



years of building bonds

ANNUAL REPORT 08-09

02

Company Information

03

Management Discussion and Analysis

08

Financial Charts

09

Economic Value Added (EVA)

10

10 Years' Financial Performance

12

Directors' Report

18

Social Responsibility

20

Annexure I to the Director's Report

23

Auditor's Report

26

Balance Sheet

27

Profit & Loss Account

28

Schedules

52

Cash Flow Statement

54

Statement Pursuant to Section 212

56

Corporate Governance Report

61

Corporate Governance Compliance Certificate

62

Information for shareholders

64

Consolidated Financial Statements

Dear Shareholders

From a small beginning of manufacturing FEVICOL adhesives and ACRON Pigment Textile Printing colours in 1959, PIDILITE has achieved sales turnover of over Rs 19 billion during 2008-09.

Since inception Pidilite has focused on building strong bonds with all stake holders, ie. employees, dealers, vendors, customers and shareholders. "Building Bonds" represents the essence of Pidilite's corporate philosophy.

Pidilite's product range includes Adhesives and Sealants, Construction and Paint Chemicals, Automotive Chemicals, Art Materials, Industrial Adhesives, Industrial and Textile Resins and Organic Pigments and Preparations. Most of the products have been developed through strong in-house R&D.

Pidilite is also growing its International presence through acquisitions and setting up manufacturing facilities and sales offices in important regions around the world. Fevicol is now the largest selling adhesives brand in Asia.

I feel proud and deeply satisfied to see Pidilite achieving this position in 2009 - its Golden Jubilee Year.

Pidilite has reached where it is today mainly due to the close team-work of the employees and due to the shared value system which emphasises commitment to excellence, closeness to customers, and the spirit of innovation.



B K Parekh
Chairman



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 (Upto 22.10.2008)
R M Gandhi	Director
N J Jhaveri	Director
Bansi S Mehta	Director
Ranjan Kapur	Director
Yash Mahajan	Director
Bharat Puri	Director
D Bhattacharya	Director (wef 26.2.2009)
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, 7th 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 Pate

Solicitors & Advocates

Wadia Ghandy & Co

Auditors

Haribhakti & Co

Bankers

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

Management Discussion & Analysis - 2009

Pidilite Industries Limited on a stand-alone basis achieved 12% growth in gross sales. Earnings before depreciation, interest, tax and foreign exchange loss declined by 6.4%, profit before tax (PBT) declined by 27.2% and profit after tax (PAT) declined by 22.3% on a stand-alone basis.

The profitability of the Company in the current year was affected by high material costs in first three quarters of the year, depreciation of the Indian Rupee and slowdown in sales growth due to economic conditions in the second half of the year.

The Company's sales have grown at a CAGR of 21% over last five years.

On a consolidated basis, Pidilite gross sales grew by 14%, PBT declined by 38.6% and PAT declined by 35.5%. Overseas Subsidiaries incurred higher losses in the current year due to the difficult economic scenario for most part of the year.

Performance by Industry Segment

CONSUMER AND BAZAAR PRODUCTS

Branded Consumer and Bazaar Products Segment contributed to 73% of the total sales of the Company and grew by 13.6%.

Sales of branded Adhesives and Sealants grew by 10.8% and contributed 50% to the total sales of the Company. Construction and Paint Chemicals grew by 24.3% and Art Materials and other products grew by 11%.

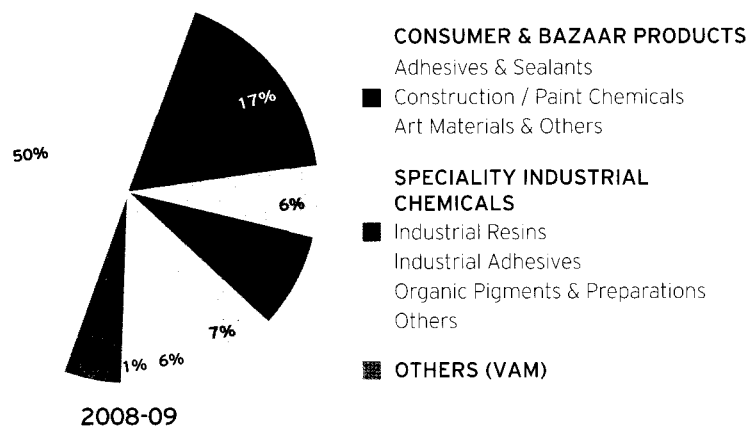
The growth rates for the year were lower than previous years mainly due to difficult economic conditions.

The Consumer and Bazaar Products sales have grown at a CAGR of 20% over the last 5 years.

Exports of Consumer and Bazaar products grew by 16% to Rs 854 million and have grown at a CAGR of 44% over last 5 years.

Profit before interest and tax for the Consumer and Bazaar segment increased by 3.8%.

BUSINESS SEGMENTS %



SPECIALITY INDUSTRIAL CHEMICALS

Speciality Industrial Chemicals contributed 22% to the total sales of the Company and grew by 13.8%.

Exports of Speciality Industrial Chemicals grew by 39% to Rs 977 million. The Company achieved this growth due to new product development, focused activities and application development.

Profit before interest and tax for the Speciality Industrial Chemicals segment grew by 5.36%.

OTHER SEGMENT

This segment consists of the Vinyl Acetate Monomer manufacturing unit merged into the Company effective 1st April 2007.

This segment had revenue of Rs 1031 million as compared to revenue of Rs 1154 million in the previous year. Profit before interest and tax declined by 45.5%.

The profitability of this segment largely depends on global prices of raw material and finished goods. The conditions in the current year were less favourable than previous year which impacted the performance.

New Products

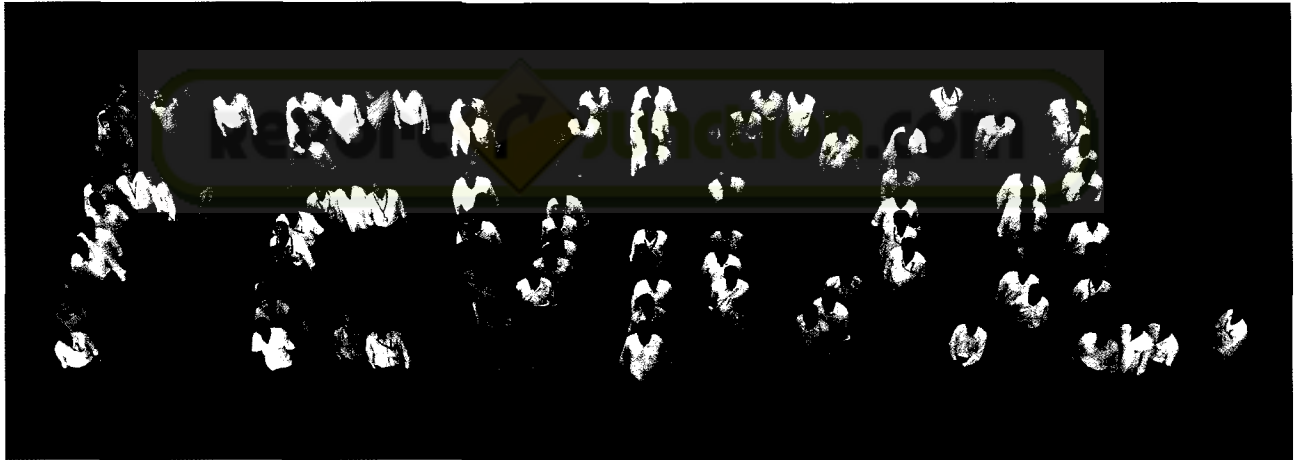


New Products launched during last year

The Company has started expanding its range of adhesives and sealants used for building construction and interior decoration. The range which was so far mostly focussed on making furniture has now been expanded to include adhesives for fixing tiles, marble, granite, etc. on various surfaces, adhesives for fixing wall papers and adhesive for laying wooden floors. More such adhesives and sealants will be introduced in the coming years to cater to the expanding building construction and interior decoration market.

Our offering in the waterproofing segment has also been expanded to include Dr. Fixit waterbar for sealing construction joints in RCC structure, Dr. Fixit Roofkote and Roofseal which are bituminous waterproofing products for terraces and Dr. Fixit Safeguard which is suitable for internal waterproofing of the walls of potable water tanks.

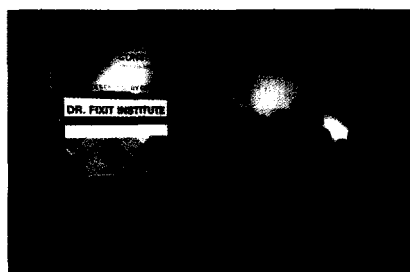
A new offering for consumers is Fevicol Glue Drop which is a double sided instant bond glue in a dot form. This product has multiple uses in households, offices and handicraft segment. Fine Art Colours have been introduced to provide professional artists with high quality colours.



Fevicol ranked No. 1 most trusted brand in the household care segment

BRAND EQUITY, THE ECONOMIC TIMES, 11TH JUNE 2008

Customer Relations



Miscellaneous



Other Matters



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

The **25th issue of Fevicol Furniture Book** was released during the year. The very popular series has had a total print run of over 7 million and has found great acceptance amongst carpenters, interior decorators and home owners.

Dr. Fikit Institute of Structural, Protection and Rehabilitation started a **Healthy Construction Lecture Series** to increase awareness of the Global Best Practices in this field.

A **toll free number** was introduced for professionals like Architects, Engineers and Applicators to provide assistance in solving construction related problems on the site.

Pidilite Greenprint was launched as an initiative to provide a range of products to Architects and Engineers working on green buildings.

A new initiative **"Pidilite World"** Distributor was launched to recognize and to receive feedback from important distributors of the Company.

A news letter of the dealers **"Saathi"** was launched during the year.

The Annual **International Art & Craft Contest** attracted students from over 5,000 schools in India and ten international locations. The theme of the contest was **"Save Planet Earth"** and was conducted in association with Green Globe Foundation, TERI and UNEP.

In addition to above, the Company continued various other customer relationship activities including Pidilite Award for Excellence to interior design and architecture students, Fevicryl Hobby Ideas Books, Fevicol Champions Club for expert craftsmen and Pidilite Knowledge Lecture series by well known Architects.

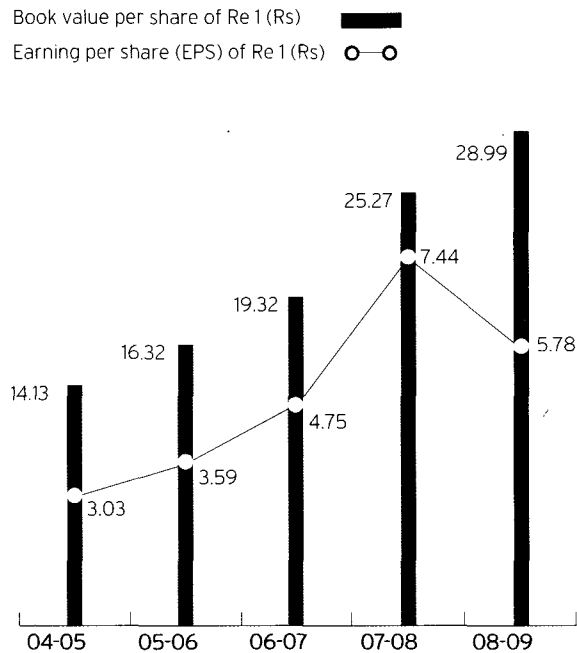
The Company's **net worth** (Equity Capital + Reserves) has grown from Rs 3567 million in 2004-05 to **Rs 7336** million at the end of 2008-09, giving a Compounded Annual Growth Rate (CAGR) of 19.8%.

The market capitalisation of the Company on 31st March 2009 was Rs 21374 million and has grown at a **CAGR of 25.9%** since the IPO in 1993.

The following matters are elaborated upon in the Directors' Report

- Financial Performance
- Industry Structure and Development
- Outlook on Opportunities, Threats, Risks and Concerns
- Risk and Internal Adequacy
- Human Resources

Book Value per Share and EPS




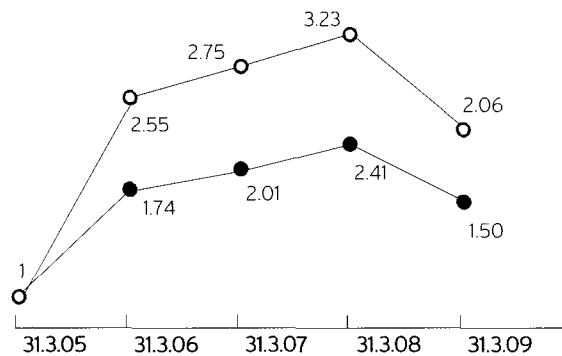
Book value per share & earning per share for the year 2004-05 has been restated with respect to the revised face value of equity shares of Re 1 each wef 27th September 2005

Growth in Market Capitalisation of Company and BSE sensx since March 31, 2005

Base Value: 31st March 2005 = 1

Market Capitalisation (Times) 

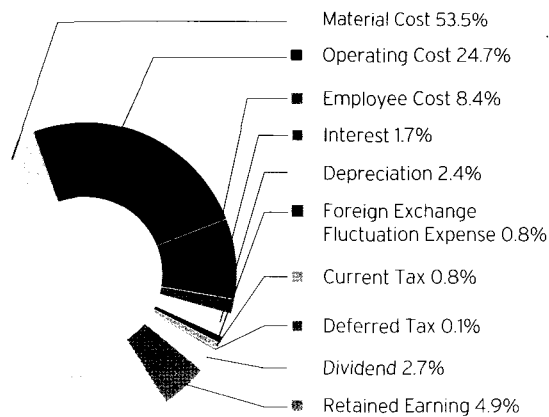
BSE Sensx (Times) 



Market price per share at BSE on 31st March 2005 has been adjusted with respect to the revised face value of equity shares of Re 1 each wef 27th September 2005.

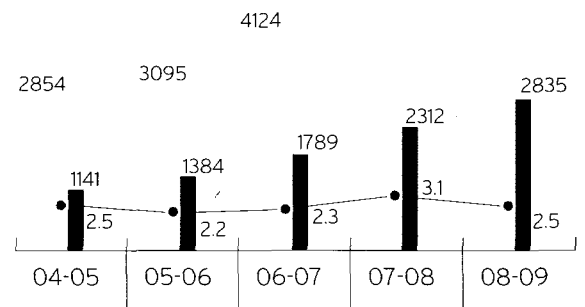
Financial Charts

DISTRIBUTION OF REVENUE (2008-09)



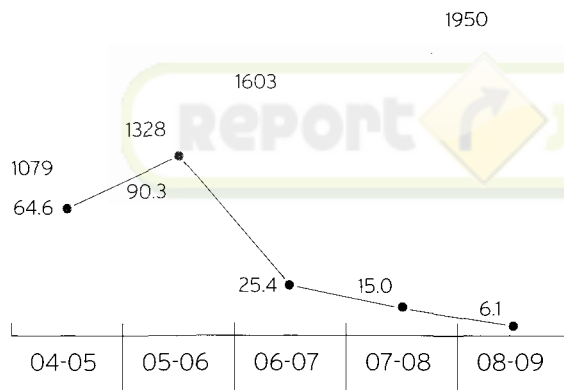
CURRENT RATIO

Current Assets (Rs in million) 7091 7053
 Current Liabilities (Rs in million)
 Current Ratio



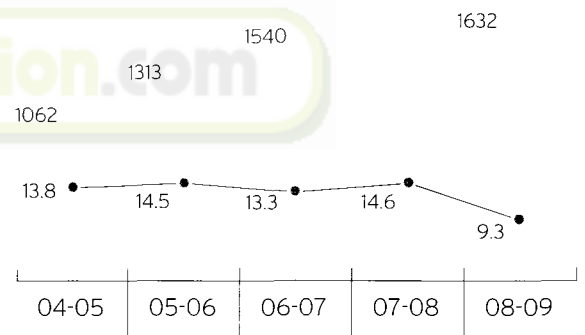
PBIT & INTEREST COVER

PBIT (Rs in million) 2403
 Interest Cover (Times)

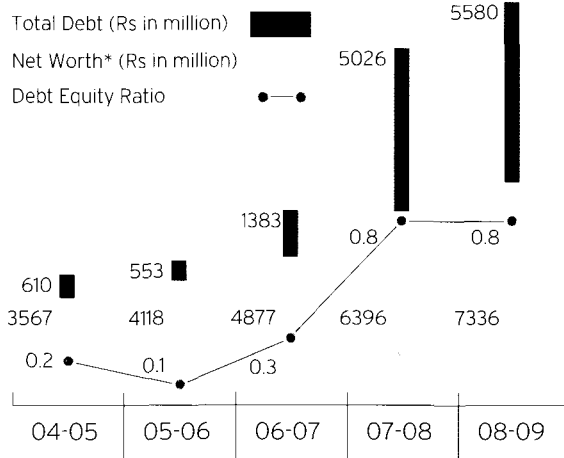


PBT & PBT AS % OF NET SALES

PBT (Rs in million) 2242
 PBT as % to Net Sales

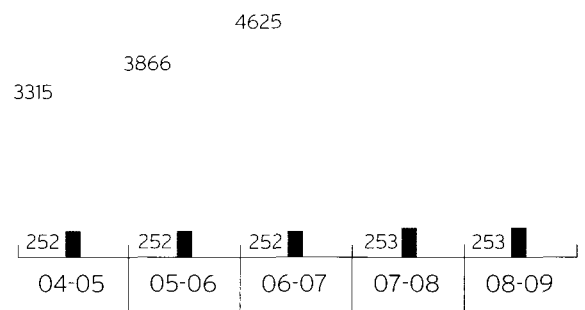


DEBT EQUITY RATIO



VALUE ADDITION TO BUSINESS THROUGH RESERVES

Reserves less Misc. Expenditure 7083
 Share Capital (Equity)
 (Rs in million) 6143



*Equity Capital + Reserves