Pidilite industries annual report 2010

Annual Report2009 – 2010building bonds""building bonds??? Building Bonds??™ has been the foundation of our interaction with all our internal and external stakeholders. This year we take our philosophy to the next level infusing it with a renewed sense of creativity. Creativity is what excites and drives us. It is a spark that, we believe, will ignite the imagination of those directly and indirectly associated with Pidilite."Company InformationBoard of DirectorsB K Parekh S K Parekh M B Parekh N K Parekh R M Gandhi N J Jhaveri Bansi S Mehta Ranjan Kapur Yash Mahajan Bharat Puri D Bhattacharya A B Parekh A N Parekh V S Vasan J L ShahChairman Vice Chairman Managing Director Joint Managing Director Director Director Director Director Director Director Director Wholetime Director Wholetime Director Wholetime Director (up to 21.

10. 2009) Wholetime Director (wef 21. 10. 2009)Corporate Office Ramkrishna Mandir Road Off Mathuradas Vasanji Road Andheri (E), Mumbai 400 059 Registered Office Regent Chambers, 7th Floor Jamnalal Bajaj Marg 208, Nariman Point Mumbai 400 021 Registrar & Transfer Agent TSR Darashaw Limited 6-10, Haji Moosa Patrawala Ind. Estate 20, Dr. E Moses Road, Mahalaxmi Mumbai 400 011President & Company Secretary P C Patel Solicitors & Advocates Wadia Ghandy & Co Auditors Haribhakti & Co Internal Auditors Mahajan & Aibara Bankers Indian Overseas Bank Corporation Bank ICICI Bank The Royal Bank of Scotland N.

V."contents02 Company Information 04 Management Discussion and Analysis 11 Economic Value Added (EVA) 12 Financial Charts 14 10 Years Financial Performance 16 Directors??™ Report 22 Corporate Social Responsibility Report 24 Annexure I to the Directors??™ Report 27 Auditor??

™s Report 30 Balance Sheet 31 Profit & Loss Account 32 Schedules 56 Cash Flow Statement 58 Statement Pursuant to Section 212 60 Corporate Governance Report 65 Corporate Governance Compliance Certificate 66 Information for Shareholders 68 Consolidated Financial StatementsPIDILITE ANNUAL REPORT 2009-103"Management Discussion & AnalysisPidilite Industries Limited on a stand-alone basis achieved 10% growth in net sales. However, excluding the sales from the ??? Others??? segment, net sales growth was 15%. Earnings before depreciation, interest, tax and foreign exchange loss increased by 60%, profit before tax (PBT) increased by 102% and profit after tax (PAT) increased by 97% on a stand-alone basis.

The profitability of the Company significantly improved in the current year due to lower material costs, strengthening of Indian Rupee, lower duties and control on costs. Sales growth picked up in the second half of the year, due to improvement in economic conditions. The Company??™s sales have grown at a CAGR of 18% over the last five years.

On a consolidated basis, Pidilite net sales grew by 10%, PBT increased by 144% and PAT increased by 144%. Overseas Subsidiaries reduced losses in the current year due to reduction in costs and improved economic conditions."Performance by Industry SegmentConsumer and Bazaar Products Branded Consumer and Bazaar Products Segment contributed to 77% of the total net sales of the Company and grew by 15%. Net sales of branded Adhesives and Sealants grew by 14% and contributed 49% of the total sales of the Company.

Construction and Paint Chemicals grew by 17% and Art Materials and other products grew by 13%. Growth rates improved in the second half of the year. Consumer and Bazaar Product sales have grown at a CAGR of 18% over the last 5 years. Exports of Consumer and Bazaar products grew by 11% to Rs 945 million and have grown at a CAGR of 31% over the last 5 years. Profit before interest and tax for the Consumer and Bazaar segment increased by 51%. BUSINESS SEGMENTS %18%CONSUMER & BAZAAR PRODUCTS Adhesives & Sealants Construction / Paint Chemicals Art Materials & Others SPECIALITY INDUSTRIAL CHEMICALS Industrial Resins Industrial Adhesives Organic Pigments & Preparations49%10%8%6%1%8%OTHERS2009-10Speciality Industrial Chemicals Speciality Industrial Chemicals contributed 22% of the total sales of the Company and grew by 14%. Exports of Speciality Industrial Chemicals declined by 12. 4% to Rs 856 million due to adverse global economic conditions.

Profit before interest and tax for the Speciality Industrial Chemicals segment grew by 72%. Others This segment largely consists of the Vinyl Acetate Monomer manufacturing unit merged into the Company effective 1st April 2007. Since the pricing of bought out VAM was more advantageous, the Company opted to import rather than operate the plant. Consequently the revenue in this segment was only Rs 157 million as compared to Rs 932 million in the previous year. The Company is evaluating options to manufacture other products in the plant as in the near future import of VAM is likely to be more viable. PID ILITE ANNUAL RE PORT 2009 -105"New productsIn the adhesives category the Company has started expanding its range of products by introducing new products for the joinery segment.

These products are used in mechanized joinery and modular furniture units. During the year the Company acquired the retail wood working brand of Henkel, i.

e. Woodlok. Products under this brand were relaunched in select markets in the second half of the year.

The Company has started expanding its range of Dr. Fixit Flooring Solutions for use in industrial and commercial flooring. Superior grades of Tile Fixing Products were introduced under Roff brand during the year. The Company has introduced the SMARTCARE range of products for healthcare & hospitality segments. M Seal Super, a versatile epoxy putty meant for DIY applications which can be used in both wet and dry conditions, was introduced during the year."In the Arts & Stationary range several innovative products/modifications were introduced to serve consumers better. Fevistik Blue and Fevistik Purple are new introductions.

Unlike regular white glue, these coloured sticks, when applied, appear coloured but the colour disappears after a few seconds enabling young children to see and control the application of glue. New products launched during 2009-10 in the Industrial Products segment range include Binders for water based links and overprint varnishes. A high performance binder was introduced for decorative texture paints. In the leather product range an important addition was made in the form of high performance upgradation compound."Customer relations?¬Pidilite and Fevicol celebrated their Golden Jubilee Year in 2009-10. There were many initiatives linked with the Golden Jubilee celebration involving dealers, carpenters and trade partners. A special Golden Jubilee Furniture Book was launched and was well appreciated with a print of over 30, 000 copies. Dr.

Fixit Institute (DFI) of Structural, Protection and Rehabilitation continued the successful Healthy Construction Lecture Series to increase awareness of the Global Best Practices in this field. 3R??™s ??“ A publication for leading experts on Repair, Restoration, Renewal of built environment was initiated to position DFI and the Dr. Fixit brand as an expert in Construction Chemicals.

A campaign for free health check up, for terrace waterproofing, was successfully carried out in key markets as an on ground activation programme. This was supported by TV advertising. The response has been overwhelming and the same concept is being extended to other products. The annual International Art and Craft Contest attracted participation from 2250 schools in India and from 5 international locations with an overall participation of 7 lakh students.

The theme this year was ??? My mother, my world???. The finals were held in Goa where the Honorable Chief Minister of Goa was the chief guest.?¬ ?¬?¬?¬"?¬Two of our mass consumer contact initiatives entered the Limca Book of Records for maximum participation. On one occasion 2500 students participated in glass painting and on the other occasion 3500 students participated in pot painting with Crackle medium. Both events were covered extensively in print and electronic media.

The year saw release of four new commercials. ??? Moochwali??? an advertisement for Fevicol, was released as part of the Golden Jubilee Year celebrations. ??? Moochwali??? won three Abby awards at the last Goafest, the annual advertising awards event of Advertising Club, Bombay and Advertising Agencies??™ Association of India. There were two new commercials for Fevikwik with the theme ??? Paanch Rupiya Nikal??? and one of these won an ABBY at the abovementioned Goafest.

The fourth new advertisement was for Dr. Fixit Newcoat ??“ ??? No Breaking News???. Media & advertisingPIDILITE ANNUAL REPORT 2009-109"Book value per share of Re 1 (Rs) Earning per share (EPS) of Re 1 (Rs)Base Value: 31st March 2006 = 1 Market Capitalisation (Times) BSE Sensex (Times)2. 1818. 55 5. 80 14. 49 12. 63 9.

66 8. 16 2. 37 1.

791. 391. 551. 163. 72 2. 891 1. 081.

270. 860. 8005-0606-0707-0808-0909-1031. 3. 0631. 3. 0731.

3. 0831. 3. 0931.

3. 10Book value per share & earning per share for the years 2005-06 to 2008-09 have been restated for the 1: 1 bonus issue made in 2009-10. MiscellaneousThe Company??™s net worth (Equity Capital + Reserves) has grown from Rs 4118 million in 2005-06 to Rs 9386 million at the end of 2009-10, giving a Compounded Annual Growth Rate (CAGR) of 22. 87%. The market capitalisation of the Company on 31st March 2010 was Rs 57876 million and has grown at a CAGR of 31. 82% since the IPO in 1993.

Other mattersThe following matters are elaborated in the Directors??™ Report ?¬ Financial Performance ?¬ Industry Structure and Development ?¬

Outlook on Opportunities, Threats, Risks and Concerns ?¬ Risk and Internal Adequacy ?¬ Human Resources"Economic Value Added (EVA)Computation of EVAEVA NOPAT Weighted average cost of capital employed Cost of equity = Risk-free return equivalent to yield on long term Government of India (GOI) securities (taken @ 7%) + market risk premium (assumed @ 7. 5%) x beta variant for the Company (taken at 0. 9), 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. = Net operating profit after tax (NOPAT) – Weighted average cost of capital employed.

= Net profit after tax + post tax interest cost at actual. = (Cost of equity x average shareholder funds) + (cost of debt x average debt). Economic Value Added AnalysisItem 1. 2. 3.

4. Risk Free Return on Long Term GOI Securities Cost of Equity Cost of Debt (Post Tax) Effective Weighted Average Cost of Capital 2005-06 7. 5% 13. 5% 7. 0% 12. 6% 2006-07 8.

0% 14. 0% 7. 3% 12. 8% 2007-08 7. 9% 13.

9% 7. 2% 11. 5% 2008-09 7. 1% 13. 1% 6. 7% 10. 3% 2009-10 7.

0% 13. 8% 5. 9% 10. 9%Economic Value Added (Rupees in million) 5.

6. 7. 8. 9.

10. 11. 12. 13. Average Debt Average Equity (Shareholder Funds) Average Capital Employed (Debt + Equity) Profit After Tax (as per P&L account) Interest (as per P&L account, net of Income Tax) Net Operating Profit After Tax (NOPAT) Weighted Average Cost of Capital (4 x 7) Economic Value Added (10 ??“ 11) EVA as a % of Average Capital Employed (12? 7) 581 3843 4424 907 10 917 558 359 8. 1% 968 4498 5466 1199 42 1241 700 541 9. 9% 3204 5637 * 8841 * 1883 106 1989 1016 973 11.

0% 5303 6866 * 12169 * 1464 210 1674 1253 420 3. 5% 4897 8360 13257 2935 189 3124 1445 1679 12. 7%* Excluding 6% Redeemable Preference Share Capital of Rs. 28. 75 million issued on 31st March 2008 and redeemed on 5th September 2008.

Notes 2 3 Effects have been given in 10 Years??™ Financial Performance for above note. Figures in Financial Charts, 10 Years??™ Financial Performance and EVA are as per the Annual Report of respective years, except where stated otherwise. PIDILITE ANNUAL REPORT 2009-101Profit After Tax includes Prior Years??™ Tax Provision written back. 11"Financial ChartsDISTRIBUTION OF REVENUE (2009-10)Material Cost 48. 6%Operating Cost 21. 6% Employee Cost 9.

6% Interest 1. 4% Depreciation 2. 3% Foreign Exchange Fluctuation Expense 0. 5% Current Tax 1. 9%Deferred Tax -0. 1% Dividend 4. 3% Retained Earning 10%CURRENT RATIOCurrent Assets (Rs in million) Current Liabilities (Rs in million) Current Ratio70917053 62394124 3095 2312 1789 1384 2.

2 2. 3 3. 1 2.

5 283542791. 505-0606-0707-0808-0909-10"PBIT & INTEREST COVERPBIT (Rs in million) Interest Cover (Times) 3575PBT & PBT AS % OF NET SALESPBT (Rs in million) PBT as % to Net Sales 32892403 1950 1603 1328 88. 5 25. 4 15.

0 6. 1 12. 5 14. 5 13. 3 14. 6 9.

3 1313 1540 2242 163217. 005-0606-0707-0808-0909-1005-0606-0707-0808-0909-10DEBT EQUITY RATIOTotal Debt (Rs in million) Net Worth (Rs in million)(Equity + Reserves)VALUE ADDITION TO BUSINESS THROUGH RESERVESReserves less Misc. Expenditure Share Capital (Equity) (Rs in million) 4214 5580 5026 7083 6143 8880Debt Equity Ratio1383 553 4118 0. 1 4877 0. 3 0. 8 0.

8 7336 9386 0. 44625 3866PIDILITE ANNUAL REPORT 2009-106396506 252 252 253 25305-0606-0707-0808-0909-1005-0606-0707-0808-0909-1013"10 Years Financial Performance(Rupees in million) Highlights Operating Results Sales and Other Income Manufacturing & Other Expenses Operating Profit Interest (Net) Depreciation Profit from Ordinary Activities Foreign Exchange Fluctuation Expense/(Income) Profit before Tax Current Tax Deferred Tax Profit after Tax for the year Add: Prior Year??™s Tax Provision written back Profit after Tax Dividend on Equity Shares Dividend on Preference Shares Retained Earning Financial Position Capital-Equity Capital-Preference 252 252 Reserve (Less Revaluation Reserve & Misc. Expenditure) Net Worth Borrowings Deferred Tax Liability (Net) Funds Employed Fixed Assets# Gross Block Depreciation Net Block Investments in – Overseas Subsidiaries – Others Net Current Assets Total Assets* Includes Tax on Dividend2000-01 2001-02

2002-032003-04 2004-05 2005-06 2006-072007-082008-092009-10 CAGR %5269 4373 896 70 165 661 661 182 479 479 125 * 3545772 4774 998 42 190 766 766 165 80 521 19 540 177 3636678 5521 1157 30 225 902 902 295 14 593 593 214 * 3797647 6458 ?§ 1189 18 255 916 916 294 8 614 614 228 * 3868998 7649 ?§ 1349 17 270 1062 1062 345 (13) 730 36 766 288 * 47810617 9005 ?§ 1612 15 274 1323 10 !! 1313 409 17 887 20 907 360 * 547130811724819313 16730 2583 318 472 1793 161 1632 150 18 1464 1464 518 * 1 94520487 16355 4132 286 464 3382 93 3289 423 (25) 2891 44 2935 885 * 205016. 29 15. 78 18. 52 16. 98 12. 17 19.

89 19. 52 9. 8611186 ?§ 14489 ?§ 1895 63 302 1530 (10) !! 1540 309 34 1197 2 1199 443 * 756 2759 161 385 2213 (29) !! 2242 223 140 1879 4 1883 518 * – ~ 136522. 0922. 30 24. 27 21. 54252 252 2079 ?? 2331 443 279 ?? 3053252 252 2459 ?? 2711 416 ?? 293 ?? 3420252 252 2835 3087 562 301 3950252 252 3315 3567 610 288 4465252 252 3866 4118 553 305 4976252 252 4625 4877 1383 339 6599253 29 282 6143 6425 5026 423 11874253 253 7083 7336 5580 441 13357506 506 8880 9386 4214 415 140158. 03 8.

03 18. 59 17. 69 28. 26 20. 501915 2167 449 26162255 736 1519 159 938 26162772 921 1851 151 1051 30533132 ?? 1122 2010 ?? 148 1262 ?? 3420?§ #3541 1373 2168 150 1632 39504203 1635 2568 30 154 1713 44654811 1905 2906 225 134 1711 49765554 2182 3372 753 139 2335 65998444 2973 5471 1594 30 4779 1187410166 3433 6733 2197 210 4217 1335710838 3889 6949 2448 2658 1960 1401519.

06 20. 31 18. 41 36. 71 8. 53 20.

50Includes VRS Payment of Rs 2. 4 million Excluding Revalued Assets & Depreciation thereon?? Figures were reclassified/regrouped in 2003-04 !! Included in Other Income/Expenses now reclassified/regrouped ~ Less than Rs 1 million"(Rupees in million) Highlights Funds Flow Sources Internal Generation Increase in Capital & Reserve (Net) on Amalgamation Increase in Loans Decrease in Investment – Others Decrease in Working Capital Decrease in Miscellaneous Expenditure Total Applications Decrease in Preference Capital on redemption Repayment of Loans Capital Expenditure (Net) Investments in – Overseas Subsidiaries – Others Dividend Increase in Working Capital Increase in Miscellaneous Expenditure Total Ratios Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth) Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed**) Long Term Debt/Cash Flow Gross Gearing % (Debt as a percentage of Debt plus Equity) Current Ratio (Current Assets divided by Current Liabilties) Assets Turnover (times) (Gross Sales divided by Total Assets)?§ ?? ~ ^ * ** Includes Cost of Brand Acquired Rs 87. 3 million Includes Cost of Brand Acquired Rs 133.

7 million Includes Proceeds of FCCB bonds Rs 1594. 4 million Excluding Deferred Tax Liability (Net) # ??? ? 2000-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 2009-10644 70 714810 7 817832 3 835877 146 10231023 47 2 10721201 21 1 2 12251536 830 2 23682335 197 3643 ^ 109 3 62871949 554 563 30663373 2257 5630341 238 125 10 714 819413 2 228 370 10 1023-57768 528 5 443 624 2368–29 1734 603 181 519 30661366680523 ?§ 177 109 817384 # 214 218 835669 ?? 30 4

288 81 1072613 ??? 195 360 12252484 ~ 841 518 2444 ? 6287251 2, 448 885 563024. 124. 023. 521. 223.

023. 626. 733. 4 *21. 3 *34. 628.

030. 031. 627. 627. 630. 029. 327.

2 *16. 0 *27. 00. 10. 10.

30. 20. 20. 20. 41.

22. 41. 217. 116. 013.

315. 414. 611. 822. 144.

043. 231. 02. 62.

32. 63. 02.

52. 22. 33. 12. 51. 5PIDILITE ANNUAL REPORT 2009-102. 01.

91. 91. 92. 02.

12. 01. 41.

41. 4Includes Cost of Brands Acquired Rs 90. 8 million Includes Cost of Brands Acquired Rs 17. 8 million Includes unutilised proceeds of FCCB bonds Rs 1102.

4 millionIncludes Cost of Brands, Patents and Trademarks Acquired Rs 517. 1 million Excluding 6% Redeemable Preference Share Capital of Rs 28. 75 million issued on 31st March 2008 and redeemed on 5th September 2008.

15"Directors??™ ReportTo The Members Your Directors take pleasure in presenting the Forty First Annual Report together with Audited Statements of Accounts for the year ended 31st March 2010. Financial Results(Rupees in million) 2009-10 Gross Turnover Turnover, Net of Excise Profit Before Tax Less: Current Year??™s Tax Profit After Current Year??™s Tax (Add)/Less: Deferred Tax Profit After Current and Deferred Tax Add: Prior Year Tax Provision written back Profit After Tax Profit Brought Forward Profit available for appropriation Appropriations Proposed Dividend on Equity Shares Dividend on Preference Shares Tax on Dividend Transfer to Capital Redemption Reserve Transfer to Debenture Redemption Reserve Transfer to General Reserve Total Balance Carried to Balance Sheet 759 126 323 1500 2708 1006 3714 443 1 75 29 257 600 1405 779 2184 20215 19297 3289 423 2866 (25) 2891 44 2935 779 3714 2008-09 19074 17611 1632 150 1482 18 1464 1464 720 2184Financial PerformanceThe Operating Profit and Net Profit, for the year at Rs 4132 million and Rs 2891 million increased by 60% and 97% respectively. Income Tax for the current year at Rs 423 million is higher than Rs 150 million (including Rs 28 million for Fringe Benefit Tax) in the previous year. In the last year??™s report, the Company had highlighted the impact of the economic slowdown in India and abroad and its impact on the overall economic growth rate and on particular segments in which the Company operates. The difficult economic conditions continued in the first six months of current year and improvement in growth rates was witnessed in the second half of the year.

However, there was substantial reduction in the input costs due to softening of prices of commodity chemicals and this together with the strengthening of the Indian Rupee, lower duties and cost control measures taken by the Company have helped in improving the year??™s performance."During the year, foreign exchange gain attributable to loans taken for depreciable assets was Rs 123. 6 million and the same has been credited to the value of fixed assets.

Out of total unamortized foreign exchange loss of Rs 164 million as on 31st March 2009, an amount of Rs 145 million has been reversed during the year due to foreign exchange gains. Further an amount of Rs 10 million has been amortized in the current year. The balance unamortized foreign exchange loss as on 31st March 2010 is Rs 9 million. NET SALES & GROWTH %Net Sales (Rs in million) Growth % 19297 17611 15353 11544 9075 27. 2 17.

9 14. 7 9. 6 33.

005-0606-0707-0808-0909-10PBT, PAT & GROWTH (YOY) PBT (Rs in million) (Growth %) PAT (Rs in million) (Growth %) 2242 1883* 1540 1313 # 907 23. 6 18. 4 1199??? 3289 2935 *** 101. 6 100. 457. 0 45.

61632 ** 146432. 2 17. 308-09-27. 2 -22. 305-0606-07#???*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** After deferred tax of Rs 18 million and prior year??™s tax provision written back of Rs nil. *** After deferred tax of Rs 25 million and prior year??™s tax provision written back of Rs 44 million. 17PIDILITE ANNUAL REPORT 2009-10After deferred tax of Rs 17 million and prior year??™s tax provision written back of Rs 20 million07-0809-10"Golden Jubilee YearThe year 2009-10 is the Golden Jubilee year of the Company and recognizing its significance, the Company has issued bonus equity shares in the ratio of 1: 1 in March 2010. The Board has also recommended a Golden Jubilee Special Dividend of Re 0.

50 per equity share on the enhanced share capital after bonus Issue. The Company has reached its present position with the support of its valued customers and all stakeholders. The Company places on record its deep appreciation for their support. Capital ExpenditureThe overall expenditure during the year was Rs 680 million.

Out of this approximately Rs 187 million was spent on fixed assets for various manufacturing units, offices, laboratories and warehouses and on information technology. The expenditure on the Synthetic Elastomer Project was approximately Rs 472 million. Investment in SubsidiariesDuring the year, investment of Rs 251 million was made in overseas subsidiaries. DividendThe Directors recommend a dividend of Rs 1.

50 per equity share of Re 1 each including Golden Jubilee Special Dividend of Re 0. 50 per share, out of the current year??™s profit, on 506. 1 million equity shares of Re 1 each (enhanced on account of bonus equity shares issued during the year) (previous year @ Rs 1. 75 per equity share on 253. 1 million equity shares of Re 1 each), amounting to Rs 759. 2 million (previous year Rs 442.

9 million). 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 24. 7% during the last 5 years. Synthetic Elastomer ProjectAs mentioned last year, all equipments have arrived at the project site at Dahej (SEZ). Detailed

engineering design of the Monomer and Polymer plant has been completed. Using this facility, small quantity of finished products have been manufactured. Currently work is under way to set up a pilot plant which will enable the Company to streamline key process parameters and to make trial quantities of various grades of elastomers.

The total amount spent till 31st March 2010 on this project is Rs 2648 million. Manufacturing PlantsThe adhesives manufacturing capacities at Kalamb in Himachal Pradesh and Daman were expanded during the year. A drive for TPM, aimed at improving performance through greater involvement and participation of employees, was initiated during the year at the manufacturing units. 80% of the manufacturing units are now certified885Term FinancesThe Company had borrowed US $ 17 million through an ECB Term loan amounting to Rs 796. 2 million, repayable in 3 annual installments. During the year the Company has repaid the 1 of the 3 annual installments amounting tostUS $ 5. 67 million equivalent to Rs 262. 9 million.

EQUITY DIVIDEND PAYOUT & % OF NET PROFIT Dividend Payout (Rs in million)(including Tax on Dividend)under ISO 14000/OHSAS 18000 and the balance units are likely to undergo the certification process during the next year. Dividend Payout (%) 518 443 360 39. 7 36. 9 27.

5 35. 4 30. 2 518Foreign Currency Convertible Bonds (FCCB)During the financial year 2007-2008, the Company had raised US $ 40 million through issue of zero coupon Foreign Currency Convertible Bonds. As mentioned in

last year??™s report, the Company has repurchased bonds of face value of US $ 2.

8 million which were cancelled and extinguished. 05-0606-0707-0808-0909-102. 5 1.

252. 7 1. 503. 6 1. 752. 8 1.

753. 3 1. 50*Dividend Cover (Times)Dividend Per Share (Rs)* Dividend for 2009-10 is on the enhanced capital base on account of bonus equity shares issued during the year."The FCCB holders are entitled to a right to convert their holdings into equity shares of the Company on or after 16th January 2008. Those FCCB holders who exercised this right till the Record Date i. e. 17th March 2010 were eligible to receive the bonus shares on par with the other shareholders.

Furthermore, those FCCB holders who opt for conversion after the Record Date are, under the terms on which the FCCBs were offered, entitled to a proportionately higher number of equity shares as if the conversion had taken place prior to the Record Date. Performance of the subsidiary in Dubai was impacted by poor trading conditions, resulting in losses. In February 2010, Chemson Asia Pte Ltd merged with Pidilite Innovation Centre Pte. Ltd. (both wholly owned subsidiaries of PIPL). Overall there was significant improvement in the performance of the overseas subsidiaries with substantial reduction in losses due to measures taken to improve sales and reduce costs. Total revenue from overseas subsidiaries for the year was Rs 2695 million, up by 16% over the previous year.

The total investment in overseas subsidiaries as on 31st March 2010 stands at Rs 2448 million. A statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiaries in India and abroad, is attached hereto. Subsidiaries – Overseas SubsidiariesThe Company has 13 overseas subsidiaries (4 direct and 9 step-down) including those having significant manufacturing and selling operations in USA, Brazil, Thailand, Singapore, Dubai, Egypt and Bangladesh. Pulvitec, the Brazilian subsidiary reported impressive results with 28% growth in sales. This, together with lower material costs and control on costs helped the Company post cash profits for the year. Operations in USA significantly reduced costs and improved margins. While overall sales remained flat, losses reduced by 38%.

The operations in Thailand posted cash profits on the back of 26% growth in sales. Pidilite International Pte. Ltd. (PIPL), a wholly owned subsidiary of the Company acquired the remaining 25% equity shares of Pidilite Bamco Ltd. (PBL) from other shareholders at a cost of US $ 526, 675. With this acquisition, all the shares (except 2 shares) of PBL are held by PIPL.

During the year, Pidilite Industries Egypt, SAE and Pidilite Specialty Chemicals Bangladesh Pvt Ltd commenced manufacturing operations in Egypt and Bangladesh, respectively. PIL Trading Egypt (LLC), a subsidiary of the Company??™s step down subsidiary (namely Pidilite Industries Egypt SAE), was incorporated during the year for the purpose of carrying on trading activities in Egypt, North Africa and COMESA countries. The subsidiary in Bangladesh recorded profits in its first year of operations on the back of robust sales and good margins. Consolidated AccountsIn 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 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. 47/244/2010-CL-III, of 2010, the Company has obtained from the Government of India, Ministry of Corporate Affairs, New Delhi, under Section 212 of the Companies Act, 1956, an exemption from annexing to this Report, the Annual Reports of subsidiary Companies for the year ended on 31st March 2010. Accordingly, the Annual Reports of the 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 Registered Office of the subsidiary Companies.

The Annual Reports of the subsidiary companies are available on the website of the Company. PID ILITE ANNUAL RE PORT 2009 -10at the Registered Office of the Company as well as at the19"DirectorsThe terms of appointment of Shri A N Parekh as a Wholetime Director will expire on 30 June 2010. Subject to thethCorporate GovernanceReports 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. approval of members, your Directors at their Meeting held on 16 June 2010 have re-appointed him for a furtherthperiod of 5 years. Effective from 21st October 2009, Shri V S Vasan, a Wholetime Director resigned from the Board of Directors. Your Directors place on record their sincere appreciation of the valuable contribution made by him during his tenure on the Board. In accordance with the Articles of Association of the Company, Shri A B Parekh, Shri R M Gandhi, Shri Yash Mahajan and Shri N J Jhaveri, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment. Subject to approval of members, Shri J L Shah has been appointed as an Additional Director and also Whole-time Director designated as Director (Factories Operations) of the Company with effect from 21st October 2009 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 J L Shah as a candidate for the office of Director. AuditorsMembers are requested to re-appoint M/s Haribhakti & Co, Chartered Accountants, as Auditors of the Company and also for its branches/C & F depots/depots, for the current year and to fix their remuneration. Cost AuditorThe 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 2010??“ 11. 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 DevelopmentThere is no material change in the industry structure as was reported 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 sized companies that are active regionally.

There is a growing presence of multinationals inDirectors??™ Responsibility StatementYour Directors confirm that: ??? inthepreparationoftheAnnualAccounts, the applicable accounting standards have been followed; ??? theDirectorshaveselectedsuchaccountingpolicies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2010 and of the profit ofstthe Company for the year ended on that date; ??? theDirectorshavetakenproperandsufficientcare 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 ??? theDirectorshavepreparedtheAnnualAccountsona going concern basis."many of the segments in which the Company operates. The share of imports is less than 10% of domestic volumes in most of the product segments. The ??? Other??? segment covers manufacture and sale of VAM. The Company is the only manufacturer of VAM in the country with an installed capacity of 30, 000 MT per annum.

As mentioned earlier, due to global demand supply situation it was viable to import VAM rather than manufacture inhouse and accordingly the plant remained shut last year. Going forward, in the near future, import of VAM is likely to remain more viable. The Company is exploring alternative products which can be manufactured in the same plant. Human ResourcesIn order to foster collaborative working in addressing Company wide opportunities and issues, task forces titled Corporate Initiative Teams (CITs) were formed. These CITs have successfully completed several projects in the areas of customer service and employee engagement. Competency and capability frameworks, aligned to the values of the Company have been developed.

The organizational capability of Business Divisions and Functions has been strengthened and non-family professionals now occupy many key senior positions in the Company. The total number of employees as on 31st March 2010 was 4121. 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 Members of the Company, excluding 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. Current Year OutlookDuring the current year sales growth is expected to improve. However, margins will be under pressure due to significant increase in input costs. The Company??™s major subsidiaries are in USA, Brazil, UAE, Thailand, Egypt and Bangladesh.

The units in Brazil, Thailand, Bangladesh and Egypt are expected to show improved performance. However, the economic scenario in USA & UAE remains uncertain. Outlook on Opportunities, Threats, Risks and ConcernsImprovement in economic conditions, in India and abroad, is likely to have positive impact on Company??™s sales for the current year. However, significant increase in input cost is likely to put pressure on margins in the near term. The Company??™s overseas business is improving but there is a need to strengthen the management structure to support these businesses.

AppreciationYour Directors place on record their appreciation of the efficient services rendered by the employees of the Company at all levels. Internal Control Systems and their adequacyThe 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 risk management. Date: 16th June, 2010 CHAIRMANPIDILITE ANNUAL REPORT 2009-10FOR AND ON BEHALF OF THE BOARDMumbaiB K PAREKH21"Corporate Social Responsibility ReportThe Company continued to consolidate on existing projects and started several new initiatives in areas of health care, education and rural development. The Hanumant Hospital, Gram Nirman Samaj and Mahuva Education Trust continued to make a strong contribution to society. Rural DevelopmentSelf help groups for development of women and children were established during the year. Other initiatives like Water Resource Management Scheme, Indira Awaas Yojana and Gram Nirman Samaj continued during the year. Water Resources Management SchemeEducationShri Balvant Parekh Science City at Bhavnagar with facilities like conference hall, computer unit, physics laboratory and library was inaugurated by Dr. Pankaj Joshi, an eminent scientist, on 26th January, 2010. The Science City uses novel methods to generate interest among students in science and helps develop analytical skills through simple experiments.

The library of the Science City is unique. Books for all ages, CD and DVD on science and culture are the major attractions of the library. The library also has puzzles and scientific toys to develop skills. A custom made Science Mobile Van (Vigyan-Vahini) displaying 35 working science models was launched. 12, 000 students of 60 rural schools of Bhavnagar district benefited from this initiative.

Kalsar village in Bhavnagar district, had facilities for girls to study only up to class VII. This impeded completion of school education as the girl students had to travel to schools outside the village, which led to drop-outs. Facilities for studies have been extended up to class X, including working knowledge of computers and this will enable girls, in the village, to complete schooling up to Class X. ??? Balvant Parekh Centre for General Semantics and Other Human Sciences??? has been established at Vadodara with support from Parekh family. Vision behind this Centre is to facilitate a process for spreading the awareness of the benefits of general semantics among the people in India, which will lessen their social and personal anxieties and stress and enable them to achieve harmony in relationship. Workshop on SemanticsGram Nirman Samaj – Gram Vikas YojanaScience City at Bhavnagar"The Centre works in tandem with the Forum on Contemporary Theory. Knowledge and methodology from diverse academic fields such as language and communication studies, humanities, sciences, sociology and anthropology are incorporated into the academic endeavors of the Centre. The Company is likely to provide support to this Centre as it is carrying out pioneering work in the field of semantics in India.

HealthcareHanumant Hospital continued to provide quality healthcare and expanded its reach. Medical camps and educational training programmes were also conducted. Arogya Fund with contributions from donors and other organizations, helps the hospital extend medical assistance to needy patients. A unique multi speciality medical seminar was conducted during the year where renowned faculties from USA conducted sessions. 120 doctors of Mahuva and neighbouring regions participated in the seminar. Health Awareness Booklets were released on five different topics and distributed to libraries of primary schools in the villages.

Hanumant Hospital – Medical campHanumant Hospital Medical seminarScience City inauguration23PIDILITE ANNUAL REPORT 2009-10"Annexure I to the Directors??™ ReportStatement 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 a)CONSERVATION OF ENERGY Energy Conservation Measures taken1. 2. 3. 4.

Campaign based synchronization of utilities with plant operations. Optimization of batch process and size to reduce cycle time. Addition of energy efficient utilities. Retrofitting utilities for alternative fuels. b)Additional Investments and Proposals, if any, being implemented for reduction of Consumption of Energy. 1. 2. Installation of renewable energy source for process water heating and emergency lighting.

Continuing with energy conservation measures on above lines. 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. 5 lakh 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 productionAs per Form AFORM ADisclosure of particulars with respect to Conservation of EnergyA.

Power and Fuel consumption / Generation Year ended 31st March 2010 1. Electricity a. Purchased Year ended 31st March 2009Units Total amount Rate / Unit (Average)b.??? 000 kwh Rs in million Rs1, 76, 63 96.

42 5. 461, 62, 38 89. 66 5. 52Own Generation (i) Through Diesel Generator Units Units per litre of diesel oil Cost / Unit (ii) Windmill Generation Units??? 000 kwh 86, 12 84, 39 ??? 000 kwh Kwh Rs / kwh 2, 75 2. 59 13. 49 5, 02 2.

65 14. 232. Coal Quantity Total Amount Average Rate MT Rs in million Rs ??? 000 /MT 2, 419 10, 52 4. 35 7, 56226. 94 3. 56"A. Power and Fuel Consumption / Generation Year ended 31st March 2010 Year ended 31st March 20093. Natural Gas Quantity Total Amount Average Rate ??? 000 SCM Rs in million Rs /SCM 23, 52 38.

19 16. 23 21, 93 29. 77 13.

584. Fuel Oil Quantity Total Amount Average Rate MT Rs in million Rs ??? 000 /MT 16, 94 41. 14 24. 29 20, 54 49. 77 24. 235.

Brickquittes Quantity Total Amount Average Rate MT Rs in million Rs ??? 000 /MT 920 36. 92 4. 01 819 28.

26 3. 45B. Consumption per unit of production It is not feasible to furnish information in respect of consumption per unit of productionB] TECHNOLOGY ABSORPTIONEfforts made in technology absorption: (as per Form B)FORM BDisclosure of particulars with respect to Technology Absorption RESEARCH & DEVELOPMENT (R&D) 1. Specific areas in which R&D is carried out by the CompanyR&D activities are carried out for development of new products, improvement of existing products in 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&Doptimization, process improvements and cycle time reduction. PIDILITE ANNUAL REPORT 2009-10Increase in sales due to product improvements and introduction of new products; reduction in cost due to formulation3. Future Plan of ActionFuture R&D efforts will continue along present lines. 25"4. Expenditure on R & D(Rs in million) Year ended 31st March 2010 Year ended 31st March 2009 5. 23 77. 81 83. 04 0. 43i) ii)Capital Recurring Total5. 35 87. 60 92. 95 0. 45iii)Total R&D Expenditure as a Percentage of total turnover5. Technology Absorption, Adaptation and Innovationi) Technologies and processes developed by the 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. C] FOREIGN EXCHANGE EARNINGS & OUTGO f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans. Export earnings during 2009-10 have shown an increase of Rs 19 million over 2008-2009. The Company regularly participates in international exhibitions and has appointed additional representatives for overseas business development work. g)Total foreign exchange used and earned(Rs in million) Year ended 31st March 2010 Year ended 31st March 2009Foreign exchange earned Foreign exchanged used * *1, 842 2, 6781, 823 2, 882Out of the above, exchange used for import of materials which are either not manufactured in

India and / or not easily available in India, amounted to Rs 1, 889 million for the year ended 31st March 2010 (Previous year Rs 2, 181 million). Disclosure of particulars in the report of Board of Directors Under Health, Safety & Environment for the year 2009-2010 Sixteen out of nineteen Pidilite locations are now certified for OHSAS 18001 ??“ 2007 and ISO 14001 ??“ 2004. The executives of all major units have certified themselves as Lead Auditors for ISO 14001 ??“ 2004. The Company is preparing for compliance to CLP (Classification Labeling and Packaging) & GHS (Globally Harmonized System) legislations which will become effective from end 2010. The Company is exploring avenues for certification of the manufacturing locations for Green Carbon Foot Print."Auditors??™ ReportTo the Members of Pidilite Industries Limited1. We have audited the attached Balance Sheet of Pidilite Industries Limited (??? the Company??™) as at 31st March 2010 and also the Profit and Loss account and the 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. As required by the Companies (Auditor??™s Report)

Order, 2003, as amended by the Companies (Auditor??™s Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of ??? The Companies Act, 1956??™ of India (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 explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. Further to our comments in the paragraph 3 above, we report that: I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit; 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; 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, 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 Companies Act, 1956. v. On the basis of the written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. 2. vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India; a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010; 3. b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and c) in the case of Cash Flow statement, of the cash flows for the year ended on that date. For HARIBHAKTI & CO Chartered Accountants CHETAN DESAI Partner Membership No. 17000 Place: Mumbai Date: 19th May 20104. ii. iii. 27PIDILITE ANNUAL REPORT 2009-10"Annexure to Auditors??™ Report[Referred to in paragraph 3 of the Auditors??™ Report of even date to the members of Pidilite Industries Limited on the financial statements for the year ended 31st March 2010] i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies was noticed on such verification. (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year. ii. (a) The management has physically verified the stocks of stores, spares, raw materials, packing materials and finished goods. In our opinion, the frequency of verification is reasonable. In respect of inventories lying with third parties, these have been confirmed by them. (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year. iii. (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Companies (Auditor??™s Report) Order, 2003 (as amended) are not applicable to the Company. (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4(iii)(f) and 4(iii)(g) of the Companies (Auditor??™s Report) Order, 2003 (as amended) are not applicable to the Company. iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company. v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time. vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under. vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. viii. We have broadly reviewed the books of account maintained by the Company in respect of production of Synthetic Resins where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees??™ state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees??™ state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable."(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows : Name of the StatuteSales Tax Act Sales Tax Act Sales Tax Act Central Excise Act Central Excise ActNature of duesSales tax in various states Sales tax in various states Sales tax in various states Excise duty in various states Excise duty in PanvelAmount (Rs in million)292. 13 30. 01 3. 77 0. 39 0. 03Period to which the amount relatesfor various years for various years for various years For various years For various yearsForum where dispute is pendingDeputy Commissioner of sales tax Sales tax

Tribunal High Court CESTAT Commissioner (Appeals)x. The Company has neither accumulated losses as at 31st March 2010, nor it has incurred any cash losses either in the financial year under audit and in the immediately preceding financial year. sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. xviii. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. xix. According to the information and explanations given to us, the Company has not issued debentures during the year. xx. The Company has not raised any money by pubic issue during the year. xxi. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management. xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor??™s Report) Order, 2003 (as amended) are not applicable to the Company. xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor??™s Report) Order, 2003 (as amended) are not applicable to the Company. xv. 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 during the year, are not prejudicial to the interest of the Company. xvi. In our opinion, the term loans have been applied for the purpose for which the loans were raised. xvii. According to the information and explanations given to us and on an overall examination of the balanceFor HARIBHAKTI & CO Chartered Accountants CHETAN DESAI Partner Membership No. 17000 Place: Mumbai Date: 19th May 201029PIDILITE ANNUAL REPORT 2009-10"Balance SheetAs at 31st March 2010(Rs in million) As at 31st March 2010 As at 31st March 2009Schedule I. SOURCES OF FUNDS 1. Shareholders??™ Funds a. b. Share Capital Reserves and Surplus 1 2 506. 13 8879. 66253. 07 7083. 08 9385. 79 7336. 152. Loan Funds a. b. Secured Loans Unsecured Loans 3 4 2184. 50 2029. 80 4214. 30 2593. 09 2987. 05 5580. 14 440. 87 13357. 163. Deferred Tax Liability (Net)415. 36 14015. 45TOTAL II. APPLICATION OF FUNDS 1. Fixed Assets a. b. c. d. Gross Block Less : Accumulated Depreciation Net Block Capital work in progress 5 8063. 91 3889. 19 4174. 72 2774. 027778. 35 3432. 81 4345. 54 2387. 47 6948. 74 6733. 01 2407. 102. 3. Investments Current Assets, Loans and Advances a. b. c. d. e. Inventories Sundry Debtors Cash and Bank Balances Other Current Assets Loans and Advances6 7 2506. 31 2387. 59 331. 16 51. 51 962. 19 6238. 765106. 642288. 93 2413. 03 1270. 76 211. 15 868. 93 7052. 80Less : Current Liabilities and Provisions a. b. Liabilities Provisions8 3301. 93 976. 76 4278. 69 2241. 16 594. 59 2835. 75 1960. 07 14015. 45 12 4217. 05 13357. 16Net Current Assets TOTAL Notes forming part of the AccountsAS PER OUR ATTACHED REPORT OF EVEN DATE For

HARIBHAKTI & CO. Chartered Accountants CHETAN DESAI Partner Membership No. 17000 Mumbai Date : 19th May 2010 P C PATEL President & SecretaryFOR AND ON BEHALF OF THE BOARD B K PAREKH Chairman S K PAREKH Vice ChairmanM B PAREKH Managing Director"Profit and Loss AccountFor The Year Ended 31st March 2010(Rs in million)Schedule INCOME Turnover (Gross) Less : Excise Duty Net Sales Other Income EXPENDITURE Materials Other Expenses Depreciation Profit before Taxation Income Tax Expense Current Tax Less : MAT Credit Entitlement Deferred Tax Fringe Benefit Tax Profit for the year Prior year Tax Provision written back (Net) Balance brought forward from previous year Profit available for appropriation Dividend on Preference Share Capital Proposed Dividend on Equity Share Capital Corporate Tax on Dividend Transfer to Capital Redemption Reserve Transfer to Debenture Redemption Reserve Transfer to General Reserve Balance carried to Balance Sheet Earnings per share: (Refer note 15 of Schedule 12) Basic (Rs) Diluted (Rs) Face Value of Share (Re) Notes forming part of the Accounts 12 565. 29 142. 29 423. 00 (25. 49) 10 11 9958. 16 5858. 47 463. 86 9 20215. 34 917. 892009-102008-0919073. 50 1462. 28 19297. 45 271. 77 19569. 22 17611. 22 238. 92 17850. 14 10328. 35 5417. 62 472. 16 16280. 49 3288. 73 16218. 13 1632. 01 182. 45 59. 90 122. 55 17. 96 27. 71 397. 51 2891. 22 43. 73 779. 13 3714. 08 759. 20 126. 10 885. 30 322. 46 1500. 00 1006. 32 168. 22 1463. 79 720. 27 2184. 06 0. 75 442. 87 75. 38 519. 00 28. 75 257. 18 600. 00 779. 135. 80 5. 64 1. 002. 89 2. 81 1. 00For HARIBHAKTI & CO. Chartered Accountants CHETAN DESAI Partner Membership No. 17000 Mumbai Date : 19th May 2010 P C PATEL President & SecretaryB K PAREKH Chairman S K PAREKH Vice ChairmanM B PAREKH Managing Director31PIDILITE ANNUAL REPORT 2009-10AS PER OUR

ATTACHED REPORT OF EVEN DATEFOR AND ON BEHALF OF THE BOARD"SchedulesNumbers 1 to 12 annexed to and forming part of the Balance Sheet as at 31st March 2010 and Profit and Loss Account for the year ended 31st March 2010As at 31st March 2010 (Rs in million) As at 31st March 2009SCHEDULE 1 SHARE CAPITALAuthorised 70, 00, 00, 000 (39, 00, 33, 999) Equity Shares of Re 1 each Nil (50, 00, 000) 6% Cumulative Redeemable Preference Shares of Rs 10 each Nil (2, 50, 00, 000) Unclassified Shares of Re 1 each TOTAL Issued, Subscribed and Paid up Capital : 50, 61, 34, 612 (25, 30, 61, 306) Equity Shares of Re 1 each, fully paid-up (Notes 1 to 3) Bonus Shares Issue (Note 4) TOTAL NOTES: Out of the above 1. 2. 3. 4. 74, 75, 880 Equity Shares of Re 1 each have been issued for consideration other than cash pursuant to various schemes of amalgamation in earlier years. 47, 94, 81, 646 (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. The Equity Shares of the face value of Rs 10 each were sub-divided into ten Equity Shares of the face value of Re 1 each w. e. f. 27th September 2005. Bonus Shares Issue Account transferred to Equity Share Capital on account of settlement of dispute for title of 6000 fully paid bonus shares. 700. 00 700. 00 390. 03 50. 00 25. 00 465. 03506. 13 506. 13253. 06 0. 01 253. 07SCHEDULE 2 RESERVES AND SURPLUSCapital Reserve Balance as per last Balance Sheet Capital Redemption Reserve Balance as per last Balance Sheet Less: Capitalised during the year for bonus issue Cash Subsidy Reserve Balance as per last Balance Sheet Special Reserve Balance as per last Balance Sheet Less: Transferred to General reserve Debenture Redemption Reserve Balance as per last Balance Sheet Add : Transferred from Profit and Loss Account General Reserve Balance as per last Balance Sheet Less : Earlier year??™s Foreign Exchange Fluctuation Add : Transferred from Special Reserve Less : Capitalised during the year for bonus issue Add : Transferred from Profit and Loss Account3. 373. 3728. 75 28. 75 9. 4728. 75 28. 75 9. 471. 19 1. 19 327. 46 322. 46 649. 92 5933. 71 1. 19 224. 32 1500. 00 7, 210. 581. 19 1. 19 70. 28 257. 18 327. 46 5, 338. 41 4. 70 600. 00 5, 933. 71 779. 13 7, 083. 08Profit and Loss Account TOTAL1, 006. 32 8, 879. 66"(Rs in million) As at 31st March 2010 As at 31st March 2009SCHEDULE 3 SECURED LOANS750 (750) 11. 9% Secured Redeemable Non Convertible Debentures of Rs 10, 00, 000 Each (Note. 1) 750 (750) 10. 2% Secured Redeemable Non Convertible Debentures of Rs 10, 00, 000 Each (Note. 1) Term Loans from Banks (Note. 2) Working Capital Loans from Banks (including Working Capital Demand Loan) (Note. 3) TOTAL 1. 750. 00 750. 00 466. 92 217. 58 2, 184. 50 750. 00 750. 00 796. 23 296. 86 2, 593. 09Secured Redeemable Non Convertible Debentures are secured by way of mortgage and charge (by First pari passu charge) on the immovable property in Gujarat and all movable properties of the Company. 750 Secured Redeemable Non Convertible Debentures with interest @ 11. 9% p. a. will be redeemed at par on 5th December 2013. 750 Secured Redeemable Non Convertible Debentures with interest @ 10. 2% p. a. will be redeemed at par on 19th December 2011. Term Loan from Banks is secured by way of hypothecation of all movable Plant and Machinery of the Company. 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. 2. 3. SCHEDULE 4 UNSECURED LOANSShort term Commercial Paper & Others Long Term Interest free Sales Tax loan from Government of Maharashtra Foreign Currency Convertible Bonds (US $ 37. 2 million