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Company Information

Board of Directors

B K Parekh	Chairman
S K Parekh	Vice Chairman
M B Parekh	Managing Director
N K Parekh	Joint Managing Director
H K Parekh	Director
R M Gandhi	Director
N J Jhaveri	Director
Bansi S Mehta	Director
Ranjan Kapur	Director
Yash Mahajan	Director
A B Parekh	Whole-Time Director
A N Parekh	Whole-Time Director
Amit Roy	Whole-Time Director

Sr. Vice President & Company Secretary

P C Patel

Corporate Office

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

Solicitors & Advocates

Wadia Ghandy & Co

Registered Office

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

Auditors

Haribhakti & Co

Registrar & Transfer Agent

TSR Darashaw Limited
(Formerly Tata Share Registry Limited)
Army & Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001

Bankers

Indian Overseas Bank
Corporation Bank
ICICI Bank





Management Discussion & Analysis

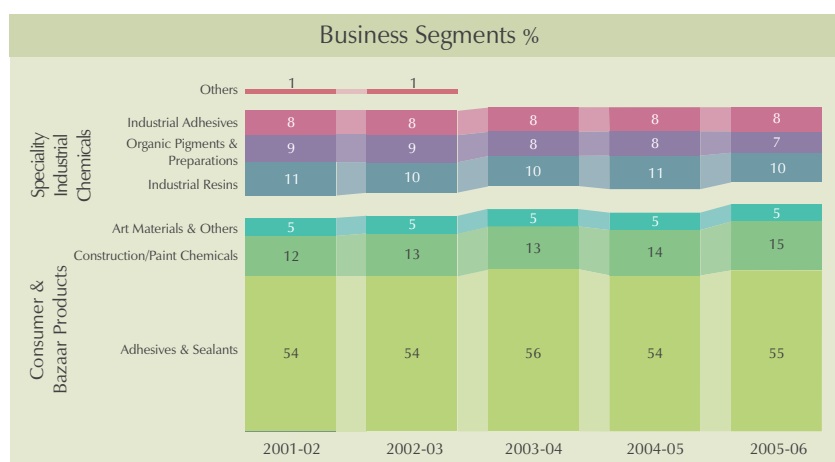
Pidilite Industries Limited achieved 17.4% growth in gross sales in 2005-06. The Company achieved 23.6% growth in profit before tax, 26.1% growth in profit after tax (before deferred tax and prior year tax write back) and 18.4% growth in profit after tax (after deferred tax and prior year tax write back).

Performance by Industry Segment

Branded Consumer and Bazaar Products contributed to 75% of the total sales of the Company and grew by 21.4% during the year.



Some of the new Pidilite products launched in 2005-06



Dampfree (an injection grout for rising dampness) and other products.

M-Seal Wet Set, an M-Seal variant that cures on wet surfaces, and Motomax, a premium range of car care products, were also introduced. The Company's Hobby and Art Materials range continued to grow with the launch of Fevicryl Ceramic Colours, Fevicryl Fabric Pens, Fevicryl Creative Packs and Fevicryl Suncatcher Kits.

Sales of Branded Adhesives and Sealants grew by 19.3% and contributed 55% to the total sales of the Company. Construction and Paint Chemicals grew by 29%, and Art Materials and other products grew by 21.8%. Exports of Consumer and Bazaar Products grew by 40.8% during the year.

Speciality Industrial Chemicals contributed 25% to the total sales of the Company and grew by 6.8%. The low growth in this segment was mainly due to a 12.6% decline in exports. The Company plans to improve the growth rate of exports of its Speciality Industrial Chemicals.

New Products

Several varieties of speciality industrial colorants and industrial adhesives were launched during the year.

The Dr. Fixit range of construction chemicals was expanded with Krystalline (a capillary waterproofing system for concrete),

New Retail Outlets

The Company set up India's first Craft and Hobby store at Inorbit Mall, Malad, Mumbai. The store, Hobby Ideas, sells a variety of hobby and craft products and books sourced from around the world. The store has received encouraging response, and the Company plans to open more such stores.

Hobby Ideas store at Inorbit Mall, Malad





Mergers and Acquisitions

The Company's wholly-owned Singapore-based subsidiary, Pidilite International Pte Ltd, acquired a controlling stake in Bamco Ltd, Thailand, to strengthen our construction chemicals business in South East Asia. Bamco is a manufacturer of speciality bitumen-based waterproofing products and has, so far, marketed its products in Thailand, Indonesia, Malaysia and Singapore.

Pidilite Middle East Ltd, our wholly-owned offshore subsidiary in the Jebel Ali Free Zone in Dubai, acquired a 49% stake in Jupiter Chemicals LLC. Jupiter Chemicals manufactures reflective coatings, tile adhesives and plasters, and will help grow the Company's business in the high potential Middle East market.

In India, the Company acquired the Tristar Colman / Fine Art brands, business and certain assets. Fine Art is a market leader in brushes for drawing and painting while Tristar Colman is a well-known brand of canvas and student art colours. The acquisition strengthens the Company's art materials portfolio and will help increase sales in the school and artist segments.

International Business and Exports

Exports of Consumer and Bazaar Products grew by 40.8%, to Rs 3185 lac. Exports of Speciality Chemicals declined by 12.6% to Rs 3439 lac. In order to achieve sustained growth in international business, the Company is expanding its distribution network in various countries and also deploying additional manpower. In addition to its overseas acquisition of Bamco in Thailand and Jupiter Chemicals LLC in Dubai,

the Company has established two direct subsidiaries: one in the UAE (Pidilite Middle East Ltd) and one in Brazil (Pidilite Do Brasil Desenvolvimento De Negocios Ltda). Pidilite International Pte Ltd has established two step-down subsidiaries: one in Indonesia (PT Pidilite Indonesia) and the other in Bangladesh (Pidilite Speciality Chemicals Bangladesh Pvt Ltd).

Advertising and Customer Relations

The Company continues to receive recognition for its advertisements created by Ogilvy & Mather (O&M). Fevicol was awarded an ABBY Gold this year for "Radio: Consumer Durables", and 4 ABBY Silvers, for "Integrated Campaign of the Year", "Campaign: Homes / Décor / Leisure", "Outdoor: Consumer Durables" and "Film (Single ad) – Homes / Décor / Leisure". The Company's TV and radio ad campaign for its Dr. Fixit range of waterproofing products has received good response.



The Company's advertising won several awards

Among various initiatives taken towards strengthening relations with its customers, the Company's Fevicol Division has been inviting dealers and end-users to the corporate office for a full-day familiarisation programme called "Amantran".

Pidilite conducted India's first Creative Craft Contest to promote craft in schools. Approximately 2.5 lac students participated in the contest spread across 600 schools in



A growing range of construction chemical products





12 towns. The Company plans to significantly expand its Creative Craft initiative this year.



School children participating in the Fevicol MR Creative Craft Contest

The Company also developed a Pidilite Van with attractive graphics, equipped with an audiovisual system to promote various products. The Company expects to deploy such vans in rural areas in different parts of the country to increase awareness of our products.



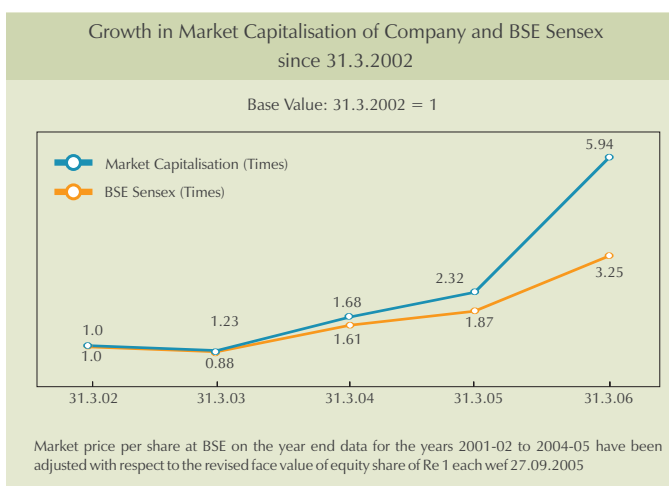
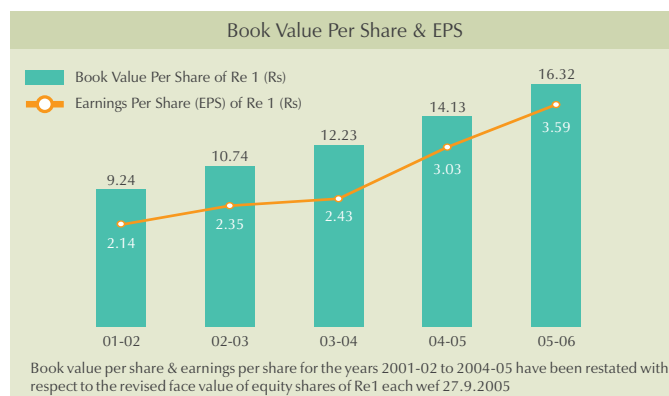
Our eye-catching Pidilite van

Shareholder Value

The Company's net worth has grown from Rs 23313 lac in 2001-02 to Rs 41186 lac at the end of 2005-06, giving a Compounded Annual Growth Rate (CAGR) of 15.3%.

The market capitalisation of the Company on March 31, 2006, was Rs 2651.46 crore. Those shareholders who participated in the maiden IPO of the Company in October 1993, received

100 shares of Rs 10 each and retained Bonus Shares, have multiplied their initial investment of Rs 11,000 to Rs 4,20,200* in March 2006, giving a CAGR of 39.3% by way of capital appreciation.



Other Matters

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

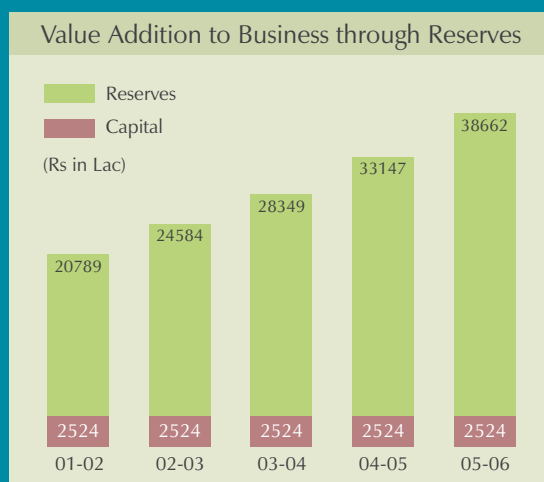
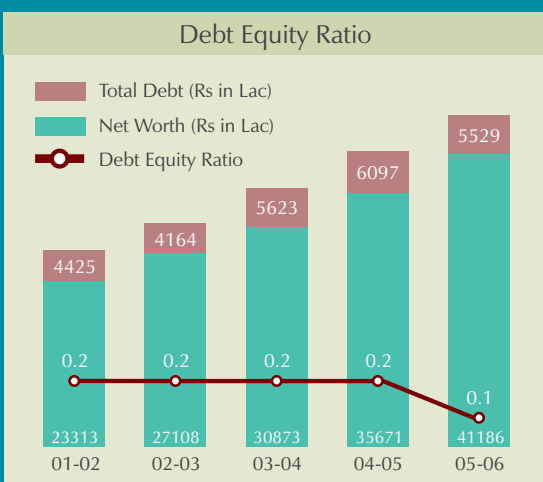
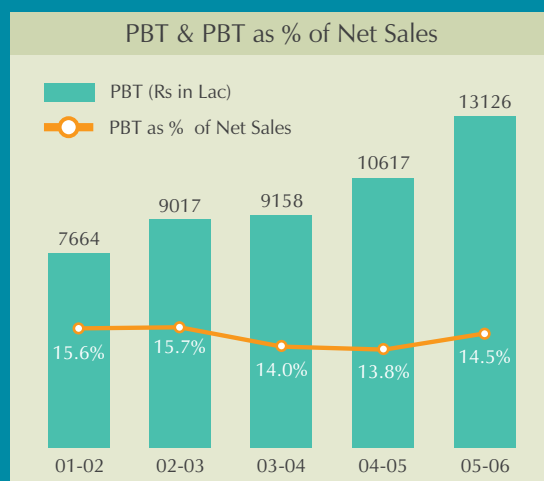
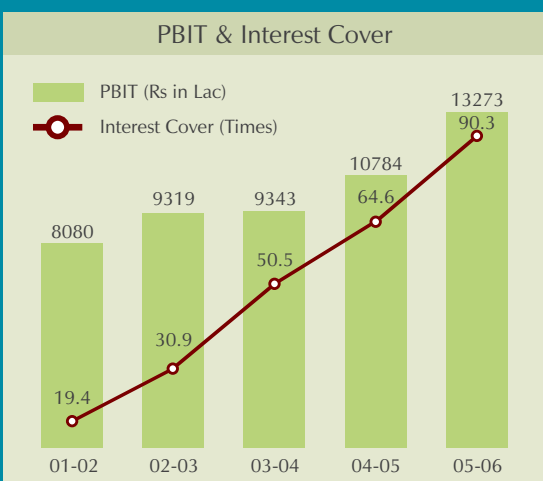
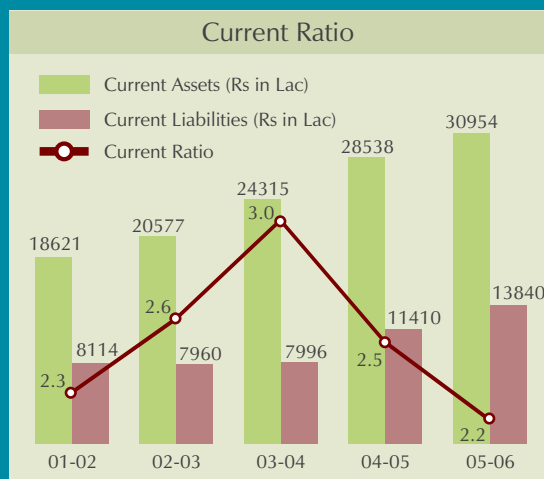
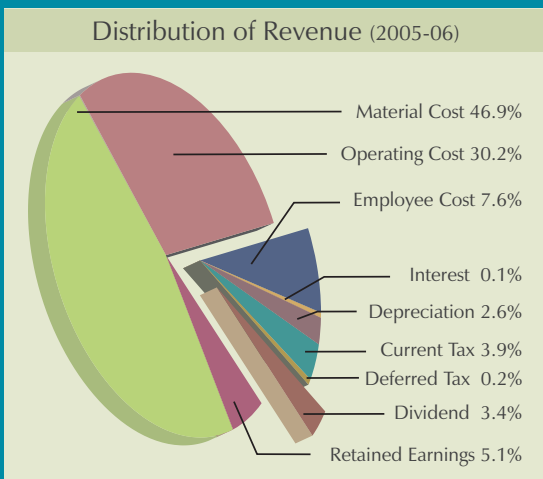
- Financial Performance
- Industry Structure and Development
- Outlook on Opportunities, Threats, Risks and Concerns
- Risk and Internal Adequacy
- Human Resources

* Based on market value of Rs 105.05 per share of Re 1 each





Financial Charts





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 actuals

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 @ 7.5%) + 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	2001-02	2002-03	2003-04	2004-05	2005-06
1. Risk Free Return on Long Term GOI Securities	9.0%	6.3%	5.2%	6.7%	7.5%
2. Cost of Equity	15.8%	12.3%	11.2%	12.7%	13.5%
3. Cost of Debt (Post Tax)	7.1%	5.9%	5.3%	6.2%	7.0%
4. Effective Weighted Average Cost of Capital	14.4%	11.4%	10.3%	11.7%	12.6%
Economic Value Added (Rupees in Lac)					
5. Average Debt	4456	4295	4894	5860	5813
6. Average Equity (Shareholder Funds)	22492	25210	28990	33272	38429
7. Average Capital Employed (Debt + Equity)	26948	29505	33884	39132	44242
8. Profit After Tax (as per P&L account)	5401	5931	6140	7658	9068
9. Interest (as per P&L account, net of Income Tax)	268	191	118	106	97
10. Net Operating Profit After Tax (NOPAT)	5669	6122	6258	7764	9165
11. Weighted Average Cost of Capital (4 x 7)	3881	3364	3490	4578	5574
12. Economic Value Added (10 - 11)	1788	2758	2768	3186	3591
13. EVA as a % of Average Capital Employed (12÷7)	6.64%	9.35%	8.17%	8.14%	8.12%

Notes:

1. Deferred Tax Reserve for the years 2001-02 & 2002-03 has been reclassified in 2003-04 as Deferred Tax Liability (net).
2. Figures for the year 2002-03 have been regrouped in 2003-04 wherever necessary.
3. Profit After Tax includes Prior Year's Tax Provision written back.
4. Effects have been given in Financial Charts, 10 Years Financial Performance and EVA for Note Nos. 1, 2 & 3 above.
5. 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 Lac

Highlights	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	CAGR %
Operating Results											
Sales and Other Income	32944	36566	40178	47063	52690	57718	66784	76474	89975	106172	13.89
Manufacturing and Other Expenses	28386	30844	33152	38375 [@]	43731	47741	55212	64581 [§]	76492 [§]	90151 [§]	13.70
Operating Profit	4558	5722	7026	8688	8959	9977	11572	11893	13483	16021	14.99
Interest	1616	1021	744	512	697	416	302	185	167	147	-23.38
Depreciation	720	860	959	1162	1651	1897	2253	2550	2699	2748	16.05
Profit before Tax	2222	3841	5323	7014	6611	7664	9017	9158	10617	13126	21.82
Current Tax	567	1113	1590	2257	1815	1650	2950	2940	3451	4090	24.55
Deferred Tax	-	-	-	-	-	802	136	78	(130)	170	-
Profit after Tax for the Year	1655	2728	3733	4757	4796	5212	5931	6140	7296	8866	20.50
Add: Prior Year's Tax Provision written back	-	-	-	-	-	189	-	-	362	202	-
Profit after Tax	1655	2728	3733	4757	4796	5401	5931	6140	7658	9068	20.80
Dividend on Equity Shares	539 [*]	673 [*]	951 [*]	1134 [*]	1252 [*]	1767	2136 [*]	2278 [*]	2883 [*]	3598 [*]	23.48
Retained Earning	1116	2055	2782	3623	3544	3634	3795	3862	4775	5470	19.32
Financial Position											
Capital	1224	1224	1224	1262	2524	2524	2524	2524	2524	2524	8.37
Reserves (Less Revaluation Reserve & Misc. Expenditure)	7328	9447	12263	16866	19148	20789 [†]	24584 [†]	28349	33147	38662	20.30
Net Worth	8552	10671	13487	18128	21672	23313	27108	30873	35671	41186	19.08
Borrowings	8638	8190	5383	7897	4486	4425	4164 [†]	5623	6097	5529	-4.84
Deferred Tax Liability (Net)	-	-	-	-	-	2795 [†]	2931 [†]	3009	2879	3049	-
Funds Employed	17190	18861	18870	26025	26158	30533	34203	39505	44647	49764	12.54
Fixed Assets[#]											
Gross Block	11677 [‡]	12911 [‡]	14599	20222	22549	27719	31324 [†]	35408	42030	48109	17.04
Depreciation	2663 [‡]	3509 [‡]	4456	5767	7366	9203	11217	13722	16354	19045	24.43
Net Block	9014	9402	10143	14455	15183	18516	20107 [†]	21686	25676	29064	13.89
Investments	1293	1402	1881	2293	1594	1510	1479	1500	1843	3586	12.00
Net Current Assets	6883	8057	6846	9277	9381	10507	12617 [†]	16319	17128	17114	10.65
Total Assets	17190	18861	18870	26025	26158	30533	34203	39505	44647	49764	12.54

[@] Includes VRS Payment of Rs 132 lac

[§] Includes VRS Payment of Rs 24 lac

^{*} Includes Tax on Dividend

[‡] Figures have been regrouped in 1998-99

[†] Figures have been reclassified/regrouped in 2003-04

[#] Excluding Revalued Assets & Depreciation thereon





Rupees in Lac

Highlights	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Funds Flow										
Sources										
Internal Generation	2376	3589	4726	5919	6447	8100	8320	8768	10227	12006
Increase in Capital and Reserve (Net) on Amalgamation	-	-	-	1226	-	-	-	-	-	-
Increase in Loans	-	-	-	2514	-	-	-	1459	474	-
Decrease in Investment	-	-	-	-	699	69	30	-	-	-
Decrease in Working Capital	552	-	806	-	-	-	-	-	-	14
Decrease in Miscellaneous Expenditure	-	-	-	-	-	-	-	-	24	24
Total	2928	3589	5532	9659	7146	8169	8350	10227	10725	12044
Applications										
Repayment of Loans	779	448	2414	-	3411	85	185	-	-	568
Capital Expenditure (Net)	1581	1234	1688	5682 [@]	2379	5230 [§]	3844 [#]	4130	6689 [†]	6136 [‡]
Investments	29	110	479	412	-	-	-	21	344	1742
Dividend	539	673	951	1135	1252	1767	2136	2278	2883	3598
Increase in Working Capital	-	1124	-	2430	104	1087	2185	3701	809	-
Increase in Miscellaneous Expenditure	-	-	-	-	-	-	-	97	-	-
Total	2928	3589	5532	9659	7146	8169	8350	10227	10725	12044
Ratios										
Return on Average Net Worth % (RONW) (PAT divided by Average Net Worth)	20.7	28.4	30.9	30.1	24.1	24.0	23.5	21.2	23.0	23.6
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Funds Employed*)	22.6	27.0	32.2	33.5	28.0	30.0	31.6	27.6	27.6	30.0
Long Term Debt/Cash Flow	2.5	1.1	0.1	0.4	0.1	0.1	0.3	0.2	0.2	0.2
Gross Gearing % (Debt as a percentage of Debt plus Equity)	50.3	43.4	28.5	30.3	17.1	16.0	13.3	15.4	14.6	11.8
Current Ratio (Current Assets divided by Current Liabilities)	2.8	3.3	2.3	2.5	2.6	2.3	2.6	3.0	2.5	2.2
Assets Turnover (times) (Gross Sales divided by Total Assets)	1.9	1.9	2.1	1.8	2.0	1.9	1.9	1.9	2.0	2.1

[@] Includes Cost of Brands Acquired Rs 3656 lac
[†] Includes Cost of Brand Acquired Rs 1337 lac

[§] Includes Cost of Brand Acquired Rs 873 lac
[‡] Includes Cost of Brands Acquired Rs 178 lac

[#] Includes Cost of Brands Acquired Rs 908 lac
^{*} Excluding Deferred Tax Liability (Net)





Directors' Report

To The Members

Your Directors take pleasure in presenting the Thirty-Seventh Annual Report together with Audited Statements of Accounts for the year ended 31st March 2006.

Financial Results

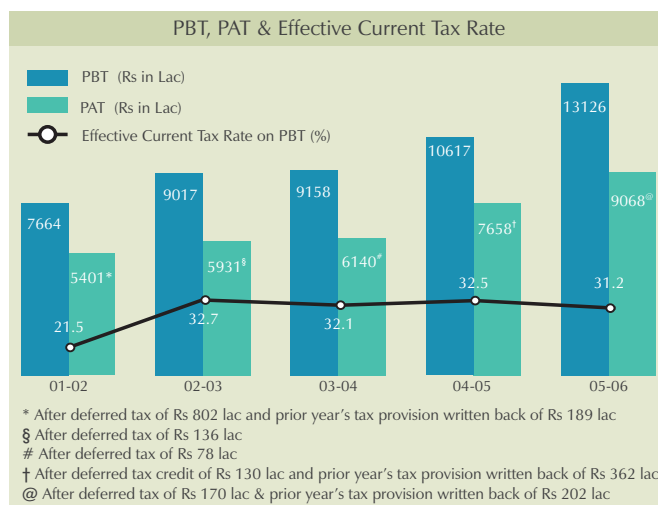
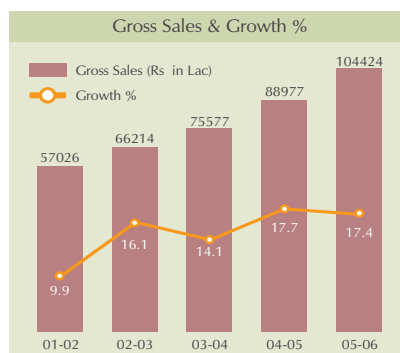
	(Rupees in Lac)	
	2005-06	2004-05
Gross Turnover	104424	88977
Turnover, Net of Excise	90752	76947
Profit Before Tax	13126	10617
Current Year's Tax	4090	3451
Profit After Current Year's Tax	9036	7166
Deferred Tax	170	(130)
Profit After Current and Deferred Tax	8866	7296
Add: Prior Year Tax Provision written back	202	362
Profit After Tax	9068	7658
Profit Brought Forward	3018	2643
Profit available for appropriation	12086	10301
Appropriations		
Proposed Dividend on Equity Shares	3155	2524
Tax on Dividend	443	359
Transfer to General Reserve	4800	4400
Total	8398	7283
Balance Carried to Balance Sheet	3688	3018
	12086	10301

Financial Performance

For the first time, the Gross Turnover of the Company crossed the Rs 1000 crore mark and recorded sales of Rs 1044.24 crore showing a growth of 17% over the previous year.

The Operating Profit for the year (before VRS payment of Rs 24 lac) at Rs 16045 lac, grew by 19%. Net Profit at Rs 9068 lac, after Prior Year Tax provision written back of Rs 202 lac, grew by 18%.

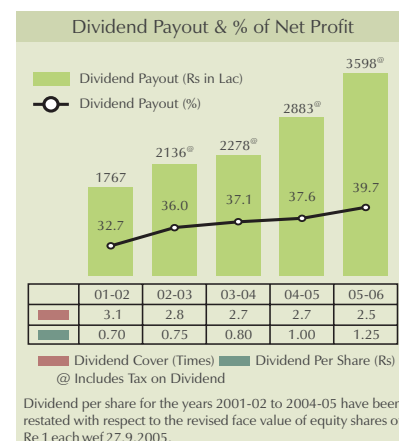
Income Tax for the current year is higher at Rs 4090 lac (including Rs 225 lac for Fringe Benefit Tax) as against Rs 3451 lac in the previous year.



The Credit Rating Information Services of India Ltd. (CRISIL) has re-affirmed the "P1+" rating to the Commercial Paper Programme of the Company for Rs 55 crore.

Dividend

The Directors recommend the payment of a dividend of Rs 1.25 per Equity Share of Re 1 each (previous year Rs 10 per Equity Share of Rs 10 each), amounting to Rs 31,55,00,000



(previous year Rs 25,24,00,000) out of the Current Year's profit on 25,24,00,000 Equity Shares of Re 1 each (previous year 2,52,40,000 Equity Shares of Rs 10 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 19.5% during the last 5 years.

Capital Expenditure

The Company incurred capital expenditure of about Rs 6079 lac during the year including Rs 178 lac for the acquisition of Tristar Colman / Fine Art brands, business





and certain assets. Fine Art is a market leader in brushes for drawing and painting and Tristar Colman is a well known brand of canvas and students' colours. The balance capital expenditure was for modernisation / expansion / setting up of new manufacturing facilities and for other assets.

New Units in Himachal Pradesh

Three units in Himachal Pradesh have become operational during the year for manufacture of different types of adhesives and other products. The fourth unit is likely to commence production in the third quarter of the current financial year.

Current Year Outlook

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

Overseas Subsidiaries

During the year the Company has established two direct subsidiaries, one in UAE (Pidilite Middle East Limited) and the other in Brasil (Pidilite Do Brasil Desenvolvimento De Negocios Ltda). Pidilite International Pte Ltd, Singapore has established two step-down subsidiaries, one in Indonesia (PT Pidilite Indonesia) and the other in Bangladesh (Pidilite Speciality Chemicals Bangladesh Pvt Ltd).

Pidilite International Pte Ltd acquired 75% stake in Bamco Limited, Thailand. This company had sales turnover of Baht 7,49,10,500 (Rs 859 lac) for the year ending December 2005.

Pidilite Middle East Ltd wholly owned subsidiary in Jebel Ali Free Zone, Dubai acquired 49% stake in Jupiter Chemicals LLC which had sales turnover of AED 18,46,946 (Rs 222 lac) for the year ending March 2006.

The investment during the year by our Company in the above subsidiaries has exceeded US \$ 4 million.

The objective of setting up of these subsidiaries is to help expand our overseas business and the Company expects to make profit in these subsidiaries in the next few years.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Fevicol Company Ltd, Mumbai and the above-mentioned eight 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 nine 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. 47/153/2006-CL-III dated 27th April 2006, the Company has obtained an exemption from the Government of India, Ministry of Company Affairs, New Delhi under Section 212 of the Companies Act, 1956, from annexing to this Report, the Annual Reports of above subsidiary companies viz Fevicol Company Ltd, Pidilite International Pte Ltd, Chemson Asia Pte Ltd, Pidilite Middle East Ltd, Jupiter Chemicals LLC, Pidilite Do Brasil Desenvolvimento De Negocios Ltda, Pidilite Speciality Chemicals Bangladesh Pvt Ltd, PT Pidilite Indonesia and Bamco Limited for the year ended on 31st March 2006. Accordingly, the said Annual Reports of the above subsidiary companies are not annexed to this Report.

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

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

Sub-Division of Shares

With effect from 27th September 2005 (Record date), the Company has sub-divided one Equity Share of nominal value of Rs 10 into 10 Equity Shares of nominal value of Re 1 each.





The sub-divided shares were credited by NSDL and CDSL on 28th September 2005 in the demat accounts of respective shareholders holding shares in demat mode. The Company had despatched the physical Share Certificates to those shareholders who held the shares in physical form.

Directors

In accordance with the Articles of Association of the Company, Shri R M Gandhi, Shri H K Parekh, Shri Bansi S Mehta and Shri Ranjan Kapur, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

Your Directors confirm:

(i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;

(ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006, and of the profit of the Company for that year;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) that the Directors have prepared the Annual Accounts on a going concern basis.

Corporate Governance

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

Auditors

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

Cost Auditor

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 2006-07.

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

The industry structure continues to remain the same as it was in the last year.

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

Branded Consumer & Bazaar Products segment covers products such as Adhesives, Sealants, Art Materials, Construction and Paint Chemicals which are 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 size companies with national presence, and a large





number of small size companies that are active regionally. The share of imports is less than 10% of domestic volumes in most of the product segments.

Outlook on Opportunities, Threats, Risks and Concerns

The Company continues its focus on the introduction of new products, building brands and tapping overseas markets to enhance business opportunities.

The sustained increase in prices of raw materials, packing materials and freight charges has adversely affected the margins of some products. There may be some time lag in implementing price increases based on market dynamics in each segment that the Company operates in.

Risk and Internal Adequacy

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

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

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

Human Resources

The Company continues to place significant importance on its human resources and enjoys cordial relations at all levels.

During the year, various initiatives for employee involvement and efficiency improvement continued and improved performance assessment system was implemented.

The total number of employees on 31st March 2006 was 2,665.

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.

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: 23rd May 2006

B K PAREKH
CHAIRMAN



Social Responsibility

The Company has been regularly supporting social and charitable causes relating to health care, education, rural development, water conservation, etc. A brief account of the activities / organisations the Company has supported during the last few years is given below:

Health Care

During the year, the Company sponsored a state-of-the-art Hospital at Mahuva in Bhavnagar District for the purpose of providing quality medical care at an affordable cost to people



Some dwellings constructed under the *Sardar Awas Yojana*

residing in neighbouring small towns and villages. This Hospital project, inspired by *Ram Katha* of Shri Morari Bapu, was named Hanumant Hospital and was started with the support of his followers and well-wishers.

The Hospital, which was inaugurated on 13th April 2006, has launched the "Sanjivani" medical scheme to provide a broad range of medical services



Primary school sanitation block in Dantrad village, Talaja District

including OPD, diagnostic and hospitalisation, for a nominal annual fee.

During the year the Company has donated Rs 450 lac to the Hospital Trust and an additional Rs 380 lac during the April-June 2006 period. The Company is likely to make a further donation during the current year to help complete the project and will continue to provide support to the Hospital for expansion of its facilities.

The Company has also extended support to Sadbhavna Trust for the purpose of putting up a new hospital in the rural area



Parekh College, run by the Mahuva Education Trust

of Kalsar near Mahuva. Sadbhavna Trust, run by Dr Kanubhai Kalsaria, has been providing excellent medical care at very low cost for more than 10 years.

Rural Development

The Company has been sponsoring rural development activities in the form of “Gram Vikas Yojana”, which is being administered by “Gram Nirman Samaj” at Mahuva, Bhavnagar District. As part of these activities, twelve check-dams have been constructed and more than two hundred village ponds, farm ponds and percolation tanks have been dug / repaired.

Nine dwellings for below poverty line families have been built under the “Sardar Awas Yojana” and thirteen more are under construction.

As part of the Government sponsored “Total Sanitation Programme”, sanitation blocks have been completed in forty schools and 113 *aanganwadis*.

Construction of sanitation blocks is under progress in several villages under the “Nirmal Gram” programme.

Regular assistance is provided to farmers for soil testing, as well as medical treatment and artificial insemination of cattle. Over fifty thousand saplings have been planted at various sites



Lokshala at Kalsar village, Bhavnagar District

in Mahuva as part of the environmental upgradation programme.

Education

The Company is providing regular support to Shree Mahuva Education Trust, which is running a college imparting education in arts, science, commerce and computer streams. The Company also gives support to the Trivenikalyan Foundation, which in turn assists various institutions active in the fields of education, health care, literature, etc.

Trivenikalyan Education Trust, which assists Trivenikalyan Foundation, is running a residential school (*Lokshala*) for boys and girls at Kalsar village in Bhavnagar District in association with the well-known Lok Bharti institution, in which around 425 students, coming from several villages, are studying.



Check Dam at Dharai, Gujarat on River Bagad



Check Dam at Sangania, Gujarat on River Malan

Annexure I To The Report of the Directors 2005-2006

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. Incorporation of dedicated efficient utilities and optimization of parameters
 2. Cycle Time Reduction by redefining the Standard Operating Procedure.
 3. Efficient luminaires with controlled / stabilized voltage.
- b) Additional Investments and Proposals, if any, being implemented for reduction of Consumption of Energy.
 1. Continuing energy conservation measures on above lines.
 2. Revamping utilities with Gas-fired combustion system.
- c) Impact of measures of (a) and (b) above for reduction of energy consumption and the consequent impact on the cost of production of goods.

2 lac KWH Electricity and 400 MT of Fuel Oil are expected to be saved annually by above measures.
- d) Total energy consumption and energy consumption per unit of production:
as per Form A

FORM A

Disclosure of Particulars with respect to Conservation of Energy

A. Power and Fuel consumption

		Year ended 31.3.2006	Year ended 31.3.2005
1. Electricity			
a) Units Purchased	'000 kwh	98,20	1,04,92
Total Amount	Rs '000	4,66,25	5,07,49
Rate/Unit (Average)	Rs	4.75	4.84
b) Own Generation			
Through Diesel Generator			
Units	'000 kwh	79	1,47
Units per litre of diesel oil	kwh	2.61	2.18
Cost/Unit	Rs/kwh	11.82	12.40
2. Coal		NA	NA
3. Fuel oil			
Quantity	MT	27,88	30,05
Total Amount	Rs '000	4,44,58	3,60,67
Average Rate	Rs '000/MT	15.95	12.00
4. Other/Internal Generation			
Units - Windmill	'000 kwh	7,16	5,31
Total Credit	Rs '000	31,42	23,41
Rate/Unit (Average)	Rs	4.39	4.41

NB: 75.23 lac kwh (83.12 lac kwh) units generated amounting to Rs 1,71.71 lac (Rs 1,85.23 lac) at Satara and Sangli wind mill projects are shown as "Other Income" in the current year.

B. Consumption per unit of production

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

B] TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption:
(as per Form B)

FORM B Disclosure of Particulars with Respect to Technology Absorption

RESEARCH & DEVELOPMENT (R&D)

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

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

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

Increase in sales due to product improvements and the 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, including process safety enhancement.

4. Expenditure on R&D

(Rs in Lac)

	Year ended 31.3.2006	Year ended 31.3.2005
i) Capital	16.14	16.48
ii) Recurring	3,97.66	3,80.38
Total	4,13.80	3,96.86
iii) Total R&D Expenditure as a percentage of total turnover	0.40	0.45

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:

- a) Technology imported : Nil
 b) Year of import : Not Applicable
 c) Has technology been fully absorbed : Not Applicable
 d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action : Not Applicable



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 2005-06 have shown an increase of Rs 4,51 lac over 2004-2005.

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 Lac)

	Year ended 31.3.2006	Year ended 31.3.2005
Foreign exchange earned	64,61	60,10
Foreign exchanged used *	1,47,19	1,26,37

* Out of the above, exchange used for import of materials which are either not manufactured in India and / or not easily available in India, amounted to Rs 1,25,64 lac for the year ended 31.3.2006 (Previous year Rs 1,10,81 lac).



Auditors' Report

To,
The Members of
PIDILITE INDUSTRIES LIMITED

We have audited the attached Balance Sheet of Pidilite Industries Limited ('the Company') as at 31st March 2006, and the Profit and Loss Account and Cash Flow statement for the year ended on that date annexed thereto.

Respective Responsibility of the Management and the Auditor:

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

Basis of Opinion:

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

Opinion:

- I Our report as required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us by the management, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II Further to our comments in the Annexure referred to in above paragraph, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the 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 31st March 2006 from being appointed as a director in terms of Section 274(1)(g) of the Act;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon and attached thereto, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006,
 - b) in case of the 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.

Place: Mumbai
Date: 23rd May 2006

For HARIBHAKTI & CO
Chartered Accountants
CHETAN DESAI
Partner
M No 17000

Annexure To Auditors Report - March 31, 2006

Fixed Assets:

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

Inventories:

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

Related party transactions:

7. The Company has not granted any loan to the companies, firms or parties listed under Section 301 of the Act.
8. The Company has not taken loans or advances in the nature of loans from companies, firms or other parties listed in the register maintained under Section 301 of the Act.
9. In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of section 301 of the Act, have been so entered.
10. The above transactions are made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
11. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company, for loan taken by the company u/s 301 from bank, are, prima facie, not prejudicial to the interest of the Company.

Internal Controls:

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

Taxation:

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

Name of the statute	Amount (Rs in Lac)	Forum where dispute is pending
Sales Tax Act		
Sales Tax in Various states	3,95.27	Deputy Commissioner of Sales Tax (Appeal)
Sales Tax in Various states	5.78	Sales Tax Tribunal
Excise Duty	12.12	CESTAT

Miscellaneous:

16. We are informed that the Central Government has prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Act, in regard to production of Synthetic Resins. We are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made detailed examination of the records with a view to determine whether they are accurate and complete.
17. The Company has neither accumulated losses as at 31st March 2006 nor it has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
18. Based on our examination of the Balance Sheet of the Company as at 31st March 2006 on an overall basis and as per the information and explanations given to us, we find that the funds raised on short-term basis were not utilized for long-term investment.
19. 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.
20. The clauses (vi), (xi), (xii), (xiii), (xiv), (xvi), (xviii), (xix) and (xx) of paragraph 4 and 5 of the Order are not applicable to the Company and hence not reported upon.

Place: Mumbai
Date: 23rd May 2006

For HARIBHAKTI & CO
Chartered Accountants
CHETAN DESAI
Partner
M No 17000

Balance Sheet As At 31st March 2006

(Rs in Lac)

	Schedule	As at 31 st March 2006	As at 31 st March 2005
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Capital	1	25,24.00	25,24.00
b. Reserves and Surplus	2	3,87,10.56	3,32,20.36
		4,12,34.56	3,57,44.36
2. Loan Funds			
a. Secured Loans	3	28,70.00	15,93.85
b. Unsecured Loans	4	26,58.74	45,03.29
		55,28.74	60,97.14
3. Deferred Tax Liability (Net)		30,48.76	28,78.54
		4,98,12.06	4,47,20.04
TOTAL			
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a. Gross Block		4,55,33.63	3,88,38.76
b. Less: Depreciation		1,90,45.41	1,63,51.11
c. Less: Lease Adjustment		-	2.79
d. Net Block		2,64,88.22	2,24,84.86
e. Capital work in progress		25,75.27	31,90.69
		2,90,63.49	2,56,75.55
2. Investments (Net)	6	35,85.54	18,43.31
3. Current Assets, Loans and Advances	7		
a. Inventories		1,53,40.10	1,29,94.87
b. Sundry Debtors		1,09,45.10	1,08,37.27
c. Cash and Bank Balances		12,15.80	11,66.27
d. Other Current Assets		2,31.04	2,22.08
e. Loans and Advances		32,21.92	33,17.35
		3,09,53.96	2,85,37.84
Less: Current Liabilities and Provisions	8		
a. Liabilities		98,54.37	82,24.58
b. Provisions		39,85.16	31,84.98
		1,38,39.53	1,14,09.56
Net Current Assets		1,71,14.43	1,71,28.28
4. Miscellaneous Expenditure (To the extent not written off or adjusted) VRS compensation - Refer Note 1 (viii) of schedule 12		48.60	72.90
		4,98,12.06	4,47,20.04
TOTAL			
Notes forming part of the Accounts	12		

AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For HARIBHAKTI & CO.
Chartered Accountants

B K PAREKH
Chairman

CHETAN DESAI
Partner

S K PAREKH
Vice Chairman

Mumbai
Date: 23rd May 2006

P C PATEL
Sr Vice President & Secretary

M B PAREKH
Managing Director

Profit and Loss Account For The Year Ended 31st March 2006

(Rs in Lac)

	Schedule	2005-06	2004-05
INCOME			
Sales		10,44,23.52	8,89,76.68
Less: Excise Duty		1,36,71.63	1,20,29.28
Net Sales		9,07,51.89	7,69,47.40
Other Income	9	17,48.15	10,07.32
		9,25,00.04	7,79,54.72
EXPENDITURE			
Materials	10	4,99,29.82	4,25,40.93
Other Expenses	11	2,66,96.69	2,20,97.53
Depreciation		27,47.83	26,99.36
		7,93,74.34	6,73,37.82
Profit before Taxation		1,31,25.70	1,06,16.90
Income Tax Expense			
Current Tax		38,64.95	34,51.68
Deferred Tax		1,70.22	(1,30.39)
Fringe Benefit Tax		2,25.00	–
		42,60.17	33,21.29
Profit for the year		88,65.53	72,95.61
Prior year Tax Provision written back (Net)		2,02.16	3,62.18
Balance brought forward from previous year		30,17.89	26,43.26
Profit available for appropriation		1,20,85.58	1,03,01.05
Proposed Dividend		31,55.00	25,24.00
Corporate Tax on Dividend		4,42.49	3,59.16
		35,97.49	28,83.16
Transfer to General Reserve		48,00.00	44,00.00
Balance carried to Balance Sheet		36,88.09	30,17.89
Earnings Per Share: (Refer Note 13 of Schedule 12)			
Basic and Diluted (Rs)		3.59	30.34
Face Value of Share (Rs)		1.00	10.00

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

S K PAREKH
Vice Chairman

Mumbai
Date: 23rd May 2006

P C PATEL
Sr Vice President & Secretary

M B PAREKH
Managing Director

Schedule Numbers 1 to 12 annexed to and forming part of the Balance Sheet as at 31st March 2006 and Profit and Loss Account for the year ended 31st March 2006

(Rs in Lac)

	As at 31 st March 2006	As at 31 st March 2005
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
27,50,00,000 Equity Shares of Re 1 each	27,50.00	27,50.00
2,50,00,000 Unclassified Shares of Re 1 each	2,50.00	2,50.00
TOTAL	30,00.00	30,00.00
Issued, Subscribed and Paid up		
25,23,94,000 (2,52,39,400) Equity Shares of Re 1(Rs 10) each, fully paid-up (Notes 1 and 2)	25,23.94	25,23.94
Bonus Shares Issue Suspense Account (Note 3)	0.06	0.06
TOTAL	25,24.00	25,24.00

NOTES:

Out of the above

- 74,75,880 (7,47,588) Equity Shares of Re 1 (Rs 10) each have been issued for consideration other than cash pursuant to various schemes of amalgamation during earlier years.
- 22,64,14,340 (2,26,41,434) Equity Shares of Re 1 (Rs 10) each have been allotted as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Securities Premium Account and Capital Redemption Reserve.
- Bonus Shares Issue Suspense Account pertains to issue of 6,000 (600) fully paid-up Bonus Shares pending settlement of dispute for title of shares.
- The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re 1 each w.e.f. 27.09.2005.

SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserve		
Balance as per last Balance Sheet	33.70	33.70
Cash Subsidy Reserve		
Balance as per last Balance Sheet	74.74	74.74
Add: Received during the year	20.00	-
	94.74	74.74
Special Reserve		
Balance as per last Balance Sheet	11.89	11.89
General Reserve		
Balance as per last Balance Sheet	3,00,82.14	2,56,82.14
Add: Transferred from Profit and Loss Account	48,00.00	44,00.00
	3,48,82.14	3,00,82.14
Profit and Loss Account	36,88.09	30,17.89
TOTAL	3,87,10.56	3,32,20.36

(Rs in Lac)

As at
31st March 2006

As at
31st March 2005

SCHEDULE 3 SECURED LOANS

Working Capital loans from Banks (including Working Capital Demand Loan)	28,70.00	15,93.85
TOTAL	<u>28,70.00</u>	<u>15,93.85</u>

Working Capital Loans from Banks are secured by hypothecation of stock of Raw Materials, Finished Goods, Packing Material, Stock in Process and Book Debts. Further, these loans are collaterally secured by way of first charge on the land and building of the Company's unit at Kondivita, Mumbai and by way of second charge on the entire plant and machinery of the Company.

SCHEDULE 4 UNSECURED LOANS

Interest free Sales Tax loan from Government of Gujarat	5.06	9.76
Interest free Sales Tax loan from Government of Maharashtra	26,53.68	21,25.53
Foreign Currency Loan from Banks	–	23,68.00
TOTAL	<u>26,58.74</u>	<u>45,03.29</u>
Amount due within one year Rs 4.70 lac (Rs 23,72.71 lac)		

SCHEDULE 5

FIXED ASSETS

(Rs in Lac)

PARTICULARS	GROSS BLOCK				DEPRECIATION				Lease Adjust- ment Account	NET BLOCK	
	As at 1.4.2005	Additions/ Adjust- ments	Deduc- tions/ Adjust- ments	As at 31.3.2006	As at 1.4.2005	Provided during the year	Deduc- tions/ Adjust- ments	As at 31.3.2006		As at 31.3.2006	As at 31.3.2005
Intangible Assets:											
– Goodwill	6,89.74	10.00	–	6,99.74	3,67.91	93.54	–	4,61.45	–	2,38.29	3,21.83
– Copyrights, Trademark, Etc.	60,26.02	40.00	–	60,66.02	22,42.10	6,03.44	–	28,45.54	–	32,20.48	37,83.92
Freehold Land	6,56.21	5,00.78	–	11,56.99	–	–	–	–	–	11,56.99	6,56.21
Leasehold Land	3,69.07	24.12	–	3,93.19	21.18	3.91	–	25.09	–	3,68.10	3,47.89
Buildings	61,58.82	15,21.29	–	76,80.11	12,53.00	1,98.52	–	14,51.52	–	62,28.59	49,05.82
Plant and Machinery	2,18,19.86	42,58.57	9.17	2,60,69.26	1,13,20.70	16,24.91	2.11	1,29,43.50	–	1,31,25.76	1,04,99.16
Furniture & Fixtures	14,60.74	2,14.40	0.73	16,74.41	5,48.08	96.18	0.12	6,44.14	–	10,30.27	9,12.66
Vehicles	12,58.15	1,89.76	42.18	14,05.73	3,31.06	1,09.72	25.27	4,15.51	–	9,90.22	9,27.09
Capital Expenditure on Scientific Research:											
– Buildings	14.84	–	–	14.84	7.97	0.48	–	8.45	–	6.39	6.87
– Plant and Machinery	3,08.33	16.14	–	3,24.47	2,03.86	14.44	–	2,18.30	–	1,06.17	1,04.47
– Furniture and Fixtures	30.65	–	–	30.65	11.80	1.94	–	13.74	–	16.91	18.85
Assets given on Lease:											
Plant and Machinery	32.13	–	13.91	18.22	31.10	0.75	13.68	18.17	–	0.05	–
Vehicles	14.20	–	14.20	–	12.35	–	12.35	–	–	–	0.09
Total	3,88,38.76	67,75.06	80.19	4,55,33.63	1,63,51.11	27,47.83	53.53	1,90,45.41	–	2,64,88.22	2,24,84.86
Previous Year	3,40,31.02	49,08.84	1,01.10	3,88,38.76	1,37,16.49	26,99.36	64.74	1,63,51.11	(2.79)		
Capital work in progress including capital advances										25,75.27	31,90.69
TOTAL										2,90,63.49	2,56,75.55

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 6**LONG TERM INVESTMENTS (AT COST)**

I.	In Government Securities (Unquoted)		
	6 and 7 Years National Savings Certificates (Deposited with Government Departments, Mumbai Municipal Corporation, Reliance Energy Ltd)	1.03	1.61
II.	In Equity Shares (Fully paid)		
	a) Quoted		
	Trade:		
	• 74,51,540 Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	11,78.34	11,78.34
	Others:		
	• 3,594 Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.87	0.87
	• 14,400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	7.20	7.20
	• 4,188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd	7.74	7.74
	• 1,21,300 Equity Shares of Rs 10 each of Pal Peugeot Ltd	12.13	12.13
	• 2,22,542 Equity Shares of Rs 10 each of Indian Overseas Bank Ltd	29.62	29.62
	• 61,900 Equity Shares of Rs 10 each of Menon Pistons Ltd	43.74	43.74
	TOTAL - II (a)	12,79.64	12,79.64
	[Market Value Rs 13,53.85 lac (13,19.85 lac)]		
	b) Unquoted (Fully paid)		
	In wholly-owned Subsidiary Companies:		
	• 50,000 Equity Shares of Rs 10 each of Fevicol Company Ltd	5.00	5.00
	• 39,97,496 (6,87,159) Equity Shares of Pidilite International Pte Ltd	18,13.16	3,02.67
	• 34,65,597 (Nil) Equity Shares of Pidilite Middle East Ltd	4,12.91	-
	• 1,29,999 (Nil) Equity Shares of Pidilite Do Brasil Desenvolvimento De Negocios Ltda	24.05	-
	Others:		
	• 2,00,200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	52.86	52.86
	• 2,275 Equity Shares of Re 1 each of Himalaya House Company Ltd	0.02	0.02
	• 628 Equity Shares of Rs 100 each of Jawahar Co-op Industrial Estate Ltd	0.63	0.63
	• 40 Equity Shares of Rs 50 each of Regent Chambers Premises Co-op Society Ltd	0.02	0.02
	• 25 Equity Shares of Rs 10 each of New Usha Nagar Co-op Housing Society Ltd	0.01	0.01
	• 10 (Nil) Equity Shares of Rs 100 each of Taloja CETP Co-op Society Ltd	0.01	-
	TOTAL - II (b)	23,08.67	3,61.21
III.	In Units of Mutual Fund (Unquoted)		
	• 400 Units of Rs 70,000 each of Infinity Venture India Fund (Partly redeemed)	51.83	2,60.00
	TOTAL - III	51.83	2,60.00
	TOTAL : I + II (a) + II (b) + III	36,41.17	19,02.46
	Less: Diminution in value of Investments	55.63	59.15
	TOTAL	35,85.54	18,43.31

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	3,90,91,054	3,90,91,054
Units of DSP Merrill Lynch Weekly Dividend Option	1,05,94,186	1,05,94,186
Units of HDFC Mutual Fund Dividend Option	50,37,527	50,37,527
Units of Prudential ICICI Liquid Plan Dividend Option	42,49,538	42,49,538
Units of Reliance Liquid Fund Dividend Option	49,12,323	49,12,323
Units of Reliance Liquid Fund Daily Dividend Option	2,36,48,213	2,36,48,213

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 7**CURRENT ASSETS, LOANS AND ADVANCES****A) Current Assets****a) Inventories (As valued and certified by the Management)**

Consumable Stores and Spares, etc.	99.44	91.76
Raw Materials	54,50.27	50,87.82
Goods in Process	5,92.18	4,21.61
Finished Goods	74,12.41	60,94.30
Traded Goods	6,56.83	4,85.36
Packing Materials	11,28.97	8,14.02

1,53,40.10 1,29,94.87

b) Sundry Debtors (Unsecured)

Over six months -

Considered good	1,85.29	1,91.21
Considered doubtful	1.12	-
Others, Considered good	1,07,59.81	1,06,46.06

1,09,46.22 1,08,37.27

Less : Provision for doubtful debts

1.12 -

1,09,45.10 1,08,37.27

c) Cash and Bank Balances

Cash and cheques on hand	4,98.46	1,85.05
Remittances in transit	20.12	24.37
Bank Balances:		
With scheduled banks		
In Current Accounts	6,96.92	9,56.55
Others:		
In Fixed Deposit with Municipal Co-op. Bank Ltd.	0.30	0.30
[Maximum outstanding during the year Rs 0.30 lac (Rs 0.30 lac)]		

12,15.80 11,66.27

d) Other Current Assets

Interest Accrued on Investments	0.90	0.84
Claims Receivable	2,30.14	2,21.24

231.04 2,22.08

B) Loans and Advances

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	12,40.67	12,79.92
Advance Payment of Taxes (Net of Provisions)	7,88.38	6,25.82
Loans and Advances to Staff	3,44.04	3,39.02
Deposits	2,73.81	2,89.83
Balances with Central Excise Department	5,75.02	7,82.76

32,21.92 33,17.35

TOTAL

3,09,53.96 2,85,37.84

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 8**CURRENT LIABILITIES AND PROVISIONS**

A) Current Liabilities		
Acceptances		2,46.80
Sundry Creditors (Refer Note 2 of Schedule 12)		1,86.23
Small Scale Industrial Undertakings	6,06.55	6,78.04
Others	41,14.02	34,29.72
	<hr/>	<hr/>
Dealers' Deposits		47,20.57
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary:		13,27.52
Unclaimed Dividends		32.09
Other Liabilities		35,27.39
		<hr/>
		98,54.37
		<hr/>
B) Provisions		82,24.58
For Leave encashment		3,87.67
Dividends:		
Proposed Dividend	31,55.00	25,24.00
Corporate Tax on Dividend	4,42.49	3,53.99
	<hr/>	<hr/>
		35,97.49
		<hr/>
		39,85.16
		<hr/>
TOTAL		1,38,39.53
		<hr/> <hr/>

(Rs in Lac)

2005-06

2004-05

SCHEDULE 9**OTHER INCOME**

Interest received (Gross)		1,16.57
[Tax deducted at source Rs 11.61 lac (Rs 0.86 lac)]		1,91.16
Insurance Claim Received		5,65.62
Dividend received		4.51
Export Incentives		59.02
Profit on sale of Investments (Net)		33.56
Foreign Exchange Fluctuation		1,64.71
Miscellaneous		1,23.34
Excess provisions written back		1.35
		-
		55.13
		6,97.12
		5,15.76
		3.51
		41.14
TOTAL		17,48.15
		<hr/> <hr/>
		10,07.32

(Rs in Lac)

2005-06

2004-05

SCHEDULE 10**MATERIALS**

a. Raw Materials consumed		
Opening Stock	50,87.82	39,49.73
Add: Purchases	3,78,24.89	3,36,52.13
	<hr/>	<hr/>
Less: Closing Stock	4,29,12.71	3,76,01.86
	54,50.27	50,87.82
	<hr/>	<hr/>
	3,74,62.44	3,25,14.04
b. (Increase) / Decrease in Stocks		
Closing Stock		
Goods in Process	5,92.18	4,21.61
Finished Goods	74,12.41	60,94.30
	<hr/>	<hr/>
Less:		
Opening Stock	4,21.61	3,54.87
Goods in Process	60,94.30	48,56.09
Finished Goods		
	<hr/>	<hr/>
	65,15.91	52,10.96
	<hr/>	<hr/>
	(14,88.68)	(13,04.95)
c. Packing Materials consumed	1,11,98.16	92,80.58
d. Cost of Traded Goods		
Opening Stock	4,85.36	5,26.29
Add: Purchases	29,29.37	20,10.33
	<hr/>	<hr/>
Less: Closing Stock	34,14.73	25,36.62
	6,56.83	4,85.36
	<hr/>	<hr/>
	27,57.90	20,51.26
	<hr/>	<hr/>
TOTAL	4,99,29.82	4,25,40.93
	<hr/> <hr/>	<hr/> <hr/>

(Rs in Lac)

	2005-06	2004-2005
SCHEDULE 11		
OTHER EXPENSES		
Stores and Spares consumed	4,01.90	3,61.83
Clearing, Forwarding, Octroi Duty, etc.	35,19.87	27,04.53
Central Excise Duty	1,30.20	2,71.66
Power and Fuel	9,55.53	8,78.68
Water Charges	86.07	95.15
Employees' Emoluments: [Refer Notes 1 (vii), (viii), 6 and 7 of Schedule 12]		
Salaries, Wages, Bonus, Allowances etc.	72,43.70	54,05.17
Contribution to Provident and Other Funds	5,69.84	4,37.63
Welfare Expenses	3,12.57	7,93.19
	81,26.11	66,35.99
Rent	4,08.25	3,50.48
Rates and Taxes	72.80	43.38
Insurance	2,05.10	2,17.00
Licence fees	6.02	2.66
Repairs:		
Buildings	91.71	93.96
Machinery	2,64.76	2,06.59
Others	1,28.92	1,00.36
	4,85.39	4,00.91
Directors' Fees	1.36	1.53
Advertisement and Publicity	39,41.89	31,97.16
Legal and Professional fees	8,08.15	6,96.59
Communication Expenses	4,14.24	4,41.12
Printing and Stationery	1,58.52	1,28.87
Travelling & Conveyance Expenses	17,73.18	16,15.37
Bad Debts	45.84	25.31
Provision for Doubtful Debts	1.12	–
Processing and Packing Charges	22,43.19	19,18.53
Bank charges	2,31.66	2,24.70
Commission & Brokerage	1,71.73	1,11.49
Miscellaneous expenses	17,22.59	14,66.18
Scientific Research and Development Expenditure [Refer Note 1(v) of Schedule 12]	27.89	21.70
Remuneration to Auditors		
Audit Fees (Including Tax Audit Fees)	14.69	13.78
For Other Services	14.63	7.79
	29.32	21.57
Donations	4,69.66	73.16
Foreign Exchange Fluctuation	96.42	–
Loss on Fixed Assets Sold / Discarded (Net)	16.15	25.05
Interest	1,46.54	1,66.93
	2,66,96.69	2,20,97.53
TOTAL		

SCHEDULE 12

NOTES ON ACCOUNTS

1. Significant Accounting Policies

- i) General

The financial statements are prepared under the historical cost convention, on the basis of a going concern and as per applicable Indian Accounting Standards. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.
- ii) Revenue Recognition
 - i) Income from sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.
 - ii) Interest income is recognised on accrual basis.
 - iii) Claims which are not of material nature / Insurance Claim, Octroi Duty, Customs Duty, etc. are accounted for when no significant uncertainties are attached to their eventual receipt.
- iii) Fixed Assets, Depreciation and Impairment Loss
 - a) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
 - b) Preoperative expenditure during construction period / trial run: Direct expenses as well as clearly identifiable indirect expenses incurred on the projects during the period of construction are being capitalised alongwith the respective assets.
 - c) The Company provides depreciation as under:
 - 1 For assets acquired upto 30-06-1987, on Straight Line Method (SLM) basis, except certain assets for which Written Down Value (WDV) basis is adopted at rates equivalent to the rates specified in the Income-Tax Act, 1961.
 - 2 For assets acquired after 30-06-1987 and before 31-03-1993, on SLM basis at rates specified in Schedule XIV of the Companies Act, 1956.
 - 3 For assets acquired after 31-03-1993, on SLM basis as per new rates prescribed under Schedule XIV vide notification no. GSR 756 (E) dated 16-12-1993 issued by the Department of Company Affairs.
 - 4 The Company provides pro-rata depreciation for additions made during the year except for each asset costing Rs 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 Knowhow, etc. acquired by the Company are amortised over a period of 10 years on SLM basis.
 - d) In case, the recoverable amount of the fixed assets is lower than its carrying amount, provision is made for the impairment loss.
- iv) Method of Valuation of Inventories
 - a) Raw Materials and Packing materials are valued at lower of cost, computed on weighted average basis and net realisable value. Obsolete, defective, unserviceable and slow / non-moving stocks are duly provided for.
 - b) Finished goods, including traded goods and work in process are valued at lower of cost and net realisable value. Cost (arrived at on weighted average) for this purpose includes direct materials, direct labour, excise duty and appropriate overheads including freight costs upto the ports in respect of finished goods meant for exports.
 - c) Consumable stores and spares are valued at lower of cost or net realisable value as estimated by the management.
- v) Research and Development Expenditure
 - a) Capital Expenditure is shown separately in Fixed Assets.
 - b) Revenue expenses including depreciation except expenditure specifically shown, are charged to respective heads of accounts.
- vi) Investments
 - a) Long Term Investments are stated at cost. In case there is a diminution of permanent nature in value of Investments (other than long term strategic investment) the same is provided for.
 - b) (i) Quoted current investments are stated at the lower of cost and market value.
(ii) Unquoted current investments are stated at the lower of cost and fair value where available.
 - c) Cost of each investment is arrived at on the basis of the average carrying amount of the total holding of that investment.
- vii) Retirement Benefits
 - a) Contribution to Provident, Superannuation and Family Pension funds are funded as a percentage of salary/wages.
 - b) Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
 - c) Leave encashment liability is provided for on the basis of actuarial valuation as at the year end.
- viii) Deferred Revenue Expenditure

Voluntary Retirement Scheme (VRS) compensation is amortised over a period of five years.
- ix) Transactions in foreign currencies
 - a) Transactions are recorded at the exchange rates prevailing on the date of transaction.
 - b) Foreign currency designated assets, liabilities and capital commitments are restated at the year end rates.
 - c) The exchange differences are adjusted to:
 - i) Carrying cost of fixed assets if they relate to fixed assets; and
 - ii) Profit and Loss Account in other cases.

NOTES ON ACCOUNTS (Contd...)

- 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, Contigent Liabilities and Contigent 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. Contigent liabilities, if material are disclosed by way of notes to accounts. Contigent 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 scale industries which is outstanding for more than 30 days as at the Balance Sheet date. The above information and that given in Schedule 8 "Current Liabilities and Provisions" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company.

	As at 31 st March 2006	As at 31 st March 2005
3. Contingent liabilities not provided for		
i) Guarantees given by Banks in favour of Government and others	3,46.56	3,74.23
ii) Guarantees given by Company [US \$ 5 million (US \$ 5 million)]	22,31.00	21,97.00
iii) Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)	4,58.74	2,27.08
4. Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for	5,02.49	17,68.42
		(Rs in Lac)
	2005-06	2004-2005
5. The net amount of exchange differences debited / (credited) to Profit and Loss Account	96.42	(55.13)
6. Remuneration to Directors: (Includes benefits which are debited to respective expenses)		
a. Remuneration	2,68.93	2,01.77
b. Commission	3,43.25	2,55.18
c. Provident Fund Contribution	14.72	22.15
d. Other Perquisites	34.73	29.93
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		1,08,72.08
Provision for taxation and commission to directors	1,34,68.95	1,08,72.08
Add: Directors' remuneration	2,68.93	2,01.77
Contribution to Provident Fund	14.72	22.15
Other Perquisites	34.73	29.93
	<u>3,18.38</u>	<u>2,53.85</u>
	<u>1,37,87.33</u>	<u>1,11,25.93</u>
Less: Profit on sale of investments	1,23.34	1.60
Add: Loss on sale of fixed assets	16.15	25.05
Net Profit for the year for the purpose of Directors' Commission	<u>1,36,80.14</u>	<u>1,11,49.38</u>
Commission payable to Directors		
a) Managing Director, Joint Managing Director and a Wholetime Director	3,23.25	2,39.18
b) Others	20.00	16.00
	<u>3,43.25</u>	<u>2,55.18</u>

NOTES ON ACCOUNTS (Contd...)

8. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956

Details of licensed capacity, installed capacity, production and sales of the goods manufactured

i. DETAILS OF THE GOODS MANUFACTURED/SALES/STOCKS

Class of Goods ^A	Licensed Capacity *	Installed Capacity Approx. *	Opening Stock (Qty)	Opening Stock (Rs in Lac)	Production Meant for Sale (Qty)	Sales ^B (Qty)	Sales ^B (Rs in Lac)	Closing Stock (Qty)	Closing Stock (Rs in Lac)
Dyestuffs									
MT	3,900 (3,624)	2,364 (2,364)	1,314 (1,494)	12,43.31 (13,26.81)	12,347^C (10,214)	12,249 (10,394)	94,70.89 (89,43.92)	1,412 (1,314)	16,68.89 (12,43.31)
KL			429 (426)	6,85.17 (5,39.31)	3,178^D (2,714)	3,028 (2,711)	70,68.69 (58,48.55)	579 (429)	8,93.24 (6,85.17)
Chemicals									
MT	2,32,735 (1,02,835)	1,26,920 (76,810)	6,058 (4,509)	29,52.50 (21,11.33)	81,417^E (82,711)	81,333 (81,162)	6,24,48.81 (5,42,94.66)	6,142 (6,058)	31,39.70 (29,52.50)
KL	31,260 (19,260)	17,904 (15,660)	1,590 (1,158)	10,57.48 (7,40.89)	21,377^F (17,514)	21,100 (17,082)	1,92,97.56 (1,47,67.29)	1,867 (1,590)	13,83.29 (10,57.48)
Others Nos. lac			43 (29.68)	1,55.84 (1,37.75)	607 (448.13)	574 (435.19)	27,35.71 (19,88.86)	76 (42.62)	3,27.29 (1,55.84)
Traded Goods				4,85.36 (5,26.29)			33,80.51 (30,45.31)		6,56.83 (4,85.36)
				65,79.66 (53,82.38)			1,04,402.17 (8,88,88.59)		80,69.24 (65,79.66)

Notes:

* This being a technical matter, is as informed 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 21.35 lac (Rs 88.09 lac).

C Includes 10,447 Tonnes (8,488 Tonnes) produced in the factory of third party.

D Includes 3,176 KL (2,680 KL) produced in the factory of third party.

E Includes 52,247 Tonnes (45,153Tonnes) produced in the factory of third party.

F Includes 2,303 KL (1,247 KL) produced in the factory of third party.

Figures in bracket indicate previous year's figures.

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

	2005-06 Rs in Lac	2004-05 Rs in Lac	2005-06 %	2004-05 %
Imported	1,48,63.61	1,32,09.32	39.70	40.74
Indigenous	2,25,77.48	1,92,16.63	60.30	59.26
	3,74,41.09 *	3,24,25.95 *	100.00	100.00

NOTES ON ACCOUNTS (Contd...)

ii(b) Consumption of Raw Materials

	2005-06		2004-05	
	Quantity MT	Value Rs in Lac	Quantity MT	Value Rs in Lac
Vinyl Acetate Monomer	15,752	81,71.57	14,740	76,03.54
Miscellaneous		2,92,69.52		2,48,22.41
(None of which individually account for more than 10% of total consumption)				
		<u>3,74,41.09 *</u>		<u>3,24,25.95 *</u>

Notes:

* Net of Resale of Raw Materials Rs 21.35 lac (Rs 88.09 lac)

(Rs in Lac)

	2005-06	2004-05
iii. CIF Value of Imports:		
Raw Materials	1,25,63.80	1,10,80.85
Capital Goods	1,05.98	69.51
Others	9,65.20	6,32.83
	<u>1,36,34.98</u>	<u>1,17,83.19</u>
iv. Expenditure in Foreign Currency:		
Foreign travel	2,59.70	3,18.67
Professional Fees	1,88.59	1,12.27
Interest	74.54	1.84
Others	5,61.32	4,20.89
	<u>10,84.15</u>	<u>8,53.67</u>
v. Earnings in Foreign Exchange:		
FOB Value of Exports	64,56.25	60,00.44
Others	4.72	9.52
	<u>64,60.97</u>	<u>60,09.96</u>

NOTES ON ACCOUNTS (Contd...)

9. Segment reporting:
INFORMATION ABOUT BUSINESS SEGMENTS

(Rs in Lac)			
Business Segments	Consumer & Bazaar Products	Industrial Products	Total
REVENUE			
External sales	7,89,18.80	2,55,04.72	10,44,23.52
	(6,48,96.76)	(2,40,79.92)	(8,89,76.68)
Inter Segment Revenue (at cost plus 10%)	13.68	25,54.95	25,68.63
	(8.38)	(20,42.59)	(20,50.97)
Total Revenue	7,89,32.48	2,80,59.67	10,69,92.15
	(6,49,05.14)	(2,61,22.51)	(9,10,27.65)
RESULTS			
Segment Results	1,55,07.27	30,59.34	1,85,66.61
	(1,34,15.98)	(19,13.44)	(1,53,29.42)
Unallocated Corporate Expenses			62,05.04
			(53,80.34)
Unallocated Corporate Income			7,35.10
			(6,10.03)
Operating Profit			1,30,96.67
			(1,05,59.11)
Interest expenses			1,46.54
			(1,66.93)
Interest / Dividend Income			1,75.57
			(2,24.72)
Income Tax (Provision for Taxation and Deferred taxation)			42,60.17
			(33,21.29)
Net Profit			88,65.53
			(72,95.61)
OTHER INFORMATION			
Segment Assets	3,13,05.75	1,38,58.78	4,51,64.53
	(2,56,31.50)	(1,30,56.67)	(3,86,88.17)
Unallocated Corporate Assets			1,84,87.06
			(1,74,41.43)
Total Assets			6,36,51.59
			(5,61,29.60)
Segment Liabilities	56,47.56	26,00.40	82,47.96
	(44,22.00)	(24,53.67)	(68,75.67)
Unallocated Corporate Liabilities			1,41,69.07
			(1,35,09.57)
Total Liabilities			2,24,17.03
			(2,03,85.24)
Capital Expenditure	47,87.54	6,40.10	54,27.64
	(36,55.75)	(6,79.96)	(43,35.70)
Unallocated Corporate Capital Expenditure			6,51.81
			(22,85.47)
Depreciation	13,83.65	5,85.51	19,69.16
	(12,19.80)	(5,99.88)	(18,19.68)

NOTES ON ACCOUNTS (Contd...)

INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

(Rs in Lac)

GEOGRAPHICAL SEGMENTS	India		Other Countries		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Sales Revenue	9,74,43.26	8,24,98.03	69,80.26	64,78.65	10,44,23.52	8,89,76.68
Carrying amount of Segment Assets	6,21,46.22	5,48,10.27	15,05.37	13,19.33	6,36,51.59	5,61,29.60
Additions to Fixed Assets and Intangible Assets	60,79.45	66,21.17	–	–	60,79.45	66,21.17

Notes:

SEGMENT INFORMATION

Business Segment:

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

Geographical Segment:

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

10. Deferred Taxation:

Out of the net deferred tax liability of Rs 30,48.76 lac as at 31st March 2006, the major components of deferred tax balances are set out below:

(Rs in Lac)

	Upto 31.03.2005	During the year 2005-06	Carried as at 31.03.2006
Deferred Tax Liability			
i) Difference between Accounting and Tax Depreciation (Cumulative)	29,66.51	1,98.35	31,64.86
Deferred Tax Assets			
i) Leave salary	86.62	27.16	1,13.78
ii) Others	1.35	0.97	2.32
	87.97	28.13	1,16.10
Net Deferred Tax liability	28,78.54	1,70.22	30,48.76

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

11. Related Party Disclosures

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

i) Relationships:

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

NOTES ON ACCOUNTS (Contd...)

- ii) Key Management Personnel:
Sarva Shri M B Parekh – Managing Director; N K Parekh – Jt Managing Director and A B Parekh and A N Parekh – Whole Time Directors.
- iii) Other Directors:
a. 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.
b. Shri Amit Roy - Whole Time Director.
- iv) Transactions with Related Parties during the year ended 31st March 2006 are as follows:

(Rs in Lac)

Nature of Transactions	Parekh Marketing Ltd	Vinyl Chemicals (India) Ltd	Kalva Marketing and Services Ltd	Chemson Asia Pte Ltd	Pidilite Middle East Ltd	Pidilite Do Brasil Desem Neg Ltda	Pidilite International Pte Ltd	Total Amount
a Sales and Related Income	4,62,22.08 (4,08,27.24)	8.16 (2,36.07)	Nil (Nil)	0.67 (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4,62,30.91 (4,10,63.31)
b Other Income (including Electricity Generation)	4.77 (4.77)	1,82.12 (1,89.83)	1.09 (1.09)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1,87.98 (1,95.69)
c Purchases and Other Related Services	26.35 (92.08)	58,24.48 (42,73.28)	Nil (Nil)	17.20 (4.29)	Nil (Nil)	Nil (Nil)	Nil (Nil)	58,68.03 (43,69.65)
d Transfer of Sales Tax Deferment Benefit	Nil (Nil)	1,47.20 (1,84.00)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1,47.20 (1,84.00)
e Remuneration to Directors:								
- Sitting Fees	1.36 (1.53)	-	-	-	-	-	-	1.36 (1.53)
- Managing Director / Jt. Managing Director	4,61.26 (3,69.66)	-	-	-	-	-	-	4,61.26 (3,69.66)
- Whole Time Directors	1,80.37 (1,23.37)	-	-	-	-	-	-	1,80.37 (1,23.37)
- Commission to Non Executive Directors	20.00 (16.00)	-	-	-	-	-	-	20.00 (16.00)
f Investment in Share Capital	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4,12.82 (Nil)	24.05 (Nil)	15,08.44 (3,02.67)	19,45.31 (3,02.67)
g Purchase of Fixed Assets	2.05 (2.30)	Nil (11.24)	3.96 (14.12)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	6.01 (27.66)
h Sale of Fixed Assets	Nil (Nil)	Nil (6.90)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (6.90)
i Rent, Maintenance and Service Charges Paid	1.50 (3.57)	91.40 (1,11.92)	Nil (Nil)	Nil (Nil)	Nil (Nil)	26.01 (Nil)	65.67 (Nil)	1,84.58 (1,15.49)
j Reimbursement of expenses made	0.39 (0.67)	0.91 (0.39)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1.30 (1.06)
k Reimbursement of expenses received	1.58 (2.57)	1.78 (1.98)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3.36 (4.55)
l Outstanding Balances :								
- Debtors	43,30.73 (43,41.57)	0.26 (57.73)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	43,30.99 (43,99.30)
- Creditors	3.94 (4.99)	(12.92) (-49.30)	Nil (-9.47)	Nil (-4.29)	Nil (Nil)	Nil (Nil)	Nil (Nil)	(8.98) (-58.07)
- Outstanding Payable (Net of receivable)	(43,26.79) (Nil)	(12.66) (8.43)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	(43,39.45) (8.43)

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

NOTES ON ACCOUNTS (Contd...)

	As at	(Rs in Lac)
12. Sundry debtors include amount due from Company as per Section 370 (1B) of the Companies Act, 1956:	31.03.2006	As at 31.03.2005
Parekh Marketing Limited	43,33.07	43,41.57
Vinyl Chemicals (India) Limited	0.26	57.73

13. Earnings Per Share

	As at	As at
	31.03.2006	31.03.2005
Outstanding Equity Shares (No.)	25,24,00,000	2,52,40,000
Net Profit after tax including prior year tax provision written back (Rs in lac)	90,67.69	76,57.79
Earnings Per Share (Rs)	3.59 *	30.34

* The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re 1 each wef 27.09.2005.

NOTES ON ACCOUNTS (Contd...)

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

	2005-06	2004-05
I. Registration Details:		
Registration No	14336	14336
State Code	11	11
Balance Sheet Date	31.3.2006	31.3.2005
	(Rs in Lac)	(Rs in Lac)
II. Capital Raised During the Year:		
Public Issue	Nil	Nil
Rights Issue	Nil	Nil
Bonus Issue	Nil	Nil
Private Placement / On Amalgamation	Nil	Nil
III. Position of Mobilisation and Deployment of Funds:		
Total Liabilities	4,98,12.06	4,47,20.04
Total Assets	4,98,12.06	4,47,20.04
Sources of Funds:		
Paid-up Capital	25,24.00	25,24.00
Reserves and Surplus	3,87,10.56	3,32,20.36
Secured Loans	28,70.00	15,93.85
Unsecured Loans	26,58.74	45,03.29
Deferred Tax Liability (Net)	30,48.76	28,78.54
Application of Funds:		
Net Fixed Assets	2,90,63.49	2,56,75.55
Investments	35,85.54	18,43.31
Net Current Assets	1,71,14.43	1,71,28.28
IV. Performance of Company:		
Turnover	10,44,23.52	8,89,76.68
Less: Excise duty	1,36,71.63	1,20,29.28
Net Turnover	9,07,51.89	7,69,47.40
Other Income	17,48.15	10,07.32
Total Expenditure	7,93,74.34	6,73,37.82
Profit Before Tax	1,31,25.70	1,06,16.90
Profit After Tax	90,67.69	76,57.79
Earnings per Share in Rs	3.59	30.34
Dividend Rate %	125.00	100.00
V. Generic Names of three Principal Products / Services of the Company (as per monetary terms)		
Item Code No. (ITC Code)	Product Description	
3506	ADHESIVES	
3905 + 3906	SYNTHETIC RESINS	
3204	ORGANIC PIGMENTS AND PREPARATIONS BASED ON ORGANIC PIGMENTS	

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

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

Signatures to Schedules 1 to 12

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

M B PAREKH
Managing Director

Mumbai
Date: 23rd May 2006

P C PATEL
Sr Vice President & Secretary

Cash Flow Statement For The Year Ended 31st March 2006

(Rs in Lac)

	2005-06	2004-05
A] CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	1,31,25.70	1,06,16.90
Adjustment for Depreciation	27,47.83	26,99.36
Additional Provision for Diminution in value of Investments	-	2.41
Interest paid	1,46.54	1,66.93
Dividend received	(59.02)	(33.56)
Interest received	(1,16.57)	(1,91.16)
Amortisation of VRS compensation	24.30	24.30
(Profit) / Loss on Sale of Assets	16.15	25.05
(Profit) / Loss on Sale of Investments	(1,23.34)	(1.35)
Provision for Diminution in value of Investments written back	(3.51)	(43.55)
Bad debts w / off / provision for doubtful debts	46.96	16.01
	26,79.34	26,64.44
Operating Profit before Working Capital changes	1,58,05.04	1,32,81.34
Working Capital changes		
Inventories (Inc) / Dec	(23,45.23)	(25,16.23)
Debtors (Inc) / Dec	(1,54.79)	(11,33.75)
Loans and Advances, etc. (Inc) / Dec	2,49.03	(8,01.33)
Current Liabilities Inc / (Dec)	17,12.24	28,13.20
	(5,38.75)	(16,38.11)
Cash generated from operations	1,52,66.29	1,16,43.23
Interest received	1,16.57	1,91.16
Interest paid	(1,46.54)	(1,66.93)
Subsidy Received	20.00	-
Income Tax paid (Net)	(40,50.35)	(24,55.19)
	(40,60.32)	(24,30.96)
Net Cash flow from Operating Activities	1,12,05.97	92,12.27
B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(61,62.43)	(67,46.69)
Sale of Fixed Assets	10.51	32.91
Purchase of Investments	(1,13,23.63)	(1,03,86.29)
Sale of Investments	97,08.25	1,00,85.05
Dividend received	59.02	33.56
Net Cash flow from Investing Activities	(77,08.28)	(69,81.46)
Carried Forward	34,97.69	22,30.81

(Rs in Lac)

	2005-06	2004-05
Brought Forward	34,97.69	22,30.81
C] CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Increase of long term borrowings	5,23.45	4,75.76
(Repayment) / Increase of Short term Borrowings - Commercial Paper	-	(20,00.00)
(Decrease) / Increase in Short term Borrowings - Bank	12,76.15	(3,69.65)
Dividend paid (Including dividend tax, where applicable)	(28,79.76)	(22,83.08)
(Repayment) / Increase of Short term Borrowings - Foreign Currency Loan	(23,68.00)	23,68.00
Net Cash Flow from Financing activities	(34,48.16)	(18,08.97)
Net Increase in Cash and Cash Equivalents	49.53	4,21.84
Cash and Cash Equivalents as at 01.4.2005	11,66.27	7,44.43
Cash and Cash Equivalents as at 31.3.2006	12,15.80	11,66.27
	49.53	4,21.84

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO.
Chartered AccountantsCHETAN DESAI
Partner

Mumbai

Date: 23rd May 2006

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
ChairmanS K PAREKH
Vice ChairmanP C PATEL
Sr Vice President & SecretaryM B PAREKH
Managing Director

Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating to Subsidiary Companies

		Names of the subsidiaries								
		Fevicol Company Ltd	Pidilite International Pte Ltd	Chemson Asia Pte Ltd	Pidilite Middle East Ltd *	Jupiter Chemicals (LLC)****	Pidilite Do Brasil Desen De Neg Ltda*	Pidilite Speciality Chemicals Bangladesh Pvt Ltd **	Bamco Ltd **	PT Pidilite Indonesia **
Currency		Indian Rs	Singapore Dollars	Singapore Dollars	AED	AED	Brazilian Rials	Taka	Baht	US Dollars
The Financial year of the subsidiary ended on		31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006 ***	31st March 2006
Holding Company's interest		100%	100%	75% by Pidilite International Pte Ltd	100%	100% by Pidilite Middle East Ltd	100%	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	Local Curr. Indian Rs in Lac	5.00	64,76,433 17,85.04	12,50,000 3,44.53	34,65,597 4,20.24	3,00,000 36.38	1,34,035 27.70	1,09,660 0.70	1,25,00,000 79.70	4,27,500 1,90.39
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 accounts of the Holding Company	Local Curr. Indian Rs in Lac	0.08	(1,36,600) (36.78)	(3,09,384) (83.80)	(1,62,309) (19.68)	(4,62,792) (55.54)	(60,860) (11.28)	– –	1,26,783 1.32	(34,644) (15.27)
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 accounts of the Holding Company	Local Curr. Indian Rs in Lac	0.18	(14,042) (3.78)	(64,808) (16.50)	– –	– –	– –	– –	– –	– –
Additional information u/s 212(5)		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* Became subsidiary of the Company during the year.

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

*** Based on audited accounts for C.Y. 2005 and Statement of Accounts upto 31st March 2006.

**** 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

M B Parekh
Managing Director

Mumbai
Date: 23rd May 2006

P C Patel
Sr Vice President & Secretary

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 2005-06, 7 Board Meetings (including one adjourned meeting) were held on 5th April 2005, 17th May 2005 (adjourned to 15th June 2005), 2nd July 2005, 22nd July 2005, 18th October 2005 and 21st January 2006

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

Sr. No	Name	Category	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships held as on 31 st March 2006 in other companies*	No. of Committee positions held in other companies @	
						Memberships	Chairmanships
1	Shri B K Parekh (Chairman)	NED(P)	6	Yes	17	3	–
2	Shri S K Parekh (Vice Chairman)	NED(P)	5	Yes	7	1	–
3	Shri H K Parekh	NED(P)	5	Yes	2	–	–
4	Shri M B Parekh (Managing Director)	ED(P)	7	Yes	10	–	–
5	Shri N K Parekh (Jt Managing Director)	ED(P)	5	Yes	7	–	–
6	Shri A B Parekh (Whole-Time Director)	ED(P)	6	Yes	5	–	–
7 #	Shri A N Parekh (Whole-Time Director)	ED(P)	3	Yes	8	–	–
8 **	Shri S T Dave (Whole-Time Director)	ED	3	No	–	–	–
9 ***	Shri Santosh Kumar	ED	5	Yes	–	–	–
10 #	Shri Amit Roy (Whole-Time Director)	ED	3	Yes	–	–	–
11	Shri R M Gandhi	NED (I)	5	Yes	4	4	4
12	Shri N J Jhaveri	NED (I)	5	No	14	6	4
13	Shri Bansi S Mehta	NED (I)	7	Yes	17	7	4
14	Shri Ranjan Kapur	NED (I)	5	Yes	5	1	–
15	Shri Yash Mahajan	NED (I)	2	No	5	4	–

* Including Directorships held in Private Limited Companies, alternate Directorships and Directorships in bodies incorporated outside India.

** Ceased to be a Director of the Company wef 9th August 2005 on expiry of his term.

*** Ceased to be a Director of the Company wef 1st September 2005 on expiry of his term.

Appointed as Director of the Company wef 1st July 2005

@ Includes position in Remuneration Committee

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

3. Audit Committee

During the financial year 2005-06, 5 meetings of the Committee were held on 5th April 2005, 17th May 2005, 21th July 2005, 18th October 2005 and 21st January 2006.

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)	5
2	Shri N J Jhaveri	Member	NED (I)	4
3	Shri B K Parekh	Member	NED (P)	4

The Managing Director is a permanent invitee to the meetings. The Company Secretary is the Secretary of the Committee. Chief Financial Officer and Head of Accounts are 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 2005-06 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)	68,49,024	2,28,97,000	40,28,183	3,37,74,207	5
2	Shri N K Parekh (Jt Managing Director)	34,24,512	53,88,000	20,91,261	1,09,03,773	5
3	Shri A B Parekh (Whole-Time Director)	29,35,296	40,40,000	23,08,495	92,83,791	5
4	Shri A N Parekh (Whole-Time Director)	12,39,615	–	15,09,986	27,49,601	5
5	Shri Amit Roy (Whole-Time Director)	6,30,000	–	20,23,433	26,53,433	2
6**	Shri Santosh Kumar (Whole-Time Director)	3,55,285	–	3,96,865	7,52,150	–
7***	Shri S T Dave (Whole-Time Director)	1,98,516	–	5,48,577	7,47,093	–

* Includes House Rent Allowance

** Ceased to be a Director of the Company wef 1st September 2005 on expiry of his term

*** Ceased to be a Director of the Company wef 9th August 2005 on expiry of his term.

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

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

The details of sitting fees paid for attending to the Board / Committee meetings and commission due to the Non-executive Directors for the year ended 31st March 2006 are as under:

Sr. No.	Name	Sitting fees (Rs)	Commission Payable (Rs)	Total (Rs)
1	Shri B K Parekh	–	2,50,000	2,50,000
2	Shri S K Parekh	–	2,50,000	2,50,000
3	Shri H K Parekh	–	2,50,000	2,50,000
4	Shri R M Gandhi	32,000	2,50,000	2,82,000
5	Shri N J Jhaveri	33,000	2,50,000	2,83,000
6	Shri Bansi S Mehta	40,000	2,50,000	2,90,000
7	Shri Ranjan Kapur	25,000	2,50,000	2,75,000
8	Shri Yash Mahajan	10,000	2,50,000	2,60,000
9	Shri S T Dave	5,000	–	5,000

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. 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.

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

The number of equity shares of the Company held by Non-executive Directors as on 31st March 2006: Shri R M Gandhi – 40,000; Shri N J Jhaveri – 5,000; Shri Ranjan Kapur – Nil; Shri Bansi S Mehta – 12,000; Shri Yash Mahajan – Nil; Shri B K Parekh – 29,04,400; Shri S K Parekh – 2,29,83,580; Shri H K Parekh – 24,04,640.

There are no convertible instruments issued by the Company.

5. Shareholders / Investors Grievance Committee

During the year 12 meetings of the Share Transfer Committee were held and 1 meeting of the Shareholders / Investors Grievance Committee was held on 26th December 2005 which was attended to by Shri R M Gandhi and Shri B K Parekh.

Details of composition of the Committee is given below:

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

* Appointed as Member of the Committee in place of Shri Santosh Kumar wef 1st September 2005

** Ceased to be Member of the Committee on his resignation as a Director of the Company wef 1st September 2005

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 / Annual Reports etc.

The Secretarial Department of the Company, under the supervision of Shri P C Patel, Sr Vice President & Secretary, who is also nominated as the "Compliance Officer" as required by SEBI / Listing Agreement, and TSR Darashaw Limited (Formerly Tata Share Registry Ltd) Registrar & Share Transfer Agents, attend to all shareholders / investors grievances received directly or through SEBI, Stock Exchanges, Department of Company 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 M/s TSR Darashaw Limited 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 were 682 of which only 19 were in the nature of complaints. All the complaints were solved to the satisfaction of shareholders. There were no pending complaints as on 31st March 2006. 1 request for transfer of shares and 4 requests for dematerialisation were pending as on 31st March 2006, which were dealt with by 4th April 2006 and 5th April 2006 respectively.

The Company has framed a Code of Internal Procedures and Conduct for Prevention of Insider Trading on the lines of model code specified by SEBI. Shri P C Patel, Sr Vice President & 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
2004-05	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021	9 th August 2005 at 11.00 am
2003-04	Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai-400 021	3 rd August 2004 at 11.00 am
2002-03	MC Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai-400 001	5 th August 2003 at 11.00 am

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

2004-2005

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

2003-2004

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

2002-2003

- i. Appointment of Shri Malay R Parekh, a relative of Director, to hold an office or place of profit as a Dy. Manager
- ii. Payment of Commission to Directors other than Managing Director, Jt. Managing Director & Whole-Time Director of the Company.
- iii. Voluntary Delisting of Company's Equity shares from The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Ltd.

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

7. Disclosures

- There were no materially significant related party transactions which have potential conflict with the interest of the Company at large.
- The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, no penalties were imposed or strictures passed against your Company by SEBI, Stock Exchanges or any other statutory authority on any matter relating to capital markets during the last 3 years.
- Company has complied with all applicable mandatory requirements of Clause 49 of the Listing Agreement. Out of the non-mandatory requirements, the Company has adopted the following:

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

8. Means of Communication

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

9. Information relating to Directors

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

10. Information for Shareholders

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

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

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

"Pursuant to Clause 49 (1) (D) (ii) of the Listing Agreement with Stock Exchanges, I hereby declare that all the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the period ended 31st March 2006"

Corporate Governance Compliance Certificate By Practising Company Secretary

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

Co Regn No: 14336
Nominal Capital: Rs 30 crore

We have examined relevant records of M/s Pidilite Industries Ltd (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd for the financial year ended 31st March 2006. 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: 23rd May 2006
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: Tuesday, 8th August 2006, 11 am.

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

Financial Calendar 2006-07 (Tentative)

Unaudited financial results for the quarter ending 30th June 2006:
3rd / 4th week of July 2006

Unaudited financial results for the quarter ending
30th September 2006: 3rd / 4th week of October 2006

Unaudited financial results for the quarter ending
31st December 2006: 3rd / 4th week of January 2007

Audited financial results for the year ending 31st March 2007:
3rd / 4th week of May / June 2007

Dates of Book Closure

25th July 2006 to 8th August 2006 (both days inclusive)

Dividend Payment

Dividend will be paid during the month of August 2006 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 at the Bombay Stock Exchange Ltd (BSE) and The National Stock Exchange of India Ltd (NSE). The Annual Listing fees for the year has been paid to BSE & NSE.

Stock Codes

Name of the Stock Exchange	Stock Code
BSE	500331
NSE	PIDILITIND

Market Price Data

Share prices during the year 2005-06 at NSE were as under:

Month	Face value per share (Rs)	Share Price (Rs)	
		High	Low
April 2005	10	440.00	371.00
May 2005	10	499.85	385.55
June 2005	10	542.50	452.75
July 2005	10	570.00	513.10
August 2005	10	681.00	525.50
September 2005 *	10	749.00	640.00
	1	100.00	73.55
October 2005	1	84.90	69.10
November 2005	1	80.40	72.25
December 2005	1	86.40	74.00
January 2006	1	95.00	82.25
February 2006	1	97.00	83.20
March 2006	1	107.45	91.55

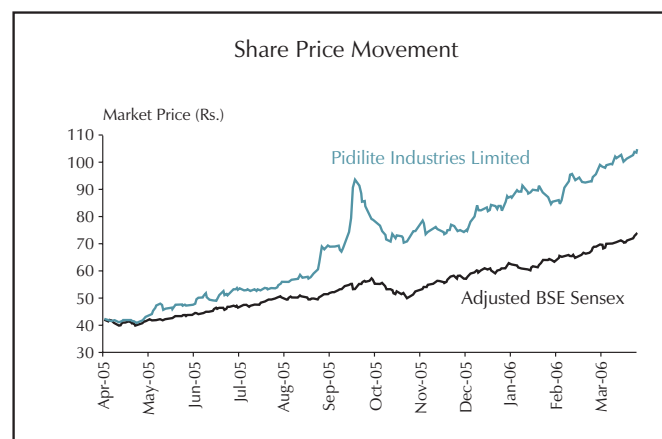
Share prices during the year 2005-06 at BSE were as under:

Month	Face value per share (Rs)	Share Price (Rs)	
		High	Low
April 2005	10	435.00	400.00
May 2005	10	497.95	411.05
June 2005	10	539.80	467.50
July 2005	10	560.00	507.00
August 2005	10	679.90	516.30
September 2005 *	10	748.80	655.00
	1	99.70	73.00
October 2005	1	85.00	69.45
November 2005	1	80.70	72.45
December 2005	1	86.30	73.55
January 2006	1	93.25	81.75
February 2006	1	97.45	83.50
March 2006	1	107.50	92.00

* Wef 27th September 2005, equity share of the nominal value of Rs 10 per share has been sub-divided into 10 shares of Re 1 each.

Stock Performance

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



Share prices in the above chart have been adjusted to give effect to subdivision of equity shares as stated above.

Registrar & Share Transfer Agent

TSR Darashaw Limited (Formerly Tata Share Registry Limited)

Unit: Pidilite Industries Limited

Army & Navy Building

148, Mahatma Gandhi Road

Fort, Mumbai-400 001

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:

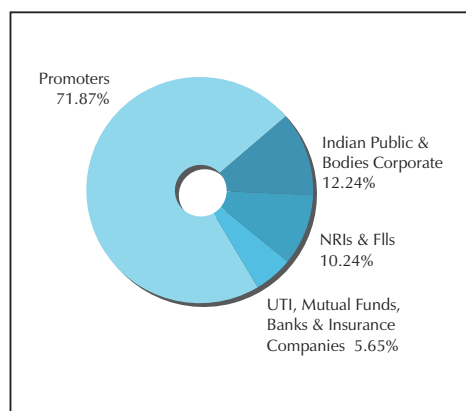
No of shares upto	Authorisation given to
upto 2000	TSR Darashaw Limited
upto 10000	Any one of Sarva Shri B K Parekh, S K Parekh, M B Parekh, Directors or in their absence, the Company Secretary
above 10000	Share Transfer Committee comprising of the Directors viz, Sarva Shri B K Parekh, S K Parekh, N 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 31st March 2006

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
Upto 5000	19220	96.68	18588874	7.37
5001 – 10000	350	1.76	2653346	1.05
10001 – 20000	136	0.68	1979583	0.79
20001 – 30000	34	0.17	865389	0.34
30001 – 40000	25	0.13	913030	0.36
40001 – 50000	18	0.09	833551	0.33
50001 – 100000	20	0.10	1445736	0.57
100001 and above	77	0.39	225120491	89.19
Total	19880	100.00	252400000	100.00
No. of shareholders & shares in physical mode	1445	7.27	4551370	1.80
No. of beneficial owners & shares in electronic mode	18435	92.73	247848630	98.20
Total	19880	100.00	252400000	100.00

Shareholding Pattern as on 31st March 2006



Dematerialisation of Shares and Liquidity

As on 31st March 2006, 98.20% of total equity shares of the Company were held in dematerialised form with National Securities Depository Ltd. and Central Depository Services (India) Ltd. The Company's equity shares are required to be compulsorily traded in the dematerialised form. The shares are available for dematerialisation under ISIN INE318A01026. Requests for dematerialisation of shares are processed and generally confirmed within 15 days of receipt.

Outstanding GDRs / ADRs / Warrants / Convertible Instruments

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

Plant Locations

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

Address for Correspondence

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

Corporate Secretarial / Investors' Assistance Department

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

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

To,
The Board of Directors
PIDILITE INDUSTRIES LIMITED

Auditor's report to the Board of Directors of **Pidilite Industries Limited** on the consolidated financial statements of Pidilite Industries Limited and its Subsidiaries:

We have examined the attached consolidated Balance Sheet of Pidilite Industries Limited (PIL) and its Subsidiaries (including subsidiaries of the subsidiaries) as at 31st March 2006, the consolidated Profit and Loss Account for the year ended on that date, annexed thereto and also the consolidated Cash Flow Statement for the year ended as on that date.

Respective Responsibility of the Management and the Auditor

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

Basis of Opinion

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

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs 4553.05 lacs as at 31st March 2006 and total revenues of Rs 1067.39 lacs for the year ended on that date. These financial statements have been audited by other chartered accountants whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other chartered accountants.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, on "Consolidated Financial Statements" read with AS 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 Pidilite Industries Limited and its subsidiaries/Associate included in the consolidated financial statements.

Opinion

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

- (a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Pidilite Industries Limited and its subsidiaries as at 31st March 2006; and
- (b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Pidilite Industries Limited and its subsidiaries for the year ended on that date.
- (c) the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date

For HARIBHAKTI & CO
Chartered Accountants

Place: Mumbai
Date: 23rd May 2006

CHETAN DESAI
Partner
M No 17000

Consolidated Balance Sheet As At 31st March 2006

(Rs in Lac)

	Schedule	As at 31 st March 2006	As at 31 st March 2005
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Capital	1	25,24.00	25,24.00
b. Reserves and Surplus	2	3,88,04.69	3,36,21.65
		4,13,28.69	3,61,45.65
2. Loan Funds			
a. Secured Loans	3	29,73.47	16,55.47
b. Unsecured Loans	4	26,58.74	46,16.90
		56,32.21	62,72.37
3. Deferred Tax Liability (Net)		30,48.76	28,79.39
Minority Interest		1,46.49	54.99
		5,01,56.15	4,53,52.40
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a. Gross Block		4,74,67.82	3,91,56.49
b. Less: Depreciation		1,93,18.76	1,63,61.57
c. Less: Lease Adjustment		-	2.79
d. Net Block		2,81,49.06	2,27,92.13
e. Capital work in progress		25,75.27	31,90.69
		3,07,24.33	2,59,82.82
2. Investments (Net)	6	15,96.18	18,61.65
3. Current Assets, Loans and Advances	7		
a. Inventories		1,55,80.57	1,30,35.67
b. Sundry Debtors		1,13,33.69	1,09,75.88
c. Cash and Bank Balances		16,11.59	14,15.81
d. Other Current Assets		2,31.04	2,22.08
e. Loans and Advances		32,99.71	33,24.61
		3,20,56.60	2,89,74.05
Less: Current Liabilities and Provisions	8		
a. Liabilities		1,02,88.14	83,56.75
b. Provisions		39,85.16	31,84.98
		1,42,73.30	1,15,41.73
Net Current Assets		1,77,83.30	1,74,32.32
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
VRS compensation - Refer Note 1 (ix) of schedule 12		52.34	75.61
		5,01,56.15	4,53,52.40
Notes forming part of the Accounts	12		

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO
Chartered Accountants

CHETAN DESAI
Partner

Mumbai
Date: 23rd May 2006

P C PATEL
Sr Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

M B PAREKH
Managing Director

Consolidated Profit And Loss Account For The Year Ended 31st March 2006

(Rs in Lac)

	Schedule	2005-06	2004-05
INCOME			
Sales		10,53,71.23	8,92,62.16
Less: Excise Duty		1,36,71.63	1,20,29.28
Net Sales		9,16,99.60	7,72,32.88
Other Income	9	17,62.27	10,17.21
		9,34,61.87	7,82,50.09
EXPENDITURE			
Materials	10	5,03,32.07	4,27,61.92
Other Expenses	11	2,74,83.25	2,22,23.13
Depreciation		27,77.56	27,00.92
		8,05,92.88	6,76,85.97
Profit before Taxation		1,28,68.99	1,05,64.12
Income Tax Expense			
Current Tax		38,65.83	34,51.68
Deferred Tax		1,70.22	(1,29.54)
Fringe Benefit Tax		2,25.00	–
		42,61.05	33,22.14
Profit for the year		86,07.94	72,41.98
Prior year Tax Provision written back (Net)		2,02.16	3,62.18
Share of Profit / (Loss) in Associate Company for the year		(62.51)	(94.22)
Minority Interest		28.21	33.46
Balance brought forward from previous year		34,19.14	31,58.90
Profit available for appropriation		1,21,94.94	1,07,02.30
Proposed Dividend		31,55.00	25,24.00
Corporate Tax on Dividend		4,42.49	3,59.16
Total Dividend including tax thereon		35,97.49	28,83.16
Transfer to General Reserve		48,00.00	44,00.00
Balance carried to Balance Sheet		37,97.45	34,19.14
Earnings Per Share (Refer Note 8 of Schedule 12):			
Basic and Diluted (Rs)		3.48	29.89
Face Value of Share (Rs)		1.00	10.00
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

S K PAREKH
Vice Chairman

Mumbai
Date: 23rd May 2006

P C PATEL
Sr Vice President & Secretary

M B PAREKH
Managing Director

Schedule Numbers 1 to 12 annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2006 and Consolidated Profit and Loss Account for the year ended 31st March 2006

(Rs in Lac)

	As at 31 st March 2006	As at 31 st March 2005
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
27,50,00,000 Equity Shares of Re 1 each	27,50.00	27,50.00
2,50,00,000 Unclassified Shares of Re 1 each	2,50.00	2,50.00
TOTAL	<u>30,00.00</u>	<u>30,00.00</u>
Issued, Subscribed and Paid up		
25,23,94,000 (2,52,39,400) Equity Shares of Re 1 (Rs 10) each, fully paid-up (Notes 1 and 2)	25,23.94	25,23.94
Bonus Shares Issue Suspense Account (Note 3)	0.06	0.06
TOTAL	<u>25,24.00</u>	<u>25,24.00</u>

NOTES:

Out of the above

- 74,75,880 (7,47,588) Equity Shares of Re 1 (Rs 10) each have been issued for consideration other than cash pursuant to various schemes of amalgamation during earlier years.
- 22,64,14,340 (2,26,41,434) Equity Shares of Re1 (Rs10) each have been allotted as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Securities Premium Account and Capital Redemption Reserve.
- Bonus Shares Issue Suspense Account pertains to issue of 6,000 (600) fully paid-up Bonus Shares pending settlement of dispute for title of shares.
- The equity shares of the face value of Rs 10 each were sub-divided into ten equity shares of the face value of Re1 each w.e.f. 27.09.2005.

SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserve

Balance as per last Balance Sheet 33.70 33.70

Cash Subsidy Reserve

Balance as per last Balance Sheet 74.74 74.74

Add: Received during the year 20.00 -

94.74 74.74

Special Reserve

Balance as per last Balance Sheet 11.89 11.89

General Reserve

Balance as per last Balance Sheet 3,00,82.18 2,56,82.18

Add: Transferred from Profit and Loss Account 48,00.00 44,00.00

3,48,82.18 3,00,82.18

Foreign Currency Translation Reserve (15.27) -

Profit and Loss Account 37,97.45 34,19.14

TOTAL 3,88,04.69 3,36,21.65

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 3

SECURED LOANS

Working Capital loans from Banks (including Working Capital Demand Loan)	29,73.47	16,55.47
TOTAL	29,73.47	16,55.47

Working Capital Loans from Banks of Holding & Subsidiary Companies are secured by hypothecation of stock of Raw Materials, Finished Goods, Packing Material, Stock in Process and Book Debts. Further in case of Holding Company these loans are collaterally secured by way of first charge on the land and building of the Company's unit at Kondivita, Mumbai and by way of second charge on the entire plant and machinery of the Company.

SCHEDULE 4

UNSECURED LOANS

Interest free Sales Tax loan from Government of Gujarat	5.06	9.76
Interest free Sales Tax loan from Government of Maharashtra	26,53.68	21,25.53
Foreign Currency Loan from Banks	-	24,81.61
TOTAL	26,58.74	46,16.90

Amount due within one year Rs 4.70 lac (Rs 23,72.71 lac)

SCHEDULE 5**FIXED ASSETS**

(Rs in Lac)

PARTICULARS	GROSS BLOCK				DEPRECIATION					Lease Adjust- ment Account	NET BLOCK	
	As at 1.4.2005	Additions/ Adjust- ments	Deduc- tions/ Adjust- ments	As at 31.3.2006	As at 1.4.2005	Additions Due to Acquisitions	Provided during the year	Deduct- ions/ Adjust- ments	As at 31.3.2006		As at 31.3.2006	As at 31.3.2005
Intangible Assets:												
– Goodwill	9,77.66	10,34.57	–	20,12.23	3,67.91	–	93.54	–	4,61.45	–	15,50.78	6,09.75
– Copyrights, Trademark, Etc.	60,26.02	40.00	–	60,66.02	22,42.10	–	6,03.44	–	28,45.54	–	32,20.48	37,83.92
Freehold Land	6,56.21	5,73.44	–	12,29.65	–	–	–	–	–	–	12,29.65	6,56.21
Leasehold Land	3,69.07	24.12	–	3,93.19	21.18	–	3.91	–	25.09	–	3,68.10	3,47.89
Buildings	61,58.82	16,26.57	–	77,85.39	12,53.00	55.44	1,98.52	–	15,06.96	–	62,78.43	49,05.82
Plant and Machinery	2,18,49.67	45,58.23	10.27	2,63,97.63	1,13,31.16	1,48.16	16,47.32	2.39	1,31,24.25	–	1,32,73.38	1,05,18.51
Furniture & Fixtures	14,60.74	2,23.26	0.73	16,83.27	5,48.08	–	97.64	0.12	6,45.60	–	10,37.67	9,12.66
Vehicles	12,58.15	2,96.29	42.18	15,12.26	3,31.06	29.84	1,15.58	25.27	4,51.21	–	10,61.05	9,27.09
Capital Expenditure on Scientific Research:												
– Buildings	14.84	–	–	14.84	7.97	–	0.48	–	8.45	–	6.39	6.87
– Plant and Machinery	3,08.33	16.14	–	3,24.47	2,03.86	–	14.44	–	2,18.30	–	1,06.17	1,04.47
– Furniture and Fixtures	30.65	–	–	30.65	11.80	–	1.94	–	13.74	–	16.91	18.85
Assets given on Lease:												
Plant and Machinery	32.13	–	13.91	18.22	31.10	–	0.75	13.68	18.17	–	0.05	–
Vehicles	14.20	–	14.20	–	12.35	–	–	12.35	–	–	–	0.09
Total	3,91,56.49	83,92.62	81.29	4,74,67.82	1,63,61.57	2,33.44	27,77.56	53.81	1,93,18.76	–	2,81,49.06	2,27,92.13
Previous Year	3,41,26.26	51,31.33	1,01.10	3,91,56.49	1,37,16.49	–	27,00.92	55.84	1,63,61.57	(2.79)		
Capital work in progress including capital advances											25,75.27	31,90.69
TOTAL											3,07,24.33	2,59,82.82

Plant and machinery includes asstes aquired under hire purchase with net book value of Rs 16.05 lac (11.72 lac)

(Rs in Lac)

	As at 31 st March 2006	As at 31 st March 2005
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SCHEDULE 6**LONG TERM INVESTMENTS (AT COST)****I. In Government Securities (Unquoted)**

6 and 7 Years National Savings Certificates (Deposited with Government Departments, Mumbai Municipal Corporation, Reliance Energy Ltd)	1.03	1.61
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II. In Equity Shares (Fully paid)**a) Quoted**

Trade:

• 74,51,540 Equity Shares of Rs 10 each of Vinyl Chemicals (India) Ltd	11,78.34	11,78.34
Add : Adjustment for valuation of investment in Vinyl Chemicals (India) Ltd		
Goodwill (net) arising at the time of acquisition of shares	(95.24)	(95.24)
Share of undistributed profits / losses in prior years up to 31st March 2005	4,21.26	5,15.47
Share of loss for current year	(62.51)	(94.22)
	14,41.85	15,04.35

Others:

• 3,594 Equity Shares of Rs 10 each of Hindustan Adhesives Ltd	0.87	0.87
• 14,400 Equity Shares of Rs 10 each of Hindustan Organic Chemicals Ltd	7.20	7.20
• 4,188 Equity Shares of Rs 10 each of Indian Petrochemicals Corporation Ltd	7.74	7.74
• 1,21,300 Equity Shares of Rs 10 each of Pal Peugeot Ltd	12.13	12.13
• 2,22,542 Equity Shares of Rs 10 each of Indian Overseas Bank Ltd	29.62	29.62
• 61,900 Equity Shares of Rs 10 each of Menon Pistons Ltd	43.74	43.74

[Market Value Rs 13,53.85 lac (13,19.85 lac)]

TOTAL - II (a)

15,43.15

16,05.65

b) Unquoted (Fully paid)

• 2,00,200 Equity Shares of Rs 10 each of Enjayes Spices & Chemicals Oil Ltd	52.86	52.86
• 2,275 Equity Shares of Re 1 each of Himalaya House Company Ltd	0.02	0.02
• 628 Equity Shares of Rs 100 each of Jawahar Co-op Industrial Estate Ltd	0.63	0.63
• 40 Equity Shares of Rs 50 each of Regent Chambers Premises Co-op Society Ltd	0.02	0.02
• 25 Equity Shares of Rs 10 each of New Usha Nagar Co-op Housing Society Ltd	0.01	0.01
• 10 (Nil) Equity Shares of Rs 100 each of Taloja CETP Co-op Society Ltd	0.01	-

TOTAL - II (b)

53.55

53.54

III. In Units of Mutual Fund (Unquoted)

• 400 Units of Rs 70,000 each of Infinity Venture India Fund	51.83	260.00
• 16,775.146 (Nil) Units of Grindlays Super Saver Fund	2.25	-

TOTAL - III

54.08

260.00

TOTAL : I + II (a) + II (b) + III

16,51.81

19,20.80

Less: Diminution in value of Investments

55.63

59.15

TOTAL

15,96.18

18,61.65

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

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

(Units)

	Purchased	Sold
Units of Birla Cash Plus Dividend Option Institutional Plan	3,90,91,054	3,90,91,054
Units of DSP Merrill Lynch Weekly Dividend Option	1,05,94,186	1,05,94,186
Units of HDFC Mutual Fund Dividend Option	50,37,527	50,37,527
Units of Prudential ICICI Liquid Plan Dividend Option	42,49,538	42,49,538
Units of Reliance Liquid Fund Dividend Option	49,12,323	49,12,323
Units of Reliance Liquid Fund Daily Dividend Option	2,36,48,213	2,36,48,213

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 7**CURRENT ASSETS, LOANS AND ADVANCES****A) Current Assets****a) Inventories** (As valued and certified by the Management)

Consumable Stores and Spares, etc.	99.44	91.76
Raw Materials	56,05.09	51,17.57
Goods in Process	5,92.18	4,21.61
Finished Goods	74,98.06	61,05.35
Traded Goods	6,56.83	4,85.36
Packing Materials	11,28.97	8,14.02
	1,55,80.57	1,30,35.67

b) Sundry Debtors (Unsecured)

Over six months -		
Considered good	1,85.29	1,91.21
Considered doubtful	5.82	-
Others, Considered good	1,11,48.40	1,07,84.67
	1,13,39.51	1,09,75.88
Less : Provision for doubtful debts	5.82	-
	1,13,33.69	1,09,75.88

c) Cash and Bank Balances

Cash and cheques on hand	4,99.12	1,89.21
Remittances in transit	20.12	24.37
Bank Balances:		
With scheduled banks		
In Current Accounts	10,34.97	12,01.93
In Deposits	57.08	-
Others:		
In Fixed Deposit with Municipal Co-op. Bank Ltd. [Maximum outstanding during the year Rs 0.30 lac (Rs 0.30 lac)]	0.30	0.30
	16,11.59	14,15.81

d) Other Current Assets

Interest Accrued on Investments	0.90	0.84
Claims Receivable	2,30.14	2,21.24
	2,31.04	2,22.08

B) Loans and Advances

(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	13,00.52	12,84.00
Advance Payment of Taxes (Net of Provisions)	7,69.43	6,26.63
Loans and Advances to Staff	3,44.04	3,39.01
Deposits	3,11.72	2,92.21
Balances with Central Excise Department	5,74.00	7,82.76
	32,99.71	33,24.61

TOTAL

3,20,56.60 **2,89,74.05**

(Rs in Lac)

As at
31st March 2006 As at
31st March 2005

SCHEDULE 8**CURRENT LIABILITIES AND PROVISIONS****A) Current Liabilities**

Acceptances	2,46.80	1,86.23
Sundry Creditors		
Small Scale Industrial Undertakings	6,06.55	6,78.04
Others	43,95.26	35,24.97
	50,01.81	42,03.01
Dealers' Deposits	13,27.52	11,28.82
Investor Education and Protection Fund shall be credited by the following to the extent required as and when necessary:		
Unclaimed Dividends	32.09	33.86
Other Liabilities	36,79.92	28,04.83
	1,02,88.14	83,56.75

B) Provisions

For Leave encashment	3,87.67	3,06.99
Dividends:		
Proposed Dividend	31,55.00	25,24.00
Corporate Tax on Dividend	4,42.49	3,53.99
	35,97.49	28,77.99
	39,85.16	31,84.98
TOTAL	1,42,73.30	1,15,41.73

(Rs in Lac)

2005-06 2004-05

SCHEDULE 9**OTHER INCOME**

Interest received (Gross)	1,19.10	1,91.16
[Tax deducted at source Rs 11.61 lac (Rs 0.86 lac)]		
Insurance Claim Received	5,65.62	4.51
Dividend received	59.02	33.56
Export Incentives	1,82.97	1,64.71
Profit on sale of Investments (Net)	1,23.34	1.36
Foreign Exchange Fluctuation	–	55.13
Miscellaneous	7,08.71	5,25.64
Excess provisions written back	3.51	41.14
TOTAL	17,62.27	10,17.21

(Rs in Lac)

	2005-06	2004-05
SCHEDULE 10		
MATERIALS		
a. Raw Materials consumed		
Opening Stock	51,17.57	39,49.73
Add: Purchases	3,84,26.81	3,38,96.76
	<u>4,35,44.38</u>	<u>3,78,46.49</u>
Less: Closing Stock	56,05.09	51,17.57
	3,79,39.29	3,27,28.92
b. (Increase) / Decrease in Stocks		
Closing Stock		
Goods in Process	5,92.18	4,21.61
Finished Goods	74,98.06	61,05.35
	<u>80,90.24</u>	<u>65,26.96</u>
Less:		
Opening Stock		
Goods in Process	4,21.61	3,54.87
Finished Goods	61,05.35	48,56.09
	<u>65,26.96</u>	<u>52,10.96</u>
	(15,63.28)	(13,16.00)
c. Packing Materials consumed	1,11,98.16	92,80.58
d. Cost of Traded Goods		
Opening Stock	4,85.36	5,26.29
Add: Purchases	29,29.37	20,27.49
	<u>34,14.73</u>	<u>25,53.78</u>
Less: Closing Stock	6,56.83	4,85.36
	27,57.90	20,68.42
TOTAL	5,03,32.07	4,27,61.92

(Rs in Lac)

	2005-06	2004-05
SCHEDULE 11		
OTHER EXPENSES		
Stores and Spares consumed	4,01.90	3,61.83
Clearing, Forwarding, Octroi Duty, etc.	35,68.29	27,04.53
Central Excise Duty	1,30.20	2,71.66
Power and Fuel	9,55.53	8,79.17
Water Charges	86.07	95.15
Employees' Emoluments: [Refer Notes 1 (viii), (ix), 3 and 4 of Schedule 12]		
Salaries, Wages, Bonus, Allowances etc.	75,56.02	54,74.91
Contribution to Provident and Other Funds	5,69.84	4,41.67
Welfare Expenses	3,24.42	7,93.19
	84,50.28	67,09.77
Rent	4,58.91	3,53.51
Rates and Taxes	74.38	43.38
Insurance	2,07.54	2,17.30
Licence fees	7.14	2.66
Repairs:		
Buildings	91.71	93.96
Machinery	2,64.76	2,06.59
Others	1,30.55	1,01.03
	4,87.02	4,01.58
Directors' Fees	2.44	1.53
Advertisement and Publicity	39,66.26	32,00.50
Legal and Professional fees	8,03.95	7,01.18
Communication Expenses	4,28.81	4,44.58
Printing and Stationery	1,61.78	1,32.32
Travelling & Conveyance Expenses	18,08.83	16,25.69
Bad Debts	47.71	25.31
Provision for Doubtful Debts	5.82	–
Processing and Packing Charges	24,52.96	19,18.53
Bank charges	2,34.09	2,25.60
Commission & Brokerage	1,73.44	1,12.03
Miscellaneous expenses	17,66.19	14,80.28
Scientific Research and Development Expenditure [Refer Note 1(vi) of Schedule 12]	30.99	21.70
Remuneration to Auditors		
Audit Fees (Including tax audit fees)	20.44	18.17
For Other Services	14.63	7.79
	35.07	25.96
Donations	4,71.01	73.16
Foreign Exchange Fluctuation	96.42	–
Loss on Fixed Assets Sold/Discarded (Net)	16.15	25.05
Interest	1,54.07	1,69.17
TOTAL	2,74,83.25	2,22,23.13

SCHEDULE 12

NOTES ON ACCOUNTS

1. Significant Accounting Policies

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

Name of Subsidiary Company	Country of Incorporation	Proportion of Ownership Interest
Fevicol Company Ltd	India	100% Subsidiary
Pidilite International Pte Ltd	Singapore	100% Subsidiary
Pidilite Middle East Ltd	Middle East	100% Subsidiary
Pidilite Do Brasil Desenvolvimento De Negocios Ltda	Brazil	100% Subsidiary
Jupiter Chemicals (LLC)	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
Chemson Asia Pte Ltd	Singapore	75% Subsidiary of wholly owned Subsidiary
Bamco Ltd	Thailand	75% Subsidiary of wholly owned Subsidiary

ii) General

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

iii) Revenue Recognition

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

iv) Fixed Assets, Depreciation and Impairment Loss

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

NOTES ON ACCOUNTS (Contd...)

- v) Method of Valuation of Inventories
 - a) Raw Materials and Packing materials are valued at lower of cost, computed on weighted average basis and net realisable value. Obsolete, defective, unserviceable and slow / non-moving stocks are duly provided for.
 - b) Finished goods, including traded goods and Work in 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) In case of subsidiary companies, cost of finished goods is based on 'Weighted Average' method and that of raw material is based on 'First In First Out' (FIFO) method, except in case of Jupiter Chemicals (LLC.) where entire inventory is valued on FIFO basis.
- 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 & 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.
- ix) Deferred Revenue Expenditure
 - Voluntary Retirement Scheme (VRS) compensation is amortised over a period of five years.
- 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) The exchange differences are adjusted to:
 - i) Carrying cost of fixed assets if they relate to fixed assets and
 - ii) Profit and Loss Account in other cases.
 - d) Any exchange difference arising out of conversion of subsidiary financials are debited / credited to Foreign Currency Translation Reserve.
- xi) Income Tax
 - Provision for current tax is made on the basis of relevant provisions of the Income Tax Act, 1961 in case of the Holding Company and Income Tax Laws of the respective country in case of the subsidiary companies. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is virtual / reasonable certainty that these would be realised in future.
- xii) Provisions, Contingent Liabilities and Contingent Assets
 - A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities, if material are disclosed by way of notes to accounts. Contingent assets are neither recognised nor disclosed in the financial statements.
- xiii) The Company is entitled to sell sales tax deferment benefits under Maharashtra Energy Development Agency (Windmill Projects) Package Scheme of Incentives under the Bombay Sales Tax Act, 1959. Shortfall in the realisation of sale of such benefits to third parties are charged fully in the year of sale.

NOTES ON ACCOUNTS (Contd...)

xiv) 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 Lac)

	As at 31st March 2006	As at 31st March 2005
2. Contingent liabilities not provided for:		
i) Guarantees given by Banks in favour of Government and others	3,46.56	3,74.23
ii) Guarantees given by Company [US \$ 5 million (US \$ 5 million)]	22,31.00	21,97.00
iii) Disputed liabilities in respect of Income Tax, Sales Tax, Central Excise and Customs (under appeal)	4,58.74	2,27.08

(Rs in Lac)

	2005-06	2004-05
3. Remuneration to Directors: (Includes benefits which are debited to respective expenses)		
a. Remuneration	2,68.93	2,01.77
b. Commission	3,43.25	2,55.18
c. Provident Fund Contribution	14.72	22.15
d. Other Perquisites	34.73	29.93
4. 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	1,34,68.95	1,08,72.08
Add: Directors' remuneration	2,68.93	2,01.77
Contribution to Provident Fund	14.72	22.15
Other Perquisites	34.73	29.93
	3,18.38	2,53.85
	1,37,87.33	1,11,25.93
Less: Profit on sale of investments	1,23.34	1.60
Add: Loss on sale of fixed assets	16.15	25.05
Net Profit for the year for the purpose of Directors' Commission	1,36,80.14	1,11,49.38
Commission payable to Directors		
a) Managing Director, Joint Managing Director and a Whole Time Director	3,23.25	2,39.18
b) Others	20.00	16.00
	3,43.25	2,55.18

NOTES ON ACCOUNTS (Contd...)

5. Segment reporting:

Information about Business Segments

(Rs in Lac)

Business Segments	Consumer & Bazaar Products	Industrial Products	Total
REVENUE			
External Sales	7,98,66.51 (6,51,82.24)	2,55,04.72 (2,40,79.92)	10,53,71.23 (8,92,62.16)
Inter Segment Revenue (at cost plus 10%)	13.68 (8.38)	25,54.95 (20,42.59)	25,68.63 (20,50.97)
Total Revenue	7,98,80.19 (6,51,90.62)	2,80,59.67 (2,61,22.51)	10,79,39.86 (9,13,13.13)
RESULTS			
Segment Results	1,54,09.45 (1,33,66.00)	30,59.34 (19,13.00)	1,84,68.79 (1,52,79.00)
Unallocated Corporate Expenses			63,59.10 (53,80.46)
Unallocated Corporate Income			7,35.25 (6,10.03)
Operating Profit			1,28,44.94 (1,05,08.57)
Interest Expenses			1,54.07 (1,69.17)
Interest / Dividend Income			1,78.12 (2,24.72)
Income Tax (Provision for Taxation and Deferred Taxation)			42,61.05 (33,22.14)
Net Profit			86,07.94 (72,41.98)
OTHER INFORMATION			
Segment Assets	3,20,83.61 (2,57,79.29)	1,38,58.78 (1,28,22.36)	4,59,42.39 (3,86,01.65)
Unallocated Corporate Assets			1,84,87.06 (1,82,92.48)
Total Assets			6,44,29.45 (5,68,94.13)
Segment Liabilities	63,31.29 (47,85.24)	26,00.40 (24,53.67)	89,31.69 (72,38.91)
Unallocated Corporate Liabilities			1,41,69.07 (1,35,09.57)
Total Liabilities			2,31,00.76 (2,07,48.48)
Capital Expenditure	64,04.00 (38,17.94)	6,40.10 (6,79.96)	70,44.10 (44,97.90)
Unallocated Corporate Capital Expenditure			6,51.81 (22,85.47)
Depreciation	14,13.38 (12,21.36)	5,85.51 (5,99.88)	19,98.89 (18,21.24)

NOTES ON ACCOUNTS (Contd...)

Information about Geographical Segments

(Rs in Lac)

Geographical Segments	India		Other Countries		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Sales Revenue	9,74,43.26	8,24,98.03	79,27.97	67,64.13	10,53,71.23	8,92,62.16
Carrying amount of Segment Assets	6,21,46.22	5,48,10.27	22,83.23	20,83.86	6,44,29.45	5,68,94.13
Additions to Fixed Assets and Intangible Assets	60,79.45	66,21.17	16,16.46	1,62.20	76,95.91	67,83.37

Notes:

SEGMENT INFORMATION

Business Segment:

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

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

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

Geographical Segment:

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

6. Deferred Taxation:

a) In respect of Holding Company:

Out of the net deferred tax liability of Rs 30,48.76 lac as at 31st March 2006, the major components of deferred tax balances are set out below:

(Rs in Lac)

	Upto 31.03.2005	During the year 2005-06	Carried as at 31.03.2006
Deferred Tax Liability			
i) Difference between Accounting and Tax Depreciation (Cumulative)	29,66.51	1,98.35	31,64.86
Deferred Tax Assets			
i) Leave salary	86.62	27.16	1,13.78
ii) Others	1.35	0.97	2.32
	<u>87.97</u>	<u>28.13</u>	<u>1,16.10</u>
Net Deferred Tax liability	<u>28,78.54</u>	<u>1,70.22</u>	<u>30,48.76</u>

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

NOTES ON ACCOUNTS (Contd...)

b) In respect of Subsidiary:

	(Rs in lac)
Accounting profit / (loss)	(1,11.73)
Income Tax at statutory rate	(19.38)
Timing Difference	1.38
Nonallowable Items	3.05
Deferred Tax Assets not provided	14.95
Others (Foreign Tax withheld)	-
	-

Chemson Asia Pte. Ltd. has unabsorbed tax losses amounting to approximately S\$ 5,68,000 (Rs 152.93 lac) 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.

7. Related Party Disclosures:

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

i) Relationships:

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

ii) Key Management Personnel:

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:

- a. 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.
- b. Shri Amit Roy - Whole Time Director.

iv) Transactions with Related Parties during the year ended 31st March 2006 are as follows:

(Rs in Lac)

Nature of Transactions	Parekh Marketing Ltd.	Vinyl Chemicals (India) Ltd.	Kalva Marketing and Services Ltd.	Total Amount
a. Sales and Related Income	4,62,22.08 (4,08,27.24)	8.16 (2,36.07)	Nil (Nil)	4,62,30.24 (4,10,63.31)
b. Other Income (Including Electricity Generation)	4.77 (4.77)	1,82.12 (1,89.83)	1.09 (1.09)	1,87.98 (1,95.69)
c. Purchases and Other Related Services	26.35 (92.08)	58,24.48 (42,73.28)	Nil (Nil)	58,50.83 (43,65.36)
d. Transfer of Sales Tax Deferment Benefit	Nil (Nil)	1,47.20 (1,84.00)	Nil (Nil)	1,47.20 (1,84.00)
e. Remuneration to Directors:				
- Sitting Fees	1.36 (1.53)	- (-)	- (-)	1.36 (1.53)
- Managing Director / Jt. Managing Director	4,61.26 (3,69.66)	- (-)	- (-)	4,61.26 (3,69.66)
- Whole Time Directors	1,80.37 (1,23.37)	- (-)	- (-)	1,80.37 (1,23.37)
- Commission to Non Executive Directors	20.00 (16.00)	- (-)	- (-)	20.00 (16.00)
f. Purchase of Fixed Assets	2.05 (2.30)	Nil (11.24)	3.96 (14.12)	6.01 (27.66)
g. Sale of Fixed Assets	Nil (Nil)	Nil (6.90)	Nil (Nil)	Nil (6.90)
h. Rent, Maintenance and Service Charges paid	1.50 (3.57)	91.40 (1,11.92)	Nil (Nil)	92.90 (1,15.49)
i. Reimbursement of expenses made	0.39 (0.67)	0.91 (0.39)	Nil (Nil)	1.30 (1.06)
j. Reimbursement of expenses received	1.58 (2.57)	1.78 (1.98)	Nil (Nil)	3.36 (4.55)
k. Outstanding Balances:				
- Debtors	43,30.73 (43,41.57)	0.26 (57.73)	Nil (Nil)	43,30.99 (43,99.30)
- Creditors	3.94 (4.99)	(12.92) (-49.30)	Nil (-9.47)	(8.98) (-53.78)
- Outstanding Payable (Net of Receivable)	(43,26.79) (Nil)	(12.66) (8.43)	Nil (Nil)	(43,39.45) (8.43)

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

8. Earnings Per Share

	As at 31.03.2006	As at 31.03.2005
Outstanding Equity Shares (No.)	25,24,00,000	2,52,40,000
Net Profit after tax including prior year tax provision written back (Rs in lac)	87,75.80	75,43.40
Earnings Per Share (Rs)	3.48 *	29.89

* 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. 27.09.2005.

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

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

Signatures to Schedules 1 to 12

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
Chairman

S K PAREKH
Vice Chairman

M B PAREKH
Managing Director

Mumbai
Date : 23rd May 2006

P C PATEL
Sr. Vice President & Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	(Rs in Lac)	
	2005-06	2004-05
A] CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	1,28,68.99	1,05,64.12
Adjustment for Depreciation	27,77.56	27,00.92
Additional Provision for Diminution in value of Investments	–	2.41
Interest paid	1,54.07	1,69.17
Dividend received	(59.02)	(33.56)
Interest received	(1,19.10)	(1,91.16)
Amortisation of VRS compensation	24.30	24.22
(Profit) / Loss on Sale of Assets	16.15	25.05
(Profit) / Loss on Sale of Investments	(1,23.34)	(1.36)
Provision for Diminution in value of Investments written back	(3.51)	(43.55)
Bad debts w/off / provision for doubtful debts	53.53	16.01
	27,20.64	26,68.15
Operating Profit before Working Capital changes	1,55,89.63	1,32,32.27
Working Capital changes :		
Inventories (Inc) / Dec	(25,44.90)	(25,57.02)
Debtors (Inc) / Dec	(4,11.34)	(12,72.35)
Loans and Advances, etc. (Inc) / Dec	1,58.74	(8,70.41)
Current Liabilities Inc / (Dec)	21,16.40	30,32.44
	(6,81.10)	(16,67.34)
Cash generated from operations	1,49,08.53	1,15,64.93
Interest received	1,19.10	1,91.16
Interest paid	(1,54.07)	(1,69.17)
Subsidy Received	20.00	–
Income Tax paid (Net)	(40,31.47)	(24,56.00)
	(40,46.44)	(24,34.01)
Net Cash flow from Operating Activities	1,08,62.09	91,30.92
B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(75,46.55)	(68,99.98)
Sale of Fixed Assets	11.33	32.91
Purchase of Investments	(93,78.44)	(1,00,83.74)
Sale of Investments	97,08.25	1,00,85.00
Dividend received	59.02	33.56
Net Cash flow from Investing Activities	(71,46.39)	(68,32.25)
Carried Forward	37,15.70	22,98.67

(Rs in Lac)

	2005-06	2004-05
Brought Forward	37,15.70	22,98.67
C] CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Increase of long term borrowings	5,23.45	4,75.76
(Repayment) / Increase of Short term Borrowings - Commercial Paper	-	(20,00.00)
(Decrease) / Increase in Short term Borrowings - Bank	13,18.00	(3,08.03)
Dividend paid (Including dividend tax, where applicable)	(28,79.76)	(22,83.08)
(Repayment) / Increase of Short term Borrowings - Foreign Currency Loan	(24,81.61)	24,81.62
Net Cash Flow from Financing Activities	(35,19.92)	(16,33.73)
Net Increase in Cash and Cash Equivalents	1,95.78	6,64.94
Cash and Cash Equivalents as at 01.4.2005	14,15.81	7,50.87
Cash and Cash Equivalents as at 31.3.2006	16,11.59	14,15.81
	1,95.78	6,64.94

AS PER OUR ATTACHED REPORT OF EVEN DATE

For HARIBHAKTI & CO
Chartered AccountantsCHETAN DESAI
PartnerMumbai
Date: 23rd May 2006P C PATEL
Sr Vice President & Secretary

FOR AND ON BEHALF OF THE BOARD

B K PAREKH
ChairmanS K PAREKH
Vice ChairmanM 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 (LLC)	Pidilite Do Brasil Desenvolvimento De Negocios Ltda	Pidilite Speciality Chemicals Bangladesh Pvt Ltd	Bamco Ltd	PT Pidilite Indonesia
Currency		Indian Rs	Singapore Dollars	Singapore Dollars	AED	AED	Brazilian Rials	Taka	Baht	US Dollars
Capital	Foreign Currency		64,76,443	12,50,000	34,65,597	3,00,000	1,34,035	1,09,660	1,25,00,000	4,27,500
	Indian Rs in Lac	5.00	17,85.04	3,44.53	4,20.24	36.38	27.70	0.70	79.73	1,90.39
Reserves	Foreign Currency		(1,50,642)	(6,99,611)	(1,62,309)	(4,62,792)	(60,860)	–	2,54,68,617	(34,644)
	Indian Rs in Lac	0.10	(41.52)	(1,92.83)	(19.68)	(56.12)	(12.58)	–	1,62.45	(15.43)
Total Assets	Foreign Currency		67,06,201	16,26,614	33,07,288	34,63,097	1,49,484	1,73,593	5,04,37,345	4,27,406
	Indian Rs in Lac	5.16	18,48.36	4,48.33	3,96.88	4,15.57	30.89	1.11	5,76.82	1,90.35
Total Liabilities	Foreign Currency		3,80,400	10,76,225	4,000	6,50,138	76,309	63,933	1,24,68,728	34,550
	Indian Rs in Lac	0.06	1,04.84	2,96.63	0.48	78.02	15.77	0.41	1,42.77	15.39
Investments (except in case of subsidiaries)	Foreign Currency		–	–	–	–	–	–	–	–
	Indian Rs in Lac	2.25	–	–	–	–	–	–	–	–
Turnover & Other Income	Foreign Currency		2,40,355	25,26,664	375	18,50,504	1,24,810	–	67,59,220	–
	Indian Rs in Lac	–	64.72	6,80.31	–	2,22.08	23.14	–	76.51	–
Profit / (Loss) Before Taxation	Foreign Currency		(1,36,600)	(4,12,512)	(1,62,309)	(4,62,792)	(60,860)	–	2,46,760	(34,644)
	Indian Rs in Lac	(0.08)	(36.78)	(1,11.73)	(19.68)	(55.54)	(11.28)	–	2.64	(15.27)
Provision For Tax	Foreign Currency		–	–	–	–	–	–	77,716	–
	Indian Rs in Lac	–	–	–	–	–	–	–	0.88	–
Profit / (Loss) After Taxation	Foreign Currency		(1,36,600)	(4,12,512)	(1,62,309)	(4,62,792)	(60,860)	–	1,69,044	(34,644)
	Indian Rs in Lac	(0.08)	(36.78)	(1,11.73)	(19.48)	(55.54)	(11.28)	–	1.76	(15.27)
Proposed Dividend	Foreign Currency		–	–	–	–	–	–	–	–
	Indian Rs in Lac	–	–	–	–	–	–	–	–	–