

To

The Members

Your Directors take pleasure in presenting the Fifty-Fourth Annual Report together with Audited Financial Statements for the year ended 31<sup>st</sup> March, 2023.

**Financial Results (Standalone)**

	(₹ in crores )	
	2022-23	2021-22 (Restated)§
Sales	10,545.12	8,852.31
Operating Profit	1,939.10	1,825.94
Finance Costs	(28.53)	(27.24)
Depreciation and Amortisation Expense	(221.97)	(194.38)
Net Foreign Exchange Loss	(20.88)	(13.58)
Profit Before Exceptional Items and Tax	1,667.72	1,590.74
Exceptional Items	-	-
Profit Before Tax	1,667.72	1,590.74
Current Year's Tax	(423.05)	(397.53)
Deferred Tax	12.51	(1.80)
Profit After Tax	1,257.18	1,191.41
Profit Brought Forward	4,877.86	4,123.49
Other Comprehensive Income Included in Retained Earnings (Net of tax)	1.45	(9.06)
Due to Business Combination	-	3.95
Profit Available for Appropriation	6,136.49	5,309.79
<b>Appropriations</b>		
Dividend Paid	(508.30)*	(431.93) #
Closing balance of Retained Earnings	5,628.19	4,877.86

§ During previous year, the Company had filed two merger applications with National Company Law Tribunal (NCLT) with respect to the merger of its wholly owned subsidiaries namely Pidilite Adhesives Pvt. Ltd (PAPL) and Cipy Polyurethanes Pvt. Ltd (CIPY). Consequent to the filing of NCLT orders approving the mergers with Registrar of Companies, mergers have become effective from the Appointed date being 1<sup>st</sup> April 2022. The above being a common control transaction, the previous year figures have been restated for the accounting impact of the merger, as if the merger had occurred from the beginning of previous year.

\* Pertaining to dividend for FY 2021-22

# Pertaining to dividend for FY 2020-21

**Financial Performance**

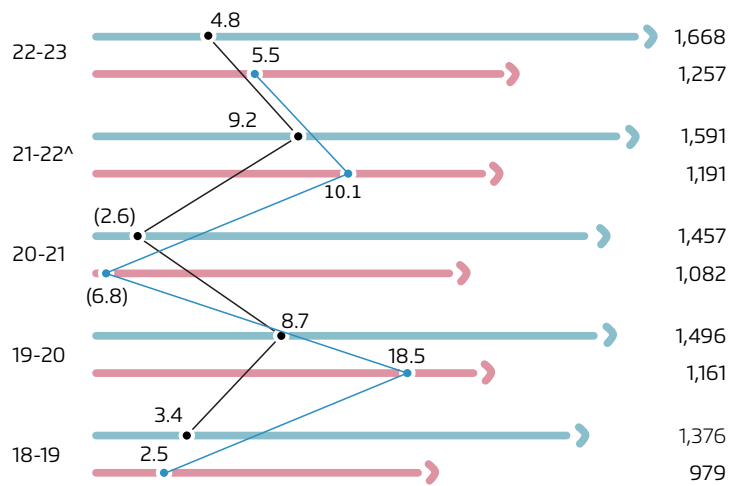
Comments on Financial Performance are included in Management Discussion and Analysis section.

**Dividend**

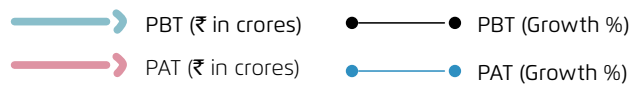
Your Directors recommend a dividend of ₹ 11.00 per equity share of ₹ 1/- each, (previous year ₹ 10.00 per equity share of ₹ 1/- each) amounting to ₹ 559.15 crores (previous year ₹ 508.30 crores) out of the current year's profit, on ₹ 50.83 crores equity capital (previous year ₹ 50.83 crores). Dividend is subject to approval of members at the ensuing Annual General Meeting and shall be subject to deduction of income tax at source. The dividend payout amount has grown at a CAGR of 14.08% during the last 5 years.

The dividend payout is in accordance with the Dividend Distribution Policy, which is available on the website of the Company <https://pidilite.com/investors/corporate-governance>

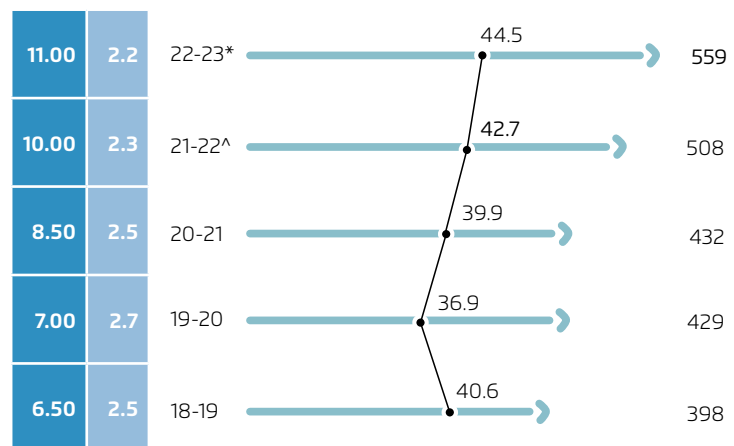
### PBT, PAT & Growth (YOY)



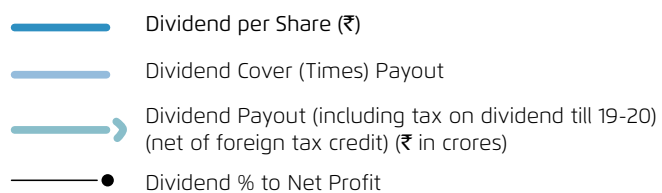
Excludes Exceptional Items



### Equity Dividend Payout & % of Standalone Net Profit (Excluding Exceptional Items)



\* Proposed dividend for 22-23



^ Previous year's figures restated on account of merger (refer Note 56 of Standalone Financial Statements)

### Transfer to Reserves

The Company does not propose to transfer amounts to the general reserve.

### Term Finance

The Company has no outstanding term loans (previous year NIL).

### Capital Expenditure

The total capital expenditure during the year was ₹ 456.94 crores (previous year ₹ 377.32 crores) primarily spent on fixed assets for various manufacturing units, offices, laboratories, warehouses and on Information Technology.

### Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 during the financial year 2022-23 (previous year NIL).

### Subsidiaries

#### Investment in Subsidiaries

During the year, total investment of ₹ 78.59 crores (previous year ₹ 104.94 crores) was made in subsidiaries. Of this, ₹ 53.38 crores was invested in domestic subsidiaries and ₹ 25.21 crores in overseas subsidiaries.

The investments in domestic subsidiaries were in Pidilite Ventures Pvt Ltd amounting to (₹ 28.12 crores), Pidilite Litokol Pvt Ltd (₹ 12.22 crores) and Pidilite Grupo Puma Manufacturing Ltd (₹ 13.04 crores)

The investments in overseas subsidiaries were in Pidilite Middle East Ltd (₹ 17.03 crores) and Pidilite International Pte Ltd (₹ 8.18 crores).

#### During the year

- A new Company in name of Solstice Business Solutions Pvt. Ltd (SBSPL) was incorporated on 6<sup>th</sup> April, 2023, a wholly owned subsidiary of Pidilite Ventures Private Limited, which is a wholly owned subsidiary of the Company. SBSPL, is intended to carry out inter alia the business of providing services, for construction, repair, renovation.
- The Company through its subsidiary Pidilite Ventures Private Limited made investments in early-stage companies, which would augment our capabilities.
- Plus Call Technical Services LLC, a Joint Venture, where Pidilite Middle East Limited, wholly owned subsidiary of the Company holds 40% of the share capital, was dissolved.

### Domestic and International Subsidiaries Performance

Domestic Subsidiaries	(₹ in crores)					
	Sales 2022-23	Sales 2021-22	% Growth	EBITDA 2022-23	EBITDA 2021-22	% Growth
Consumer & Bazaar	391.19	295.67	32.3%	66.80	42.87	55.8%
Business to Business	315.93	276.63	14.2%	6.33	(22.55)	N.A.

Domestic Subsidiaries in Consumer and Bazar segment continue to deliver industry-leading profit and growth. The Subsidiaries in Business to Business segment showed signs of revival in revenue growth and losses were substantially reduced.

International Subsidiaries	(₹ in crores)					
	Sales 2022-23	Sales 2021-22	% Growth	EBITDA 2022-23	EBITDA 2021-22	% Growth
Americas*	257.97	244.89	5.3%	(2.98)	10.33	N.A.
Asia	314.21	261.19	20.3%	50.20	40.73	23.3%
Middle East & Africa	258.44	210.49	22.8%	8.76	(1.19)	N.A.

Overseas subsidiaries figures are at constant currency.

\* Pidilite USA Inc has decided to discontinue the operations of its Sargent Art Division, in a phased manner. Revenue from operations and (loss) before tax pertaining for FY 2022-23 is ₹ 128.8 crores and ₹ (5.2) crores respectively.

Amidst uncertain global economic conditions and inflationary pressures, International Subsidiaries reported moderate sales growth along with improvement in EBITDA.

### **Consolidated Financial Statements**

In accordance with the provisions of Companies Act, 2013 (hereinafter referred to as 'the Act'), Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations') and applicable Accounting Standards, the Audited Consolidated Financial Statements of the Company for the financial year 2022-23, together with the Auditor's Report, form part of this Annual Report. A statement containing the salient features of the Company's subsidiaries and associate companies in the prescribed Form AOC- 1, are set out in Note No. 59 to the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared on the basis of audited financial statements of the Company, its subsidiaries, associate companies and joint venture, as approved by their respective Board of Directors except Pulvitec Do Brazil Industria e Comercio de Colas e Adesivos Ltda which has been approved by the local administrator.

The accounts of the subsidiaries are also uploaded on the website of the Company, <https://pidilite.com/investors/financials/>

### **Directors and Key Managerial Personnel**

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, has recommended to the Members:

(a) re-appointment of Shri M B Parekh as the Whole Time Director designated as the Executive Chairman of the Company for a further period of 5 years with effect from 1<sup>st</sup> August, 2023.

(b) re-appointment of Shri A B Parekh as the Whole-time Director designated as Executive Vice Chairman of the Company for a further period of 5 years with effect from 1<sup>st</sup> August, 2023.

Shri Piyush Pandey was re-appointed as an Independent Director of the Company by the Board on the recommendation of Nomination and Remuneration Committee for a second term of five consecutive years upto 10<sup>th</sup> April, 2028, subject to the approval of the Members through Postal Ballot.

Shri Joseph Varghese was appointed as an Additional Director and also as a Whole Time Director designated as Director-Operations for a period of 5 years by the Board on the recommendation of Nomination and Remuneration Committee, with effect from 9<sup>th</sup> November, 2022 and Member's approved the said appointment through Postal Ballot on 27<sup>th</sup> December, 2022.

Shri Sandeep Batra was appointed as an Additional Director and also as a Whole Time Director designated as Executive Director – Finance in addition to his current position as Chief Financial Officer of the Company for a period of 5 years, by the Board on the recommendation of Nomination and Remuneration Committee, with effect from 9<sup>th</sup> November, 2022 and Member's approved the said appointment through Postal Ballot on 27<sup>th</sup> December, 2022.

Shri Debabrata Gupta, resigned with effect from 9<sup>th</sup> November, 2022, as the Whole Time Director designated as Director-Operations. The Board places on record its appreciation for the services rendered by Shri Debabrata Gupta during his tenure as the Whole Time Director.

Shri N K Parekh has stepped down as the Non-Executive Vice-Chairman but continues as Non-Executive Director and Shri A N Parekh has been designated as the Executive Vice-Chairman w.e.f. 8<sup>th</sup> May, 2023.

In accordance with the Act and the Articles of Association of the Company, Shri A N Parekh and Shri Sudhanshu Vats, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

None of the Directors of the Company are disqualified for being appointed as Directors as specified under Section 164(2) of the Act read with Rule 14(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014.

### **Policy on Directors' remuneration**

The policy on Directors' remuneration is available on the website of the Company, <https://pidilite.com/investors/corporate-governance/>. The remuneration paid to the Directors is as per the terms laid out in the said policy.

## Directors' Responsibility Statement

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2023 and of the profit of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### Annual Evaluation by the Board of its own performance, its Committees and individual Directors

The Board has put in place a mechanism for evaluation of its own performance and performance of its Committees and individual Directors. The evaluation of the Board, Committees, Directors and Chairman of the Board was conducted based on evaluation parameters, such as Board composition and structure, effectiveness of the Board, participation at meetings, domain knowledge, awareness and observance of governance, etc. For further details, please refer to the Report on Corporate Governance, which forms a part of this Annual Report.

### Familiarisation Programme

The Company has put in place an induction and familiarization programme for all its Directors including the Independent Directors.

The familiarization programme for Independent Directors in terms of provisions of Regulation 46(2)(i)

of the Listing Regulations is uploaded on the website of the Company.

### Number of Meetings of Board of Directors

Five meetings of the Board of Directors of the Company were held during the financial year 2022-23. For further details, please refer to the Report on Corporate Governance, which forms a part of this Annual Report.

### Statement of Declaration on Independence given by Independent Directors

All the Independent Directors of the Company have given declarations that:

- a. they meet the criteria of independence as laid down under the Act and the Listing Regulations;
- b. they have complied with the Code of Independent Directors prescribed under Schedule IV of the Act; and
- c. they have registered themselves with the Independent Directors' Database maintained by the Indian Institute of Corporate Affairs.

### Corporate Governance

The Company is committed to good corporate governance practices. The Report on Corporate Governance, as stipulated under Listing Regulations, forms an integral part of this Annual Report. The requisite certificate from M/s Parikh & Associates, Practising Company Secretaries, is attached to the Report on Corporate Governance, which forms a part of this Annual Report.

### Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year under review, as stipulated under the Listing Regulations, is presented in a section forming part of this Annual Report. For the sake of brevity the items covered in this Report are not repeated in the Management Discussion and Analysis Report.

### Committees of the Board

The following are the statutory Committees constituted by the Board and they function according to their respective roles and defined scope:

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders Relationship Committee
- Risk Management Committee

Details of composition, terms of reference and number of meetings held for respective Committees are given in the Report on Corporate Governance, which forms a part of this Annual Report. Further, during the year under review, all recommendations made by the Audit Committee have been accepted by the Board.

### **Corporate Social Responsibility (CSR) Report and CSR Policy**

The CSR Report as per Section 135 of the Act read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and amendments thereto, is attached as **Annexure 1** to this Report. The details of CSR Initiatives forms part of Social & Community Service Initiatives section of this Annual Report. CSR Policy can be accessed on website of the Company <https://pidilite.com/investors/corporate-governance/>.

### **Vigil Mechanism / Whistle Blower Policy**

The Company has established a Vigil Mechanism and Whistle Blower Policy for its Directors and employees. The said policy has been communicated to the Directors and employees of the Company and is also posted on the website of the Company <https://pidilite.com/investors/corporate-governance/>. For further details, please refer to the Report on Corporate Governance, which forms a part of this Annual Report.

### **Policy relating to Prevention of Sexual Harassment**

In accordance with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ("POSH Act") and Rules made thereunder, the Company has formulated a Prevention of Sexual Harassment Policy, which mandates no tolerance against any conduct amounting to sexual harassment of women at workplace. The Company has formed an Internal Complaints Committee to redress and resolve any complaints arising under the POSH Act. To build awareness in this area, Company has been conducting induction/ training programmes in the organisation on a periodical basis. For further details, please refer to the Report on Corporate Governance, which forms a part of this Annual Report.

### **Statutory Auditors**

M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018) will complete their present term on conclusion of the ensuing 54<sup>th</sup> AGM.

There is no qualification or adverse remark in Auditors' Report. There is no incident of fraud requiring reporting by the Auditors under Section 143(12) of the Act.

The Board of Directors have recommended the appointment of M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No 101248W/W-100022) as the Statutory Auditors of the Company, for a term of 5 consecutive years commencing from the conclusion of 54<sup>th</sup> AGM till the conclusion of 59<sup>th</sup> AGM of the Company.

M/s. B S R & Co. LLP have confirmed their eligibility and qualification required under the Act for holding the office as Statutory Auditors of the Company.

### **Cost Auditor**

The Company has maintained cost records as specified by Central Government u/s 148(1) of the Act. M/s. V J Talati & Co., Cost Accountants, were appointed as the Cost Auditor for the financial year 2022-23 to conduct the audit of the cost records of the Company and they have been reappointed as the Cost Auditor for the financial year 2023-24. In terms of the provisions of Section 148(3) of the Act, read with the Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to the Cost Auditor has to be ratified by the Members of the Company. Accordingly, at the ensuing AGM, the Board seeks ratification of the remuneration payable to the Cost Auditor for the financial year 2023-24.

### **Secretarial Auditor and Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Parikh & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2022-23.

The Secretarial Audit Report for the financial year 2022-23 under the Companies Act, 2013 read with Rules made thereunder and Regulation 24A of the Listing Regulations, is set out in **Annexure 2** to this report. There is no qualification or adverse remark in their Report.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars under Section 134 of the Act, read with the Companies (Accounts) Rules, 2014 are attached as **Annexure 3** to this Report.

## **Risk Management**

In compliance with Regulation 21 of the Listing Regulations, a Risk Management Committee has been constituted by the Board. The Risk Management Committee, also known as The Risk Management Oversight Committee, is entrusted with roles and powers as specified in Part D of Schedule II of Listing Regulations.

The Company has laid out a risk management policy for identification and mitigation of risks. The Company has also constituted a Management Risk Committee which is chaired by the Managing Director and has Senior Leadership of the Company as its members. The Management Risk Committee identifies the key risks for the Company, develops and implements the risk mitigation plan, reviews and monitors the risks and corresponding mitigation plans on a regular basis and prioritises the risks, if required, depending upon the effect on the business/reputation.

The other details in this regard are provided in the Report on Corporate Governance, which forms a part of this Annual Report.

## **Contracts and Arrangements with Related Parties**

All contracts/arrangements/transactions entered into by the Company during the financial year under review with related parties (as defined in the Act and Listing Regulations) were in the ordinary course of business and on an arm's length basis. During the year, the Company did not enter into any contract/arrangement/transaction with related parties, which could be considered as material in accordance with the Policy of the Company on Materiality of Related Party Transactions (RPT Policy) or which is required to be reported in Form No. AOC-2 in terms of Section 134(3)(h) read with Section 188 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

The RPT Policy, as approved by the Board, is available on the Company's website: <https://pidilite.com/investors/corporate-governance/>.

Disclosure of related party transactions with the promoter(s)/promoter(s) group which individually hold 10% or more shareholding of the Company, as per the Indian Accounting Standards, are set out in Note No. 44 of the Standalone Financial Statements of the Company.

## **Particulars of Loans, Guarantees or Investments**

Details of loans, guarantees or investments covered under the provisions of Section 186 of the Act are given in the Notes to the Financial Statements.

## **Employees Stock Option Scheme**

The Employees Stock Option Scheme (Scheme) is in line with SEBI (Share Based Employee Benefits) Regulations, 2014. The certificate of Secretarial Auditors regarding implementation of the Scheme is available for inspection of Members in electronic mode.

The applicable disclosure, as stipulated under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as on 31<sup>st</sup> March, 2023 with regard to Scheme, is provided in **Annexure 4** to this Report.

## **Annual Return**

Annual Return of the Company is available on the website of the Company viz. <https://pidilite.com/investors/general-meetings/>

## **Business Responsibility and Sustainability Report**

A Business Responsibility and Sustainability Report as per Regulation 34 of the Listing Regulations, detailing the various initiatives taken by the Company on the environmental, social and governance front, forms an integral part of this Report.

## **Internal Control Systems and their Adequacy**

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

The Company has appointed Internal Auditors who periodically audit the adequacy and effectiveness of the internal controls laid down by the management and suggest improvements.

The Audit Committee of the Board of Directors approves the annual internal audit plan and periodically reviews the progress of audits as per approved audit plans along with critical internal audit findings presented by internal auditors, status of implementation of audit recommendations, if any, and adequacy of internal controls.

### **Significant/Material Orders passed by the Regulators**

There are no significant/material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operations in future.

### **Particulars of Employees and Related Disclosures**

Disclosures pertaining to remuneration as per Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as **Annexure 5** to this Report.

Details of employee remuneration as required under provisions of Section 197 of the Act and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any modifications, thereof) shall be made available to any shareholder, on request.

### **General**

The Company has neither issued equity shares with differential rights nor any sweat equity shares.

There have been no material changes and commitments affecting the financial position of the Company between the end of financial year and the date of this Report.

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings.

### **Appreciation**

Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels to the continued growth and prosperity of your Company. Your Directors also wish to place on record their appreciation to the shareholders, dealers, distributors, consumers, banks and other financial institutions for their continued support.

FOR AND ON BEHALF OF THE BOARD

Mumbai  
Date : 8<sup>th</sup> May, 2023

**M B Parekh**  
Executive Chairman