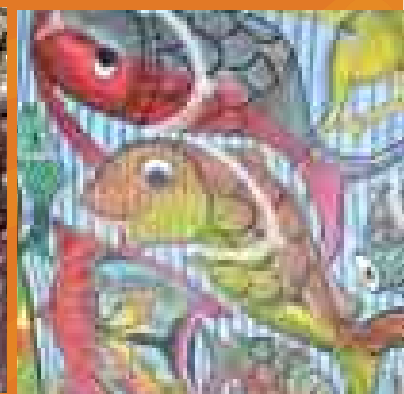
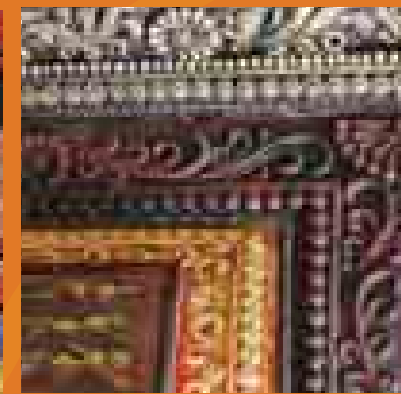
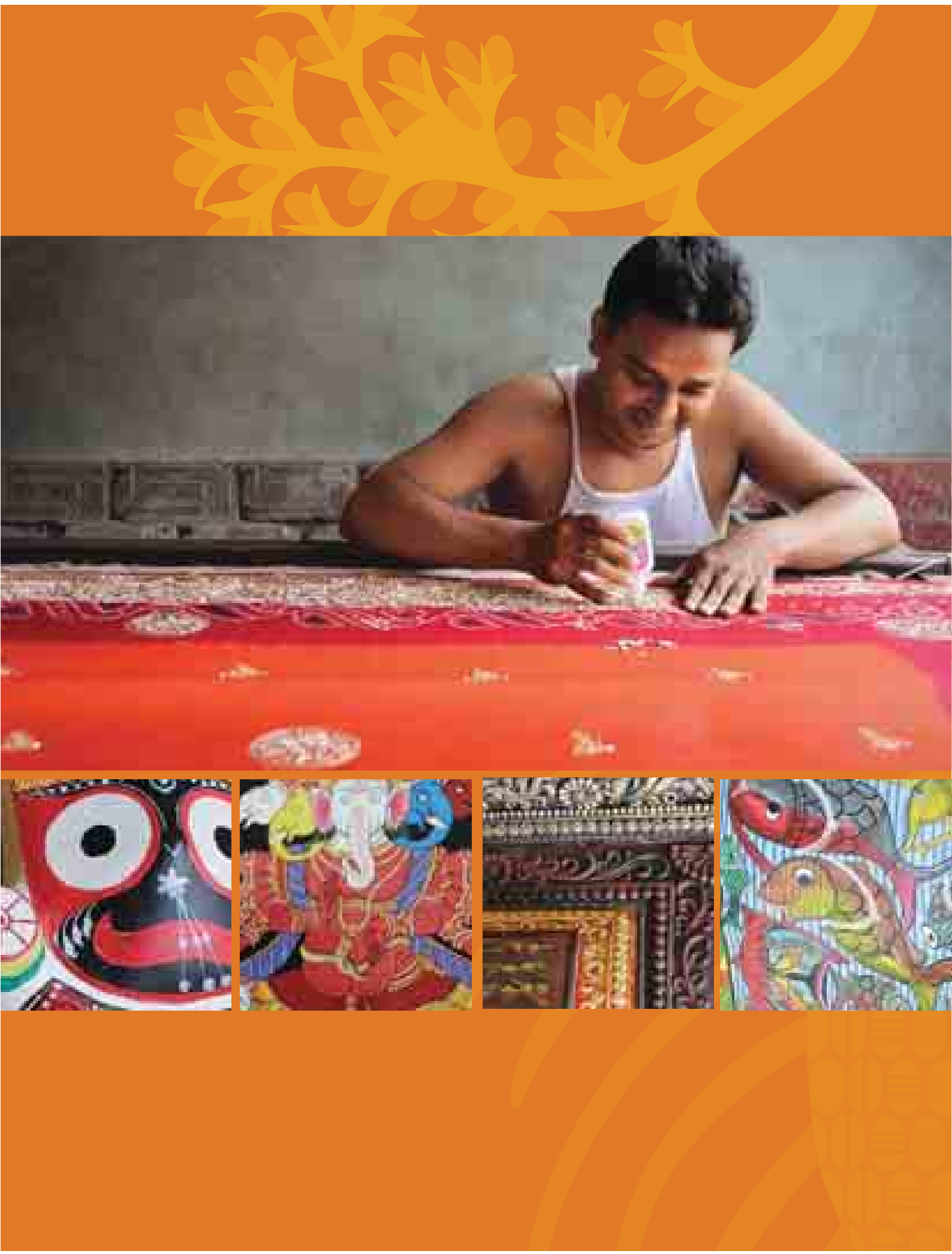


ANNUAL REPORT
2011-2012



Enriching Craft at the Grass Root Level

Hobby enthusiasts, students and professionals have been using Fevicryl Hobby Ideas products for a long time. Our products are also used by traditional craft veterans on varied materials like cloth, papier mache, wood, terra-cotta, etc. These craftsmen, who are extremely skilled, swear by Hobby Ideas' products because they are easy to use, affordable, vibrant and durable. Hobby Ideas has enriched creativity in art and craft for many people including artists, students and craftsmen from the remotest parts of our country.

Featured in this year's annual report are pictures from east India, where traditional craftsmen make a living by creating beautiful artifacts including Pattachitra, Tusser Paintings, Terra-cotta, Leather Paintings, Zari Gota, Pot Paintings and Papier Mache. The craftsmen featured in this report are from villages close to Kolkata, Midnapore in West Bengal and Panchla, Keonjhar, Puri, Bhubaneshwar in Odisha.





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
R M Gandhi	Director
N J Jhaveri	Director
Bansi S Mehta	Director
Ranjan Kapur	Director
Yash Mahajan	Director
Bharat Puri	Director
D Bhattacharya	Director
Sanjeev Aga	Director (wef 29.07.2011)
A B Parekh	Wholetime Director
A N Parekh	Wholetime Director
J L Shah	Director (upto 08.11.2011)
R Sreeram	Wholetime Director (wef 08.11.2011)

Corporate Office

Ramkrishna Mandir Road
Off Mathuradas Vasanji 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

Company Secretary

Savithri Parekh

Solicitors & Advocates

Wadia Ghandy & Co

Auditors

Haribhakti & Co

Internal Auditors

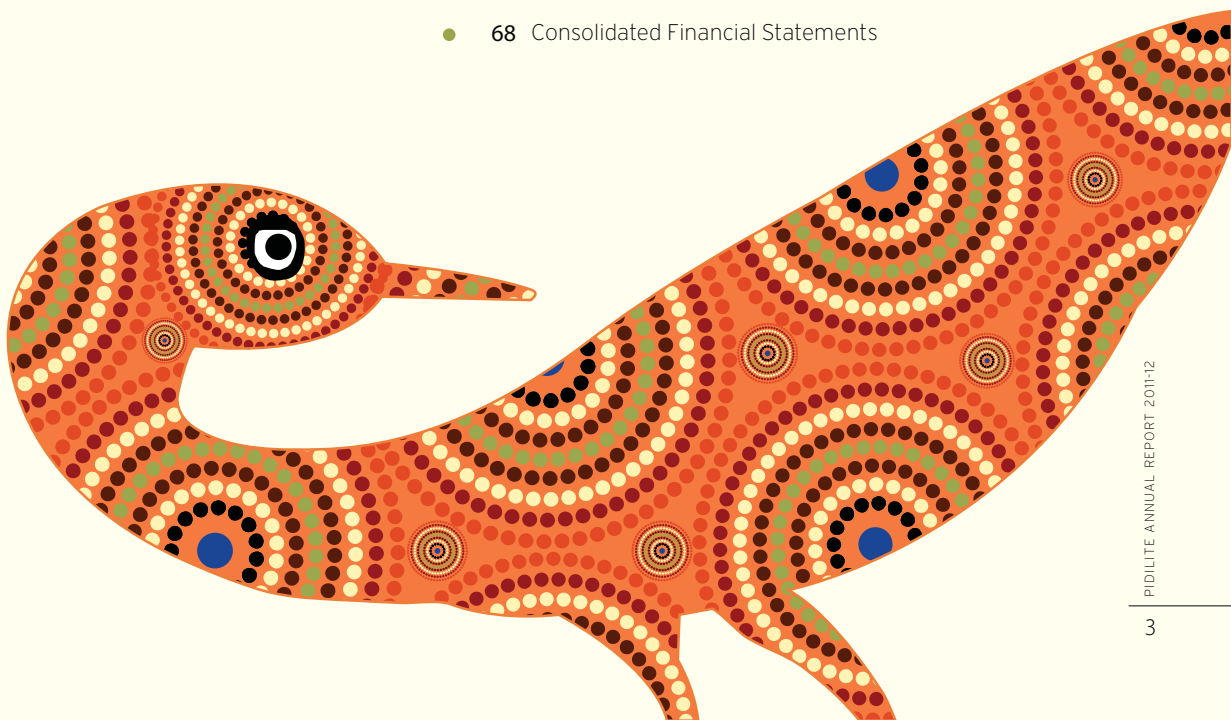
Mahajan & Aibara

Bankers

Indian Overseas Bank
Corporation Bank
ICICI Bank
The Royal Bank of Scotland N.V.

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Management Discussion & Analysis

Standalone Financials

The Company achieved 18.9% growth in net sales.

Due to the slowing down of Indian economy and weak economic conditions in US & Europe, sales growth in the second half of the year was lower than that recorded in the first half. Growth was impacted, largely in the Speciality Industrial Chemical segment, where the growth was 9.5% as compared to 24.4% in the previous year.

The Consumer and Bazaar Segment grew by 22.8%, in line with past trends.

Due to steep inflation in costs, the Company had to increase prices. However, the entire input cost increase was not passed on resulting in lower profitability in the year.

During the year, a provision of ₹ 96.9 million was made for diminution in value of investments in the Company's Brazilian subsidiary "Pulvitec Do Brasil Indústria E Comércio De Colas E Adesivos Ltda.". The Company has estimated the fair value of these investments and accordingly an impairment provision has been taken. In addition a provision of ₹ 29.6 million was made for diminution in value of investment in Pidilite Middle East Ltd. "PMEL" (a 100% subsidiary). PMEL's subsidiary, Jupiter Chemicals LLC "Jupiter", continued to incur losses, though significantly reduced from last year. Therefore, in addition to ₹ 250 million

provision done last year, an additional provision of ₹ 29.6 million was done in the current year. These provisions have no impact on the consolidated results of the Company.

Earnings before interest, taxes, exceptional items and foreign exchange differences, increased by 8.10%, profit before tax (PBT) increased by 11.8% and profit after tax (PAT) increased by 10%.

The Company's sales have grown at a CAGR of 18.2% over the last five years.

Consolidated Financials

On a consolidated basis, net sales grew by 17.6% over the last year.

Earnings before interest, taxes, exceptional items and foreign exchange differences, grew by 7.5% over last year. Profit after tax grew by 4.6% over the last year.

Overseas subsidiaries, with the exception of Brazil and Egypt, reported improved performance. Brazil reported higher losses due to competitive pressures and Egypt performance was impacted by geo-political conditions.



Performance by Industry Segment

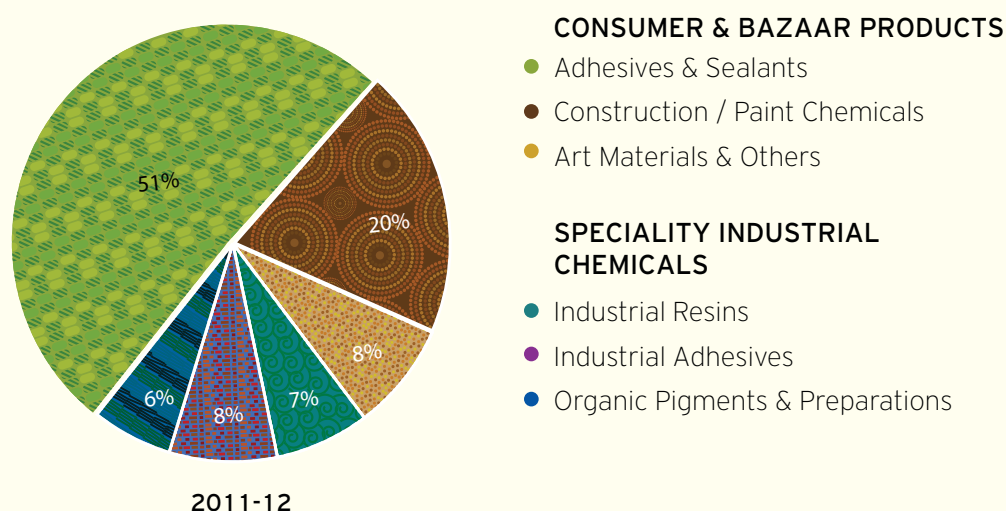
Consumer and Bazaar Products

Branded Consumer and Bazaar Products Segment contributed 79% of the total net sales of the Company and grew by 22.8%.

Net sales of branded Adhesives and Sealants grew by 24% and contributed 51% of the total sales of the Company. Construction and Paint Chemicals grew by 24.6% and Art Materials and other products grew by 14%.

Consumer and Bazaar Product sales have grown at a CAGR of 17.6% over the last 5 years. Profit before interest and tax for the Consumer and Bazaar segment increased by 13%.

BUSINESS SEGMENTS %.



Speciality Industrial Chemicals

Speciality Industrial Chemicals contributed 20.6% of the total sales of the Company and grew by 9.5%.

Export of Speciality Industrial Chemicals were affected by the weak global economic situation and grew by only 8.2% as compared to previous 5 years growth of 19.8%.

Profit before interest and tax for the segment declined by 14.2%.

Others

This segment largely consists of the Vinyl Acetate Monomer (VAM) manufacturing unit.

The Company continues to import rather than operate the VAM plant, as the import price of VAM continues to be more favorable.

Consequently the revenue in this segment was only ₹ 16 million as compared to ₹ 21 million in the previous year.

The Company has evaluated manufacture of several value added speciality acetates in the erstwhile VAM plant. Some of these products appear to have good potential and detailed techno commercial evaluation is underway.

Advertisement campaigns



A new integrated marketing campaign including TV advertisement, engineers meets, merchandising and ground activation was developed for Dr. Fixit LW+ to promote its usage with cement in new construction.



Fevicol Speedx was relaunched with a new integrated marketing campaign. The communication which is built around speediness of the product is yet again humorous and quirky, a tradition set by Fevicol commercials over the years.

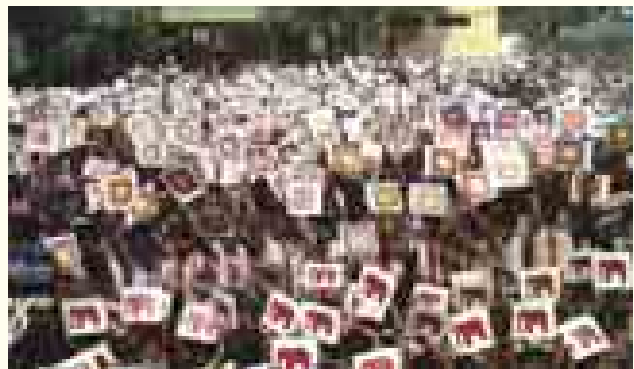
New Initiatives

A new Limca Book of Records entry was created when nearly 4300 kids in Chennai got together under the guidance of a Fevicyl Hobby Ideas expert to make Madhubani paintings

An inter school contest was initiated to promote the craft usage in science education by making of models, etc. through the Fevicol Science Project Challenge. The contest reached over 330 schools across the country and over 55000 students participated.

Rangeela drawing contest was conducted in schools to give students an opportunity to experience products of the Company. Over 2 lac students participated in the contest.

In partnership with the "Armed Forces Wives Welfare Association" 90533 rakhis were sent to the jawans posted at border areas. These rakhis were made by the students of 219 schools. The activity has also been recorded in the Limca Book of Records.



Fevicol Champions' Club (FCC) is a unique initiative giving wood working contractors a platform to increase their social contacts and also giving them the opportunity to enhance their skills.

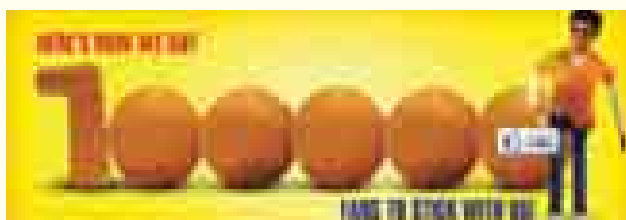
FCC, and its members across the country, celebrated "Shram Daan Diwas" on 20th December, 2011. As a part of this unique initiative, carpenters carried out free repair work in 251 needy institutions like blind schools, adivasi schools, municipal schools, old age homes, orphanages and hospitals run by municipal corporations and NGOs, etc. across India. The company extended its support for carrying out the necessary repairs.



To promote the use of Dr. Fixit Raincoat as a solution to waterproofing of external walls, an integrated marketing campaign was developed. This communication highlighted the ineffectiveness of normal water-resistant paints as compared to Dr Fixit Raincoat.



A TV campaign was launched for Terminator wood preservative. This was supported by 360 degree activation across the country.



Fevikwik was activated digitally with multimedia presence across a new website, Facebook, Twitter and YouTube. This has helped Fevikwik connect with the younger audience and has been very popular with over 100,000 fans.



A web portal www.humariunnati.com, supported by a service cell, has been launched for wholesale stockists (WSS) and channel partners.

This portal gives them up-to-date information on the status of key business transactions, i.e. pending orders, invoice details, pending claims, and other information pertaining to accounts.



The Fevicol Furniture book, which is used widely by carpenters and interior decorators, was refreshed and made contemporary as Fevicol Design ideas.

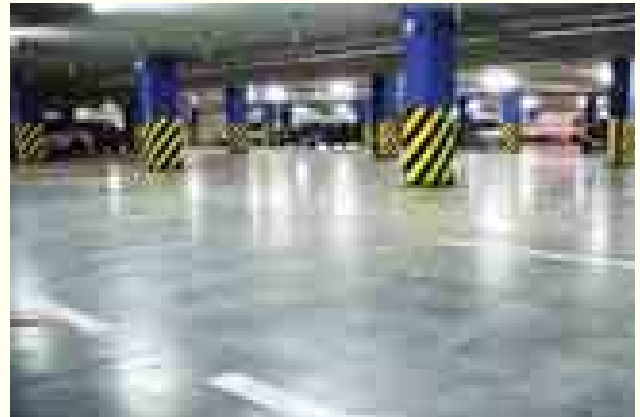


Motomax, a range of auto care products, was relaunched with a new look and feel. New products include Silicon Polish, new and improved bumper black.

New Products



Fevicryl Hobby Ideas, a leading hobby acrylic colours brand, added to its wide range of products by launching Sparkling Pearl Colours. These colours give a unique sparkling shine to hand painted articles on fabric and non-fabric surfaces.



Dr. Fixit Kwikflor Cementitious Flooring Solutions was launched specifically to level and renovate industrial floors that are exposed to heavy loads and frequent abrasions.



Rustolene Maintenance Spray, a multipurpose spray for general maintenance, was launched for use in Automotive and Engineering applications



Wudfill, a cyanoacrylate adhesive, was launched for the first time in India for the woodworking segment. This product is used to fill holes and knots in wood.

