests of the company with its Shareholders and other key stakeholders. The principal Characteristics of Corporate Governance are-Transparency, Independence, Accountability, Responsibility, Social Responsibility.

To sum, Corporate Governance focuses on equitable treatment of all shareholders and reinforces that it is "Your Company" as it belongs to you, the Shareholders.

The Chairman and Board of Directors are your fiduciaries and trustees pushing the business towards maximizing value for its shareholders.

2. Board of Directors

The Board of Directors comprises of Six Directors. The Composition of Board of Directors is as under:-

Executive Directors	2 Nos.
Non-Executive Directors	1 Nos.
Independent	3 Nos.
	6 Nos.

During the year 2008-09, the board met 8 (Eight) times (as against the minimum requirement of four meetings) on the following dates, namely:-

23rd April, 2008, 2nd June, 2008, 30th July 2008, 27th Oct. 2008, 20th November, 2008, 18th December, 2008, 23rd January, 2009 and 31st March. 2009.

The following table gives details of Directors, attendance of Directors at the Board meeting and at the last Annual General Meeting:-

Sl. No.	Name	Category Membership	Attendance Particulars	
			Board Meeting	Last AGM
01.	Sh. Lalit Kumar Bagla	Chairman (Non-Executive Director)	8	No
02.	Sh. M. S. Bagla	Managing Director (Executive-Director)	8	Yes
03.	Sh. K.C. Dwivedi	Director-(Executive Director)	8	Yes
04.	Sh. M.M.Haque	Director (Independent)	4	No
05.	Sh Pawan Sharma	Director (Independent)	5	Yes
06.	Sh K.C.Gupta	Director (Independent)	4	No

None of the directors is a member in more than ten committees across all companies in which he is a director.