

annual report

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07





Fevicol is synonymous with adhesives in India. Pidilite offers an extensive range of consumer, craftsmen, engineering and industrial adhesives under Fevicol brand name. Excellent quality, extensive product range, close relations with customers and award winning advertisements have made Fevicol one of the most trusted brands in India and the largest selling adhesives brand in Asia.



Pidilite USA, wholly owned subsidiary of Pidilite, acquired Cyclo brand in June 2006. The product range includes maintenance, performance and appearance products for DIY (Do-it-Yourself) and professional car care segment. Cyclo products are sold in USA and over 50 other countries.



Pidilite USA, wholly owned subsidiary of Pidilite, acquired Sargent Art brand in June 2006. Sargent Art has been selling world-class art materials in USA for over 50 years. The products range includes crayons, tempera colours, acrylic colours, markers, modeling clay and many other products.



Pidilite offers a range of hobby & craft products under the Hobby Ideas brand name. The products are complemented with books, videos and training workshops to make hobby fun and easy for hobby enthusiasts. Pidilite has also opened India's first chain of hobby & craft retail stores under the Hobby Ideas brand name. The shops offer a large variety of hobby & craft products sourced from around the world.



Pidilite offers a wide range of construction chemicals under the Dr. Fixit brand name. The extensive product range is used for waterproofing and repair for both new & old constructions. Dr. Fixit is market leader in retail market of construction chemicals and the products are available in all leading cement, hardware, tile and paint shops.



Pidilite acquired Roff brand in 2004. Roff is a pioneer in construction chemicals in India and is well known for modern tile fixing solutions like tile-on-tile and waterproof tile joints. Pidilite also sells several construction chemicals under Roff name for application in waterproofing, sealing, flooring, concrete treatment & plastering.



M-Seal is India's leading sealant brand. Pidilite offers a range of sealants for sealing, joining & repairing applications for both consumer & craftsmen market under M-Seal brand name. M-Seal is also gaining acceptance in international market.

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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 (up to 30 th December 2006)
V S Vasani	Whole-Time Director (wef 2 nd December 2006)

Sr Vice 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.

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.

Management Discussion & Analysis

Pidilite Industries Limited on a stand-alone basis achieved 23.5% growth in gross sales in 2006-07. The profit before tax grew by 17.3% and profit after tax grew by 32.3% in the same period. Profit before tax grew at a slower rate due to continued high prices of some raw materials & increased spend on advertisement and brand building activities to increase consumption of our products.

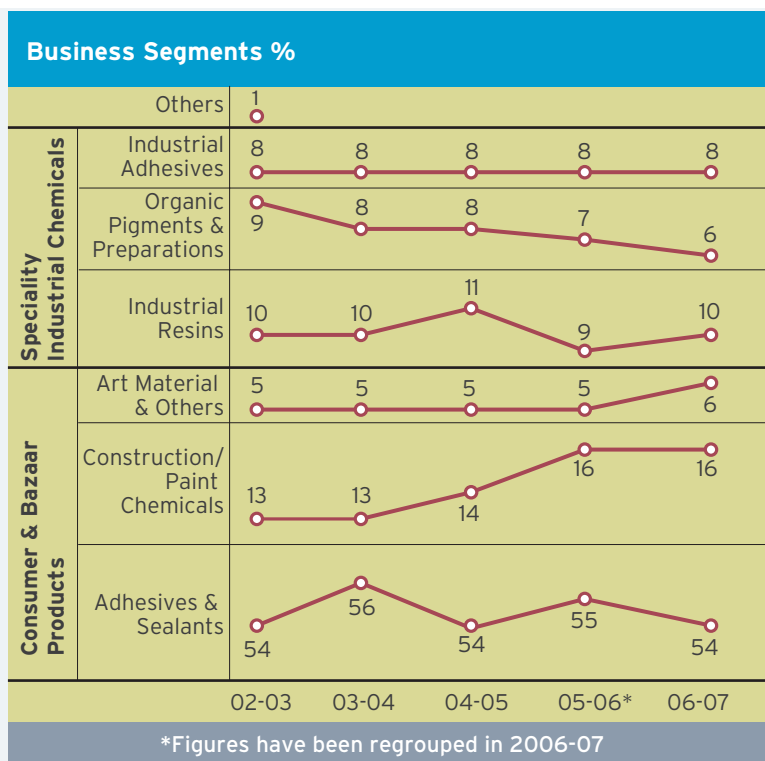
On a consolidated basis, Pidilite achieved 31.3% growth in gross sales, 13.2% growth in profit before tax and 26.6% growth in profit after tax.

Performance by Industry Segment

Branded Consumer and Bazaar Products contributed to 76% of the total sales of the Company and grew by 23.5% during the year.

Sales of branded Adhesives and Sealants grew by 22.1% and contributed 54% to the total sales of the Company. Construction and Paint Chemicals grew by 24.8%, and Art Materials and other products grew by 34.5%. Exports of Consumer and Bazaar Products grew by 60.1% during the year. Most brands in consumer and bazaar segment maintained or improved their market share.

Speciality Industrial Chemicals contributed 24% to the total sales of the Company and grew by 23.6%.



International Business and Exports

Exports of Consumer and Bazaar Products grew by 60.1%, to Rs 509 million. Exports of Speciality Chemicals grew by 33.3% to Rs 459 million.

The Company continued to make good progress in Middle East, Africa and South East Asia with brand Fevicol gaining market share in several countries in these regions.

During 2006-07 the Company received permission for opening offices in South Africa, Kenya and Ghana. This will facilitate the Company to appoint distributors and sell its products practically all over Africa.

Progress was made towards establishing distribution network in Indonesia. Distributors were appointed in all major parts of the country.



Sargent Art Range of Products



Cyclo Range of Products

Mergers and Acquisitions

Pidilite USA, Inc., a wholly-owned subsidiary of the Company acquired brands and business of Sargent Art Inc. and Cyclo LLC in June 2006.

Sargent Art has been manufacturing and selling quality Art Materials in Educational market in USA for over 50 years. The product range includes tempera colours, acrylic colours, water-colours, crayons, markers and number of other high quality products for Educational market.

Cyclo has been selling automotive chemicals in USA and international market for over 50 years. The product range includes maintenance chemicals, performance chemicals and appearance chemicals for automotive segment.

The Company acquired controlling equity in Pagel Concrete Technologies Pvt Ltd. in India. This Company is having technical and financial collaboration with Pagel Spezial-Benton GMBH & Co. KG. Pagel is an internationally known brand for industrial grouts and repair mortars.



Some of the new Products launched in 2006-07

New Products

The Company introduced various new products during the year.

Adhesives and sealants range was expanded with introduction of marble glue and wood re-inforced adhesive under brand name Fevicol, fast setting epoxy adhesive under the brand name Fevitite Super Fast, new generation adhesive under the brand name Cheetah Glue, easy to use sealant under the brand name Dr. Fixit Gapfill and masking tape under the brand name US-PRO. In addition to this, several adhesives for wood working and related applications were introduced for international market.

The construction chemicals range continued to grow with introduction of several products including a waterproofing coating for terrace under the brand name Newcoat, a waterproof decorative wall coating under the brand name Raincoat and a heat reducing exterior coating under the brand name Heatshield.

Several new products were added to the hobby & art material range and car care range.

The Company also introduced several varieties of colorants, resins and industrial adhesives to meet the new requirements of customers.



The Company's consistent brand building activities have resulted in Fevicol being placed amongst the most trusted brands in India.

In the "Most Trusted Brands" survey published in the Brand Equity pages of The Economic Times (May 30th 2007), Fevicol ranked 24th all-India, ahead of several other well-known brands

Customer Relations

Pidilite continued to take several initiatives to strengthen relations with customers, increase the awareness of products and brands and to increase the consumption of its products.

An award was established to recognize outstanding talent amongst interior design and architecture students. "The Pidilite Award for Excellence" is given to the best student in over 190 colleges across the country.

Pidilite Knowledge Series seminars were conducted in several cities as a creative platform for the leading architects to come together to share ideas.

Over 10,000 contractors and applicators were trained on our construction chemical products in the meets conducted across the country.

International Creative Craft contest continued to grow with over 3,000 schools and 800,000 students participating in the contest. Over 1,000 schools were enrolled as Creative Craft schools and agreed to introduce a craft curriculum to participate in various activities to promote crafts amongst their students.

The Company tied up with CPAA (Cancer Patient Aid Association) to host a fashion show called Hobby Ideas Women Achiever Show. The outfits were designed using Fevicryl Hobby Ideas products by leading designer Shaina NC and choreographed by Hemant Trivedi. 35 well known women from the field of theatre, art, corporate and TV participated in this event. The show recognized women achievers and also raised funds for CPAA.



School Children participating in Creative Craft Contest

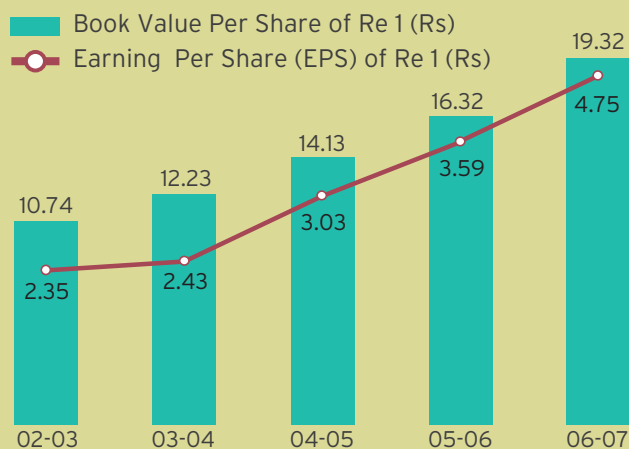


Winner of International Creative Craft Contest 2006



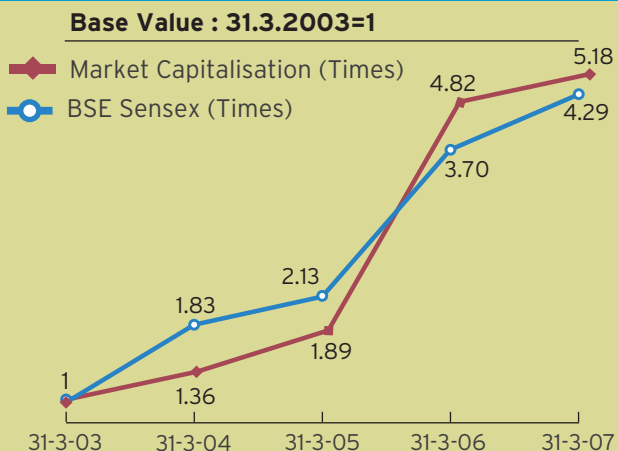
Event organised by Fevicryl Hobby Ideas in association with Cancer Patient Aid Association

Book Value Per Share & EPS



Book value per share & earning per share for the years 2002-03 to 2004-05 have 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 Sensex since 31.3.2003



Market price per share at BSE on the year end data for the years 2002-03 to 2004-05 have been adjusted with respect to the revised face value of equity shares of Re 1 each wef 27th September 2005

Shareholder Value

The Company's net worth has grown from Rs 2711 million in 2002-03 to Rs 4877 million at the end of 2006-07, giving a Compounded Annual Growth Rate (CAGR) of 15.8%.

The market capitalization of the Company on 31st March 2007 was Rs 28521 million & has grown at CAGR of 33.4% since the IPO in 1993.

The Company ranked 131st amongst India's Top 500 listed companies (ET 500, March 2007).

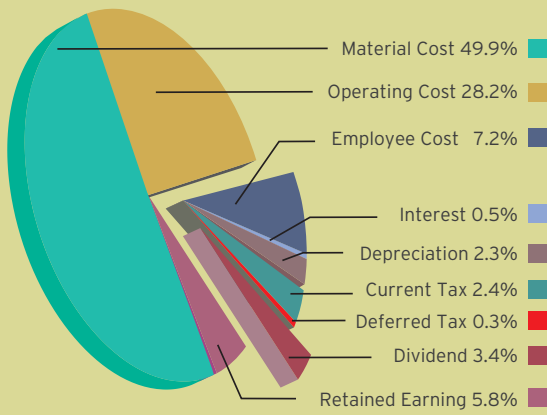
Other Matters

The following matters are elaborated upon in the Directors' Report:

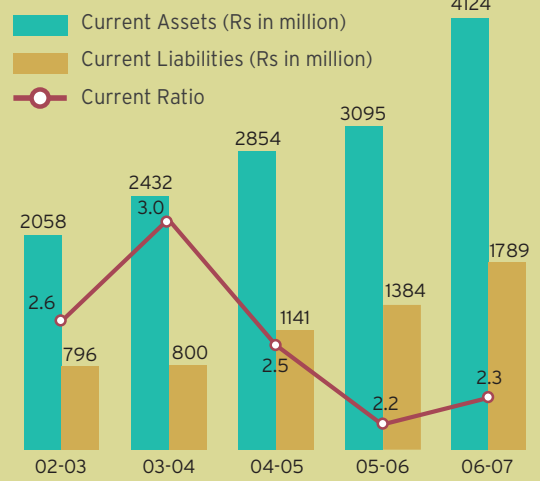
- Financial Performance
- Industry Structure and Development
- Outlook on Opportunities, Threats, Risks and Concerns
- Risk and Internal Adequacy
- Human Resources

Financial Charts

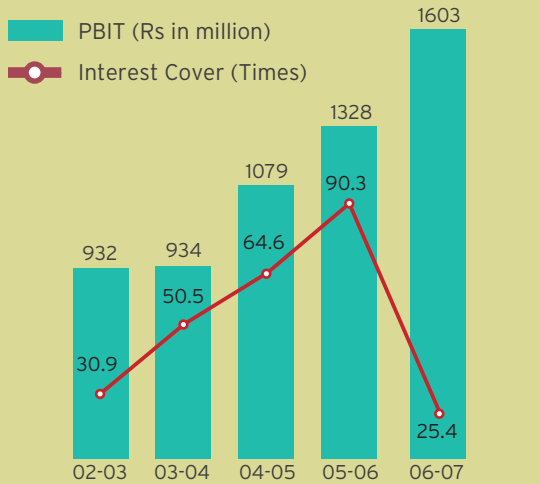
Distribution of Revenue (2006-07)



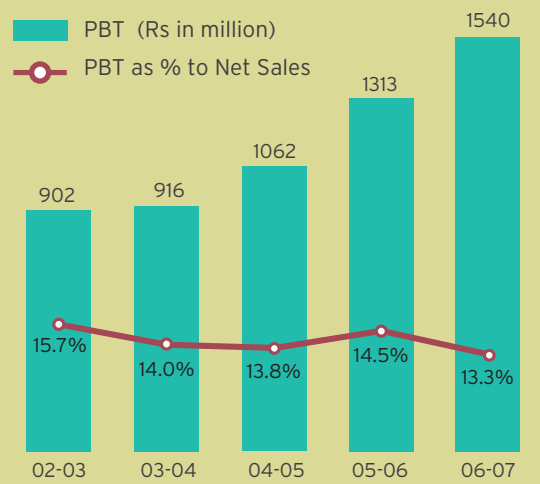
Current Ratio



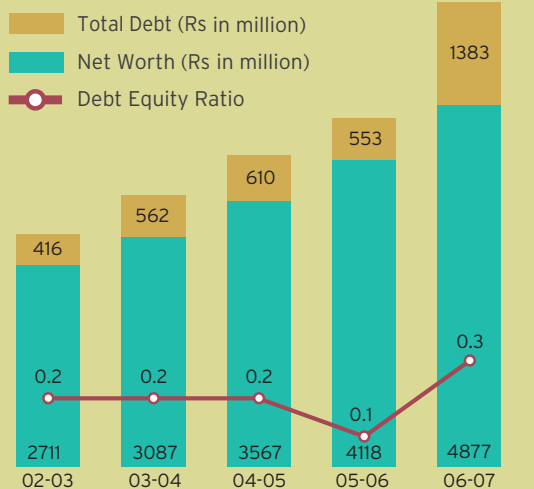
PBIT & Interest Cover



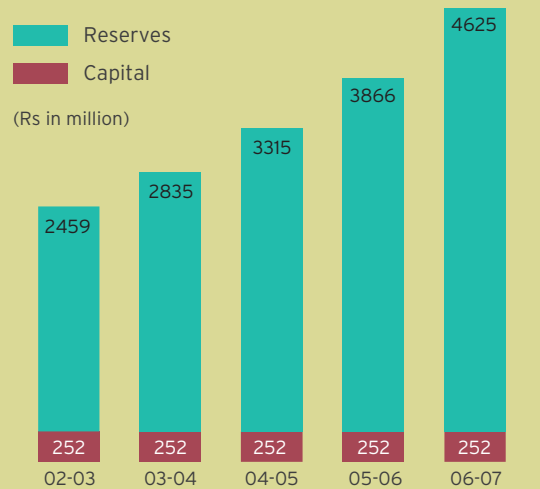
PBT & PBT as % of Net Sales



Debt Equity Ratio



Value Addition to Business through Reserve



Economic Value Added (EVA)

Computation of EVA

EVA = Net operating profit after tax (NOPAT) - Weighted average cost of capital employed

NOPAT = Net profit after tax + post tax interest cost at actual

Weighted average cost of capital employed = (Cost of equity x average shareholder funds) + (cost of debt x average debt)

Cost of equity = Risk-free return equivalent to yield on long term Government of India (GOI) securities (taken @ 8.0%) + market risk premium (assumed @ 7.5%) x beta variant for the Company (taken at 0.8), where the beta is a relative measure of risk associated with the Company's shares as against the stock market as a whole.

Cost of debt = Effective interest applicable to Pidilite based on an appropriate mix of short, medium and long term debt, net of taxes (taken at 3% above the risk-free return on long term securities issued by the Government of India).

Economic Value Added Analysis

Item	2002-03	2003-04	2004-05	2005-06	2006-07
1. Risk-Free Return on Long Term GOI Securities	6.3%	5.2%	6.7%	7.5%	8.0%
2. Cost of Equity	12.3%	11.2%	12.7%	13.5%	14.0%
3. Cost of Debt (Post Tax)	5.9%	5.3%	6.2%	7.0%	7.3%
4. Effective Weighted Average Cost of Capital	11.4%	10.3%	11.7%	12.6%	12.8%
Economic Value Added (Rupees in million)					
5. Average Debt	429	489	586	581	968
6. Average Equity (Shareholder Funds)	2521	2899	3327	3843	4498
7. Average Capital Employed (Debt + Equity)	2950	3388	3913	4424	5466
8. Profit After Tax (as per P&L account)	593	614	766	907	1199
9. Interest (as per P&L account, net of Income Tax)	19	12	10	10	42
10. Net Operating Profit After Tax (NOPAT)	612	626	776	917	1241
11. Weighted Average Cost of Capital (4 x 7)	336	349	458	558	700
12. Economic Value Added (10 - 11)	276	277	318	359	541
13. EVA as a % of Average Capital Employed (12 ÷ 7)	9.35%	8.17%	8.14%	8.12%	9.90%

Notes:

- Deferred Tax Reserve for the year 2002-03 has been reclassified in 2003-04 as Deferred Tax Liability (net).
- Figures for the year 2002-03 have been regrouped in 2003-04 wherever necessary.
- Profit After Tax includes Prior Year's Tax Provision written back.
- Effects have been given in Financial Charts, 10 Years Financial Performance and EVA for Note Nos. 1, 2, & 3 above.
- Figures in Financial Charts, 10 Years Financial Performance and EVA are as per the Annual Report of respective years, except where stated otherwise.

10 Years Financial Performance

(Rupees in million)

Highlights	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	CAGR %
Operating Results											
Sales and Other Income	3657	4018	4706	5269	5772	6678	7647	8998	10617	13092	15.22
Manufacturing and Other Expenses	3085	3315	3838 [@]	4373	4774	5521	6458 [§]	7649 [§]	9015 [§]	11187 [§]	15.39
Operating Profit	572	703	868	896	998	1157	1189	1349	1602	1905	14.30
Interest	102	75	51	70	42	30	18	17	15	63	-5.27
Depreciation	86	96	116	165	190	225	255	270	274	302	15.00
Profit before Tax	384	532	701	661	766	902	916	1062	1313	1540	16.69
Current Tax	111	159	225	182	165	295	294	345	409	309	12.01
Deferred Tax	-	-	-	-	80	14	8	(13)	17	34	-
Profit after Tax for the Year	273	373	476	479	521	593	614	730	887	1197	17.86
Add: Prior Year's Tax Provision written back	-	-	-	-	19	-	-	36	20	2	-
Profit after Tax	273	373	476	479	540	593	614	766	907	1199	17.89
Dividend on Equity Shares	67*	95*	114*	125*	177	214*	228*	288*	360*	443*	23.29
Retained Earning	206	278	362	354	363	379	386	478	547	756	15.58
Financial Position											
Capital	122	122	126	252	252	252	252	252	252	252	8.37
Reserves (Less Revaluation Reserve & Misc. Expenditure)	945	1227	1687	1915	2079 [†]	2459 [†]	2835	3315	3866	4625	19.30
Net Worth	1067	1349	1813	2167	2331	2711	3087	3567	4118	4877	18.39
Borrowings	819	538	790	449	443	416 [†]	562	610	553	1383	5.99
Deferred Tax Liability (Net)	-	-	-	-	279 [†]	293 [†]	301	288	305	339	-
Funds Employed	1886	1887	2603	2616	3053	3420	3950	4465	4976	6599	14.93
Fixed Assets*											
Gross Block	1291 [†]	1460	2022	2255	2772	3132 [†]	3541	4203	4811	5554	17.60
Depreciation	351 [†]	446	576	736	921	1122	1373	1635	1905	2182	22.51
Net Block	940	1014	1446	1519	1851	2010 [†]	2168	2568	2906	3372	15.25
Investments in											
- Overseas Subsidiaries	-	-	-	-	-	-	-	30	225	753	-
- Others	140	188	229	159	151	148	150	154	134	139	-0.13
Net Current Assets	806	685	928	938	1051	1262 [†]	1632	1713	1711	2335	12.55
Total Assets	1886	1887	2603	2616	3053	3420	3950	4465	4976	6599	14.93

@ Includes VRS Payment of Rs 13.2 million

§ Includes VRS Payment of Rs 2.4 million

* Includes Tax on Dividend

‡ Figures have been regrouped in Annual Report for 1998-99

† Figures have been reclassified/regrouped in 2003-04

Excluding Revalued Assets & Depreciation thereon

(Rupees in million)

Highlights	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Funds Flow										
Sources										
Internal Generation	359	473	592	644	810	832	877	1023	1201	1536
Increase in Capital and Reserve (Net) on Amalgamation	-	-	123	-	-	-	-	-	-	-
Increase in Loans	-	-	251	-	-	-	146	47	-	830
Decrease in Investment - Others	-	-	-	70	7	3	-	-	21	-
Decrease in Working Capital	-	80	-	-	-	-	-	-	1	-
Decrease in Miscellaneous Expenditure	-	-	-	-	-	-	-	2	2	2
Total	359	553	966	714	817	835	1023	1072	1225	2368
Applications										
Repayment of Loans	45	241	-	341	8	19	-	-	57	-
Capital Expenditure (Net)	123	169	568 [@]	238	523 [§]	384 [#]	413	669 [†]	613 [‡]	768
Investments in										
- Overseas Subsidiaries	-	-	-	-	-	-	-	30	195	528
- Others	11	48	41	-	-	-	2	4	-	5
Dividend	67	95	114	125	177	214	228	288	360	443
Increase in Working Capital	113	-	243	10	109	218	370	81	-	624
Increase in Miscellaneous Expenditure	-	-	-	-	-	-	10	-	-	-
Total	359	553	966	714	817	835	1023	1072	1225	2368
Ratios										
Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth)	28.4	30.9	30.1	24.1	24.0	23.5	21.2	23.0	23.6	26.7
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed*)	27.0	32.2	33.5	28.0	30.0	31.6	27.6	27.6	30.0	29.3
Long Term Debt/Cash Flow	1.1	0.1	0.4	0.1	0.1	0.3	0.2	0.2	0.2	0.4
Gross Gearing % (Debt as a percentage of Debt plus Equity)	43.4	28.5	30.3	17.1	16.0	13.3	15.4	14.6	11.8	22.1
Current Ratio (Current Assets divided by Current Liabilities)	3.3	2.3	2.5	2.6	2.3	2.6	3.0	2.5	2.2	2.3
Assets Turnover (times) (Gross Sales divided by Total Assets)	1.9	2.1	1.8	2.0	1.9	1.9	1.9	2.0	2.1	2.0

@ Includes Cost of Brands Acquired Rs 365.6 million

Includes Cost of Brands Acquired Rs 90.8 million

‡ Includes Cost of Brands Acquired Rs 17.8 million

§ Includes Cost of Brand Acquired Rs 87.3 million

† Includes Cost of Brand Acquired Rs 133.7 million

* Excluding Deferred Tax Liability (Net)

Directors' Report

To
The Members

Your Directors take pleasure in presenting the Thirty-Eighth Annual Report together with Audited Statements of Accounts for the year ended 31st March 2007.

Financial Results

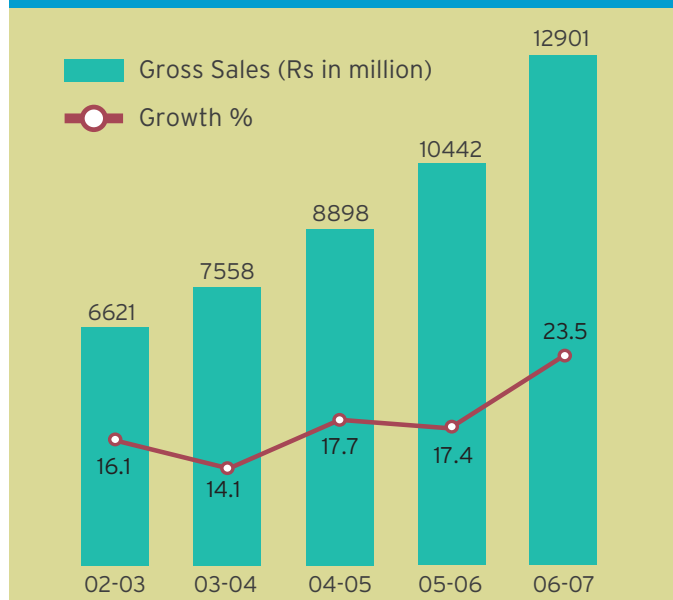
	(Rupees in million)	
	2006-07	2005-06
Gross Turnover	12901	10442
Turnover, Net of Excise	11544	9075
Profit Before Tax	1540	1313
Current Year's Tax	309	409
Profit After Current Year's Tax	1231	904
Deferred Tax	34	17
Profit After Current and Deferred Tax	1197	887
Add: Prior Year Tax Provision written back	2	20
Profit After Tax	1199	907
Profit Brought Forward	369	302
Profit available for appropriation	1568	1209
Appropriations		
Proposed Dividend on Equity Shares	379	316
Tax on Dividend	64	44
Transfer to General Reserve	600	480
Total	1043	840
Balance Carried to Balance Sheet	525	369
	1568	1209

Financial Performance

The Operating Profit for the year (before VRS payment of Rs 2.4 million) at Rs 1907.6 million, grew by 18.9%. Net Profit at Rs 1199.3 million, after Prior Year Tax provision written back of Rs 2.3 million, grew by 32.3%.

Income Tax for the current year is lower at Rs 308.9 million (including Rs 20.1 million for Fringe Benefit Tax) as against Rs 409 million in the previous year

Gross Sales & Growth %

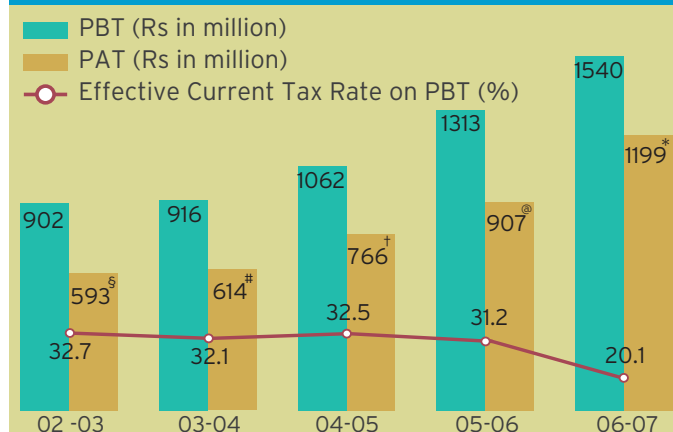


The Credit Rating Information Services of India Ltd. (CRISIL) has affirmed the "P1+" rating to Short Term Debt including Commercial Paper Programme of the Company for Rs 1300 million.

Dividend

The Directors recommend the payment of a dividend of Rs 1.50 per Equity Share of Re 1 each (previous year)

PBT, PAT & Effective Current Tax Rate



§ After deferred tax of Rs 14 million

After deferred tax of Rs 8 million

† After deferred tax credit of Rs 13 million and prior year's tax provision written back of Rs 36 million

@ After deferred tax of Rs 17 million & prior year's tax provision written back of Rs 20 million

* After deferred tax of Rs 34 million & prior year's tax provision written back of Rs 2 million

Rs 1.25 per Equity Share of Re 1 each), amounting to Rs 378.6 million (previous year - Rs 315.5 million) out of the Current Year's profit on 252.4 million Equity Shares of Re 1 each (previous year 252.4 million Equity Shares of Re 1 each). The dividend for the current year will be free of tax in the hands of Shareholders. The dividend payout amount has grown at a CAGR of 20% during the last 5 years.

Capital Expenditure

The Company incurred capital expenditure of Rs 742.8 million during the year for setting up of a new manufacturing unit at Kalam, Himachal Pradesh and for modernisation/expansion and for other assets.

New Units in Himachal Pradesh

Fourth Unit for water based synthetic adhesive was commissioned in February 2007. The Company is setting up two more units viz. one for Consumer Products and another for Construction Chemicals, which are expected to commence production respectively during 2nd and 3rd quarter of the Current Year.

Current Year Outlook

Barring unforeseen circumstances, the Company expects to perform well during the current year.

Subsidiaries

Pagel Concrete Technologies Pvt Ltd. (Pagel):

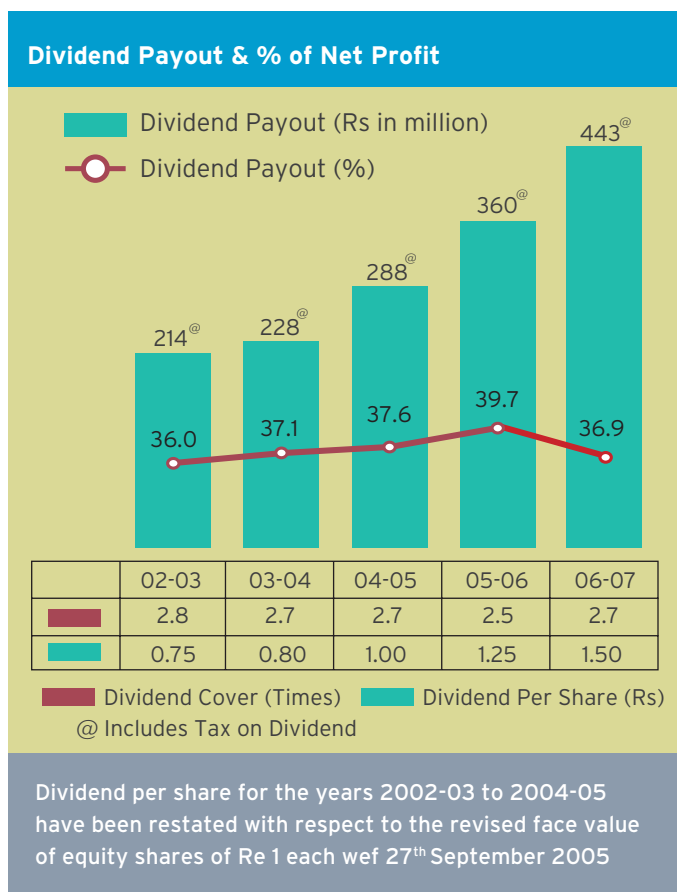
The Company acquired 75% Equity stake in this Company at a cost of Rs 6.4 million and loan contribution of Rs 3.5 million. Pagel is an existing Company incorporated in India in technical and financial collaboration with PAGEL SPEZIAL-BETON GMBH & CO. KG, GERMANY and engaged in the business of grouts and special mortars.

Pidilite USA, Inc (PIL Inc.) : The Company was incorporated on 12th May 2006 in Delaware, USA and acquired the business and assets relating to art material and car care products from two existing companies in USA in June 2006, having combined annual sales turnover of US\$ 19 million. The cost of acquisition is US\$ 12 million.

Pidilite Innovation Centre Pte Ltd. (PICPL) :

Pidilite International Pte Ltd., Singapore as a Wholly Owned Subsidiary of the Company has incorporated PICPL., a subsidiary in Singapore on 20th December 2006 to carry out Research, Development and related activities.

With the above acquisitions now the Company has 4 direct Overseas Subsidiaries one each in Singapore (Pidilite



International Pte Ltd), in UAE (Pidilite Middle East Ltd.), in Brazil (Pidilite Do Brasil Desenvolvimento De Negocios Ltda.) and in USA (Pidilite USA, Inc).

These subsidiaries have total 6 step-down subsidiaries viz. Chemson Asia Pte Ltd. (Singapore), Jupiter Chemicals LLC (Dubai), Pidilite Speciality Chemicals Bangladesh Pvt. Ltd. (Bangladesh), Bamco Ltd. (Thailand), PT Pidilite Indonesia (Indonesia), Pidilite Innovation Centre Pte Ltd. Singapore).

The total investments during the year by our Company in all Overseas Subsidiaries exceeded US\$ 16.7 million.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to 12 subsidiary Companies is attached hereto.

Consolidated Accounts

In accordance with the requirements of Accounting Standards AS 21 (read with AS 23) issued by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its twelve subsidiaries are annexed to this Annual Report. Additionally, a statement giving prescribed particulars of information, in aggregate for each subsidiary, is attached.

By letter No.47/226/2007-CL-III dated 18th May 2007 the Company has obtained from the Government of India, Ministry of Company Affairs, New Delhi, under Section 212 of the Companies Act, 1956, an exemption from annexing to this Report, the Annual Reports of above subsidiary Companies viz. Fevicol Company Ltd, Pidilite International Pte Ltd, Chemson Asia Pte Ltd, Pidilite Middle East Ltd, Jupiter Chemicals LLC, Pidilite Do Brasil Desenvolvimento De Negocios Ltda, Pidilite Speciality Chemicals Bangladesh Pvt Ltd, PT Pidilite Indonesia, Bamco Limited, Pidilite USA, Inc., Pidilite Innovation Centre Pte Ltd. and Pagel Concrete Technologies Pvt. Ltd. for the year ended on 31st March 2007. Accordingly, the said Annual Reports of the above subsidiary Companies are not annexed to this Report.

Members desiring to have a copy of audited Annual Accounts of the above subsidiaries may write to the Company Secretary at the Registered Office of the Company and they will be provided with the same upon such a request.

Annual Accounts of these subsidiary Companies will also be kept for inspection of the Members at the Registered Office of the Company as well the Registered Office of the subsidiary Companies.

Directors

Effective from 31st December 2006 Shri Amit Roy resigned from the Board of Directors. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by him during his tenure on the Board.

In accordance with the Articles of Association of the Company, Shri B K Parekh, Shri S K Parekh, Shri A B Parekh and Shri Yash Mahajan, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Shri V S Vasani has been appointed as Additional Director of the Company with effect from 2nd December 2006 and he holds office up to the conclusion of the ensuing Annual General Meeting. A notice in writing, with deposit of Rs 500 has been received from a member proposing Shri V S Vasani as a candidate for the office of Director. Subject to approval of the members, Shri V S Vasani has also been appointed as a Whole-Time Director for a period of two years from 2nd December 2006 and also designated as Director (Factories Operations) w.e.f. 14th December 2006 in place of Shri Amit Roy in overall charge of all the factories of the Company in India.

Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2007 and of the profit of the Company for that year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors have prepared the Annual Accounts on a going concern basis.

Corporate Governance

Reports on Corporate Governance and Management Discussion and Analysis, in accordance with Clause 49 of the Listing Agreements with Stock Exchanges, along with a certificate from M/s M M Sheth & Co, Practising Company Secretaries, are given separately in this Annual Report.

Auditors

Members are requested to re-appoint M/s Haribhakti & Co, Chartered Accountants, as Auditors of the Company and also for its branches/ depots/ C&F depots for the current year and to fix their remuneration.

Cost Auditor

Subject to approval of Central Government, Board of Directors have appointed M/s V J Talati & Co as Cost Auditor to conduct cost audit for the financial year 2007-08.

Conservation of Energy, Technology Absorption, etc

The particulars under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached to this Report as Annexure I.

Industry Structure and Development

There is no change in the industry structure as was reported in the last year.

The Company operates under two major business segments i.e. Branded Consumer & Bazaar Products and Speciality Industrial Chemicals.

Products such as Adhesives, Sealants, Art Materials, Construction and Paint Chemicals are covered under branded Consumer & Bazaar Products segment. These products are widely used by carpenters, painters, plumbers, mechanics, households, students, offices, etc.

Speciality Industrial Chemicals segment covers products such as Industrial Adhesives, Synthetic Resins, Organic Pigments, Pigment Preparations, Surfactants, etc and caters to various industries like packaging, textiles, paints, printing inks, paper, leather, etc.

In both the above business segments, there are a few medium to large companies with national presence, and a large number of small size companies that are active regionally. There is growing presence of multinationals in many of the segments in which we operate. The share of imports is less than 10% of domestic volumes in most of the product segments.

Outlook on Opportunities, Threats, Risks and Concerns

Prices of raw materials, packing materials and freight charges continue to rise thereby making further adverse impact on the margins of some of our products. We expect to increase selling price of most of these products over a period of time thereby restoring the margins.

Risk and Internal Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business.

The Company has appointed Internal Auditors who audit the adequacy and effectiveness of internal controls laid down by the management and suggest improvements. For overseas subsidiaries, this is being done by their Statutory Auditors.

The Audit Committee of the Board of Directors periodically reviews the audit plans, internal audit reports, adequacy of internal controls and risks management.

Human Resources

The Company continues to place significant importance on its human resources and enjoys cordial relations at all levels. During the year, various initiatives for employee involvement and efficiency improvement continued.

The total number of employees on 31st March 2007 was 2944.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report as Annexure II. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report, together with Accounts, is being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Members desiring to have a copy of the same may write to the Company Secretary at the Registered Office of the Company and they will be provided with the same upon such a request.

Vinyl Chemicals (India) Ltd. (VCIL)

As you are aware, the Company is a principal promoter of VCIL and has made strategic investment in VCIL. The Company was approached by a Review Committee appointed by the Board of Directors of VCIL for support in the task of restructuring VCIL's operations which had resulted into losses for 5 consecutive quarters till 31st December 2006.

The Board of Directors of this Company had therefore appointed a Special Committee to examine all relevant aspects as also explore possible remedial measures. The Special Committee took a view that VAM manufacturing plant of VCIL is of strategic importance to the Company and that there is good probability of VAM manufacturing unit becoming profitable sometime during the year 2008. The Committee therefore recommended to the Board of Directors of this Company that VCIL's manufacturing division at Mahad be demerged into this Company.

Subject to approval of Shareholders and the High Court at Mumbai, the Board of Directors of both the Companies at their joint meeting held on 24th April 2007 considered and approved report of Valuation as also draft Scheme of Demerger inter alia providing for ratio of allotment of shares as under :

- a. "For every 12 (twelve) equity shares of face value of Rs 10 each fully paid up in Vinyl Chemicals (India) Ltd., 1 (one) equity share of face value of Re. 1 each in Pidilite Industries Ltd. (fractional resultant number being appropriately rounded up or ignored depending on the fraction being respectively more than half or less than half) treated as fully paid;
- b. Insofar as it relates to "small shareholders" of the Vinyl Chemicals (India) Ltd. (a small shareholder means a member holding less than 501 equity shares) the Scheme provides for an option for such small shareholder being allotted 1 (one) 6% Cumulative Redeemable of Preference Share in Pidilite Industries Ltd. of Rs 10 each treated as fully paid for every equity share held by a small shareholder in Vinyl Chemicals (India) Ltd."

Both the Companies have submitted a draft Scheme of Arrangement under section 391 read with Section 394 of the Companies Act, 1956 for the above purpose to the Stock Exchanges as per the requirement of Listing Agreement. Both the Companies will take necessary steps as may be required under law for approval and implementation of the Scheme.

Appreciation

The Directors place on record their appreciation of the efficient services rendered by the employees of the Company at all levels.

FOR AND ON BEHALF OF THE BOARD

Mumbai
Date: 22nd May 2007

B K PAREKH
CHAIRMAN

Social Responsibility

The Company continued to support activities relating to Health care, Education, Rural Development and Water Conservation, etc. through Hanumant Hospital, Gram Nirman Samaj, Mahuva Education Trust and Trivenikalyan Education Trust. In addition, the Company has committed to support establishment of a Science City Project in Bhavnagar.

Hanumant Hospital

In its first year of operation, the hospital has treated over 63,000 outpatients, performed over 1,500 surgeries and handled around 180 successful maternity cases.

The hospital conducts regular medical camps at various rural locations. Visiting specialists of different disciplines provide services at these camps. In order to provide medical services to villagers at their doorstep, three Arogya Kendras have been opened in villages.

Sanjeevani health scheme operated by the hospital provides comprehensive health care to low-income families on payment of nominal annual fees. The hospital is also a Government recognized center for DOTS programme for TB Patients, PPTCT for HIV patients, MTP and Vaccination Center.



Check-Dam on River 'Malan' village Sangania

Gram Nirman Samaj

Construction and repair of Check Dams have been undertaken. More than 100 small and medium projects have been undertaken relating to water conservation and water shed development. These projects involve construction of new Check Dams, repair and renovation of old Check Dams, digging and deepening of ponds, repair and renovation of village ponds and percolation tanks. These activities have resulted in continuous improvement of water table and good crop yields.

Constructed 1,430 individual toilets in 10 villages of Mahuva Taluka. These 10 villages are declared as Nirmal Gram entitled for Rashtrapati Puraskar. Also constructed 40 school sanitation blocks and 103 Anganwadi sanitation blocks in rural area.

Education

Shree Mahuva Education Trust runs Arts, Science, Commerce and Computer Science Colleges. About 1,300 students are studying in these Colleges. During the year construction work has commenced for library building and BBA college building.



Computer Lab - Parekh College Campus, Mahuva

Science City

A Science City is being established with the main objective of encouraging scientific temper and spirit of enquiry amongst young children and to stimulate them to think freely and achieve their potential. The Science City, which is being built at a cost of Rs. 3 crore, will provide facilities for scientific experiments and will also have a library as well as computer facilities.

During the year the Company has donated approx. Rs.9.5 crore to Hanumant Seva Medicare Trust and has committed to donate Rs.1.5 crore during 2007-08 to the Science City Project in Bhavnagar.

Annexure I To The Report of the Directors 2006-2007

Statement containing particulars pursuant to the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 forming part of the report of the Directors.

AJ CONSERVATION OF ENERGY

a) Energy Conservation Measures taken

1. Energy Efficient mixing equipments.
2. Extended use of VFD for process / utilities equipments at new projects.
3. Process / Utilities optimization and automization.

b) Additional Investments and Proposals, if any, being implemented for reduction of Consumption of Energy.

1. Use of Agro waste solid fuel (briquette) instead of fuel oil.
2. Revamping utilities with Gas-fired combustion system.

c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

0.75 lac kwh Electricity and 1400 MT of Fuel Oil are expected to be saved annually by above measures.

d) Total energy consumption and energy consumption per unit of production

as per Form A

FORM A

Disclosure of Particulars with respect to Conservation of Energy

A. Power and Fuel consumption

		Year ended 31 st March 2007	Year ended 31 st March 2006
1. Electricity			
a) Units Purchased	'000 kwh	1,13,03	98,20
Total Amount	Rs in million	56.66	46.63
Rate/Unit (Average)	Rs	5.01	4.75
b) Own Generation			
Through Diesel Generator			
Units	'000 kwh	2,29	2,06
Units per litre of diesel oil	kwh	2.28	2.61
Cost/Unit	Rs/kwh	15.04	11.82
2. Coal		NA	NA
3. Fuel oil			
Quantity	MT	34,27	27,88
Total Amount	Rs in million	59.96	44.46
Average Rate	Rs '000/MT	17.49	15.95
4. Other/Internal Generation			
Units - Windmill	'000 kwh	5,84	7,16
Total Credit	Rs in million	2.75	3.14
Rate/Unit (Average)	Rs	4.70	4.39

NB: 7.87 million kwh (7.52 million kwh) units generated amounting to Rs 20.47 million (Rs 17.17 million) at Satara and Sangli wind mill projects are shown as "Other Income " in the current year.

B. Consumption per unit of production

It is not feasible to furnish information in respect of consumption per unit of production.

B] TECHNOLOGY ABSORPTION

e) Efforts made in technology absorption:

(as per Form B)

FORM B

Disclosure of Particulars with Respect to Technology Absorption

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R & D is carried out by the Company

R & D programmes are carried out towards development of new products, improvement of the existing products and processes falling under the category of Synthetic Resins, Adhesives, Sealants, Pigments and Pigment Dispersions, Intermediates, Surfactants, Art Materials, Coatings, Fabric Care Products, Construction Chemicals, Maintenance Chemicals, Emulsion Polymers, etc.

2. Benefits derived as a result of the above R&D

Increase in sales due to product improvements and introduction of new products; reduction in cost due to process improvements and cycle time reduction.

3. Future Plan of Action

Future R&D efforts will continue along similar lines, as at present.

4. Expenditure on R&D

(Rs in million)

	Year ended 31 st March 2007	Year ended 31 st March 2006
i) Capital	2.75	1.61
ii) Recurring	47.07	39.77
Total	49.82	41.38
iii) Total R&D expenditure as a percentage of total turnover	0.39	0.40

5. Technology Absorption, Adaptation and Innovation

- Technologies, Process developed by our R&D Department are being continuously absorbed and adopted on a commercial scale.
- Benefits derived as a result of the above efforts :
Improvement in products and processes.
- Information regarding Technology imported during the last 5 years :
No technology imported during last 5 years.

C] FOREIGN EXCHANGE EARNINGS & OUTGO

f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans

Export earnings during 2006-07 have shown an increase of Rs 310 Million over 2005-2006.

We have increased number of foreign distributors for our products and put in place more employees in exports and overseas business development work.

g) Total foreign exchange used and earned

	(Rs in million)	
	Year ended 31 st March 2007	Year ended 31 st March 2006
Foreign exchange earned	956	646
Foreign exchanged used*	2,175	1,472

*Out of the above, exchange used for import of materials which are either not manufactured in India and / or not easily available in India, amounted to Rs 1,843 million for the year ended 31st March 2007 (Previous year Rs 1,256 million).

Auditors' Report

To,

The Members of

Pidilite Industries Limited

We have audited the attached Balance Sheet of Pidilite Industries Limited ('the Company') as at 31st March 2007, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto.

Respective Responsibility of the Management and the Auditors

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

I Our report as required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us by the management, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

II Further to our comments in the Annexure referred to in above paragraph, we report that:

i) We have obtained all the information and

explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
- v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is, prima facie, disqualified as on 31st March 2007 from being appointed as a director in terms of Section 274(1)(g) of the Act;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon and attached thereto, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007,
 - b) in case of Profit and Loss Account, of the profit for the year ended on that date and
 - c) in case of Cash Flow Statement, of the cash flows for the year ended on that date.

For HARIBHAKTI & CO
Chartered Accountants
CHETAN DESAI
Partner
Membership No. 17000

Place: Mumbai
Date: 22nd May 2007

Annexure to Auditors' Report - March 31, 2007

Fixed Assets

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. We are informed that the fixed assets of the Company have been physically verified by the Management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, physical verification was carried out during the year and no material discrepancies were noticed.
3. During the year, the Company has not disposed off a substantial part of fixed assets.

Inventories

4. We are informed that the inventories of the Company have been physically verified by the management during the year. In respect of inventories lying with third parties, these have been confirmed by them.
5. In our opinion, the procedures for physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical and book records were not material.

Related party transactions

7. The Company has not granted any loans, secured or unsecured to the companies, firms or other parties covered under Section 301 of the Act.
8. The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Act.
9. In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of Section 301 of the Act have been so entered.

10. The above transactions are made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
11. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company, for loans taken by others from bank or financial institutions are, prima facie, not prejudicial to the interest of the Company.

Internal Controls

12. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods and services. Further, on the basis of our examination of books and records of the Company and on the basis of information and explanations given to us, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control system.
13. The function of internal audit, as explained, is being carried out by outside professionals, which in our opinion, is commensurate with its size and nature of its business.

Taxation

14. According to the books and records as produced and examined by us and in accordance with generally accepted auditing practices in India and also based on Management's Representation, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, ESIC dues, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Education Cess and other material statutory dues applicable to it.
15. According to the information and explanations given to us, and also based on Management's Representation, there were no dues of Income Tax, Customs Duty, Wealth Tax, Excise Duty, Service Tax, Education Cess and Sales Tax that have not been deposited on account of any dispute except the following:

Name of the statute	Amount (Rs in million)	Forum where dispute is pending
Sales Tax Act		
Sales Tax in Various states	44.71	Deputy Commissioner of Sales Tax (Appeal)
Sales Tax in Various states	16.41	Sales Tax Tribunal
Excise Duty	1.46	CESTAT

Miscellaneous

16. We are informed that the Central Government has prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Act in regard to production of Synthetic Resins. We are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made detailed examination of the records with a view to determine whether they are accurate and complete.
17. The Company has neither accumulated losses as at 31st March 2007 nor it has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
18. We are informed that the term loans were applied for the purpose for which the said loans were obtained.
19. Based on our examination of the balance sheet of the company as at 31st March 2007 on an overall basis and as per the information and explanations given to us,
- we find that no funds raised on short- term basis were utilized for long- term investment.
20. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
21. The Clauses (iii) (b), (c), (d), (f), (g), (vi), (xi), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 and 5 of the Order are not applicable to the Company and hence not reported upon.

Place: Mumbai
Date: 22nd May 2007

For HARIBHAKTI & CO
Chartered Accountants
CHETAN DESAI
Partner
Membership No. 17000

Balance Sheet As At 31st March 2007

(Rs in million)

	Schedule	As at 31 st March 2007	As at 31 st March 2006
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Capital	1	252.40	252.40
b. Reserves and Surplus	2	<u>4627.40</u>	<u>3871.05</u>
		4879.80	4123.45
2. Loan Funds			
a. Secured Loans	3	749.40	287.00
b. Unsecured Loans	4	<u>633.61</u>	<u>265.87</u>
		1383.01	552.87
3. Deferred Tax Liability (Net)		338.76	304.88
TOTAL		6601.57	4981.20
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a. Gross Block		5207.06	4553.36
b. Less: Depreciation		<u>2182.15</u>	<u>1904.54</u>
c. Net Block		<u>3024.91</u>	<u>2648.82</u>
e. Capital work in progress		<u>346.59</u>	<u>257.53</u>
		3371.50	2906.35
2. Investments (Net)	6	891.99	358.54
3. Current Assets, Loans and Advances	7		
a. Inventories		1976.18	1534.01
b. Sundry Debtors		1318.13	1094.51
c. Cash and Bank Balances		231.70	121.58
d. Other Current Assets		21.74	23.11
e. Loans and Advances		<u>576.61</u>	<u>322.19</u>
		<u>4124.36</u>	<u>3095.40</u>
Less: Current Liabilities and Provisions	8		
a. Liabilities		1295.36	985.43
b. Provisions		<u>493.35</u>	<u>398.52</u>
		<u>1788.71</u>	<u>1383.95</u>
Net Current Assets		2335.65	1711.45
4. Miscellaneous Expenditure (To the extent not written off or adjusted) VRS compensation - Refer Note 1 (viii) of schedule 12		2.43	4.86
TOTAL		6601.57	4981.20
Notes forming part of the Accounts	12		

AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For HARIBHAKTI & CO.
Chartered Accountants

B K PAREKH
Chairman

CHETAN DESAI
Partner

S K PAREKH
Vice Chairman

Mumbai
Date : 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

N K PAREKH
Jt. Managing Director

Profit and Loss Account For The Year Ended 31st March 2007

(Rs in million)

	Schedule	2006-07	2005-06
INCOME			
Sales		12901.26	10442.35
Less: Excise Duty		<u>1357.46</u>	<u>1367.16</u>
Net Sales		11543.80	9075.19
Other Income	9	<u>190.31</u>	<u>174.81</u>
		11734.11	9250.00
EXPENDITURE			
Materials	10	6538.46	4992.98
Other Expenses	11	3353.24	2669.68
Depreciation		<u>302.66</u>	<u>274.78</u>
		10194.36	7937.44
Profit before Taxation		1539.75	1312.56
Income Tax Expense			
Current Tax		288.77	386.49
Deferred Tax		33.88	17.02
Fringe Benefit Tax		<u>20.10</u>	<u>22.50</u>
		342.75	426.01
Profit for the year		1197.00	886.55
Prior year Tax Provision written back (Net)		2.29	20.22
Balance brought forward from previous year		<u>368.81</u>	<u>301.79</u>
Profit available for appropriation		1568.10	1208.56
Proposed Dividend		378.60	315.50
Corporate Tax on Dividend		<u>64.34</u>	<u>44.25</u>
		442.94	359.75
Transfer to General Reserve		600.00	480.00
Balance carried to Balance Sheet		525.16	368.81
Earnings Per Share: (Refer Note 13 of Schedule 12)			
Basic and Diluted (Rs)		4.75	3.59
Face Value of Share (Rs)		1.00	1.00
Notes forming part of the Accounts	12		

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO.
Chartered Accountants

CHETAN DESAI
Partner

Mumbai
Date : 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

N K PAREKH
Jt. Managing Director

Schedule

Numbers 1 to 12 annexed to and forming part of the Balance Sheet as at 31st March 2007 and Profit and Loss Account for the year ended 31st March 2007

(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
27,50,00,000 Equity Shares of Re 1 each	275.00	275.00
2,50,00,000 Unclassified Shares of Re 1 each	25.00	25.00
TOTAL	300.00	300.00
Issued, Subscribed and Paid-up		
25,23,94,000 Equity Shares of Re 1 each, fully paid-up (Notes 1 and 2)	252.39	252.39
Bonus Shares Issue Suspense Account (Note 3)	0.01	0.01
TOTAL	252.40	252.40

NOTES:

Out of the above

- 74,75,880 Equity Shares of Re 1 each have been issued for consideration other than cash pursuant to various schemes of amalgamation during earlier years.
- 22,64,14,340 Equity Shares of Re 1 each have been allotted as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Securities Premium Account and Capital Redemption Reserve.
- Bonus Shares Issue Suspense Account pertains to issue of 6,000 fully paid-up Bonus Shares pending settlement of dispute for title of shares.
- The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re 1 each wef 27th September 2005.

SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserve		
Balance as per last Balance Sheet	3.37	3.37
Cash Subsidy Reserve		
Balance as per last Balance Sheet	9.47	7.47
Add: Received during the year	-	2.00
	9.47	9.47
Special Reserve		
Balance as per last Balance Sheet	1.19	1.19
General Reserve		
Balance as per last Balance Sheet	3488.21	3008.21
Add: Transferred from Profit and Loss Account	600.00	480.00
	4088.21	3488.21
Profit and Loss Account	525.16	368.81
TOTAL	4627.40	3871.05

(Rs in million)

As at
31st March 2007

As at
31st March 2006

SCHEDULE 3

SECURED LOANS

Working Capital loans from Banks
(including Working Capital Demand Loan) **499.40** 287.00

Term Loans from Banks **250.00** –

TOTAL **749.40** 287.00

Working Capital Loans from Banks are secured by way of first charge on the stock of Raw Materials, Finished Goods, Packing Material, Stock in Process, Bills Receivable and Book Debts and by way of second charge on the entire Plant and Machinery of the Company including Stores and Spares. Further, these loans are secured by way of an Equitable Mortgage on the Land and Building of the Company's unit at Kondivita, Mumbai.

Term Loan from Bank is secured by way of hypothecation of all movable Plant and Machinery of the Company.

SCHEDULE 4

UNSECURED LOANS

Interest free Sales Tax loan from Government of Gujarat **0.04** 0.50

Interest free Sales Tax loan from Government of Maharashtra **323.55** 265.37

Foreign Currency Loan from Banks **310.02** –

TOTAL **633.61** 265.87

Amount due within one year Rs 310.06 million (Rs 0.47 million)

SCHEDULE 5

FIXED ASSETS

(Rs in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 1.4.2006	Additions/ Adjustments	Deductions/ Adjustments	As at 31.3.2007	Provided during the year	Deduc- tions/ Adjustments	As at 31.3.2007	As at 31.3.2006
Intangible Assets:								
- Goodwill	69.97	-	-	69.97	9.56	-	14.26	23.82
- Copyrights, Trademarks, etc.	606.60	-	-	606.60	60.65	-	261.40	322.05
Freehold Land	115.70	0.24	3.45	112.49	-	-	112.49	115.70
Leasehold Land	39.32	20.17	-	59.49	0.46	-	56.52	36.81
Buildings	768.01	212.96	41.41	939.56	23.75	4.90	775.56	622.86
Plant and Machinery	2606.93	426.73	10.42	3023.24	183.53	7.46	1552.82	1312.58
Furniture and Fixtures	167.44	47.89	8.30	207.03	11.25	2.80	134.17	103.03
Vehicles	140.57	22.48	15.94	147.11	11.69	9.89	103.76	99.02
Capital Expenditure on Scientific Research:								
- Buildings	1.48	-	-	1.48	0.04	-	0.59	0.63
- Plant and Machinery	32.45	2.75	-	35.20	1.53	-	11.84	10.62
- Furniture and Fixtures	3.07	-	-	3.07	0.20	-	1.50	1.70
Assets given on Lease: Plant and Machinery	1.82	-	-	1.82	-	-	-	-
Total	4553.36	733.22	79.52	5207.06	302.66	25.05	3024.91	2648.82
Previous Year	3883.88	677.50	8.02	4553.36	274.78	5.35	1904.54	
Capital work in progress including capital advances							346.59	257.53
TOTAL							3371.50	2906.35

(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
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SCHEDULE 6

LONG TERM INVESTMENTS (AT COST)

I. In Government Securities (Unquoted)		
6 and 7 Years National Savings Certificates	0.01	0.10
(Deposited with Government Departments, Mumbai Municipal Corporation, Reliance Energy Ltd)		
II. In Equity Shares (Fully paid)		
a) Quoted		
Trade:		
• 7451540 Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	117.83	117.83
Others:		
• 3594 Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.09	0.09
• 14400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	0.72	0.72
• 4188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd	0.77	0.77
• 121300 Equity Shares of Rs 10 each of Pal Peugeot Ltd	1.21	1.21
• 222542 Equity Shares of Rs 10 each of Indian Overseas Bank Ltd	2.96	2.96
• 61900 Equity Shares of Rs 10 each of Menon Pistons Ltd	4.38	4.38
TOTAL - II (a)	127.96	127.96
[Market Value Rs 97.56 million (Rs 135.38 million)]		
b) Unquoted (Fully paid)		
In wholly-owned Subsidiary Companies:		
• 50000 Equity Shares of Rs 10 each of Fevicol Company Ltd	0.50	0.50
• 6374353 (3997496) Equity Shares of Pidilite International Pte Ltd	285.66	181.32
• 6287005 (3465597) Equity Shares of Pidilite Middle East Ltd	76.37	41.29
• 1088471 (129999) Equity Shares of Pidilite Do Brasil Desenvolvimento De Negocios Ltda	22.83	2.40
• 8000000 (Nil) Equity Shares of Pidilite USA Inc	368.52	–
• 75000 (Nil) Equity Shares of Page1 Concrete Technologies Pvt Ltd	6.42	–
Others:		
• 200200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	5.29	5.29
• 2275 Equity Shares of Re 1 each of Himalaya House Co-op Society Ltd (Cost Rs 2275)	–	–
• 628 Equity Shares of Rs 100 each of Jawahar Co-op Industrial Estate Ltd	0.06	0.06
• 40 Equity Shares of Rs 50 each of Regent Chambers Premises Co-op Society Ltd (Cost Rs 2000)	–	–
• 25 Equity Shares of Rs 10 each of New Usha Nagar Co-op Housing Society Ltd (Cost Rs 250)	–	–
• 10 Equity Shares of Rs 100 each of Taloja CETP Co-op Society Ltd (Cost Rs 1000)	–	–
TOTAL - II (b)	765.65	230.86
III. In Units of Mutual Fund (Unquoted)		
• 400 Units of Rs 70000 each of Infinity Venture India Fund (Partly redeemed)	5.18	5.18
TOTAL - III	5.18	5.18
TOTAL : I + II (a) + II (b) + III	898.80	364.10
Less: Diminution in value of Investments	6.81	5.56
TOTAL	891.99	358.54

Previous year's figures are indicated in brackets only when there is a change.

SCHEDULE 6 (Contd....)

Investments purchased and sold during the year other than shown above:

		(Units)
	Purchased	Sold
Units of Birla Cash Plus Dividend Option Institutional Plan	56006696	56006696
Units of DSP Merrill Lynch Daily Dividend Option	190865	190865
Units of DSP Merrill Lynch Weekly Dividend Option	2827949	2827949
Units of Prudential ICICI Liquid Plan Daily Dividend Option	2958239	2958239
Units of Reliance Liquid Fund Daily Dividend Option	12012084	12012084
Units of Templeton Mutual Fund - Weekly Dividend Option	24162	24162

(Rs in million)

As at	As at
31st March 2007	31 st March 2006

SCHEDULE 7

CURRENT ASSETS, LOANS AND ADVANCES

A) Current Assets

a) Inventories

(As valued and certified by the Management)

Consumable Stores and Spares, etc.	10.54	9.94
Raw Materials	671.65	545.03
Goods in Process	76.44	59.22
Finished Goods	934.09	741.24
Traded Goods	125.98	65.68
Packing Materials	157.48	112.90

1976.18	1534.01
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b) Sundry Debtors (Unsecured)

Over six months-

Considered good	17.90	18.53
Considered doubtful	0.74	0.11
Others, Considered good	1300.23	1075.98

1318.87	1094.62
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Less : Provision for doubtful debts	0.74	0.11
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1318.13	1094.51
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c) Cash and Bank Balances

Cash and cheques on hand	91.36	49.85
Remittances in transit	61.92	2.01

Bank Balances:

With scheduled banks		
In Current Accounts	78.39	69.69

 Others:

In Fixed Deposit with Municipal Co-op Bank Ltd [Maximum outstanding during the year Rs 0.03 million (Rs 0.03 million)]	0.03	0.03
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231.70	121.58
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d) Other Current Assets

Interest Accrued on Investments	-	0.09
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Claims Receivable	21.74	23.02
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21.74	23.11
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B) Loans and Advances

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	179.27	124.07
Advance Payment of Taxes (Net of Provisions)	102.99	78.84
Loans and Advances to Staff	39.11	34.40
Loans and Advance to Subsidiaries	155.19	-
Deposits	46.50	27.38
Balances with Central Excise Department	53.55	57.50

576.61	322.19
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TOTAL	4124.36	3095.40
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(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
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SCHEDULE 8**CURRENT LIABILITIES AND PROVISIONS**

A) Current Liabilities		
Acceptances	30.89	24.68
Sundry Creditors (Refer Note 2 of Schedule 12)		
Small and Medium Enterprises	83.86	60.65
Others	439.99	411.40
	523.85	472.05
Dealers' Deposits	154.58	132.75
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary :		
Unclaimed Dividends	3.47	3.21
Other Liabilities	582.57	352.74
	1295.36	985.43
B) Provisions		
For Leave encashment	50.41	38.77
Dividends:		
Proposed Dividend	378.60	315.50
Corporate Tax on Dividend	64.34	44.25
	442.94	359.75
	493.35	398.52
TOTAL	1788.71	1383.95

(Rs in Million)

	2006-07	2005-06
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SCHEDULE 9**OTHER INCOME**

Interest received - (Gross)	15.35	11.66
[Tax deducted at source Rs 0.38 million (Rs 1.16 million)]		
Insurance Claim Received	0.64	56.56
Dividend received	3.29	5.90
Export Incentives	19.11	18.30
Profit on sale of Fixed Assets	50.66	12.33
Foreign Exchange Fluctuation	10.34	-
Miscellaneous	90.92	69.71
Excess provisions written back	-	0.35
TOTAL	190.31	174.81

2006-07

2005-06

SCHEDULE 10**MATERIALS**

a. Raw Materials consumed		
Opening Stock	545.03	508.78
Add: Purchases	4978.98	3782.49
	<hr/>	<hr/>
	5524.01	4291.27
Less: Closing Stock	671.65	545.03
	<hr/>	<hr/>
	4852.36	3746.24
b. (Increase) / Decrease in Stocks		
Closing Stock		
Goods in Process	76.44	59.22
Finished Goods	934.09	741.24
	<hr/>	<hr/>
	1010.53	800.46
Less:		
Opening Stock		
Goods in Process	59.22	42.16
Finished Goods	741.24	609.43
	<hr/>	<hr/>
	800.46	651.59
	<hr/>	<hr/>
	(210.07)	(148.87)
c. Packing Materials consumed	1449.96	1119.81
d. Cost of Traded Goods		
Opening Stock	65.68	48.54
Add: Purchases	506.51	292.94
	<hr/>	<hr/>
	572.19	341.48
Less: Closing Stock	125.98	65.68
	<hr/>	<hr/>
	446.21	275.80
TOTAL	6538.46	4992.98

(Rs in million)

	2006-07	2005-06
SCHEDULE 11		
OTHER EXPENSES		
Stores and Spares consumed	50.32	40.19
Clearing, Forwarding, Octroi Duty, etc.	441.16	351.99
Central Excise Duty	13.13	13.02
Power and Fuel	126.38	95.55
Water Charges	9.93	8.61
Employees' Emoluments: [Refer Notes 1 (vii), (viii), 6 and 7 of Schedule 12]		
Salaries, Wages, Bonus, Allowances, etc.	853.10	724.37
Contribution to Provident and Other Funds	61.18	56.98
Welfare Expenses	33.69	31.26
	947.97	812.61
Rent	55.65	40.83
Rates and Taxes	10.42	7.28
Insurance	25.65	20.51
Licence fees	0.55	0.60
Repairs :		
Buildings	11.19	9.17
Machinery	30.22	26.48
Others	15.95	12.89
	57.36	48.54
Directors' Fees	0.25	0.14
Advertisement and Publicity	532.71	394.19
Legal and Professional fees	95.95	80.82
Communication Expenses	46.96	41.42
Printing and Stationery	20.02	15.85
Travelling and Conveyance Expenses	210.49	177.32
Bad Debts	2.02	4.58
Provision for Doubtful Debts	0.63	0.11
Processing and Packing Charges	279.22	224.32
Bank Charges	28.68	23.17
Commission and Brokerage	16.21	17.17
Miscellaneous expenses	210.98	172.26
Scientific Research and Development Expenditure [Refer Notes 1(v) of Schedule 12]	2.28	2.79
Remuneration to Auditors		
Audit Fees (Including Tax Audit Fees)	1.88	1.47
For Other Services	0.98	1.46
	2.86	2.93
Donations	95.80	46.97
Diminution in value of Investments [Refer Notes 1(vi) of Schedule 12]	1.25	-
Foreign Exchange Fluctuation	-	9.64
Loss on Fixed Assets Sold / Discarded	5.70	1.62
Interest		
On Term Loan	22.12	-
Others	40.59	14.65
TOTAL	3353.24	2669.68

NOTES ON ACCOUNTS (Contd...)

SCHEDULE 12 NOTES ON ACCOUNTS

1. Significant Accounting Policies

i) General

The financial statements are prepared under the historical cost convention, on the basis of a going concern and as per applicable Indian Accounting Standards. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.

ii) Revenue Recognition

- i) Income from sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.
- ii) Interest income is recognised on accrual basis.
- iii) Claims which are not of material nature / Insurance Claim, Octroi Duty, Customs Duty, etc. are accounted for when no significant uncertainties are attached to their eventual receipt.

iii) Fixed Assets, Depreciation and Impairment Loss

- a) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
- b) Preoperative expenditure during construction period / trial run: Direct expenses as well as clearly identifiable indirect expenses incurred on the projects during the period of construction are being capitalised along with the respective assets.
- c) The Company provides depreciation as under :
 - 1 For assets acquired upto 30-06-1987, on Straight Line Method (SLM) basis, except certain assets for which Written Down Value (WDV) basis is adopted at rates equivalent to the rates specified in the Income-Tax Act, 1961.
 - 2 For assets acquired after 30-06-1987 and before 31-03-1993, on SLM basis at rates specified in Schedule XIV of the Companies Act, 1956.
 - 3 For assets acquired after 31-03-1993, on SLM basis as per new rates prescribed under Schedule XIV vide notification no. GSR 756 (E) dated 16-12-1993 issued by the Department of Company Affairs.
 - 4 The Company provides pro-rata depreciation for additions made during the year except for each asset costing Rs 5000 or less, for which depreciation has been provided at hundred per cent.
 - 5 The Goodwill acquired by the Company is amortised over a period of 5 years on SLM basis.
 - 6 The Copyrights, Trademarks, Technical Know-how, etc. acquired by the Company are amortised over a period of 10 years on SLM basis.
- d) In case, the recoverable amount of the fixed assets is lower than its carrying amount, provision is made for the impairment loss.

iv) Method of Valuation of Inventories

- a) Raw Materials and Packing materials are valued at lower of cost, computed on weighted average basis and net realisable value. Obsolete, defective, unserviceable and slow / non-moving stocks are duly provided for.
- b) Finished goods, including traded goods and work in process are valued at lower of cost and net realisable value. Cost (arrived at on weighted average) for this purpose includes direct materials, direct labour, excise duty and appropriate overheads including freight costs up to the ports in respect of finished goods meant for exports.
- c) Consumable stores and spares are valued at lower of cost or net realisable value as estimated by the management.

v) Research and Development Expenditure.

- a) Capital Expenditure is shown separately in Fixed Assets.
- b) Revenue expenses including depreciation except expenditure specifically shown, are charged to respective heads of accounts.

vi) Investments

- a) Long Term Investments are stated at cost. In case there is a diminution of permanent nature in value of Investments (other than long term strategic investment) the same is provided for.
- b) (i) Quoted current investments are stated at the lower of cost and market value.
(ii) Unquoted current investments are stated at the lower of cost and fair value where available.
- c) Cost of each investment is arrived at on the basis of the average carrying amount of the total holding of that investment.

NOTES ON ACCOUNTS (Contd...)

- vii) Retirement Benefits
 - a) Contribution to Provident, Superannuation and Family Pension funds are funded as a percentage of salary/wages.
 - b) Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
 - c) Leave encashment liability is provided for on the basis of actuarial valuation as at the year end.
 - viii) Deferred Revenue Expenditure
 - Voluntary Retirement Scheme (VRS) compensation is amortised over a period of five years.
 - ix) Transactions in foreign currencies
 - a) Transactions are recorded at the exchange rates prevailing on the date of transaction.
 - b) Foreign currency designated assets, liabilities and capital commitments are restated at the year end rates.
 - c) The exchange differences are adjusted to :
 - i) Carrying cost of fixed assets if they relate to fixed assets; and
 - ii) Profit and Loss Account in other cases.
 - x) Income Tax
 - Provision for current tax is made on the basis of relevant provisions of the Income Tax Act, 1961. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is virtual/ reasonable certainty that these would be realised in future.
 - xi) Provisions, Contingent Liabilities and Contingent Assets.
 - A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities, if material are disclosed by way of notes to accounts. Contingent assets are neither recognised nor disclosed in the financial statements.
 - xii) The Company is entitled to sell sales tax deferment benefits under Maharashtra Energy Development Agency (Windmill Projects) Package Scheme of Incentives under the Bombay Sales Tax Act, 1959. Shortfall in the realisation of sale of such benefits to third parties are charged fully in the year of sale.
2. The Company does not owe any amount to small and medium enterprises which is outstanding for more than 30 days as at the Balance Sheet date. The above information and that given in Schedule 8 "Current Liabilities and Provisions" regarding small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTES ON ACCOUNTS (Contd..)

			(Rs in million)	
			As at 31 st March 2007	As at 31 st March 2006
3.	Contingent liabilities not provided for			
i)	Guarantees given by Banks in favour of Government and others		628.00	34.66
ii)	Guarantees given by Company [US \$ 1.7 million (US \$ 5 million)]		72.85	223.10
iii)	Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)		91.24	45.87
4.	Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for		149.83	50.25
			(Rs in million)	
			2006-07	2005-2006
5.	The net amount of exchange differences (credited) / debited to Profit and Loss Account		(10.34)	9.64
6.	Remuneration to Directors: (Includes benefits which are debited to respective expenses)			
a.	Remuneration		33.14	26.89
b.	Commission		40.32	34.32
c.	Provident Fund Contribution		1.68	1.47
d.	Other Perquisites		2.95	3.47
7.	Computation of Net Profit for Commission Payable to Directors in accordance with Section 198 of the Companies Act, 1956.			
	Profit as per Profit and Loss Account before Provision for taxation and commission to directors		1580.07	1346.89
Add:	Directors' remuneration	33.14		26.89
	Contribution to Provident Fund	1.68		1.47
	Other Perquisites	2.95		3.47
		37.77		31.83
			1617.84	1378.72
Less:	Profit / (Loss) on sale of investments		(0.02)	12.33
	Profit / (Loss) on sale of fixed assets		44.98	(1.62)
Net Profit for the year for the purpose of Directors' Commission			1572.88	1368.01
Commission payable to Directors				
a)	Managing Director, Joint Managing Director and a Wholetime Director		37.92	32.32
b)	Others		2.40	2.00
			40.32	34.32

NOTES ON ACCOUNTS (Contd...)

8. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 :
Details of licenced capacity, installed capacity, production and sales of the goods manufactured :

i. DETAILS OF THE GOODS MANUFACTURED / SALES / STOCKS

Class of Goods ^A	Licensed Capacity*	Installed Capacity* Approx.	Opening Stock (Qty)	Opening Stock (Rs in million)	Production Meant for Sale (Qty)	Sales ^B (Qty)	Sales ^B (Rs in million)	Closing Stock (Qty)	Closing Stock (Rs in million)
Dyestuffs									
MT	3900 (3900)	2364 (2364)	1412 (1314)	166.89 (124.33)	20888^C (12347)	19998 (12249)	1081.85 (947.09)	2302 (1412)	205.02 (166.89)
KL			579 (429)	89.32 (68.52)	3888^D (3178)	3903 (3028)	839.16 (706.87)	564 (579)	90.66 (89.32)
Chemicals									
MT	232735 (232735)	126920 (126920)	6142 (6058)	313.97 (295.25)	127319^E (81417)	125623 (81333)	7531.05 (6244.88)	7838 (6142)	393.71 (313.97)
KL	31260 (31260)	17904 (17904)	1867 (1590)	138.33 (105.75)	23805^F (21377)	23194 (21100)	2440.24 (1929.76)	2478 (1867)	208.19 (138.33)
Others Nos. lac			76 (43)	32.73 (15.58)	731 (607)	716 (574)	539.18 (273.57)	91 (76)	36.51 (32.73)
Traded Goods				65.68 (48.54)			464.40 (338.05)		125.98 (65.68)
				806.92 (657.97)			12895.88 (10440.22)		1060.07 (806.92)

Notes:

* This being technical matter, is as certified by the Management and relied upon by Auditors.

A. Class of Goods is based on main classification given in the Industries (Development and Regulation) Act, 1951.

B. Excluding Resale of Raw Materials / Packing Materials Rs 5.38 million (Rs 2.13 million).

C. Includes 18716 Tonnes (10447 Tonnes) produced in the factory of third party.

D. Includes 3888 KL (3176 KL) produced in the factory of third party.

E. Includes 64657 Tonnes (52247 Tonnes) produced in the factory of third party.

F. Includes 3233 KL (2303 KL) produced in the factory of the third party.

Figures in bracket indicate previous year's figures.

ii(a) Value of Imported and Indigenous Raw Materials consumed and percentage thereof.

	2006-07 Rs in million	2005-06 Rs in million	2006-07 %	2005-06 %
Imported	2229.05	1486.36	45.99	39.70
Indigenous	2617.93	2257.75	54.01	60.30
	4846.98*	3744.11*	100.00	100.00

NOTES ON ACCOUNTS (Contd...)

ii(b) Consumption of Raw Materials	2006-07		2005-06	
	Quantity MT	Value Rs in million	Quantity MT	Value Rs in million
Vinyl Acetate Monomer	17652	945.94	15752	817.16
Miscellaneous (None of which individually account for more than 10% of total consumption)		3901.04		2926.95
		4846.98 *		3744.11 *

Notes:

* Net of Resale of Raw Materials Rs 5.38 million (Rs 2.13 million)

	(Rs in million)	
	2006-07	2005-06
iii. CIF Value of Imports:		
Raw Materials	1,843.13	1,256.38
Capital Goods	35.75	10.60
Others	169.12	96.52
	2048.00	1363.50
iv. Expenditure in Foreign Currency:		
Foreign travel	25.08	25.97
Professional Fees	23.78	18.86
Interest	5.83	7.45
Others	72.80	56.13
	127.49	108.41
v. Earnings in Foreign Exchange:		
FOB Value of Exports	955.03	645.63
Others	0.75	0.47
	955.78	646.10

NOTES ON ACCOUNTS (Contd..)

9. Segment reporting: INFORMATION ABOUT BUSINESS SEGMENTS

(Rs in million)

Business Segments	Consumer & Bazaar Products	Industrial Products	Total
REVENUE			
External Sales	9747.09 (7891.88)	3154.17 (2550.47)	12901.26 (10442.35)
Inter Segment Revenue (at cost plus 10%)	3.36 (1.37)	315.92 (255.49)	319.28 (256.86)
Total Revenue	9750.45 (7893.25)	3470.09 (2805.96)	13220.54 (10699.21)
RESULTS			
Segment Results	1779.44 (1550.73)	407.47 (305.93)	2186.91 (1856.66)
Unallocated Corporate Expenses			757.22 (620.52)
Unallocated Corporate Income			154.13 (73.51)
Operating Profit			1583.82 (1309.65)
Interest expenses			62.71 (14.65)
Interest / Dividend Income			18.64 (17.56)
Income Tax (Provision for Taxation and Deferred taxation)			342.75 (426.01)
Net Profit			1197.00 (886.55)
OTHER INFORMATION			
Segment Assets	3920.80 (3130.57)	1536.63 (1385.88)	5457.43 (4516.45)
Unallocated Corporate Assets			2932.85 (1848.70)
Total Assets			8390.28 (6365.15)
Segment Liabilities	769.47 (564.75)	336.96 (260.04)	1106.43 (824.79)
Unallocated Corporate Liabilities			2404.05 (1416.91)
Total Liabilities			3510.48 (2241.70)
Capital Expenditure	429.37 (478.75)	59.79 (64.01)	489.16 (542.76)
Unallocated Corporate Capital Expenditure			253.60 (65.18)
Depreciation	160.63 (138.37)	58.92 (58.55)	219.55 (196.92)

NOTES ON ACCOUNTS (Contd...)

INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

(Rs in million)

GEOGRAPHICAL SEGMENTS	India		Other Countries		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sales Revenue	11888.27	9744.32	1012.99	698.03	12901.26	10442.35
Carrying amount of Segment Assets	8139.25	6214.61	251.03	150.54	8390.28	6365.15
Additions to Fixed Assets and Intangible Assets	742.76	607.94	–	–	742.76	607.94

Notes:

SEGMENT INFORMATION

Business Segment:

The Company is organised into two business segments: Consumer & Bazaar Products and Industrial Products. This segmentation is based around customers. Consumer & Bazaar Products consist of mainly Adhesives, Sealants, Art Materials and Construction Chemicals. Industrial Products consists of Organic Pigments, Industrial Resins and Industrial Adhesives.

Geographical Segment:

For the purpose of geographical segment the sales are divided into two segments : Sales within India and Sales in other countries.

10. Deferred Taxation:

Out of the net deferred tax liability of Rs 338.76 million as at 31st March 2007, the major components of deferred tax balances are set out below:

(Rs in million)

	Up to 31 st March 2006	During the year 2006-07	Carried as at 31 st March 2007
Deferred Tax Liability			
i) Difference between Accounting and Tax Depreciation (Cumulative)	316.49	36.27	352.76
Deferred Tax Assets			
i) Leave salary	11.38	2.14	13.52
ii) Others	0.23	0.25	0.48
	11.61	2.39	14.00
Net Deferred Tax liability	304.88	33.88	338.76

The above working of deferred tax is based on assessment orders where assessments are complete and on return of income in other cases

11 Related Party Disclosures:

Related Party Disclosures as required by AS -18, "Related Party Disclosures", are given below:

i) Relationships:

a. Vinyl Chemicals (India) Ltd	Substantial Interest in Voting Power (Associate)
b. Kalva Marketing and Services Ltd	Significant Influence
c. Parekh Marketing Ltd	Significant Influence
d. Fevicol Company Ltd	100% Subsidiary
e. Pidilite International Pte Ltd	100% Subsidiary
f. Pidilite Middle East Ltd	100% Subsidiary
g. Pidilite Do Brasil Desenvolvimento De Negocios Ltda	100% Subsidiary
h. Pidilite USA Inc	100% Subsidiary
i. Pagel Concrete Technologies Pvt Ltd	75% Subsidiary
j. Jupiter Chemicals (LLC)	100% Subsidiary of wholly owned subsidiary
k. P.T. Pidilite Indonesia	100% Subsidiary of wholly owned subsidiaries
l. Pidilite Speciality Chemicals Bangladesh Pvt Ltd	100% Subsidiary of wholly owned subsidiaries
m. Pidilite Innovation Centre Pte Ltd	100% Subsidiary of wholly owned subsidiary
n. Chemson Asia Pte Ltd	75% Subsidiary of wholly owned subsidiary
o. Bamco Ltd	75% Subsidiary of wholly owned subsidiary

ii) Key Management Personnel:

Sarvashri M B Parekh - Managing Director, N K Parekh - Jt Managing Director, A B Parekh and A N Parekh - Whole-Time Directors.

iii) Other Directors:

- Sarvashri B K Parekh, H K Parekh, S K Parekh, R M Gandhi, N J Jhaveri, Bansi S Mehta, Ranjan Kapoor and Yash Mahajan
- Shri V S Vasan - Whole-Time Director.

NOTES ON ACCOUNTS (Contd...)

i) Transactions with Related Parties during the year ended 31st March 2007 are as follows:

(Rs in million)

Nature of Transaction	Remuneration to Directors	Parekh Marketing Ltd	Vinyl Chemicals (India) Ltd	Kaiva Marketing and Services Ltd	Pidilite International Pte Ltd	Pidilite Middle East Ltd	Pidilite Do Brasil Desenvolvimento De Negocios Ltda	Jupiter Chemicals (LLC)	PT Pidilite Indonesia	Chemson Asia Pte Ltd	Bamco	Pidilite USA Inc	Pageel Concrete Technologies Pvt Ltd	Mala Parekh	Total
a Sales and Related Income		5332.28 (4622.21)	0.04 (0.82)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2.21 (Nil)	17.39 (Nil)	Nil (0.07)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	5351.92 (4623.10)
b Other Income (including Electricity Generation)		0.48 (0.48)	24.38 (18.21)	0.11 (0.11)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	24.97 (18.80)
c Purchases and Other Related Services		Nil (2.63)	404.91 (582.45)	Nil (Nil)	1.61 (Nil)	3.00 (Nil)	0.05 (Nil)	0.05 (Nil)	2.55 (Nil)	0.53 (1.72)	0.08 (Nil)	5.68 (Nil)	Nil (Nil)	Nil (Nil)	418.41 (586.80)
d Transfer of Sales Tax Deferment Benefit		Nil (Nil)	14.72 (14.72)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	14.72 (14.72)
e Remuneration to Directors: - Sitting Fees	0.25 (0.14)														0.25 (0.14)
- Managing Director / Jt. Managing Director	53.18 (46.13)														53.18 (46.13)
- Whole-Time Directors	22.51 (18.04)														22.51 (18.04)
- Commission to Non-Executive Directors	2.40 (2.00)														2.40 (2.00)
f Investment in Share Capital		Nil (Nil)	Nil (Nil)	Nil (Nil)	104.35 (150.84)	35.08 (41.28)	20.42 (2.40)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	368.52 (Nil)	6.41 (Nil)	Nil (Nil)	534.78 (194.52)
g Loans Given / (Taken)		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	60.62 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	138.20 (Nil)	3.34 (Nil)	Nil (Nil)	202.16 (Nil)
h Purchase of Fixed Assets		Nil (0.20)	Nil (Nil)	Nil (0.40)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.12 (Nil)	Nil (Nil)	Nil (Nil)	0.27 (Nil)	Nil (Nil)	0.39 (0.60)
i Sale of Fixed Assets		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	45.37 (Nil)	45.37 (Nil)
j Rent, Maintenance and Service Charges Paid		Nil (0.15)	9.71 (9.14)	Nil (Nil)	Nil (6.57)	Nil (Nil)	Nil (2.60)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	9.71 (18.46)
k Interest Paid / Received		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	(8.78) (Nil)	Nil (Nil)	Nil (Nil)	(8.78) (Nil)
l Reimbursement of expenses made		Nil (0.04)	0.39 (0.09)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.04 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.43 (0.13)
m Reimbursement of expenses received		0.21 (0.16)	0.23 (0.18)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2.01 (Nil)	0.12 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	11.35 (Nil)	Nil (Nil)	Nil (Nil)	13.92 (0.34)
n Outstanding Balances : - Debtors		458.75 (433.07)	0.01 (0.03)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2.01 (Nil)	1.31 (Nil)	17.05 (Nil)	Nil (Nil)	Nil (Nil)	11.54 (Nil)	Nil (Nil)	Nil (Nil)	490.67 (433.10)
- Creditors		Nil (0.39)	18.60 (11.29)	Nil (Nil)	Nil (Nil)	0.28 (Nil)	0.76 (Nil)	Nil (Nil)	2.55 (Nil)	0.02 (Nil)	Nil (Nil)	3.90 (Nil)	Nil (Nil)	Nil (Nil)	26.11 (0.90)
- Outstanding Payable (Net of receivable)		(458.75) (432.68)	18.59 (11.27)	Nil (Nil)	0.28 (Nil)	0.28 (Nil)	(1.25) (Nil)	(1.31) (Nil)	(14.50) (Nil)	0.02 (Nil)	Nil (Nil)	(7.64) (Nil)	Nil (Nil)	Nil (Nil)	(464.56) (433.95)

No amounts have been written off or written back during the year in respect of debts due from or to Related Parties.

NOTES ON ACCOUNTS (Contd...)

	As at 31.03.2007	(Rs in million) As at 31.03.2006
12. Sundry debtors include amount due from Company as per Section 370 (1B) of the Companies Act, 1956:		
Parekh Marketing Limited	458.75	433.07
Vinyl Chemicals (India) Limited	0.01	0.03
13. Earnings Per Share		
	As at 31.03.2007	As at 31.03.2006
Outstanding Equity Shares (No.)	25,24,00,000	25,24,00,000
Net Profit after tax including prior year tax provision written back (Rs in Million)	1199.29	906.77
Earnings Per Share (Rs)	4.75*	3.59*

* The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re 1 each wef 27th September 2005.

NOTES ON ACCOUNTS (Contd...)

14. Additional information pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

	2006-07	2005-06
I. Registration Details:		
Registration No	14336	14336
State Code	11	11
Balance Sheet Date	31.3.2007	31.3.2006
	(Rs in million)	(Rs in million)
II. Capital Raised During the Year:		
Public Issue	Nil	Nil
Rights Issue	Nil	Nil
Bonus Issue	Nil	Nil
Private Placement / On Amalgamation	Nil	Nil
III. Position of Mobilisation and Deployment of Funds		
Total Liabilities	6601.57	4981.20
Total Assets	6601.57	4981.20
Sources of Funds		
Paid-up Capital	252.40	252.40
Reserves and Surplus	4627.40	3871.05
Secured Loans	749.40	287.00
Unsecured Loans	633.61	265.87
Deferred Tax Liability (Net)	338.76	304.88
Application of Funds		
Net Fixed Assets	3371.50	2906.35
Investments	891.99	358.54
Net Current Assets	2335.65	1711.45
IV. Performance of Company:		
Turnover	12901.26	10442.35
Less : Excise duty	1357.46	1367.16
Net Turnover	11543.80	9075.19
Other Income	190.31	174.81
Total Expenditure	10194.36	7937.44
Profit Before Tax	1539.75	1312.56
Profit After Tax	1199.29	906.77
Earning per Share in Rs.	4.75	3.59
Dividend rate %	150.00	125.00
V. Generic Names of three Principal Products/Services of the Company (as per monetary terms)		
Item Code No. (ITC Code)	Product Description	
3506	ADHESIVES	
3905 + 3906	SYNTHETIC RESINS	
3204	ORGANIC PIGMENTS AND PREPARATIONS BASED ON ORGANIC PIGMENTS	

15. Figures in bracket indicate previous year's figures.

16. Previous year's figures have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 12

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

N K PAREKH
Jt. Managing Director

Mumbai
Date: 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

Cash Flow Statement For The Year Ended 31st March 2007

(Rs in million)

	2006-07	2005-06
A] CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	1539.75	1312.56
Adjustment for Depreciation	302.66	274.78
Additional Provision for Diminution in value of Investments	1.25	-
Interest paid	62.71	14.65
Dividend received	(3.29)	(5.90)
Interest received	(15.35)	(11.66)
Amortisation of VRS compensation	2.43	2.43
(Profit) / Loss on Sale of Assets	(44.98)	1.62
(Profit) / Loss on Sale of Investments	0.02	(12.33)
Provision for Diminution in value of Investments written back	-	(0.35)
Bad debts w/off / provision for doubtful debts	2.65	4.69
	308.10	267.93
Operating Profit before Working Capital changes	1847.85	1580.49
Working Capital changes :		
Inventories (Inc) / Dec	(442.17)	(234.52)
Debtors (Inc) / Dec	(226.27)	(15.48)
Loans and Advances, etc. (Inc) / Dec	(228.90)	24.90
Current Liabilities Inc / (Dec)	321.31	171.23
	(576.03)	(53.87)
Cash generated from operations	1271.82	1526.62
Interest received	15.35	11.66
Interest paid	(62.71)	(14.65)
Subsidy Received	-	2.00
Income Tax paid (Net)	(330.73)	(405.03)
	(378.09)	(406.02)
Net Cash flow from Operating Activities	893.73	1120.60
B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(822.28)	(616.24)
Sale of Fixed Assets	99.45	1.05
Purchase of Investments	(1507.26)	(1132.36)
Sale of Investments	972.54	970.82
Dividend received	3.29	5.90
Net Cash flow from Investing Activities	(1254.26)	(770.83)
Carried Forward	(360.53)	349.77

(Rs in million)

	2006-07	2005-06
Brought Forward	(360.53)	349.77
C] CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Increase of long term borrowings	57.72	52.34
(Repayment) / Increase of long term borrowings - Bank	250.00	-
(Decrease) / Increase in Short term Borrowings - Bank	212.40	127.62
(Repayment) / Increase of Short Term Borrowings - Foreign Currency Loan	310.02	(236.80)
Dividend paid (Including Dividend Tax, where applicable)	(359.49)	(287.98)
Net Cash Flow from Financing activities	470.65	(344.82)
Net Increase in Cash and Cash Equivalents	110.12	4.95
Cash and Cash Equivalents as at 01.04.2006	121.58	116.63
Cash and Cash Equivalents as at 31.03.2007	231.70	121.58
	110.12	4.95

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO
Chartered AccountantsCHETAN DESAI
PartnerMumbai
Date: 22nd May 2007P C PATEL
Sr. Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
ChairmanS K PAREKH
Vice ChairmanN K PAREKH
Jt. Managing Director

Statement pursuant to Section 212 of The Companies Act, 1956 Relating to Subsidiary Companies

		Names of the subsidiaries											
		Fevicol Company Ltd	Pidilite International Pte Ltd	Chemson Asia Pte Ltd	Pidilite Middle East Ltd	Jupiter Chemicals (LLC)	Pidilite Do Brasil Desenvolvimento De Negocios Ltda	Pidilite Speciality Chemicals Bangladesh Pvt Ltd	Banco Ltd	PT Pidilite Indonesia	Pidilite USA INC*	Pidilite Innovation Center Pte Ltd**	Pageel Concrete Technologies Pvt Ltd*
Currency		Indian Rs	Singapore Dollars	Singapore Dollars	AED	AED	Brazilian Reals	Taka	Baht	US Dollars	US Dollars	Singapore Dollars	Indian Rs
The financial year of the subsidiary ended on		31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007	31 st March 2007
Holding company's interest		100%	100%	75%	100%	100%	100%	100%	75%	100%	100%	100%	75%
Equity Share Capital	Local Currency Indian Rs In million	– 0.50	10211216 293.43	1250000 35.92	6287005 74.62	300000 3.56	1081395 22.95	32793300 20.72	12500000 16.79	855000 37.27	8000000 348.72	700155 20.12	– 100
Net aggregate Profits or (Losses) for the current financial year since becoming subsidiary, so far as concern the Members of the Holding Company, not dealt with or provided for in the accounts of the Holding Company	Local Currency Indian Rs In million	– 0.01	(70946) (2.00)	(221899) (6.25)	(118827) (1.43)	(1060200) (12.72)	(397006) (8.32)	– –	3554141 4.78	(147671) (6.51)	(805732) (35.90)	(25414) (0.72)	– (0.74)
Net aggregate Profits or (Losses) for the previous financial years since becoming subsidiary, so far as concern the members of the Holding Company, not dealt with or provided for in the accounts of the Holding Company	Local Currency Indian Rs In million	– 0.03	(150642) (4.06)	(374192) (10.03)	(162309) (1.97)	(462792) (5.55)	(60860) (1.13)	– –	126783 0.13	(34644) (1.53)	– –	– –	– –
Additional information u/s 212(5)		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* Became subsidiary of the Company during the year

** Became subsidiary of Pidilite International Pte Ltd during the year

FOR AND ON BEHALF OF THE BOARD
B K PAREKH
Chairman
S K PAREKH
Vice Chairman
N K PAREKH
Jt. Managing Director

P C PATEL
Sr. Vice President & Secretary

Mumbai
Date: 22nd May 2007

Corporate Governance Report

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the following report:

1. Company's Philosophy on Code of Governance

The Company is committed to good Corporate Governance and has complied in all material respects with the requirements specified in the Listing Agreement with the Stock Exchanges.

2. Board of Directors

During the Financial Year 2006-07, 9 Board Meetings (including one adjourned meeting) were held on 18th April 2006, 23rd May 2006, 25th July 2006, 8th August 2006, 17th October 2006, 2nd December 2006, 23rd January 2007 (adjourned to 2nd February 2007) and 21st March 2007.

Details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting (AGM), number of other Directorships and Committee Memberships are given below:

Sr. No.	Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships held as on 31 st March 2007 in other companies*	No. of Committee positions held @	
						Memberships	Chairmanships
1	Shri B K Parekh (Chairman)	NED (P)	8	Yes	17	5	–
2	Shri S K Parekh (Vice Chairman)	NED (P)	7	Yes	7	2	–
3	Shri H K Parekh	NED (P)	5	Yes	2	–	–
4	Shri M B Parekh (Managing Director)	ED (P)	8	Yes	11	–	–
5	Shri N K Parekh (Jt. Managing Director)	ED (P)	9	Yes	8	–	–
6	Shri A B Parekh (Whole-Time Director)	ED (P)	9	Yes	9	–	–
7	Shri A N Parekh (Whole-Time Director)	ED (P)	8	Yes	11	–	–
8 **	Shri Amit Roy (Whole-Time Director)	ED	3	Yes	–	–	–
9	Shri R M Gandhi	NED (I)	8	Yes	4	6	5
10	Shri N J Jhaveri	NED (I)	7	Yes	15	6	4
11	Shri Bansi S Mehta	NED (I)	9	Yes	17	8	5
12	Shri Ranjan Kapur	NED (I)	8	Yes	10	2	–
13	Shri Yash Mahajan	NED (I)	3	No	2	1	–
14 #	Shri V S Vasan (Whole-Time Director)	ED	3	NA	–	–	–

* Including Directorships held in Private Limited Companies, Section 25 Companies, Alternate Directorships and Directorships in bodies incorporated outside India.

** Resigned as Director of the Company wef 31st December 2006.

Appointed as Additional Director and also Whole-Time Director by the Board wef 2nd December 2006.

@ Includes position in Remuneration Committee

ED - Executive Director, ED (P) - Executive Director, Promoter, NED (P) - Non-executive Director, Promoter, NED (I) - Non-executive Director, Independent.

3. Audit Committee

During the financial year 2006-07, 5 meetings of the Committee were held on 18th April 2006, 23rd May 2006, 25th July 2006, 17th October 2006 and 23rd January 2007.

Details of composition of the Committee and attendance of the members at the meetings are given below:

Sr. No.	Name	Designation	Category attended	No. of Meetings
1	Shri Banshi S Mehta	Chairman	NED (I)	5
2	Shri N J Jhaveri	Member	NED (I)	5
3	Shri B K Parekh	Member	NED (P)	5
4 [#]	Shri Ranjan Kapur	Member	NED (I)	4

[#] Appointed as a member wef 18th April 2006

The Managing Director is a permanent invitee to the meetings. The Company Secretary is the Secretary of the Committee. Vice President (Finance) - the person heading the finance function is invited to attend the meetings. Statutory Auditors and Cost Auditors are invited when required.

The powers and terms of reference of the Committee are as specified in Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

4. Remuneration of Directors

Although Remuneration Committee (being a non-mandatory requirement) has not been constituted by the Company, all matters relating to review and approval of compensation payable to the Executive and Non-executive Directors are considered by the Board within the overall limits approved by the Members.

Executive Directors' remuneration details for the financial year 2006-07 are given below:

Sr. No.	Name	Salary* (Rs)	Commission Payable (Rs)	Perquisites (Rs)	Total (Rs)	Tenure (No. of years)
1	Shri M B Parekh (Managing Director)	76,70,904	2,68,63,000	45,30,725	3,90,64,629	5
2	Shri N K Parekh (Jt. Managing Director)	38,35,440	63,21,000	23,51,771	1,25,08,211	5
3	Shri A B Parekh (Whole-Time Director)	32,87,520	47,40,000	26,88,159	1,07,15,679	5
4	Shri A N Parekh (Whole-Time Director)	19,15,200	–	23,40,787	42,55,987	5
5 **	Shri Amit Roy (Whole-Time Director)	7,05,600	–	21,53,712	28,59,312	2
6 #	Shri V S Vasani (Whole-Time Director)	9,13,519	–	22,33,110	31,46,629	2

* Includes House Rent Allowance.

** Resigned as a Director of the Company wef 31st December 2006.

Appointed as Whole-Time Director of the Company wef 2nd December 2006.

The above figures are exclusive of Company's contribution to Provident Fund, Superannuation, Gratuity and encashment of leave at the end of tenure as per the rules of the Company.

Notice period for the Executive Directors is as applicable to the senior employees of the Company. No severance fee is payable to the Executive Directors on termination of employment. The Company does not have a scheme of stock options for the Directors or the employees.

The details of sitting fees paid for attending to the Board/Committee meetings and commission due to the Non-executive Directors for the year ended 31st March 2007 are as under:

Sr. No.	Name	Sitting fees (Rs)	Commission Payable (Rs)	Total (Rs)
1	Shri B K Parekh	–	3,00,000	3,00,000
2	Shri S K Parekh	–	3,00,000	3,00,000
3	Shri H K Parekh	–	3,00,000	3,00,000
4	Shri R M Gandhi	54,000	3,00,000	3,54,000
5	Shri N J Jhaveri	46,000	3,00,000	3,46,000
6	Shri Banshi S Mehta	53,000	3,00,000	3,53,000
7	Shri Ranjan Kapur	51,000	3,00,000	3,51,000
8	Shri Yash Mahajan	15,000	3,00,000	3,15,000

The Company do engage M/s. Banshi S Mehta & Co., a Chartered Accountants firm in which Shri Banshi S Mehta is a partner for legal/tax advice. The services provided by them are purely of professional nature and the fees paid for such services do not result in any material pecuniary benefit to them and they do not have any material association with the Company. Other Non-executive Directors did not have pecuniary relationships or transactions vis-à-vis the Company.

In terms of special resolution passed by the members at Annual General Meeting held on 5th August 2003, Non-executive Directors have been paid aggregate commission at a rate not exceeding 1% per annum of the net profit of the Company computed in accordance with section 309(5) of the Companies, Act, 1956 as determined by the Board of Directors, based on consideration of time spent in attending Board meetings, Committee meetings and advice given to the Company as experienced/expert persons, whenever approached.

The number of shares of the Company held by Non-executive Directors as on 31st March 2007: Shri R M Gandhi - 40,000; Shri N J Jhaveri - 5,000; Shri Ranjan Kapoor - Nil; Shri Banshi S Mehta - 12,000; Shri Yash Mahajan - 3,500; Shri B K Parekh - 29,04,400; Shri S K Parekh - 2,29,83,580; Shri H K Parekh - 24,04,640.

There are no convertible instruments issued by the Company.

5. Shareholders / Investors Grievance Committee

During the year 12 meetings of the Share Transfer Committee were held and 1 meeting of the Shareholders/Investors Grievance Committee was held on 24th January 2007 which was attended to by Shri R M Gandhi and Shri B K Parekh.

Details of composition of the Committee is given below:

Sr. No.	Name	Designation	Category
1	Shri R M Gandhi	Chairman	NED (I)
2	Shri B K Parekh	Member	NED (P)
3	Shri S K Parekh	Member	NED (P)

The Committee has the power to look into redressal of shareholders/investors grievance such as non-receipt of shares sent for transfer, non-receipt of declared dividends, non-receipt of Annual Reports, etc.

The Secretarial Department of the Company, under the supervision of Shri P C Patel, Sr. Vice President & Secretary, who is also nominated as the "Compliance Officer" as required by SEBI/Listing Agreement and TSR Darashaw Limited, Registrar & Share Transfer Agents, attend to all shareholders'/investors' grievances received directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs and Registrar of Companies.

Barring certain cases pending in Courts/Consumer Forums, mainly relating to disputes over the title to shares, in which the Company has been made a party, the Company and TSR Darashaw Ltd have attended to all the shareholders'/investors' grievances/correspondences generally within a period of 15 days from the date of receipt.

The total number of letters received from the shareholders was 568 of which only 45 were in the nature of complaints. All the complaints were solved to the satisfaction of shareholders. There were no pending complaints as on 31st March 2007. No requests for transfer of shares were pending as on 31st March 2007 and 2 requests for dematerialisation of shares were pending for approval as on 31st March 2007, which were dealt with by 3rd April 2007.

The Company has framed a Code of Internal Procedures and Conduct for Prevention of Insider Trading on the lines of model code specified by SEBI. Shri P C Patel, Sr. Vice President & Company Secretary is the Compliance Officer for the purpose.

6. General Body Meetings

Details of Location, Date and Time of the Annual General Meetings held during the last three years are given below:

Financial Year	Venue	Date & Time
2005-06	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021	8 th August 2006 at 11.00 a.m.
2004-05	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021	9 th August 2005 at 11.00 a.m.
2003-04	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021	3 rd August 2004 at 11.00 a.m.

The following Special Resolutions were passed with requisite majority in the previous 3 Annual General Meetings:

2005-2006

- Appointment of Shri Sanket Parekh, a relative of Director to hold an office or place of profit in Pidilite USA, INC, a subsidiary of the Company under Section 314 of the Companies Act, 1956.

2004-2005

- Alteration of Clause 4A of the Articles of Association relating to share capital for sub-division of one equity share of nominal value of Rs 10 each into 10 equity shares of Re 1 each.

2003-2004

- Reappointment of Shri Santosh Kumar as a Whole-Time Director of the Company for a further period of 1 year wef 1st September 2004.

No Special Resolution was put through postal ballot during the last year. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

7. Disclosures

- There were no materially significant related party transactions which have potential conflict with the interest of the Company at large.
- The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, no penalties were imposed or strictures passed against your Company by SEBI, Stock Exchanges or any other statutory authority on any matter relating to capital markets during the last 3 years.

- Company has complied with all applicable mandatory requirements of Clause 49 of the Listing Agreement. Out of the non-mandatory requirements, the Company has adopted the following:

Shri B K Parekh, Non-executive Chairman, is maintaining an office at the Company, at the Company's expense and also allowed reimbursement of the expenses incurred in performance of his duties.

Company is in the regime of unqualified financial statements.

8. Means of Communication

- The quarterly results of the Company are normally published in the following newspapers:
The Economic Times (English), Maharashtra Times (Marathi) and displayed on the Company's website www.pidilite.com
- Presentation made to Institutional Investors or to Analyst: None during the year.

9. Information relating to Directors

Information relating to Directors seeking appointment / reappointment as required under clause 49(IV)G(i) of the Listing Agreement is given in the Notice of the Annual General Meeting.

10. Information for Shareholders

Detailed information in this regard is provided in the "Information for Shareholders" section, appearing in the Annual Report.

11. Declaration by the Managing Director under Clause 49 (1) (D) (ii)

Declaration by the Managing Director of the Company under Clause 49 (1) (D) (ii) of the Listing Agreement with Stock Exchanges is given below :

"Pursuant to Clause 49 (1) (D) (ii) of the Listing Agreement with Stock Exchanges, I hereby declare that all the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March 2007"

Corporate Governance Compliance Certificate

By Practising Company Secretary

To
**The Members of
M/s Pidilite Industries Limited**

Co Regn No: 14336
Nominal Capital: Rs 30 crore

We have examined relevant records of M/s Pidilite Industries Ltd (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd for the financial year ended 31st March 2007. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with all the applicable mandatory conditions of the said Clause 49 of the Listing Agreement.

Date: 22nd May 2007
Mumbai

For M M SHETH & CO
Company Secretaries

M M SHETH
Proprietor
FCS.1455, CP.729

Information for Shareholders

Annual General Meeting:

Day, Date & Time: Wednesday, 29th August 2007, 11 a.m.

Venue: Kamalnayan Bajaj Hall, Bajaj Bhavan,
Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021.

Financial Year:

1st April to 31st March

Dates of Book Closure:

17th August 2007 to 29th August 2007 (both days inclusive)

Dividend Payment:

Dividend will be paid during the month of September 2007 subject to the approval of the shareholders at the Annual General Meeting.

Listing of Shares on Stock Exchanges:

The equity shares of the Company are listed on the Bombay Stock Exchange Ltd (BSE) and The National Stock Exchange of India Ltd (NSE). The Annual Listing fees for the financial year 2007-08 has been paid to BSE & NSE.

Stock Codes

Name of the Stock Exchange	Stock Code
The Bombay Stock Exchange Ltd	500331
The National Stock Exchange of India Ltd	PIDILITIND

Market Price Data

Share prices during the financial year 2006-07 at NSE for one equity share of Re 1 each were as under:

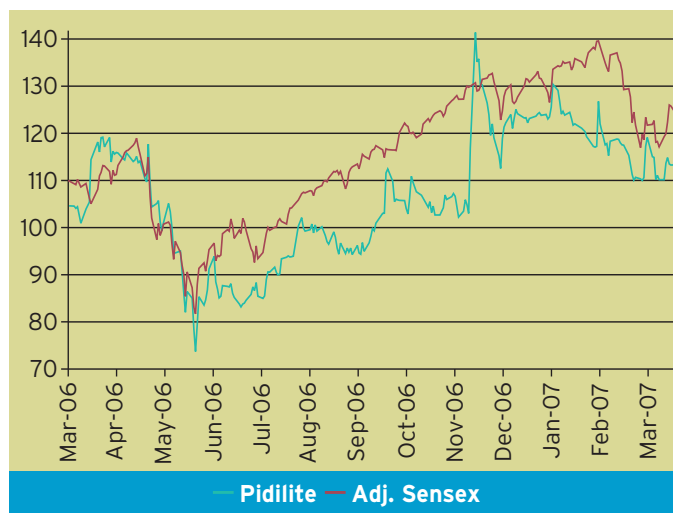
Month	Share Price (Rs)	
	High	Low
April 2006	122.90	100.00
May 2006	121.70	84.90
June 2006	104.00	74.00
July 2006	93.50	83.40
August 2006	108.80	90.45
September 2006	103.95	93.20
October 2006	114.80	100.75
November 2006	144.00	100.40
December 2006	134.50	108.00
January 2007	132.90	110.65
February 2007	130.85	110.00
March 2007	122.00	102.00

Share prices during the financial year 2006-07 at BSE for one equity share of Re 1 each were as under:

Month	Share Price (Rs)	
	High	Low
April 2006	122.50	98.10
May 2006	121.90	91.25
June 2006	103.00	74.10
July 2006	93.80	84.50
August 2006	106.80	90.00
September 2006	103.75	93.35
October 2006	114.40	101.00
November 2006	144.00	100.00
December 2006	134.60	108.10
January 2007	132.90	118.55
February 2007	129.25	110.00
March 2007	120.50	103.00

Stock Performance

The performance of the Company's shares in comparison to BSE sensx is given in the Chart below:



Registrar & Share Transfer Agent

TSR Darashaw Limited

Unit: Pidilite Industries Limited

6-10, Haji Moosa Patrawala Ind. Estate

20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

Tel 022 - 66568484

Fax 022 - 66568494

e-mail csg-unit@tsrdarashaw.com

www.tsrdarashaw.com

Share Transfer System

The Company has delegated the authority to approve shares received for transfer in physical form as under:

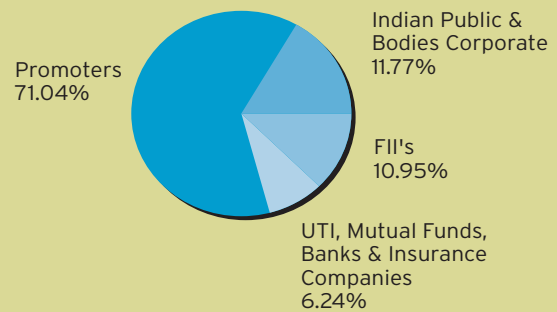
No. of shares	Authorisation given to
up to 2000	TSR Darashaw Limited
up to 10000	Any one of Sarvashri B K Parekh, S K Parekh, M B Parekh, Directors or in their absence, the Company Secretary
above 10000	Share Transfer Committee comprising the Directors viz, Sarvashri B K Parekh, S K Parekh, N K Parekh and R M Gandhi

Presently the share transfers which are received in physical form are processed and the share certificates duly transferred are returned generally within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Distribution of Shareholding as on 31st March 2007

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
Up to 5000	19600	96.95	17001095	6.73
5001-10000	327	1.62	2411746	0.96
10001-20000	124	0.61	1815280	0.72
20001-30000	35	0.17	874291	0.35
30001-40000	19	0.09	683990	0.27
40001-50000	20	0.10	942493	0.37
50001-100000	22	0.11	1547245	0.61
100001 and above	71	0.35	227123860	89.99
Total	20218	100.00	252400000	100.00
No. of Share holders & shares in physical mode	1293	6.40	4061487	1.61
No. of beneficial owners & shares in electronic mode	18925	93.60	248338513	98.39
Total	20218	100.00	252400000	100.00

Shareholding Pattern as on 31st March 2007



Dematerialisation of shares & liquidity:

As on 31st March 2007, 98.39% of total equity shares of the Company were held in dematerialised form with National Securities Depository Ltd. and Central Depository Services (India) Ltd. The Company's equity shares are required to be compulsorily traded in the dematerialised form. The shares are available for dematerialisation under ISIN **INE318A01026**.

Requests for dematerialisation of shares are processed and generally confirmed within 15 days of receipt.

Outstanding GDRs/ADRs/Warrants/Convertible instruments:

The Company has no outstanding GDRs/ADRs/Warrants or any Convertible instruments.

Plant Locations:

Mahad, Panvel, Taloja, Kondivita and Sakinaka (Maharashtra), Vapi (Gujarat), Daman (Union Territory of India), Kala Amb and Baddi (Himachal Pradesh).

Address for Correspondence:

Registered Office

Regent Chambers, 7th floor, Jamnalal Bajaj Marg 208, Nariman Point, Mumbai - 400 021.
Tel No: 022-22822708 • Fax No: 022-22043969

Corporate Secretarial/Investors' Assistance Department:

The Company's Secretarial Department headed by Shri P C Patel, Sr. Vice President & Secretary, is situated at the Registered Office mentioned above. Shareholders / Investors may contact Shri P C Patel or Shri K S Krishnan at the Registered Office in Mumbai for any assistance they may need.

Consolidated Financial Statements

Auditors' Report

To,
The Board of Directors,

Pidilite Industries Limited

Auditors' Report to the Board of Directors of **Pidilite Industries Limited** on the consolidated financial statements of Pidilite Industries Limited and its Subsidiaries:

We have examined the attached Consolidated Balance Sheet of Pidilite Industries Limited (PIL) and its subsidiaries (including subsidiaries of the subsidiaries) as at 31st March 2007, the Consolidated Profit and Loss Account for the year ended on that date and also the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto.

Respective Responsibility of the Management and the Auditors:

These financial statements are the responsibility of the PIL management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion:

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance, as to whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs 1386.66 million as at 31st March 2007 and total revenues of Rs 9.76 million for the year ended on that date

These financial statements have been audited by other chartered accountants, whose reports have been furnished to us and in our opinion, in so far as, it relates to the amounts included in respect of subsidiaries, is based solely on the reports of the other chartered accountants.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" read with Accounting Standard 23 on "Accounting for Investment in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited statements of PIL and its subsidiaries and unaudited financial statements of the Associate included in the Consolidated Financial Statements.

Opinion:

On the basis of the information and the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of PIL and its aforesaid subsidiaries, we are of the opinion that :

- a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of PIL and its subsidiaries as at 31st March 2007,
- b) The consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of PIL and its subsidiaries for the year ended on that date and
- c) In case of the consolidated Cash Flow Statement, of the consolidated cash flows of PIL and its subsidiaries for the year ended on that date.

For HARIBHAKTI & CO
Chartered Accountants
CHETAN DESAI
Partner
Membership No. 17000

Place: Mumbai
Date: 22nd May 2007

Consolidated Balance Sheet

As At 31st March 2007

(Rs in million)

	Schedule	As at 31 st March 2007	As at 31 st March 2006
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Capital	1	252.40	252.40
b. Reserves and Surplus	2	4553.50	3880.46
		4805.90	4132.86
2. Loan Funds			
a. Secured Loans	3	791.36	297.35
b. Unsecured Loans	4	657.76	265.87
		1449.12	563.22
3. Deferred Tax Liability (Net)		335.37	304.88
Minority Interest		15.22	14.65
TOTAL		6605.61	5015.61
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a. Gross Block		5737.86	4746.78
b. Less: Depreciation		2233.90	1931.88
c. Net Block		3503.96	2814.90
d. Capital work in progress		364.85	257.53
		3868.81	3072.43
2. Investments (Net)	6	159.23	159.62
3. Current Assets, Loans and Advances	7		
a. Inventories		2213.65	1558.06
b. Sundry Debtors		1579.88	1133.37
c. Cash and Bank Balances		381.37	161.16
d. Other Current Assets		21.74	23.10
e. Loans and Advances		509.48	329.97
		4706.12	3205.66
Less: Current Liabilities and Provisions	8		
a. Liabilities		1637.89	1028.81
b. Provisions		493.35	398.52
		2131.24	1427.33
Net Current Assets		2574.88	1778.33
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
VRS compensation - Refer Note 1 (ix) of schedule 12		2.69	5.23
TOTAL		6605.61	5015.61

Notes forming part of the Accounts

12

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO

Chartered Accountants

CHETAN DESAI

Partner

Mumbai

Date: 22nd May 2007

P C PATEL

Sr. Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH

Chairman

S K PAREKH

Vice Chairman

N K PAREKH

Jt. Managing Director

Consolidated Profit And Loss Account

For The Year Ended 31st March 2007

		(Rs in million)	
	Schedule	2006-07	2005-06
INCOME			
Sales		13839.18	10537.12
Less : Excise Duty		1357.46	1367.16
Net Sales		12481.72	9169.96
Other Income	9	188.74	176.23
		12670.46	9346.19
EXPENDITURE			
Materials	10	7110.09	5033.21
Other Expenses	11	3776.48	2748.33
Depreciation		327.68	277.76
		11214.25	8059.30
Profit before Taxation		1456.21	1286.89
Income Tax Expense			
Current Tax		289.91	386.58
Deferred Tax		30.49	17.02
Fringe Benefit Tax		22.33	22.50
		342.73	426.10
Profit for the year		1113.48	860.79
Prior year Tax Provision written back (Net)		2.29	20.22
Share of Profit / (Loss) in Associate Company for the year		0.96	(6.25)
Minority Interest		0.74	2.82
Balance brought forward from previous year		379.74	341.91
Profit available for appropriation		1497.21	1219.49
Proposed Dividend		378.60	315.50
Corporate Tax on Dividend		64.34	44.25
Total Dividend including tax thereon		442.94	359.75
Transfer to General Reserve		600.00	480.00
Balance carried to Balance Sheet		454.27	379.74
Earnings Per Share (Refer Note 6 of Schedule 12):			
Basic and Diluted (Rs)		4.43	3.48
Face Value of Share (Rs)		1.00	1.00
Notes forming part of the Accounts	12		

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO
Chartered Accountants

CHETAN DESAI
Partner

Mumbai
Date: 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

N K PAREKH
Jt. Managing Director

Schedule

Numbers 1 to 12 annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2007 and Consolidated Profit and Loss Account for the year ended 31st March 2007

(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
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SCHEDULE 1 SHARE CAPITAL

Authorised		
27,50,00,000 Equity Shares of Re 1 each	275.00	275.00
2,50,00,000 Unclassified Shares of Re 1 each	25.00	25.00
TOTAL	300.00	300.00
Issued, Subscribed and Paid-up		
25,23,94,000 Equity Shares of Re 1 each, fully paid-up (Notes 1 and 2)	252.39	252.39
Bonus Shares Issue Suspense Account (Note 3)	0.01	0.01
TOTAL	252.40	252.40

NOTES:

Out of the above

- 74,75,880 Equity Shares of Re 1 each have been issued for consideration other than cash pursuant to various schemes of amalgamation during earlier years.
- 22,64,14,340 Equity Shares of Re 1 each have been allotted as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Securities Premium Account and Capital Redemption Reserve.
- Bonus Shares Issue Suspense Account pertains to issue of 6,000 fully paid-up Bonus Shares pending settlement of dispute for title of shares.
- The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re 1 each w.e.f. 27th Sept. 2005.

SCHEDULE 2 RESERVES AND SURPLUS

Capital Reserve		
Balance as per last Balance Sheet	3.37	3.37
Cash Subsidy Reserve		
Balance as per last Balance Sheet	9.47	7.47
Add: Received during the year	—	2.00
	9.47	9.47
Special Reserve		
Balance as per last Balance Sheet	1.19	1.19
General Reserve		
Balance as per last Balance Sheet	3488.22	3008.22
Add: Transferred from Profit and Loss Account	600.00	480.00
	4088.22	3488.22
Foreign Currency Translation Reserve	(3.02)	(1.53)
Profit and Loss Account	454.27	379.74
TOTAL	4553.50	3880.46

(Rs in million)

As at
31st March 2007 **As at**
31st March 2006

SCHEDULE 3

SECURED LOANS

Working Capital loans from Banks (including Working Capital Demand Loan)	501.06	297.35
Term Loans from Banks	290.30	–
TOTAL	791.36	297.35

Working Capital Loans from Banks are secured by way of first charge on the stock of Raw Materials, Finished Goods, Packing Material, Stock in Process, Bills Receivable and Book Debts and by way of second charge on the entire Plant and Machinery of the Company including Stores and Spares. Further, these loans are secured by way of an Equitable Mortgage on the Land and Building of the Company's unit at Kondivita, Mumbai.

SCHEDULE 4

UNSECURED LOANS

Interest free Sales Tax loan from Government of Gujarat	0.03	0.50
Interest free Sales Tax loan from Government of Maharashtra	323.56	265.37
Foreign Currency Loan from Banks	310.02	–
Working capital Loans from Bank	24.15	–
TOTAL	657.76	265.87

Amount due within one year Rs 334.21 million (Rs 0.47 million)

SCHEDULE 5

FIXED ASSETS

(Rs in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION					NET BLOCK		
	As at 1-4-2006	Additions / Adjust- ments	Deductions/ Adjust- ments	As at 31.3.2007	As at 1-4-2006	Additions Due to Acquisitions	Provided during the year	Deduc- tions Adjust ments	As at 31.3.2007	As at 31.3.2007	As at 31.3.2006
Intangible Assets:											
- Goodwill	201.22	45.13	-	246.35	46.15	-	9.55	-	55.70	190.65	155.07
- Copyrights, Trademarks, etc.	606.60	170.39	-	776.99	284.55	-	67.78	-	352.33	424.66	322.05
Freehold Land	122.97	32.20	3.45	151.72	-	-	-	-	-	151.72	122.97
Leasehold Land	39.32	22.02	-	61.34	2.51	-	0.76	-	3.27	58.07	36.81
Buildings	778.54	212.95	41.41	950.08	150.70	-	24.38	4.90	170.18	779.90	627.84
Plant and Machinery	2639.76	509.30	10.47	3138.59	1312.43	-	196.99	7.46	1501.96	1636.63	1327.33
Furniture and Fixtures	168.33	48.99	8.54	208.78	64.56	-	11.50	2.80	73.26	135.52	103.77
Vehicles	151.23	28.63	17.41	162.45	45.12	-	14.96	10.50	49.58	112.87	106.11
Capital Expenditure on Scientific Research:											
- Buildings	1.48	-	-	1.48	0.84	-	0.05	-	0.89	0.59	0.64
- Plant and Machinery	32.45	2.75	-	35.20	21.83	-	1.52	-	23.35	11.85	10.62
- Furniture and Fixtures	3.06	-	-	3.06	1.37	-	0.19	-	1.56	1.50	1.69
Assets given on Lease: Plant and Machinery	1.82	-	-	1.82	1.82	-	-	-	1.82	-	-
Total	4746.78	1072.36	81.28	5737.86	1931.88	-	327.68	25.66	2233.90	3503.96	2814.90
Previous Year	3915.65	839.26	8.13	4746.78	1636.16	23.34	277.76	5.38	1931.88		
Capital work in progress including capital advances										364.85	257.53
TOTAL										3868.81	3072.43

Plant and machinery includes assets acquired under hire purchase with net book value of Rs 1.83 million (1.60 million)

(Rs in million)

As at	As at
31st March 2007	31st March 2006

SCHEDULE 6

LONG TERM INVESTMENTS (AT COST)

I. In Government Securities (Unquoted)

6 and 7 Years National Savings Certificates (Deposited with Government Departments, Mumbai Municipal Corporation, Reliance Energy Ltd)	0.01	0.10
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II. In Equity Shares (Fully paid)

a) Quoted

Trade:

• 7451540 Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	117.83	117.83
Add : Adjustment for valuation of investment in Vinyl Chemicals (India) Ltd		
Goodwill (net) arising at the time of acquisition of shares	(9.52)	(9.52)
Share of undistributed profits / losses in prior years up to 31st March 2004	35.87	42.13
Share of profit/(loss) for current year	0.96	(6.25)
	145.14	144.19

Others:

• 3594 Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.09	0.09
• 14400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	0.72	0.72
• 4188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd	0.77	0.77
• 121300 Equity Shares of Rs 10 each of Pal Peugeot Ltd	1.21	1.21
• 222542 Equity Shares of Rs 10 each of Indian Overseas Bank Ltd	2.96	2.96
• 61900 Equity Shares of Rs 10 each of Menon Pistons Ltd	4.38	4.38

[Market Value Rs 97.56 million (Rs 135.38 million)]

TOTAL - II (a) **155.27** 154.32

b) Unquoted (Fully paid)

• 200200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	5.29	5.29
• 2275 Equity Shares of Re 1 each of Himalaya House Co-op. Society Ltd (Cost Rs 2275)	-	-
• 628 Equity Shares of Rs 100 each of Jawahar Co-op Industrial Estate Ltd	0.06	0.06
• 40 Equity Shares of Rs 50 each of Regent Chambers Premises Co-op Society Ltd (Cost Rs 2000)	-	-
• 25 Equity Shares of Rs 10 each of New Usha Nagar Co-op Housing Society Ltd (Cost Rs 250)	-	-
• 10 Equity Shares of Rs 100 each of Taloja CETP Co-op Society Ltd (Cost Rs 1000)	-	-

TOTAL - II (b) **5.35** 5.35

III. In Units of Mutual Fund (Unquoted)

• 400 Units of Rs 70000 each of Infinity Venture India Fund (Partly Redeemed)	5.18	5.18
• 16775.146 (16775.146) Units of Grindlays Super Saver Fund	0.23	0.23

TOTAL - III **5.41** 5.41TOTAL : I + II (a) + II (b) + III **166.04** 165.18Less: Diminution in value of Investments **6.81** 5.56

TOTAL	159.23	159.62
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Previous year's figures are indicated in brackets only when there is a change.

Investments purchased and sold during the year other than shown above:

	Purchased	Sold
Units of Birla Cash Plus Dividend Option Institutional Plan	56006696	56006696
Units of DSP Merrill Lynch Weekly Dividend Option	190865	190865
Units of DSP Merrill Lynch Weekly Dividend Option	2827949	2827949
Units of Prudential ICICI Liquid Plan Daily Dividend Option	2958239	2958239
Units of Reliance Liquid Fund Daily Dividend Option	12012084	12012084
Units of Templeton Mutual Fund Weekly Dividend Option	24162	24162

(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
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SCHEDULE 7

CURRENT ASSETS, LOANS AND ADVANCES

A) Current Assets		
a) Inventories (As valued and certified by the Management)		
Consumable Stores and Spares, etc.	10.54	9.94
Raw Materials	721.68	560.51
Goods in Process	82.24	59.22
Finished Goods	978.48	749.81
Traded Goods	263.23	65.68
Packing Materials	157.48	112.90
	2213.65	1558.06
b) Sundry Debtors (Unsecured)		
Over six months -		
Considered good	17.93	18.53
Considered doubtful	1.04	0.58
Others, Considered good	1561.95	1114.84
	1580.92	1133.95
Less : Provision for doubtful debts	1.04	0.58
	1579.88	1133.37
c) Cash and Bank Balances		
Cash and cheques on hand	91.64	49.91
Remittances in transit	61.92	2.01
Bank Balances:		
With scheduled banks		
In Current Accounts	227.78	103.50
In Deposits	-	5.71
Others:		
In Fixed Deposit with Municipal Co-op. Bank Ltd. [Maximum outstanding during the year Rs 0.03 million (Rs 0.03 million)]	0.03	0.03
	381.37	161.16
d) Other Current Assets		
Interest Accrued on Investments	-	0.09
Claims Receivable	21.74	23.01
	21.74	23.10
B) Loans and Advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	260.54	130.06
Advance Payment of Taxes (Net of Provisions)	102.98	76.94
Loans and Advances to Staff	39.11	34.40
Deposits	53.30	31.17
Balances with Central Excise Department	53.55	57.40
	509.48	329.97
TOTAL	4706.12	3205.66

(Rs in million)

As at	As at
31st March 2007	31st March 2006

SCHEDULE 8

CURRENT LIABILITIES AND PROVISIONS

A) Current Liabilities

Acceptances	30.89	24.68
Sundry Creditors		
Small and Medium Enterprises	83.86	60.65
Others	748.34	439.53
	832.20	500.18
Dealers' Deposits	154.58	132.75
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary:		
Unclaimed Dividends	3.47	3.21
Other Liabilities	616.75	367.99
	1637.89	1028.81

B) Provisions

For Leave encashment	50.41	38.77
Dividends:		
Proposed Dividend	378.60	315.50
Corporate Tax on Dividend	64.34	44.25
	442.94	359.75
	493.35	398.52

TOTAL	2131.24	1427.33
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(Rs in million)

2006-07	2005-06
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SCHEDULE 9

OTHER INCOME

Interest received (Gross)	11.40	11.91
[Tax deducted at source Rs 0.38 million (Rs 1.16 million)]		
Insurance Claim Received	0.64	56.56
Dividend received	3.29	5.90
Export Incentives	19.11	18.30
Profit on sale of Fixed Assets	50.66	12.33
Foreign Exchange Fluctuation	9.14	-
Miscellaneous	94.50	70.87
Excess provisions written back	-	0.36
TOTAL	188.74	176.23

(Rs in million)

2006-07

2005-06

SCHEDULE 10

MATERIALS

a. Raw Materials consumed		
Opening Stock	560.51	511.76
Add: Purchases	5636.62	3842.68
	<u>6197.13</u>	<u>4354.44</u>
Less: Closing Stock	721.68	560.51
		<u>3793.93</u>
	5475.45	
b. (Increase) / Decrease in Stocks		
Closing Stock		59.22
Goods in Process	82.24	749.80
Finished Goods	978.48	809.02
	<u>1060.72</u>	
Less:		
Opening Stock		42.16
Goods in Process	59.22	610.53
Finished Goods	749.81	652.69
	<u>809.03</u>	<u>156.33</u>
	(251.69)	
c. Packing Materials consumed	1449.96	1119.81
d. Cost of Traded Goods		
Opening Stock	65.68	48.54
Add: Purchases	633.92	292.94
	<u>699.60</u>	<u>341.48</u>
Less: Closing Stock	263.23	65.68
		<u>275.80</u>
	436.37	
TOTAL	7110.09	5033.21

	2006-07	2005-06
SCHEDULE 11		
OTHER EXPENSES		
Stores and Spares consumed	50.32	40.19
Clearing, Forwarding, Octroi Duty, etc.	489.91	356.83
Central Excise Duty	13.13	13.02
Power and Fuel	126.38	95.55
Water Charges	9.93	8.61
Employees' Emoluments: [Refer Notes 1 (viii), (ix), of Schedule 12]		
Salaries, Wages, Bonus, Allowances, etc.	991.72	755.60
Contribution to Provident and Other Funds	61.18	56.98
Welfare Expenses	37.62	32.45
	1090.52	845.03
Rent	80.44	45.89
Rates and Taxes	11.21	7.44
Insurance	29.94	20.75
Licence fees	0.60	0.71
Repairs:		
Buildings	11.19	9.17
Machinery	32.08	26.48
Others	16.32	13.05
	59.59	48.70
Directors' Fees	0.73	0.24
Advertisement and Publicity	582.20	396.63
Legal and Professional fees	116.44	80.40
Communication Expenses	55.86	42.88
Printing and Stationery	20.71	16.18
Travelling & Conveyance Expenses	229.35	180.88
Bad Debts	4.50	4.77
Provision for Doubtful Debts	0.46	0.58
Processing and Packing Charges	335.77	245.30
Bank charges	29.51	23.41
Commission & Brokerage	35.38	17.34
Miscellaneous expenses	223.71	176.62
Scientific Research and Development Expenditure [Refer Note 1(vi) of Schedule 12]	3.09	3.10
Remuneration to Auditors		
Audit Fees (Including tax audit fees)	6.51	2.05
For Other Services	0.98	1.46
	7.49	3.51
Donations	95.81	47.10
Diminution in value of Investments [Refer Notes 1(vii) of Schedule 12]	1.25	–
Foreign Exchange Fluctuation	–	9.64
Loss on Fixed Assets Sold/Discarded (Net)	5.90	1.62
Interest		
On Term Loan	22.12	–
Others	44.23	15.41
TOTAL	3776.48	2748.33

SCHEDULE 12

NOTES ON ACCOUNTS

1. Significant Accounting Policies

- i) The consolidated financial statements have been prepared in accordance with the Accounting Standard (AS21) on consolidated financial statements and it comprises of the results of Pidilite Industries Limited (Holding Company) and subsidiary companies viz.

Name of Subsidiary Company	Country of Incorporation	Proportion of Ownership Interest
Fevicol Company Ltd	India	100% Subsidiary
Pidilite International Pte Ltd	Singapore	100% Subsidiary
Pidilite Middle East Ltd	Middle East	100% Subsidiary
Pidilite Do Brasil Desenvolvimento De Negocios Ltda.	Brazil	100% Subsidiary
Pidilite USA Inc	USA	100% Subsidiary
Pagel Concrete Technologies Ltd	India	75% Subsidiary
Jupiter Chemicals (L.L.C.)	Middle East	100% Subsidiary of wholly-owned Subsidiary
PT Pidilite Indonesia	Indonesia	100% Subsidiary of wholly-owned Subsidiaries
Pidilite Speciality Chemicals Bangladesh Pvt Ltd	Bangladesh	100% Subsidiary of wholly-owned Subsidiaries
Pidilite Innovation Centre PTE Ltd	Singapore	100% Subsidiary of wholly-owned Subsidiary
Chemson Asia Pte Ltd	Singapore	75% Subsidiary of wholly-owned Subsidiary
Bamco Ltd	Thailand	75% Subsidiary of wholly-owned Subsidiary

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions & other events in similar circumstances & are presented in the same manner as holding Company separate financial statements except as provided under para iv(5), iv(6), iv(e), v(d) and viii(d).

ii) General

The financial statements are prepared under the historical cost convention, on the basis of a going concern and as per applicable Indian Accounting Standards. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.

iii) Revenue Recognition

- i) Income from sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.
- ii) Interest income is recognised on accrual basis.
- iii) Claims which are not of material nature / Insurance Claim, Octroi Duty, Customs Duty, etc. are accounted for when no significant uncertainties are attached to their eventual receipt.

iv) Fixed Assets, Depreciation and Impairment Loss

- a) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
- b) Preoperative expenditure during construction period/trial run : Direct expenses as well as clearly identifiable indirect expenses, incurred on project during the period of construction are being capitalised along with the respective assets.
- c) The Company provides depreciation as under :
 - 1 For assets acquired upto 30-06-1987, on Straight Line Method (SLM) basis, except certain assets for which Written Down Value (WDV) basis is adopted at rates equivalent to the rates specified in the Income-Tax Act, 1961.
 - 2 For assets acquired after 30-06-1987 and before 31-03-1993, on SLM basis at rates specified in Schedule XIV of the Companies Act, 1956.
 - 3 For assets acquired after 31-03-1993, on SLM basis as per new rates prescribed under Schedule XIV vide notification No. GSR 756 (E) dated 16-12-1993 issued by the Department of Company Affairs.
 - 4 The Company provides pro-rata depreciation for additions made during the year except for each asset costing Rs 5000 or less, for which depreciation has been provided at hundred per cent.
 - 5 The Goodwill acquired by the Company is amortised over a period of 5 years on SLM basis except for subsidiaries for which it is not amortised.
 - 6 The Copyrights, Trademarks, Technical Know-how, etc. acquired by the Company are amortised over a period of 10 years on SLM basis except for subsidiaries for which it is not amortised.
- d) In case, the recoverable amount of the fixed assets is lower than its carrying amount, provision is made for the impairment loss.
- e) The depreciation on fixed assets of the subsidiary companies is provided for on SLM over their estimated useful life at rates permissible under applicable local laws.

NOTES ON ACCOUNTS (Contd...)

- v) Method of Valuation of Inventories
- Raw Materials and Packing materials are valued at lower of cost, computed on weighted average basis and net realisable value. Obsolete, defective, unserviceable and slow / non-moving stocks are duly provided for.
 - Finished goods, including traded goods and Work in progress are valued at lower of cost and net realisable value. Cost (arrived at on weighted average) for this purpose includes direct materials, direct labour, excise duty and appropriate overheads including freight costs up to the ports in respect of finished goods meant for exports.
 - Consumable stores & spares are valued at lower of cost or net realisable value as estimated by the management
 - In case of subsidiary companies, cost of finished goods is based on 'Weighted Average' method and that of raw material is based on 'First In First Out' (FIFO) method.
- vi) Research and Development Expenditure
- Capital Expenditure is shown separately in Fixed Assets.
 - Revenue expenses including depreciation except expenditure specifically shown, are charged to respective heads of accounts.
- vii) Investments
- Long Term Investments are stated at cost. In case there is a diminution of permanent nature in value of Investments (other than long term strategic investment) the same is provided for.
 - Quoted current investments are stated at the lower of cost and market value.
 - Unquoted current investments are stated at the lower of cost and fair value where available.
 - Cost of each investment is arrived at on the basis of the average carrying amount of the total holding of that investment.
- viii) Retirement Benefits
- Contribution to Provident, Superannuation and Family Pension funds are funded as a percentage of salary / wages.
 - Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
 - Leave encashment liability is provided for on the basis of actuarial valuation as at the year end.
 - Retirement benefits for the employees in subsidiary companies are governed under applicable local laws.
- ix) Deferred Revenue Expenditure
Voluntary Retirement Scheme (VRS) compensation is amortised over a period of five years.
- x) Transactions in foreign currencies
- Transactions are recorded at the exchange rates prevailing on the date of transaction.
 - Foreign currency designated assets, liabilities and capital commitments are restated at the year end rates.
 - The exchange differences are adjusted to :
 - Carrying cost of fixed assets if they relate to fixed assets and
 - Profit and Loss Account in other cases.
 - In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets & liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising out of consolidation is transferred to "Foreign Currency Translation Reserve"
- xi) Income Tax
Provision for current tax is made on the basis of relevant provisions of the Income Tax Act, 1961 in case of the Holding Company and Income Tax Laws of the respective country in case of the subsidiary companies. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is virtual / reasonable certainty that these would be realised in future.
- xii) Provisions, Contingent Liabilities and Contingent Assets
A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities, if material are disclosed by way of notes to accounts. Contingent assets are neither recognised nor disclosed in the financial statements.
- xiii) The Company is entitled to sell sales tax deferment benefits under Maharashtra Energy Development Agency (Windmill Projects) Package Scheme of Incentives under the Bombay Sales Tax Act, 1959. Shortfall in the realisation of sale of such benefits to third parties are charged fully in the year of sale.
- xiv) In case of Associate where the Company directly or indirectly through subsidiaries holds more than 20% of the equity, investment in associate is accounted for using Equity method in accordance with Accounting Standard AS-23 -Accounting for Investment in Associates in consolidated financial statement issued by the Institute of Chartered Accountants of India.

NOTES ON ACCOUNTS (Contd..)

xv) The Associate Company considered in the financial statements is

	Country of Incorporation	Proportion of Ownership Interest
Vinyl Chemicals (India) Ltd	India	40.64%

(Rs in million)

	As at 31 st March 2007	As at 31 st March 2006
2. Contingent liabilities not provided for		
i) Guarantees given by Banks in favour of Government and others	629.21	34.66
ii) Guarantees given by Company [US \$ 5 million (US \$ 5 million)]	72.85	223.10
iii) Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)	91.24	45.87

3. Segment reporting:

Information about Business Segments

(Rs in million)

Business Segments	Consumer & Bazaar Products	Industrial Products	Total
REVENUE			
External Sales	10685.01	3154.17	13839.18
	(7986.65)	(2550.47)	(10537.12)
Inter Segment Revenue (at cost plus 10%)	3.36	315.92	319.28
	(1.37)	(255.49)	(256.86)
Total Revenue	10688.37	3470.09	14158.46
	(7988.02)	(2805.96)	(10793.98)
RESULTS			
Segment Results	1703.49	407.47	2110.96
	(1540.95)	(305.93)	(1846.88)
Unallocated Corporate Expenses			757.22
			(635.91)
Unallocated Corporate Income			154.13
			(73.52)
Operating Profit			1507.87
			(1284.49)
Interest Expenses			66.35
			(15.41)
Interest / Dividend Income			14.69
			(17.81)
Income Tax (Provision for Taxation and Deferred Taxation)			342.73
			(426.10)
Net Profit			1113.48
			(860.79)

NOTES ON ACCOUNTS (Contd...)

(Rs in million)

Business Segments	Consumer & Bazaar Products	Industrial Products	Total
OTHER INFORMATION			
Segment Assets	4267.37	1536.63	5804.00
	(3208.36)	(1385.88)	(4594.24)
Unallocated Corporate Assets			2932.85
			(1848.70)
Total Assets			8736.85
			(6442.94)
Segment Liabilities	1189.94	336.96	1526.90
	(633.13)	(260.04)	(893.17)
Unallocated Corporate Liabilities			2404.05
			(1416.91)
Total Liabilities			3930.95
			(2310.08)
Capital Expenditure	785.01	59.79	844.80
	(640.40)	(64.01)	(704.41)
Unallocated Corporate Capital Expenditure			253.60
			(65.18)
Depreciation	185.65	58.92	244.57
	(141.34)	(58.55)	(199.89)

Information about Geographical Segments

(Rs in million)

Geographical Segments	India		Other Countries		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sales Revenue	11888.27	9744.32	1950.91	792.80	13839.18	10537.12
Carrying amount of Segment Assets	8139.25	6214.62	597.60	228.32	8736.85	6442.94
Additions to Fixed Assets and Intangible Assets	742.76	607.94	355.64	161.65	1098.40	769.59

Notes:

SEGMENT INFORMATION

Business Segment:

The Company is organised into two business segments: Consumer & Bazaar Products and Industrial Products. This segmentation is based around customers.

Consumer & Bazaar Products consist of mainly Adhesives, Sealants, Art Materials and Construction Chemicals.

Industrial Products consists of Organic Pigments, Industrial Resins and Industrial Adhesives.

Geographical Segment:

For the purpose of geographical segment the sales are divided into two segments: Sales within India and Sales in other countries.

NOTES ON ACCOUNTS (Contd...)

4. Deferred Taxation:

a) In respect of Holding Company:

Out of the net deferred tax liability of Rs 338.76 million as at 31st March 2007, the major components of deferred tax balances are set out below:

	Up to 31 st March 2006	During the year 2006-07	Carried as at 31 st March 2007
			(Rs in million)
Deferred Tax Liability			
i) Difference between Accounting and Tax Depreciation (Cumulative)	316.49	36.27	352.76
Deferred Tax Assets			
i) Leave salary	11.38	2.14	13.52
ii) Others	0.23	0.25	0.48
	11.61	2.39	14.00
Net Deferred Tax liability	304.88	33.88	338.76

The above working of deferred tax is based on assessment orders where assessments are complete and on return of income in other cases.

b) In respect of Subsidiary:

(Rs in million)

1. Chemson Asia PTE Ltd.

Accounting profit / (loss)	(8.50)
Income Tax at statutory rate	(1.40)
Timing Difference	0.18
Nonallowable Items	0.08
Deferred Tax Assets not provided	1.14
Others (Foreign Tax withheld)	-
	-

Chemson Asia Pte. Ltd. has unabsorbed tax losses amounting to approximately US\$ 817,000 (Rs 23.48 million) available for offset against future taxable income of the Company. However, due to change in shareholders during the period, the carry forward of tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislations in Singapore. Due to this uncertainty, future tax benefits arising from tax losses have not been recognised.

NOTES ON ACCOUNTS (Contd...)

2. PT Pidilite Indonesia

Out of the net deferred tax asset of Rs 3.39 million as at 31st March, 2007, the major components of deferred tax balances are set out below :

	Up to 31 st March 2006	During the year 2006-07	Carried as at 31 st March 2007
			(Rs in million)
Deferred Tax Liability			
i) Difference between Accounting and Tax Depreciation (Cumulative)	-	-	-
Deferred Tax Assets			
i) Leave salary	-	3.15	3.15
ii) Others	-	0.24	0.24
	-	3.39	3.39
Net Deferred Tax Asset	-	(3.39)	(3.39)

5. Related Party Disclosures:

Related party Disclosures as required by AS-18, "Related Party Disclosures", are given below:

i) Relationships:

- | | | |
|-------------------------------------|---|--|
| a. Vinyl Chemicals (India) Ltd | - | Substantial Interest in Voting Power (Associate) |
| b. Kalva Marketing and Services Ltd | - | Significant Influence |
| c. Parekh Marketing Ltd | - | Significant Influence |

ii) Key Management Personnel:

Sarvashri M B Parekh-Managing Director; N K Parekh-Jt. Managing Director, A B Parekh and A N Parekh-Whole-Time Directors.

iii) Other Directors:

- a. Sarvashri B K Parekh, H K Parekh, S K Parekh, R M Gandhi, N J Jhaveri, Banshi S Mehta, Ranjan Kapoor and Yash Mahajan.
- b. Shri VS Vasan - Whole-Time Director.

iv) Transactions with Related Parties during the year ended 31st March 2007 are as follows:

(Rs in million)

Nature of Transactions	Remuneration to Directors	Parekh Marketing Ltd.	Vinyl Chemicals (India) Ltd.	Kalva Marketing and Services Ltd.	Total Amount
a. Sales and Related Income		5332.28 (4622.21)	0.04 (0.82)	Nil (Nil)	5332.32 (4623.03)
b. Other Income (Including Electricity Generation)		0.48 (0.48)	24.38 (18.21)	0.11 (0.11)	24.97 (18.80)
c. Purchases and Other Related Services		Nil (2.63)	404.91 (582.45)	Nil (Nil)	404.91 (585.08)
d. Transfer of Sales Tax Deferment Benefit		Nil (Nil)	14.72 (14.72)	Nil (Nil)	14.72 (14.72)
e. Remuneration to Directors:					
- Sitting Fees	0.25 (0.14)				0.25 (0.14)
- Managing Director / Jt. Managing Director	53.18 (46.13)				53.18 (46.13)
- Whole-Time Directors	22.51 (18.04)				22.51 (18.04)
- Commission to Non Executive Directors	2.40 (2.00)				2.40 (2.00)
f. Purchase of Fixed Assets		Nil (0.20)	Nil (Nil)	Nil (0.40)	- (0.60)
g. Rent, Maintenance and Service Charges		Nil (0.15)	9.71 (9.14)	Nil (Nil)	9.71 (9.29)
h. Reimbursement of expenses made		Nil (0.04)	0.39 (0.09)	Nil (Nil)	0.39 (0.13)
i. Reimbursement of expenses received		0.21 (0.16)	0.23 (0.18)	Nil (Nil)	0.44 (0.34)
j. Outstanding Balances:					
- Debtors		458.75 (433.07)	0.01 (0.03)	Nil (Nil)	458.76 (433.10)
- Creditors		Nil (0.39)	18.60 (1.29)	Nil (Nil)	18.60 (0.90)
- Outstanding Payable (Net of Receivable)		(458.75) (432.68)	18.59 (1.27)	Nil (Nil)	(440.16) (433.95)

No amounts have been written off or written back during the year in respect of debts due from or to Related Parties.

6. Earnings Per Share

	As at 31 st March 2007	As at 31 st March 2006
Outstanding Equity Shares (No.)	252400000	252400000
Net Profit after tax including prior year tax provision written back (Rs in million)	1117.47	877.58
Earnings Per Share (Rs)	4.43	3.48

7. Figures in bracket indicate previous year's figures.

8. Previous year's figures have been regrouped / rearranged wherever necessary and strictly not comparable as current year figures consist of nine subsidiaries as against three subsidiaries in previous year.

Signatures to Schedules 1 to 12

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

N K PAREKH
Jt. Managing Director

Mumbai
Date : 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

Cash Flow Statement For The Year Ended 31st March 2007

(Rs in million)

	2006-07	2005-06
A] CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	1,457.91	1286.90
Adjustment for Depreciation	327.68	277.76
Additional Provision for Diminution in value of Investments	1.25	–
Interest paid	66.35	15.41
Dividend received	(3.29)	(5.90)
Interest received	(11.40)	(11.91)
Amortisation of VRS compensation	2.54	2.43
(Profit) / Loss on Sale of Assets	(45.00)	1.61
(Profit) / Loss on Sale of Investments	0.24	(12.33)
Provision for Diminution in value of Investments written back	–	(0.35)
Bad debts w/off / provision for doubtful debts	4.96	5.35
	343.33	272.07
Operating Profit before Working Capital changes	1,801.24	1558.97
Working Capital changes :		
Inventories (Inc) / Dec	(655.59)	(254.49)
Debtors (Inc) / Dec	(451.47)	(41.13)
Loans and Advances, etc. (Inc) / Dec	(152.11)	15.87
Current Liabilities Inc / (Dec)	619.54	211.64
	(639.63)	(68.11)
Cash generated from operations	1,161.61	1490.86
Interest received	11.40	11.91
Interest paid	(66.35)	(15.41)
Subsidy Received	–	2.00
Income Tax paid (Net)	(335.99)	(403.15)
	(390.94)	(404.65)
Net Cash flow from Operating Activities	770.67	1086.21
B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,178.51)	(754.65)
Sale of Fixed Assets	99.45	1.13
Purchase of Investments	(973.64)	(937.84)
Sale of Investments	972.54	970.82
Dividend received	3.29	5.90
Net Cash flow from Investing Activities	(1,076.87)	(714.64)
Carried Forward	(306.20)	371.57

(Rs in million)

	2006-07	2005-06
Brought Forward	(306.20)	371.57
CJ] CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Increase of long term borrowings	57.72	52.34
(Repayment) / Increase of Short term Borrowings - Commercial Paper	290.30	–
(Decrease) / Increase in Short term Borrowings - Bank	227.86	131.80
Dividend paid (Including dividend tax, where applicable)	310.02	(287.97)
(Repayment) / Increase of Short term Borrowings - Foreign Currency Loan	<u>(359.49)</u>	<u>(248.16)</u>
Net Cash Flow from Financing Activities	526.41	(351.99)
Net Increase in Cash and Cash Equivalents	220.21	19.58
Cash and Cash Equivalents as at 1 st April 2006	161.16	141.58
Cash and Cash Equivalents as at 31 st March 2007	381.37	161.16
	220.21	19.58

AS PER OUR ATTACHED REPORT OF EVEN DATE
For HARIBHAKTI & CO
Chartered Accountants

CHETAN DESAI
Partner

Mumbai
Date: 22nd May 2007

P C PATEL
Sr. Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

N K PAREKH
Jt. Managing Director

Information on Subsidiary Companies

(As directed by Central Government Order under Section 212(8) of the Companies Act, 1956)

	Names of the subsidiaries											
	Fevicol Company Ltd	Pidlilite International Pte Ltd	Chemson Asia Pte Ltd	Pidlilite Middle East Ltd	Jupiter Chemicals (L.L.C.)	Pidlilite Do Brasil Desenvolvimento De Negocios Ltda	Pidlilite Speciality Chemicals Bangladesh Pvt Ltd	Banco Ltd	PT Pidilite Indonesia	Pidlilite USA INC	Pidlilite Innovation Center Pte Ltd	Pageel Concrete Technologies Pvt Ltd
1. Currency	Indian Rs	Singapore Dollars	Singapore Dollars	AED	AED	Brazilian Reals	Taka	Baht	US Dollars	US Dollars	Singapore Dollars	Indian Rs.
2. Capital	Foreign Currency Indian Rs in million	10211216 293.43	1250000 35.92	6287005 74.62	300000 3.56	1081395 22.95	32793300 20.72	12500000 16.79	855000 37.27	8000000 348.72	700155 20.12	- 1.00
3. Reserves	Foreign Currency Indian Rs in million	(221588) (6.37)	(995476) (28.61)	(281136) (3.34)	(1522992) (18.08)	(457866) (9.72)	- -	29748093 39.96	(182315) (7.95)	(805732) (35.12)	(25414) (0.73)	- (4.20)
4. Total Assets	Foreign Currency Indian Rs in million	10191558 292.87	1352900 38.88	6042979 71.73	5954653 70.68	670359 14.23	33281288 21.03	99418054 133.56	1165261 50.79	16853053 734.62	687714 19.76	- 0.40
5. Total Liabilities	Foreign Currency Indian Rs in million	- 0.01	1098376 31.56	37110 0.44	7177645 85.19	46830 0.99	487988 0.31	57169961 76.80	492576 21.47	9658785 421.02	12973 3.73	- 3.60
6. Investments (except in case of subsidiaries)	Foreign Currency Indian Rs in million	- 0.23	- -	- -	- -	- -	- -	- -	- -	- -	- -	- 0.25
7. Turnover & Other Income	Foreign Currency Indian Rs in million	- -	2766959 77.89	109718 1.32	4472459 53.66	154219 3.23	- -	90520307 121.61	200213 8.82	16090554 708.99	- -	- -
8. Profit / (Loss) Before Taxation	Foreign Currency Indian Rs in million	(70946) (2.00)	(295865) (8.33)	(118827) (1.43)	(1060200) (12.72)	(397006) (8.32)	- -	7207778 9.68	(225416) (9.93)	(805732) (35.90)	(25414) (0.72)	- (0.99)
9. Provision For Tax	Foreign Currency Indian Rs in million	- -	- -	- -	- -	- -	- -	2468923 3.32	(77745) (3.43)	- -	- -	- -
10. Profit / (Loss) After Taxation	Foreign Currency Indian Rs in million	(70946) (2.00)	(295865) (8.33)	(118827) (1.43)	(1060200) (12.72)	(397006) (8.32)	- -	4738855 6.37	(147671) (6.51)	(805732) (35.90)	(25414) (0.72)	- (0.99)
11. Proposed Dividend	Foreign Currency Indian Rs in million	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -



"Good health brings happiness"





HANUMANT HOSPITAL
MAHUVA, BHAVNAGAR DISTRICT, GUJARAT
Founded with the blessings of Pujya Shri Moraribapu



Pidilite Industries Limited

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