

DIRECTOR'S REPORT

To The Members of Nikhil Adhesives Limited

The Board of Directors are pleased to present the thirty third Annual Report together with the audited Accounts for the financial year ended 31st March 2019.

In Financial Year 2018-19 your company has continued the phase of positive outlook and optimism in the country due to government policies which had resulted in an overall improvement in the economic outlook. Even though the global economy remained lukewarm due to several factors your company has nevertheless improved its profitability.

FINANCIAL HIGHLIGHTS:

Summary of the Financial Results for the year is as under:

(₹ in Lakhs)

Particulars	31 st March 2019	31 st March 2018
Profit Before Depreciation and Tax	₹ 950.41	₹ 609.36
Less: Depreciation	₹ 207.22	₹ 176.04
Profit Before Tax	₹ 743.19	₹ 433.32
Less: Provision for Tax		
Current Tax	₹ 166.98	₹ 130.00
Deferred Tax	₹ 54.74	₹ 17.68
Profit After Tax	₹ 521.47	₹ 285.64

DIVIDEND

The Board of Directors has recommended a dividend of ₹ 1/- (Rupee One only) per equity share of face value of ₹ 10/- (Rupee Ten only) for the Financial Year ended March 31, 2019 subject to the approval of share holders.

RESULT OF OPERATIONS

(₹ in Crores)

Particulars	2018-19	2017-18	%
Gross Sales Turnover	451.68	345.08	30.89
Net Sales Turnover	451.68	335.61	34.58
Other Income	0.86	0.69	24.64
Operating Profit	9.50	6.10	55.74
Net Profit	5.21	2.86	82.17

Detailed analysis of the performance of your Company is presented in the Management Discussion and Analysis Report forming part of this Annual Report.

PUBLIC DEPOSITS

The deposits at the beginning of the financial year were ₹ 438.35 Lakhs.

During the year, your Company accepted deposits amounting to ₹ 120.04 Lakhs from its members. As at 31 March, 2019, the

amount of deposits stood at ₹ 517.79 Lakhs. There has been no default in repayment of deposits or payment of interest during the year. All the deposits accepted by the Company are in compliance with the requirements of Chapter V of the Companies Act, 2013.

TRANSFER TO RESERVES

In the financial year 2018-19 reserve maintained with the Company is ₹ 3,498.25 Lakhs while in year 2017-18, reserve was ₹ 3,042.78 Lakhs.

SHARE CAPITAL

There was no change in the Authorized and Paid-up Share Capital of the Company during the year.

The Authorised Share Capital of the Company is ₹ 5,00,00,000/- (Rupees Five Crores only) divided into 49,50,000 (Forty Nine Lakhs and Fifty Thousand) Equity Shares of ₹ 10/- (Rupees Ten) each and 50,000 (Fifty Thousand) 8% Preference Shares of ₹ 10/- (Rupees Ten).

The Paid-up Share Capital of the Company is ₹ 4,60,49,603 /- (Rupees Four Crores Sixty Lakhs Forty Nine Thousand and Six Hundred Three only) divided into 45,94,300 (Forty Five Lakhs Ninety Four Thousand and Three Hundred) Equity Shares of ₹ 10/- (Rupee Ten) each and 21,320 forfeited shares amounting of ₹ 1,06,603/- (One Lakh Six Thousand Six Hundred and Three Only).

CORPORATE GOVERNANCE

The Management Discussion and Analysis, Report on Corporate Governance and a Certificate by the Managing Director conforming compliance by all the Board Members and Senior Management Personnel with Company's Code of Conduct, Joint Certification by the Managing Director and CFO to the Board and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Board at meeting held on 07th February 2019 noted that accordance with the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Company is statutorily not required to contribute any amount towards CSR for the financial year 2018-19. Accordingly the company has not undertaken any CSR activities during the year under review.

DIRECTORS RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

- That in the preparation of the annual Financial statements for the year ended 31st March, 2019, the applicable accounting standards read with requirements set out under Schedule III to the Companies Act, 2013, have been followed and there are no material departures from the same;
- That such accounting policies as mentioned in Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and

fair view of the state of affairs of the Company as at March 31, 2019 and the profit of the Company for the year ended on that date;

- c. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the annual Financial statements have been prepared on a going concern basis;
- e. That proper internal Financial controls were in place and that the Financial controls were adequate and were operating effectively;
- f. That the systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company's system of financial and compliance controls with reference to the financial statements and risk management is embedded in the business process by which the Company pursues its objectives. The company uses foreign exchange forward contracts to hedge its exposure for movements in foreign exchange rate. The use of this foreign exchange forward contract reduces the risk to the company. The company does not use these for trading or speculative purpose. Additionally, the Audit Committee and the Board of Directors provide risk oversight through their review of potential risks which could negatively impact the operations, the proposed budget and plan, the Company's strategic framework and any risks that may negatively impact it. The management is committed to ensure an effective internal control environment commensurate with the size, scale and complexity of the operations, which provides assurance on the efficiency of the Company's operations and safety/security of its assets besides orderly and legitimate conduct of Company's business in the circumstances, which may reasonably be foreseen. The Company has defined organization structure authority levels delegated powers, internal procedures, rules and guidelines for conducting business transactions.

The Company's system and process relating to internal control and procedures for financial reporting have been designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Company's assets that could have a material effect on the financial statements and for preventing and detecting fraud and other irregularities or deliberate miss-statements. Management is responsible for establishing and maintaining adequate disclosure controls and procedures and adequate internal controls over financial reporting with respect to financial statements besides its effectiveness in the context of applicable regulations. The Internal Auditor, the Audit Committee as well as the Board of Directors conduct from time to time an evaluation of the adequacy and effectiveness of the system of internal controls for financial reporting with respect to financial statements.

INDUSTRIAL RELATIONS

Industrial relations remained cordial throughout the year. Your Directors recognize and appreciate the sincere and hard work, loyalty, dedicated efforts and contribution of all the employees in the growth and performance of the Company during the year.

DIRECTORS & KEY MANAGERIAL PERSONNEL

In terms of Section(s) 149, 152 and all other applicable provisions of the Companies Act, 2013, for the purpose of determining the directors liable to retire by rotation, the Independent Directors are not included in the total number of directors of the Company. Accordingly, Mr. Tarak. J. Sanghavi (DIN:00519403), Director shall retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment as a Director of the Company.

The details of Directors seeking re-appointment Mr. Tarak. J. Sanghavi as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are given in the notice of the ensuing Annual General Meeting, which is being sent to the shareholders along with Annual Report.

During the year, Mr. Nirmal Tiwari resigned from the post of Company Secretary and Compliance of the Company on 28th March, 2019

COMMITTEES OF THE BOARD

The Company's Board has following committees. The brief of these Committees are given in section of Corporate Governance Report:

- a. Audit Committee;
- b. Nomination and Remuneration Committee;
- c. Stakeholders Relationship Committee.

DECLARATION BY INDEPENDENT DIRECTORS

The Independent Directors of the company have furnished the declaration that they meet the criteria of Independence as provided in Section 149 (6) of the Companies Act, 2013.

MEETINGS OF BOARD AND COMMITTEES

During the year under review, six Board Meetings were convened and held. The details of which are given in the Report on Corporate Governance.

PERFORMANCE EVALUATION OF BOARD, COMMITTEES & DIRECTORS

The Listing Agreement, the Board of Directors of the Company carried out the formal annual performance evaluation of all the Directors and also its self-evaluation process, internally, to assess the skills set and contribution that are desired, recognizing that competencies and experiences evolves over time. The process was conducted by allowing the Board to engage in candid discussions with each Director with the underlying objective of taking best possible decisions in the interest of the Company and its stakeholders. The Directors were individually evaluated based on structured self-assessment and personal interaction to ascertain feedback on well defined parameters which, internally, comprised of level of engagement and their contribution to strategic planning and other criteria based on performance and personal attributes of the Directors. During the process of evaluation, the Board of Directors also reviewed and discussed the annual performance evaluation of Directors carried out by the Nomination and Remuneration Committee. A statement in detail indicating the manner, in which formal annual evaluation has been made by the Board of Directors, is given in the Report on Corporate Governance which forms a part of the Annual Report.

SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

The Board of Directors in consonance with the recommendation of Nomination and Remuneration Committee (NRC) has adopted a terms of reference which internally deals with the manner of selection of Directors and the Key Managerial Personnel of the Company. The NRC recommends appointment of Director /appointment to re-appointment of Managing Director based on their qualifications, expertise, positive attributes and independence in accordance with prescribed provisions of the Companies Act, 2013 and rules framed there under. The NRC, in addition to ensuring diversity of race and gender, also considers the impact the appointee would have on Board's balance of professional experience, background, viewpoints, skills and areas of expertise.

The Board of Directors in consonance with the recommendation of Nomination and Remuneration Committee has also adopted the Remuneration Policy for the members of the Board and Executive Management. The said policy earmarks the principles of remuneration and ensures a well balanced and performance related compensation package taking into account shareholders' interest, industry practices and relevant corporate regulations in India.

VIGIL MECHANISM /WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism and Whistle-Blower Policy to deal with instances of fraud and mismanagement, if any, and conducting business with integrity including in accordance with all applicable laws and regulations. The details of the Vigil Mechanism and Whistle-Blower Policy are explained in the Report on Corporate Governance and also posted on the website of the Company.

STATUTORY AUDITORS

M/s.PHD & Associates, Chartered Accountants (Firm Registration-No.111236W), were appointed as Statutory Auditors to hold office until the conclusion of the ensuing Annual General Meeting of the Company. In the 30th AGM, Messrs PHD & Associates who were functioning as Auditors of the Company for five consecutive years, the Board of Directors unanimously had agreed to the recommendation of the Audit Committee and had appointed Messrs PHD & Associates as Statutory Auditors of the Company for another term of 5 (five) years from the conclusion of that Annual General Meeting (30th AGM) till the conclusion of fifth consecutive Annual General Meeting. The Auditors have confirmed their eligibility to the effect that their appointment, if made, would be within the prescribed limits of the Companies Act, 2013 and that they are not disqualified for such appointment. There are no qualifications or adverse remarks in the Auditors Report.

COST AUDITOR

The Board of Directors has appointed Messrs B. F. Modi & Associates, Cost Accountants, as Cost Auditors for conducting audit of the cost accounts maintained by the Company in respect of the products of the Company covered under The Companies (Cost Records and Audit) Amendment Rules, 2014 and fixed their remuneration based on the recommendation of the Audit Committee. The remuneration payable to the Cost Auditors is subject to ratification by the shareholders in the ensuing Annual General Meeting of the Company.

SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Messrs D. M. Zaveri & Co., Company Secretaries were appointed to undertake the Secretarial Audit of the Company for the year ended 31 March, 2019. There are no adverse remarks or observations made by Messrs D. M. Zaveri & Co. in the Secretarial Audit Report.

The Report of the Secretarial Auditor is given in Annexure-I, which is attached hereto and forms a part of the Directors' Report.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relate and the date of the report.

REGULATORY/COURT ORDERS

During the year under report no significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

RELATED PARTY TRANSACTIONS

All related party transactions entered into during the financial year under review by the Company were on an arm's length basis and in the ordinary course of business. There are no material significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. All related party transactions are placed before the meeting(s) of Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained for the financial year for the transactions which are of a foreseen and repetitive in nature. The statement giving details of all related party transactions entered into pursuant to the omnibus approval together with relevant documents/information are placed before the Audit Committee for review and approval on quarterly basis. The company has developed a Policy on materiality of Related Party Transactions and dealing with Related Party Transactions. The Policy on materiality of Related Party Transactions and dealing with Related Party Transactions as approved by the Board is uploaded on the company's website and the same is available at the web link <http://www.nikhiadhesives.com>

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS U/S 186 OF THE COMPANIES ACT, 2013

The particulars of Loans, Guarantees and Investment in pursuance to Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

DISCLOSURE OF RATIO OF REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL, ETC.

As required under Section 197(12) read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of the ratio of the remuneration of each Director to the median employee's

remuneration and such other details as prescribed therein are given in Annexure-II, which is attached here to and forms a part of the Directors' Report.

EXTRACT OF ANNUAL RETURN

An Extract of Annual Return as per Section 92(3) of the Companies Act, 2013 is given in Annexure- III, which is attached here to and forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The particulars required pursuant to Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the company as there was no employee drawing remuneration to the extent mentioned therein.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules 2014, the information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure-IV which is attached hereto and forms a part of the Directors' Report.

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a. Issue of equity shares with differential rights as to dividend, voting or otherwise.
- b. Issue of shares (including sweat equity shares) to employees of the Company under any scheme.
- c. The Company has no Subsidiary/JV/Associate Companies during the year.
- d. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.
- e. As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ("POSH Act") and Rules made thereunder, the Company has formed Internal Complaints Committee for various work places to address complaints pertaining to sexual harassment in accordance with the POSH Act.

HUMAN RESOURCES

Your Directors believe that the key to success of any company are its employees. Your company has a team of able and experienced professionals, whose dedicated efforts and enthusiasm has been an integral part of your Company's growth. Your Directors would like to place on record their deep appreciation of their continuous effort and contribution to the company.

ACKNOWLEDGEMENT

The Board desires to place on record its grateful appreciation for the excellent assistance and co-operation received from the

Government Authorities and continued support extended to the Company by the bankers, investors, suppliers and esteemed customers and other business associates. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their unstinted commitment and continued contribution in the performance of the Company.

For and On behalf of Board of Directors

Sd/-

Date: 14th August, 2019

Place: Mumbai

**Rajendra. J. Sanghavi
Chairman**

