



ANNUAL REPORT
2011 - 2012

Sonal Adhesives Limited

SONAL ADHESIVES LIMITED**31.03.2012**

Board of Directors	:	Shri Sandeep Arora Smt. Kamal Arora Shri Jaspal Singh Bhasin Shri Manish Nanda
Registered Office	:	2N Laxmi Industrial Estate, New Link Road, Andheri (west), Mumbai-400 053
Factory	:	Plot 28/1A, Village Dheku, Takai Adosi Road, Off: Khopoli Pen Road, Tal: Khalapur, Dist., Raigad Maharashtra-410 203
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 Twenty First Annual General Meeting of the Members of Sonal Adhesives Limited will be held on Tuesday, the 25th September, 2012 at the Registered Office of the Company at 2N Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400053 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 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.
3. To appoint Director in place of Shri. Manish Surendrakumar Nanda 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.

By order of the Board of Directors

Place: Mumbai

Dated: 04/08/2012

Sandeep Arora
Chairman & Managing Director

REGISTERED OFFICE:

2N Laxmi Industrial Estate,
New Link Road,
Andheri (West),
Mumbai-400053

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 Monday, the 17th September, 2012 to Tuesday, the 25th September, 2012 (both days inclusive) to ascertain the entitlement of dividend declared, if any.
4. Payment of dividend as recommended by the Directors, if declared at the Meeting, will be paid on or after 26th September, 2012 to the members whose names appears in the Company's Register of Members as on Tuesday, the 25th September, 2012 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. Please note that your Company's Shares are compulsorily traded in Electronic Form. Your Company has already entered in the agreement with the National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL). Members who hold shares in physical form and desirous to convert them in De-materialized form may send letters along with the De-materialized Request Form (s) through the concerned Depository participant.
7. Members are requested to bring their attendance slip sent herewith duly filled for attending the meeting and copy of Annual Report to the Meeting.
8. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company as provided under Section 109A of the Companies Act, 1956 are requested to submit the details to the Company's Registrar and Share Transfer Agent.
9. The Ministry of Corporate Affairs ("MCA") has issued Circulars stating that the service of notice / document by a company to its shareholders can now be made through electronic mode for prompt receipt of communication, apart from helping avoid losses / delays in postal transit.

In view of the above, we request all the Members to provide their valid e-mail id along with their folio no. and their residential address as under:-

(I) Through post at :-

a) The Registrar and Transfer agent of the Company i.e. M/s. System Support Services at 209, Shivai Indl. Estate, Andheri-Kurla Road, Sakinaka, Mumbai - 400072.

OR

b) The Registered Office of the Company at 2N Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400053

OR

(II) Through email at:-

investor@sonal.co.in

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

Name :- Shri. Manish Surendrakumar Nanda
Age :- 42 years
Qualification :- Bachelor of Commerce
Experience :- 18 years experience of business

By order of the Board of Directors

Place: Mumbai

Dated: 04/08/2012

Sandeep Arora
Chairman & Managing Director

REGISTERED OFFICE:

2N Laxmi Industrial Estate,
New Link Road,
Andheri (West),
Mumbai-400053

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting their Twenty First Annual Report on the business operations of the Company along with statement of Audited Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS:

(Rs. In Lakhs)

Particulars	Year Ended 31st March, 2012	Year Ended 31st March, 2011
Income from operations	5024.17	4128.26
Profit before Interest & Depreciation	210.14	175.04
Interest	106.51	80.76
Depreciation	25.35	24.11
Profit Before tax	78.28	70.17
Less:		
Current Tax	20.82	22.76
Deferred tax expense / (credit)	3.69	(0.62)
Profit for the year	53.77	48.03

OPERATIONS:

During the year under review, the income from operations of the Company has been increased from Rs. 4128.26 Lacs to Rs. 5024.17 Lacs. The Operating Profit i.e. Profit before Interest, Depreciation and Tax has been registered at Rs. 210.12 Lacs. The net profit has been registered at Rs. 53.77 Lacs as against Rs. 48.03 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, 2012 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. Manish Surendrakumar Nanda, 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.60,00,000/- or more per annum, if employed throughout the year, or Rs.5,00,000/- 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

Sandeep Arora

Dated: 04/08/2012

Chairman & 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 31/03/2012	Year Ended 31/03/2011
Power and Fuel Consumption			
1. Electricity			
A) Purchase			
Unit		958530	469081
Total Amount	(Rs.)	5931758	25,02,490
Rate/Unit	(Rs.)	6.19	5.33
B) Own generation			
(Through D.G. Set)			
Unit		NIL	NIL
Diesel Oil Consumed	(Ltr.)	NIL	NIL
Total Amount	(Rs.)	NIL	NIL
Avg. per Lt.	(Rs.)	NIL	NIL
2. Furnace Oil			
Quantity	(Kgs.)	300885	257790
Total Amount	(Rs.)	10868500	8797231
Avg per Kg.	(Rs.)	36.12	34.13

Technology Absorption:

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

Foreign Exchange Earnings and Outgo:

Foreign Exchange Outgo: 3.34 Lacs 2.12 Lacs

Foreign Exchange Earned: NIL NIL

For and on behalf of the Board

Place: Mumbai
Dated: 04/08/2012

Sandeep Arora
Chairman & 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 4128.26 Lacs in the previous year to Rs 5024.17 Lacs in the year under review registering a growth of about 17.83%. The profit before tax increased from Rs.70.17 Lacs in the previous year to Rs. 78.28 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 numbers of personnel employed as on 31st March 2012 were 34 (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 numbers of directorship/memberships of committees of other companies are as under:

Name of the Director	Category	No. of Board Meetings Attended During 2011-12	Attendance at last AGM	No of other Directorships in Companies incorporated in India	No of other Board Committee of which he/she is Chairman	No of other Board Committee of which he/she is member
Shri Sandeep Arora (Managing Director)	Executive Director	11	Yes	4	NIL	2
Shri Jaspal Singh Bhasin	Non Executive Independent Director	11	Yes	Nil	3	NIL
Shri. Manish Nanda	Non Executive Independent Director	11	Yes	Nil	NIL	2
Smt. Kamal M Arora	Non Executive Director	11	Yes	4	NIL	1

None of the Directors are either Member or Chairman in any Committee of any other Company

The Company held 11 meetings of its Board of Directors during the year on the following dates:

20th April, 2011	29th April, 2011	9th May, 2011	8th August, 2011
19th August, 2011	5th September, 2011	19th September, 2011	14th November, 2011
10th December, 2011	20th January, 2012	10th February, 2012	

BOARD PROCEDURE:

The Board meetings are generally held at the registered office and at the factory 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 was constituted on 31st January 2001 as per the provision of Section 292A of the Companies Act, 1956. The Audit Committee has been re-constituted on 20th March 2003, 14th September, 2006 and 1st September, 2010 as per the clause 49 of the listing agreement.

The Audit Committee consists of three Directors with Shri Jaspal Singh Bhasin (Chairman), Shri Manish Nanda and Shri Sandeep Arora as Members of the Committee.

The terms of reference of this Committee are wide enough covering the matters specified for Audit Committee under the revised clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process; reviewing with the manage-

ment the quarterly, half year and annual financial statements and recommending the appointment of Statutory Auditor. The Committee acts as a link between the management, external auditors and the Board of Directors of the Company.

The Committee interacts with the external Auditors to discuss their audit methodology, audit planning and significant observations/ suggestions made by them.

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 Sandeep M. Arora	5	5
Shri. Manish S. Nanda	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 31st, 2013 and that necessary resolution for appointing them as auditors is placed before the shareholders.

REMUNERATION COMMITTEE:

The Remuneration Committee was reconstituted on 1st September, 2010 and now consists of three Directors with Shri Jaspal Singh Bhasin (Chairman), Shri. Manish Nanda and 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.

No meeting was held during the year.

SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE:

The Shareholder/Investor Grievance committee has been reconstituted with effect from 31st May 2001 and 13th December, 2010. The committee is headed by a non-executive director, and consists of the following members.

Shri Jaspal Singh Bhasin
Smt. Kamal 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	2011-2012		2010-2011	
	Received	Attended	Received	Attended
No. of Shareholders Complaint Letter	3	3	1	1

GENERAL BODY MEETINGS:

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

Year	Date	Venue	Time
2009	30/09/2009	Plot No. 28/1A, Village Dheku, Takai Adosi Road, Off. Khopoli Pen Road, Tal: Khalapur, Dist. Raigad – 410 203.	11:00 A.M.
2010	30/09/2010	Plot No. 28/1A, Village Dheku, Takai Adosi Road, Off. Khopoli Pen Road, Tal: Khalapur, Dist. Raigad – 410 203.	11:00 A.M.
2011	30/09/2011	2N Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400 053.	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). Since 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, 2012.

GENERAL SHAREHOLDER INFORMATION:

1.	Date, time and venue of Annual General Meeting of Shareholders	25th September, 2012, 11.00 A.M. 2N Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai-400053
2.	Dates of book closures	17th September, 2012 to 25th September, 2012 (both days inclusive)
3.	Financial Calendar (tentative and subject to change)	Financial Results reporting for quarter ended June 30, 2012 on or before August 15, 2012 September 30, 2012 on or before November 15, 2012 December 31, 2012 on or before February 15, 2013 March 31, 2013 on or before May 15, 2013
4.	Listing on stock exchanges	The Bombay Stock Exchange Limited
5.	Registered Office	2N Laxmi Industrial Estate New Link Road, Andheri (West), Mumbai-400053
6.	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 31st March 2012.

	The Bombay Stock Exchange Ltd Mumbai	
	High	Low
April – 2011	13.70	8.00
May – 2011	17.50	12.35
June – 2011	11.75	8.51
July-2011	8.25	7.04
August-2011	7.35	7.00
September-2011	7.00	6.82
October-2011	7.16	7.16
November-2011	7.51	6.85
December-2011	7.45	6.40
January-2012	6.70	6.37
February-2012	6.82	6.18
March-2012	7.83	6.48

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012.

No. of Equity Share held	No. of Shareholders	% of Shareholders	Amt. In Rs	% of Total Share Capital
1 - 500	2996	87.423	7075000	11.673
501 - 1000	259	7.558	1963000	3.239
1001 - 5000	133	3.881	2669000	4.404
5001 - 10000	14	0.409	1064000	1.755
10001 - 100000	18	0.525	8705000	14.362
100001 and Above	7	0.204	39134000	64.567
Total	3427	100.000	60610000	100.000

Category	Shareholders Number	Shares % to total Shareholders	Number	% to Total Capital
Promoter	9	0.26	3800900	62.71
Banks, Financial institutions, Insurance Companies	NIL	NIL	NIL	NIL
Mutual Funds	4	0.12	145200	2.40
Private Corporate Bodies	23	0.67	275500	4.55
FII's / NRI /OCB's	60	1.75	267800	4.42
Indian Public	3331	97.20	1571600	25.92
Total	3427	100.00	6061000	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company has established connectivity with Central Depository Services (India) Limited and National Securities Depository Limited. As on 31st March 2012, 6061000 Equity Shares representing 100% has been as follows

Category	No. of Shares	%age of Shares to Total	No. of Share-Holders	%age of Shareholders to Total
C.D.S.L.	3825300	63.11	223	6.51
N.S.D.L	431200	7.12	409	11.93
Physical	1804500	29.77	2795	81.56
Total	60,61,000	100.00	3427	100

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

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 Codes have confirmed Compliance with the code on an annual basis.

For and on behalf of the Board

Place: Mumbai
Date: 04/08/2012

Sandeep Arora
Chairman & Managing Director

AUDITORS' REPORT TO THE MEMBERS OF SONAL ADHESIVES LIMITED

1. We have audited the attached Balance Sheet of **Sonal Adhesives Limited, Mumbai** ('the Company') as at 31 Mar 2012, the Statement of Profit and Loss 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 Statement of Profit and Loss 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, the Statement of Profit and Loss 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 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 Mar 2012 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, 2012; and;
 - b. In the case of the Statement of Profit and Loss, 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 and Co
Chartered Accountants
Firm Registration Number 116714W

Kirit Sanghvi
Partner
Membership Number: 031123

Place: Mumbai
Date: 04 August 2012

Annexure to our report of even date

Re: Sonal Adhesives Limited

- (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.
- (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. The Company is not aware of the outcome of this appeal. We are therefore, unable to comment upon the matter.
- (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

Date: 04 August 2012
Place: Mumbai

Kirit 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 2012 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: 04 August 2012

Balance Sheet As At 31st March 2012

Particulars	Note Number	Amounts in INR	
		As at 31 Mar 2012	As at 31 Mar 2011
Equity and Liabilities			
Shareholder's Funds			
Share capital	2	60,610,000	60,610,000
Reserves and surplus	3	21,780,494	20,565,336
Total shareholder's funds		82,390,494	81,175,336
Non - current liabilities			
Long term borrowings	4	118,981,093	94,691,312
Other long term liabilities	5	7,000	7,000
Deferred tax liabilities (net)	6	5,407,829	4,398,685
Long term provisions	7	8,105,987	6,361,043
Total non - current liabilities		132,501,909	105,458,040
Current liabilities			
Trade payables	8	97,951,371	60,008,347
Other current liabilities	9	12,740,328	7,130,885
Short term provisions	10	14,712,040	10,974,922
Total Current liabilities		125,403,739	78,114,154
Total of Equity and liabilities		340,296,142	264,747,530
Assets			
Non current assets			
Fixed Assets			
Tangible assets	11	35,403,454	30,508,180
Capital work in progress		13,023,864	-
Long term loans and advances	12	42,448,412	32,180,990
Other non current assets	13	11,477,000	7,111,070
Total non current assets		102,352,730	69,800,240
Current assets			
Inventories	14	126,728,828	115,844,378
Trade receivables	15	100,416,171	69,593,773
Cash and cash equivalents	16	2,934,498	2,653,365
Short term loans and advances	17	7,293,009	6,323,773
Other current assets	18	570,906	532,001
Total current assets		237,943,412	194,947,290
Total assets		340,296,142	264,747,530
Significant accounting policies and notes on accounts	1		

As per our report of even date

For K S Sanghvi and Co

Chartered Accountants

Firm Registration Number: 116714W

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

Kirit Sanghvi

Partner

Membership Number: 031123

Place: Mumbai

Date: 04 August 2012

Mr Sandeep Arora

Chairman and Managing Director

Place: Mumbai

Date: 04 August 2012

Mrs Kamal Arora

Director

Statement of Profit and Loss As At 31st March 2012

Particulars	Note Number	Amounts in INR	
		Figures for the current Re- porting Period 31 Mar 2012	Figures for the Previous Re- porting Period 31 Mar 2011
Revenue from operations	19	502,416,856	412,826,204
Other income	20	1,162,121	2,391,264
Total Revenue		503,578,976	415,217,468
Expenses			
Cost of materials consumed	21	480,764,349	377,186,551
Change in inventories of finished goods, work in progress and stock in trade	22	(32,439,403)	1,075,514
Employee benefits expense	23	4,868,637	6,450,032
Finance costs	24	16,106,805	9,922,210
Depreciation and amortization expenses	11	2,535,394	2,411,084
Other expenses	25	23,914,770	11,155,394
Total expenses		495,750,552	408,200,784
Profit before exceptional items, extraordinary items and tax		7,828,425	7,016,684
Exceptional items		-	-
Profit before extraordinary items and tax		7,828,425	7,016,684
Extraordinary items		-	-
Profit before taxes		7,828,425	7,016,684
Tax expenses:			
1. Current tax		2,082,000	2,276,384
2. Deferred tax expense / (credit)		369,460	(62,384)
Profit for the year from continuing operations		5,376,965	4,802,684
Profit for the year from discontinuing operations		-	-
Profit for the year for the period		5,376,965	4,802,684
Earnings per share:			
1. Basic		0.89	0.79
2. Diluted		0.89	0.79
Significant accounting policies and notes on accounts	1		

As per our report of even date

For K S Sanghvi and Co

Chartered Accountants

Firm Registration Number: 116714W

Kirit Sanghvi

Partner

Membership Number: 031123

Place: Mumbai

Date: 04 August 2012

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

Mr Sandeep Arora

Chairman and Managing Director

Place: Mumbai

Date: 04 August 2012

Mrs Kamal Arora

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

Cash Flow Statement for the year ended 31st March 2012 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 31st March 2012

Particulars	Year ended 31 Mar 2012	Year ended 31 Mar 2011
Cash Flow from Operating Activities		
Net profit before tax	7,828,425	7,016,683
Add:		-
Interest provisions	63,000	48,616
Depreciation debited to the Statement of Profit and Loss	2,535,394	2,411,084
Interest paid	10,585,672	8,027,183
Loss on sale of assets	979,433	-
	21,991,925	17,503,566
Less:		
Gain on sale of assets	383,796	277,533
Interest income	592,164	583,620
	975,960	861,153
	21,015,965	16,642,413
Operating cash flow before changes in working capital		
Adjustments for working capital:		
(Increase) / decrease in inventories	(10,884,450)	(11,493,907)
(Increase) / decrease in trade receivables	(30,822,398)	(13,886,679)
(Increase) / decrease in other current assets	491,859	(2,749,352)
Increase / (decrease) in trade payables	37,943,024	(13,908,073)
Increase / (decrease) in other current liabilities	3,679,439	57,524
	407,474	(41,980,486)
Less:		
Income taxes paid	1,500,000	-
Net cash flow generated from operating activities (A)	19,923,438	(25,338,073)
Cash Flow from Investing Activities		
Acquisitions of fixed assets and investment in capital WIP	(22,679,912)	(4,709,717)
Sale of fixed assets	1,629,744	1,463,968
Net cash flow used in Investing Activities (B)	(21,050,168)	(3,245,749)
Cash flow from Financing Activities		
Proceeds from long term borrowings	26,034,724	11,846,510
Long term loans and advances	(14,633,353)	24,597,118
Interest paid	(10,585,672)	(8,027,183)
Interest income	592,164	583,620
Net cash flow generated from Financing Activities (C)	1,407,863	29,000,064
Net increase / (decrease) in cash and cash equivalents	(A) + (B) + (C)	416,242
Cash and cash equivalents at the beginning of the year	Note 2	2,237,123
Cash and cash equivalents at the end of the year	Note 2	2,653,365

Notes:

1. Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand and balances with scheduled bank and amount of unclaimed dividend.

2. The cash and cash equivalents comprise the following amounts of the Balance Sheet.

Particulars	As at	As at
	31 Mar 2012	31 Mar 2011
Cash on hand	447,699	336,829
Balances with banks	541,318	1,839,861
Amount in the unclaimed dividend account	966,850	476,675
Fixed deposits maturing within 12 months	978,631	-
Total	2,934,498	2,653,365

3. Figures in brackets / negative figures indicate cash outflow.

4. Interest received from investing activities is shown net of tax deducted at source.

5. The above cash flow statement has been prepared by using the indirect method as per

per Accounting Standard - 3 "Cash Flow Statement" issued by the Companies (Accounting Standard) Rules, 2006.

6. Previous year's figures have been regrouped/rearranged wherever necessary to confirm to current year's classification

This is the cash flow statement referred to in our report of even date.

As per our report of even date

For K S Sanghvi and Co
Chartered Accountants
Firm Registration Number: 116714W

Kirit Sanghvi
Partner
Membership Number: 031123
Place: Mumbai
Date: 04 August 2012

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

Mr Sandeep Arora
Chairman and Managing Director

Place: Mumbai
Date: 04 August 2012

Mrs Kamal Arora
Director

Notes to Balance Sheet

(Amounts in INR)

	As at 31 Mar 2012	As at 31 Mar 2011
Note 2		
Share capital		
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 Equity Shares) of Rs 10 each, fully paid.	60,610,000	60,610,000
Total share capital	60,610,000	60,610,000
Issued, subscribed and paid up share capital includes:		
a. Equity shareholders holding more than 5% of the equity shares alongwith the number of equity shares held is given below:		
Sonal Impex Limited (2822700 Equity Shares as at 31 Mar 2011 and 31 Mar 2012)	46.57%	46.57%
b. Reconciliation of the number of shares at the beginning of the year and at the end of the year		
Opening balance	6,061,000	6,061,000
Add: Share issued during the year	-	-
Less: Bonus issues / redemption / buyback of shares during the year	-	-
Closing balance	6,061,000	6,061,000
Note 3		
Reserves and surplus		
Capital Reserves		
Balance in Capital Reserves	1,000,000	1,000,000
Profit and Loss Account		
Balance at the beginning	19,565,336	18,284,775
Add: Net profit / (loss) for the period	5,376,965	4,802,684
Less: Appropriations / adjustments		
Deferred tax liability of prior years	639,684	-
Proposed final dividend	3,030,500	3,030,500
Dividend distribution tax on proposed final dividend	491,623	491,623
Balance at the end	20,780,494	19,565,336
Total Reserves and Suplus	21,780,494	20,565,336
Note 4		
Long term borrowings		
Non current liabilities		
Secured		
Term loan from banks (Refer Point 1)	1,490,250	461,531
Loan repayable on demand from Banks (Refer Point 2)	114,042,041	88,027,692
Unsecured		
Deferred payment liabilities (Refer Point 3)	2,933,699	5,686,987
Long term borrowings from related parties	515,103	515,103
Total long term borrowings	118,981,093	94,691,312

Points:

- 1 Term loan is secured against car. The amount repayable within one year is Rs 4.31 lakhs
- 2 Represents loan for Cash Credit, Export Packing Credit and Term Loan. The Cash Credit and Export Packing Credit facilities are secured by stock in trade and book debts and other present and future current assets. The Term Loan is secured by the hypothecation of assets and machineries purchased out of bank finance. The above loans are also secured by personal guarantee of directors and corporate guarantee of associate concerns Sonal Impex Limited and Sonal Ropes Limited. The working capital amount is repayable on demand. The term loan is repayable in 66 monthly installments. Amount payable in one year is Rs 14 lakhs.
- 3 Represents 12 years of interest free sales tax deferment payment loan received from the Government of Maharashtra. Repayment has commenced in the financial year 2005 - 2006. The Company has not defaulted on any payment. Repayment is made on the basis of schedule obtained. The amount repayable within one year is Rs 2050899 (Previous year: Rs 2120463).

Notes to Balance Sheet

(Amounts in INR)

	As at 31 Mar 2012	As at 31 Mar 2011
Note 5		
Other long term liabilities		
Deposits received from suppliers	7,000	7,000
Total other long term liabilities	7,000	7,000
Note 6		
Deferred tax liability (net)		
Deferred tax liability	4,398,685	4,461,069
On depreciation	435,171	
On depreciation pertaining to earlier years	639,684	-
Deferred tax assets		
On depreciation	-	24,974
On disallowances under section 43B of the Income Tax Act, 1961	-	37,410
On provisions	65,711	-
Total deferred tax liability	5,407,829	4,398,685
Note 7		
Long term provisions		
VAT payable	485	485
Provision for gratuity	928,212	715,558
Provision for taxes	7,177,290	5,645,000
Total long term provisions	8,105,987	6,361,043
Note 8		
Trade payables		
Trade payables	97,951,371	60,008,347
Total trade payables	97,951,371	60,008,347
Note 9		
Other current liabilities		
Advances received from customers	5,266,060	3,991,587
Amount payable to staff	-	7,260
Outstanding expenses	1,097,079	506,249
Statutory dues payable	1,528,024	444,805
Current maturities of long term debts	3,882,315	1,704,310
Unclaimed dividends	966,850	476,675
Total other current liabilities	12,740,328	7,130,885
Note 10		
Short term provisions		
Provision for excise duty on closing stock of finished goods	9,044,917	5,127,799
Proposed final dividend	3,030,500	3,030,500
Proposed dividend distribution tax	491,623	491,623
Provision for taxes	2,145,000	2,325,000
Total short term provisions	14,712,040	10,974,922

Notes to Balance Sheet

	As at 31 Mar 2012	(Amounts in INR) As at 31 Mar 2011
Note 12		
Long term loans and advances		
Unsecured, considered good:		
Deposits with related parties	18,000,000	17,500,000
Deposit of Residence	310,000	310,000
Deposit Telephone	76,100	76,100
Deposits for office	10,000	10,000
MSEB Deposits	168,995	176,837
Balances with government, public bodies and others	23,853,217	14,077,953
BMC Deposit	25,000	25,000
Gas Deposit	5,100	5,100
Total long term loans and advances	<u>42,448,412</u>	<u>32,180,990</u>
Note 13		
Other non current assets		
Fixed deposits with bank maturing beyond the next 12 months (Refer Point 1)	11,477,000	7,111,070
Total other non current assets	<u>11,477,000</u>	<u>7,111,070</u>
Point 1:		
The fixed deposits are placed with the bank as a margin money for availing the working capital facilities from the bank.		
Note 14		
Inventories		
Raw materials	36,589,211	58,827,810
Packing materials	5,759,712	1,289,451
Consummables	2,156,046	814,862
Finished goods	82,223,859	54,912,254
Total inventories	<u>126,728,828</u>	<u>115,844,378</u>
Note 15		
Trade receivables		
Trade receivables outstanding exceeding a period of six months:		
Unsecured, considered good	15,964,180	1,095,322
Unsecured, considered doubtful	-	-
	15,964,180	1,095,322
Other trade receivables, unsecured:		
Considered good	58,141,562	42,374,363
Considered doubtful	-	-
	58,141,562	42,374,363
Receivables from Companies in which the directors are interested	26,310,429	26,124,088
Less: Provision for doubtful receivables	-	-
Total trade receivables	<u>100,416,171</u>	<u>69,593,773</u>
Note 16		
Cash and cash equivalents		
Cash on hand	447,699	336,829
Balances with banks	541,318	1,839,861
Amount in the unclaimed dividend account (Refer Note 1)	966,850	476,675
Fixed deposits maturing within 12 months	978,631	-
Total cash and cash equivalents	<u>2,934,498</u>	<u>2,653,365</u>

Notes:

- 1 Section 205 of the Companies Act, 1956 mandates that companies transfer dividend that has been unclaimed for a period of 7 years from unclaimed dividend account to the Investor Education and Protection Fund ('IEPF'). Accordingly, if the dividend is unclaimed for a period of 7 years, it will be transferred to IEPF. The unclaimed dividend pertains to the financial year 2010 - 2011. and 2009 - 2010.

Notes to Balance Sheet

	As at 31 Mar 2012	(Amounts in INR) As at 31 Mar 2011
Note 17		
Short term loans and advances		
Advance to employees	115,794	98,303
Advance to suppliers (excluding advance for purchase of capital goods)	4,683,968	4,020,512
Advance to related party	929,179	829,679
Advance tax	1,500,000	1,300,000
Taxes deducted at source	64,068	75,279
Total short term loans and advances	7,293,009	6,323,773
Note 18		
Other current assets		
Interest income receivable	324,971	335,076
Prepaid expenses	245,935	196,925
Total other current assets	570,906	532,001

Notes to Statement of Profit & Loss

Note 19	Figures for the cur- rent Reporting Period 31 Mar 2012	Figures for the Previ- ous Reporting Period 31 Mar 2011
Revenue from operations		
Sales	546,644,308	451,834,557
Less: Excise duty	44,227,452	39,008,353
Total revenue from operations	502,416,856	412,826,204
Note 20		
Other income		
Miscellaneous income	4,955	6,237
Interest income [Gross of TDS Rs 62125; (Previous Year: Rs 73351)]	592,164	583,620
Foreign exchange gain	-	1,523,874
Profit on sale of asset	383,796	277,533
Sundry creditors written back [(Net of write offs of Rs 244577); Previous Year: Rs 83397]	181,206	-
Total other income	1,162,121	2,391,264
Note 21		
Cost of materials consumed		
Changes in stock of raw materials and other consummables	16,427,154	(18,168,197)
Add: Purchase of raw materials	438,853,943	370,751,941
Add: Direct expenses		
Clearing and forwarding / port / octroi	1,686,706	3,247,421
Consumable	1,261,190	874,133
Electricity charges	6,003,972	2,567,629
Factory expenses	597,028	701,987
Freight & forwarding charges	5,070,589	3,106,000
Manufacturing expenses	6,765,106	10,580,128
Repairs & maintenance - machinery	129,604	165,857
Repairs & maintenance - building	-	59,844
Security charges	706,794	416,604
Stores & spares expenses	2,247,448	1,898,028
Salary	2,082,319	1,796,630
Other allowance	1,918,060	1,627,406
Water charges	348,975	268,900
Less: Discounts received	3,334,539	2,707,760
Total cost of materials consumed	480,764,349	377,186,551
Note 22		
Change in inventories of finished goods, work in progress and stock in trade		
Changes in the stock of finished goods	(32,439,403)	1,075,514
Total changes in inventories of finished goods, work in progress and stock in trade	(32,439,403)	1,075,514

Notes to Statement of Profit & Loss

(Amounts in INR)

Figures for the current
Reporting Period
31 Mar 2012

Figures for the Previous
Reporting Period
31 Mar 2011

Note 23

Employees benefit expenses

Director's remuneration	-	1,365,000
Gratuity	212,654	1,321,356
Labour welfare fund	384	768
Leave Salary paid	-	3,750
Provident fund	674,031	624,111
Other allowance	1,970,453	1,235,819
Salary	1,519,795	1,570,764
Staff welfare expenses	491,320	328,464
Total employees benefits expenses	4,868,637	6,450,032

Note 24

Finance costs

Interest on car loan	111,915	13,030
Bank interest	10,462,490	7,935,817
Interest	11,267	78,336
Bank charges	5,458,133	1,846,411
Other interests	63,000	48,616
Total finance costs	16,106,805	9,922,210

Note 25

Other expenses

Advertisement & publicity	71,014	146,085
Audit fees	144,000	120,000
"Bad debts written off [Net of write back of Rs 425873; (Previous year Rs 83397)]"	-	472,991
Charity & donations	16,001	10,205
Commission on sales	41,710	63,902
Commission paid	196,000	201,453
Conveyance expenses	285,510	256,272
Domestic & foreign travel	852,414	722,785
Exchange fluctuation loss	6,132,858	-
Excise duty	9,044,917	5,127,799
Insurance premium	813,839	955,771
Legalization and certification charges	680,400	-
Listing fees	25,000	20,545
Loss on sale of assets	979,433	-
Membership & subscriptions	73,665	45,268
Miscellaneous expenses	946,484	1,170,154
Ocean freight	519,510	-
Office maintenance expenses	144,830	138,874
Professional fees	353,950	107,677
Professional tax	5,250	2,500
Rent rates & taxes	1,473,905	575,739
Repairs & maintenance - vehicles	376,916	213,507
Telephone expenses	494,221	467,416
Terminal handling charges	242,944	336,451
Total other expenses	23,914,770	11,155,394

Note 1

Significant accounting policies for the year ended 31 Mar 2012

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 registered 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

On sale of goods

Sales of the Company comprise sale of BOPP tapes, ropes and adhesives. 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

Interest income is recognized on accrual basis.

2.4. Expenses and incomes

Expenses and incomes are accounted for on accrual basis except for bonus to employees. Bonus to employees is accounted for on payment 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

Initial recognition

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

Translation

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 Statement of Profit and Loss.

Gain or loss on acquisition of fixed assets

Gain / loss arising out of fluctuations on realization / payment or restatement, except those identifiable to acquisition of fixed assets is charged / credited to the Statement of Profit and Loss. 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

Particulars	31 Mar 2012	31 Mar 2011
Profit after tax	5,376,965	4,802,684
Less : Preference dividend, if any		
Adjusted profit after tax	5,376,965	4,802,684
Weighted average number of equity share outstanding	6,061,000	6,061,000
Earnings Per Share Face	0.89	0.79
Value Per Share	10	10

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.

2.13 Contingent liabilities

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

- 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). The Company is not aware of the outcome of the appeal. We are therefore, unable to comment on the matter.
- 2.14 Since the Directors (including the Managing Director) are not drawing any commission, computation of commission for the year ended 31 Mar 2012 as prescribed by sections 198, 309, 349 and 268 read with schedule XIII of the Companies Act, 1956 is not applicable.

2.15 The format of Balance Sheet and Statement of Profit and Loss has been revised. Hence, previous year figures have been regrouped wherever necessary so as to enable comparison with the figures of the current year.

2.16 Related Party Disclosures

Related Party disclosures are given according to Accounting Standard 18 “Related Party Disclosures”.

Sr No	Name of the party	Relationship
1	Sonal Impex Limited	Associate
2	Sonal Filaments Limited	Associate
3	Sonal Ropes Limited	Associate
4	Zain Fresh Agro Limited	Enterprise over which Key Management Personnel are able to exercise significant influence
5	Sandeep Arora	Key Management Personnel
6	Kamal Arora	Key Management Personnel
7	Mona Arora	Key Management Personnel

Transactions with Related Parties during the year:

Sr No	Nature of transaction	Associates	Key Management Personnel	Total
1	Sales	10,89,81,140	-	10,89,81,140
		<i>10,50,05,985</i>	-	<i>10,50,05,985</i>
2	Rent	6,60,000	-	6,60,000
		<i>1,20,000</i>	-	<i>1,20,000</i>
3	Managerial Remuneration	-	-	-
		<i>13,65,000</i>	-	<i>13,65,000</i>
4	Deposits	5,00,000	-	5,00,000
		-	-	-

Balances as at 31 Mar 2012

Sr No	Nature of transaction	Associates	Key Management Personnel	Total
1	Long term borrowings	5,15,103	-	5,15,103
		<i>5,15,103</i>	-	<i>5,15,103</i>
2	Deposits	1,80,00,000	-	1,80,00,000
		<i>1,75,00,000</i>	-	<i>1,75,00,000</i>
3	Trade receivables	2,62,30,320	-	2,62,30,320
		<i>2,69,53,767</i>	-	<i>2,69,53,767</i>

Notes:

- Figures in italics represent previous year's amount.
- 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.

2.17 Provisions

Sr No	Particulars	Opening balance	Additional provision created during the year	Amounts used	Closing provision balance
		(A)	(B)	(C)	(D) = (A) + (B) - (C)
1	Outstanding expenses	506,249	1,097,079	506,249	1,097,079
2	Provision for taxes	7,970,000	2,145,000	792,710	9,322,290
3	Provision for gratuity	715,558	212,654	-	928,212
4	Excise duty on closing stock of Finished Goods	5,127,799	9,044,917	5,127,799	9,044,917
5	Proposed Dividend	3,030,500	3,030,500	3,030,500	3,030,500
6	Dividend tax on proposed dividend	491,623	491,623	491,623	491,623
	Total	17,841,729	16,021,773	9,948,881	23,914,621

3. Other financial information
3.1 Managerial remuneration

Particulars	31-Mar-12	31-Mar-11
Director's remuneration	-	1,365,000
Perquisites and other benefits	-	-
Total	-	1,365,000

The director's remuneration is included in personnel cost.

Auditor's Remuneration

Particulars	31 Mar 2012	31 Mar 2011
Statutory audit fees	75,000	75,000
Tax audit	45,000	45,000
Other services	24,000	-
Out of pocket expenses	-	-
Total	144,000	120,000

The above fees are exclusive of service tax.

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

3.2 Dues to 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 2012 together with the interest paid / payable as required under the said Act have not been given.

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

3.4 No provision has been created on debtors aggregating to Rs 15964180 (Previous Year: Rs 1095322). Also, the Management assumes that the other current assets and current liabilities will be realized and settled respectively atleast at the values disclosed in the balance sheet.

3.5 Quantitative information (as certified by the Management)
Capacities and actual production

Class of goods	Units of measurement	Licensed capacity		Installed capacity		Actual production	
		2012	2011	2012	2011	2012	2011
BOPP Tapes	Lakhs sqm	NA	NA	1,300	1,300	686	488
Ropes	Lakhs kgs	NA	NA	12	12	5	8
Total				1,312	1,312	691	496

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.

Quantitatives
Purchase of each class of raw material

Class of goods	“Units of measurement”	2012		2011	
		Quantity	Value	Quantity	Value
BOPP Film	Kgs	1,473,512	174,959,076	1,157,488	124,682,205
Plastic granules	Kgs	178,000	12,869,494	1,202,000	74,334,646
Butyl Acrylate	Kgs	1,509,890	210,333,945	1,096,390	168,340,632
Styrene	Kgs	226,300	19,488,994	-	-

Sale of each class of finished goods

Class of goods	Units of measurement	2012		2011	
		Quantity	Value	Quantity	Value
BOPP tapes	Kgs	2,536,198	326,123,931	2,013,336	274,560,018
Ropes	Kgs	654,981	64,331,812	670,796	59,391,139
Acrylic Polymer Emulsion	Kgs	1,131,179	71,163,684	296,282	26,551,992

Closing stock of each class of finished goods

Class of goods	Units of measurement	2012		2011	
		Quantity	Value	Quantity	Value
Adhesives coated rolls	Sq mtrs	4,000,852	36,054,694	244,177	3,450,276
Acrylic Polymer	Kgs	71,668	4,440,397	7,164	600,583
Ropes	Kgs	185,779	28,779,776	344,510	50,293,036
Tapes	Cartons	3,204	3,840,905	515	498,681

Break up of materials consumed

Class of goods	Units of measurement	2012		2011	
		Quantity	Value	Quantity	Value
Butyl acrylate	Sq mtrs	1,459,879	197,083,725	1,072,985	136,286,772
BOPP Film	Kgs	1,478,632	168,153,316	1,171,555	122,555,135
Granules	Kgs	564,207	41,639,921	839,798	63,824,648

For K S Sanghvi and Co

Chartered Accountants

Firm Registration Number: 116714W

Kirit Sanghvi

Partner

Membership Number: 031123

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

Mr Sandeep Arora

Chairman and Managing Director

Mrs Kamal Arora

Director



Sonal Adhesives Limited

REGD. OFFICE : 2N Laxmi Industrial Estate, New Link Road, Andheri (west), Mumbai-400 053

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 **21st Annual General Meeting** of the Company to be held on Tuesday, 25th September, 2012 at 11.00 a.m. at 2N Laxmi Industrial Estate, New Link Road, Andheri (west), Mumbai-400 053 and at any adjournment thereof.

Signed this _____ day of _____ 2012.

Signed by the said _____

Regd. Folio No. _____ No of Shares held _____

Affix
Re.1/-
Revenue
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 : 2N Laxmi Industrial Estate, New Link Road, Andheri (west), Mumbai-400 053.

ATTENDANCE SLIP

I hereby record my presence at the **21st Annual General Meeting** held on Tuesday, 25th September, 2012 at 11.00 a.m. at 2N Laxmi Industrial Estate, New Link Road, Andheri (west), Mumbai-400 053

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.

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SONAL ADHESIVES LTD.
2N Laxmi Industrial Estate, New Link Road,
Andheri (west), Mumbai-400 053.