

# building bonds

annual report  
07-08





The extensive product range of the Company is used by millions of hands every day. These hands belong to craftsmen, children, housewives, teachers, hobbyists, DIY enthusiasts and many others.

By using our products, the skillful hands of our customers construct buildings, make furniture, create objects of art, print magazines, paint houses and make hundreds of products used in our daily lives such as footwear, garments, pencils, toys and handicrafts.

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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
Bharat Puri	Director (wef 28 <sup>th</sup> May 2008)
A B Parekh	Whole-Time Director
A N Parekh	Whole-Time Director
V S Vasani	Whole-Time Director

## Corporate Office

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

## Registered Office

Regent Chambers, 7<sup>th</sup> Floor  
Jamnalal Bajaj Marg  
208, Nariman Point  
Mumbai 400 021

## Registrar & Transfer Agent

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Ind. Estate  
20, Dr. E Moses Road, Mahalaxmi  
Mumbai 400 011

## President

### & Company Secretary

P C Patel

## Solicitors & Advocates

Wadia Ghandy & Co

## Auditors

Haribhakti & Co

## Bankers

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

# Management Discussion & Analysis

Pidilite Industries Limited on a stand-alone basis achieved 32% growth in gross sales, 46% growth in profit before tax (PBT) and 57% growth in profit after tax (PAT). On a consolidated basis, Pidilite achieved 36% growth in gross sales, 43% growth in profit before tax and 54% growth in profit after tax.

Consistent growth in sales and profit

Shareholders of Pidilite Industries Limited had approved the scheme of arrangement for the Demerger of VAM manufacturing unit at Mahad of Vinyl Chemicals (India) Ltd into the Company wef 1<sup>st</sup> April 2007. The Scheme of Demerger was sanctioned by the Hon'ble High Court of Judicature at Bombay on 14<sup>th</sup> December 2007. Accordingly, the figures for the twelve months ended 31<sup>st</sup> March 2008 include the figures of the operations of the said Demerged unit.

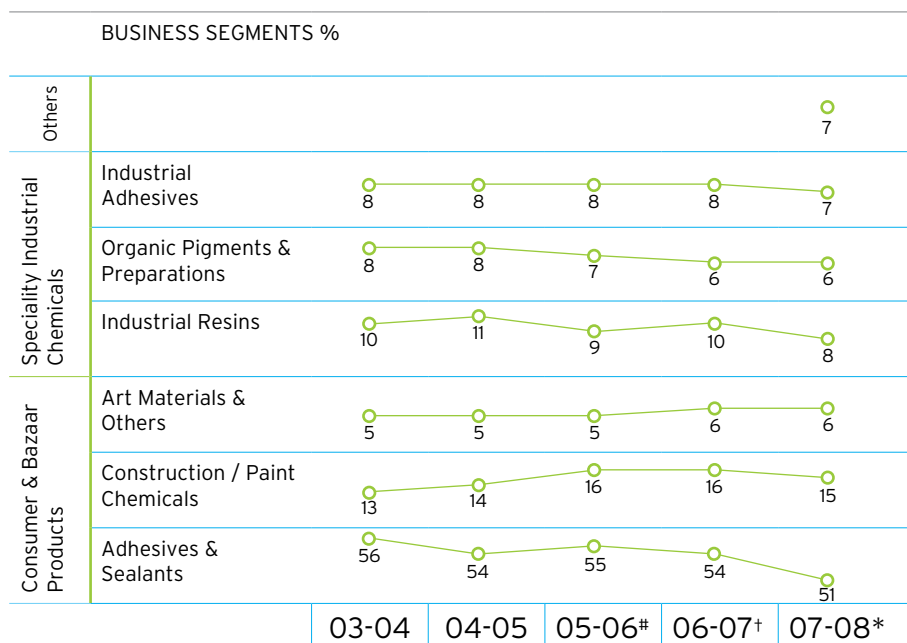
Excluding the sales of Demerged unit, gross sales on a stand-alone basis grew by 23% and on consolidated basis grew by 27%. The profitability (PBT as % of Gross Sales) of the Company improved during the year due to healthy sales growth, reduction in customs duty and appreciation of Indian Rupee.

## Performance by Industry Segment

### Consumer and Bazaar Products

Branded Consumer and Bazaar Products contributed 72% to the total sales of the Company and grew by 25% during the year.

Sales of branded Adhesives and Sealants grew by 23.9% and contributed 51% to the total sales of the Company. Construction and Paint Chemicals grew by 29% and Art Materials and other products grew by 24.8%. Most major brands of the Company maintained or increased their market share.



# Figures were regrouped in 2006-07

† Figures have been regrouped in 2007-08

\*The current year figures are not comparable with the previous years, due to significant sales in Others segment in the current year

Exports of Consumer and Bazaar products grew by 44.6% to Rs 736 million. The Company achieved this growth due to expansion of distribution, introduction of new products and brand building activities. The Company continues to focus on Middle East, Africa, South East Asia and SAARC for growth in exports of Consumer and Bazaar products.

Profit before interest and tax for the Consumer and Bazaar segment grew by 38% during the year.

### **Speciality Industrial Chemicals**

Speciality Industrial Chemicals contributed 21% to the total sales of the Company and grew by 16%.

Exports of Speciality Industrial Chemicals grew by 53% to Rs 702 million. The Company achieved this growth due to new product development, focussed activities and application development.

Profit before interest and tax for the Speciality Industrial Chemicals segment grew by 24% during the year.

### **Others Segment**

Others segment sale which includes sales of the said Demerged unit contributed 7% to the total sales of the Company. Others segment had profit before tax of Rs 171 million during the year.

## **New Products**

During the year, several new adhesives, sealants and construction chemicals were introduced. Fevicol 1K PUR and Fevicol Kwikgrab were introduced to take care of special applications in building construction segment. Fevicol Vertifix for cladding of vertical walls with marble and granite and Fevicol BWP waterproof adhesive were also added to the range. The construction chemical range was expanded with the introduction of special offerings of antibacterial wall and floor coatings suitable for hospitals, hotels as well as food and pharmaceutical manufacturing units.

New Products launched during last year





Hobby Ideas store at Bengaluru

Over the last few years, the Company has continued its efforts to introduce a range of Adhesives and Sealants at an affordable price of Rs 5 (MRP). During this year, the Company introduced Fevicol craft adhesive at MRP of Rs 2 and Fevigum at MRP of Re 1. This will make high quality adhesives available to consumers at very affordable prices.

## Hobby Ideas Stores

The Company had started-for the first time in India-stores under the brand name Hobby Ideas in March 2005. Hobby Ideas stores offer a large variety of hobby and craft products sourced from around the world. Besides various products, Hobby Ideas stores also offer workshops and demonstrations to make hobby fun and easy for hobby enthusiasts.

During the year the Company opened a 6,500 square feet store in Mumbai. In addition, the Company also opened stores in Ahmedabad, Surat and Bengaluru.

The Company will evaluate the viability and business prospects for these stores before deciding on future course of action.

## Customer Relations

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



Pidilite Award of Excellence

The Company continued to publish very popular Fevicol Furniture Books. The Company publishes 3 editions each year covering designs for homes and offices. The furniture books have found good acceptance in households and among carpenters and interior decorators. The Company has till date published over 5 million copies of furniture books. The Company is now also publishing a CD-ROM version of the furniture book.

Fevicol Champion's Club, a platform initiated by the Company for carpenters and those associated with the furniture industry to come together, continued to expand with over 300 clubs in 114 towns having over 45,000 members.

To recognise outstanding talent amongst interior design and architecture students, Pidilite Award of Excellence was given to the best student from each of over 200 architecture and interior design colleges across the country.

Dr. Fixit Institute, set up to provide training on use of waterproofing and construction chemicals to applicators, consultants, contractors, builders, architects and civil engineering students conducted 20 training programmes during the year.

The annual International Art & Craft Contest organised by the Company had over 4,000 schools and 1.7 million students participating from India and abroad.



Creative Craft Award Function



Well known Architect  
Santha Mattoo conducting  
Pidilite Knowledge Series in  
Chandigarh



## Mergers and Acquisitions

- Pidilite do Brasil, wholly-owned subsidiary of the Company in Brazil, acquired the entire share capital of Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Limitada, engaged in the business of adhesives, sealants and construction chemicals. This company and its manufacturing plant are located in Sao Paulo, Brazil and the business has annual sales of approximately Rs 750 million. This acquisition will help Pidilite enter high potential Latin American market of adhesives and sealants.
- Pidilite Industries Ltd along with its wholly-owned subsidiaries, acquired assets and business of branded sealants and adhesives from Hardcastle & Waud Manufacturing Co. Ltd and associates. The acquired assets include brands like Holdtite, Rustolene and Leakgaurd, which have a healthy market share in their respective segments. The total sales of the business is Rs 150 million.



Pulvitec Range



Brand Equity by Economic Times, (issue dated 11<sup>th</sup> June 2008), India's financial daily ranked Fevicol as 20<sup>th</sup> amongst the top trusted brands for the year..

#### Miscellaneous

The Company's net worth (Equity Capital + Reserves) has grown from Rs 3,087 million in 2003-04 to Rs 6,396 million at the end of 2007-08, giving a Compounded Annual Growth Rate (CAGR) of 20%.

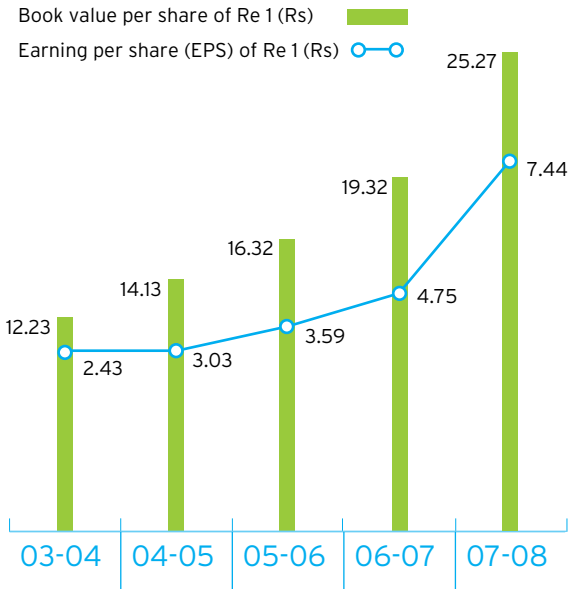
The market capitalisation of the Company on 31<sup>st</sup> March 2008 was Rs 33,624 million and has grown at CAGR of 32.2% since the IPO in 1993.

In respect of Market Capitalisation, Net Sales, Net Profit and Dividend, ET Investor's Guide (Economic Times dated 23<sup>rd</sup> June 2008), Pidilite is listed among the following 14 defensive companies which have performed well during market slow down during F.Y. 1997 and F.Y. 2002:

GAIL; GSK Pharma; HDFC; Hindustan Unilever; ITC; Nestle India; ONGC; Pidilite; Tata Power; West Coast Paper Mills; Ballarpur; Balrampur Chini; Cipla and Concor.

These companies have been identified as "Storm Shelters" for investors and have shown consistent growth in terms of market cap, sales, profits and dividend payout even during the periods of economic slow down.

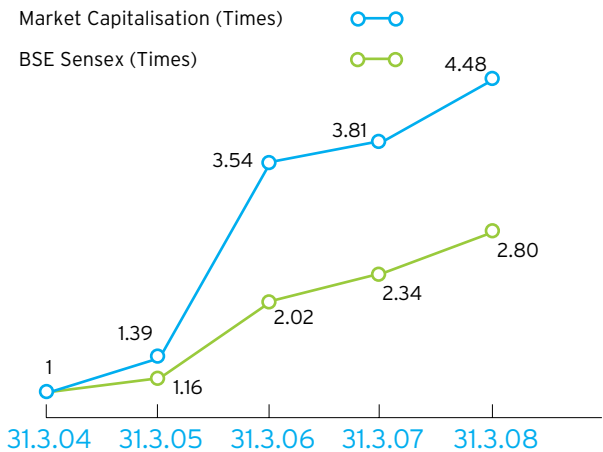
### BOOK VALUE PER SHARE AND EPS



Book value per share & earning per share for the years 2003-04 & 2004-05 has been restated with respect to the revised face value of equity shares of Re 1 each wef 27<sup>th</sup> September 2005

### GROWTH IN MARKET CAPITALISATION OF COMPANY AND BSE SENSEX SINCE 31<sup>ST</sup> MARCH 2004

**Base Value: 31<sup>st</sup> March 2004 = 1**



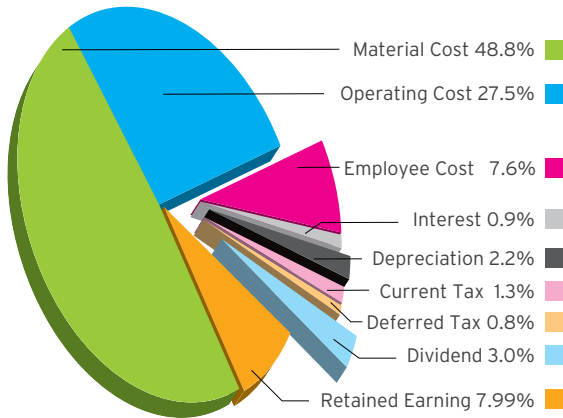
Market price per share at BSE as on 31<sup>st</sup> March 2004 and 31<sup>st</sup> March 2005 has been adjusted with respect to revised face value of equity shares of Re 1 each wef 27<sup>th</sup> September 2005

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

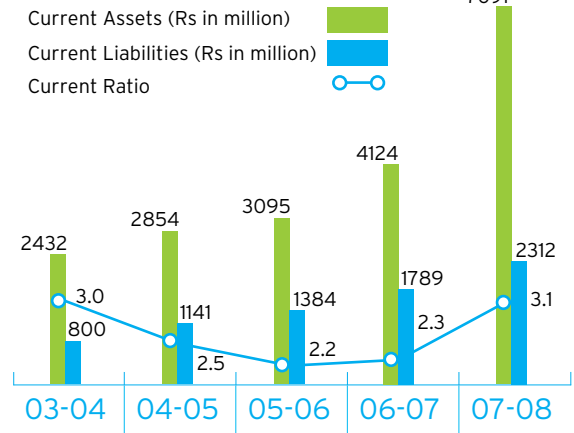
- Financial Performance
- Industry Structure and Development
- Outlook on Opportunities, Threats, Risks and Concerns
- Risk and Internal Adequacy
- Human Resources

# Financial Charts

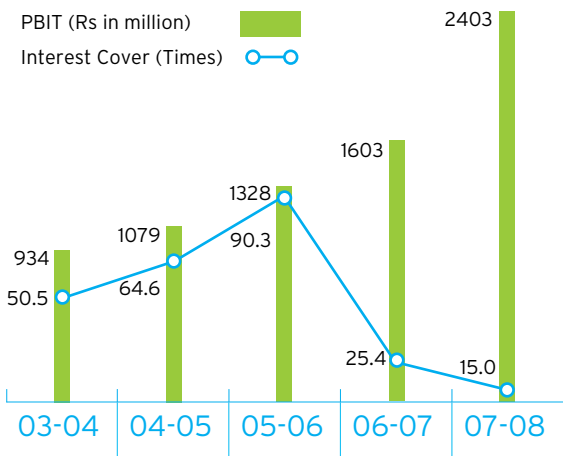
### DISTRIBUTION OF REVENUE (2007-08)



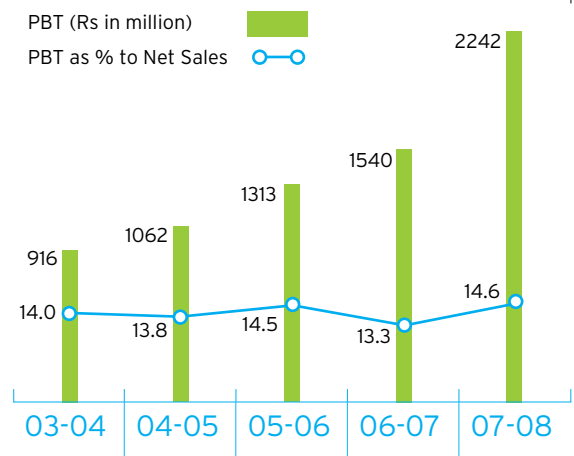
### CURRENT RATIO



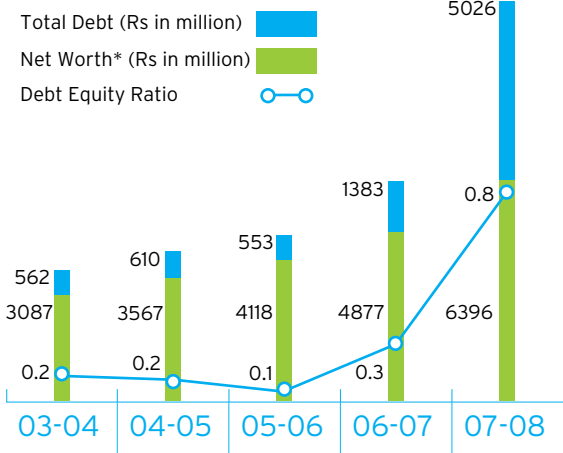
### PBIT & INTEREST COVER



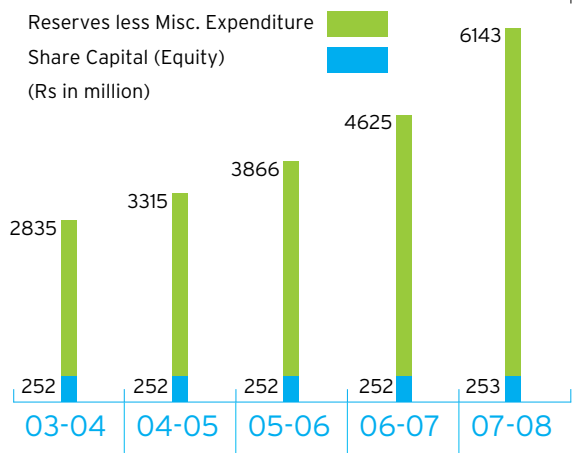
### PBT & PBT AS % OF NET SALES



### DEBT EQUITY RATIO



### VALUE ADDITION TO BUSINESS THROUGH RESERVES



\*Equity Capital + Reserves

# 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 @ 7.9%) + 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	2003-04	2004-05	2005-06	2006-07	2007-08
1. Risk Free Return on Long Term GOI Securities	5.2%	6.7%	7.5%	8.0%	7.9%
2. Cost of Equity	11.2%	12.7%	13.5%	14.0%	13.9%
3. Cost of Debt (Post Tax)	5.3%	6.2%	7.0%	7.3%	7.2%
4. Effective Weighted Average Cost of Capital	10.3%	11.7%	12.6%	12.8%	11.5%
<b>Economic Value Added (Rupees in million)</b>					
5. Average Debt	489	586	581	968	3204
6. Average Equity (Shareholder Funds)	2899	3327	3843	4498	5637 *
7. Average Capital Employed (Debt + Equity)	3388	3913	4424	5466	8841 *
8. Profit After Tax (as per P&L account)	614	766	907	1199	1883
9. Interest (as per P&L account, net of Income Tax)	12	10	10	42	106
10. Net Operating Profit After Tax (NOPAT)	626	776	917	1241	1989
11. Weighted Average Cost of Capital (4 x 7)	349	458	558	700	1016
12. Economic Value Added (10 - 11)	277	318	359	541	973
13. EVA as a % of Average Capital Employed (12÷7)	8.17%	8.14%	8.12%	9.90%	11.01%

\*Excluding Preference Share Capital of Rs 28.75 million issued on 31<sup>st</sup> March 2008.

### Notes:

1. Profit After Tax includes Prior Years' Tax Provision written back.
2. Effects have been given in 10 Years' Financial Performance for above note.
3. 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	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	CAGR %
<b>Operating Results</b>											
Sales and Other Income	4018	4706	5269	5772	6678	7647	8998	10617	13092	17277	17.59
Manufacturing & Other Expenses	3315	3838 @	4373	4774	5521	6458 §	7649 §	9015 §	11187 §	14489 §	17.81
Operating Profit	703	868	896	998	1157	1189	1349	1602	1905	2788	16.55
Interest (Net)	75	51	70	42	30	18	17	15	63	161	8.92
Depreciation	96	116	165	190	225	255	270	274	302	385	16.70
Profit before Tax	532	701	661	766	902	916	1062	1313	1540	2242	17.33
Current Tax	159	225	182	165	295	294	345	409	309	223	3.82
Deferred Tax	-	-	-	80	14	8	(13)	17	34	140	-
Profit after Tax for the year	373	476	479	521	593	614	730	887	1197	1879	19.68
Add: Prior Year's Tax Provision written back	-	-	-	19	-	-	36	20	2	4	-
Profit after Tax	373	476	479	540	593	614	766	907	1199	1883	19.71
Dividend on Equity Shares	95 *	114 *	125 *	177	214 *	228 *	288 *	360 *	443 *	518 *	20.73
Dividend on Preference Shares	-	-	-	-	-	-	-	-	-	- ~	-
Retained Earning	278	362	354	363	379	386	478	547	756	1365	19.34
<b>Financial Position</b>											
Equity Capital	122	126	252	252	252	252	252	252	252	253	8.40
Preference Capital	-	-	-	-	-	-	-	-	-	29	-
	122	126	252	252	252	252	252	252	252	282	9.71
Reserve (Less Revaluation Reserve & Misc. Expenditure)	1227	1687	1915	2079 †	2459 †	2835	3315	3866	4625	6143	19.60
Net Worth	1349	1813	2167	2331	2711	3087	3567	4118	4877	6425	18.94
Borrowings	538	790	449	443	416 †	562	610	553	1383	5026	28.17
Deferred Tax Liability (Net)	-	-	-	279 †	293 †	301	288	305	339	423	-
Funds Employed	1887	2603	2616	3053	3420	3950	4465	4976	6599	11874	22.68
<b>Fixed Assets#</b>											
Gross Block	1460	2022	2255	2772	3132 †	3541	4203	4811	5554	8444	21.53
Depreciation	446	576	736	921	1122	1373	1635	1905	2182	2973	23.48
Net Block	1014	1446	1519	1851	2010 †	2168	2568	2906	3372	5471	20.59
Investments in											
- Overseas Subsidiaries	-	-	-	-	-	-	30	225	753	1594	-
- Others	188	229	159	151	148	150	154	134	139	30	(18.57)
Net Current Assets	685	928	938	1051	1262 †	1632	1713	1711	2335	4779	24.10
Total Assets	1887	2603	2616	3053	3420	3950	4465	4976	6599	11874	22.68

@ Includes VRS Payment of Rs 13.2 million

\* Includes Tax on Dividend

† Figures were reclassified/regrouped in 2003-04

§ Includes VRS Payment of Rs 2.4 million

~ Less than Rs 1 million

# Excluding Revalued Assets & Depreciation thereon

(Rupees in million)

Highlights	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Funds Flow</b>										
<b>Sources</b>										
Internal Generation	473	592	644	810	832	877	1023	1201	1536	2335
Increase in Capital & Reserve (Net) on Amalgamation	-	123	-	-	-	-	-	-	-	197
Increase in Loans	-	251	-	-	-	146	47	-	830	3643 ^
Decrease in Investment - Others	-	-	70	7	3	-	-	21	-	109
Decrease in Working Capital	80	-	-	-	-	-	-	1	-	-
Decrease in Miscellaneous Expenditure	-	-	-	-	-	-	2	2	2	2
<b>Total</b>	<b>553</b>	<b>966</b>	<b>714</b>	<b>817</b>	<b>835</b>	<b>1023</b>	<b>1072</b>	<b>1225</b>	<b>2368</b>	<b>6287</b>
<b>Applications</b>										
Repayment of Loans	241	-	341	8	19	-	-	57	-	-
Capital Expenditure (Net)	169	568 @	238	523 §	384 #	413	669 †	613 ‡	768	2484 ~
Investments in - Overseas Subsidiaries	-	-	-	-	-	-	30	195	528	841
- Others	48	41	-	-	-	2	4	-	5	-
Dividend	95	114	125	177	214	228	288	360	443	518
Increase in Working Capital	-	243	10	109	218	370	81	-	624	2444 §
Increase in Miscellaneous Expenditure	-	-	-	-	-	10	-	-	-	-
<b>Total</b>	<b>553</b>	<b>966</b>	<b>714</b>	<b>817</b>	<b>835</b>	<b>1023</b>	<b>1072</b>	<b>1225</b>	<b>2368</b>	<b>6287</b>
<b>Ratios</b>										
Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth)	30.9	30.1	24.1	24.0	23.5	21.2	23.0	23.6	26.7	33.4 *
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed**)	32.2	33.5	28.0	30.0	31.6	27.6	27.6	30.0	29.3	27.2 *
Long Term Debt/Cash Flow	0.1	0.4	0.1	0.1	0.3	0.2	0.2	0.2	0.4	1.2
Gross Gearing % (Debt as a percentage of Debt plus Equity)	28.5	30.3	17.1	16.0	13.3	15.4	14.6	11.8	22.1	44.0
Current Ratio (Current Assets divided by Current Liabilities)	2.3	2.5	2.6	2.3	2.6	3.0	2.5	2.2	2.3	3.1
Assets Turnover (times) (Gross Sales divided by Total Assets)	2.1	1.8	2.0	1.9	1.9	1.9	2.0	2.1	2.0	1.4

@ Includes Cost of Brands Acquired Rs 365.6 million

§ Includes Cost of Brand Acquired Rs 87.3 million

# Includes Cost of Brands Acquired Rs 90.8 million

† Includes Cost of Brand Acquired Rs 133.7 million

‡ Includes Cost of Brands Acquired Rs 17.8 million

~ Includes Cost of Brands, Patents and Trademarks Acquired Rs 517.1 million

^ Includes Proceeds of FCCB bonds Rs 1594.4 million

§ Includes unutilised proceeds of FCCB bonds Rs 1102.4 million

\* Excluding Preference Share Capital of Rs 28.75 million issued on 31<sup>st</sup> March 2008

\*\* Excluding Deferred Tax Liability (Net)

# Directors' Report

To  
The Members

Your Directors take pleasure in presenting the Thirty-Ninth Annual Report together with Audited Statements of Accounts for the year ended 31<sup>st</sup> March 2008.

## Financial Results

	(Rupees in million)	
	2007-08	2006-07
Gross Turnover	17024	12901
Turnover, Net of Excise	15353	11544
Profit Before Tax	2242	1540
Current Year's Tax	223	309
Profit After Current Year's Tax	2019	1231
Deferred Tax	140	34
Profit After Current and Deferred Tax	1879	1197
Add: Prior Year Tax Provision written back	4	2
Profit After Tax	1883	1199
Profit Brought Forward	525	369
Profit available for appropriation	2408	1568
<b>Appropriations</b>		
Proposed Dividend on Equity Shares	443	379
Proposed Dividend on Preferences Shares	*	-
Tax on Dividend	75	64
Transfer to Debenture Redemption Reserve	70	-
Transfer to General Reserve	1100	600
Total	1688	1043
Balance Carried to Balance Sheet	720	525
	2408	1568

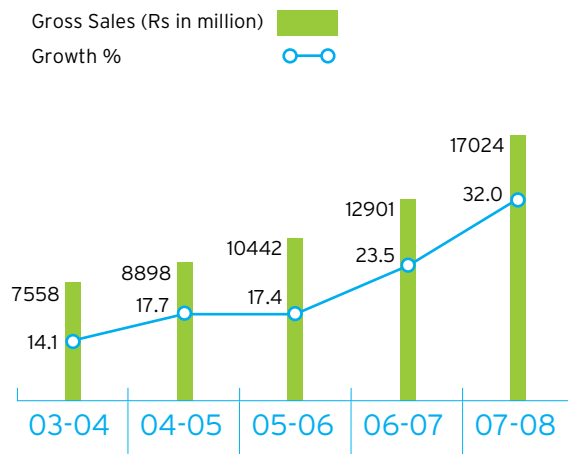
\* less than Rs 1 million

## Financial Performance

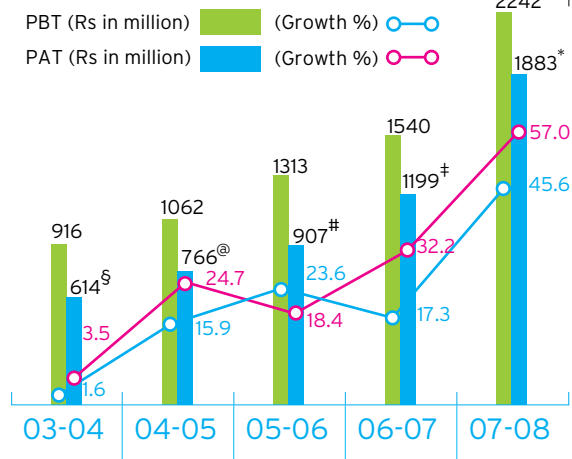
The current year's sales turnover is inclusive of Rs 1153 million for VAM manufacturing unit at Mahad which was demerged into the Company with effect from 1<sup>st</sup> April 2007.

The Operating Profit and Net Profit, for the year at Rs 2791 million and Rs 1883 million grew by 46.3% and 57% respectively. Income Tax for the current year is lower at Rs 223 million (including Rs 34.1 million for Fringe Benefit Tax) as against Rs 309 million in the previous year.

### GROSS SALES & GROWTH %



### PBT, PAT & GROWTH (YOY)



§ 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 and prior year's tax provision written back of Rs 20 million

‡ After deferred tax of Rs 34 million and prior year's tax provision written back of Rs 2 million

\* After deferred tax of Rs 140 million and prior year's tax provision written back of Rs 4 million



## Equity Dividend

The Directors recommend the payment of a dividend of Rs 1.75 per Equity Share of Re 1 each (previous year Rs 1.50 per Equity Share of Re 1 each), amounting to Rs 442.9 million (previous year Rs 378.6 million) out of the Current Year's profit on 253.1 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 20.81% during the last 5 years.

## Preference Dividend

The Directors recommend the payment of dividend at Rs 0.60 per share on 28,74,805 6% Cumulative Redeemable Preference Shares of Rs 10 each, on a prorata basis amounting to Rs 4816. These shares were allotted on 31<sup>st</sup> March 2008 pursuant to the Scheme of Demerger of VAM manufacturing unit of Vinyl Chemicals (India) Ltd into the Company. The tax on dividend of Rs 819 will be borne by the Company.

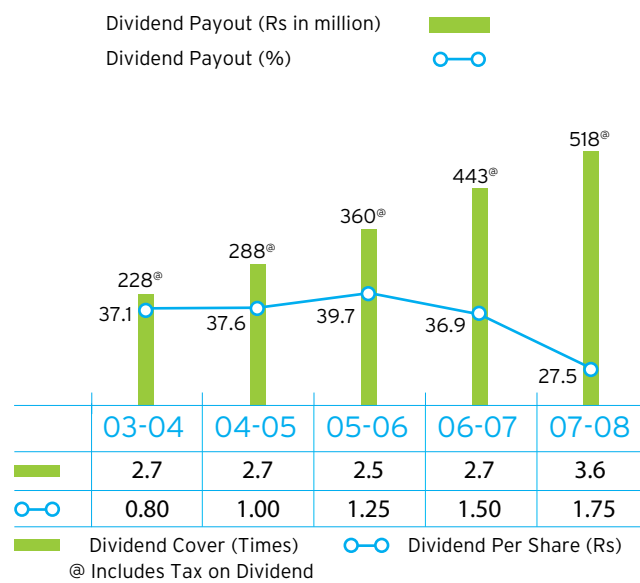
## Capital Expenditure

The overall expenditure during the year was Rs 2484 million. Out of this approximately Rs 900 million was mainly on fixed assets for various manufacturing units, offices, laboratories and warehouses. Capital expenditure of approximately Rs 1053 million was incurred on the Synthetic Elastomer (Polychloroprene) Project mainly towards acquisition of IPR, technology, fixed assets and towards dismantling and shipping of plant and machinery from the original site in France. Rs 118 million was spent on acquisition of brands, know-how, technology, etc. from Hardcastle & Waud Manufacturing Company Ltd. The capital expenditure also includes fixed assets of Rs 389.9 million acquired on demerger of VAM manufacturing unit into the Company wef of 1<sup>st</sup> April 2007.

## Investment in Subsidiaries

Investment of Rs 841 million was made in subsidiaries out of which approximately Rs 531 million was spent on acquisition of Pulvitec Business in Brazil.

### DIVIDEND PAYOUT & % OF NET PROFIT



Dividend per share for the years 2003-04 & 2004-05 has been restated with respect to the revised face value of equity shares of Re 1 each wef 27<sup>th</sup> September 2005

## Synthetic Elastomer Project

The Company acquired plant and machinery, patents, trademark and technology of a Synthetic Elastomer (Polychloroprene Rubber) plant in June 2007. The plant was located in Champaigner, France and was owned by Polymeri Europa Elastomers, France.

The Company is in the process of dismantling & shipping the plant. The plant will be setup in a Special Economic Zone (SEZ) in Dahej in the State of Gujarat in India.

The plant is expected to commence commercial production in March 2010 and will have an initial capacity of 25,000 tonnes per annum. The capacity can be increased to 35,000 tonnes per annum by debottlenecking. The total capital investment in the plant excluding debottlenecking is estimated to be Rs 5.3 billion. The Company is also considering putting up a Caustic Chlorine plant at an additional investment of Rs 0.9 billion at the same location. Both Caustic and Chlorine are important inputs for the manufacture of Polychloroprene.

Polychloroprene Rubber is a speciality synthetic rubber featuring superior mechanical strength, load-bearing capacity, adhesion to metal, and resistant to weather, oil and chemicals as compared to other synthetic rubbers. Due to this, Polychloroprene Rubber is the preferred synthetic rubber for many applications in automotive, industrial components, building products and adhesives.



Manufacturing facility at SEZ Surat

## Manufacturing Plants

During the year the Company opened a manufacturing facility at SEZ Surat, to facilitate the export of art material products. The Company also commenced operations of a plant at Baddi in Himachal Pradesh for manufacturing Adhesives.

## VAM Unit

Pursuant to the Scheme of Demerger, VAM manufacturing unit at Mahad of Vinyl Chemicals (India) Ltd was demerged into the Company with effect from 1<sup>st</sup> April 2007. The operations of the unit during the year were satisfactory, both in terms of volume and profits.

## Foreign Currency Convertible Bonds (FCCB)

In December 2007, the Company raised US \$ 40 million through zero coupon Foreign Currency Convertible Bonds.

The Bonds have a yield to maturity of 6.75% per annum (calculated on a semi-annual basis), and are redeemable in 2012 i.e. after 5 years and 1 day from closing date. The Bonds are convertible into equity shares of the Company

at any time on and after 16<sup>th</sup> January 2008 until 1<sup>st</sup> December 2012 at a price of Rs 256.035 per share (Initial Conversion Price) which represents a premium of 32.73% to the closing price of the equity shares of Pidilite Industries Limited on the Bombay Stock Exchange Limited ("BSE") as of 23<sup>rd</sup> November 2007. The Bonds have been issued at par and will be redeemed, if not converted into shares, at 139.37% of par value on maturity.

The above Initial Conversion Price can be reset downwards if average of the closing price of the shares (the "Reset Preference Price") for each day during the period of 20 consecutive Trading Days immediately prior to 45 days before each of 30<sup>th</sup> May 2009 and 30<sup>th</sup> November 2010 (each such date, the "Reset Date") is less than the Initial Conversion Price. The Initial Conversion Price in such a case will be reset to Reset Preference Price but it will not be lower than 80% of the Initial Conversion Price.

The Bonds are listed on the Singapore Exchange Securities Trading Limited and the shares to be issued upon conversion of the Bonds will be listed on the NSE and BSE.

## Subsidiaries

### Overseas Subsidiaries

The Company has 13 overseas subsidiaries (4 direct and 9 step-down subsidiaries) including subsidiaries having significant sales and manufacturing operations in USA, Brazil, Thailand, Singapore and Dubai.

Pidilite USA, Inc. is in business of automotive chemicals and art materials. Pidilite USA achieved sales of Rs 882.3 million for the year. The Company was successful in expanding its reach to many new international markets during the year.



Pulvitec do Brasil manufacturing plant



Pidilite Bamco manufacturing plant

Pidilite do Brasil (now Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Limitada) is a manufacturer of adhesives, sealants and construction chemicals. The Company has a manufacturing plant in Sao Paulo and sells its products in most parts of Brazil and also exports its products to some countries in Latin America. Pidilite do Brasil achieved sales of Rs 645.6 million for the year. A new CEO and several members of management team were recruited during the year.

Pidilite Bamco Ltd based in Bangkok, Thailand, is a manufacturer of speciality bitumen-based waterproofing products and sealants and markets its products in Thailand and other ASEAN countries. Pidilite Bamco Ltd achieved sales of Rs 144.73 million for the year. A new plant to manufacture additional construction chemicals was set up in Thailand during the year.

Jupiter Chemicals LLC based in Dubai, UAE, which manufactures tile adhesives, plasters, waterproofing products and coatings, achieved sales of Rs 98.06 million for the year. The Company has added around fifteen products to its portfolio of construction chemicals during the year.

Most of the overseas subsidiaries continue to incur losses owing to additional expenses for business development consisting mainly of expenses towards additional manpower, new product introduction, sales promotion and brand building. The overall loss of Rs 168.23 million, mainly arising out of these expenses is intended to strengthen the operations of these subsidiaries in the long term.

The Company is in the process of building manufacturing plants for adhesives and sealants in Bangladesh and Egypt. Both these plants are expected to be operational in the 3<sup>rd</sup> quarter of the current financial year.

The investments in overseas subsidiaries during the year is approximately Rs 840.7 million.

## Subsidiaries in India

During the year, the Company acquired entire issued and paid-up capital of Bhimad Commercial Co. Pvt Ltd and Madhumala Traders Pvt Ltd by investing Rs 0.17 million each, making them wholly-owned subsidiaries of the Company.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Fevicol Company Ltd, Bhimad Commercial Co. Pvt Ltd, Madhumala Traders Pvt Ltd, Pagel Technologies Pvt Ltd and 12 overseas 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 16 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.47/422/2008-CL-III dated 27. 6. 2008 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 for the year ended on 31<sup>st</sup> March 2008. Accordingly, the Annual Reports of these 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 as at the Registered Office of the subsidiary companies.

## Directors

The terms of appointment of Shri M B Parekh as Managing Director, Shri N K Parekh as Joint Managing Director and Shri A B Parekh as Whole-Time Director will expire on 31<sup>st</sup> July 2008. Your Directors at their meeting held on 8<sup>th</sup> July 2008 have re-appointed them in their respective posts for a further period of 5 years. Further, the Directors have re-appointed Shri V S Vasani as a Whole-Time Director of the Company for a further period of 2 years with effect from 2<sup>nd</sup> December 2008.

The Board has also approved the revised terms of remuneration to Shri A N Parekh, Whole-Time Director with effect from 1<sup>st</sup> April 2008.

The Members' approval is being sought at the ensuing Annual General Meeting for above re-appointments/revised terms of remuneration, to the said Directors.

In accordance with the Articles of Association of the Company, Shri H K Parekh, Shri R M Gandhi, Shri N J Jhaveri and Shri A N Parekh, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Shri Bharat Puri has been appointed as Additional Director of the Company with effect from 28<sup>th</sup> May 2008 and he holds office up to the conclusion of the ensuing Annual General Meeting. A notice in writing, with requisite deposit has been received from a member proposing Shri Bharat Puri as a candidate for the office of Director.

## Directors' Responsibility Statement

Your Directors confirm that

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- 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 31<sup>st</sup> March 2008 and of the profit of the Company for that year;
- 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
- 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

The Company has received the approval of the Central Government for the appointment of M/s V J Talati & Co as Cost Auditor to conduct cost audit for the financial year 2008-2009.

## 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 material 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.

Others segment covers mainly business of VAM manufacturing unit. Our Company is the only manufacturer of VAM in the country with installed capacity of 30,000 MT per annum. There are increasing imports of VAM into the country accounting for approximately 40% of the domestic demand.

## Current Year Outlook

There has been recent significant increase in prices of raw materials, packing materials and freight charges and this may adversely impact margins of most of our products. The Company expects to increase selling price of most of these products. However the margins in the current year may be adversely impacted.

## Outlook on Opportunities, Threats, Risks and Concerns

The Company sees significant opportunity in export markets as well as in the small population centers in India. In view of this, the Company is deploying additional resources in these two areas.

Over the last few years more and more customers have been buying readymade furniture. A part of this readymade furniture is made in workshops/factories located in India and part of this is imported from abroad. Increasing use of readymade furniture is likely to adversely impact, over a period of time, the growth rates for our premium wood working and furniture making adhesives.

The Company is taking steps to maintain/improve the growth rates for these adhesives by putting additional focus on small population centres in India. The Company is also expanding sales of premium adhesives and sealants for special purpose applications in interiors and construction work.

## 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, with the objective of enabling various divisions to have greater focus on their businesses, the Human Resource Department was restructured and the "Business Resource Group" (BRG) was formed. The BRG will support all the business divisions through new initiatives on Talent Development, Operational Improvement, IT, Systems & Knowledge Management, etc. In line with this, current HR processes like Talent Acquisition, Performance Management, Learning & Development, etc. are being strengthened with the help of renowned external consultants.

The total number of employees on 31<sup>st</sup> March 2008 was 3,991.

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.

## Demerger

As reported in the last year's Directors' Report, pursuant to a Scheme of Demerger, VAM manufacturing unit of Vinyl Chemicals (India) Ltd. (VCIL) at Mahad was demerged into Pidilite Industries Ltd. (PIL) with effect from 1<sup>st</sup> April 2007 after securing necessary approvals from the Shareholders and sanction of Hon'ble High Court of Judicature at Mumbai. The Court Order was filed with the Registrar of Companies, Maharashtra on 18<sup>th</sup> January 2008 by both companies. Accounts for the year ended 31<sup>st</sup> March 2008 have been prepared after giving effect of the Scheme of Demerger.

On 31<sup>st</sup> March 2008 as per the Scheme:

- The Company has allotted 667,306 Equity Shares of Re 1 each and 2,874,805 6% Cumulative Redeemable Preference Shares of Rs 10 each to the members of VCIL excluding the shares held by PIL.
- VCIL has reduced the nominal and paid-up value of its 18,337,111 Equity Shares from Rs 10 per share to Re 1 per share.

The company has received permissions from Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd for listing and trading of 667,306 Equity shares of Re 1 each.

## 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: 8<sup>th</sup> July 2008

B K PAREKH

CHAIRMAN

# Corporate Social Responsibility

The Company remains committed to continuously serving and supporting areas like rural development, water conservation, health care and education. Significant steps were taken this year in these areas through Gram Nirman Samaj, Hanumant Hospital, Mahuva Education Trust and Science City project in Bhavnagar.

## Rural Development

A group of 26 villages were taken up under Gram Nirman Samaj for total sanitation under T.S.C. programme this year. 1,500 toilets were built in 16 villages. Construction of check dam at Lakhupura on River Malan in Mahuva has been completed. Six new proposals for check dams are being processed.

Under Sardar Awas Yojana, 22 Awas for rural poor and 9 Awas under Indira Awas Yojana were completed.

Gram Nirman Samaj started a night school at Indira Nagar in Mahuva and 157 children are currently attending this school. It also established Childrens' Library at primary schools in 50 villages of Mahuva taluka.

## Health Care

From its inception, Hanumant Hospital has treated over 1,25,000 outpatients, performed over 3,300 surgeries and successfully handled over 400 deliveries. The hospital is being continuously upgraded with new medical facilities and equipments. Facilities like CT scan, Dialysis, Tread Mill Test, Pulmonary Function Test, Audiometry and Blood Storage have been added to the hospital this year.

The hospital also conducted more than 45 speciality medical camps at different villages and towns in the last two years and conducted 15 educational training programmes for the medical fraternity by calling renowned consultants belonging to different disciplines.



Awas project for the rural poor

## Education

Shree Mahuva Education Trust operates Parekh College in the streams of Arts, Science, Commerce, Computer Science and Business Management. Over 1,300 students are studying in this college. Post-graduation courses in Hindi and Gujarati have been started recently. Second year admissions for BBA College will commence in September 2008. A gymkhana has been opened in the college campus and a new library building will be commissioned shortly.

## Science City

Science City at Bhavnagar is progressing fast and expected to be ready by December 2008.

As the first project of the proposed Science City, 45,000 students at 500 centres participated in the Gujarat Science Olympiad (GSO) and scholarships of Rs 2.25 lac were awarded to top rankers.



Check dam at river Malan



Hanumant Hospital

# ANNEXURE I

## TO THE DIRECTORS' REPORT

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.

### A CONSERVATION OF ENERGY

#### a Energy Conservation Measures taken

1. Gas-fired in place of FO combustion system for utilities.
2. Cycle time reduction.
3. Improvement in Operating processes.

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

- Further reduction of Cycle time
- Efficiency improvement/optimisation of utilities such as Boiler, Cooling Tower
- Usage of energy efficient luminaries in existing units
- Replacement of under loaded motors

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

2.00 Lac kwh Electricity and 300 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 / Generation

		Year ended 31 <sup>st</sup> March 2008	Year ended 31 <sup>st</sup> March 2007
<b>1. Electricity</b>			
a. Purchased			
Units	'000 kwh	1,50,62	1,07,19
Total amount	Rs in million	75.07	53.91
Rate Unit (Average)	Rs	4.98	5.03
b. Own Generation			
Through Diesel Generator			
Units	'000 kwh	2,84	2,29
Units per litre of diesel oil	Kwh	2.45	2.28
Cost / Unit	Rs / kwh	14.23	15.04
c. Windmill Generation			
Units	'000 kwh	85,63	84,58
Total Credit	Rs in million	23.86	23.22
Rate / Unit (Average)	Rs	2.79	2.75
<b>2. Coal</b>			
Quantity	MT	5,840	-
Total Amount	Rs in million	27.80	-
Average Rate	Rs '000 /MT	4.76	-



<b>3</b>	<b>Natural Gas</b>			
	Quantity	'000 SCM	7,78	-
	Total Amount	Rs in million	9.69	-
	Average Rate	Rs /SCM	12.46	-
<b>4.</b>	<b>Fuel Oil</b>			
	Quantity	MT	32,20	34,27
	Total Amount	Rs in million	64.36	59.96
	Average Rate	Rs '000 /MT	19.99	17.49

- Notes
1. The data of electricity purchased for the previous year has been realigned to exclude the windmill generation at Upleta Gujarat.
  2. The windmill generation at Satara and Sangli has been clubbed together with generation at Upleta for the current and previous year, as has been reflected under 1 C.

#### 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, Vinyl Acetate Monomer, 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 <sup>st</sup> March 2008	Year ended 31 <sup>st</sup> March 2007
i) Capital	3.54	2.75
ii) Recurring	66.33	47.07
<b>Total</b>	<b>69.87</b>	<b>49.82</b>
iii) Total R&D Expenditure as a Percentage of total turnover	0.41	0.39

## 5. Technology Absorption, Adaptation and Innovation

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

## CJ 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 2007-08 have shown an increase of Rs 486 Million over 2006-2007.

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 <sup>st</sup> March 2008	Year ended 31 <sup>st</sup> March 2007
Foreign exchange earned	1,442	956
Foreign exchanged used	2,657	2,175

# Auditors' Report

## to the Members of Pidilite Industries Limited

We have audited the attached Balance Sheet of **Pidilite Industries Limited** ('the Company') as at 31<sup>st</sup> March 2008, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto.

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.

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.

- 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 purpose 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 31<sup>st</sup> March, 2008 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, 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 31<sup>st</sup> March 2008,
  - 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

CHE TAN DESAI  
Partner

Place: Mumbai  
Date: 28<sup>th</sup> May 2008

Membership No. 17000

# Annexure to Auditors' Report

31<sup>st</sup> March 2008

## 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 of a substantial part of fixed assets.
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 guarantees given by the Company, for loans taken by others from banks or financial institutions are, prima facie, not prejudicial to the interest of the Company.

## 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 verification and book records, not being material, were properly dealt with.
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 the size of the Company and nature of its business.

## Taxation

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.
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, 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 Custom Duty, Wealth Tax, Service Tax, Education Cess that have not been deposited on account of any dispute, except the following:

<b>Name of the statute</b>	<b>Amount</b> (Rs in million)	<b>Forum where dispute is pending</b>
Sales Tax Act		
Sales Tax in Various states	54.95	Deputy Commissioner of Sales Tax (Appeal)
Sales Tax in Various states	17.36	Sales Tax Tribunal
The Central Excise Act	2.88	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 31<sup>st</sup> March 2008 nor has it 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 31<sup>st</sup> March 2008 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 utilised 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.

For HARIBHAKTI & CO  
Chartered Accountants

CHE TAN DESAI  
Partner

Place: Mumbai  
Date: 28<sup>th</sup> May 2008

Membership No. 17000

# Balance Sheet

As at 31<sup>st</sup> March 2008

(Rs in million)

	Schedule	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
a. Capital	1	281.82	252.40
b. Reserves and Surplus	2	6142.99	4627.40
		6424.81	4879.80
2. Loan Funds			
a. Secured Loans	3	1904.27	749.40
b. Unsecured Loans	4	3121.71	633.61
		5025.98	1383.01
3. Deferred Tax Liability (Net)		422.90	338.76
<b>TOTAL</b>		<b>11873.69</b>	<b>6601.57</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	5		
a. Gross Block		6814.83	5207.06
b. Less : Depreciation		2973.48	2182.15
c. Net Block		3841.35	3024.91
d. Capital work in progress		1629.32	346.59
		5470.67	3371.50
2. Investments (Net)	6	1623.69	891.99
3. Current Assets, Loans and Advances	7		
a. Inventories		2655.44	1976.18
b. Sundry Debtors		2057.48	1318.13
c. Cash and Bank Balances		1485.50	231.70
d. Other Current Assets		32.41	21.75
e. Loans and Advances		860.48	570.92
		7091.31	4118.68
Less : Current Liabilities and Provisions	8		
a. Liabilities		1714.17	1295.36
b. Provisions		597.81	487.67
		2311.98	1783.03
Net Current Assets		4779.33	2335.65
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
VRS compensation - Refer Note 1 (viii) of Schedule 12		-	2.43
<b>TOTAL</b>		<b>11873.69</b>	<b>6601.57</b>
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  
Membership No 17000

S K PAREKH  
Vice Chairman

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

M B PAREKH  
Managing Director

# Profit and Loss Account

For The Year Ended 31<sup>st</sup> March 2008

(Rs in million)

	Schedule	2007-08	2006-07
<b>INCOME</b>			
Sales		17023.71	12901.26
Less : Excise Duty		1670.63	1357.46
Net Sales		15353.08	11543.80
Other Income	9	253.46	190.31
		15606.54	11734.11
<b>EXPENDITURE</b>			
Materials	10	8430.82	6538.46
Other Expenses	11	4547.91	3353.24
Depreciation		385.05	302.66
		13363.78	10194.36
Profit before Taxation		2242.76	1539.75
Income Tax Expense			
Current Tax		248.94	288.77
Less : MAT Credit Entitlement		60.15	-
		188.79	288.77
Deferred Tax		140.38	33.88
Fringe Benefit Tax		34.05	20.10
		363.22	342.75
Profit for the year		1879.54	1197.00
Prior year Tax Provision written back (Net)		3.99	2.29
Balance brought forward from previous year		525.16	368.81
Profit available for appropriation		2408.69	1568.10
Proposed Dividend		442.87	378.60
Corporate Tax on Dividend		75.27	64.34
		518.14	442.94
Transfer to Debenture Redemption Reserve		70.28	-
Transfer to General Reserve		1100.00	600.00
Balance carried to Balance Sheet		720.27	525.16
Earnings per share: (Refer note 13 of Schedule 12)			
Basic (Rs)		7.44	4.76
Diluted (Rs)		7.38	4.76
Face Value of Share (Re)		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  
Membership No 17000

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH  
Chairman

S K PAREKH  
Vice Chairman

M B PAREKH  
Managing Director

# Schedule Numbers 1 to 12 annexed to and forming part of the Balance Sheet as at 31<sup>st</sup> March 2008 and Profit and Loss Account for the year ended 31<sup>st</sup> March 2008

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>SCHEDULE 1 SHARE CAPITAL</b>		
Authorised		
39,00,33,999 (27,50,00,000) Equity Shares of Re 1 each	390.03	275.00
50,00,000 6% Cumulative Redeemable Preference Shares of Rs 10 each	50.00	-
2,50,00,000 Unclassified Shares of Re 1 each	25.00	25.00
<b>TOTAL</b>	<b>465.03</b>	<b>300.00</b>
Issued, Subscribed and Paid-up		
25,30,61,306 (25,23,94,000) Equity Shares of Re 1 each, fully paid-up (Notes 1 to 4)	253.06	252.39
28,74,805 (Nil) 6% Cumulative Redeemable Preference Shares of Rs 10 each, fully paid-up (Note 3)	28.75	-
Bonus Shares Issue Suspense Account (Note 5)	0.01	0.01
<b>TOTAL</b>	<b>281.82</b>	<b>252.40</b>

## 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.
- 6,67,306 Equity shares of Re 1 each and 28,74,805 6% Cumulative Redeemable Preference Shares of Rs 10 each have been issued as fully paid-up pursuant to the Scheme of Demerger of VAM Manufacturing Unit of Vinyl Chemicals (India) Ltd. into the Company.
- 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. 27<sup>th</sup> September 2005.
- Bonus Shares Issue Suspense Account pertains to issue of 6,000 fully paid-up Bonus Shares pending settlement of dispute for title of shares.

## 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	9.47
Special Reserve		
Balance as per last Balance Sheet	1.19	1.19
Debenture Redemption Reserve		
Transferred from Profit and Loss Account	70.28	-
General Reserve		
Balance as per last Balance Sheet	4088.21	3488.21
Add : Transferred on Demerger of VAM unit of Vinyl	167.92	-
Less : Earlier Years' Liability of Gratuity & Leave Encashment	17.72	-
Add : Transferred from Profit and Loss Account	1100.00	600.00
	5338.41	4088.21
Profit and Loss Account		
	720.27	525.16
<b>TOTAL</b>	<b>6142.99</b>	<b>4627.40</b>



(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>SCHEDULE 3 SECURED LOANS</b>		
Working Capital Loans from Banks (including Working Capital Demand Loan)	975.68	499.40
Term Loans from Banks	928.59	250.00
<b>TOTAL</b>	<b>1904.27</b>	<b>749.40</b>

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 Maharashtra	355.52	323.59
Foreign Currency Loan from Banks	471.79	310.02
Foreign Currency Convertible Bonds (US \$ 40,000,000 Zero Coupon Convertible Bonds due in 2012)	1594.40	-
Commercial Paper	700.00	-
<b>TOTAL</b>	<b>3121.71</b>	<b>633.61</b>

Amount due within one year Rs 1171.79 million (Rs 310.02 million)

## SCHEDULE 5 FIXED ASSETS

(Rs in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 1.4.2007	Transfer from VCIL	Addi- tions / Adjust- ments	Deduc- tions / Adjust- ments	As at 31.3.2008	As at 1.4.2007	Transfer from VCIL	Provided during the year	Deduc- tions / Adjust- ments	As at 31.3.2008	As at 31.3.2007
<b>Intangible Assets</b>											
- Goodwill	69.97	-	0.43	-	70.40	55.71	-	7.04	-	62.75	14.26
- Copyrights, Trademarks, etc.	606.60	63.43	117.97	-	788.00	345.20	31.56	64.99	-	441.75	261.40
Freehold Land	112.49	0.31	-	-	112.80	-	-	-	-	112.80	112.49
Leasehold Land	59.49	7.66	9.81	-	76.96	2.97	1.33	0.72	-	71.94	56.52
Buildings	939.56	100.25	179.30	0.81	1218.30	164.00	27.05	32.19	0.20	995.26	775.56
Plant and Machinery	3023.24	617.41	384.22	16.02	4008.85	1470.42	346.45	245.56	9.47	2052.96	1552.82
Furniture and Fixtures	207.03	12.08	89.93	6.17	302.87	72.86	8.45	19.03	4.03	206.56	134.17
Vehicles	147.11	16.94	41.94	12.78	193.21	43.35	13.34	14.16	7.27	129.63	103.76
<b>Capital Expenditure on Scientific Research</b>											
- Buildings	1.48	-	-	-	1.48	0.89	-	0.05	-	0.94	0.59
- Plant and Machinery	35.20	-	3.54	1.67	37.07	23.36	-	1.12	0.93	23.55	11.84
- Furniture and Fixtures	3.07	-	-	-	3.07	1.57	-	0.19	0.00	1.76	1.50
<b>Assets given on Lease</b>											
Plant and Machinery	1.82	-	-	-	1.82	1.82	-	-	-	1.82	-
Total	5207.06	818.08	827.14	37.45	6814.83	2182.15	428.18	385.05	21.90	2973.48	3024.91
Previous Year	4553.36	-	733.22	79.52	5207.06	1904.54	-	302.66	25.05	2182.15	-
<b>Capital work in progress including capital advances</b>										1629.32	346.59
<b>TOTAL</b>										5470.67	3371.50

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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**SCHEDULE 6 LONG TERM INVESTMENTS (AT COST)**

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>I. In Government Securities (Unquoted)</b>		
6 and 7 Years National Savings Certificates (Deposited with Government Departments)	-	0.01
<b>II. In Equity Shares (Fully paid)</b>		
<b>a. Quoted</b>		
Trade :		
• Nil (7451540) Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	-	117.83
• Others :		
• Nil (3594) Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	-	0.09
• 14400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	0.72	0.72
• 837 Equity Shares of Rs 10 each of Reliance Industries Ltd	0.77	0.77
• (earlier:4188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd)		
• Nil (121300) Equity Shares of Rs 10 each of Pal Peugeot Ltd	-	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)	8.83	127.96
[Market Value Rs 36.56 million (Rs 97.56 million)]		
<b>b. Unquoted (Fully paid)</b>		
Trade :		
• 7451540 (Nil) Equity Shares of Re 1 each of Vinyl Chemicals (India) Ltd	11.79	-
In Wholly-owned Subsidiary Companies :		
• 50000 Equity Shares of Rs 10 each of Fevicol Company Ltd	0.50	0.50
• 9394147 (6374353) Equity Shares of Pidilite International Pte Ltd	407.54	285.66
• 13746235 (6287005) Equity Shares of Pidilite Middle East Ltd	158.04	76.37
• 299999999 Equity Shares of Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda	553.90	22.83
• (Earlier 1088471 Equity Shares of Pidilite do Brasil Desenvolvimento de Negocios Ltda)		
• 10660000 (8000000) Equity Shares of Pidilite USA Inc	474.60	368.52
• 75000 Equity Shares of Pagel Concrete Technologies Pvt Ltd	6.42	6.42
• 10000 (Nil) Equity Shares of Bhimad Commercial Co Pvt Ltd	0.17	-
• 10000 (Nil) Equity Shares of Madhumala Traders Pvt Ltd	0.17	-
Others :		
• 3594 (Nil) Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.09	-
• 200200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	5.29	5.29
• 121300 (Nil) Equity Shares of Rs 10 each of Pal Peugeot Ltd	1.21	-
• 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)	1619.78	765.65
<b>III. In Units of Mutual Fund (Unquoted)</b>		
• 400 Units of Rs 70000 each of Infinity Venture India Fund (Partly redeemed)	1.89	5.18
TOTAL - III	1.89	5.18
TOTAL : I + II (a) + II (b) + III	1630.50	898.80
Less : Diminution in value of Investments	6.81	6.81
<b>TOTAL</b>	<b>1623.69</b>	<b>891.99</b>

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 :	Purchased	(Units) Sold
Units of Birla Cash Plus Dividend Option Institutional Plan	51834394	51834394
Units of DSP Merrill Lynch Daily Dividend Option	105352	105352
Units of Prudential ICICI Liquid Plan Daily Dividend Option	7220650	7220650
Units of Prudential ICICI Institutional Liquid Plan Daily Dividend Option	21324159	21324159
Units of Prudential ICICI Flexible Income Plan - Daily Dividend Option	21061567	21061567
Units of HDFC-Cash Management Fund-Saving Plan - Daily Dividend Option	4703889	4703889
Units of HDFC-Cash Management Fund-Saving Plus Plan - Daily Dividend Option	5067353	5067353

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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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.	32.75	10.54
Raw Materials	1025.42	671.65
Goods in Process	147.15	76.44
Finished Goods	1105.35	934.09
Traded Goods	136.02	125.98
Packing Materials	208.75	157.48
	<b>2655.44</b>	<b>1976.18</b>
<b>b. Sundry Debtors (Unsecured)</b>		
Over six months -		
Considered good	9.46	17.90
Considered doubtful	9.18	0.74
Others, Considered good	2048.02	1300.23
	2066.66	1318.87
Less : Provision for doubtful debts	9.18	0.74
	<b>2057.48</b>	<b>1318.13</b>
<b>c. Cash and Bank Balances</b>		
Cash and Cheques on Hand	199.13	91.36
Remittances in Transit	5.93	61.92
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	482.97	78.39
In Fixed Deposit Accounts	797.44	-
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
	<b>1485.50</b>	<b>231.70</b>
<b>d. Other Current Assets</b>		
Interest Receivable	1.69	0.01
Claims Receivable	30.72	21.74
	<b>32.41</b>	<b>21.75</b>

**B. Loans and Advances**

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	333.85	173.59
Advance Payment of Taxes (Net of Provisions)	119.71	102.99
MAT Credit Entitlement	60.15	-
Loans and Advances to Staff	58.37	39.11
Loans and Advance to Subsidiaries	101.48	155.19
Deposits	68.72	46.49
Balances with Central Excise Department	118.20	53.55
	<b>860.48</b>	<b>570.92</b>
<b>TOTAL</b>	<b>7091.31</b>	<b>4118.68</b>

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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**SCHEDULE 8 CURRENT LIABILITIES AND PROVISIONS****A. Current Liabilities**

Acceptances	32.61	30.89
Sundry Creditors (Refer Note : 2 of Schedule 12)		
Small and Medium Enterprises	54.30	83.86
Others	613.92	439.99
	668.22	523.85
Dealers' Deposits	238.99	154.58
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary :		
Unclaimed Dividends	3.95	3.47
Other Liabilities	770.40	582.57
	1714.17	1295.36
<b>B. Provisions</b>		
For Gratuity	19.48	-
For Leave encashment	60.19	44.73
Dividends		
Proposed Dividend	442.87	378.60
Corporate Tax on Dividend	75.27	64.34
	518.14	442.94
	597.81	487.67
<b>TOTAL</b>	<b>2311.98</b>	<b>1783.03</b>

(Rs in million)

	2007-08	2006-07
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**SCHEDULE 9 OTHER INCOME**

Interest received - (Gross) [Tax deducted at source Rs 1.89 million (Rs 0.38 million)]	18.94	15.35
Insurance Claim Received	5.25	0.64
Dividend received	12.57	3.29
Export Incentives	35.95	19.11
Profit on sale of Fixed Assets	14.52	50.66
Foreign Exchange Fluctuation	29.10	10.34
Miscellaneous	137.13	90.92
<b>TOTAL</b>	<b>253.46</b>	<b>190.31</b>

(Rs in million)

2007-08

2006-07

**SCHEDULE 10 MATERIALS****A. Raw Materials consumed**

Opening Stock	671.65	545.03
Add : Purchases	6632.11	4978.98
	7303.76	5524.01
Less : Closing Stock	1025.42	671.65
	<b>6278.34</b>	<b>4852.36</b>

**B. (Increase) / Decrease in Stocks**

Closing Stock		
Goods in Process	147.15	76.44
Finished Goods	1105.35	934.09
	1252.50	1010.53
Less :		
Opening Stock		
Goods in Process	76.44	59.22
Finished Goods	934.09	741.24
	1010.53	800.46
		<b>(241.97)</b>
		<b>(210.07)</b>

**C. Packing Materials consumed**

Opening Stock	157.48	112.90
Add : Purchases	1816.93	1494.54
	1974.41	1607.44
Less : Closing Stock	208.75	157.48
	<b>1765.66</b>	<b>1449.96</b>

**D. Cost of Traded Goods**

Opening Stock	125.98	65.68
Add : Purchases	638.83	506.51
	764.81	572.19
Less : Closing Stock	136.02	125.98
	<b>628.79</b>	<b>446.21</b>

**TOTAL****8430.82****6538.46**

(Rs in million)

2007-08

2006-07

**SCHEDULE 11** OTHER EXPENSES

Stores and Spares consumed		97.44	50.32
Clearing, Forwarding, Octroi Duty, etc.		617.43	441.16
Central Excise Duty		17.15	13.13
Power and Fuel		164.09	126.38
Water Charges		16.21	9.93
Employees' Emoluments :			
[Refer Notes 1 (vii), (viii), 6 and 7 of Schedule 12]			
Salaries, Wages, Bonus, Allowances, etc.	1181.45		853.10
Contribution to Provident and Other Funds	78.70		61.18
Welfare Expenses	42.98		33.69
		1303.13	947.97
Rent		91.62	55.65
Rates and Taxes		7.02	10.42
Insurance		30.24	25.65
Licence fees		0.84	0.55
Repairs :			
Buildings	14.77		11.19
Machinery	28.64		30.22
Others	21.43		15.95
		64.84	57.36
Directors' Fees		0.24	0.25
Advertisement and Publicity		637.84	532.71
Legal and Professional fees		188.52	95.95
Communication Expenses		58.97	46.96
Printing and Stationery		26.00	20.02
Travelling and Conveyance Expenses		306.81	210.49
Bad Debts		0.53	2.02
Provision for Doubtful Debts		8.44	0.63
Processing and Packing Charges		345.13	279.22
Bank Charges		45.11	28.68
Commission and Brokerage		18.73	16.21
Miscellaneous expenses		252.27	210.98
Scientific Research and Development Expenditure		18.56	2.28
[Refer Notes 1(v) of Schedule 12]			
Remuneration to Auditors			
Audit Fees (Including Tax Audit Fees)	1.88		1.88
For Other Services	1.43		0.98
		3.31	2.86
Donations		57.07	95.80
Diminution in value of Investments		-	1.25
[Refer Notes 1(vi) of Schedule 12]			
Loss on Fixed Assets Sold / Discarded		9.67	5.70
Interest			
On Term Loan	37.78		22.12
Others	122.92		40.59
		160.70	62.71
<b>TOTAL</b>		<b>4547.91</b>	<b>3353.24</b>



## 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, reduced by 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 capitalised along with the respective assets.
- c. The Company provides depreciation as under :
  1. For assets acquired up to 30<sup>th</sup> June 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<sup>th</sup> June 1987 and before 31<sup>st</sup> March 1993, on SLM basis at rates specified in Schedule XIV of the Companies Act, 1956.
  3. For assets acquired after 31<sup>st</sup> March 1993, on SLM basis as per new rates prescribed under Schedule XIV vide notification no. GSR 756 (E) dated 16<sup>th</sup> December 1993 issued by the Department of Company Affairs.
  4. The Company provides prorata depreciation for additions made during the year except for each asset costing Rs 5,000 or less, for which depreciation has been provided at hundred percent.
  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 cost on weighted average basis.
- 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.
- d. Obsolete, defective, unserviceable and slow / non-moving stocks are duly provided for.

#### 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.

## SCHEDULE 12 NOTES ON 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.

### vii. Retirement Benefits

- a. Contribution to Provident, Superannuation and Family Pension funds are funded as a percentage of salary/wages.
- b. Gratuity liability is provided for on the basis of actuarial valuation as at the year end and 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 including Fixed Assets are restated at the year end rates and the resultant gain or loss is taken to Profit and Loss Account.

### 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 (SME) which is outstanding for more than 45 days as at the Balance Sheet date. Further no interest is paid/payable to such SME creditors. 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.

## SCHEDULE 12 NOTES ON ACCOUNTS

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
3. Contingent liabilities not provided for		
i. Guarantees given by Banks in favour of Government and others	69.77	70.30
ii. Guarantees given by Company	396.50	700.85
iii. Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)	115.62	91.24
4. Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for	149.88	149.83

(Rs in million)

	2007-08	2006-07
5. The net amount of exchange differences (credited)/debited to Profit & Loss Account	(29.10)	(10.34)
6. Remuneration to Directors (Includes benefits which are debited to respective expenses)		
a. Remuneration	35.47	33.14
b. Commission	57.61	40.32
c. Provident Fund Contribution	1.79	1.68
d. Other Perquisites	3.89	2.95
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.	2300.37	1580.07
Add: Directors' remuneration	35.47	33.14
Contribution to Provident Fund	1.79	1.68
Other Perquisites	3.89	2.95
	41.15	37.77
	2341.52	1617.84
Less : Profit/(Loss) on sale of investments	(1.20)	(0.02)
Profit/(Loss) on sale of fixed assets	6.05	44.98
Net Profit for the year for the purpose of Directors' Commission	2336.67	1572.88
Commission payable to Directors		
a. Managing Director, Joint Managing Director and a Wholetime Director	55.21	37.92
b. Others	2.40	2.40
	57.61	40.32

## SCHEDULE 12 NOTES ON ACCOUNTS

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 <sup>A</sup>	Licenced Capacity*	Installed Capacity* Approx.	Opening Stock (Qty)	Opening Stock (Rs in million)	Production Meant for Sale (Qty)	Sales <sup>B</sup> (Qty)	Sales <sup>B</sup> (Rs in million)	Closing Stock (Qty)	Closing Stock (Rs in million)
Dyestuffs									
M.T.	3900 (3900)	2520 (2520)	2302 (1412)	205.02 (166.89)	22693 <sup>C</sup> (20888)	22646 (19998)	1396.03 (1081.85)	2349 (2302)	173.04 (205.02)
K.L.			564 (579)	90.66 (89.32)	5490 <sup>P</sup> (3888)	5392 (3903)	1024.24 (839.16)	662 (564)	113.65 (90.66)
Chemicals									
M.T.	307439 (265795)	208860 (178680)	7838 (6142)	393.71 (313.97)	144784 <sup>E</sup> (127319)	142249 (125623)	10401.11 (7531.05)	10373 (7838)	523.34 (393.71)
K.L.	34260 (31260)	21654 (21654)	2478 (1867)	208.19 (138.33)	25785 <sup>F</sup> (23805)	25482 (23194)	2989.16 (2440.24)	2781 (2478)	251.86 (208.19)
Others Nos. Lac									
			91 (76)	36.51 (32.73)	1338 <sup>G</sup> (731)	1329 (716)	421.06 (539.18)	100 (91)	43.47 (36.51)
Traded Goods									
				125.98 (65.68)			777.60 (464.40)		136.02 (125.98)
				1060.07 (806.92)			17009.20 (12895.88)		1241.38 (1060.07)

### 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 14.51 million (Rs 5.38 million)

C Includes 20255 Tonnes (18716 Tonnes) produced in the factory of third party.

D Includes 5411 KL (3888 KL) produced in the factory of third party.

E Includes 52922 Tonnes (64657 Tonnes) produced in the factory of third party.

F Includes 3581 KL (3233 KL) produced in the factory of the third party.

G Includes 1338 Nos Lac (731 Nos Lac) 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

	2007-08 Rs in million	2006-07 Rs in million	2007-08 %	2006-07 %
Imported	2677.01	2229.05	42.74	45.99
Indigenous	3586.82	2617.93	57.26	54.01
	6263.83 *	4846.98 *	100.00	100.00

## SCHEDULE 12 NOTES ON ACCOUNTS

ii. b. Consumption of Raw Materials	2007-08		2006-07	
	Quantity MT	Value Rs in million	Quantity MT	Value Rs in Million
Vinyl Acetate Monomer	12768	757.67	17652	945.94
Miscellaneous		5506.16		3901.04
(None of which individually account for more than 10% of total consumption)				
		6263.83 *		4846.98 *

Notes:

\* Net of Resale of Raw Materials Rs 14.51 million (Rs 5.38 million)

(Rs in million)

	2007-08	2006-07
iii. C.I.F. Value of Imports :		
Raw Materials	2145.96	1843.13
Capital Goods	74.79	35.75
Others	219.93	169.12
	2440.68	2048.00
iv. Expenditure in Foreign Currency :		
Foreign Travel	27.01	25.08
Professional Fees	70.07	23.78
Interest	17.56	5.83
Others	101.39	72.80
	216.03	127.49
v. Earnings in Foreign Exchange :		
FOB Value of Exports	1441.86	955.03
Others	-	0.75
	1441.86	955.78

## SCHEDULE 12 NOTES ON ACCOUNTS

### 9. Segment reporting

#### INFORMATION ABOUT BUSINESS SEGMENTS

(Rs in million)

Business Segments	Consumer & Bazaar Products	Industrial Products	Others	Total
<b>REVENUE</b>				
External Sales	12202.60 (9747.09)	3667.52 (3154.17)	1153.59 (-)	17023.71 (12901.26)
Inter Segment Revenue (at cost plus 10%)	22.23 (3.36)	351.49 (315.92)	435.02 (-)	808.74 (319.28)
<b>Total Revenue</b>	<b>12224.83</b> (9750.45)	<b>4019.01</b> (3470.09)	<b>1588.61</b> (-)	<b>17832.45</b> (13220.54)
<b>RESULTS</b>				
Segment Results	2453.21 (1779.44)	504.20 (407.47)	170.30 (-)	3127.71 (2186.91)
Unallocated Corporate Expenses				943.09 (757.22)
Unallocated Corporate Income				187.33 (154.13)
Operating Profit				2371.95 (1583.82)
Interest Expenses				160.70 (62.71)
Interest / Dividend Income				31.51 (18.64)
Income Tax (Provision for Taxation and Deferred Taxation )				363.22 (342.75)
<b>Net Profit</b>				<b>1879.54</b> (1197.00)
<b>OTHER INFORMATION</b>				
Segment Assets	4895.12 (3920.80)	1901.63 (1536.63)	612.87 (-)	7409.62 (5457.43)
Unallocated Corporate Assets				6776.05 (2927.17)
<b>Total assets</b>				<b>14185.67</b> (8384.60)
Segment Liabilities	902.61 (769.47)	379.29 (336.96)	151.63 (-)	1433.53 (1106.43)
Unallocated Corporate Liabilities				6327.33 (2398.37)
<b>Total liabilities</b>				<b>7760.86</b> (3504.80)
Capital Expenditure	530.79 (429.37)	121.27 (59.79)	403.44 (-)	1055.50 (489.16)
Unallocated Corporate Capital Expenditure				1406.82 (253.60)
Depreciation	188.03 (160.63)	61.20 (58.92)	40.70 (-)	289.93 (219.55)

## SCHEDULE 12 NOTES ON ACCOUNTS

### INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

(Rs in million)

GEOGRAPHICAL SEGMENTS	India		Other Countries		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Sales Revenue	15490.97	11888.27	1532.74	1012.99	17023.71	12901.26
Carrying amount of Segment Assets	13648.62	8133.57	537.05	251.03	14185.67	8384.60
Additions to Fixed Assets and Intangible Assets	2462.32	742.76	-	-	2462.32	742.76

Notes

#### SEGMENT INFORMATION

##### Business Segment

The Company is operating into three business segments: Consumer & Bazaar Products, Industrial Products and Others. 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.

Others consist of VAM Manufacturing Unit of Vinyl Chemicals (India) Ltd demerged in to the Company wef 1<sup>st</sup> April 2007.

##### Geographical Segment

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

#### 10. Deferred Taxation

Out of the net deferred tax liability of Rs 422.90 million as at 31st March, 2008, the major components of deferred tax balances are set out below

(Rs in million)

	Up to 31.03.2007	AS 15 Transition- al Effect	Revised Opening	Vinyl Demerger Effect	During the year 2007-08	Carried as at 31.03.2008
<b>Deferred Tax Liability</b>						
i. Difference between Accounting and Tax Depreciation (Cumulative)	352.76	-	352.76	79.79	22.30	454.85
<b>Deferred Tax Assets</b>						
i. Leave Salary & Others	14.00	9.13	23.13	-	8.82	31.95
ii. Unabsorbed Benefits of VCIL	-	-	-	126.90	(126.90)	-
	14.00	9.13	23.13	126.90	(118.08)	31.95
<b>Net Deferred Tax Liability</b>	<b>338.76</b>	<b>(9.13)</b>	<b>329.63</b>	<b>(47.11)</b>	<b>140.38</b>	<b>422.90</b>

## SCHEDULE 12 NOTES ON ACCOUNTS

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.	Nitin Enterprises	Controlling Interest
e.	Fevicol Company Ltd	100% Subsidiary
f.	Bhimad Commercial Co Pvt Ltd	100% Subsidiary
g.	Madhumala Traders Pvt Ltd	100% Subsidiary
h.	Pidilite International Pte Ltd	100% Subsidiary
i.	Pidilite Middle East Ltd	100% Subsidiary
j.	Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda	100% Subsidiary
k.	Pidilite USA Inc	100% Subsidiary
l.	Page1 Concrete Technologies Pvt Ltd	75% Subsidiary
m.	Jupiter Chemicals (LLC)	100% Subsidiary of wholly owned subsidiary
n.	Nebula Trading FZE	100% Subsidiary of wholly owned Subsidiary
o.	P.T. Pidilite Indonesia	100% Subsidiary of wholly owned subsidiaries
p.	Pidilite Speciality Chemicals Bangladesh Pvt Ltd	100% Subsidiary of wholly owned subsidiaries
q.	Pidilite Innovation Centre Pte Ltd	100% Subsidiary of wholly owned subsidiaries
r.	Pidilite Industries Egypt - SAE	100% Subsidiary of wholly owned subsidiaries
s.	Chemson Asia Pte Ltd	75% Subsidiary of wholly owned subsidiary
t.	Bamco Ltd	75% Subsidiary of wholly owned subsidiary
u.	Mala Parekh	Relative of Key Management Personnel

#### ii. Key Management Personnel

Sarva Shri M B Parekh - Managing Director, N K Parekh - Jt Managing Director, A B Parekh and A N Parekh - Whole-Time Directors

#### iii. Other Directors

- Sarva Shri 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 Vasani - Whole-Time Director.



## SCHEDULE 12 NOTES ON ACCOUNTS

iv. Transactions with Related Parties during the year ended 31<sup>st</sup> March 2008 are as follows

(Rs in million)

Nature of Transaction	Remuneration to Directors	Parekh Marketing Ltd	Vinyl Chemicals (India) Ltd	Kalva Marketing and Services Ltd	Pidilite International Pte Ltd	Pidilite Middle East Ltd	Nebula Trading FZE	Puivitec do Brasil Industria e Comercio de Colas e Adesivos Ltda	Pidilite Innovation Centre Pte Ltd	Pidilite Industries Egypt SAE
a. Sales and Related Income		1829.58 (5332.28)	Nil (0.04)	Nil (Nil)	Nil (Nil)	Nil (Nil)	56.04 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
b. Other Income (including Electricity Generation)		0.47 (0.48)	Nil (24.38)	0.03 (0.11)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
c. Purchases and Other Related Services		Nil (Nil)	681.14 (404.91)	Nil (Nil)	Nil (1.61)	Nil (Nil)	21.86 (3.00)	Nil (3.00)	17.99 (Nil)	Nil (Nil)
d. Transfer of Sales Tax Deferment Benefit		Nil (Nil)	Nil (14.72)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
e. Remuneration to Directors: - Sitting Fees	0.24 (0.25)									
- Managing Director/Jt Managing Director	71.02 (53.18)									
- Whole Time Directors	25.34 (22.51)									
- Commission to Non Executive Directors	2.40 (2.40)									
f. Investment in Share Capital		Nil (Nil)	Nil (Nil)	Nil (Nil)	121.88 (104.35)	81.67 (35.08)	Nil (Nil)	531.07 (20.42)	Nil (Nil)	1.17 (Nil)
g. Loans Given/(Taken)		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (60.62)	Nil (Nil)	Nil (Nil)
h. Purchase of Fixed Assets		63.26 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
i. Sale of Fixed Assets		12.00 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
j. Rent, Maintenance and Service Charges Paid		Nil (Nil)	Nil (9.71)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
k. Interest Paid/(Received)		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	(4.49) (Nil)	Nil (Nil)	Nil (Nil)
l. Reimbursement of expenses made		0.78 (Nil)	Nil (0.39)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
m. Reimbursement of expenses received		20.69 (0.21)	Nil (0.23)	Nil (Nil)	Nil (Nil)	Nil (Nil)	2.08 (Nil)	Nil (2.01)	Nil (Nil)	Nil (Nil)
n. Outstanding Balances :										
- Debtors		104.11 (458.75)	Nil (0.01)	Nil (Nil)	Nil (Nil)	Nil (Nil)	58.33 (Nil)	6.49 (2.01)	Nil (Nil)	Nil (Nil)
- Creditors		0.25 (Nil)	65.01 (18.60)	Nil (Nil)	Nil (Nil)	Nil (0.28)	13.65 (Nil)	Nil (0.76)	17.99 (Nil)	Nil (Nil)
- Outstanding Payable (Net of receivable)		(103.86) (458.75)	65.01 (65.01)	Nil (Nil)	Nil (Nil)	Nil (0.28)	(44.68) (Nil)	(6.49) (1.25)	17.99 (Nil)	Nil (Nil)

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

## SCHEDULE 12 NOTES ON ACCOUNTS

iv. Transactions with Related Parties during the year ended 31<sup>st</sup> March 2008 are as follows

(Rs in million)

Nature of Transaction	Jupiter Chemicals (LLC)	Pidilite Speciality Chemicals Bangladesh Pvt Ltd	PT Pidilite Indonesia	Chemson Asia Pte Ltd	Bamco Ltd	Pidilite USA Inc	Paigel Concrete Technologies Pvt Ltd	Madhurama Traders Pvt Ltd	Bhimad Commercial Co Pvt Ltd	Nitin Enterprises	Mala Parekh	Total
a. Sales and Related Income	3.30 (2.21)	Nil (Nil)	11.95 (17.39)	0.23 (Nil)	Nil (Nil)	9.48 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.19 (Nil)	Nil (Nil)	1910.77 (5351.92)
b. Other Income (including Electricity Generation)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.50 (24.97)
c. Purchases and Other Related Services	Nil (0.05)	9.11 (Nil)	10.05 (2.55)	3.94 (0.53)	0.41 (0.08)	12.01 (5.68)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3.37 (Nil)	Nil (Nil)	759.88 (418.41)
d. Transfer of Sales Tax Deferment Benefit	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (14.72)
e. Remuneration to Directors: - Sitting Fees												0.24 (0.14)
- Managing Director/Jt Managing Director												71.02 (46.13)
- Whole Time Directors												25.34 (18.04)
- Commission to Non Executive Directors												2.40 (2.00)
f. Investment in Share Capital	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	106.07 (368.52)	Nil (6.41)	0.17 (Nil)	0.17 (Nil)	Nil (Nil)	Nil (Nil)	842.20 (194.52)
g. Loans Given/(Taken)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	120.28 (138.20)	Nil (3.34)	16.50 (Nil)	16.50 (Nil)	Nil (Nil)	Nil (Nil)	(87.28) (202.16)
h. Purchase of Fixed Assets	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (0.12)	Nil (Nil)	Nil (Nil)	Nil (0.27)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	63.26 (0.39)
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 (45.37)	12.00 (45.37)
j. Rent, Maintenance and Service Charges Paid	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (9.71)
k. Interest Paid/(Received)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4.17 (8.78)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	(8.66) (8.78)
l. Reimbursement of expenses made	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.06 (0.04)	3.32 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4.16 (0.43)
m. Reimbursement of expenses received	0.10 (0.12)	Nil (Nil)	0.17 (Nil)	Nil (Nil)	Nil (Nil)	Nil (11.35)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	23.04 (13.92)
n. Outstanding Balances :												
- Debtors	4.44 (1.31)	Nil (Nil)	27.57 (17.05)	Nil (Nil)	Nil (Nil)	9.48 (11.54)	Nil (Nil)	Nil (Nil)	Nil (Nil)	0.19 (Nil)	Nil (Nil)	210.61 (490.67)
- Creditors	Nil (Nil)	Nil (Nil)	Nil (2.55)	3.02 (0.02)	0.03 (Nil)	Nil (3.90)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3.37 (Nil)	Nil (Nil)	103.32 (26.11)
- Outstanding Payable (Net of receivable)	(4.44) (1.31)	Nil (Nil)	(27.57) (14.5)	3.02 (0.02)	0.03 (Nil)	(9.48) (17.64)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3.18 (Nil)	Nil (Nil)	(107.29) (464.56)

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

## SCHEDULE 12 NOTES ON ACCOUNTS

(Rs in million)

	As at 31.03.2008	As at 31.03.2007
12. Sundry debtors include amount due from Company as per Section 370 (1B) of the Companies Act, 1956		
Parekh Marketing Limited	104.11	458.75
Vinyl Chemicals (India) Limited	-	0.01
13. Earnings Per Share		
Weighted Average no of shares used in computing Basic Earnings per share	253067306	252400000
Add : Weighted average Potential no of equity shares that could arise on exercise of option on Zero Coupon Convertible Bonds from 16th Jan 2008 to 1st December 2012	1966214	-
Weighted Average no of shares used in computing Diluted Earnings per share	255033520	252400000
Net Profit after tax including prior year tax provision written back (Rs in million)	1883.53	1199.29
Basic Earnings Per Share * (Rs)	7.44	4.76
Diluted Earnings Per Share * (Rs)	7.38	4.76

\* Equity shares of face value of Re 1 each.

14. The Scheme of demerger of the Vinyl Acetate Monomer (VAM) Manufacturing Undertaking of Vinyl Chemicals (India) Ltd. (VCIL) at Mahad into the Company (Appointed date being 1<sup>st</sup> April 2007) has been approved by the Hon'ble High Court of Judicature at Mumbai on 14<sup>th</sup> December 2007 (Effective date : 18<sup>th</sup> January 2008). Accordingly, figures for the year ended 31<sup>st</sup> March 2008 include figures of the said demerged Manufacturing Undertaking of VCIL at Mahad. Also the segment-wise revenue, results and capital employed of the demerged manufacturing undertaking of VCIL at Mahad, are included in the segment namely Others. Therefore, figures for the year ended 31<sup>st</sup> March 2008 are not comparable with corresponding figures of previous year which do not include figures of demerged Manufacturing Undertaking of VCIL at Mahad.

In terms of the Scheme of demerger, the Company has,

1. On 31<sup>st</sup> March 2008 made allotment of shares to the shareholders of VCIL (excluding Pidilite) as follows :
    - a. 6,67,306 - Equity shares of face and paid up value of Re 1 each treated as fully paid; and
    - b. 28,74,805 - 6 % Cumulative Redeemable Preference shares of face & paid-up value of Rs 10 each treated as fully paid.
  2. The carrying value of Company's investment in the equity shares of VCIL has been reduced by Rs 106.04 million.
  3. The balance amount of Rs 167.92 million resulting out of the said demerger is transferred to General Reserve Account.
15. The borrowing cost on Foreign Currency Convertible Bonds/ECB of Rs 69.97 million has been capitalised during the year.
16. The Company has, during the year, adopted Accounting Standard 15 (revised 2005) "Employee Benefits" : The Accounting Standard - 15 on 'Employee benefits prescribed by the Central Government, has become applicable to the Company from 1<sup>st</sup> April, 2007. In accordance with the transitional provisions specified in the said Accounting Standard Rs 17.72 million [net of deferred tax assets Rs 9.12 million (net)] has been adjusted against the General Reserve as at 1<sup>st</sup> April, 2007. Further, the liability for the year determined as per the Standard, has been accounted for in the financial statements.

The Company has classified various employee benefits as under :

- A. Defined Contribution Plans
  - a. Provident Fund
  - b. Superannuation Fund
  - c. State Defined Contribution Plans
    - Employers' Contribution to Employees' State Insurance
    - Employers' Contribution to Employees' Pension Scheme 1995

## SCHEDULE 12 NOTES ON ACCOUNTS

The Provident Fund and the State Defined Contribution Plans are operated by the Regional Provident Fund Commissioner and the Superannuation Fund is administered by the LIC of India. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits. These funds are recognised by the Income Tax Authorities.

The Company has recognised the following amounts in the Profit and Loss Account for the year

		(Rs in million) 2007-08
i.	Contribution to Provident Fund	35.94
ii.	Contribution to Employees' Superannuation Fund	5.40
iii.	Contribution to Employees' State Insurance Scheme	7.62
iv.	Contribution to Employees' Pension Scheme 1995	22.96
<b>B.</b>	<b>Defined Benefit Plans</b>	
a.	Gratuity	
b.	Leave Encashment	
	Applicable to certain employees	
	Valuations in respect of Gratuity and Leave Encashment have been carried out by LIC & independent actuary respectively, as at the balance sheet date, based on the following assumptions :	
i.	Discount Rate (per annum)	8%
ii.	Rate of increase in Compensation levels	4%
iii.	Rate of Return in Plan Assets	-
iv.	Expected Average remaining working lives of employees in no of years	23

		(Rs in million) 2007-08	
		Gratuity	Leave Encashment
i.	Changes in present Value of Obligation		
a.	Present value of Obligation as at 1 <sup>st</sup> April, 2007	104.38	58.36
b.	Interest Cost	7.85	5.29
c.	Past Service Cost	-	-
d.	Current Service Cost	8.69	12.06
e.	Contributions by Plan participants	-	-
f.	Curtailment Cost/(Credit)	-	-
g.	Settlement Cost/(Credit)	-	-
h.	Benefits Paid	6.81	13.93
i.	Actuarial (Gains)/Loss	(0.87)	(8.60)
j.	Amalgamation/Scheme	23.33	7.01
k.	Present value of Obligation as at 31 <sup>st</sup> March, 2008	136.57	60.19
ii.	Changes in Fair value of Plan Assets		
a.	Present value of Plan Assets as at 1 <sup>st</sup> April, 2007	91.16	-
b.	Expected Return on Plan Assets	9.88	-
c.	Actuarial (Gain)/Loss	-	-
d.	Employer's Contributions	4.70	-

## SCHEDULE 12 NOTES ON ACCOUNTS

(Rs in million)  
2007-08

	Gratuity	Leave Encashment
e. Employees' Contributions	-	-
f. Benefits Paid	6.81	-
g. Amalgamation/Scheme	18.16	-
h. Fair Value of Assets as at 31 <sup>st</sup> March, 2008	117.09	-
iii. Percentage of each category of Plan Assets to total fair value of Plan Assets as at 31 <sup>st</sup> March, 2008		
a. Bank Deposits (Sp. Dep. Scheme, 1975)		-
b. Debt Instruments		-
c. Administered by Life Insurance Corporation of India	117.09	-
d. Others		-
iv. Reconciliation of the Present Value of Defined Present Obligations and the Fair Value of Assets		
a. Present value of Funded Obligation as at 31 <sup>st</sup> March, 2008	136.57	60.19
b. Fair value of plan Assets as at 31 <sup>st</sup> March, 2008	117.09	-
c. Funded (Asset)/Liability recognised in the Balance Sheet	-	-
d. Present value of Unfunded Obligation as at 31 <sup>st</sup> March, 2008	-	-
e. Unrecognised Past Service Cost	-	-
f. Unrecognised Actuarial (Gain)/Loss	-	-
g. Unfunded Net Liability recognised in the Balance Sheet	19.48	60.19
v. Amounts recognised in the Balance Sheet		
a. Present Value of Obligation as at 31 <sup>st</sup> March, 2008	136.57	60.19
b. Fair value of Plan Assets as at 31 <sup>st</sup> March, 2008	117.09	-
c. (Asset)/Liability recognised in the Balance Sheet	19.48	60.19
vi. Expenses recognised in the Profit and Loss Account		
a. Current Service Cost	8.69	12.06
b. Past Service Cost	-	-
c. Interest Cost	7.85	5.29
d. Expected Return on Plan Assets	9.88	-
e. Curtailment cost/(Credit)	-	-
f. Settlement Cost/(credit)	-	-
g. Net Actuarial (Gain)/Loss	(0.87)	(8.60)
h. Employees' Contribution	-	-
l. Total Expenses recognised in the Profit and Loss Account	5.79	8.75
vii. Experience adjustments	-	
viii. Expected employer's contribution for the next year		

## SCHEDULE 12 NOTES ON ACCOUNTS

### 17. 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

	2007-08	2006-07
<b>I. Registration Details</b>		
Registration No.	14336	14336
State Code	11	11
Balance Sheet Date	31.03.2008	31.3.2007
	(Rs in million)	(Rs in million)
<b>II. Capital Raised during the year</b>		
Public Issue	Nil	Nil
Rights Issue	Nil	Nil
Bonus Issue	Nil	Nil
Private Placement/On Amalgamation	29.42	Nil
<b>III. Position of Mobilisation and Deployment of Funds</b>		
Total Liabilities	11873.69	6601.57
Total Assets	11873.69	6601.57
Sources of Funds		
Paid-up Capital	281.82	252.40
Reserves and Surplus	6142.99	4627.40
Secured Loans	1904.27	749.40
Unsecured Loans	3121.71	633.61
Deferred Tax Liability (Net)	422.90	338.76
Application of Funds		
Net Fixed Assets	5470.67	3371.50
Investments	1623.69	891.99
Net Current Assets	4779.33	2335.65
<b>IV. Performance of Company</b>		
Turnover	17023.71	12901.26
Less : Excise duty	1670.63	1357.46
Net Turnover	15353.08	11543.80
Other Income	253.46	190.31
Total Expenditure	13363.78	10194.36
Profit Before Tax	2242.76	1539.75
Profit After Tax	1883.53	1199.29
Earning per Share in Rs.	7.44	4.76
Dividend rate %	175.00	150.00
<b>V. Generic Names of three Principal Products/Services of the Company (as per monetary terms)</b>		
Item Code No.	Product	
(ITC Code)	Description	
3506	ADHESIVES	
3905 + 3906	SYNTHETIC RESINS	
3204	ORGANIC PIGMENTS AND PREPARATIONS BASED ON ORGANIC PIGMENTS	

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

19. 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

M B PAREKH  
Managing Director

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

# Cash Flow Statement

For The Year Ended 31<sup>st</sup> March, 2008

(Rs in million)

	2007-08	2006-07
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	2242.76	1539.75
Adjustment for Depreciation	385.05	302.66
Additional Provision for Diminution in value of Investments	-	1.25
Interest paid	160.70	62.71
Dividend received	(12.57)	(3.29)
Interest received	(18.94)	(15.35)
Amortisation of VRS compensation	2.43	2.43
(Profit)/Loss on Sale of Assets	(4.85)	(44.98)
(Profit)/Loss on Sale of Investments	-	0.02
Bad debts w/off/provision for doubtful debts	8.97	2.65
	520.79	308.10
Operating Profit before Working Capital changes	2763.55	1847.85
Working Capital changes :		
Inventories (Inc)/Dec	(550.62)	(442.17)
Debtors (Inc)/Dec	(668.38)	(226.27)
Loans and Advances, etc. (Inc)/Dec	(164.59)	(223.22)
Current Liabilities Inc/(Dec)	336.33	315.63
	(1047.26)	(576.03)
Cash generated from operations	1716.29	1271.82
Interest received	18.94	15.35
Interest paid	(160.70)	(62.71)
Income Tax paid (Net)	(295.72)	(330.73)
	(437.48)	(378.09)
Net Cash flow from Operating Activities Carried Forward	1278.81	893.73

# Cash Flow Statement

For The Year Ended 31<sup>st</sup> March, 2008

(Rs in million)

	2007-08	2006-07
Net Cash Flow from Operating Activities Brought Forward	1278.81	893.73
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2110.12)	(822.28)
Sale of Fixed Assets	25.67	99.45
Purchase of Investments	(2127.59)	(1507.26)
Sale of Investments	1289.85	972.54
Dividend received	12.57	3.29
Net Cash flow from Investing Activities	(2909.62)	(1254.26)
	(1630.81)	(360.53)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Repayment)/Increase of long term borrowings	31.93	57.72
(Repayment)/Increase of long term borrowings-Bank	602.17	250.00
(Decrease)/Increase in Short term Borrowings-Bank	988.72	212.40
(Repayment)/Increase of Short Term Borrowings-Foreign Currency Loan	105.38	310.02
(Redemption)/Issue of Foreign Currency Convertible Bonds	1594.40	-
Dividend paid (Including Dividend Tax, where applicable)	(442.46)	(359.49)
Net Cash Flow from Financing Activities	2880.14	470.65
Net Increase in Cash and Cash Equivalents	1249.33	110.12
Cash and Cash Equivalents as at 1 <sup>st</sup> April, 2007	231.70	121.58
Add : Cash & Cash Equivalents acquired under the Scheme	4.47	-
Cash and Cash Equivalents as at 31 <sup>st</sup> March, 2008	1485.50	231.70
	1249.33	110.12

AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For HARIBHAKTI & CO.  
Chartered Accountants

CHETAN DESAI  
Partner  
Membership No 17000

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

B K PAREKH  
Chairman

S K PAREKH  
Vice Chairman

M B PAREKH  
Managing Director



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

Currency	Names of the subsidiaries							PT Pidilite Indonesia
	Fevicol Company Ltd.	Pidilite International Pte Ltd.	Chemson Asia Pte Ltd.	Pidilite Middle East Ltd.	Jupiter Chemicals (L.L.C.)	Pidilite Speciality Chemicals Bangladesh Pvt Ltd	Banco Ltd	
The financial year of the subsidiary ended on	Indian Rs 31 <sup>st</sup> March 2008	Singapore Dollars 31 <sup>st</sup> March 2008	Singapore Dollars 31 <sup>st</sup> March 2008	AED 31 <sup>st</sup> March 2008	AED 31 <sup>st</sup> March 2008	Taka 31 <sup>st</sup> March 2008	Baht 31 <sup>st</sup> March 2008	IDR 31 <sup>st</sup> March 2008
Holding company's interest	100%	100%	75% by Pidilite International Pte Ltd.	100%	100% by Pidilite Middle East Ltd.	100% by Pidilite International Pte Ltd. (99%) & Pidilite Middle East Ltd. (1%)	75% by Pidilite International Pte Ltd.	100% by Pidilite International Pte Ltd. (99%) & Pidilite Middle East Ltd. (1%)
Equity Share Capital Including Share application Money	0.50	14574688 422.96	1250000 36.28	13746235 149.81	300000 3.27	64527725 37.65	15500000 19.70	8696412000 37.83
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	-	(37421) (1.09)	(21237) (0.62)	(81168) (0.88)	(2156906) (23.51)	72000 0.04	(3456541) (4.39)	(1426391687) (6.20)
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	0.04	(221588) (6.43)	(596091) (17.30)	(281136) (3.06)	(1522992) (16.60)	- -	3680924 4.68	(182315) -
Additional information u/s 212(5)	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.

\*\*\* Became subsidiary of Pidilite Middle East Ltd during the year.

FOR AND ON BEHALF OF THE BOARD

B K Parekh  
Chairman

S K Parekh  
Vice Chairman

P C PATEL  
President & Secretary

M B Parekh  
Managing Director

Mumbai  
Date : 28<sup>th</sup> May, 2008

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

Currency	Names of the subsidiaries							
	Pidlite USA Inc	Pidlite Innovation Center Pte Ltd	Madhumala Traders Pvt Ltd *	Bhimad Commercial Co Pvt Ltd *	Nebula Trading FZE ***	Pidlite Industries Egypt-SAE **	Pulvitec do Brasil Industria e Comercio Colas e Adesivos Ltda	Pagel Concrete Technologies Pvt Ltd
	US Dollars	Singapore Dollars	Indian Rs	Indian Rs	AED	EGP	Brazilian Reals	Indian Rs
The financial year of the subsidiary ended on	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2008			31 <sup>st</sup> March 2008
Holding company's interest	100%	100% by Pidilite International Pte Ltd.	100%	100%	100% by Pidilite Middle East Ltd	100% by Pidilite International Pte Ltd. (97%), Pidilite Industries Ltd (2%) & Pidilite Middle East Ltd. (1%)	100%	75%
Equity Share Capital Including Share application Money	10660000 426.63	995155 28.88	0.10	0.10	1000000 10.90	11694614 85.53	24608587 564.26	1.00
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 (2427337) (97.15)	17167 0.50	0.32	0.32	154807 1.69	(163345) (1.19)	(1264084) (28.98)	(0.05)
Net aggregate Profits or (Losses) for the previous financial year's 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 (805732) (32.25)	(25414) (0.74)	-	-	-	-	-	(0.74)
Additional information u/s 212(5)	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.

\*\*\* Became subsidiary of Pidilite Middle East Ltd during the year.

FOR AND ON BEHALF OF THE BOARD

B K Parekh  
Chairman

S K Parekh  
Vice Chairman

P C PATEL  
President & Secretary

M B Parekh  
Managing Director

Mumbai  
Date : 28<sup>th</sup> May, 2008

# 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 2007-08, 7 Board Meetings were held on 24<sup>th</sup> April 2007, 22<sup>nd</sup> May 2007, 24<sup>th</sup> July 2007, 3<sup>rd</sup> August 2007, 28<sup>th</sup> September 2007, 23<sup>rd</sup> October 2007 and 22<sup>nd</sup> January 2008.

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 as on 31<sup>st</sup> March 2008 are given below:

Sr. No.	Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships held in other Companies(*)	No. of Committee positions held @ in other Companies	
						Memberships	Chairmanships
1	Shri B K Parekh (Chairman)	NED(P)	7	Yes	15	1	-
2	Shri S K Parekh (Vice Chairman)	NED(P)	6	Yes	7	1	-
3	Shri H K Parekh	NED(P)	4	Yes	2	-	-
4	Shri M B Parekh (Managing Director)	ED(P)	6	Yes	9	-	-
5	Shri N K Parekh (Jt. Managing Director)	ED(P)	5	Yes	8	-	-
6	Shri A B Parekh (Whole-time Director)	ED(P)	7	Yes	9	-	-
7	Shri A N Parekh (Whole-time Director)	ED(P)	6	Yes	12	-	-
8	Shri R M Gandhi	NED (I)	7	Yes	4	2	4
9	Shri N J Jhaveri	NED (I)	5	Yes	14	4	5
10	Shri Bansi S Mehta	NED (I)	7	Yes	16	5	4
11	Shri Ranjan Kapur	NED (I)	5	Yes	11	2	-
12	Shri Yash Mahajan	NED (I)	3	No	3	1	-
13	Shri V S Vasani (Whole-time Director)	ED	7	Yes	-	-	-

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

@ Includes position in Audit Committee and Shareholders/Investors Grievance Committee only.

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

Shri B K Parekh, Shri S K Parekh, Shri H K Parekh and Shri N K Parekh are related to each other. Shri M B Parekh and Shri A B Parekh are related to each other as well as to Shri B K Parekh. Shri A N Parekh is related to Shri N K Parekh.

### 3. Audit Committee

During the financial year 2007-08, 4 meetings of the Committee were held on 22<sup>nd</sup> May 2007, 24<sup>th</sup> July, 2007, 23<sup>rd</sup> October 2007 and 22<sup>nd</sup> January 2008.

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

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

The Managing Director is a permanent invitee to the meetings. The Company Secretary is the Secretary of the Committee. Chief Financial Officer-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 2007-08 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)	85,91,424	3,91,06,460	50,82,750	5,27,80,634	5
2	Shri N K Parekh (Jt. Managing Director)	42,95,700	92,01,520	29,77,636	1,64,74,856	5
3	Shri A B Parekh (Whole-time Director)	36,82,032	69,01,140	32,61,261	1,38,44,433	5
4	Shri A N Parekh (Whole-time Director)	25,67,124	-	30,11,074	55,78,198	5
5	Shri V S Vasan (Whole-time Director)	10,08,000	-	34,19,509	44,27,509	2

\* Includes House Rent Allowance

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 31<sup>st</sup> March, 2008 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	41,000	3,00,000	3,41,000
5	Shri N J Jhaveri	33,000	3,00,000	3,33,000
6	Shri Bansi S Mehta	43,000	3,00,000	3,43,000
7	Shri Ranjan Kapur	29,000	3,00,000	3,29,000
8	Shri Yash Mahajan	15,000	3,00,000	3,15,000

The Company do engage M/s. Bansi S Mehta & Co., a Chartered Accountants firm in which Shri Bansi 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 5<sup>th</sup> 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 held by Non-Executive Directors as on 31<sup>st</sup> March 2008 : Shri R M Gandhi - 38,225; Shri N J Jhaveri - 5,000; Shri Ranjan Kapur - Nil; Shri Bansi S Mehta - 12,000; Shri Yash Mahajan - 4,500; Shri B K Parekh - 29,08,223; Shri S K Parekh - 2,29,84,780; Shri H K Parekh - 24,05,815.

## 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 16<sup>th</sup> January 2008 which was attended to by Shri R M Gandhi, Shri B K Parekh and Shri S K Parekh.

Details of composition of the Committee are 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, President & Secretary, (except for the period from 1<sup>st</sup> December 2007 to 27<sup>th</sup> May 2008, when Mr. Mandar M Tambe was appointed as Compliance Officer, who resigned on 27<sup>th</sup> May 2008) 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 332 of which only 26 were in the nature of complaints. All the complaints were solved to the satisfaction of shareholders. There were no pending complaints as on 31<sup>st</sup> March 2008. No requests for transfer of shares were pending as on 31<sup>st</sup> March 2008 and no requests for dematerialization of shares were pending for approval as on 31<sup>st</sup> March 2008.

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, President & 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
2006-07	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021.	29 <sup>th</sup> August, 2007 at 11.00 a.m.
2005-06	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021.	8 <sup>th</sup> August 2006 at 11.00 a.m.
2004-05	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021.	9 <sup>th</sup> August 2005 at 11.00 a.m.

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

### 2006-2007

- Appointment of Ms Ishita R Amersey, relative of a Director to hold an office or position of profit in Pidilite USA Inc, a subsidiary of the Company under Section 314 of the Companies Act, 1956.
- Issue of Foreign Currency Convertible Bonds for an amount not exceeding US\$ 50 million (US\$ fifty million only)
- Increase in the Authorised Capital of the Company pursuant to the Scheme of Arrangement of Demerger of VAM unit of Vinyl Chemicals (India) Ltd. into the Company.

### 2005-2006

- Appointment of Shri Sanket Parekh, relative of a Director to hold an office or position 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.

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.

The 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.

#### **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 posted on the Company's website [www.pidilite.com](http://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 31<sup>st</sup> March 2008."

# Corporate Governance Compliance Certificate

By Practising Company Secretary

To

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

Co Regn No: 14336  
Nominal Capital: Rs 46.50 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 31<sup>st</sup> March 2008. 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: 8<sup>th</sup> July 2008

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, 27<sup>th</sup> August 2008 at 11 a.m.

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

## Financial Year

1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009

## Dates of Book Closure

13<sup>th</sup> August 2008 to 27<sup>th</sup> August 2008 (both days inclusive)

## Dividend Payment

Dividend will be paid during the month of September 2008 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 2008-09 have 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 2007-08 at NSE for one equity share of Re 1 each were as under:**

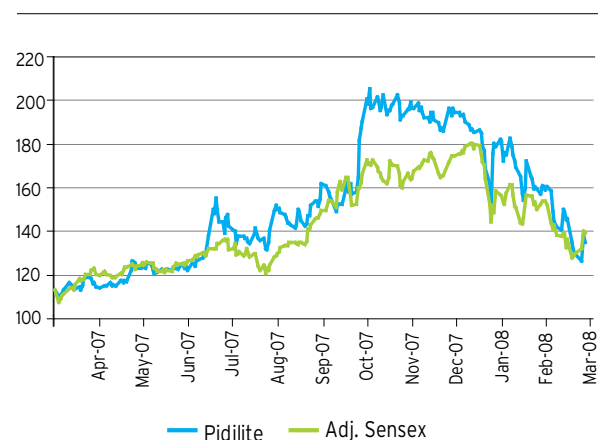
Month	Share Price (Rs)	
	High	Low
April 2007	123.00	110.00
May 2007	129.90	95.90
June 2007	127.00	120.00
July 2007	159.55	122.00
August 2007	155.45	128.25
September 2007	165.50	140.00
October 2007	212.80	142.00
November 2007	224.00	181.20
December 2007	225.00	185.00
January 2008	202.00	132.00
February 2008	208.00	152.30
March 2008	160.10	125.55

Share prices during the financial year 2007-08 at BSE for one equity share of Re 1 each were as under:

Month	Share Price (Rs)	
	High	Low
April 2007	123.40	110.05
May 2007	129.70	113.50
June 2007	127.00	120.00
July 2007	159.50	122.00
August 2007	154.50	130.00
September 2007	170.00	125.00
October 2007	214.00	145.05
November 2007	220.00	183.00
December 2007	207.00	183.65
January 2008	200.00	130.00
February 2008	190.00	150.00
March 2008	162.00	125.10

## 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  
 website: 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 2,000	TSR Darashaw Limited
up to 10,000	Any one of the Sarva Shri B K Parekh, S K Parekh, M B Parekh, Directors or in their absence, the Company Secretary.
above 10,000	Share Transfer Committee comprising the Directors viz, Sarva Shri 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 31<sup>st</sup> March 2008

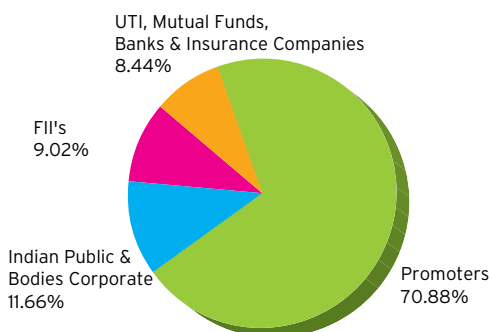
No. of Equity Shares held	No. of folios	%	No of Shares	%
Up to 5000	20543	75.98	2404450	0.94
5001 - 10000	1667	6.16	1483481	0.59
10001 - 20000	1753	6.48	3126954	1.24
20001 - 30000	528	1.95	1416747	0.56
30001 - 40000	1760	6.51	7003552	2.77
40001 - 50000	149	0.55	708951	0.28
50001 - 100000	317	1.17	2362175	0.93
100001 and above	325	1.20	234560996	92.69
<b>Total</b>	<b>27042</b>	<b>100.00</b>	<b>253067306</b>	<b>100.00</b>
No. of Shareholders & shares in physical mode	2650	9.80	3156440	1.25
No. of beneficial owners & shares in electronic mode	24392	90.20	249910866	98.75
<b>Total</b>	<b>27042</b>	<b>100.00</b>	<b>253067306</b>	<b>100.00</b>

## Dematerialisation of shares & liquidity

As on 31<sup>st</sup> March 2008, 98.75% 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.

## SHAREHOLDING PATTERN AS ON 31<sup>st</sup> MARCH 2008



(excluding unlisted Preference Shares)

## Outstanding GDRs/ADRs/Warrants/Convertible instruments

In December 2007, the Company raised U.S.\$ 40 million through Zero Coupon Foreign Currency Convertible Bonds. The Bonds have a yield to maturity of 6.75% per annum (calculated on a semi-annual basis), and are redeemable in 2012 i.e. after 5 years and 1 day from closing date.

The Bonds are convertible into equity shares of the Company at any time on and after 16<sup>th</sup> January, 2008 until 1<sup>st</sup> December 2012 at a price of Rs 256.035 per share (which represents a premium of 32.73% to the closing price of the equity shares of Pidilite Industries Limited on the Bombay Stock Exchange Limited ("BSE") as of 23<sup>rd</sup> November, 2007) with a fixed rate of exchange on conversion of Rs 39.37 = US\$ 1. If all the bonds were converted, approximately 6150722 Equity Shares would be issuable. The Bonds have been issued at par and will be redeemed, if not converted into shares, at 139.37% of par on maturity.

The Bonds are listed on the Singapore Exchange Securities Trading Limited and the shares to be issued upon conversion of the Bonds will be listed on the NSE and BSE

**ISIN for Bonds : XS0330177667**

## Plant Locations in India

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

## Address for Correspondence

### Registered Office

Regent Chambers, 7<sup>th</sup> 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, 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.

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# Consolidated Financial Statements

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# 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) and associate (collectively referred to as PIL Group) as at 31<sup>st</sup> March 2008, 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 Group'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 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 (including subsidiaries of the subsidiaries), whose financial statements reflect total assets of Rs 2039.78 million as at 31<sup>st</sup> March 2008 and total revenues of Rs 1971.15 million for the year ended on that date. These financial statements have been audited by other auditors, 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 auditors.

We report that the consolidated financial statements have been prepared by the PIL Group 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 financial statements of PIL and its subsidiaries (including subsidiaries of the 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 (including subsidiaries of the subsidiaries) and the associate, 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 Group as at 31<sup>st</sup> March 2008,
- b) The consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of PIL Group for the year ended on that date and,
- c) In case of the consolidated Cash Flow Statements, of the consolidated cash flow of PIL Group for the year ended on that date.

For HARIBHAKTI & CO  
Chartered Accountants

CHETAN DESAI  
Partner

Place: Mumbai  
Date: 28<sup>th</sup> May 2008

Membership No. 17000

# Consolidated Balance Sheet

As at 31<sup>st</sup> March 2008

(Rs in million)

	Schedule	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
a. Capital	1	281.82	252.40
b. Reserves and Surplus	2	5915.80	4553.50
		6197.62	4805.90
2. Loan Funds			
a. Secured Loans	3	2121.84	791.36
b. Unsecured Loans	4	3141.72	657.76
		5263.56	1449.12
3. Deferred Tax Liability (Net)		416.10	335.37
4. Minority Interest		12.71	15.22
<b>TOTAL</b>		<b>11889.99</b>	<b>6605.61</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	5		
a. Gross Block		8140.68	5737.86
b. Less : Depreciation		3169.99	2233.90
c. Net Block		4970.69	3503.96
d. Capital work in progress		1697.36	364.85
		6668.05	3868.81
2. Investments (Net)	6	32.37	159.23
3. Current Assets, Loans and Advances	7		
a. Inventories		2988.25	2213.65
b. Sundry Debtors		2377.44	1579.88
c. Cash and Bank Balances		1718.47	381.37
d. Other Current Assets		32.41	21.74
e. Loans and Advances		895.58	503.80
		8012.15	4700.44
Less : Current Liabilities and Provisions	8		
a. Liabilities		2212.14	1637.89
b. Provisions		610.70	487.67
		2822.84	2125.56
Net Current Assets		5189.31	2574.88
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
VRS compensation - Refer Note 1 (ix) of Schedule 12		0.26	2.69
<b>TOTAL</b>		<b>11889.99</b>	<b>6605.61</b>
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  
Membership No 17000

S K PAREKH  
Vice Chairman

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

M B PAREKH  
Managing Director

# Consolidated Profit and Loss Account

For The Year Ended 31<sup>st</sup> March 2008

(Rs in million)

	Schedule	2007-08	2006-07
<b>INCOME</b>			
Sales		18753.00	13839.18
Less : Excise Duty		1670.63	1357.46
Net Sales		17082.37	12481.72
Other Income	9	314.57	188.74
		17396.94	12670.46
<b>EXPENDITURE</b>			
Materials	10	9486.84	7110.09
Other Expenses	11	5374.21	3776.48
Depreciation		458.82	327.68
		15319.87	11214.25
Profit before Taxation		2077.07	1456.21
Income Tax Expense			
Current Tax		252.72	289.91
Less : MAT		(60.67)	-
		192.05	289.91
Deferred Tax		136.45	30.49
Fringe Benefit Tax		34.05	22.33
		362.55	342.73
Profit for the year		1714.52	1113.48
Prior year Tax Provision written back (Net)		3.99	2.29
Share of Profit/(Loss) in Associate Company for the year		8.97	0.96
Minority Interest		1.75	0.74
Balance brought forward from previous year		454.27	379.74
Profit available for appropriation		2183.50	1497.21
Proposed Dividend		442.87	378.60
Corporate Tax on Dividend		75.27	64.34
		518.14	442.94
Transfer to Debenture Redemption Reserve		70.28	-
Transfer to General Reserve		1100.00	600.00
<b>Balance carried to Balance Sheet</b>		<b>495.06</b>	<b>454.27</b>
Earnings per share: (Refer note 6 of Schedule 12)			
Basic (Rs)		6.84	4.43
Diluted (Rs)		6.78	4.43
Face Value of Share (Re)		1.00	1.00
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  
Membership No 17000

S K PAREKH  
Vice Chairman

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

M B PAREKH  
Managing Director

# Schedule

Numbers 1 to 12 annexed to and forming part of the Consolidated Balance Sheet as at 31<sup>st</sup> March 2008 and Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2008

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>SCHEDULE 1 SHARE CAPITAL</b>		
Authorised		
39,00,33,999 (27,50,00,000) Equity Shares of Re 1 each	390.03	275.00
50,00,000 6% Cumulative Redeemable Preference Shares of Rs 10 each	50.00	-
2,50,00,000 Unclassified Shares of Re 1 each	25.00	25.00
<b>TOTAL</b>	<b>465.03</b>	<b>300.00</b>
Issued, Subscribed and Paid up		
25,30,61,306 (25,23,94,000) Equity Shares of Re 1 each, fully paid-up (Notes 1 to 4)	253.06	252.39
28,74,805 (Nil) 6% Cumulative Redeemable Preference Shares of Rs 10 each, fully paid-up (Note 3)	28.75	-
Bonus Shares Issue Suspense Account (Note 5)	0.01	0.01
<b>TOTAL</b>	<b>281.82</b>	<b>252.40</b>
<b>NOTES Out of the above</b>		
1. 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.		
2. 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.		
3. 6,67,306 Equity shares of Re 1 each and 28,74,805 6% Cumulative Redeemable Preference Shares of Rs 10 each have been issued as fully paid-up pursuant to the Scheme of Demerger of VAM Manufacturing Unit of Vinyl Chemicals (India) Ltd. into the Company.		
4. 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. 27 <sup>th</sup> September 2005.		
5. Bonus Shares Issue Suspense Account pertains to issue of 6,000 fully paid-up Bonus Shares pending settlement of dispute for title of shares.		
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>		
Capital Reserve		
Balance as per last Balance Sheet	3.37	3.37
Add : Addition during the year	1.59	-
	4.96	3.37
Cash Subsidy Reserve		
Balance as per last Balance Sheet	9.47	9.47
Special Reserve		
Balance as per last Balance Sheet	1.19	1.19
Debenture Redemption Reserve		
Add : Transferred from Profit and Loss Account	70.28	-
General Reserve		
Balance as per last Balance Sheet	4088.21	3488.22
Add : Transferred on Demerger of VAM unit of Vinyl	167.92	-
Less : Earlier Years' Liability of Gratuity & Leave Encashment	17.72	-
Add : Transferred from Profit and Loss Account	1100.00	600.00
	5338.41	4088.22
Foreign Currency Translation Reserve		
	(3.57)	(3.02)
Profit and Loss Account		
	495.06	454.27
<b>TOTAL</b>	<b>5915.80</b>	<b>4553.50</b>



(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>SCHEDULE 3 SECURED LOANS</b>		
Working Capital Loans from Banks (including Working Capital Demand Loan)	1025.07	501.06
Term Loans from Banks	1096.77	290.30
<b>TOTAL</b>	<b>2121.84</b>	<b>791.36</b>

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.

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
<b>SCHEDULE 4 UNSECURED LOANS</b>		
Interest free Sales Tax loan from Government of Maharashtra	355.52	323.59
Foreign Currency Loan from Banks	471.79	310.02
Foreign Currency Convertible Bonds (US \$ 40,000,000 Zero Coupon Convertible Bonds, due in 2012)	1594.40	-
Commercial Paper	700.00	24.15
Other	20.01	-
<b>TOTAL</b>	<b>3141.72</b>	<b>657.76</b>

Amount due within one year Rs 1191.80 million (Rs 334.17 million)

## SCHEDULE 5 FIXED ASSETS

(Rs in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK				
	As at 1.4.2007	Transfer from VCIL	Addi- tions/ Adjust- ments	Deduc- tions/ Adjust- ments	As at 31.3.2008	As at 1.4.2007	Transfer from VCIL	Provided during the year	Deduc- tions/ Adjust- ments	As at 31.3.2008	As at 31.3.2007		
<b>Intangible Assets</b>													
- Goodwill	246.35	-	543.31	-	789.66	55.71	-	32.00	-	87.71	701.95	190.64	
- Copyrights, Trademarks, etc.	776.87	63.43	118.51	-	958.81	352.33	31.56	74.38	-	458.27	500.54	424.54	
Freehold Land	150.82	0.31	8.61	-	159.74	-	-	-	-	-	159.74	150.82	
Leasehold Land	59.49	7.66	9.81	-	76.96	2.97	1.33	0.72	-	5.02	71.94	56.52	
Buildings	953.92	100.25	201.56	1.36	1254.37	171.75	27.05	35.55	(0.15)	234.50	1019.87	782.17	
Plant and Machinery	3111.62	617.41	563.57	18.32	4274.28	1497.61	3464.5	268.65	(50.68)	2163.39	2110.89	1614.00	
Furniture and Fixtures	218.20	12.08	117.85	6.91	341.22	73.20	8.45	23.82	(2.17)	107.64	233.58	145.00	
Vehicles	165.10	16.94	44.55	13.84	212.75	50.27	13.34	17.40	8.34	72.67	140.07	114.83	
Computer Software	13.93	-	16.03	0.47	29.49	2.42	-	4.99	(5.35)	12.76	16.73	11.51	
<b>Capital Expenditure on Scientific Research</b>													
- Buildings	1.48	-	-	0.04	1.44	0.89	-	-	-	0.89	0.55	0.59	
- Plant and Machinery	35.20	-	3.54	1.67	37.07	23.36	-	1.12	0.92	23.56	13.52	11.84	
- Furniture and Fixtures	3.07	-	-	-	3.07	1.57	-	0.19	-	1.76	1.31	1.50	
<b>Assets given on Lease</b>													
Plant and Machinery	1.82	-	-	-	1.82	1.82	-	-	-	1.82	-	-	
Total	5737.87	818.08	1627.34	42.61	8140.68	2233.90	428.18	458.82	(49.09)	3169.99	4970.69	3503.96	
Previous Year	4746.78	-	1072.36	81.28	5737.86	1931.88	-	327.68	25.66	2233.90	-	-	
<b>Capital work in progress including capital advances</b>													
TOTAL												1697.36	364.85
											6668.05	3868.81	

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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**SCHEDULE 6 LONG TERM INVESTMENTS (AT COST)**

<b>I. In Government Securities (Unquoted)</b>		
6 and 7 Years National Savings Certificates (Deposited with Government Departments)	-	0.01
<b>II. In Equity Shares (Fully paid)</b>		
<b>a. Quoted</b>		
Trade		
Nil (7451540) Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	-	117.83
Goodwill (Net Arising at the time of acquisition of shares)	-	(9.52)
Share of undistributed Profit/losses in previous years	-	35.87
Share of Profit/Losses Current Year	-	0.96
	-	145.14
Others		
Nil (3594) Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	-	0.09
14400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	0.72	0.72
837 Equity Shares of Rs 10 each of Reliance Industries Ltd (earlier:4188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd)	0.77	0.77
Nil (121300) Equity Shares of Rs 10 each of Pal Peugeot Ltd	-	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)	8.83	155.27
[Market Value Rs 36.56 million (Rs 97.56 million)]		
<b>b. Unquoted (Fully paid)</b>		
Trade		
7451540 (Nil) Equity Shares of Re 1 each of Vinyl Chemicals (India) Ltd	11.79	-
Goodwill (Net Arising at the time of acquisition of shares)	(9.52)	-
Share of undistributed Profit/losses in previous years	(0.25)	-
Share of Profit/Losses Current Year	8.97	-
	10.99	-
Others		
200200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	5.29	5.29
3594 (Nil) Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.09	-
628 Equity Shares of Rs 100 each of Jawahar Co-op Industrial Estate Ltd	0.06	0.06
121300 (Nil) Equity Shares of Rs 10 each of Pal Peugeot Ltd	1.21	-
2500 (Nil) Equity Shares of Rs 10 Each of Saraswat Co. Op. Bank Ltd.	0.03	-
TOTAL - II (b)	17.67	5.35
<b>III. In Units of Mutual Fund (Unquoted)</b>		
400 Units of Rs 70000 each of Infinity Venture India Fund (Partly redeemed)	1.89	5.18
Nil (16775.146) units of Grindlays Super Saver Fund	-	0.23
TOTAL - III	1.89	5.41
<b>IV. In Partnership Firm</b>		
Nitin Enterprises	10.57	-
<b>V. Others</b>	0.22	-
TOTAL : I + II (a) + II (b) + III	39.18	166.04
Less : Diminution in value of Investments	6.81	6.81
TOTAL	32.37	159.23

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 :	Purchased	(Units) Sold
Units of Birla Cash Plus Dividend Option Institutional Plan	51834394	51834394
Units of DSP Merrill Lynch Daily Dividend Option	105352	105352
Units of Prudential ICICI Liquid Plan Daily Dividend Option	7220650	7220650
Units of Prudential ICICI Institutional Liquid Plan Daily Dividend Option	21324159	21324159
Units of Prudential ICICI Flexible Income Plan - Daily Dividend Option	21061567	21061567
Units of HDFC-Cash Management Fund-Saving Plan - Daily Dividend Option	4703889	4703889
Units of HDFC-Cash Management Fund-Saving Plus Plan - Daily Dividend Option	5067353	5067353

(Rs in million)

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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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.	23.69	10.54
Raw Materials	1116.43	721.68
Goods in Process	154.84	82.24
Finished Goods	1207.98	978.48
Traded Goods	276.56	263.23
Packing Materials	208.75	157.48
	2988.25	2213.65
b. Sundry Debtors (Unsecured)		
Over six months -		
Considered good	340.08	17.93
Considered doubtful	15.64	1.04
Others, Considered good	2037.36	1561.95
	2393.09	1580.92
Less : Provision for doubtful debts	15.64	1.04
	2377.44	1579.88
c. Cash and Bank Balances		
Cash and Cheques on Hand	199.88	91.64
Remittances in Transit	5.93	61.92
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	583.92	227.78
In Deposits	928.71	-
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
	1718.47	381.37
d. Other Current Assets		
Interest Receivable	1.69	-
Claims Receivable	30.72	21.74
	32.41	21.74

**B. Loans and Advances**

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	440.89	254.86
Advance Payment of Taxes (Net of Provisions)	123.11	102.98
MAT Credit Entitlement	60.15	-
Loans and Advances to Staff	60.27	39.11
Deposits	75.94	53.30
Balances with Central Excise Department	135.22	53.55
	895.58	503.80
<b>TOTAL</b>	<b>8012.15</b>	<b>4700.44</b>

(Rs in million)

As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
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**SCHEDULE 8 CURRENT LIABILITIES AND PROVISIONS****A. Current Liabilities**

Acceptances		32.61	30.89
Sundry Creditors			
Small and Medium Enterprises	135.49		83.86
Others	707.66		748.34
		843.15	832.20
Dealers' Deposits		238.99	154.58
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary :			
Unclaimed Dividends		3.95	3.47
Other Liabilities		1093.44	616.75
		2212.14	1637.89

**B. Provisions**

For Gratuity		19.48	-
For Leave encashment		73.08	44.73
Dividends :			
Proposed Dividend	442.87		378.60
Corporate Tax on Dividend	75.27		64.34
		518.14	442.94
		610.70	487.67
<b>TOTAL</b>		<b>2822.84</b>	<b>2125.56</b>

(Rs in million)

2007-08      2006-07

## **SCHEDULE 9 OTHER INCOME**

Interest received - (Gross) [Tax deducted at source Rs 1.89 million (Rs 0.38 million)]	24.39	11.40
Insurance Claim Received	5.25	0.64
Dividend received	16.03	3.29
Export Incentives	35.95	19.11
Profit on sale of Fixed Assets	14.89	50.66
Foreign Exchange Fluctuation	32.27	9.14
Miscellaneous Income	185.79	94.50
<b>TOTAL</b>	<b>314.57</b>	<b>188.74</b>

(Rs in million)

2007-08      2006-07

**SCHEDULE 10 MATERIALS****A. Raw Materials consumed**

Opening Stock	721.68	560.51
Add : Purchases	7516.17	5636.62
	8237.85	6197.13
Less : Closing Stock	1116.43	721.68
	7121.42	5475.45

**B. (Increase)/Decrease in Stocks**

Closing Stock		
Goods in Process	154.84	82.24
Finished Goods	1207.98	978.48
	1362.82	1060.72
Less :		
Opening Stock		
Goods in Process	82.24	59.22
Finished Goods	978.48	749.81
	1060.72	809.03
	(302.10)	(251.69)

**C. Packing Materials consumed**

1765.66      1449.96

**D. Cost of Traded Goods**

Opening Stock	263.23	65.68
Add : Purchases	915.20	633.92
	1178.43	699.60
Less : Closing Stock	276.56	263.23
	901.86	436.37
<b>TOTAL</b>	<b>9486.84</b>	<b>7110.09</b>



(Rs in million)

2007-08

2006-07

**SCHEDULE 11** OTHER EXPENSES

Stores and Spares consumed		102.60	50.32
Clearing, Forwarding, Octroi Duty, etc.		710.56	489.91
Central Excise Duty		17.15	13.13
Power and Fuel		170.98	126.38
Water Charges		19.20	9.93
Employees' Emoluments :			
[Refer Notes 1 (viii), (ix) of Schedule 12]			
Salaries, Wages, Bonus, Allowances, etc.	1495.13		991.72
Contribution to Provident and Other Funds	81.71		61.18
Welfare Expenses	62.86		37.62
		1639.70	1090.52
Rent		124.10	80.44
Rates and Taxes		7.53	11.21
Insurance		32.58	29.94
Licence fees		2.06	0.60
Repairs :			
Buildings	16.45		11.19
Machinery	31.97		32.08
Others	27.02		16.32
		75.44	59.59
Directors' Fees		0.47	0.73
Advertisement and Publicity		709.01	582.20
Legal and Professional fees		207.82	118.83
Communication Expenses		64.96	55.86
Printing and Stationery		29.17	20.71
Travelling and Conveyance Expenses		350.95	229.35
Bad Debts		2.01	4.50
Provision for Doubtful Debts		14.60	0.46
Processing and Packing Charges		345.13	335.77
Bank Charges		52.21	29.51
Commission and Brokerage		57.38	35.38
Miscellaneous expenses		354.89	223.71
Scientific Research and Development Expenditure		18.56	3.09
[Refer Notes 1(vi) of Schedule 12]			
Remuneration to Auditors			
Audit Fees (Including Tax Audit Fees)	5.55		4.12
For Other Services	1.44		0.98
		6.99	5.10
Donations		57.27	95.81
Diminution in value of Investments		-	1.25
[Refer Notes 1 (vii) of Schedule 12]			
Foreign Exchange Fluctuation		0.86	-
Loss on Fixed Assets Sold/Discarded		9.75	5.90
Interest			
On Term Loan		37.78	22.12
Others		152.49	44.23
<b>TOTAL</b>		<b>5374.21</b>	<b>3776.48</b>

## 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
Bhimad Commercial Co Pvt Ltd	India	100% Subsidiary
Madhumala Traders Pvt Ltd	India	100% Subsidiary
Pidilite International Pte Ltd	Singapore	100% Subsidiary
Pidilite Middle East Ltd	Middle East	100% Subsidiary
Pulvitec do Brasil Industria e Comercio de Colas e Adesivos 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
Nebula Trading FZE	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
Pidilite Industries Egypt - SAE	Egypt	100% Subsidiary of wholly owned subsidiaries
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(e) 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

- 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.
- Interest income is recognised on accrual basis.
- 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

- Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
- 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 alongwith the respective assets.
- The Company provides depreciation as under
  - For assets acquired upto 30<sup>th</sup> June, 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.

## SCHEDULE 12 NOTES ON ACCOUNTS

2. For assets acquired after 30<sup>th</sup> June 1987 and before 31<sup>st</sup> March 1993, on SLM basis at rates specified in Schedule XIV of the Companies Act, 1956.
  3. For assets acquired after 31<sup>st</sup> March 1993, on SLM basis as per new rates prescribed under Schedule XIV vide notification No. GSR 756 (E) dated 16<sup>th</sup> December 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 5,000 or less, for which depreciation has been provided at hundred percent.
  5. The Goodwill acquired by the Company is amortised over a period of 5 years on SLM basis. In Case of Subsidiaries no goodwill is amortised except Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda where goodwill is amortised over a period of 10 years.
  6. The Copyrights, Trademarks, Technical Knowhow, etc. acquired by the Parent Company are amortised over a period of 10 years on SLM basis. In case of subsidiaries for which, it is not amortised except for Pidilite USA Inc where it is amortised over a period of 15 years.
- 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.
- v. **Method of Valuation of Inventories**
- a. Raw Materials and Packing materials are valued at lower of cost on weighted average basis.
  - b. 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 upto the ports in respect of finished goods meant for exports.
  - c. Consumable stores & spares are valued at lower of cost or net realisable value as estimated by the management
  - d. Obsolete, defective, unserviceable and slow/non-moving stocks are duly provided for.
  - e. In case of subsidiary companies, inventory valuation is as per generally accepted accounting principles of respective countries.
- vi. **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.
- vii. **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.
- viii. **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.
  - d. 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.

## SCHEDULE 12 NOTES ON ACCOUNTS

### x. 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. 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 transaction 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.

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 31st March 2008	As at 31st March 2007
2. Contingent liabilities not provided for:		
i. Guarantees given by Banks in favour of Government and others	69.77	70.30
ii. Guarantees given by Company	396.50	700.85
iii. Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)	115.62	91.24

## SCHEDULE 12 NOTES ON ACCOUNTS

### 3. Segment reporting

#### INFORMATION ABOUT BUSINESS SEGMENTS

(Rs in million)

Business Segments	Consumer & Bazaar Products	Industrial Products	Others	Total
<b>REVENUE</b>				
External Sales	13931.89 (10685.01)	3667.52 (3154.17)	1153.59 (-)	18753.00 (13839.18)
Inter Segment Revenue (at cost plus 10%)	22.23 (3.36)	351.49 (315.92)	435.02 (-)	808.74 (319.28)
<b>Total Revenue</b>	<b>13954.12</b> (10688.37)	<b>4019.01</b> (3470.09)	<b>1588.61</b> (-)	<b>19561.74</b> (14158.46)
<b>RESULTS</b>				
Segment Results	2316.00 (1703.49)	504.20 (407.47)	171.00 (-)	2991.20 (2110.96)
Unallocated Corporate Expenses				942.70 (757.22)
Unallocated Corporate Income				187.33 (154.13)
Operating Profit				2235.83 (1507.87)
Interest Expenses				190.27 (66.35)
Interest/Dividend Income				31.51 (14.69)
Income Tax (Provision for Taxation and Deferred Taxation )				362.55 (342.73)
<b>Net Profit</b>				<b>1714.52</b> (1113.48)
<b>OTHER INFORMATION</b>				
Segment Assets	5422.27 (4261.69)	1901.63 (1536.63)	612.87 (-)	7936.77 (5798.32)
Unallocated Corporate Assets				6776.05 (2932.85)
<b>Total assets</b>				<b>14712.82</b> (8731.17)
Segment Liabilities	1656.94 (1184.26)	379.29 (336.96)	151.63 (-)	2187.86 (1521.22)
Unallocated Corporate Liabilities				6327.33 (2404.05)
<b>Total liabilities</b>				<b>8515.19</b> (3925.27)
Capital Expenditure	1375.61 (785.01)	121.27 (59.79)	403.44 (-)	1900.32 (844.80)
Unallocated Corporate Capital Expenditure				1406.82 (253.60)
Depreciation	261.80 (185.65)	61.20 (58.92)	40.70 (-)	363.70 (244.57)

## SCHEDULE 12 NOTES ON ACCOUNTS

### INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

(Rs in million)

GEOGRAPHICAL SEGMENTS	India		Other Countries		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Sales Revenue	15490.97	11888.27	3262.03	1950.91	18753.00	13839.18
Carrying amount of Segment Assets	12594.35	8133.57	2118.47	597.60	14712.82	8731.17
Additions to Fixed Assets and Intangible Assets	2462.32	742.76	844.82	355.64	3307.14	1098.40

Notes

#### SEGMENT INFORMATION

##### Business Segment

The Company is operating into three business segments: Consumer & Bazaar Products, Industrial Products and others. 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.

Others consist of VAM Manufacturing Unit of Vinyl Chemicals (India) Ltd demerged in to the Company wef 1<sup>st</sup> April 2007.

##### Geographical Segment

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

#### 4. Deferred Taxation

##### a. In respect of Holding Company

Out of the net deferred tax liability of Rs 422.90 million as at 31<sup>st</sup> March, 2008, the major components of deferred tax balances are set out below

(Rs in million)

	Upto 31.03.2007	AS 15 Transitional Effect	Revised Opening	Vinyl Demerger Effect	During the year 2007-08	Carried as at 31.03.2008
<b>Deferred Tax Liability</b>						
i. Difference between Accounting and Tax Depreciation (Cumulative)	352.76	-	352.76	79.79	22.30	454.85
<b>Deferred Tax Assets</b>						
i. Leave Salary & Others	14.00	9.13	23.13	-	8.82	31.95
ii. Unabsorbed Benefits of VCIL	-	-	-	126.90	(126.90)	-
	14.00	9.13	23.13	126.90	(118.08)	31.95
<b>Net Deferred Tax Liability</b>	<b>338.76</b>	<b>(9.13)</b>	<b>329.63</b>	<b>(47.11)</b>	<b>140.38</b>	<b>422.90</b>

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

## SCHEDULE 12 NOTES ON ACCOUNTS

### b. In respect of Subsidiary

(Rs in Million)

	31.03.2008	31.3.2007
<b>1. Chemson Asia Pte Ltd</b>		
Accounting profit/(loss)	(0.82)	(8.50)
Income Tax at statutory rate	(0.15)	(1.40)
Timing Difference	-	0.18
Nonallowable Items	(0.07)	0.08
Deferred Tax Assets not provided	0.08	1.14

Chemson Asia Pte Ltd has unabsorbed tax losses amounting to approximately S\$ 812,000 (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.

### 2. PT Pidilite Indonesia

Out of the net deferred tax asset of Rs 3.39 Million as at 31<sup>st</sup> March, 2008, the major components of deferred tax balances are set out below :

(Rs in Million)

	Upto 31.03.2007	During the year 2007-08	Carried as at 31.03.2008
<b>Deferred Tax Liability</b>			
i. Difference between Accounting and Tax Depreciation (Cumulative)	-		-
<b>Deferred Tax Assets</b>			
i. Leave Salary	3.15	0.14	3.29
ii. Others	0.24	2.77	3.01
	3.39	2.91	6.30
Net Deferred Tax Asset	(3.39)	(2.91)	(6.30)

### 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
d. Nitin Enterprise	Controlling Interest
e. Mala Parekh	Relative of Key Management Personnel

#### ii. Key Management Personnel

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

#### iii. Other Directors

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

## SCHEDULE 12 NOTES ON ACCOUNTS

iv. Transactions with Related Parties during the year ended 31<sup>st</sup> March 2008 are as follows

(Rs in Million)

Nature of Transaction	Remuneration to Directors	Parekh Marketing Ltd.	Vinyl Chemicals (India) Ltd.	Kalva Marketing and Services Ltd.	Nitin Enterprises	Mala Parekh	Total
a. Sales and Related Income	Nil	1829.58	Nil	Nil	0.19	Nil	1829.77
	(Nil)	(5332.28)	(0.04)	(Nil)	(Nil)	(Nil)	(5332.32)
b. Other Income (including Electricity Generation)	Nil	0.47	Nil	0.03	Nil	Nil	0.50
	(Nil)	(0.48)	(24.38)	(0.11)	(Nil)	(Nil)	(24.97)
c. Purchases and Other Related Services	Nil	Nil	681.14	Nil	3.37	Nil	684.51
	(Nil)	(Nil)	(404.91)	(Nil)	(Nil)	(Nil)	(404.91)
d. Transfer of Sales Tax Deferment Benefit	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	(Nil)	(Nil)	(14.72)	(Nil)	(Nil)	(Nil)	(14.72)
e. Remuneration to Directors:							
- Sitting Fees	0.24						0.24
	(0.25)						(0.25)
- Managing Director / Jt. Managing Director	71.02						71.02
	(53.18)						(53.18)
- Whole Time Directors	25.34						25.34
	(22.51)						(22.51)
- Commission to Non Executive Directors	2.40						2.40
	(2.40)						(2.40)
f. Purchase of Fixed Assets	Nil	63.26	Nil	Nil	Nil	Nil	63.26
	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)
h. Sale of Fixed Assets	Nil	12.00	Nil	Nil	Nil	Nil	12.00
	(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(45.37)	(45.37)
l. Rent, Maintenance and Service Charges Paid	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	(Nil)	(Nil)	(9.71)	(Nil)	(Nil)	(Nil)	(9.71)
j. Reimbursement of expenses made	Nil	0.78	Nil	Nil	Nil	Nil	0.78
	(Nil)	(Nil)	(0.39)	(Nil)	(Nil)	(Nil)	(0.39)
k. Reimbursement of expenses received	Nil	20.69	Nil	Nil	Nil	Nil	20.69
	(Nil)	(0.21)	(0.23)	(Nil)	(Nil)	(Nil)	(0.44)
l. Outstanding Balances :							
- Debtors	Nil	104.11	Nil	Nil	0.19	Nil	104.30
	(Nil)	(458.75)	(0.01)	(Nil)	(Nil)	(Nil)	(458.76)
- Creditors	Nil	0.25	65.01	Nil	3.37	Nil	68.63
	(Nil)	(Nil)	(18.60)	(Nil)	(Nil)	(Nil)	(18.60)
- Outstanding Payable (Net of receivable)	Nil	(103.86)	65.01	Nil	3.18	Nil	(35.67)
	(Nil)	((458.75))	(18.59)	(Nil)	(Nil)	(Nil)	((440.16))

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



## SCHEDULE 12 NOTES ON ACCOUNTS

### 6. Earnings Per Share

	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2007
Weighted Average no. of shares used in computing Basic Earnings per share	253067306	252400000
Add : Weighted average Potential no. of equity shares that could arise on exercise of option on Zero Coupon Convertible Bonds from 16 <sup>th</sup> Jan 2008 to 1 <sup>st</sup> December 2012	1966214	-
Weighted Average no. of shares used in computing Diluted Earnings per share	255033520	252400000
Net Profit after tax including prior year tax provision written back (Rs in million)	1729.23	1117.47
Basic Earnings Per Share * (Rs)	6.84	4.43
Diluted Earnings Per Share * (Rs)	6.78	4.43

\* Equity shares of face value of Re 1 each.

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 Sixteen subsidiaries as against twelve 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

M B PAREKH  
Managing Director

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

# Cash Flow Statement

For The Year Ended 31<sup>st</sup> March, 2008

(Rs in million)

	2007-08	2006-07
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	2077.07	1457.91
Adjustment for Depreciation	458.82	327.68
Additional Provision for Diminution in value of Investments	-	1.25
Interest paid	190.27	66.35
Dividend received	(16.03)	(3.29)
Interest received	(24.39)	(11.40)
Amortisation of VRS compensation	2.43	2.54
(Profit)/Loss on Sale of Assets	(5.14)	(45.00)
(Profit)/Loss on Sale of Investments	-	0.24
Bad debts w/off/provision for doubtful debts	16.61	4.96
	622.57	343.33
Operating Profit before Working Capital changes	2699.64	1801.24
Working Capital changes :		
Inventories (Inc)/Dec	(645.98)	(655.59)
Debtors (Inc)/Dec	(734.28)	(451.47)
Loans and Advances, etc. (Inc)/Dec	(264.37)	(152.11)
Current Liabilities Inc/(Dec)	504.72	619.54
	(1139.91)	(639.63)
Cash generated from operations	1559.73	1161.61
Interest received	24.39	11.40
Interest paid	(190.27)	(66.35)
Income Tax paid (Net)	(291.67)	(335.99)
	(457.55)	(390.94)
Net Cash flow from Operating Activities Carried Forward	1102.18	770.67

# Cash Flow Statement

For The Year Ended 31<sup>st</sup> March, 2008

(Rs in million)

	2007-08	2006-07
Net Cash Flow from Operating Activities Brought Forward	1102.18	770.67
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2883.68)	(1178.51)
Sale of Fixed Assets	25.67	99.45
Purchase of Investments	(1269.03)	(973.64)
Sale of Investments	1289.85	972.54
Dividend received	16.03	3.29
Net Cash flow from Investing Activities	(2821.16)	(1076.87)
	(1718.98)	(306.20)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Repayment)/Increase of long term borrowings	31.93	57.72
(Repayment)/Increase of long term borrowings-Bank	730.05	290.30
(Decrease)/Increase in Short term Borrowings-Bank	1012.31	227.86
(Repayment)/Increase of Short Term Borrowings-Foreign Currency Loan	105.38	(359.49)
(Redemption)/Issue of Foreign Currency Convertible Bonds	1594.40	-
(Repayment)/Increase in short terms borrowing-others	20.01	-
Dividend paid (Including Dividend Tax, where applicable)	(442.47)	310.02
Net Cash Flow from Financing Activities	3051.61	526.41
Net Increase in Cash and Cash Equivalents	1332.63	220.21
Cash and Cash Equivalents as at 1 <sup>st</sup> April, 2007	381.37	161.16
Add : Cash & bank balance acquired under the Scheme	4.47	-
Cash and Cash Equivalents as at 31 <sup>st</sup> March, 2008	1718.47	381.37
	1332.63	220.21

AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For HARIBHAKTI & CO.  
Chartered Accountants

CHETAN DESAI  
Partner  
Membership No 17000

Mumbai  
Date : 28<sup>th</sup> May, 2008

P C PATEL  
President & Secretary

B K PAREKH  
Chairman

S K PAREKH  
Vice Chairman

M B PAREKH  
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	Pidilite International Pte Ltd*	Chemson Asia Pte Ltd*	Pidilite Middle East Ltd*	Jupiter Chemicals (L.L.C.)*	Pidilite Speciality Chemicals Bangladesh Pvt Ltd*	Bamco Ltd*	PT Pidilite Indonesia*
1	Currency		Indian Rs	Singapore Dollars	Singapore Dollars	AED	AED	Taka	Baht	IDR
2	Capital	Foreign Currency		14574688	1250000	13746235	300000	64527725	15500000	8696412000
	(includes Share application Money)	Indian Rs in Million	0.50	422.96	36.28	149.81	3.27	37.65	19.70	37.83
3	Reserves	Foreign Currency		(259009)	(1023792)	(362304)	(3679897)	72000	21139372	(3088743504)
		Indian Rs in Million	-	(7.52)	(29.71)	(3.95)	(40.11)	0.04	26.87	(13.44)
4	Total Assets	Foreign Currency		14428591	1608198	13432797	12778326	70872461	89715180	13395072197
		Indian Rs in Million	0.50	418.72	46.67	146.40	139.26	41.35	114.04	58.27
5	Total Liabilities	Foreign Currency		112912	1381990	48866	16158224	6272736	53075809	7787403701
		Indian Rs in Million	-	3.28	40.11	0.53	176.10	3.66	67.46	33.88
6	Investments	Foreign Currency	-	-	-	-	-	-	-	-
	(except in case of subsidiaries)	Indian Rs in Million	0.23	-	-	-	-	-	-	-
7	Turnover & Other Income	Foreign Currency	-	279145	2591898	6582	8615571	18247595	112076239	5871115552
		Indian Rs in Million	-	8.10	75.22	0.07	93.90	10.65	142.46	25.54
8	Profit/(Loss) Before Taxation	Foreign Currency		(37421)	(28316)	(81168)	(2156906)	120000	(4608721)	(2037090048)
		Indian Rs in Million	-	(1.09)	(0.82)	(0.88)	(23.51)	0.07	(5.86)	(8.86)
9	Provision For Tax	Foreign Currency	-	-	-	-	-	48000	-	(610698361)
	(including Deffered Tax)	Indian Rs in Million	-	-	-	-	-	0.03	-	(2.66)
10	Profit/(Loss) After Taxation	Foreign Currency		(37421)	(28316)	(81168)	(2156906)	72000	(4608721)	(1426391687)
		Indian Rs in Million	-	(1.09)	(0.82)	(0.88)	(23.51)	0.04	(5.86)	(6.20)
11	Proposed Dividend	Foreign Currency	-	-	-	-	-	-	-	-
		Indian Rs in Million	-	-	-	-	-	-	-	-
12	Exchange Rate as on 31 <sup>st</sup> March 2008		-	29.0200	29.0200	10.8985	10.8985	0.5834	1.2711	0.00435

\* Financial Statements of these Foreign Subsidiaries have been converted in to Indian Rupees at rates prevailing as on 31<sup>st</sup> March 2008

## Information on Subsidiary Companies

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

			Names of the subsidiaries							
			Pidilite USA Inc *	Pidilite Innovation Center Pte Ltd*	Madhumala Traders Pvt Ltd	Bhimad Commercial Co Pvt Ltd	Nebula Trading FZE*	Pidilite Industries Egypt - SAE*	Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda*	Pagel Concrete Technologies Pvt Ltd
1	Currency		US Dollars	Singapore Dollars	Indian Rs	Indian Rs	AED	EGP	Brazilian Reais	Indian Rs
2	Capital	Foreign Currency	10660000	995155	-	-	1000000	11694614	24608587	-
	(includes Share application Money)	Indian Rs in Million	426.63	28.88	0.10	0.10	10.90	85.53	564.26	1.00
3	Reserves	Foreign Currency	(3233069)	(8247)	-	-	154807	(2672773)	(997501)	-
		Indian Rs in Million	(129.39)	(0.24)	0.34	0.35	1.69	(19.55)	(22.87)	(4.26)
4	Total Assets	Foreign Currency	15454709	1541389	-	-	6336072	9524916	40103871	-
		Indian Rs in Million	618.53	44.73	16.45	16.45	69.05	69.67	919.56	0.13
5	Total Liabilities	Foreign Currency	8027778	554481	-	-	5181266	503075	16492786	-
		Indian Rs in Million	321.29	16.09	16.00	16.00	56.47	3.68	378.17	3.39
6	Investments	Foreign Currency	-	-	-	-	-	-	-	-
	(except in case of subsidiaries)	Indian Rs in Million	-	-	5.29	5.29	-	-	-	0.03
7	Turnover & Other Income	Foreign Currency	21414389	668796	-	-	3088938	8984	29676172	-
		Indian Rs in Million	857.05	19.41	0.33	0.33	33.66	0.07	680.46	-
8	Profit/(Loss) Before Taxation	Foreign Currency	(2421949)	18867	-	-	154807	(314910)	(1130342)	-
		Indian Rs in Million	(96.93)	0.55	0.32	0.32	1.69	(2.30)	(25.92)	(0.07)
9	Provision For Tax	Foreign Currency	5388	1700	-	-	-	(151565)	133742	-
	( including Deffered Tax)	Indian Rs in Million	0.22	0.05	-	-	-	(1.11)	3.07	-
10	Profit/(Loss) After Taxation	Foreign Currency	(2427337)	17167	-	-	154807	(163345)	(1264084)	-
		Indian Rs in Million	(97.15)	0.50	0.32	0.32	1.69	(1.19)	(28.98)	(0.07)
11	Proposed Dividend	Foreign Currency	-	-	-	-	-	-	-	-
		Indian Rs in Million	-	-	-	-	-	-	-	-
12	Exchange Rate as on 31 <sup>st</sup> March 2008	Foreign Currency	40.0220	29.0200	-	-	10.8985	7.3140	22.9296	-

\* Financial Statements of these Foreign Subsidiaries have been converted in to Indian Rupees at rates prevailing as on 31<sup>st</sup> March 2008

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**Pidilite Industries Limited**

Registered Office  
Regent Chambers, 7<sup>th</sup> Floor  
Jamnalal Bajaj Marg  
208, Nariman Point  
Mumbai 400 021  
[www.pidilite.com](http://www.pidilite.com)