

**PIDILITE INDUSTRIES LIMITED**

**33rd ANNUAL REPORT**

**2001-2002**



**CANNES ADVERTISING FESTIVAL  
FEVICOL – BEST TV COMMERCIAL - SILVER**





Pidilite brings to the customers, Dr. Fixit's prescription for healthy construction, in the form of a unique range of waterproofing and repair products, supported by a large number of trained and certified contractors across the country. These products are used in new construction jobs, so as to ensure long term health of the construction. The products also offer effective solutions for preventing and curing damp walls, leakages and cracks.



## 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 (up to 06/08/2001)

R.M. Gandhi

N.J. Jhaveri

Bansi S. Mehta

Ranjan Kapur

Yash Mahajan

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

Wadia Ghandy & Co.

### Auditors

Haribhakti & Co.

### Bankers

Indian Overseas Bank

Corporation Bank

HDFC Bank

### Corporate Office

Ramkrishna Mandir Road

Off Mathuradas Vasanji Road

Andheri (E), Mumbai 400 059

### 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

Management Discussion and Analysis .....	1
5 Years' Financial Performance .....	4
Financial Charts .....	6
Economic Value Added (EVA) .....	7
Directors' Report .....	8
Auditors' Report .....	14
Balance Sheet .....	16
Profit & Loss Account .....	17
Schedules .....	18
Cash Flow Statement .....	35
Statement Pursuant to Section 212 .....	37
Corporate Governance Report .....	38
Auditors' Certificate on Corporate Governance .....	41
Information for Shareholders .....	42
Pidilite Industries Ltd. and Subsidiary-Consolidated .....	44
Fevicol Company - Subsidiary's Account .....	52

### Industry Structure and Development

**B**randed consumer and bazaar products and industrial speciality chemicals are the two major businesses of the Company.

The branded consumer and bazaar products of the Company include Adhesives, Sealants, Art Materials, Construction Chemicals and Paint Chemicals. Consumers of these products include carpenters, painters, plumbers, mechanics, households, schools, offices, etc.

Industrial Speciality Chemicals include Industrial Adhesives, Synthetic Resins, Organic Pigments, Pigment Preparations, Surfactants, etc. These products are consumed by various industries such as packaging, textile, paint, printing ink, paper, leather, etc.

In each of these business segments there are a few medium to large size companies with national presence and a large number of small size companies which are active regionally. In most product segments, the share of imports is less than 10% of the domestic volumes.

### Outlook on Opportunities, Threats, Risk and Concerns

The Company has strong brands, extensive distribution, strong R&D and an excellent reputation amongst trade and consumers. This provides the Company with opportunities to increase the market share, to introduce new products and to acquire new brands and businesses.

The Company's art materials and adhesives are finding good acceptance in the international market and provide an opportunity for growth.

The Company faces a fair number of competitors in most of the segments it operates in. This competition is likely to increase with possible entry of multinationals and likely increase in volume of imports.

The sluggish growth of the Indian economy in the last few years is an area of concern. However, the demand for most of the Company's products is likely to increase at a healthy rate in the coming years.

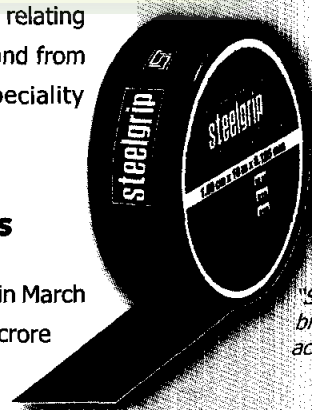
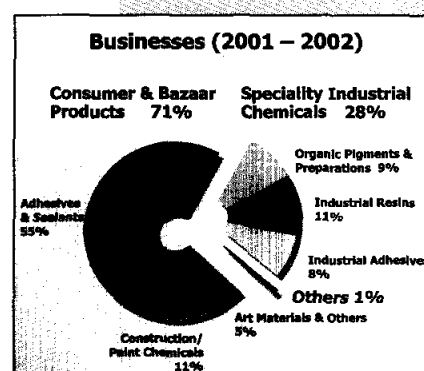
### Segment-wise Performance

Branded Consumer and Bazaar Products contributed 71% of the total sales of the Company and the sales value of these products grew by 15% during the year.

Sales of Industrial Speciality Chemicals contributed 28% of the total sales of the Company. Sales of these products showed a minor decline during the year because of discontinuation of Agency business relating to Flocculants and due to low demand from sectors consuming Industrial Speciality Chemicals.

### Brand Acquisitions

The "Steelgrip" brand was acquired in March 2002. With net sales of over Rs. 11 crore in the Financial Year 2000 - 2001,



The "Steelgrip" brand was acquired in March 2002

"Steelgrip" is a pioneer and market leader in the Rs. 40 crore PVC electrical insulation tape market. "Steelgrip" has strong brand loyalty amongst electricians, households and industries. With increased focus on distribution and brand building, we expect to considerably increase the sales of "Steelgrip".

### New Products

Several new products were launched during the year under review.

A range of products for waterproofing as well as repair and maintenance of buildings was introduced under the umbrella brand of "Dr. Fixit".



*Some of the new products launched this year*

The Company introduced, for the first time in India, Students' Tempera Colours under the brand name "Acron Rangeela" and stick-on colours, which can give removable and reusable paints under the "Fevicryl" brand. Similarly, fabric glue as well as mould and paint kits were also introduced by the Company for the first time in India. Other products launched during the year are fabric whitener under the brand "Ranipal All White", synthetic distemper under the brand name "DDL" and upholstery adhesive under the brand name "Foamfix".



*New packaging designs were introduced for several products*

### Packaging Design

Packaging designs of several products were changed to give a more contemporary look.

These products include "M-Seal", "Fevicryl" and "Acron". Plus One

Design of U.K. have designed new international look containers as well as an attractive graphic design for "Fevicol" and these are in the process of being launched.

### Advertising

The Company's advertising, created by its agency Ogilvy & Mather, continued to win recognition at local as well as international forums.

*The Company won awards at several advertising festivals, including at the prestigious Cannes Lions Awards.*



At the 2002 Cannes Awards, considered to be the Oscars of the advertising world, the Fevicol 'Bus' TV Commercial won a Silver in the Household Maintenance Products category.

At the Asia Pacific Advertising Festival, the Fevicol 'Bus' TV Commercial and M-Seal 'Will' TV Commercial won a Bronze each in their respective product categories. Moreover, a special award for the Best Soundtrack in TV Commercials was also awarded to the Fevicol 'Bus' TV Commercial.

At the ABBY Awards, Fevicol advertising won a Gold for the Advertising Campaign of the Year and also a Silver for the Best Continuing Campaign over the years. The M-Seal 'Will' TV Commercial won a Gold in the category for Single Advertisement.



## Sales Promotion

"Fevi Art", a magazine for hobby, arts and crafts, was launched during the year to provide users with new ideas for using Fevicryl and Acron products. The Dr. Fixit helpline and web-site were launched to give assistance to people with waterproofing and building repair problems.

The Company's products were selected by leading companies for cross promotion. "Acron Rangeela" students' colours were selected by Hindustan Lever for cross promotion with "Surf" and "Acron" wax crayons were selected by Colgate for cross promotion with "My First Colgate" toothbrush.

## Risk and Internal Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business.

The Audit Committee of the Board of Directors periodically reviews the audit plans, internal audit reports, and adequacy of internal controls.

The Company has appointed Internal Auditors who audit the adequacy and effectiveness of internal controls laid out by the management and suggest improvements.

## Shareholder Value

The Net Worth of the Company has grown from Rs. 10671 lac in 1997-1998 to over



*Some of our products were selected by leading companies for cross promotion*

Rs. 26108 lac at the end of 2001-2002, giving a CAGR of 25.07%.

The value of the Company's Equity Share remained steady during the financial year under review.

## Financial Performance

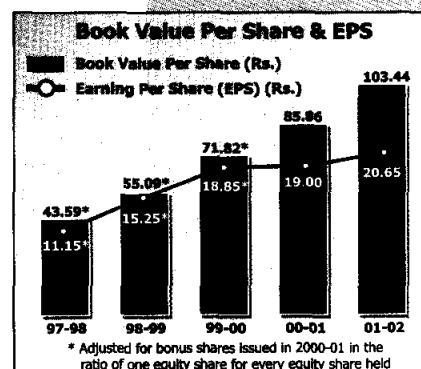
Financial results and performance for the year are elaborated in the Directors' Report.

## Human Resources

During the year, improvement activities such as Performance and Potential Management System, and Mentorship Programme for new Management Graduates were introduced.

Employee involvement initiatives continued, with various Small Group Activities. As many as 125 small groups are working on cycle time reduction, working capital reduction, overhead expense reduction, waste elimination and saving of energy.

Total number of employees as on 31<sup>st</sup> March, 2002 was 1810. Employee relations continued to be cordial at all levels.



*Rupees in Lac*

<b>Operating Results</b>						
Sales and Other Income	36566	40178	47063	52690	57718	12.09
Mfg. & Other Expenses	30844	33152	38375 <sup>@</sup>	43731	47741	11.54
Operating Profit	5722	7026	8688	8959	9977	14.91
Interest	1021	744	512	697	416	-20.11
Depreciation	860	959	1162	1651	1897	21.87
Profit before Tax	3841	5323	7014	6611	7664	18.85
Current Tax	1113	1590	2257	1815	1650	10.34
Deferred Tax	-	-	-	-	802	-
Profit after Tax	2728	3733	4757	4796	5212 <sup>#</sup>	17.57
Dividend on Equity Shares	673 <sup>*</sup>	951 <sup>*</sup>	1134 <sup>*</sup>	1252 <sup>*</sup>	1767	27.29
Retained Earning	2055	2782	3623	3544	3445	13.79
<b>Financial Position</b>						
Capital	1224	1224	1262	2524	2524	19.83
Reserves (Less Revaluation Reserve & Misc. Expenditure)	9447	12263	16866	19148	23584	25.70
Net Worth	10671	13487	18128	21672	26108	25.07
Borrowings	8190	5383	7897	4486	4425	-14.27
Funds Employed	18861	18870	26025	26158	30533	12.80
Fixed Assets (Excluding Revalued Assets & Depreciation thereon)						
Gross Block	12911	14599	20222	22549	27719	21.05
Depreciation	3509	4456	5767	7366	9203	27.26
Net Block	9402	10143	14455	15183	18516	18.46
Investments	1402	1881	2293	1594	1510	1.87
Net Current Assets	8057	6846	9277	9381	10507	6.86
Total Assets	18861	18870	26025	26158	30533	12.80

<sup>@</sup> Includes VRS Payment of Rs. 132 lac      <sup>\*</sup> Includes Tax on Dividend<sup>#</sup> Excluding prior year Tax provision written back Rs. 189 lac



# 5 YEARS' FINANCIAL PERFORMANCE

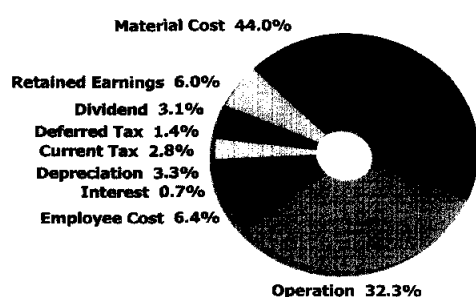


Rupees in Lac

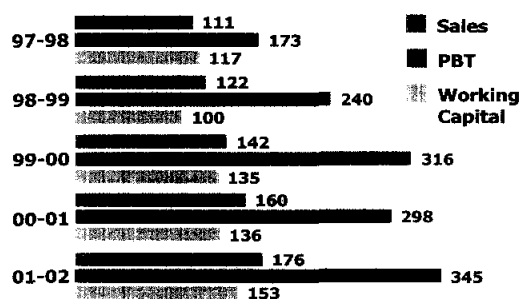
<b>Funds Flow</b>					
<b>Sources</b>					
Internal Generation	3589	4726	5919	6447	8100
Increase in Capital & Reserve (Net) on Amalgamation	–	–	1226	–	–
Increase in Loans	–	–	2514	–	–
Decrease in Investment	–	–	–	699	69
Decrease in Working Capital	–	806	–	–	–
<b>Total</b>	<b>3589</b>	<b>5532</b>	<b>9659</b>	<b>7146</b>	<b>8169</b>
<b>Applications</b>					
Repayment of Loan	448	2414	–	3411	85
Capital Expenditure	1234	1688	5682 <sup>@</sup>	2379	5230 <sup>\$</sup>
Investments	110	479	412	–	–
Dividend	673	951	1135	1252	1767
Increase in Working Capital	1124	–	2430	104	1087
<b>Total</b>	<b>3589</b>	<b>5532</b>	<b>9659</b>	<b>7146</b>	<b>8169</b>
<b>Ratios</b>					
Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth)	28.4	30.9	30.1	24.1	21.8
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed)	27.0	32.2	33.5	28.0	28.5
Long Term Debt / Cash Flow	1.1	0.1	0.4	0.1	0.1
Gross Gearing % (Debt as a percentage of Debt plus Equity)	43.4	28.5	30.3	17.1	14.5
Current Ratio (Current Assets divided by Current Liabilities)	3.3	2.3	2.5	2.6	2.3
Assets Turnover (times) (Gross Sales divided by Total Assets)	1.9	2.1	1.8	2.0	1.9

@ Includes Cost of Brands Acquired Rs. 3656 lac

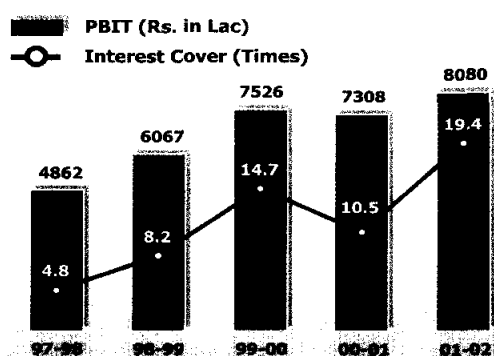
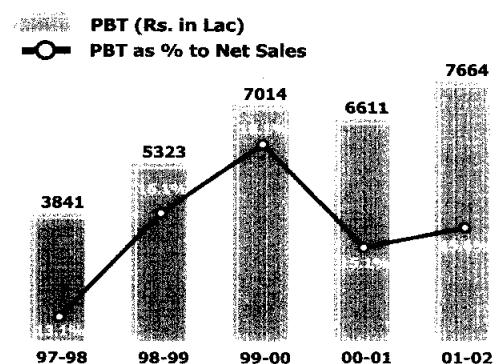
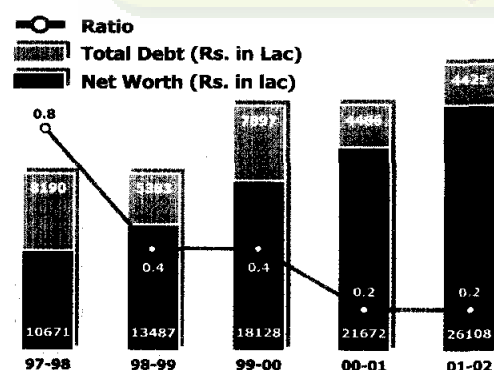
\$ Includes Cost of Brand Acquired Rs. 873 lac

**Distribution of Revenue****Operating Efficiency**

Base Year 1996-97=100



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

**PBIT & Interest Cover****PBT & PBT as % to Net Sales****Debt Equity Ratio****Value Addition to Business Thru Reserves**