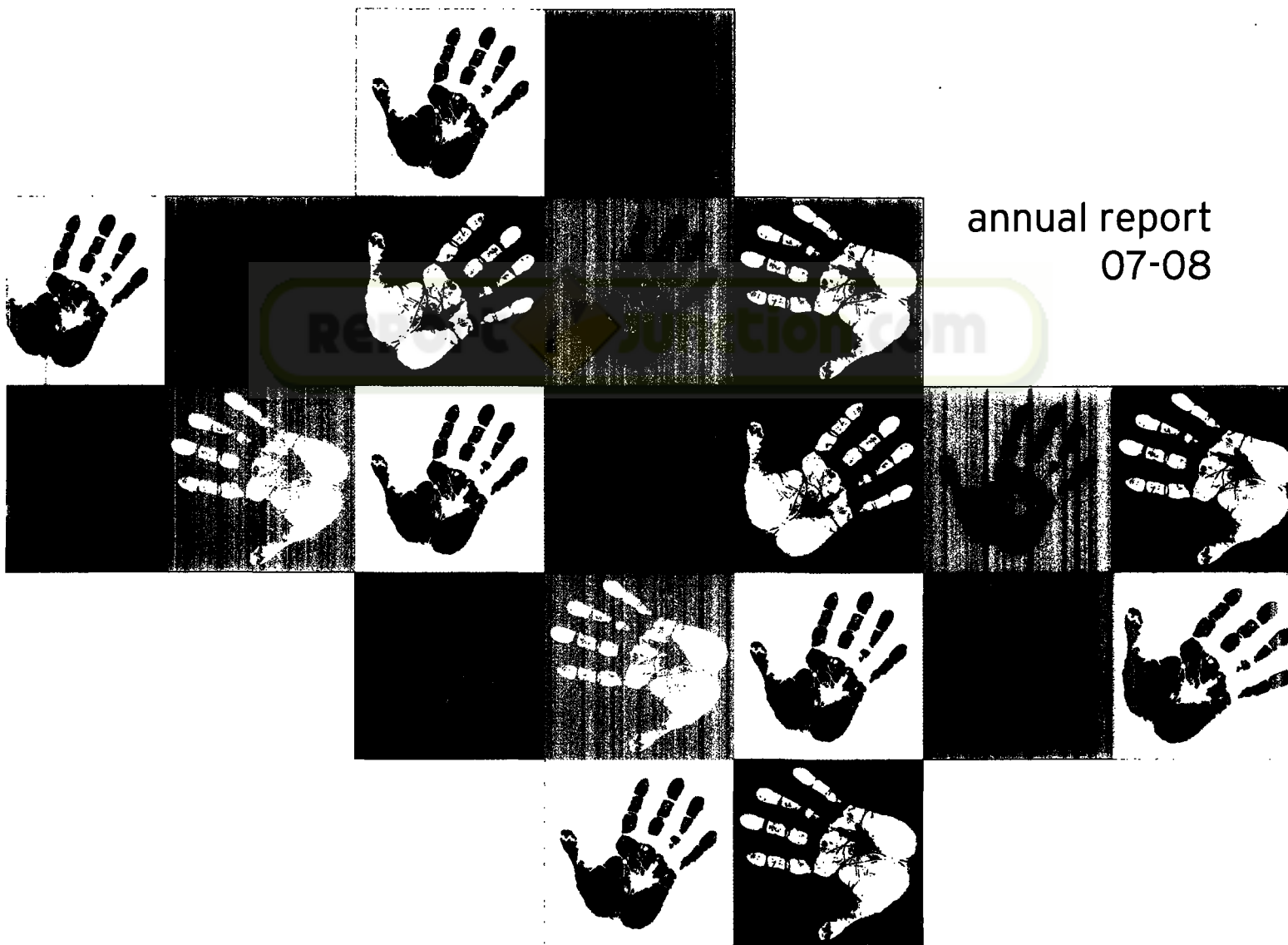





# building bonds

annual report  
07-08





---

The extensive product range of the Company is used by millions of hands every day. These hands belong to craftsmen, children, housewives, teachers, hobbyists, DIY enthusiasts and many others.

By using our products, the skillful hands of our customers construct buildings, make furniture, create objects of art, print magazines, paint houses and make hundreds of products used in our daily lives such as footwear, garments, pencils, toys and handicrafts.

# contents

2	Company Information	22	Annexure I to the Directors' Report	57	Corporate Governance Report
3	Management Discussion and Analysis	25	Auditors' Report	62	Corporate Governance Compliance Certificate
10	Financial Charts	28	Balance Sheet	63	Information for Shareholders
11	Economic Value Added (EVA)	29	Profit & Loss Account	65	Consolidated Financial Statements
12	10 Years Financial Performance	30	Schedules		
		53	Cash Flow Statement		
14	Directors' Report	55	Statement Pursuant to Section 212		
20	Social Responsibility				



# 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	Director
R M Gandhi	Director
N J Jhaveri	Director
Bansi S Mehta	Director
Ranjan Kapur	Director
Yash Mahajan	Director
Bharat Puri	Director (wef 28 <sup>th</sup> May 2008)
A B Parekh	Whole-Time Director
A N Parekh	Whole-Time Director
V S Vasani	Whole-Time Director

## Corporate Office

Ramkrishna Mandir Road  
Off Mathuradas Vasani Road  
Andheri (E), Mumbai 400 059

## Registered Office

Regent Chambers, 7<sup>th</sup> Floor  
Jamnalal Bajaj Marg  
208, Nariman Point  
Mumbai 400 021

## Registrar & Transfer Agent

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Ind. Estate  
20, Dr. E Moses Road, Mahalaxmi  
Mumbai 400 011

## President

### & Company Secretary

P C Patel

## Solicitors & Advocates

Wadia Ghandy & Co

## Auditors

Haribhakti & Co

## Bankers

Indian Overseas Bank  
Corporation Bank  
ICICI Bank  
ABN-AMRO Bank N.V.

# Management Discussion & Analysis

Pidilite Industries Limited on a stand-alone basis achieved 32% growth in gross sales, 46% growth in profit before tax (PBT) and 57% growth in profit after tax (PAT). On a consolidated basis, Pidilite achieved 36% growth in gross sales, 43% growth in profit before tax and 54% growth in profit after tax.

Consistent growth  
in sales and profit

Shareholders of Pidilite Industries Limited had approved the scheme of arrangement for the Demerger of VAM manufacturing unit at Mahad of Vinyl Chemicals (India) Ltd into the Company wef 1<sup>st</sup> April 2007. The Scheme of Demerger was sanctioned by the Hon'ble High Court of Judicature at Bombay on 14<sup>th</sup> December 2007. Accordingly, the figures for the twelve months ended 31<sup>st</sup> March 2008 include the figures of the operations of the said Demerged unit.

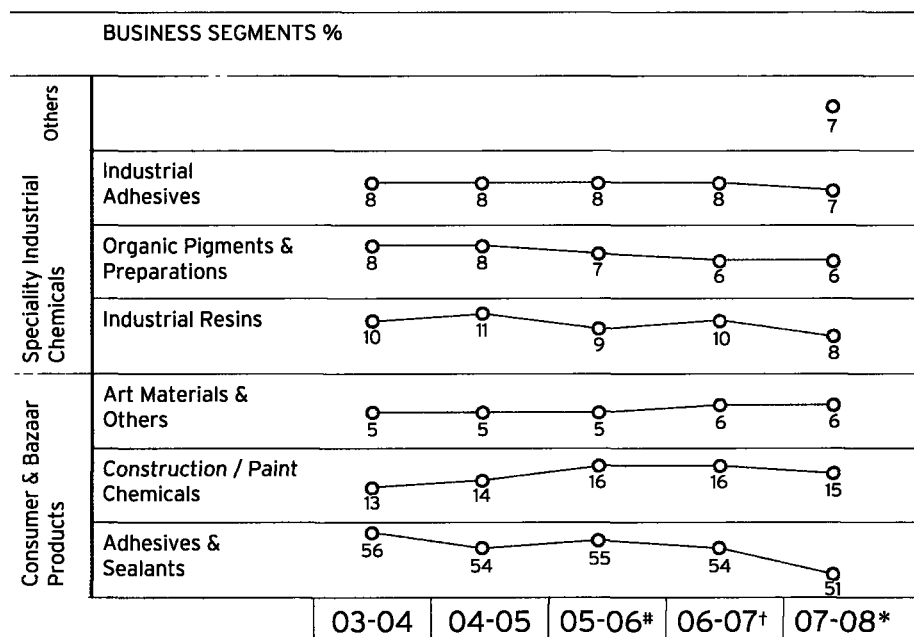
Excluding the sales of Demerged unit, gross sales on a stand-alone basis grew by 23% and on consolidated basis grew by 27%. The profitability (PBT as % of Gross Sales) of the Company improved during the year due to healthy sales growth, reduction in customs duty and appreciation of Indian Rupee.

## Performance by Industry Segment

### Consumer and Bazaar Products

Branded Consumer and Bazaar Products contributed 72% to the total sales of the Company and grew by 25% during the year.

Sales of branded Adhesives and Sealants grew by 23.9% and contributed 51% to the total sales of the Company. Construction and Paint Chemicals grew by 29% and Art Materials and other products grew by 24.8%. Most major brands of the Company maintained or increased their market share.



\* Figures were regrouped in 2006-07      † Figures have been regrouped in 2007-08

\*The current year figures are not comparable with the previous years, due to significant sales in Others segment in the current year

Exports of Consumer and Bazaar products grew by 44.6% to Rs 736 million. The Company achieved this growth due to expansion of distribution, introduction of new products and brand building activities. The Company continues to focus on Middle East, Africa, South East Asia and SAARC for growth in exports of Consumer and Bazaar products.

Profit before interest and tax for the Consumer and Bazaar segment grew by 38% during the year.

#### **Speciality Industrial Chemicals**

Speciality Industrial Chemicals contributed 21% to the total sales of the Company and grew by 16%.

Exports of Speciality Industrial Chemicals grew by 53% to Rs 702 million. The Company achieved this growth due to new product development, focussed activities and application development.

Profit before interest and tax for the Speciality Industrial Chemicals segment grew by 24% during the year.

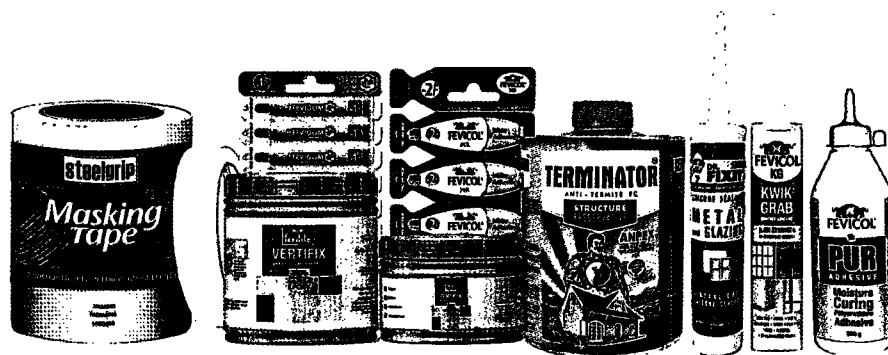
#### **Others Segment**

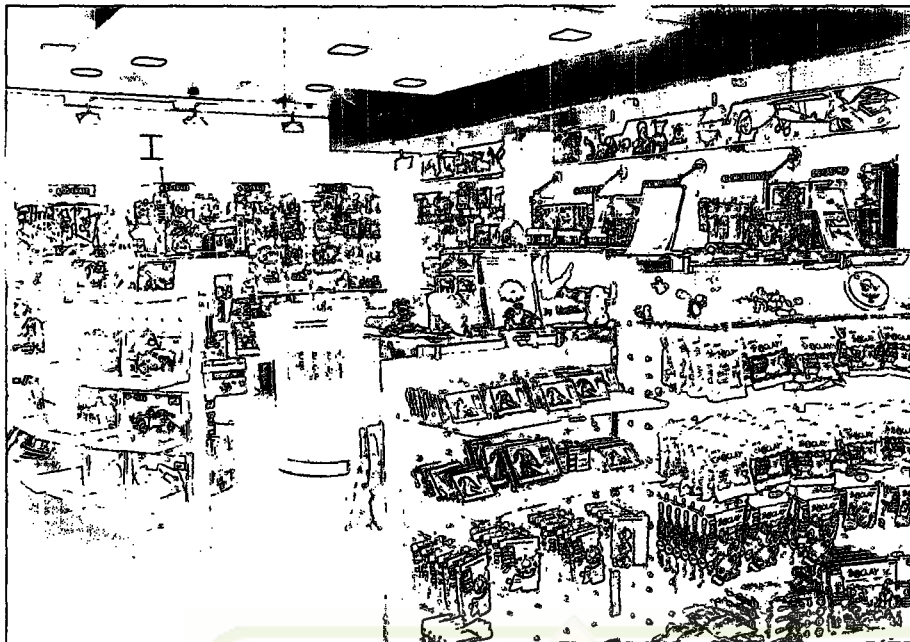
Others segment sale which includes sales of the said Demerged unit contributed 7% to the total sales of the Company. Others segment had profit before tax of Rs 171 million during the year.

#### **New Products**

During the year, several new adhesives, sealants and construction chemicals were introduced. Fevicol 1K PUR and Fevicol Kwikgrab were introduced to take care of special applications in building construction segment. Fevicol Vertifix for cladding of vertical walls with marble and granite and Fevicol BWP waterproof adhesive were also added to the range. The construction chemical range was expanded with the introduction of special offerings of antibacterial wall and floor coatings suitable for hospitals, hotels as well as food and pharmaceutical manufacturing units.

New Products launched during last year





Hobby Ideas store at Bengaluru

Over the last few years, the Company has continued its efforts to introduce a range of Adhesives and Sealants at an affordable price of Rs 5 (MRP). During this year, the Company introduced Fevicol craft adhesive at MRP of Rs 2 and Fevigum at MRP of Re 1. This will make high quality adhesives available to consumers at very affordable prices.

### Hobby Ideas Stores

The Company had started-for the first time in India-stores under the brand name Hobby Ideas in March 2005. Hobby Ideas stores offer a large variety of hobby and craft products sourced from around the world. Besides various products, Hobby Ideas stores also offer workshops and demonstrations to make hobby fun and easy for hobby enthusiasts.

During the year the Company opened a 6,500 square feet store in Mumbai. In addition, the Company also opened stores in Ahmedabad, Surat and Bengaluru.

The Company will evaluate the viability and business prospects for these stores before deciding on future course of action.

### Customer Relations

The Company continued to take several initiatives to increase awareness of its products and brands, increase consumption of its products and to strengthen relationship with customers, influencers and end-users.



Pidilite Award of Excellence

The Company continued to publish very popular Fevicol Furniture Books. The Company publishes 3 editions each year covering designs for homes and offices. The furniture books have found good acceptance in households and among carpenters and interior decorators. The Company has till date published over 5 million copies of furniture books. The Company is now also publishing a CD-ROM version of the furniture book.

Fevicol Champion's Club, a platform initiated by the Company for carpenters and those associated with the furniture industry to come together, continued to expand with over 300 clubs in 114 towns having over 45,000 members.

To recognise outstanding talent amongst interior design and architecture students, Pidilite Award of Excellence was given to the best student from each of over 200 architecture and interior design colleges across the country.

Dr. Fixit Institute, set up to provide training on use of waterproofing and construction chemicals to applicators, consultants, contractors, builders, architects and civil engineering students conducted 20 training programmes during the year.

The annual International Art & Craft Contest organised by the Company had over 4,000 schools and 1.7 million students participating from India and abroad.



Creative Craft Award Function

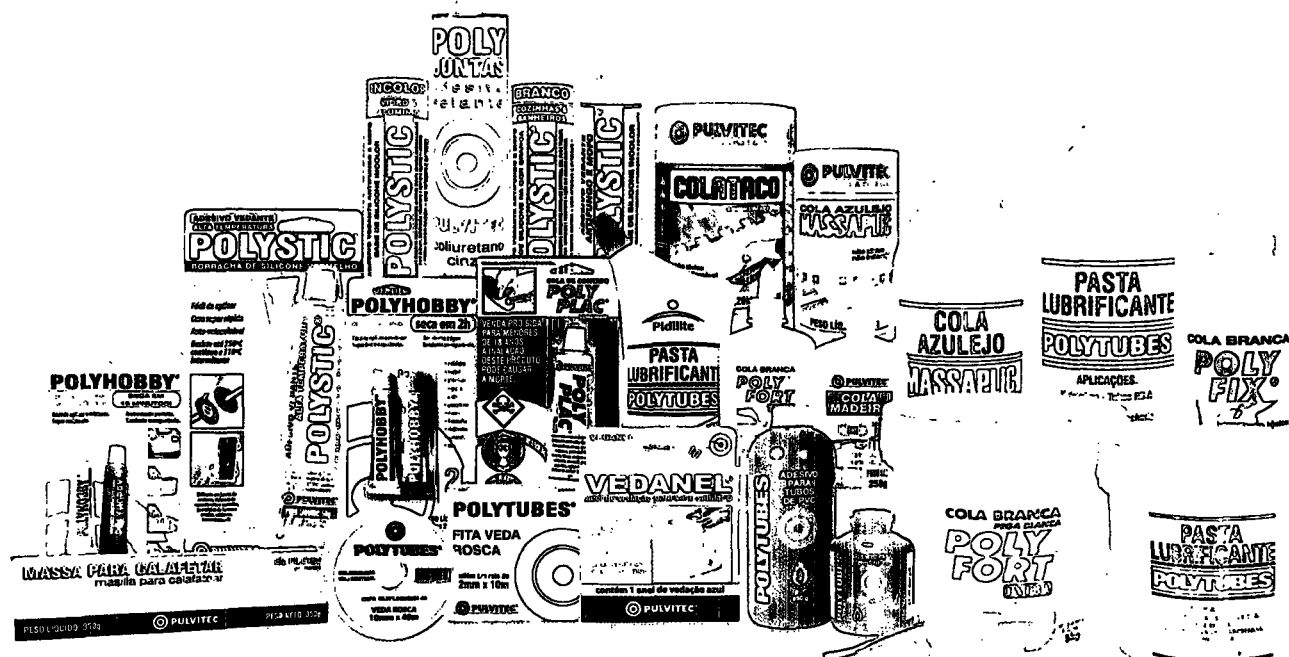


Well known Architect  
Santha Mattoo conducting  
Pidilite Knowledge Series in  
Chandigarh

## Mergers and Acquisitions

- Pidilite do Brasil, wholly-owned subsidiary of the Company in Brazil, acquired the entire share capital of Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Limitada, engaged in the business of adhesives, sealants and construction chemicals. This company and its manufacturing plant are located in Sao Paulo, Brazil and the business has annual sales of approximately Rs 750 million. This acquisition will help Pidilite enter high potential Latin American market of adhesives and sealants.
- Pidilite Industries Ltd along with its wholly-owned subsidiaries, acquired assets and business of branded sealants and adhesives from Hardcastle & Waud Manufacturing Co. Ltd and associates. The acquired assets include brands like Holdtite, Rustolene and Leakguard, which have a healthy market share in their respective segments. The total sales of the business is Rs 150 million.

Report  Junction.com



Pulvitec Range



Brand Equity by Economic Times, (issue dated 11<sup>th</sup> June 2008), India's financial daily ranked Fevicol as 20<sup>th</sup> amongst the top trusted brands for the year..

#### Miscellaneous

The Company's net worth (Equity Capital + Reserves) has grown from Rs 3,087 million in 2003-04 to Rs 6,396 million at the end of 2007-08, giving a Compounded Annual Growth Rate (CAGR) of 20%.

The market capitalisation of the Company on 31<sup>st</sup> March 2008 was Rs 33,624 million and has grown at CAGR of 32.2% since the IPO in 1993.

In respect of Market Capitalisation, Net Sales, Net Profit and Dividend, ET Investor's Guide (Economic Times dated 23<sup>rd</sup> June 2008), Pidilite is listed among the following 14 defensive companies which have performed well during market slow down during F.Y. 1997 and F.Y. 2002:

GAIL; GSK Pharma; HDFC; Hindustan Unilever; ITC; Nestle India; ONGC; Pidilite; Tata Power; West Coast Paper Mills; Ballarpur; Balrampur Chini; Cipla and Concor.

These companies have been identified as "Storm Shelters" for investors and have shown consistent growth in terms of market cap, sales, profits and dividend payout even during the periods of economic slow down.