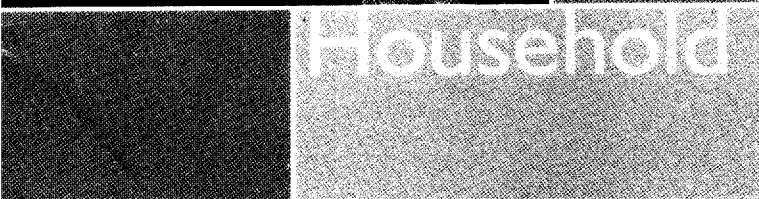
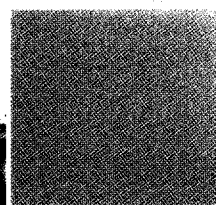


Pidilite Industries Limited

36th Annual Report 2004-05



ABBY 200



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At the prestigious ABBY awards this year, our Fevicol advertising once again won the Gold in several categories, including Best Long Running Campaign. Fevicol has bagged this award for four years in a row. Bollywood heart throbs Fardeen Khan and Celina Jaitley jointly presented the trophies to M.B. Parekh, Managing Director of Pidilite and Piyush Pandey, Executive Chairman and National Creative Director of Ogilvy & Mather, our advertising agency.



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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
A.B. Parekh	Whole-Time Director
A.N. Parekh	Whole-Time Director
Amit Roy	Whole-Time Director
Santosh Kumar	Whole-Time Director
S.T. Dave	Director

*(As on July 1, 2005)

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Sr. Vice President & Secretary

P. C. Patel

Corporate Office

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

Solicitors & Advocates

Wadia Ghandy & Co.

Registered Office

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

Auditors

Haribhakti & Co.

Registrar & Transfer Agent

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

Bankers

Indian Overseas Bank
Corporation Bank
ICICI Bank

Management Discussion & Analysis

Pidilite has achieved growth of 17.7% in gross sales, 15.9% in profit before tax, 18.8% in profit after tax for the year, and 24.7% after considering prior year tax credit.

Segmentwise Performance

In the Year 2004-05, branded consumer and bazaar products contributed to 73% of the total sales of the Company, with the sales value of these products growing by 16.9%.

Most products in the consumer and bazaar products segment performed well. Adhesives and sealants, which contributed to 54% of the total sales of the Company, grew by over 14.8% in the year under review. Most brands in adhesives and sealants maintained or improved their market share. Construction chemicals, sold under the "Dr. Fixit" and "Roff" brands, grew at a healthy rate. Exports of consumer and bazaar products grew by 62.8%, to Rs. 2262 lac for the year.

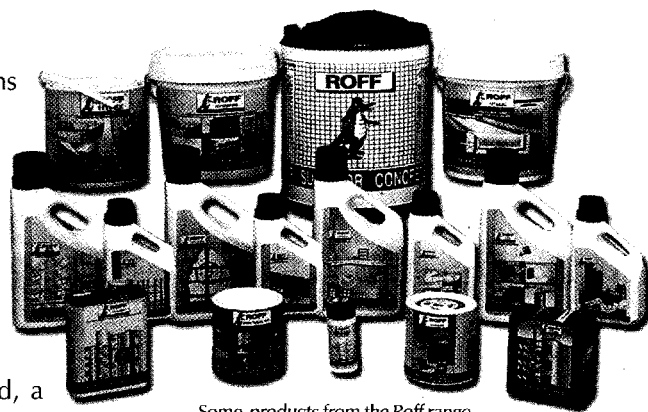
Sales of speciality industrial chemicals contributed to 27% of the total sales of the Company in 2004-05, with the sales value of these products growing over 19.9%.

Acquisitions

To strengthen our construction chemicals business, the Company acquired the "Roff" brand in the year under review. "Roff" has been a strong construction chemicals brand in India for over 18 years. This acquisition gives us access to both Roff's product range and distribution network, as well as to a large number of trained and loyal applicators.

With the combined strengths of its "Dr. Fixit" and "Roff" brands, Pidilite has become the market leader in the retail segment of the construction chemicals business.

Pidilite International Pte Ltd, a wholly-owned subsidiary established in Singapore, acquired a 75% stake in Singapore-based Chemson Asia Pte Ltd, a manufacturer of waterproofing products and exterior paints, in January 2005. The acquisition synergises with our growth strategy for the construction chemicals



Some products from the Roff range

		Business Segments %				
Specialty Industrial Chemicals	Others	1	1	1		
	Agency	2				
	Industrial Adhesives	9	8	8	8	
	Organic Pigments & Preparations	10	9	9	8	
	Industrial Resins	11	11	10	11	
Consumer & Bazaar Products	Art Materials & Others	4	3	5	5	
	Construction/Paint Chemicals	10	12	13	13	
	Adhesives & Sealants	53	54	54	54	

* Based on regrouping in 2001-02

00-01*	01-02	02-03	03-04	04-05
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* Based on regrouping in 2001-02

business. Chemson has a manufacturing base in Singapore, from where it markets products across the island state, Indonesia, Thailand and Malaysia. Chemson's existing customers and product specifications, coupled with our marketing skills and technical support, will help increase our presence in the Asia Pacific region.

International Business

The Company's exports grew by 44.6%, from Rs. 4285 lac to Rs. 6198 lac in the year under review. Exports of consumer and bazaar products grew by 62.8%, to Rs. 2262 lac.



Some of our products doing well in the export market

During the year, the Company has set up a new representative office in China and Egypt. The Company has also set up three wholly-owned overseas subsidiaries in Singapore, the UAE and Brazil.

in the country. And this activity will expand in the current fiscal.

The Acron Rangeela Vigyan Mail is a science-on-wheels exhibition sponsored by Pidilite as part of its nationwide school contact activity, and, in the year under review, the Company achieved a participation in excess of 1.1 lac students all over India.

Several magazines, books and CDs on art and craft, as well as technical journals, are published regularly and are universally popular with craftsmen, household consumers, architects, builders and contractors.

New Products

A number of new products were launched in 2004-05. "Torchshield", a waterproofing membrane, and

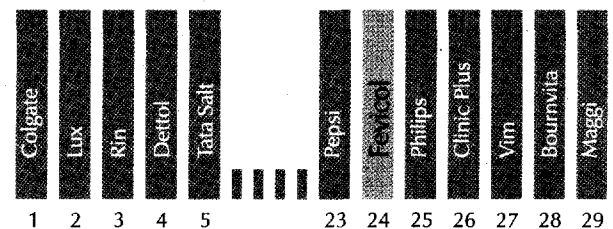
"Dampguard", a damp-proof coating for the repair of internal walls and ceilings, further expanded the construction chemicals range under the "Dr. Fixit" brand.

The "Acron Kids Art" brand was introduced in our art material range, providing non-toxic and safe finger paints, powder colours, moulding dough and crayons for children. A number of new "Hobby Kits" were also launched to augment the "Fevicryl Hobby Ideas" range.

Brand Ranking.

The Company's brand building efforts have placed "Fevicol" amongst the most trusted brands in the country. In the "Most Trusted

Most Trusted Brands



The Economic Times: December 15, 2004

Customer Relations

In conjunction with the National Roofing Contractors

Association (NRCA) of the US, we have set up the "Dr. Fixit Institute" for training all tiers of professionals in the construction industry. Under its aegis, we have conducted 36 training programmes for over 1,050 engineers and contractors across more than 20 cities

Brands" survey published in the Brand Equity pages of *The Economic Times* (December 15, 2004), "Fevicol" ranked 24th all India, ahead of several other well-known brands.

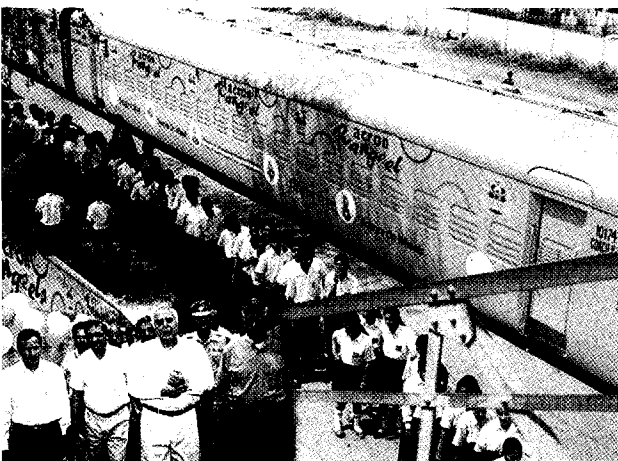
Advertising

The Company continues to win recognition for its advertising created by Ogilvy & Mather. Our Fevicol advertising achieved a



Some of the new products launched this year

The "Acron Rangeela Vigyan Mail" exhibition was sponsored by Pidilite as a part of its school contact activity





The Company's advertising won several awards

hat trick at the recent ABBY award ceremony by walking away with three Golds: for the "Best Long Running Campaign", "Best Print Campaign" and the "Best Single Print Ad". Pidilite was declared the "Most Creative Advertiser of the Year 2004", jointly with Hutch. Fevicol has bagged the ABBY Gold for "the Best Long Running Campaign" four years in a row now.

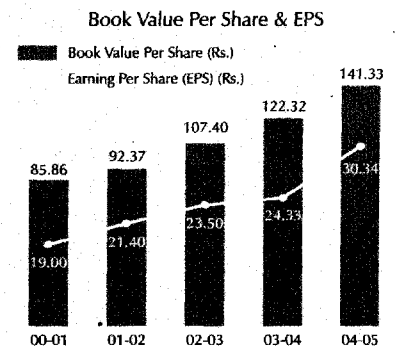
Rs. 35671 lac at the end of 2004-05, giving a CAGR of 13.3%.

The Company ranked 157th in India's Top 500 listed companies, including those in the private and public sectors (ET 500, June 2005).

The following matters are elaborated in the Directors Report:

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

The net worth of the Company has grown from Rs. 21672 lac in 2000-01 to



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Some Facts on Pidilite

Ranks 157th among India's Top 500 listed companies, including those in the private and public sector (ET 500, published by *The Economic Times* in June 2005).

Pioneer in new product introduction. Technology developed through strong inhouse R&D.

Over two-thirds of the Company's sales comes from products and segments it has pioneered in India.

Sales of the Company's branded consumer and bazaar products segment grew by 117% over the last 5 years.

Market leader in all segments of adhesives and sealants for over 30 years.

"Fevicol" ranked 24th among the Top 150 brands in India ("Most Trusted Brands Survey 2004", *The Economic Times*).

Advertising for "Fevicol" consistently wins awards at both the national and international level.

Pidilite's other adhesive and sealant brands, like "M-Seal", "Fevi Kwik", "Steelgrip" and "Fevi Stik", are all market leaders in their respective segments.

Market leader in the retail segment of the construction chemicals business.

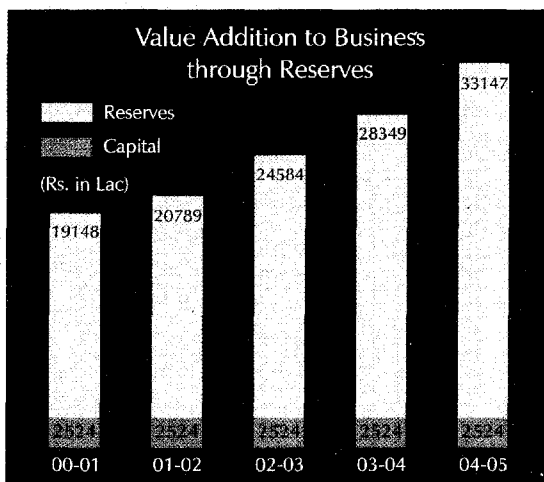
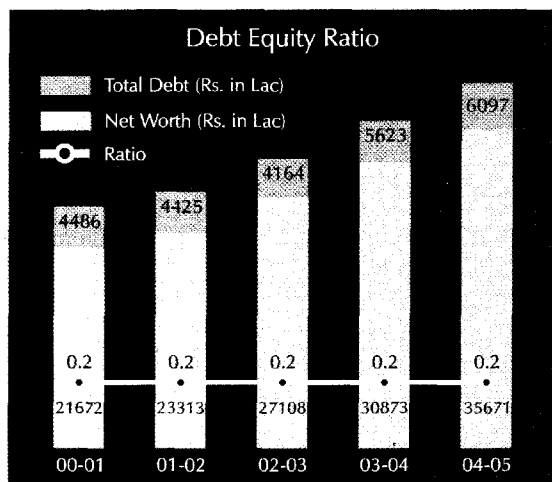
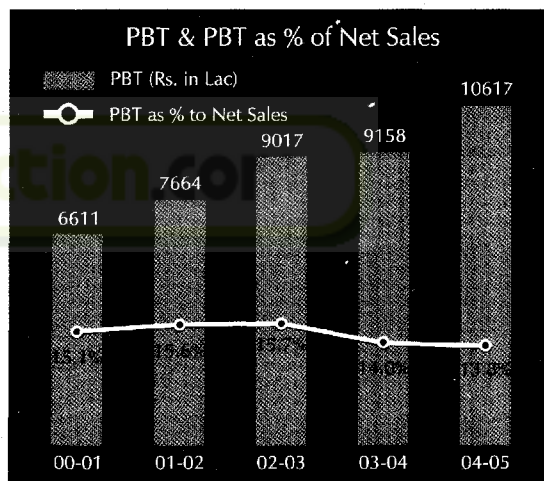
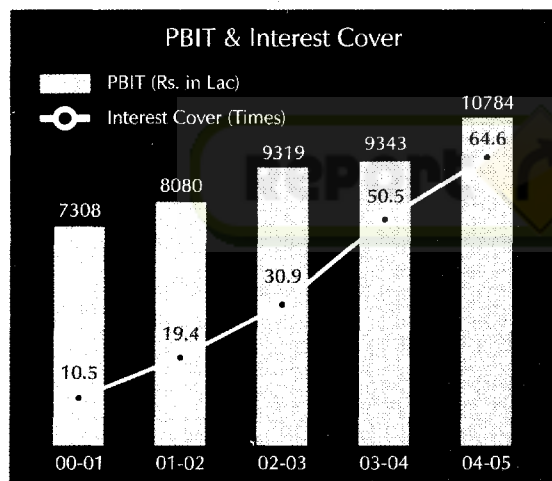
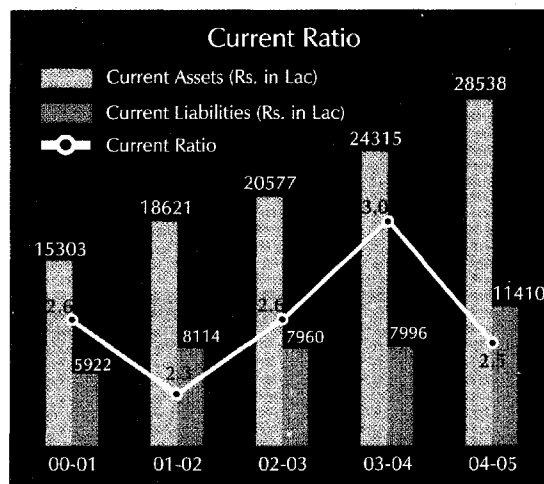
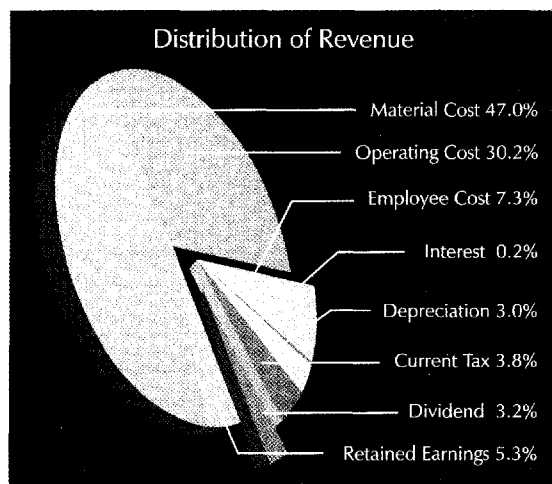
Extensive distribution network – over 2,000 distributors servicing 4,00,000 dealers and retailers in all parts of India.

Growing exports, with good presence in the SAARC region and Middle East.

Turnover, operating profits, profit after tax and dividends have been consistently growing, year after year.

ROCE has been consistently above 20% for the last 10 years.

Financial Charts



10 Years Financial Performance

Rupees in Lac

Highlights	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	CAGR %
Operating Results											
Sales and Other Income	29634	32944	36566	40178	47063	52690	57718	66784	76474	89975	13.13
Manufacturing and Other Expenses	25851	28386	30844	33152	38375 [@]	43731	47741	55212	64581 ^{\$}	76492 ^{\$}	12.81
Operating Profit	3783	4558	5722	7026	8688	8959	9977	11572	11893	13483	15.17
Interest	1250	1616	1021	744	512	697	416	302	185	167	-20.04
Depreciation	509	720	860	959	1162	1651	1897	2253	2550	2699	20.36
Profit before Tax	2024	2222	3841	5323	7014	6611	7664	9017	9158	10617	20.22
Current Tax	465	567	1113	1590	2257	1815	1650	2950	2940	3451	24.95
Deferred Tax	-	-	-	-	-	-	802	136	78	(130)	-
Profit after Tax for the Year	1559	1655	2728	3733	4757	4796	5212	5931	6140	7296	18.71
Add: Prior Year's Tax Provision written back	-	-	-	-	-	-	189	-	-	362	-
Profit after Tax	1559	1655	2728	3733	4757	4796	5401	5931	6140	7658	19.35
Dividend on Equity Shares	306	539*	673*	951*	1134*	1252*	1767	2136*	2278*	2883*	28.30
Retained Earning	1253	1116	2055	2782	3623	3544	3634	3795	3862	4775	16.03
Financial Position											
Capital	612	1224	1224	1224	1262	2524	2524	2524	2524	2524	17.05
Reserves (Less Revaluation Reserve & Misc. Expenditure)	6794	7328	9447	12263	16866	19148	20789*	24584*	28349	33147	19.26
Net Worth	7406	8552	10671	13487	18128	21672	23313	27108	30873	35671	19.09
Borrowings	9416	8638	8190	5383	7897	4486	4425	4164*	5623	6097	-4.71
Deferred Tax Liability (Net)	-	-	-	-	-	-	2795*	2931*	3009	2879	-
Funds Employed	16822	17190	18861	18870	26025	26158	30533	34203	39505	44647	11.46
Fixed Assets[#]											
Gross Block	10096>	11677>	12911>	14599	20222	22549	27719	31324*	35408	42030	17.17
Depreciation	1971>	2663>	3509>	4456	5767	7366	9203	11217	13722	16354	26.50
Net Block	8125	9014	9402	10143	14455	15183	18516	20107*	21686	25676	13.64
Investments	1263	1293	1402	1881	2293	1594	1510	1479	1500	1843	4.29
Net Current Assets	7434	6883	8057	6846	9277	9381	10507	12617*	16319	17128	9.72
Total Assets	16822	17190	18861	18870	26025	26158	30533	34203	39505	44647	11.46

[@] Includes VRS Payment of Rs. 132 lac ^{\$} Includes VRS Payment of Rs. 24 lac * Includes Tax on Dividend > Figures have been regrouped in 1998-99

¥ Figures have been reclassified/regrouped in 2003-04

Excluding Revalued Assets & Depreciation thereon