



ANNUAL REPORT  
2009 - 2010

**Sonal Adhesives Limited**





**SONAL ADHESIVES LIMITED**

**31.03.2010**

**Board of Directors** : Shri Mohan L. Arora —Chairman & Managing Director  
Shri Sandeep Arora — Wholetime Director  
Shri Jaspal Singh Bhasin  
Shri S.P.S.Narula

**Registered Office & Works** : Plot 28/1A, Village Dheku,  
Takai Adoshi Road,  
Off : Khopoli Pen Road,  
Tal: , Khalapur, Dist., Raigad  
Maharashtra. 410 203.

**Administrative Office** : 2N, Laxmi Industrial Estate,  
New Link Road, Andheri (W),  
Mumbai – 400 053.

**Bankers** : State Bank of India

**Auditors** : M/S. K.S. Sanghvi & Co.  
Chartered Accountants,  
Mumbai.

**Registrar and Share  
Transfer Agent** : System Support Services,  
209 , Shivai Indl. Estate,  
Andheri- Kurla Road, Sakinaka,  
Mumbai – 400 072.



**NOTICE**

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of Sonal Adhesives Limited will be held on Thursday, the 30th September, 2010 at the Registered Office of the Company at Plot No. 28/1A, Village Dheku, Takai Adoshi Road, Off. Khopoli Pen Road, Tal: Khalapur Dist. Raigad – 410 203, Maharashtra at 11.00 A.M. to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2010 and Profit and Loss Account for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To declare Dividend for the Year Ended 31<sup>st</sup> March, 2010.
3. To appoint Director in place of Shri. Sandeep Arora who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**SPECIAL BUSINESS:**

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

“RESOLVED THAT pursuant to Section 146 and all other applicable provisions, if any, of the Companies Act, 1956, the Registered Office of the Company be shifted from Plot No.28/1A, Village Dheku, Takai Adosi Road, Off Khopoli Pen Road, Taluka Khalapur, Raigad, Maharashtra 410203 to 2N Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400 053 (Both the offices are within the same jurisdiction of the Registrar of Companies, Maharashtra, Mumbai) with effect from 1<sup>st</sup> October, 2010 and that the Directors of the Company, be and are hereby authorised to do all such acts, deeds, matters and things as the case may be necessary for the aforesaid purpose.”

By order of the Board of Directors

Place : Mumbai  
Dated: 23<sup>rd</sup> August 2010

Mohan Lal Arora  
Chairman and  
Managing Director

**REGISTERED OFFICE:**

Plot No. 28/1A, Village Dheku,  
Takai Adoshi Road, Off. Khopoli Pen Road,  
Tal : Kalapur, Dist. Raigad – 410 203,  
Maharashtra.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE ONLY ON A POLL, INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 (forty-eight) hours before the time fixed for holding the meeting.
3. The Register of Members and Share Transfer Books will remain closed from Tuesday, the 28th September, 2010 to Thursday, the 30th September, 2010 (both days inclusive) to ascertain the entitlement of dividend declared, if any.
4. Payment of the dividend as recommended by the Directors, if declared at the Meeting, will be made on and after 1<sup>st</sup> October, 2010 to the members whose names stand on the Company's Register of Members on Thursday, the 30<sup>th</sup> September, 2010 and to the Beneficiary Holders as per the Beneficiary List provided by National Securities and Depository Limited and Central Depository Services (India) Limited.
5. Member are requested to notify change of address, if any to the Company's Registrar & Transfer Agent, System Support Services, 209, Shivai Industrial Estate, 89, Andheri – Kurla Road, Sakinaka, Andheri (East) Mumbai – 400 072.
6. Members are requested to bring their copy of Annual Report to the Meeting.
7. Members are requested to bring the Attendance Slip sent herewith duly filled for attending the Meeting.
8. Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 is annexed herewith.

**BRIEF RESUME OF PERSON PROPOSED TO BE RE-APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING:**

Name : - Shri. Sandeep Arora  
Age : - 41 years  
Qualification : - Bachelors of Business Administration (NYU)  
Experience : - 18 years

**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**

**Item No: 5**

At present the Registered office of the Company is situated at Plot No.28/1A, Village Dheku, Takai Adoshi Road, Off Khopoli Pen Road, Taluka Khalapur, Raigad, Maharashtra 410203 and Administrative office is situated at 2N, Laxmi Industrial Estate,



New Link Road, Andheri (West), Mumbai-400 053. For administrative convenience, the Registered office of the Company be shifted, with effect from 1<sup>st</sup>October, 2010, from Plot No.28/1A, Village Dheku, Takai Adosi Road, Off Khopoli Pen Road, Taluka Khalapur, Raigad, Maharashtra 410203 to 2N, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400 053. Both the offices are within the same jurisdiction of the Registrar of Companies, Maharashtra, Mumbai.

The provisions of the Companies Act, 1956 requires Company to seek the approval of the Members for shifting of Registered Office outside the local limits of city, town or village but within the same state and within the jurisdiction of same Registrar of Companies, by passing a Special Resolution to that effect in the General Meeting of the Company. Your Board recommends the resolution for approval. None of the Directors of the Company is concerned / interested in the resolution.

By order of the Board of Directors

Place : Mumbai  
Dated: 23<sup>rd</sup> August 2010

Mohan Lal Arora  
Chairman and  
Managing Director

REGISTERED OFFICE:  
Plot No. 28/1A, Village Dheku,  
Takai Adosi Road, Off. Khopoli Pen Road,  
Tal : Kalapur, Dist. Raigad – 410 203,  
Maharashtra.



## DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting their Nineteenth Annual Report on the business operations of the Company along with statement of Audited Accounts for the year ended 31<sup>st</sup> March 2010.

| Particulars   | ( Rs. In Lacs )                           |   |
|---|---|---|
|   | Year Ended<br>31 <sup>st</sup> March 2010 | Year Ended<br>31 <sup>st</sup> March 2009 |
| Income from operations                              | 3299.10                                   | 3010.82                                   |
| Profit before Interest & Depreciation               | 131.23                                    | 138.06                                    |
| Interest  | 51.68                                     | 61.93                                     |
| Depreciation  | 20.20                                     | 24.23                                     |
| Profit Before tax                                   | 59.35                                     | 51.90                                     |
| <b>Less:</b>  |   |   |
| Provision for Tax                                   | 15.00                                     | 20.25                                     |
| Provision for Deferred Tax Liability                | 3.17                                      | (3.04)                                    |
| Provision for Fringe Benefit Tax                    | -   | 1.00                                      |
| <b>Profit after Tax available for Appropriation</b> | <b>41.19</b>                              | <b>33.69</b>                              |
| <b>Appropriation</b>                                |   |   |
| Proposed dividend                                   | 30.31                                     | —   |
| Dividend distribution tax thereon                   | 5.15                                      | —   |
| Surplus Carried to Balance Sheet                    | 5.73                                      | 33.69                                     |
|   | <b>41.19</b>                              | <b>33.69</b>                              |

### OPERATIONS:

During the year under review, the income from operations of the Company has been increased from Rs.3010.82 Lacs to Rs.3299.10 Lacs. The Operating Profit i.e. Profit before Interest, Depreciation and Tax has been registered at Rs. 131.23 Lacs. The net profit has been registered at Rs. 41.19 Lacs as against Rs. 33.69 Lacs of the previous year.

### DIVIDEND:

Your Directors recommend Dividend of 5% (Rs. 0.50 per share on face value of Rs.10/-) on the Equity Share Capital of the Company for the year under review.

### DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- 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.
- Your Directors 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 year.
- Your Directors have taken proper and sufficient care or the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- Your Directors have prepared the attached statement of Accounts for the year ended March 31, 2010 on a going concern basis.



**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. S. P. S. Narula, Director is liable to retire by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting. Your Board recommends his re-appointment.

**AUDITORS:**

M/s. K. S. SANGHVI & Co., Chartered Accountants, Auditors of the Company retires at the ensuing Annual General meeting and are eligible for re-appointment. The Company has received a certificate from the Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. The members are requested to appoint the Auditors and authorise the Board to fix their remuneration.

**FIXED DEPOSITS:**

During the year under review, the Company has not accepted or renewed any deposits within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

**CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the requirement of Corporate Governance, as also a Management Discussion and Analysis Report pursuant to Clause 49 of the Listing Agreement with the Stock Exchange are annexed hereto.

**PARTICULARS AS PER SECTION 217(2A) OF COMPANIES ACT, 1956:**

During the year under review, none of the employees of the Company was in receipt of remuneration aggregating Rs.24,00,000/- or more per annum, if employed throughout the year, or Rs.2,00,000/- or more per month, in case employed for part of the year. Hence, there are no particulars to be annexed to this report as required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGES AND OUTGO:**

Particulars as 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.

**ACKNOWLEDGMENTS:**

Your Directors take this opportunity to place on record their appreciation towards banker, clients and all the business associates for their continuous support to the Company and to the Shareholders for the confidence reposed in the Company's management. The Directors also convey their appreciation to the employees at all levels for their enormous personal efforts as well as collective contribution.

For and on behalf of the Board

Place: Mumbai

Dated: 23<sup>rd</sup> August 2010

Mohan Lal Arora  
Chairman and Managing Director



**ANNEXURE TO DIRECTOR'S REPORT**

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

During the year under review, the Company had strict control on wasteful electrical consumption.

Conservation of energy:

1. Energy conservation measures taken
2. Additional investment and proposals, if any, being implemented for reduction of consumption
3. Impact of the measure at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods.
4. Total energy consumption and energy consumption per unit of production are as under.

**Year Ended 31/03/2010**

**Year Ended 31/03/2009**

**Power and Fuel Consumption**

**1. Electricity**

**A) Purchase**

|              |       |           |           |
|--------------|-------|-----------|-----------|
| Unit         |       | 6,24,442  | 4,82,544  |
| Total Amount | (Rs.) | 31,18,520 | 22,88,390 |
| Rate/Unit    | (Rs.) | 4.99      | 4.74      |

**B) Own generation**

(Through D.G. Set)

|                            |       |     |     |
|----------------------------|-------|-----|-----|
| Unit                       |       |     |     |
| Diesel Oil Consumed (Ltr.) |       | NIL | NIL |
| Total Amount               | (Rs.) | NIL | NIL |
| Avg. per Lt.               | (Rs.) | NIL | NIL |

**2. Furnace Oil**

|              |        |           |           |
|--------------|--------|-----------|-----------|
| Quantity     | (Kgs.) | 2,27,180  | 1,41,055  |
| Total Amount | (Rs.)  | 64,98,848 | 42,22,328 |
| Avg. per Kg. | (Rs.)  | 28.61     | 29.93     |

**Technology Absorption:**

The Company does not need any technology for its existing business.

**Foreign Exchange Earnings and Outgo:**

|                          |                 |                |
|--------------------------|-----------------|----------------|
| Foreign Exchange Outgo:  | Rs. 645.66 Lacs | Rs.511.37 Lacs |
| Foreign Exchange Earned: | NIL             | NIL            |

For and on behalf of the Board

Place: Mumbai  
Dated: 23<sup>rd</sup> August 2010

Mohan Lal Arora  
Chairman and Managing Director





### **MANAGEMENT DISCUSSION AND ANALYSIS**

(a) **Industry structure and developments :**

The industry has competition from the unorganized sector and there is always pressure on selling prices.

(b) **Opportunities and threats**

The Company is now going to concentrate on exports so that the competition from the unorganized sector can be met.

(c) **Segment-wise or product-wise performance**

The Company has only one business segment i.e. plastic products and the only geographical segment is India. The figures of production and sales for plastic products are furnished in the Notes on Accounts.

(d) **Outlook**

The Company is proactively responding to the changing business environment and is confident of sustaining its market share by improving competitive position in the market. The overall business outlook for the Company is promising with improvement in overall economic environment. Efforts towards higher operational efficiencies shall continue. The Company continues to examine the possibilities of expansion and will make the necessary investments when attractive opportunities arise.

(e) **Risks and concerns**

The Company continues to remain focused on its core competence product i.e. plastic products. Competition in the market place continues to have an impact on the company's realisations and also exerts pressure on the margins.

(f) **Internal Control Systems and their adequacy**

The Company's operating and business control procedures have been framed in order that they ensure efficient use of resources and comply with the procedures and regulatory requirements. The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorized, recorded and reported correctly.

(g) **Financial performance and Analysis**

The net sales increased from Rs 3010.82 Lacs in the previous year to Rs 3299.10 Lacs in the year under review registering a growth of about 9.58%. The profit before tax increased from Rs.51.90 Lacs in the previous year to Rs. 59.35 Lacs in the year under review.

(h) **Human Resource Development**

The Company believes that the human resources are vital resource in giving the company a competitive edge in the current business environment. The Company's philosophy is to provide congenial work environment, performance oriented work culture, knowledge acquisition/dissemination, creativity and responsibility. As in the past, the company enjoyed cordial relations with the employees at all levels.

The total number of personnel employed as on 31<sup>st</sup> March 2010 were 25 (staff plus workers).



## **REPORT ON CORPORATE GOVERNANCE**

### **COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Sonal Adhesives Limited is committed to maintaining standards of Corporate Governance, and protection of customers, shareholders interest and the Company endeavors to maintain transparency at all levels. The following is a report on the status and progress on major aspects of corporate governance.

### **BOARD OF DIRECTORS:**

The particulars of composition of the Board of Directors and their attendance at the Board Meeting during the year and at the last Annual General Meeting as also the number of directorship/memberships of committees of other companies are as under:

| <b>Name of the Director</b>               | <b>Category</b>                    | <b>No. of Board Meetings Attended During 2009-10</b> | <b>Attendance at last AGM</b> | <b>No of other Directorships in Companies incorporated in India</b> | <b>No of other Board Committee of which he is member/ Chairman</b> |
|---|------------------------------------|--|-------------------------------|---|--|
| Shri Mohan Lal Arora, (Managing Director) | Executive Director                 | 7  | Yes                           | 3   | Nil  |
| Shri Sandeep Arora (Wholetime Director)   | Executive Director                 | 7  | Yes                           | 1   | Nil  |
| Shri Jaspal Singh Bhasin                  | Non Executive Independent Director | 7  | Yes                           | Nil   | Nil  |
| Shri S.P.S. Narula                        | Non Executive Independent Director | 7  | Yes                           | Nil   | Nil  |

The Company held seven meetings of its Board of Directors during the year on the following dates:

25<sup>th</sup> April, 2009      27<sup>th</sup> July, 2009      26<sup>th</sup> August, 2009      14<sup>th</sup> September, 2009      28<sup>th</sup> October, 2009  
28<sup>th</sup> January, 2010      1<sup>st</sup> February, 2010

### **BOARD PROCEDURE:**

The Board meetings are generally held at the administrative and registered office of the Company. Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the directors. Every Board Member is free to suggest the inclusion of items on the agenda. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the annual shareholders meetings. When necessary, additional meetings are held.

### **BOARD COMMITTEES:**

In accordance with the code of Corporate Governance, the Board has set up the following Committees.

#### **AUDIT COMMITTEE:**

Brief Description in terms of reference:

The Audit Committee consists of two Non Executive Directors with Shri Jaspal Singh Bhasin (Chairman), Shri S.P. Narula and one Executive Director, Shri Sandeep Arora as Members of the Committee

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system.

The Audit Committee reviews the following:

- Auditors Report on the financial statements
- Compliance with accounting standards



The Audit Committee was constituted on 31<sup>st</sup> January 2001 as per the provision of Section 292A of the Companies Act, 1956. The Audit Committee has been re-constituted on 20<sup>th</sup> March 2003 and 14<sup>th</sup> September, 2006 as per the clause 49 of the listing agreement. The attendance of the members at the committee meetings is as follows:

| Name of the audit committee Members | No. of meetings held | No. of meetings attended |
|-------------------------------------|----------------------|--------------------------|
| Shri Jaspal Singh Bhasin            | 5                    | 5                        |
| Shri S.P.S. Narula                  | 5                    | 5                        |
| Shri Sandeep Arora                  | 5                    | 5                        |

The committee has recommended to the Board the appointment of M/s K.S. Sanghvi & Co., Chartered Accountants, as the statutory and independent auditors of the company for the Financial Year ending March 31<sup>st</sup>, 2011 and that necessary resolution for appointing them as auditors is placed before the shareholders.

**REMUNERATION COMMITTEE:**

The Remuneration Committee consists of two Non Executive Directors with Shri S.P.Narula (Chairman), Shri Jaspal Singh Bhasin and one Executive Director, Shri Sandeep Arora as Members of the Committee.

The primary objective of the Committee is to determine and recommend to the Board and the members, remuneration payable to the managing Director, to determine and advise the Board on appointment & the payment of remuneration and/or annual increment to the Managing Director and Wholetime Director.

A meeting of the Remuneration committee was held on 26<sup>th</sup> August, 2009. All the Members of the Remuneration committee were present at the meeting.

**DETAILS OF REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2010**

| Name                | Designation        | Salary & Perquisites<br>Amount in Rs | Total<br>Amount in Rs |
|---------------------|--------------------|--------------------------------------|-----------------------|
| Shri Mohanlal Arora | Managing Director  | 390000/- p.a.                        | 390000/- p.a.         |
| Shri Sandeep Arora  | Wholetime Director | 480000/- p.a.                        | 480000/- p.a.         |

**SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE:**

The Share transfer committee has been re-constituted a Shareholder/Investor grievance committee with effect from 31<sup>st</sup> May 2001. The committee is headed by an executive director and a non-executive director, and consists of the following members.

Shri Jaspal Singh Bhasin

Shri Mohan Lal Arora

Name and Designation of Compliance Officer:

Shri Sandeep Arora acts as the Compliance Officer.

**Number of Shareholders complaints received and redressed during the year**

| Particulars                          | 2009-2010 |          | 2008-2009 |          |
|--------------------------------------|-----------|----------|-----------|----------|
|                                      | Received  | Attended | Received  | Attended |
| No. of Shareholders Complaint Letter | NIL       | NIL      | 1         | 1        |



**GENERAL BODY MEETINGS:**

Details of location, time and date of last three Annual General Meetings.

| Year | Date       | Venue  | Time       |
|------|------------|--|------------|
| 2007 | 29/09/2007 | Plot No. 28/1A, Village Dheku, Takai Adosi Road,<br>Off. Khopoli Pen Road, Tal: Khalapur, Dist. Raigad – 410 203.  | 11:00 A.M. |
| 2008 | 30/09/2008 | Plot No. 28/1A, Village Dheku, Takai Adosi Road,<br>Off. Khopoli Pen Road, Tal : Khalapur, Dist. Raigad – 410 203. | 11:00 A.M. |
| 2009 | 30/09/2009 | Plot No. 28/1A, Village Dheku, Takai Adosi Road,<br>Off. Khopoli Pen Road, Tal : Khalapur, Dist. Raigad – 410 203. | 11:00 A.M. |

**POSTAL BALLOT:**

There were no resolutions required to be passed by Postal Ballot during the year.

**DISCLOSURES:**

There are no transactions of material nature with Directors/Promoters or any related entity, which will have any potential conflict with the interests of the Company at large.

There is no non-compliance by the Company or any penalties, strictures imposed by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

**MEANS OF COMMUNICATION:**

The Board of Directors of the company takes on record the Un-audited Financial results in the prescribed form within 45 days of the close of the quarter. The quarterly results of the company are published in two newspapers in compliance with the provisions of Clause 41 of the listing agreement. Generally, the same are published in Free Press Journal (English Language) and Navshakti (Marathi Language). As the results of the Company are published in the newspapers, half-yearly reports are not sent to each household of shareholders. The quarterly results as well as the proceedings of the Annual General Meeting are submitted to the Stock Exchange, Mumbai immediately after the conclusion of the respective meeting.

**MANGEMENT DISCUSSION AND ANALYSIS:**

Report on Management discussion and analysis forms a part of the Directors Report for the year ended March 31, 2010.

**GENERAL SHAREHOLDER INFORMATION:**

1. Date, time and venue of Annual General Meeting of Shareholders  
30<sup>th</sup> September, 2010, 11.00 A.M.  
Plot No. 28/1A, Village Dheku, Takai Adosi Road, Tal: Khalapur, Dist. Raigad – 410 203.
2. Dates of book closures  
28<sup>th</sup> September 2010 to 30<sup>th</sup> September, 2010 (both days inclusive)
3. Financial Calendar (tentative and subject to change)  
Financial Results reporting for quarter ended June 30, 2010 on or before August 15, 2010  
September 30, 2010 on or before November 15, 2010  
December 31, 2010 on or before February 15, 2011  
March 31, 2011 on or before May 15, 2011
4. Listing on stock exchanges  
The Stock Exchange, Mumbai
5. Listing Fees  
Paid for the year 2010-2011 to the Stock Exchange, Mumbai
6. Registered Office  
Plot No. 28/1A, Village Dheku, Takai Adosi Road, Off. Khopoli Pen Road Dist. Raigad – 410 203.



7. Registrar and Share Transfer agents

System Support Services  
209, Shivai Industrial Estate,  
89, Andheri – Kurla Road,  
Sakinaka, Andheri (East),  
Mumbai – 400 072.

**SHARE TRANSFER SYSTEM:**

Shares sent for physical transfer are generally registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The Shareholders/ Investors Grievance committee of the Company meets as and when required.

For matters regarding shares transfer in physical form, share certificates, change of address, etc, shareholders should communicate with M/s. System Support Services, the Company's Registrar and Share Transfer Agent. Their address is given in the section on Shareholder information.

**STOCK MARKET PRICE DATA**

Monthly high and low at the Stock Exchange, Mumbai for financial year ended 31<sup>st</sup> March 2010.

There was no trading for the period from 1<sup>st</sup> April, 2009 to 30<sup>th</sup> June, 2009.

The Bombay Stock Exchange Ltd Mumbai

|                | High | Low  |
|----------------|------|------|
| July-2009      | 7.00 | 7.00 |
| August-2009    | 7.35 | 4.15 |
| September-2009 | 5.20 | 4.72 |
| October-2009   | 4.49 | 4.49 |
| November-2009  | 4.28 | 4.28 |
| December-2009  | 4.48 | 4.00 |
| January-2010   | 6.89 | 4.70 |
| February-2010  | 7.75 | 6.47 |
| March-2010     | 8.15 | 5.95 |

**DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH, 2010.**

| No. of Equity Share held | No. of Shareholders | % of Shareholders | Amt. In Rs.     | % of Total Share Capital |
|--------------------------|---------------------|-------------------|-----------------|--------------------------|
| 1 - 500                  | 3281                | 87.657            | 7748000         | 12.783                   |
| 501 - 1000               | 290                 | 7.748             | 2171000         | 3.582                    |
| 1001- 5000               | 139                 | 3.714             | 2787000         | 4.598                    |
| 5001 -10000              | 10                  | 0.267             | 811000          | 1.338                    |
| 10001- 100000            | 15                  | 0.401             | 6654000         | 10.978                   |
| 100001 and Above         | 8                   | 0.214             | 40439000        | 66.721                   |
| <b>Total</b>             | <b>3743</b>         | <b>100.00</b>     | <b>60610000</b> | <b>100.00</b>            |



| Category   | Shareholders Number | Shares % to total Shareholders | Numbers        | % to total Capital |
|--|---------------------|--------------------------------|----------------|--------------------|
| Promoter   | 8                   | 0.21                           | 3805300        | 62.78              |
| Banks, Financial institutions, Insurance Companies | NIL                 | NIL                            | NIL            | NIL                |
| Mutual Funds                                       | 4                   | 0.11                           | 146200         | 2.41               |
| Private Corporate Bodies                           | 25                  | 0.67                           | 261500         | 4.31               |
| FII's / NRI /OCB's                                 | 64                  | 1.71                           | 333000         | 5.50               |
| Indian Public                                      | 3642                | 97.30                          | 1515000        | 25.00              |
| <b>Total</b>                                       | <b>3743</b>         | <b>100.00</b>                  | <b>6061000</b> | <b>100.00</b>      |

**DEMATERIALIZATION OF SHARES AND LIQUIDITY**

The Company has established connectivity with Central Depository Services (India) Limited and National Securities Depository Limited. As on 31<sup>st</sup> March 2010, 6061000 Equity Shares representing 100% has been as follows

| Category     | No.of Shares     | %age of Share-holders to Total | No.of Share-Holders | %age to Total |
|--------------|------------------|--------------------------------|---------------------|---------------|
| C.D.S.L.     | 33,33,400        | 54.998                         | 128                 | 3.42          |
| N.S.D.L      | 3,29,200         | 5.431                          | 316                 | 8.442         |
| Physical     | 23,98,400        | 39.571                         | 3299                | 88.138        |
| <b>Total</b> | <b>60,61,000</b> | <b>100.00</b>                  | <b>3743</b>         | <b>100</b>    |

**PLANT LOCATION:**

Plot No. 28/1A, Village Dheku, Takai Adoshi Road, Off. Khopoli Pen Road, Tal: Khalapur, Dist. Raigad – 410203

**ADDRESS FOR CORRESPONDENCE:**

System Support Services

209, Shivai Industrial Estate, 89, Andheri – Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072

**OUTSTANDING CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY:**

There are no outstanding convertible instruments as on date.

**STOCK EXCHANGE LISTINGS**

The Bombay Stock Exchange Ltd., Mumbai

Stock Code: 526901

ISIN NO. INE344I01017

**MANAGING DIRECTOR'S DECLARATION ON CODE OF CONDUCT AND ETHICS:**

The Board of Director's of the Company has laid down Code of Conduct and Ethics (The Code) for the Company's Directors and Senior Employees. All the Directors and the Senior Employees covered by the Code have confirmed Compliance with the code on an annual basis.

**For and on behalf of the Board**

Place: Mumbai  
Date: 23<sup>rd</sup> August 2010

**Mohan Lal Arora  
Chairman and Managing Director**



**AUDITORS' REPORT TO THE MEMBERS OF SONAL ADHESIVES LIMITED**

1. We have audited the attached Balance Sheet of **Sonal Adhesives Limited, Mumbai** as at 31 Mar 2010, the Profit and Loss Account and 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 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) (Amendment) Order, 2004, 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv. In our opinion, the Balance Sheet and Profit and Loss Account and the 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;
5. On the basis of the written representations received from the directors, as on 31 Mar 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 Mar 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. 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 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 Mar, 2010; and;
  - 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 for the year ended on that date.

**For K S Sanghvi & Co**  
Chartered Accountants  
(Registration Number 116714W)

Place : Mumbai  
Date : 23<sup>rd</sup> August, 2010

K S Sanghvi  
**Partner**  
Membership No.: 31123

**Annexure to the Auditors' Report**  
(Referred to in paragraph 3 of our report of even date)

- (A) Having regard to the nature of the Company's business / activities and results for the year, clauses (viii), (xiii) and (xiv) of Companies (Auditor's Report) Order (As amended), 2004 are not applicable.
  - (i) (a) According to the information and explanations given to us, the Company has maintained proper



- records showing full particulars, including the quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, a substantial portion of fixed assets has been physically verified by the Management at reasonable interval, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were observed on such verification.
  - (c) During the year, the Company has not disposed off a major part of the fixed assets.
  - (ii) (a) As explained to us, the inventories, excluding materials in transit and materials lying with third parties (including ports) were physically verified by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification followed by the Management are reasonable and adequate in relation to the size of the company and nature of business.
  - (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. We have been informed that no material discrepancies were noticed on physical verification.
  - (iii) (a) According to the information and explanations given to us, the Company has not granted loans, secured or unsecured, to companies, firms or other parties whose names are required to be entered in the register to be maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) of clause 4(iii) of the Companies (Auditor's Report) Order (as amended), 2004 are not applicable to the Company.
  - (e) According to the information and explanations given to us the Company has not taken any loans from companies, firms or other parties covered in the register required to be maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) of clause 4 (iii) of the Companies (Auditor's Report) Order (as amended), 2004 are not applicable to the Company.
  - (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
  - (v) Since there are no transactions carried out with parties whose name is required to be entered in the Register which is required to be maintained under section 301 of the Companies Act, 1956, this clause along with sub-clause (b) of clause 4(v) the Companies (Auditor's Report) Order (as amended), 2004 is not applicable to Company.
  - (vi) The Company has not accepted any deposits from the public.
  - (vii) The Company has an in – house internal audit team which comprises the senior executives of the Company. The internal audit is conducted by the team at quarterly intervals. In our opinion, the internal audit system is commensurate with the size of the Company and nature of its business.
  - (ix) (a) The Company is *generally* regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income-tax, sales tax and other material statutory dues applicable to it. Since the company does not have any unclaimed dividend, provisions relating to investor education and protection fund are not applicable to the Company.
  - (b) According to the information and explanation given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, sales-tax and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable *except Income – tax demand for the Assessment year 1995 – 96 for rupees 564260 which is pending before the honorable Income Tax Appellate Tribunal, Mumbai.*
  - (x) The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
  - (xi) On the basis of verification of records and as per information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.





- (xii) According to the information and explanation given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xv) According to the information and explanation given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to the parties or companies covered in the register required to be maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For K S Sanghvi & Co**  
Chartered Accountants  
(Registration Number 116714W)

Place : Mumbai  
Date : 23<sup>rd</sup> August, 2010

K S Sanghvi  
**Partner**  
Membership No.: 31123

**Auditor's Certificate regarding compliance of conditions of corporate governance**

To the Members of Sonal Adhesives Limited

We have examined the compliance of conditions of Corporate Governance by Sonal Adhesives Limited for the year ended 31 Mar 2010 as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India. The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s). We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Kirit Sanghvi  
**Partner**  
Membership Number 031123

For and on behalf of  
**K S Sanghvi & Co**  
Chartered Accountants  
(Firm Registration Number: 116714W)

Place: Mumbai  
Date: August 23<sup>rd</sup>, 2010



**BALANCE SHEET AS AT 31st MARCH ' 2010.**

(All amounts in INR)

| Particulars                                     | Schedule No. | As at<br>31.03.2010 | As at<br>31.03.2009 |
|---|--------------|---------------------|---------------------|
| <b>Sources of Funds:</b>                        |              |                     |                     |
| <b>Shareholder's Funds:</b>                     |              |                     |                     |
| 1   | A            | 60,610,000          | 60,610,000          |
| 2   | B            | 19,284,775          | 18,711,371          |
|   |              | <b>79,894,775</b>   | <b>79,321,371</b>   |
| <b>Net Worth</b>                                |              |                     |                     |
| <b>Loan Funds:</b>                              |              |                     |                     |
| 3   | C            | 72,809,530          | 65,437,920          |
| 4   | D            | 9,951,041           | 12,164,090          |
| 5   | E            | 4,461,069           | 4,144,543           |
|   |              | <b>87,221,640</b>   | <b>81,746,553</b>   |
|   |              | <b>167,116,415</b>  | <b>161,067,924</b>  |
| <b>Total Sources of Funds</b>                   |              |                     |                     |
| <b>Application of funds:</b>                    |              |                     |                     |
| <b>Fixed Assets:</b>                            |              |                     |                     |
| 6   | F            |                     |                     |
|   |              | 50,824,553          | 50,184,675          |
|   |              | 21,428,570          | 19,408,439          |
|   |              | <b>29,395,983</b>   | <b>30,776,236</b>   |
| <b>Net block</b>                                |              |                     |                     |
| 7   | -            | -                   | -                   |
| <b>Investments:</b>                             |              |                     |                     |
| <b>Current assets, loans and advances:</b>      |              |                     |                     |
| 8   | G            | 104,350,471         | 94,525,320          |
| 9   | H            | 55,707,095          | 40,325,209          |
| 10  | J            | 8,403,386           | 5,472,820           |
| 11  | K            | 18,615,135          | 14,329,073          |
| 12  | L            | 43,214,200          | 43,331,147          |
|   |              | <b>230,290,287</b>  | <b>197,983,569</b>  |
| <b>Less: Current liabilities and provisions</b> |              |                     |                     |
| 13  | M            | 76,741,056          | 59,228,350          |
| 14  | N            | 15,828,799          | 8,463,531           |
|   |              | <b>92,569,855</b>   | <b>67,691,881</b>   |
|   |              | <b>137,720,433</b>  | <b>130,291,688</b>  |
| <b>Net current assets</b>                       |              |                     |                     |
| 15  |              | -                   | -                   |
| <b>Miscellaneous Expenditure</b>                |              |                     |                     |
|   |              | <b>167,116,415</b>  | <b>161,067,924</b>  |
| <b>Total Application of Funds</b>               |              |                     |                     |

Schedules "A" to "N" and Notes to Accounts in Schedule "V" form an integral part of the balance sheet

As per our report of even date

**For K S Sanghvi & Co**

Chartered Accountants  
(Registration No: 116714W)

Kirit Sanghvi  
**Partner**  
Membership No: 31123

Date : 23<sup>rd</sup> August, 2010  
Place: Mumbai

**For and on behalf of Board of Directors of  
Sonal Adhesives Limited**

Mohan Lal Arora  
**Managing Director**

Sandeep Arora  
**Director**

Date : 23<sup>rd</sup> August, 2010  
Place : Mumbai



**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDING 31st MARCH '2010.**

| Particulars  | Schedule No. | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--|--------------|-------------------------------|-------------------------------|
| <b>Income</b>  |              |                               |                               |
| 1 Sales and operations   | P            | 329,910,542                   | 301,082,028                   |
| 2 Other income   | Q            | 5,575,144                     | 401,674                       |
|  |              | <b>335,485,686</b>            | <b>301,483,702</b>            |
| <b>Expenditure</b>   |              |                               |                               |
| 3 Cost of goods sold   | R            | 310,358,089                   | 271,029,516                   |
| 4 Personnel Cost   | S            | 3,554,520                     | 3,798,219                     |
| 5 Other expenditure  | T            | 8,449,618                     | 12,849,168                    |
|  |              | <b>322,362,227</b>            | <b>287,676,903</b>            |
|  |              | 13,123,459                    | 13,806,799                    |
| <b>Profit before interest, depreciation, extraordinary items and tax</b> |              |                               |                               |
| 6 Interest   | U            | 5,167,866                     | 6,193,404                     |
| 7 Depreciation   | F            | 2,020,130                     | 2,422,946                     |
|  |              | <b>7,187,996</b>              | <b>8,616,350</b>              |
| 8 <b>Profit before extraordinary items, prior period items and tax</b>   |              | <b>5,935,463</b>              | <b>5,190,449</b>              |
| 9 Prior period and extraordinary items                                   |              | -                             | 1,320                         |
|  |              | <b>5,935,463</b>              | <b>5,189,129</b>              |
| <b>Profit before tax</b>   |              |                               |                               |
| <b>Tax:</b>  |              |                               |                               |
| 10 Current   |              | 1,500,000                     | 2,025,000                     |
| 11 Deferred tax (Assets Written Back)                                    | E            | 316,526                       | (304,533)                     |
| 12 Fringe benefit tax  |              | -                             | 100,000                       |
|  |              | <b>4,118,937</b>              | <b>3,368,662</b>              |
| <b>Profit after tax available for appropriation</b>                      |              |                               |                               |
| <b>Less: Appropriations</b>  |              |                               |                               |
| Proposed final dividend  |              | 3,030,500                     | -                             |
| Dividend distribution tax thereon  |              | 515,033                       | -                             |
|  |              | <b>573,404</b>                | <b>3,368,662</b>              |
| <b>Surplus carried over to the Balance Sheet</b>                         |              |                               |                               |
| Earnings per share (Refer Note 2.9 of Schedule V)<br>Basic and diluted   |              | 0.68                          | 0.56                          |

*Schedules "P" to "U" and Notes to Accounts in Schedule "V" form an integral part of the Profit and Loss Account*

*As per our report of even date*

**For K S Sanghvi & Co**

Chartered Accountants  
(Registration No: 116714W)

Kirit Sanghvi  
**Partner**  
Membership No: 31123

Date : 23<sup>rd</sup> August, 2010  
Place: Mumbai

**For and on behalf of Board of Directors of  
Sonal Adhesives Limited**

Mohan Lal Arora  
**Managing Director**

Sandeep Arora  
**Director**

Date : 23<sup>rd</sup> August, 2010  
Place : Mumbai



**SCHEDULES TO ACCOUNTS**

(All amounts in INR)

|  | As at<br>31.03.2010 | As at<br>31.03.2009 |
|--|---------------------|---------------------|
| <b>Schedule 'A' : Share Capital</b>                                      |                     |                     |
| Authorized:  |                     |                     |
| 7000000 Equity shares of Rs 10 each.                                     | 70,000,000          | 70,000,000          |
| Issued, subscribed and paid up:  |                     |                     |
| 6061000 Equity shares (Previous year 6061000) of Rs 10 each, fully paid. | 60,610,000          | 60,610,000          |
| <b>Total</b>   | <b>60,610,000</b>   | <b>60,610,000</b>   |
| <b>Schedule 'B' : Reserves and Surplus:</b>                              |                     |                     |
| <b>Capital Reserves:</b>   |                     |                     |
| <b>Capital Subsidy</b>   |                     |                     |
| Opening balance  | 1,000,000           | 1,000,000           |
| Add: Additions during the year   | -                   | -                   |
| Less: Withdrawals during the year  | -                   | -                   |
| <b>Closing balance</b>   | <b>1,000,000</b>    | <b>1,000,000</b>    |
| <b>General Reserves:</b>   |                     |                     |
| <b>Profit and Loss Account:</b>  |                     |                     |
| Opening balance  | 17,711,371          | 19,937,510          |
| Add: Additions during the year   | 573,404             | 3,368,662           |
| Less: Withdrawals during the year  | -                   | 5,594,801           |
| <b>Closing balance</b>   | <b>18,284,775</b>   | <b>17,711,371</b>   |
| <b>Total Reserves and Surplus</b>  | <b>19,284,775</b>   | <b>18,711,371</b>   |
| <b>Schedule 'C' : Secured loans</b>                                      |                     |                     |
| SBI Cash Credit (Andheri)  | 12,197,742          | 13,564,417          |
| SBI EPC  | 59,508,927          | 50,534,960          |
| SBI Khopoli OD   | 906,734             | 866,246             |
| Kotak Mahindra Prime Limited (Car Loan) (Refer Note 2.13 of Schedule V)  | 196,127             | 472,297             |
| <b>Total</b>   | <b>72,809,530</b>   | <b>65,437,920</b>   |
| <b>Schedule 'D' : Unsecured loans</b>                                    |                     |                     |
| Sales Tax Deferral Account   | 9,195,053           | 11,408,102          |
| [Payable within 1 year Rs 21,20,463 (Previous Year Rs 22,13,049)]        |                     |                     |
| Sales Tax Expansion Scheme   | 755,988             | 755,988             |
| <b>Total</b>   | <b>9,951,041</b>    | <b>12,164,090</b>   |
| <b>Schedule 'E' : Deferred tax liability</b>                             |                     |                     |
| <b>Deferred tax liability</b>  |                     |                     |
| Opening balance  | 4,144,543           | 4,449,076           |
| Add: Additions during the year   | 316,526             | -                   |
| Less: Adjustments during the year  | -                   | (304,533)           |
| <b>Total</b>   | <b>4,461,069</b>    | <b>4,144,543</b>    |

**SCHEDULE-F FIXED ASSETS AS ON 31ST MARCH' 2010.**

(All amounts in INR)

| Sr. No. | Description             | Dep. % | GROSS BLOCK       |                       |                        |                   | DEPRECIATION      |                  |                       |                   | NET BLOCK         |                   |
|---------|-------------------------|--------|-------------------|-----------------------|------------------------|-------------------|-------------------|------------------|-----------------------|-------------------|-------------------|-------------------|
|         |                         |        | As on 01.04.2009  | Additions during year | Deductions during year | As on 31.03.2010  | Up to 01.04.2009  | During the year  | Deduction during year | Up to 31.03.2010  | As on 31.03.2010  | As on 31.03.2009  |
| 1       | Land                    | -      | 207,130           | -                     | -                      | 207,130           | -                 | -                | -                     | -                 | 207,130           | 207,130           |
| 2       | Factory Building        | 3.34%  | 12,274,905        | -                     | -                      | 12,274,905        | 5,255,931         | 409,982          | -                     | 5,665,912         | 6,608,993         | 7,018,974         |
| 3       | Office Premises         | 1.63%  | 569,728           | -                     | -                      | 569,728           | 243,347           | 9,287            | -                     | 252,633           | 317,095           | 326,381           |
| 4       | Machinery               | 4.75%  | 30,790,281        | 24,000                | -                      | 30,814,281        | 9,640,616         | 1,463,138        | -                     | 11,103,754        | 19,710,527        | 21,149,665        |
| 5       | Electrical Installation | 4.75%  | 2,392,347         | -                     | -                      | 2,392,347         | 1,456,262         | 113,636          | -                     | 1,569,898         | 822,449           | 936,085           |
| 6       | Lab Equipments          | 4.75%  | 12,196            | -                     | -                      | 12,196            | 8,484             | 579              | -                     | 9,063             | 3,133             | 3,712             |
| 7       | Motor Vehicle           | 9.50%  | 1,398,506         | 437,864               | -                      | 1,836,370         | 495,281           | 153,714          | -                     | 648,994           | 1,187,376         | 903,225           |
| 8       | Motor Cycle             | 9.50%  | 22,849            | -                     | -                      | 22,849            | 22,849            | -                | -                     | 22,849            | -                 | -                 |
| 9       | Bicycle                 | 7.07%  | 4,535             | -                     | -                      | 4,535             | 3,810             | 321              | -                     | 4,131             | 404               | 725               |
| 10      | Air-conditioner         | 4.75%  | 18,331            | -                     | -                      | 18,331            | 2,861             | 871              | -                     | 3,732             | 14,599            | 15,470            |
| 11      | Computer                | 16.21% | 1,575,656         | 49,518                | -                      | 1,625,174         | 1,714,442         | 9,890            | 192,606               | 1,531,726         | 93,449            | (138,786)         |
| 12      | Generating Set          | 4.75%  | 208,900           | -                     | -                      | 208,900           | 110,747           | 9,923            | -                     | 120,669           | 88,231            | 98,154            |
| 13      | Office Equipment        | 4.75%  | 304,220           | 128,496               | -                      | 432,716           | 151,175           | 15,754           | -                     | 166,929           | 265,787           | 153,045           |
| 14      | Furniture & Fixture     | 6.33%  | 405,091           | -                     | -                      | 405,091           | 302,636           | 25,642           | -                     | 328,279           | 76,812            | 102,455           |
|         | <b>Current Year</b>     |        | <b>50,184,675</b> | <b>639,878</b>        | <b>-</b>               | <b>50,824,553</b> | <b>19,408,439</b> | <b>2,212,736</b> | <b>192,606</b>        | <b>21,428,570</b> | <b>29,395,984</b> | <b>30,776,236</b> |
|         | <b>Previous Year</b>    |        | <b>49,869,691</b> | <b>314,984</b>        | <b>-</b>               | <b>50,184,675</b> | <b>16,985,493</b> | <b>2,422,946</b> | <b>-</b>              | <b>19,408,439</b> | <b>30,776,236</b> | <b>32,884,198</b> |

**Note:**

- The addition to fixed assets have been classified in accordance with the classification normally adopted by the Management.
- The additions to fixed assets are exclusive of VAT since the Company claims set off credit for the same (except which cannot be taken as set - off).
- Motor cycle has been fully depreciated.



**SONAL  
ADHESIVES  
LIMITED**

**Annual Report  
2009 - 2010**



**SCHEDULES TO ACCOUNTS**

(All amounts in INR)

|   | As at<br>31.03.2010 | As at<br>31.03.2009 |
|---|---------------------|---------------------|
| <b>Schedule 'G': Inventories</b>                          |                     |                     |
| Raw materials   | 37,534,115          | 38,454,015          |
| Finished goods  | 61,586,545          | 53,942,042          |
| Packing Materials   | 1,587,508           | 1,468,620           |
| Consummables  | 3,642,303           | 660,643             |
| <b>Total</b>  | <b>104,350,471</b>  | <b>94,525,320</b>   |
| <b>Schedule 'H': Sundry debtors</b>                       |                     |                     |
| Debts outstanding for more than 6 months:                 |                     |                     |
| Unsecured - Considered good                               | 1,674,274           | 1,717,516           |
| Unsecured - Considered doubtful                           | -                   | -                   |
| <b>Total</b>  | <b>1,674,274</b>    | <b>1,717,516</b>    |
| Less: Provision for doubtful debts                        | -                   | -                   |
|   | <b>1,674,274</b>    | <b>1,717,516</b>    |
| Other debts (Unsecured - considered good)                 | 24,602,908          | 20,263,065          |
| Dues from companies in which the directors are interested | 29,429,913          | 18,344,628          |
| <b>Total</b>  | <b>55,707,095</b>   | <b>40,325,209</b>   |
| <b>Schedule 'J': Cash and bank balances</b>               |                     |                     |
| Cash on hand  | 520,287             | 345,959             |
| <b>Bank balances:</b>                                     |                     |                     |
| In current account with scheduled banks:                  | 7,883,099           | 5,126,861           |
| In other accounts   | -                   | -                   |
| <b>Total</b>  | <b>8,403,386</b>    | <b>5,472,820</b>    |
| <b>Schedule 'K': Loans and advances</b>                   |                     |                     |
| Advance to staff  | 1,000               | 75,089              |
| Advance to suppliers                                      | 2,085,648           | 2,337,621           |
| Balances lying with government authorities                | 14,659,476          | 11,916,363          |
| Advance for purchase of machinery                         | 1,869,011           | -                   |
| <b>Total</b>  | <b>18,615,135</b>   | <b>14,329,073</b>   |
| <b>Schedule 'L': Other current assets</b>                 |                     |                     |
| Deposits with companies in which directors are interested | 42,500,000          | 42,500,000          |
| Other deposits  | 714,200             | 831,147             |
| <b>Total</b>  | <b>43,214,200</b>   | <b>43,331,147</b>   |



**SCHEDULES TO ACCOUNTS**

(All amounts in INR)

|   | As at<br>31.03.2010 | As at<br>31.03.2009 |
|---|---------------------|---------------------|
| <b>Schedule 'M': Current liabilities</b>                                      |                     |                     |
| <b>Sundry creditors</b>   |                     |                     |
| Dues to Micro, Small and Medium Enterprises<br>(Refer Note 3.4 to Schedule V) | -                   | -                   |
| Dues to enterprises other than Micro,<br>Small and Medium Enterprises         | 48,431,157          | 58,412,890          |
| Dues to Companies under same Management                                       | 25,485,263          | -                   |
| Duties and taxes payable  | 863,780             | 2,583               |
| Advances received from customers  | 1,838,176           | 791,982             |
| Advance from Company under same Management                                    | 100,135             | -                   |
| Deposits accepted   | 20,895              | 20,895              |
| Amount payable to staff   | 1,650               | -                   |
| <b>Total</b>  | <b>76,741,056</b>   | <b>59,228,350</b>   |
| <b>Schedule 'N': Provisions</b>   |                     |                     |
| Provision for Income Tax (FY 2006 - 07)                                       | 900,000             | 900,000             |
| Provision for Income Tax (FY 2007 - 08)                                       | 1,025,000           | 1,025,000           |
| Provision for Fringe Benefit Tax (FY 2007 - 08)                               | 95,000              | 95,000              |
| Provision for Income Tax (FY 2008 - 09)                                       | 2,025,000           | 2,025,000           |
| Provision for Income Tax (FY 2009 - 10)                                       | 1,500,000           | -                   |
| Provision for Fringe Benefit Tax (FY 2008 - 09)                               | 100,000             | 100,000             |
| VAT Payable   | 485                 | 485                 |
| Provision for Leave Salary  | 70,375              | 175,208             |
| Provision for Gratuity  | 594,490             | 511,846             |
| Outstanding Expense   | 374,138             | 741,055             |
| Excise duty on closing finished stock   | 5,598,777           | 2,889,937           |
| Proposed final dividend (FY 2009 - 2010)                                      | 3,030,500           | -                   |
| Dividend distribution tax thereon   | 515,033             | -                   |
| <b>Total</b>  | <b>15,828,799</b>   | <b>8,463,531</b>    |



**SCHEDULES TO ACCOUNTS**

(All amounts in INR)

|   | For the year ended<br>31.03.2010 | For the year ended<br>31.03.2009 |
|---|----------------------------------|----------------------------------|
| <b>Schedule 'P': Sales</b>              |                                  |                                  |
| Sales from HO                           | 354,360,233                      | 314,470,973                      |
| Less: Excise duty on Sales              | 24,449,691                       | 29,042,260                       |
| <b>Total</b>                            | <b>329,910,542</b>               | <b>301,082,028</b>               |
| <b>Schedule 'Q': Other income</b>       |                                  |                                  |
| Miscellaneous income                    | 49,944                           | 142,245                          |
| Interest income (Gross of TDS)          | 435,769                          | 259,429                          |
| Foreign exchange gain                   | 4,987,931                        | -                                |
| Excess provisions written back          | 101,500                          | -                                |
| <b>Total</b>                            | <b>5,575,144</b>                 | <b>401,674</b>                   |
| <b>Schedule 'R': Cost of Goods Sold</b> |                                  |                                  |
| Opening stock of Finished Goods         | 53,942,042                       | 89,790,895                       |
| Opening stock of Raw Materials          | 38,454,015                       | 23,721,851                       |
| Opening stock of Packing Materials      | 1,468,620                        | -                                |
| Opening stock of Consumables            | 660,643                          | -                                |
| Less: Excise duty on Opening Stock      | (2,889,937)                      | (11,111,250)                     |
| Add: Purchases of stock                 | 287,030,140                      | 235,466,687                      |
| Purchase of license                     | -                                | 334,376                          |
| <b>Add: Direct expenses</b>             |                                  |                                  |
| Excise Duty on Closing Stock            | 5,598,777                        | 2,889,937                        |
| Clearing and Forwarding/Port/Octroi     | 3,078,081                        | 221,509                          |
| Consumable                              | 735,531                          | 745,044                          |
| Electricity Charges                     | 3,221,924                        | 2,339,737                        |
| Factory Expenses                        | 434,859                          | 478,612                          |
| Freight & Forwarding Charges            | 2,966,960                        | 1,670,488                        |
| Manufacturing Expenses                  | 19,429,187                       | 16,282,528                       |
| Repairs & Maintenance (Machinery)       | 439,129                          | 482,948                          |
| Security Charges                        | 375,841                          | 639,895                          |
| Stores & Spares Expenses                | 2,106,012                        | 1,666,144                        |
| Salary (Factory)                        | 1,232,394                        | 1,125,629                        |
| Gratuity (Factory)                      | -                                | 12,150                           |
| Other Allowance (Factory)               | 882,898                          | 769,895                          |
| Less: Discounts received                | 4,296,796                        | 1,603,392                        |
| Less: Rate differences                  | 91,108                           | 368,847                          |
| Less: Trade Discounts                   | 70,652                           | -                                |
| Less: Closing stock                     | 104,350,471                      | 94,525,320                       |
| <b>Total</b>                            | <b>310,358,089</b>               | <b>271,029,516</b>               |
| <b>Schedule 'S': Personnel cost</b>     |                                  |                                  |
| Director's Remuneration                 | 870,000                          | 660,000                          |
| Provision for gratuity                  | 82,644                           | 532,038                          |
| Labour Welfare Fund                     | 384                              | (1,229)                          |
| Leave Salary paid                       | -                                | 36,433                           |
| Provision for Leave Salary              | -                                | 175,208                          |
| Provident Fund                          | 604,536                          | 627,977                          |
| Other Allowance (HO)                    | 690,968                          | 554,552                          |
| Salary (H.O)                            | 1,305,988                        | 1,213,240                        |
| <b>Total</b>                            | <b>3,554,520</b>                 | <b>3,798,219</b>                 |





**SCHEDULES TO ACCOUNTS**

(All amounts in INR)

|   | For the year ended<br>31.03.2010 | For the year ended<br>31.03.2009 |
|---|----------------------------------|----------------------------------|
| <b>Schedule 'T': Other Expenditure</b>    |                                  |                                  |
| Advertisement & Publicity                 | 77,201                           | 51,134                           |
| Audit Fees (Refer Note 3.3 to Schedule V) | 120,000                          | 120,000                          |
| Bad Debts written off                     | 411,389                          | 489,128                          |
| Bank Charges                              | 2,073,726                        | 866,400                          |
| Books & Periodicals                       | 3,174                            | 3,023                            |
| Charity & Donations                       | 19,503                           | 30,300                           |
| Commission on Sales                       | 355,892                          | 220,903                          |
| Conveyance Expenses                       | 181,580                          | 217,137                          |
| Domestic & Foreign Travel                 | 894,171                          | 518,586                          |
| Exchange Fluctuation                      | -                                | 6,356,374                        |
| General Expenses                          | 101,599                          | 68,020                           |
| Insurance Premium                         | 618,978                          | 707,504                          |
| Listing Fees                              | 23,545                           | 17,800                           |
| Legalisation / Certification Charges      | 256,100                          | -                                |
| Membership & Subscriptions                | 37,460                           | 36,484                           |
| Office Maintenance Expenses               | 135,088                          | 108,114                          |
| Postal Expenses                           | 172,308                          | 145,237                          |
| Printing & Stationery                     | 243,453                          | 215,132                          |
| Professional Fees                         | 228,213                          | 137,300                          |
| Professional Tax                          | 27,063                           | 9,310                            |
| Recruitment Charges                       | -                                | 7,500                            |
| Registrar Expenses                        | 32,378                           | 39,314                           |
| Rent Rates & Taxes                        | 648,735                          | 495,721                          |
| Repairs & Maintenance (Vehicle)           | 261,890                          | 281,973                          |
| Sales Promotion Expenses                  | 139,171                          | 139,214                          |
| Sales Tax                                 | 33,101                           | 281,691                          |
| Staff Welfare Expenses                    | 246,745                          | 275,395                          |
| Sundry Balance Written Off                | -                                | 2,876                            |
| Telephone Expenses                        | 454,954                          | 414,788                          |
| Terminal handling charges                 | 430,988                          | 391,146                          |
| Testing Charges                           | 3,000                            | 750                              |
| Trade Discount                            | -                                | 31,240                           |
| Water Charges                             | 180,400                          | 148,425                          |
| Xerox / Typing Charges                    | 37,814                           | 21,250                           |
| <b>Total</b>                              | <b>8,449,618</b>                 | <b>12,849,168</b>                |
| <b>Schedule 'U': Interest cost</b>        |                                  |                                  |
| Interest to Sales Tax Authorities         | -                                | 15,175                           |
| Interest to Central Excise Authorities    | 5,098                            | -                                |
| Interest On Car Loan                      | 26,494                           | 46,706                           |
| Bank Interest                             | 5,136,007                        | 6,131,523                        |
| Interest on Cenvat Payable                | 267                              | -                                |
| <b>Total</b>                              | <b>5,167,866</b>                 | <b>6,193,404</b>                 |



**Schedule V**

Significant accounting policies and Notes to Accounts for the year ended 31 Mar 2010

**1. Nature of business**

1.1 The Company is in the business of manufacturing adhesive tapes and plastic ropes. The manufacturing facility of the Company is situated at Khopoli and its administrative office is situated in Andheri (West), Mumbai. The Company exports its products through its associate companies. The Company also gets some part of the manufacturing done from its associate companies on job work basis.

**2. Significant accounting policies**

**2.1. Accounting convention**

The financial statements of the Company are prepared under historical cost convention on an accrual basis and comply with the Accounting Standards ('AS') notified by the Companies (Accounting Standards) Rules, 2006 except otherwise mentioned elsewhere in the financial statements.

**2.2. Use of Estimates**

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities, if any) as at the date of the financial statements and the reported income and expenses during the reporting period like provisioning for taxation, useful lives of assets etc. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results may vary from these estimates.

**2.3. Revenue Recognition**

Sales of the Company comprise sale of BOPP tapes and ropes. Revenue is recognized when the risks and rewards are substantially transferred to the buyer. This usually occurs when the goods leave the premises of the Company.

Interest income is recognized on accrual basis.

**2.4. Expenses and incomes**

Expenses and incomes are accounted for on accrual basis. Provisions are made for all known liabilities.

**2.5. Fixed Assets and Depreciation**

Fixed assets acquired by the Company are reported at acquisition value with deductions for accumulated depreciation.

The acquisition cost includes the purchase price, taxes (which are not subsequently recoverable from the tax authorities), duties, freight and incidental expenses related to the acquisition and installation of the asset. Examples of incidental expenses are delivery and handling costs and installation services.

Fixed assets are depreciated on Straight Line Method ('SLM') at the rates prescribed by Schedule XIV of the Companies Act, 1956. Depreciation is charged on a pro – rata basis on additions made during the year. Assets costing below Rs 5000 are expensed out in the year of purchase.

**2.6. Foreign exchange transactions**

Transactions in foreign currency are booked at standard rates determined periodically, which approximate the actual rates.

Cash and bank balances, receivables and liabilities (monetary items) in foreign currencies as at the year end are revalued at year end rates and the unrealized translation differences are included in the profit and loss account.

Gain / loss arising out of fluctuations on realization / payment or restatement, except those identifiable to acquisition of fixed assets is charged / credited to the profit and loss account. Gain / loss on account of exchange fluctuations identifiable to fixed assets acquired are adjusted against the carrying value of the related fixed asset.



**2.7. Inventory**

Raw materials, consumable and packing materials, semi finished goods and finished goods are valued at cost or net realizable value, whichever is lower.

Cost includes freight, taxes and duties (other than those subsequently recoverable from the tax authorities) and all other expenses incurred on bringing the inventory to its present location and condition.

Inventory is valued on weighted average basis.

Cenvat credit for materials purchased for production is taken into account at the time of purchases. Cenvat credit on purchases of capital items wherever applicable is recognized when the asset is purchased. The Cenvat credit so taken is utilized for the payment of excise duty on goods manufactured. The unutilized Cenvat credit is carried forward in the financial statements.

**2.8. Segment reporting**

The Company is primarily engaged in manufacture of Ropes and BOPP tapes.

Although these two businesses represent separate business segments, Accounting Standard 17 – “Segment Reporting” issued by the Institute of Chartered Accountants of India is not applicable to the Company.

**2.9. Earnings per Share**

| <b>Particulars</b>                                   | <b>2009 - 2010</b> | <b>2008 - 2009</b> |
|--|--------------------|--------------------|
| Profit after tax                                     | 4,118,937          | 3,368,662          |
| Less: Preference dividend after distribution thereon | -                  | -                  |
| <b>Adjusted Profit After Tax</b>                     | <b>4,118,937</b>   | <b>3,368,662</b>   |
| Weighted average number of Equity Shares             | 6,061,000          | 6,061,000          |
| <b>Earnings per share Basic and Diluted</b>          | <b>0.68</b>        | <b>0.56</b>        |
| Face value per share                                 | 10.00              | 10.00              |

**2.12 Taxes on income**

- Income tax is computed in accordance with Accounting Standard 22 – ‘Accounting for Taxes on Income’ (‘AS – 22’), notified by the Companies (Accounting Standards) Rules, 2006. Tax expenses are accounted in the same period to which the revenue and expenses relate.
- Deferred tax assets, other than unabsorbed depreciation or carried forward losses, are recognized only if there is reasonable certainty that they will be realized in the future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

| <b>Particulars of timing differences</b>   | <b>Amount (Rs)</b> |
|--|--------------------|
| <b>Deferred tax liability</b>  |                    |
| Depreciation   | 429,268            |
| Reversal of tax impact of expenses (net) charged in the financial statements in previous year but allowable as deduction in current year under the Income Tax Act, 1961. | 677,731            |
| <b>Deferred tax asset</b>  |                    |
| Provision for gratuity   | 82,644             |
| <b>Net Deferred Tax Asset</b>  | <b>1,024,355</b>   |
| Tax Rate   | 30.90%             |
| <b>Deferred tax asset (Rounded to nearest rupee)</b>   | <b>316,526</b>     |

**2.13 Secured Loans**

Secured loan represents loans obtained for commercial purposes. These loans are secured by mortgage of the Company’s immovable property and hypothecation of the movable properties, stocks, book debts and personal guarantees of the directors.

Loan from Kotak Mahindra Prime Limited is secured against car.



**2.14 Contingent liabilities**

The following are the contingent liabilities outstanding as at the balance sheet date.

- Letter of Credits outstanding aggregate to Rs 78.62 lakhs (Previous Year: Rs 1.96 Crores).
- Income Tax demand for Rs. 5.64 lakhs has been raised by the Assessing officer for the AY 1995 - 96. The Company has disputed the demand and preferred an appeal before Income Tax (Tribunal) and final judgment is awaited.

**2.15 Unsecured loans**

- Under the packaging scheme of incentives of the Government of Maharashtra, the Company is entitled to defer its liability for the payment of sales tax upto a period of 10 years for its manufacturing facility at Khopoli.
- The amount is payable as per liability determined by the Sales Tax authorities. The Company has paid Rs 22.13 lakhs as sales tax liability on this account during the year.

2.16 Since the Directors (including the Managing Director) are not drawing any commission, computation of commission for the year ended 31 Mar 2010 as prescribed by sections 198, 309, 349 and 268 read with schedule XIII of the Companies Act, 1956 is not applicable.

2.17 Previous year figures have been regrouped wherever necessary.

**2.18 Related Party Disclosures**

| Particulars   | Associates   |              | Key Management Personnel |         | Relatives of Key Management Personnel |         | Total        |              |
|---|--------------|--------------|--------------------------|---------|---------------------------------------|---------|--------------|--------------|
|   | 2010         | 2009         | 2010                     | 2009    | 2010                                  | 2009    | 2010         | 2009         |
| <b>Sales</b>  |              |              |                          |         |                                       |         |              |              |
| 1. Sonal Impex Limited  | 102,648,870  | 124,088,603  | -                        | -       | -                                     | -       | 102,648,870  | 124,088,603  |
| <b>Purchases of raw materials and intermediaries</b>          |              |              |                          |         |                                       |         |              |              |
| 1. Sonal Impex Limited  | -            | 347,751      | -                        | -       | -                                     | -       | -            | 347,751      |
| 2. Sonal Filaments Limited                                    | -            | 2,312,664    | -                        | -       | -                                     | -       | -            | 2,312,664    |
| <b>Receipt of Manufacturing services</b>                      |              |              |                          |         |                                       |         |              |              |
| 1. Sonal Filaments Limited                                    | 5,956,500    | 7,319,858    | -                        | -       | -                                     | -       | 5,956,500    | 7,319,858    |
| Managerial Remuneration                                       | -            | -            | 870,000                  | 660,000 | 480,000                               | 480,000 | 1,350,000    | 1,140,000    |
| <b>Rent Expense</b>   |              |              |                          |         |                                       |         |              |              |
| 1. Sonal Ropes Limited  | 120,000      | 120,000      | -                        | -       | -                                     | -       | 120,000      | 120,000      |
| <b>Balance outstanding at the year end [debit / (credit)]</b> |              |              |                          |         |                                       |         |              |              |
| 1. Sonal Ropes Limited  | (6,714,495)  | (9,186,786)  | -                        | -       | -                                     | -       | (6,714,495)  | (9,186,786)  |
| 2. Sonal Filaments Limited                                    | (18,870,903) | (14,033,533) | -                        | -       | -                                     | -       | (18,870,903) | (14,033,533) |
| 3. Sonal Impex Limited  | 29,429,913   | 18,344,627   | -                        | -       | -                                     | -       | 29,429,913   | 18,344,627   |

**Notes:**

1. Items of a similar nature may be disclosed in aggregate by type of related party except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the reporting enterprise. Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.
2. Key Management Personnel include Mohan Arora (Managing Director) and Sandeep Arora.
3. Relatives to Key Management Personnel include Mona Arora.



4. Goods are sold on three (3) month credit to non-related parties. Four (4) months credit period is generally allowed on sales made to associates.
5. Loans taken from enterprises owned by key management personnel do not stipulate any repayment schedule.
6. Goods sold to Sonal Impex Limited are not sold in India and hence there is no price comparison between goods sold to Sonal Impex Limited and goods sold to an unrelated party.
7. Remuneration paid to directors is disclosed in Point 3.2 in the Notes to Accounts.

**2.19 Provisions**

| <b>Sr No</b> | <b>Particulars</b>                             | <b>Opening balance</b> | <b>Additional provision created during the year</b> | <b>Amounts used</b> | <b>Unused amounts reversed during the year</b> | <b>Closing provision balance</b>   |
|--------------|--|------------------------|---|---------------------|--|------------------------------------|
|              |  | <b>(A)</b>             | <b>(B)</b>  | <b>(C)</b>          | <b>(D)</b>                                     | <b>(E) = (A) + (B) - (C) - (D)</b> |
| 1            | Outstanding expenses                           | 741,055                | 374,138   | 741,055             | -  | 374,138                            |
| 2            | Profession tax payable                         | -                      | -   | -                   | -  | -                                  |
| 3            | Prov for Fringe Benefit Tax (FY 07 - 08)       | 95,000                 | -   | -                   | -  | 95,000                             |
| 5            | Prov for Income Tax (FY 07 - 08)               | 1,025,000              | -   | -                   | -  | 1,025,000                          |
| 6            | Prov for Income Tax (FY 06 - 07)               | 900,000                | -   | -                   | -  | 900,000                            |
| 7            | Salary & bonus payable                         | -                      | -   | -                   | -  | -                                  |
| 8            | VAT payable                                    | 485                    | -   | -                   | -  | 485                                |
| 9            | Provision for Income Tax (AY 09 - 10)          | 2,025,000              | -   | -                   | -  | 2,025,000                          |
| 10           | Provision for Fringe Benefit Tax (AY 09 - 10)  | 100,000                | -   | -                   | -  | 100,000                            |
| 11           | Provision for leave salary                     | 175,208                | -   | -                   | 104,833  | 70,375                             |
| 12           | Provision for gratuity                         | 511,846                | 82,644  | -                   | -  | 594,490                            |
| 13           | Excise duty on closing stock of Finished Goods | 2,889,937              | 5,598,777   | 2,889,937           | -  | 5,598,777                          |
| 14           | Provison for Income Tax (FY 09 - 10)           | -                      | 1,600,000   | -                   | -  | 1,500,000                          |
| 15           | Proposed Dividend                              | -                      | 3,030,500   | -                   | -  | 3,030,500                          |
| 16           | Dividend tax on proposed dividend              | -                      | 515,033   | -                   | -  | 515,033                            |
|              | <b>Total</b>                                   | <b>8,463,531</b>       | <b>11,201,091</b>                                   | <b>3,630,992</b>    | <b>104,833</b>                                 | <b>15,828,799</b>                  |

**3. Other financial information**

**3.1 No whole time company secretary**

The Company does not have a whole time company secretary as prescribed by section 383A of the Companies Act, 1956.

**3.2 Managerial remuneration**

| <b>Particulars</b>             | <b>31-Mar-10</b> | <b>31-Mar-09</b> |
|--------------------------------|------------------|------------------|
| Director's remuneration        | 870,000          | 660,000          |
| Perquisites and other benefits | -                | -                |
| <b>Total</b>                   | <b>870,000</b>   | <b>660,000</b>   |

Director's remuneration has been included in personnel cost.



**3.3 Auditor's Remuneration**

| <b>Particulars</b>     | <b>2009 - 2010</b> | <b>2008 - 2009</b> |
|------------------------|--------------------|--------------------|
| Statutory audit fees   | 75,000             | 75,000             |
| Tax audit              | 45,000             | 45,000             |
| Other services         | -                  | -                  |
| Out of pocket expenses | -                  | -                  |
| <b>Total</b>           | <b>120,000</b>     | <b>120,000</b>     |

The above fees are exclusive of service tax.

The company takes credit for the service tax on the above payment.

**3.4 Micro Small and Medium Enterprises**

The Company has not received any intimation from its suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, the disclosures, if any, relating to the amounts unpaid as at 31 Mar 2010 together with the interest paid / payable as required under the said Act have not been given.

3.5 Balance of debtors, creditors and bank are subject to confirmations from the respective parties.

**3.6 Quantitative information**

**Capacities and actual production**

| <b>Class of goods</b> | <b>Units</b> | <b>Licensed capacity</b> |             | <b>Installed capacity</b> |              | <b>Actual production</b> |             |
|-----------------------|--------------|--------------------------|-------------|---------------------------|--------------|--------------------------|-------------|
|                       |              | <b>2010</b>              | <b>2009</b> | <b>2010</b>               | <b>2009</b>  | <b>2010</b>              | <b>2009</b> |
| BOPP Tapes            | Lakhs sqm    | NA                       | NA          | 1,300                     | 1,300        | 467                      | 324         |
| Ropes                 | Lakhs kgs    | NA                       | NA          | 12                        | 12           | 7                        | 13          |
| <b>Total</b>          |              |                          |             | <b>1,312</b>              | <b>1,312</b> | <b>473</b>               | <b>337</b>  |

Notes:

1. The installed capacity is as certified by the Management and not verified by the auditors, this being a technical matter.
2. Actual production includes production of goods captively consumed.
3. Production figures do not include quantity of product outsourced for production.

**Purchase of each class of Raw Material**

| <b>Class of goods</b> | <b>Units of measurement</b> | <b>2010</b>     |                    | <b>2009</b>     |                    |
|-----------------------|-----------------------------|-----------------|--------------------|-----------------|--------------------|
|                       |                             | <b>Quantity</b> | <b>Value</b>       | <b>Quantity</b> | <b>Value</b>       |
| BOPP Film             | Kgs                         | 1,230,235       | 113,483,692        | 776,063         | 82,188,699         |
| Plastic Granules      | Kgs                         | 1,421,750       | 81,953,132         | 1,413,400       | 87,304,876         |
| Butyl Acrylate        | Kgs                         | 1,039,280       | 85,675,291         | 718,790         | 70,018,124         |
| <b>Total</b>          |                             |                 | <b>281,112,115</b> |                 | <b>239,511,699</b> |

**Sale of each class of finished goods**

| <b>Class of goods</b>    | <b>Units</b> | <b>2010</b>     |                    | <b>2009</b>     |                    |
|--------------------------|--------------|-----------------|--------------------|-----------------|--------------------|
|                          |              | <b>Quantity</b> | <b>Value</b>       | <b>Quantity</b> | <b>Value</b>       |
| BOPP Tapes               | Sqm          | 47,517,848      | 206,520,543        | 32,809,792      | 138,271,217        |
| Ropes                    | Kgs          | 1,397,826       | 96,288,423         | 1,305,069       | 105,536,691        |
| Acrylic Polymer Emulsion | Kgs          | 200,420         | 10,135,817         | 212,844         | 11,349,685         |
| <b>Total</b>             |              |                 | <b>312,944,783</b> |                 | <b>255,157,593</b> |



| <b>Closing stock of each class of finished goods</b> |              |                  |                   |                  |                   |
|--|--------------|------------------|-------------------|------------------|-------------------|
|  |              | <b>2010</b>      |                   | <b>2009</b>      |                   |
| <b>Class of goods</b>                                | <b>Units</b> | <b>Quantity</b>  | <b>Value</b>      | <b>Quantity</b>  | <b>Value</b>      |
| Adhesive Coated Rolls                                | Sqm          | 1,411,776        | 12,215,789        | 2,257,424        | 15,421,457        |
| Acrylic Polymer                                      | Kgs          | 1,872            | 86,118            | 825              | 37,946            |
| Ropes  | Kgs          | 102,725          | 9,553,655         | 138,957          | 31,960,110        |
| Tapes  | Cartons      | 242              | 415,508           | 914              | 850,644           |
| <b>Total</b>   |              | <b>1,516,616</b> | <b>22,271,070</b> | <b>2,398,120</b> | <b>48,270,157</b> |

Note:  
The closing stock stated above is after adjustments for in-transit brokerage, obsolete and expired stocks and also for captive consumption.

| <b>Break up of materials consumed</b>              |                             |                 |                    |                 |                    |
|--|-----------------------------|-----------------|--------------------|-----------------|--------------------|
|  |                             | <b>2010</b>     |                    | <b>2009</b>     |                    |
| <b>Class of goods</b>                              | <b>Units of measurement</b> | <b>Quantity</b> | <b>Value</b>       | <b>Quantity</b> | <b>Value</b>       |
| Butyl Acrylate                                     | kgs                         | 1,025,705       | 84,556,235         | 776,215         | 54,131,368         |
| Bopp Film  | kgs                         | 1,034,409       | 93,550,437         | 724,022         | 84,411,295         |
| Granules   | kgs                         | 1,649,188       | 95,063,220         | 1,155,778       | 89,456,130         |
| <b>Less: Recoverable duties (included in cost)</b> |                             |                 |                    |                 |                    |
| <b>Total consumption (net of cenvat)</b>           |                             |                 | <b>273,169,893</b> |                 | <b>227,998,793</b> |

Note: Figures as certified by Management

4. **Supplementary statutory information**

| <b>Supplementary statutory information</b> | <b>Current Year Figures</b> | <b>Previous Year Figures</b> |
|--|-----------------------------|------------------------------|
| <b>Expenditure in foreign currency</b>     |                             |                              |
| Travelling                                 | 311,884.00                  | 275,813.00                   |



**5. Balance sheet abstract**

**I Registration Details**

|                     |           |            |     |
|---------------------|-----------|------------|-----|
| Registration Number | 11-64045  | State Code | 011 |
| Balance sheet date  | 31-Mar-10 |            |     |

**II Capital raised during the year**

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Right Issue       | NIL |
| Bonus Issue  | NIL | Private Placement | NIL |

**III Position of mobilization and utilization of funds (Amount in lakhs)**

|                   |         |              |         |
|-------------------|---------|--------------|---------|
| Total liabilities | 1706.62 | Total Assets | 1706.62 |
|-------------------|---------|--------------|---------|

**Sources of funds**

|                        |        |                      |        |
|------------------------|--------|----------------------|--------|
| Paid up capital        | 606.10 | Reserves and Surplus | 228.30 |
| Secured Loans          | 728.10 | Unsecured Loans      | 99.51  |
| Deferred tax liability | 44.61  |                      |        |

**Application of funds**

|                  |        |                    |         |
|------------------|--------|--------------------|---------|
| Net Fixed Assets | 293.96 | Net Current Assets | 1412.66 |
|------------------|--------|--------------------|---------|

**IV Performance of the Company (Amount in lakhs)**

|                    |         |                   |         |
|--------------------|---------|-------------------|---------|
| Turnover           | 3299.11 | Total Expenditure | 3295.50 |
| Profit before tax  | 59.35   | Profit after tax  | 41.19   |
| Earnings Per Share | 0.68    | Interim Dividend  | NIL     |

**V Generic Names of three principal products of the Company**

| <b>Item Code No (ITC Code)</b> | <b>Product Description</b> |
|--------------------------------|----------------------------|
| 39.19.00                       | Bopp Self Adhesive Tape    |
| 56.07.90                       | Plastic Ropes and Twines   |
| 56.07.41                       | P P Twine                  |

**For K. S. Sanghvi & Co.**  
Chartered Accountants  
(Registration Number 116714W)

**Kirit S. Sanghvi**  
Partner.  
M.No.31123  
Place : Mumbai  
Date : 23<sup>rd</sup> August 2010

**For Sonal Adhesives Ltd.**

**Mohan Arora**  
Managing Director  
Place : Mumbai  
Date : 23<sup>rd</sup> August 2010





**CASH FLOW STATEMENT STATEMENT FOR THE YEAR ENDED ON 31st MARCH, 2010**

Cash Flow Statement for the year ended 31 Mar 2010 pursuant to Clause number 32 of the Listing Agreement with the stock exchange and forming part of the Director's Report for the year ended 31 Mar 2010

| <b>Sr No</b> | <b>Particulars</b>   | <b>Year ended<br/>31-Mar-10</b> | <b>Year ended<br/>31-Mar-08</b> |
|--------------|--|---------------------------------|---------------------------------|
| <b>(A)</b>   | <b>Cash Flow from Operating Activities</b>   |                                 |                                 |
|              | Net Profit / (Loss) After Tax and Extra Ordinary items adjusted for:                 |                                 |                                 |
|              | Profit for the Year After Taxation   | 4,118,937                       | 3,368,662                       |
|              | Add back :   |                                 |                                 |
| 1            | Depreciation   | 2,020,130                       | 2,422,946                       |
| 2            | Interest Expenses  | 5,167,866                       | 6,193,404                       |
| 3            | Loss / (Profit) on Sale of Fixed Assets  | -                               | -                               |
|              | <b>(a) Operating profit Before working capital Charges</b>                           | <b>11,306,933</b>               | <b>11,985,012</b>               |
|              | (b) Deduct :   |                                 |                                 |
| 4            | Increase / ( Decrease ) in Trade and other Receivables                               | 15,381,886                      | 15,778,986                      |
| 5            | Increase / ( Decrease ) in Inventories   | 9,825,151                       | (18,987,426)                    |
| 6            | Increase / ( Decrease ) in Loans and Advances  | 4,169,115                       | (959,266)                       |
|              |  | <b>29,376,152</b>               | <b>(4,167,707)</b>              |
|              | (c) Add :  |                                 |                                 |
| 7            | Increase / ( Decrease ) in Trade Payables  | 17,512,706                      | (9,907,270)                     |
| 8            | Increase / ( Decrease ) in Provisions [other than proposed dividend and tax thereon] | 3,819,735                       | 5,702,476                       |
|              |  | <b>21,332,441</b>               | <b>(4,204,794)</b>              |
|              | (d) Deduct :   |                                 |                                 |
| 9            | Cash flow from Operations  |                                 |                                 |
| 10           | Interest paid  | 5,167,866                       | 6,193,404                       |
|              | <b>Net Cash from Operating Activities [ a - b + c - d ]</b>                          | <b>(A) (1,904,644)</b>          | <b>5,754,521</b>                |
| <b>(B)</b>   | <b>Cash Flow from Investing Activities</b>   |                                 |                                 |
| 11           | Acquisition of Fixed Assets  | (639,878)                       | (314,984)                       |
| 12           | Increase / ( Decrease) in Miscellaneous Expenses ( Net )                             | -                               | -                               |
| 13           | Sale of Fixed assets   | -                               | -                               |
|              | <b>Net Cash used in Investing Activities</b>   | <b>(B) (639,878)</b>            | <b>(314,984)</b>                |
| <b>(C)</b>   | <b>Cash Flow from Financing Activities</b>   |                                 |                                 |
| 15           | Increase/ ( Decrease ) in Reserves and Surplus                                       | -                               | (5,594,801)                     |
| 16           | Increase/ ( Decrease ) in Borrowings   | 7,371,611                       | 139,731                         |
| 17           | Increase/ ( Decrease ) in Unsecured Loans  | (2,213,049)                     | 3,879,324                       |
| 18           | Increase/ ( Decrease ) in Deferred Tax Liabilities                                   | 316,526                         | (304,533)                       |
|              | <b>Net Cash From Financing Activities</b>  | <b>(C) 5,475,088</b>            | <b>(1,880,279)</b>              |
|              | <b>Net Increase / Decrease in Inflow of Cash/Cash Equivalents A+B+C</b>              | <b>2,930,566</b>                | <b>3,559,256</b>                |
|              | Cash & Cash Equivalent as at 1 Apr 09 (Opening balance)                              | 5,472,820                       | 1,913,564                       |
|              | <b>Cash &amp; Cash Equivalent as at 31 Mar 2010 (Closing balance)</b>                | <b>8,403,386</b>                | <b>5,472,820</b>                |
|              | <b>Net Increase / ( Decrease )</b>   | <b>2,930,566</b>                | <b>3,559,256</b>                |

**AUDITOR'S CERTIFICATE**

We have examined the attached Cash Flow statement of Sonal Adhesives Limited for the year ended 31 Mar 2010.

The statement has been prepared by the Company in accordance with the requirements of clause 32 of Listing Agreement with Stock Exchange and is based on and in agreement with profit & loss account and balance sheet of the company as covered by our report of August 23rd, 2010 to the Members of the Company

**For K. S. Sanghvi & Co.**

Chartered Accountants  
(Registration Number 116714W)

**Kirit S. Sanghvi**

Partner.  
M.No.31123  
Place : Mumbai  
Date : 23<sup>rd</sup> August 2010

**For Sonal Adhesives Ltd.**

**Mohan Arora**

Managing Director

Place : Mumbai

Date : 23<sup>rd</sup> August 2010





# Sonal Adhesives Limited

REGD. OFFICE : Plot No. 28/1A, Village Dheku, Takal Adosi Road, Off Khopoli Pen Road, Tal. Khalapur, Raigad, Maharashtra 410 203

## PROXY

I/We \_\_\_\_\_  
 \_\_\_\_\_ in  
 the district of \_\_\_\_\_ being a member /  
 members of the above named Company hereby appoint \_\_\_\_\_ of  
 \_\_\_\_\_ in the district of  
 \_\_\_\_\_ or failing  
 him \_\_\_\_\_ of \_\_\_\_\_  
 in the district of \_\_\_\_\_ as my/our  
 proxy to vote for me/us on my/our behalf at the **19th Annual General Meeting** of the Company to be held on  
 30th September, 2010 at 11.00 a.m. at Plot No. 28/1A, Village Dheku, Takai Adoshi Road, Off. Khopoli Pen Road, Tal: Khalapur  
 Dist. Raigad – 410 203, Maharashtra and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Signed by the said \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_ No of Shares held \_\_\_\_\_

|                                     |
|-------------------------------------|
| Affix<br>Re.1/-<br>Revenue<br>Stamp |
|-------------------------------------|

Note : The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the time of holding the meeting.

-----TEAR HERE-----



# Sonal Adhesives Limited

REGD. OFFICE : Plot No. 28/1A, Village Dheku, Takal Adosi Road, Off Khopoli Pen Road, Tal. Khalapur, Raigad, Maharashtra 410 203

## ATTENDANCE SLIP

I hereby record my presence at the **19th Annual General Meeting** held on 30th September, 2010 at 11.00 a.m. at Plot No. 28/1A, Village Dheku, Takai Adoshi Road, Off. Khopoli Pen Road, Tal: Khalapur Dist. Raigad – 410 203, Maharashtra

Name of the Shareholder(s) \_\_\_\_\_  
(in Block Capitals)

Name of the Proxy or Company Representative \_\_\_\_\_  
(in Block Capitals)

Signature of the Shareholder(s) or  
Proxy or Company Representative \_\_\_\_\_

**Note :** Members are requested to bring their copies of the Annual Report with them to the Meeting as additional copies of the same will not be made available at the Meeting.

**BOOK POST**

*If undelivered, please return to:*

**SONAL ADHESIVES LTD.**

Plot No. 28/1A, Village Dheku, Takai Adoshi Road,  
Off Khopoli Pen Road, Tal. Khalapur, Dist. Raigad,  
Maharashtra - 410 203.

CRYSTAL - (022) - 6614 0900