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Pidilite



years of building bonds

ANNUAL REPORT 08-09

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# 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 it's 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

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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 (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 Vasan | Whole-Time Director |

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**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

**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.

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# 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%.

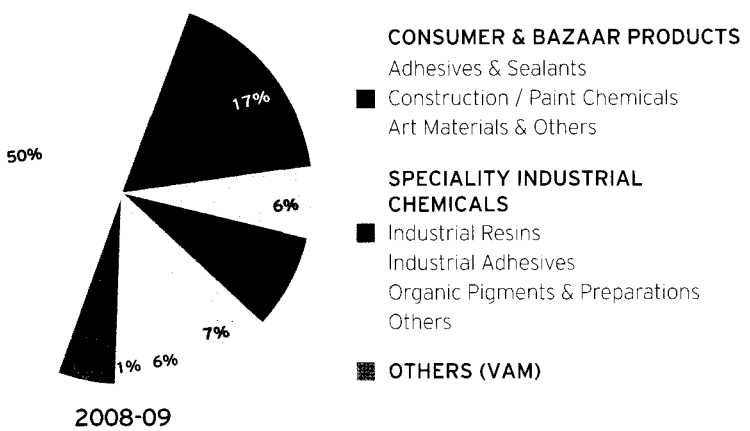
The growth rates for the year were lower than previous years mainly due to difficult economic conditions.

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 %






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### 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

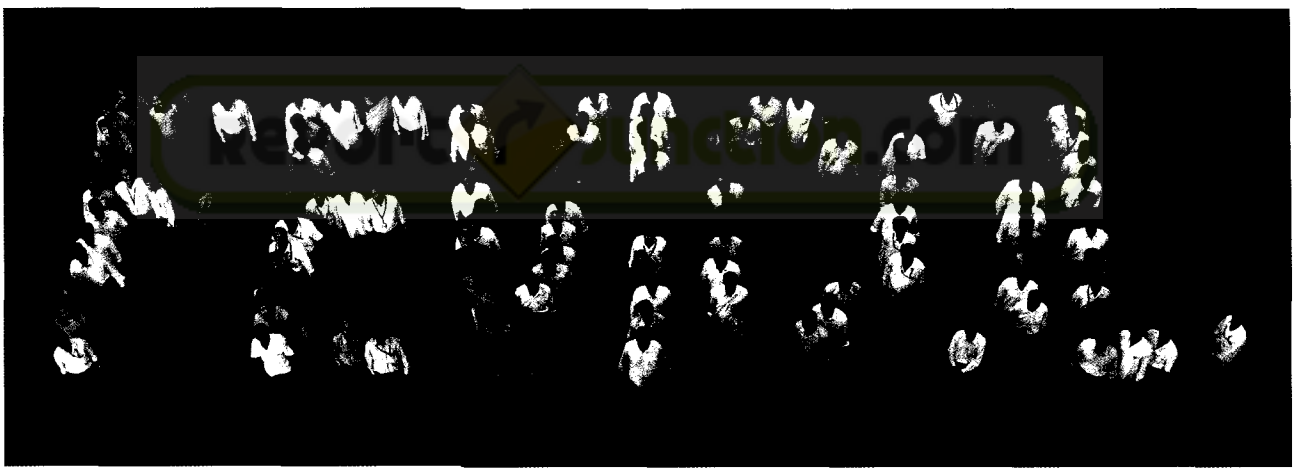
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The Company has started expanding its range of adhesives and sealants used for building construction and interior decoration. The range which was so far mostly focussed on making furniture has now been expanded to include adhesives for fixing tiles, 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

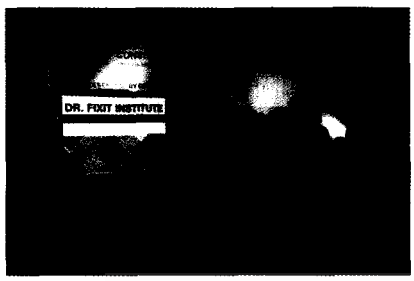


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## Customer Relations






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. Fixit 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 Pidlite Knowledge Lecture series by well known Architects.

## Miscellaneous

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.

## Other Matters

The following matters are elaborated upon in the Directors' Report

Financial Performance

Industry Structure and Development

Outlook on Opportunities, Threats, Risks and Concerns

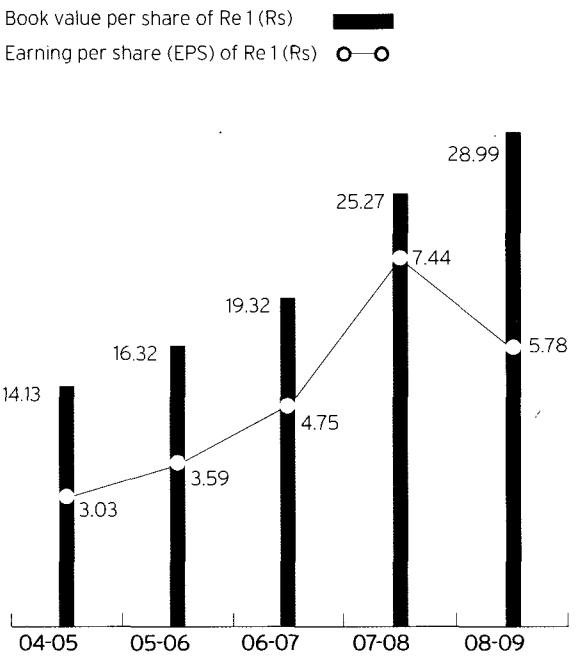
Risk and Internal Adequacy

Human Resources

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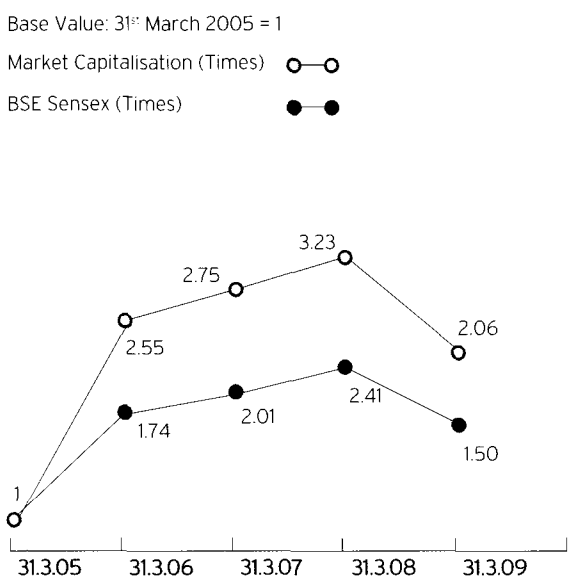
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## Book Value per Share and EPS




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 Capitlisation of Company and BSE sensex since March 31, 2005




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.

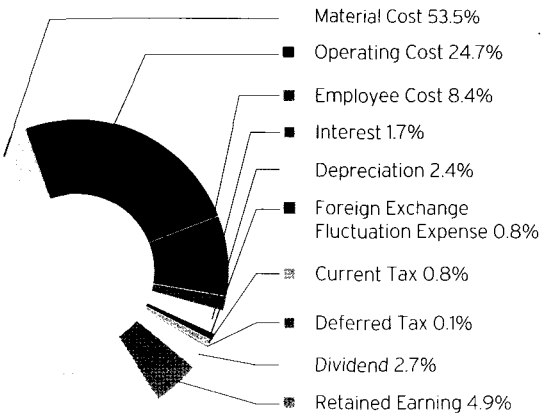


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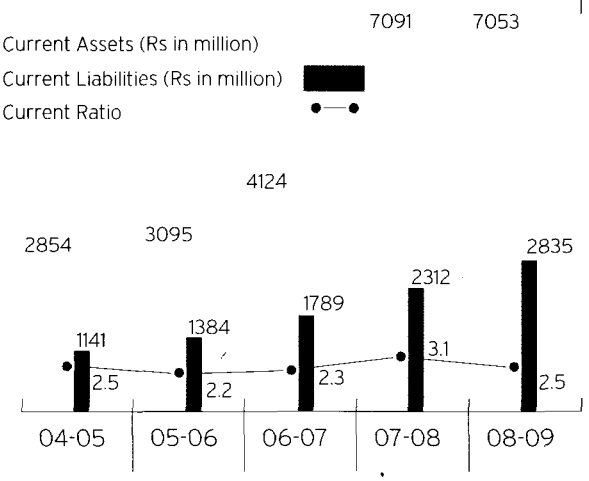
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# Financial Charts

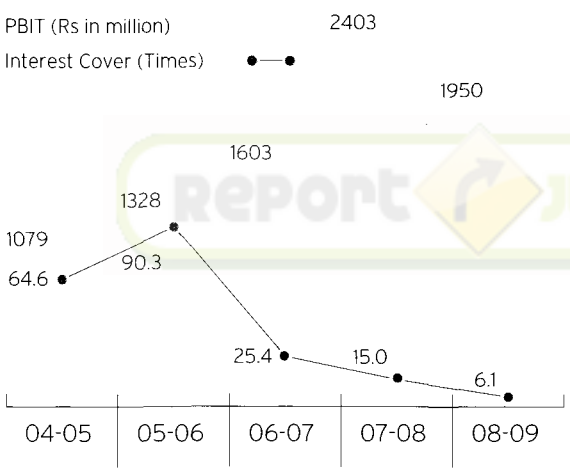
## DISTRIBUTION OF REVENUE (2008-09)



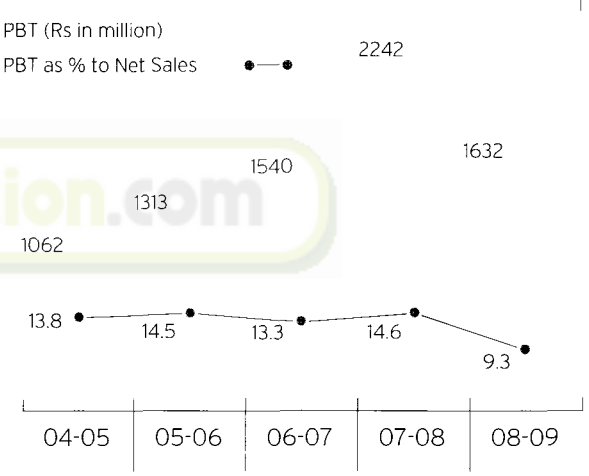

## CURRENT RATIO



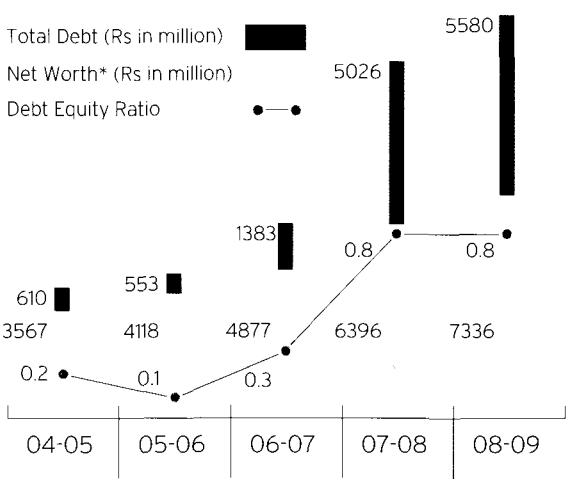

## PBIT & INTEREST COVER



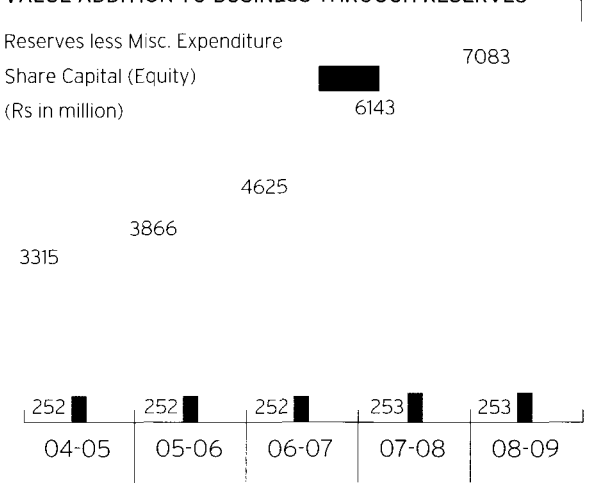

## PBT & PBT AS % OF NET SALES




## DEBT EQUITY RATIO




## VALUE ADDITION TO BUSINESS THROUGH RESERVES




*Equity Capital + Reserves

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