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%

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%).

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



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 products under well known brands such as Araldite, Araldite which was acquired by the

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

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/ 6.5% PRODUCT CATEGORY % Industrial Adhesives 7.2% 6.0% -Industrial Resins, Construction Pigment & Chemicals (Projects) etc. **Preparations** 0.7% Others 5.9% -Art & Craft Materials etc. 20.3% Construction & Paint Chemicals 79.6% Consumer & Bazaar 53.4% **Products Segment** Adhesives & 19.7% Sealants **Business to Business Products Segment** Standalone results - % of Total 0.7% Sales from FY 2021-22 Others

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.

CURRENT YEAR OUTLOOK

Currently the world is witnessing high inflation mainly due to continuing global supply chains disruptions amid the pandemic, and geo-political tensions including the Ukraine war.

The current trend of inflation impacting both consumer sentiment and margins is expected to continue in the near term. The Company has also put in place number of measures to mitigate the impact of uncertain macro environment through appropriate pricing and cost control measures without disrupting market share. The Company is confident to navigate the current uncertain operating environment.

While major subsidiaries in India are taking initiatives to improve margins and achieve consistent sales growth in their respective businesses, the impact of the challenging environment does pose a risk to these plans.

The Company's major international subsidiaries are in USA, Brazil, Thailand, Egypt, Dubai and Bangladesh. The business environment in some of these countries remains subdued due to geo-political tension and pandemic. However, the management is taking various steps to increase sales and market share in their respective geographies along with improvement in performance of these subsidiaries.

OUTLOOK ON OPPORTUNITIES, THREATS, RISKS AND CONCERNS

The Indian economy provides a large opportunity to the Company to market its differentiated products. The additional spending in Government programmes like rural employment schemes and higher capex spending emphasizes the focus on infrastructure and increasing disposable income in the hands of common people. This will act as a catalyst for the growth of the economy which will eventually create demand for the Company's products. Further the home improvement area offers significant opportunities for growth given the focus on affordable housing, new construction as well as renovation. Slower growth of the Indian economy and stress in sectors such as construction could impact the performance of the Company. While there are near term concerns around heightened inflation and its

consequent impact on market growth, the Company is confident of the medium to long-term prospects of the home improvement sector and remains focused on delivering consistent and profitable volume led growth. Overseas subsidiaries, by virtue of their relatively smaller size, remain vulnerable to the political and economic uncertainties of their respective countries and the rise in geo-political tensions could dampen the performance of the subsidiaries.

The macroeconomic condition in Sri Lanka remains uncertain and poses downside risks to the business.

Business disruptions as a result of resurgence in COVID-19 cases may impact the performance of the Company and its subsidiaries. The on-going inflationary trend also poses risk to both consumer demand and profitability of the Company.

HUMAN RESOURCES

As always, the focus of the Company has been on the wellbeing of its employees. During the Covid second wave the Company tried to augment support by setting up 24X7 helpline for its employees and providing them the required medicines, oxygen cylinders, and hospitalisation facilities. The Company extended additional benefits in the form of internal Mediclaim policy, restructured premature death pension scheme etc. Support was also extended by providing training to the immediate family member of the deceased. To ensure the protection of the total workforce, Vaccination Drives were conducted across all work locations to achieve 100 percent vaccination.

Focus has also been given towards proactive Fitness and Heartfulness sessions for all age groups with the help of certified trainers.

The Company has extended 'Happy & Healthy Pidilite Cares' support initiatives to all the employees and their families. Various Employee Assistance Programs were initiated to improve emotional and mental wellbeing of the employees through regular seminars, sessions of professional counselling agencies to address various life challenges of employees and their families.

The Company continued its focus towards capability building and training through the signature development programs 'ASCENT" for first time managers and 'CAPSTONE' for middle management. A new e-learning platform named 'Gurukool' has also been introduced where employees can pursue certifications as per their interests as well as the requirements of their jobs.

Building on core values like Trust, Credibility, Respect for People, Fairness, Pride and Camaraderie, the Company was recertified by Great Place to Work Institute as one among the top 30 manufacturing sector companies.

The total number of employees on the rolls of the Company was 7622 as on 31st March. 2022.

₹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.

Iten	1	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%
Eco	nomic 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.