



PIDILITE INDUSTRIES LIMITED

31st ANNUAL REPORT  
1999 - 2000



ABBY 2000 AWARDS : FEVIKWIK - 'TV COMMERCIAL OF THE CENTURY' - GOLD. FEVICOL - 'CAMPAIGN OF THE CENTURY' - SILV

## COMPANY INFORMATION

### BOARD OF DIRECTORS

B.K. Parekh  
(Chairman)

S.K. Parekh  
(Vice Chairman)

M.B. Parekh  
(Managing Director)

N.K. Parekh  
(Joint Managing Director)

H.K. Parekh

M.A. Pai

R.M. Gandhi

G.B. Doshi

N.J. Jhaveri

A.B. Parekh  
(Whole Time Director)

Santosh Kumar  
(Whole Time Director)

S. T. Dave  
(Whole Time Director)

### Sr. Vice President & Secretary

P.C. Patel

### Solicitors & Advocates

Manilal Kher Ambalal & Co.

### Auditors

Haribhakti & Co.

### Bankers

Indian Overseas Bank  
Corporation Bank  
Bank of Baroda

### Factories

Mumbai, Vapi, Taloja, Panvel, Mahad,  
Daman

### Registered Office

7th Floor, Regent Chambers  
Jamnalal Bajaj Marg  
208, Nariman Point  
Mumbai 400 021

### Registrar & Transfer Agent

Tata Share Registry Limited  
Army & Navy Building  
148, Mahatma Gandhi Road  
Fort, Mumbai 400 001

**PIDILITE**

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## HIGHLIGHTS

**P**idilite continued its good performance in 1999-2000 with 17.4% growth in net sales and 27.4% growth in post-tax profits. A Bonus Issue was announced during the year. Our TV advertisements won numerous prestigious awards. Pidilite has acquired two strong brands to enhance its branded products portfolio.

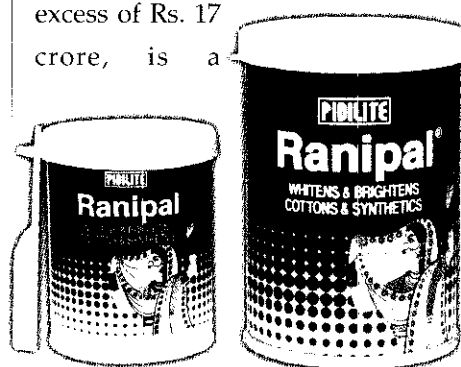
## Brand Acquisitions

The "M-Seal" brand of epoxy sealant and the "Ranipal" brand of optical whitener were acquired during 1999-2000.

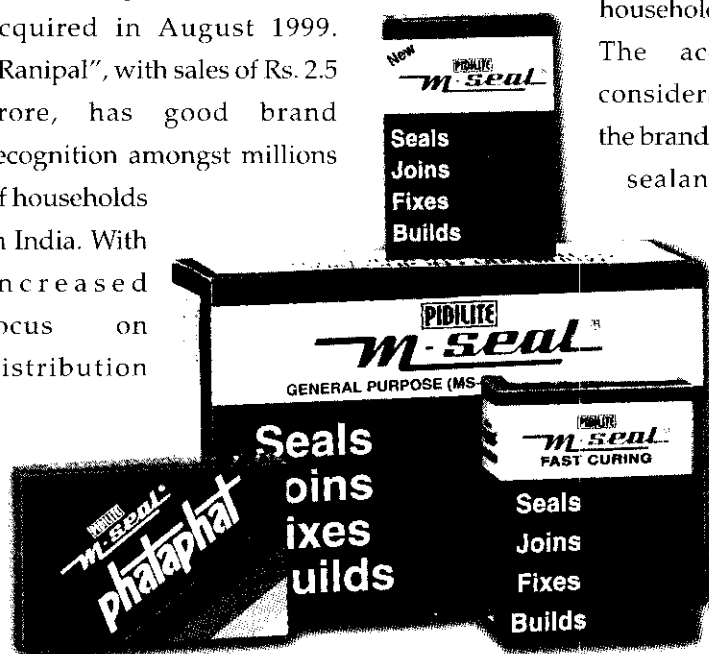
The "Ranipal" brand was acquired in August 1999. "Ranipal", with sales of Rs. 2.5 crore, has good brand recognition amongst millions of households in India. With increased focus on distribution

and brand building, we expect to improve the market share of "Ranipal" in the Rs. 200-crore fabric whitener market

The "M-Seal" brand was acquired in March 2000. "M-Seal", with sales in excess of Rs. 17 crore, is a

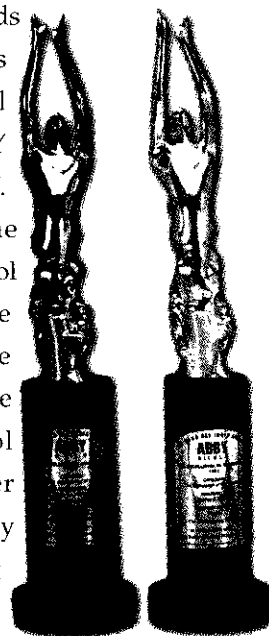


pioneer and market leader in the Rs. 30-crore epoxy sealant market. "M-Seal" has a strong brand loyalty amongst craftsmen, households and industries. The acquisition will considerably strengthen the branded adhesives and sealants business of Pidilite.



## Award Winning Advertising

Pidilite's advertising created history for the company and for its advertising agency, Ogilvy & Mather. At the ABBY Awards 2000, Fevikwik's 'Fish' commercial won the Gold ABBY for the 'Best T.V. Commercial of the Century'. The Fevicol Campaign won the Silver ABBY for the 'Campaign of the Century'. Fevicol also won a Silver ABBY in the category 'Best Continuing Campaign of the Year'. Besides this slew of awards, the Fevicol Corporate Campaign was awarded 'Big Idea of the Year' at the CAG Awards 2000.



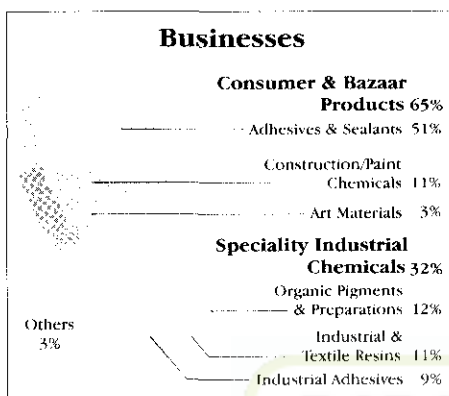
## Branded Products

The share of branded products in the total sales of Pidilite has been increasing and is now about 65% of total sales as compared to 61% in 1998-99 and 52% in 1993-94.

We have taken several initiatives to strengthen our branded consumer

and bazaar products business including expansion of distribution, revamping of sales and marketing structure and improvements in brand management and sales systems.

We plan to introduce several new branded products in the coming years. The new products include

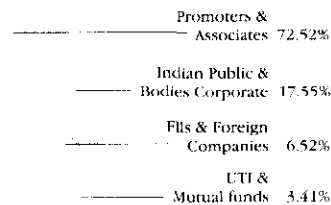


sealants under the "M-Seal" brand, repair and rehabilitation products for buildings, maintenance products, car care products, fabric care products and a variety of art materials for domestic and export markets.

### Shareholder Value

A bonus issue of one share for one share held was announced during the year. This bonus issue is within three financial years of the last bonus issue in 1996-97. An interim dividend of 70%, coupled with a final dividend of 10%, is higher than the previous year's

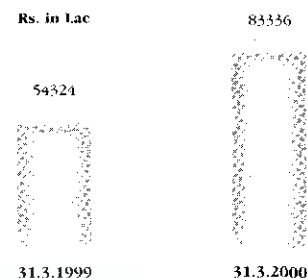
### Shareholding Pattern as at 31st March, 2000



total dividend of 70%. The price of the Company's equity shares on the Bombay Stock Exchange grew from Rs. 443.75 to Rs. 660.35 in the financial year under review. The market capitalization of the company, therefore, increased from Rs. 54,324 lac to Rs. 83,336 lac, an improvement of 53% over the year and of over 1100% on the capitalization of Rs. 6,733 lac at the Initial Public Offering (IPO) price.

The Company was ranked 49<sup>th</sup> amongst the top 100 wealth creators during the period 1994-1999<sup>1</sup>. Based on the criterion of the market capitalization as on 30<sup>th</sup> September, 1999, the Company was ranked 107<sup>th</sup> (last year 211<sup>th</sup>) amongst India's top 500 listed companies, including those in the private and public sectors<sup>2</sup>.

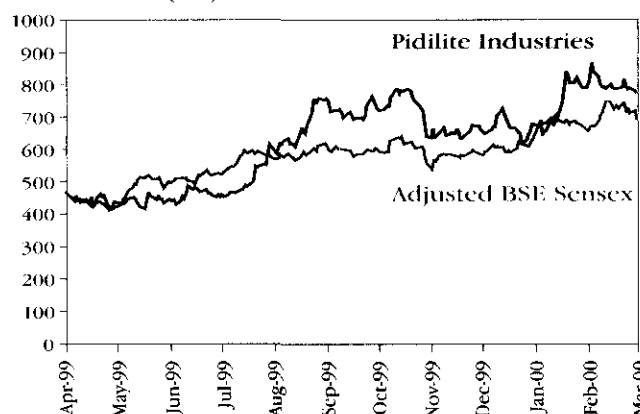
### Market Capitalization



Business Standard's BS1000 rankings placed the Company 66<sup>th</sup> in Super Rank and 109<sup>th</sup> in Composite Rank<sup>3</sup> (last year 82<sup>nd</sup> and 159<sup>th</sup> respectively).

### Share Price Movement

Market Price (Rs.)

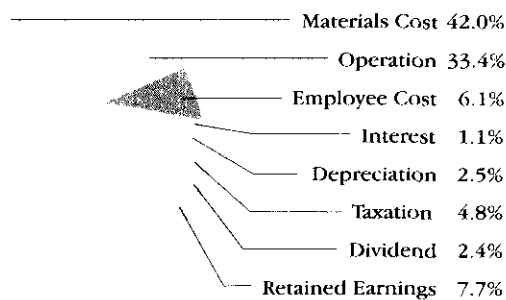


\* Share price has grown at a CAGR of 52.1% after IPO

1. Inquire, Published by Motilal Oswal Institute of Wealth Creation, 2nd February, 2000.
2. ET 500, Published by Economic Time in October, 1999
3. BS 1000 India's Corporate Giants, Published by Business Standard in February, 2000.

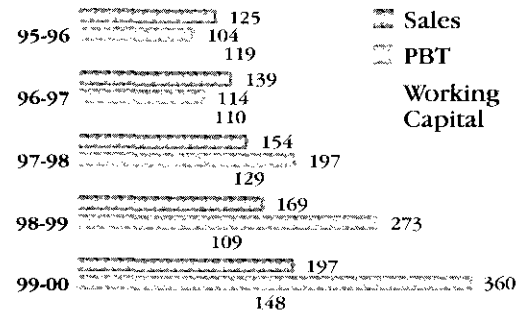
## FINANCIAL CHARTS

### Distribution of Revenue



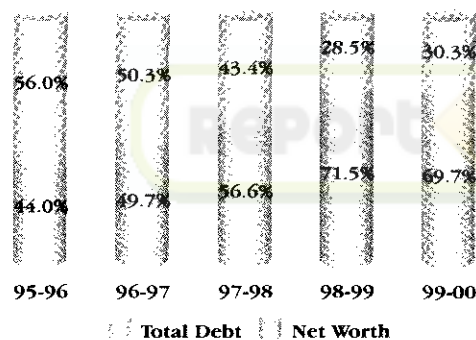
### Operating Efficiency

Base Year 1994-95=100

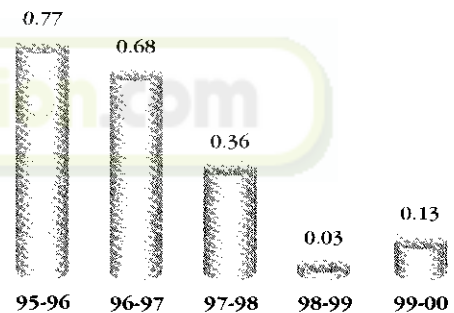


Greater operating efficiency. Higher sales index and PBT with low WC.

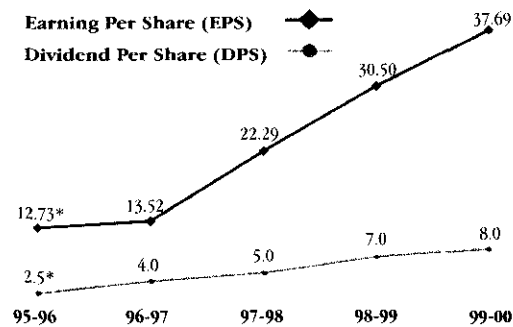
### Total Debt to Net Worth Ratio



### Debt Equity Ratio (Long Term Debt)

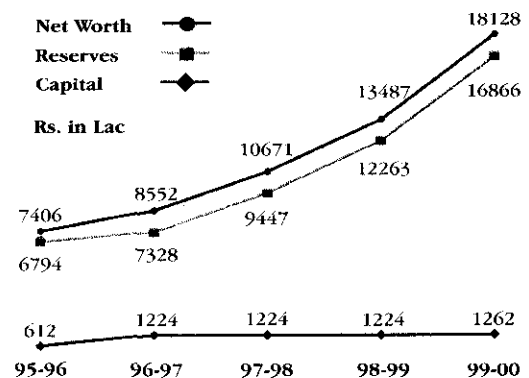


### EPS/DPS (Rs.)



\* Adjusted for bonus shares issued in 1996-97 in the ratio of one equity share for every equity share held

### Net Worth



**5 YEARS FINANCIAL PERFORMANCE**

Rupees in Lac

Highlights	1995-96	1996-97	1997-98	1998-99	1999-00	CAGR %
<b>Operating Results</b>						
Sales and Other Income	29634	32944	36566	40178	47063	12.26
Mfg. & Other Expenses	25851	28386	30844	33152	38375 <sup>@</sup>	10.38
Operating Profit	3783	4558	5722	7026	8688	23.10
Interest	1250	1616	1021	744	512	-0.20
Depreciation	509	720	860	959	1162	22.92
Profit before Tax	2024	2222	3841	5323	7014	36.44
Taxation	465	567	1113	1590	2257	48.43
Profit after Tax	1559	1655	2728	3733	4757	32.17
Dividend on Equity Shares	306	539*	673*	951*	1134*	38.75
Retained Earning	1253	1116	2055	2782	3623	30.40
<b>Financial Position</b>						
Capital	612	1224	1224	1224	1262	19.83
Reserves (Less Revaluation Reserve & Misc. Expenditure)	6794	7328	9447	12263	16866	25.52
Net Worth	7406	8552	10671	13487	18128	25.08
Borrowings	9416	8638	8190	5383	7897	-4.30
Funds Employed	16822	17190	18861	18870	26025	11.53
Fixed Assets (Excluding Revalued Assets & Depreciation thereon)						
Gross Block	10096	11677	12911	14599	20222	18.96
Depreciation	1971	2663	3509	4456	5767	30.79
Net Block	8125	9014	9402	10143	14455	15.49
Investments	1263	1293	1402	1881	2293	16.08
Net Current Assets	7434	6883	8057	6846	9277	5.69
Total Assets	16822	17190	18861	18870	26025	11.53

<sup>@</sup> Includes VRS Payment of Rs. 132 lac

\* Dividend includes Tax on Dividend

**5 YEARS FINANCIAL PERFORMANCE**

Rupees in Lac

Highlights	1995-96	1996-97	1997-98	1998-99	1999-00
<b>Funds Flow</b>					
<b>Sources</b>					
Internal Generation	2068	2376	3589	4726	5919
Increase in Capital & Reserve (Net) on Amalgamation	–	–	–	–	1226
Increase in Loans	2506	–	–	–	2514
Decrease in Working Capital	–	552	–	806	–
	4574	2928	3589	5532	9659
<b>Applications</b>					
Repayment of Loan	–	779	448	2414	–
Capital Expenditure	3013	1581	1234	1688	5682 <sup>@</sup>
Investments	148	29	110	479	412
Dividend	306	539	673	951	1135
Increase in Working Capital	1107	–	1124	–	2430
	4574	2928	3589	5532	9659
<b>Ratios</b>					
PAT to Net Sales %	6.6	6.2	9.3	11.3	12.3
Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth)	23.1	20.7	28.4	30.9	30.1
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed)	22.0	22.6	27.0	32.2	33.5
Long Term Debt / Cash Flow	2.8	2.5	1.1	0.1	0.4
Interest Cover (times) (PBIT divided by Interest)	2.6	2.4	4.8	8.2	14.7
Gross Gearing % (Debt as a percentage of Debt plus Equity)	56.0	50.3	43.4	28.5	30.3

<sup>@</sup> Includes Cost of Brands Acquired Rs. 3656 lac

## ECONOMIC VALUE ADDED (EVA)

### What is EVA

EVA, or Economic Value Added, is one of the modern approaches used to identify the value created by the Company for its shareholders. It represents the quantum of profits generated in excess of cost of the capital employed.

Shareholder value creation is better represented by EVA than by traditional profit figures.

### Computation of EVA

**EVA** = Net operating profit after tax (NOPAT) – Cost of capital employed.

**NOPAT** = Net profit after tax + post tax interest cost at actuals.

**Weighted average cost of capital employed** = (Cost of equity x average shareholder funds) + (cost of debt x average debt).

**Cost of equity** = Risk free return on Government of India (GOI) securities + market risk premium (assumed @ 85% of risk free return on long dated GOI securities) x beta variant for the company (taken at 80% as against the stock market as a whole).

**Cost of debt** = Effective interest applicable to Pidilite based on an appropriate mix of short, medium and long term debt, net of taxes (taken at 2% above the risk free return on long dated securities issued by the Government of India).

Economic Value Added Analysis				
Item	1996-97	1997-98	1998-99	1999-00
<b>Cost of Capital</b>				
1. Risk Free Return on Long Dated GOI Securities	13.0%	12.0%	11.5%	11.0%
2. Cost of Equity	21.8%	20.2%	19.3%	18.5%
3. Cost of Debt (Post Tax)	8.6%	9.1%	8.8%	8.0%
4. Effective Weighted Average Cost of Capital for Pidilite	14.8%	15.0%	15.4%	15.4%
<b>Economic Value Added (Rupees in Lac)</b>				
5. Average Debt	9027	8414	7030	6640
6. Average Equity (Shareholder Funds)	7979	9612	12079	15808
7. Average Capital Employed (Debt + Equity)	17006	18026	19109	22448
8. Profit After Tax (as per P&L account)	1655	2728	3733	4757
9. Interest (as per P&L account, net of Income Tax)	921	664	484	315
10. Net Operating Profit After Tax (NOPAT)	2576	3392	4217	5072
11. Weighted Average Cost of Capital (4 x 7)	2517	2704	2943	3457
12. Economic Value Added (10 - 11)	59	688	1274	1615
13. EVA as a % of Average Capital Employed (12 , 7)	0.35%	3.82%	6.67%	7.19%

## DIRECTORS' REPORT

### To The Members

Your Directors have pleasure in presenting their Thirty First Annual Report together with Audited Statement of Accounts for the year ended 31st March, 2000.

### Financial Results

(Rupees in Lac)

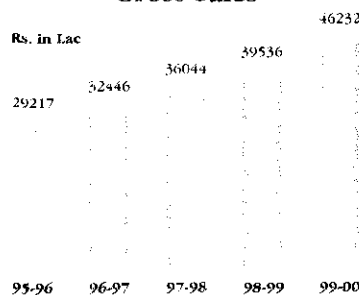
	1999 - 2000	1998 - 1999
Gross turnover	46232	39536
Turnover, net of excise	38756	33007
Profit before tax and exceptional items	7146	5323
Profit after tax but before VRS Payment	4889	3733
VRS Payment	132	--
Profit Brought forward	1285	803
Profit available for appropriation	6042	4536

#### Appropriations:

Interim Dividends (Paid)	883	--
Final Dividend (Proposed)	126	857
Tax on Dividend	125	94
Transfer to General Reserve	3400	2300
Total	4534	3251
Balance carried to Balance Sheet	1508	1285
	6042	4536

The figures for the year include figures of three companies which have amalgamated with the company effective from 1.4.1999 and therefore they are not comparable with the figures of the previous year.

#### Gross Sales



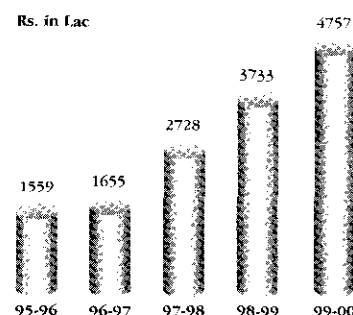
### Performance of the Company

The gross turnover for the year increased by 16.9% as compared to last year.

Operating Profit for the year (before VRS payment) at Rs. 8819 lac grew by 25.5%

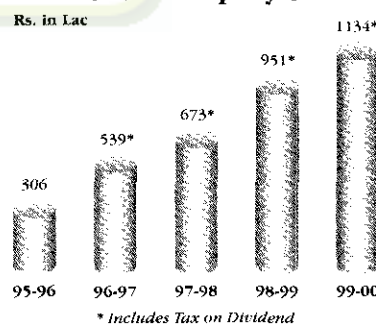
and net profit at Rs.4757 lac grew by 27.4% as compared to the last year. Operating profit for the year is adjusted downward by Rs.133 lac due to change in system of valuation of inventories as per the requirement of Income-tax Act, 1961 and revised Accounting Standards (AS-2) issued by the Institute of Chartered Accountants of India.

#### Profit After Tax



### Dividend

#### Dividend On Equity Shares



\* Includes Tax on Dividend

The Board of Directors has declared Two Interim Dividends aggregating to Rs.7 per Equity Share on 25.1.2000 and 16.3.2000 which

were paid together in First week of April, 2000. Now the Board recommends a final dividend of Re.1 per Equity Share for the financial year ended 31.3.2000. The aggregate amount of dividend will be Rs.8 for the Current Year as against Rs.7 in the previous year.