

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Consolidated Financials

Consolidated Net Sales grew by **36.3%**

EBITDA (Earnings before Interest, Taxes, Depreciation, Exceptional items and foreign exchange difference) before non-operating income, grew by **11.1%**

Profit Before Tax and Exceptional Items (PBT) grew by **5.7%**

Profit After Tax (PAT) grew by **7.2%**

On a constant currency basis, the overseas subsidiaries reported sales growth of **16.4%**. However, due to higher inputs costs EBITDA declined by 28.2%

Domestic subsidiaries sales grew by **85.7%** and EBITDA grew by **202.1%**

Standalone Financials

The current year registered robust sales growth aided by strong volume growth across categories and geographies. Net sales grew by **34.1%**, with underlying sales volume & mix growth of **19.9%**. However, due to higher material costs EBITDA, excluding non-operating income, grew by **4.0%**

Profit Before Tax and exceptional items (PBT) grew by **11.7%** (excluding dividend from subsidiary, declined by 1.5%).

Profit After Tax (PAT) grew by **17.3%** (excluding dividend from subsidiary, declined by 0.5%).

Araldite®

ARALDITE STORY

Pidilite Adhesives Pvt. Ltd. 'PAPL' achieved a Net Sales of ₹ 496 crores for FY 2021-22 and EBITDA at ₹ 161 Crores.

PAPL is in the business of selling Adhesives, Sealants and other products under well known brands such as Araldite, Araldite Karpenter and Araseal in India, which was acquired by the Company in November, 2020.

During the first full financial year, Araldite (PAPL) business achieved robust sales growth and profitability. Various initiatives are being taken to strengthen and grow this brand.

PERFORMANCE BY INDUSTRY SEGMENT (STANDALONE)

The Company operates under two major business segments i.e. Branded Consumer & Bazaar and Business to Business.

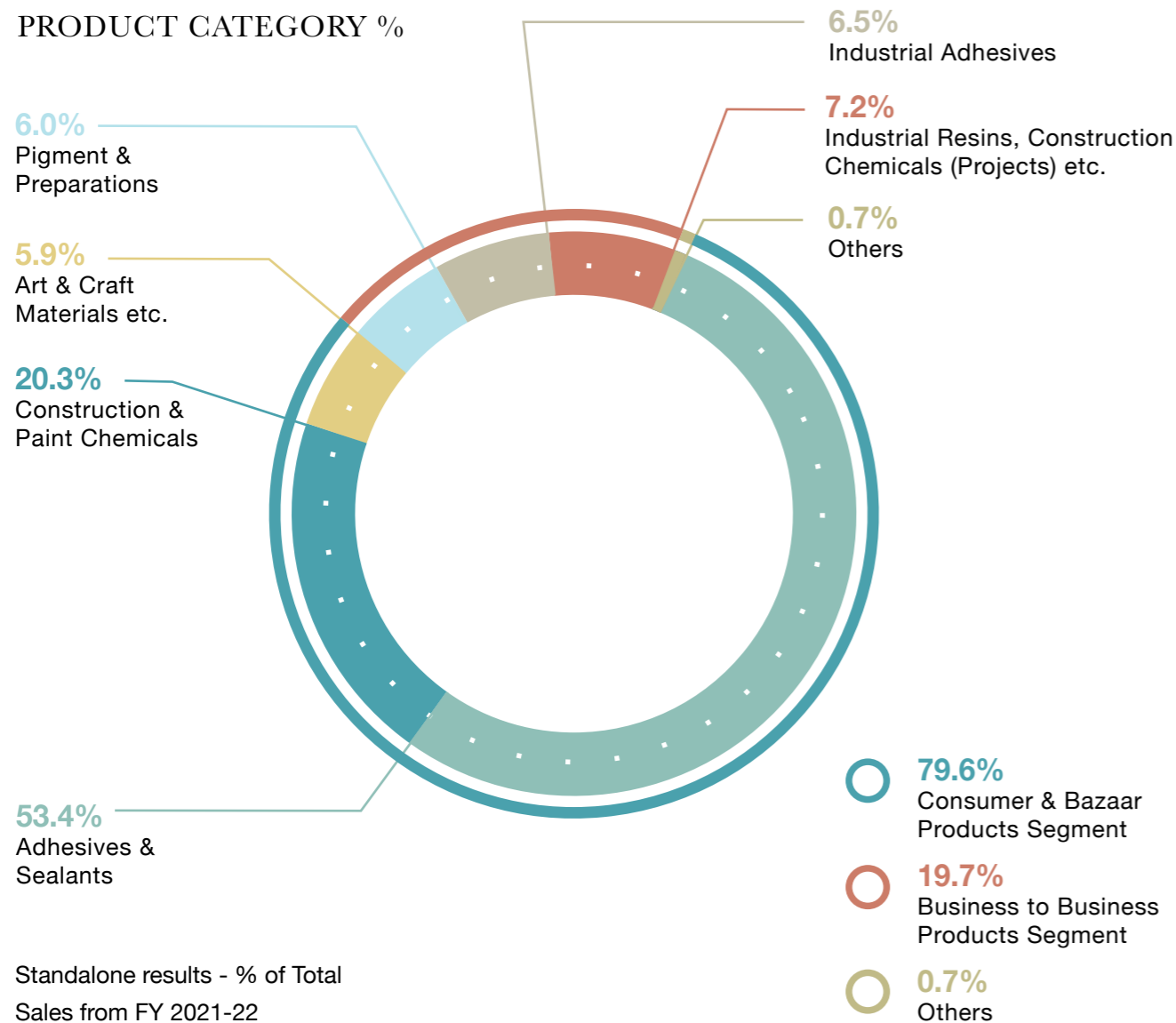
Products, such as Adhesives, Sealants, Art & Craft Materials and Others, Construction and Paint Chemicals are covered under Branded Consumer & Bazaar segment. These products are widely used by carpenters, painters, plumbers, mechanics, households, students, offices etc.

Business to Business segment covers products, such as Industrial Adhesives, Industrial

Resins, Construction Chemicals (Projects), Organic Pigments, Pigment Preparations, etc. and caters to various industries like packaging, joineries, textiles, paints, printing inks, paper, leather, etc.

In both business segments, there are a few medium to large companies with national presence and a large number of small companies which are active regionally. Multinational companies are also present in many of the product categories in which the Company operates.

BUSINESS SEGMENT/ PRODUCT CATEGORY %



Standalone results - % of Total Sales from FY 2021-22

CONSUMER & BAZAAR

Branded Consumer & Bazaar segment contributed **79.6%** of the sales of the Company and grew by **30.5%** with strong volume and mix growth of **20.2%**

Adhesives & Sealants category includes adhesives, sealants and tapes. This category contributed **53.4%** of the sales of the Company and grew by **31.1%**

Construction and Paint Chemicals contributed **20.3%** of the sales of the Company and grew by **35.3%**

Art & Craft Materials etc. contributed **5.9%** of the sales of the Company and grew by **12.0%**

BUSINESS TO BUSINESS

Business to Business segment contributed **19.7%** of the sales of the Company and grew by **45.3%** with volume and mix growth of **20.2%**

Industrial Adhesives includes adhesives used in packaging, footwear, cigarette, automotive industry and joinery. This category contributed **6.5%** of sales of the Company and grew by **50.7%**

Industrial Resins, Construction Chemicals (Projects) etc. contributed **7.2%** of the sales of the Company and grew by **51.0%**

Pigments and Preparations contributed **6.0%** of the sales of the Company and grew by **34.0%**

OTHERS

Others mainly includes sale of raw materials.

MISCELLANEOUS

The Company's Net Worth (Equity capital + Reserves) has grown from

₹ 3,564 crores

as on 31st March, 2018 to

₹ 6,417 crores

as on 31st March, 2022, giving a Compounded Annual Growth Rate (CAGR) of 15.8%.

The market capitalisation of the Company on 31st March, 2022 was

₹ 1,24,803 crores

and has grown at a CAGR of 30.66% since the IPO in 1993.

OTHER MATTERS

The following matters are elaborated in the Directors' Report

- **Risks and concerns**
- **Internal control systems and their adequacy**

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ.

ECONOMIC VALUE ADDED (EVA)

COMPUTATION OF EVA

EVA	=	Net Operating Profit After Tax (NOPAT) - Weighted average cost of capital employed.
NOPAT	=	Net profit after tax + post tax interest cost at actual.
Weighted average cost of capital employed	=	(Cost of equity x average shareholder funds) + (cost of debt x average debt).
Cost of equity	=	Risk-free return equivalent to yield on long term Government of India (GOI) securities (taken @ 6.91%) + market risk premium (assumed @ 6.50%) x beta variant for the Company (taken at 0.78), 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 the company based on an appropriate mix of short, medium and long term debt, net of taxes.

Item	2017-18	2018-19	2019-20	2020-21	2021-22
1. Risk Free Return on Long Term GOI Securities	7.2%	7.3%	7.5%	6.0%	6.9%
2. Cost of Equity	11.4%	13.1%	12.0%	11.7%	12.0%
3. Cost of Debt (Post Tax)	0.0%	0.0%	0.0%	3.4%	3.0%
4. Effective Weighted Average Cost of Capital	11.4%	13.1%	12.0%	11.6%	11.9%
Economic Value Added (₹ in crores)					
5. Average Debt	0	0	0	55	80
6. Average Equity (Shareholder Funds)	3,482	3,875	4,326	5,013	5,989
7. Average Capital Employed (Debt + Equity)	3,482	3,875	4,326	5,068	6,069
8. Profit After Tax (as per Statement of Profit and Loss)	955 \$	979 \$	1,161 # \$	1,082 # \$	1,269 \$
9. Interest (as per Statement of Profit and Loss, net of Income Tax)	4	5	10	13	20
10. Net Operating Profit After Tax (NOPAT)	959	984	1,171	1,095	1,289
11. Weighted Average Cost of Capital (4x7)	397	509	521	588	720
12. Economic Value Added (10-11)	563	475	650	506	569
13. EVA as a % of Average Capital Employed (12 ÷ 7)	16.2%	12.3%	15.0%	10.0%	9.4%

Profit After Tax excludes exceptional items.

\$ Profit is after tax but before Other Comprehensive Income.