

## Financial Review

### Consolidated Financials

Consolidated Net Sales grew by

**18.9%**

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“EBITDA” (Earnings before Interest, Taxes, Depreciation and Exceptional items) before non-operating income, grew by

**7.4%**

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Profit Before Tax and Exceptional Items (PBT) grew by

**6.8%**

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Profit After Tax (PAT) grew by

**6.8%**

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On a constant currency basis, the overseas subsidiaries reported sales growth of

**15.9%**

and EBITDA grew by

**10.8%**

Domestic subsidiaries sales grew by

**23.6%**

and EBITDA grew by

**259.9%**

# Financial Review

## Standalone Financials

Net sales grew by

**19.1%**

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However, due to higher material costs EBITDA (excluding non-operating income) grew by

**4.7%**

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Profit Before Tax and exceptional items (PBT) grew by

**4.8%**

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Profit After Tax (PAT) grew by

**5.5%**

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The previous year figures have been restated to give effect to the merger (with effect from 1<sup>st</sup> April, 2022) of PAPL and CIPY with the Company. (refer Note 56 of Standalone Financial Statements)

## Performance by Industry Segment (Standalone)

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

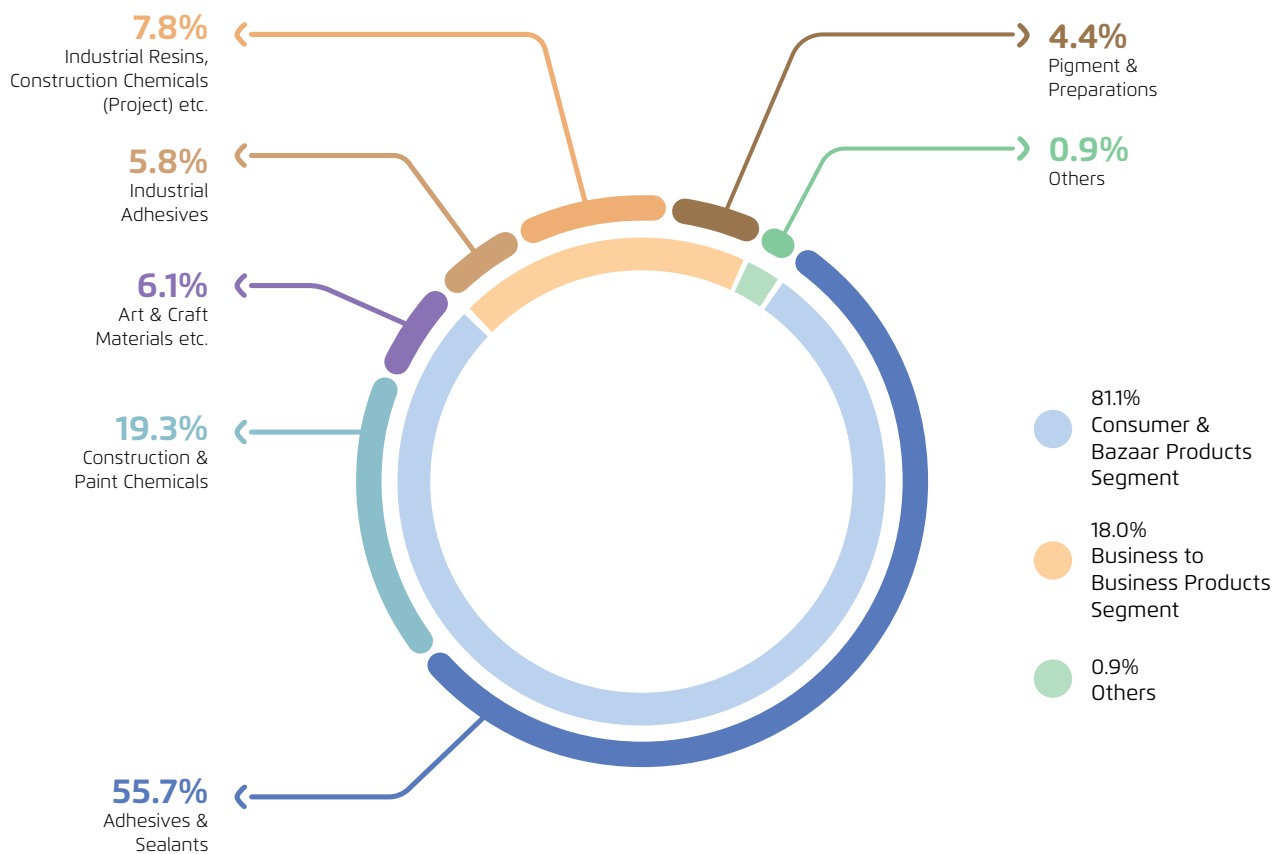
Products, such as Adhesives, Sealants, Art & Craft Materials and Others, Construction and Paint Chemicals are covered under Branded Consumer & Bazaar segment. These products are widely used by carpenters, painters, plumbers, mechanics, households, students, offices etc.

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

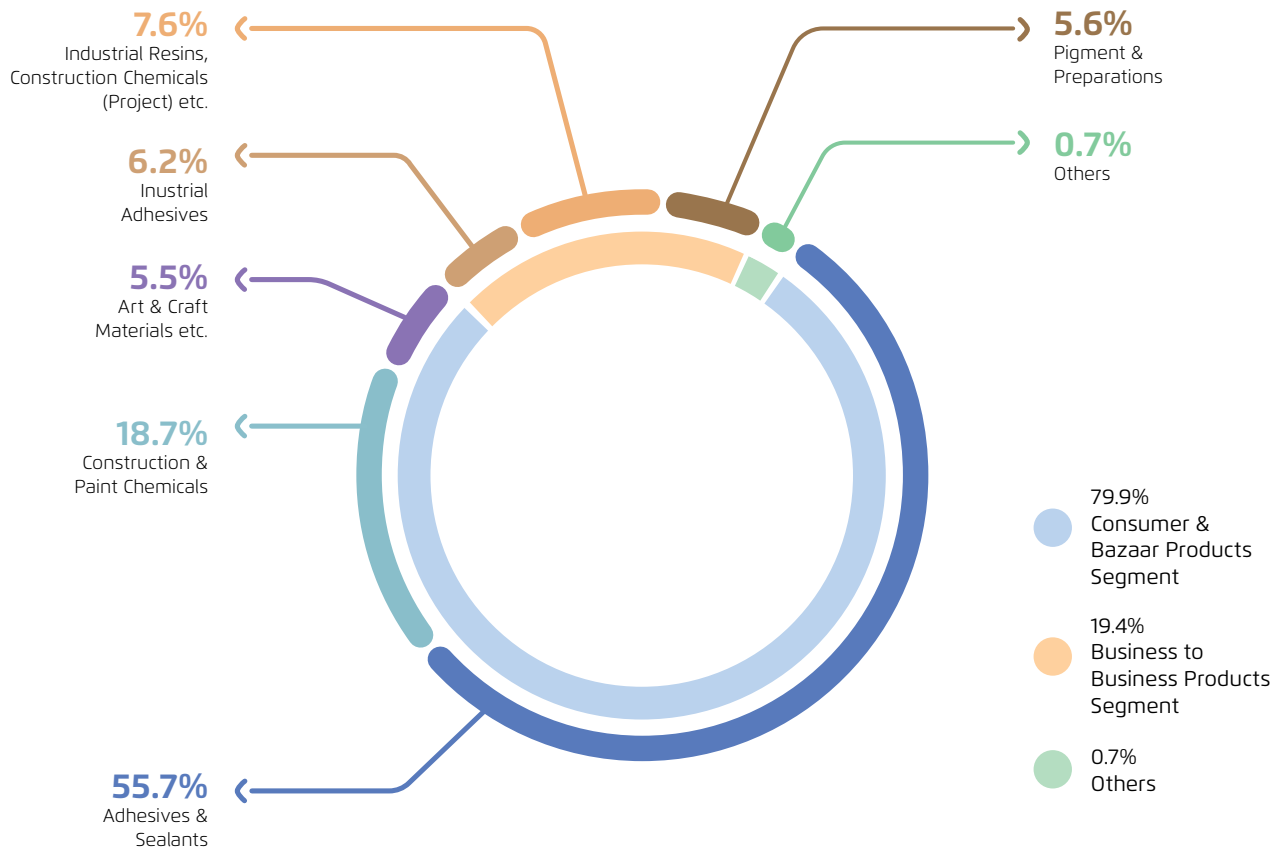
small companies which are active regionally. Multinational companies are also present in many of the product categories in which the Company operates.

## Business Segment / Product Category % (FY 2023)



Standalone - % of Total Sales based on FY 2022-23

**Business Segment / Product Category % (FY 2022)**



Standalone - % of Total Sales based on FY 2021-22

**Note**

During FY 2021-22, the Company had filed two merger applications with NCLT 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 ROC, mergers have become effective from the appointed date being 1<sup>st</sup> April, 2022. Accordingly, the FY 2022 numbers have been restated for the accounting impact of the merger, as if the merger had occurred from the beginning of the previous year.

## PERFORMANCE BY INDUSTRY SEGMENT

### Consumer Bazaar

Branded Consumer & Bazaar segment contributed

**81.1%**

of the sales of the Company and grew by

**22.0%**

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Adhesives & Sealants category includes adhesives, sealants and tapes. This category contributed

**55.7%**

of the sales of the Company and grew by

**20.2%**

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Construction and Paint Chemicals contributed

**19.3%**

of the sales of the Company and grew by

**24.0%**

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Art & Craft Materials etc. contributed

**6.1%**

of the sales of the Company and grew by

**33.3%**

### Business to Business

Business to Business segment contributed

**18.0%**

of the sales of the Company and grew by

**11.8%**

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Industrial Adhesives includes adhesives used in packaging, footwear, cigarettes, automotive industry and joinery. This category contributed

**5.8%**

of sales of the Company and grew by

**12.5%**

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Industrial Resins, Construction Chemicals (Projects) etc. contributed

**7.8%**

of the sales of the Company and grew by

**24.4%**

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Pigments and Preparations contributed

**4.4%**

of the sales of the Company and declined by

**6.1%**

### Others

Others mainly includes sale of raw materials.

## Current Year Outlook

Last year (FY 2022-23) was the first normal year post COVID and witnessed steep increases in input costs, particularly in the first half and other inflationary pressures. Domestic demand was also impacted due to price increases taken to counter the input cost pressures.

Input prices have corrected since the second half of last year and with improvement in availability of raw materials, the outlook for the current year is for costs to remain at present levels, barring unforeseen circumstances.

Domestic demand conditions are also improving especially in the construction sector. However, the steep increase in interest rates and depressed demand conditions in the developed markets do indicate demand headwinds especially for exports.

The Company is taking actions to drive demand generation initiatives to deliver profitable volume growth.

The existing subsidiaries in India have delivered strong sales and profit growth, despite demand and inflationary pressures. A series of actions and initiatives have been taken to maintain and strengthen the performance in the year. New manufacturing facilities for three subsidiaries are to be commissioned in the current year which will enable them to address the market opportunity.

The Company's major international subsidiaries are in Brazil, Sri Lanka, Thailand, Egypt, Dubai and Bangladesh. The business environment in some of these countries remains subdued due to geo-political tensions, currency challenges and inflation.

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. The subsidiary in USA has decided to wind down its business in the current year.

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## 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 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 increased interest rates and the consequent impact of this 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.

## Human Resources

FY 2022-23 saw employees return to office after two years of remote working. It was a transition year marked by evolving hybrid work models where employees enjoyed both the flexibility of working from home as well as physically meeting & collaborating.

Happiness, health, fitness continued to be our champion causes enabled through the HAH Cares (Happy & Healthy) initiative. The physical event after a gap of 2 years saw employees and their families reconnect, refresh and exhibit both their team spirit and competitive spirit in equal measure.

Gurukool, our online learning Experience Platform or LXP continued to build content and increase its footprint throughout the year. Initiated with the intention to provide L&D opportunities to all employees for higher engagement, and increased knowledge it has played a key role in helping us build a value-based culture and a sense of community.

The highlight of the year however was connecting to our roots and growing stronger through two key events, Smriti Milan and The Founder's Day.

Smriti Milan is a forum provided for retired employees of the Company, to come together to reconnect with old colleagues along with their spouse. Reconnecting and meeting old colleagues after three years was a treasured moment for all ex and current employees. It provided them an opportunity to reminisce cherished memories of time spent at the Company and make new ones to share with their family members.

Founder's Day, or the day we remember our Founder Shri B. K. Parekh and celebrate every Pidilite and our ways of working, was conducted physically after two years on 10<sup>th</sup> March, 2023. Like each time the event had an eclectic mix of fun, messaging, and bonding. The highlight of the event was the launch of the centenary year celebrations of our Founder in 2024.

The year saw us add another feather in our cap, "The Spirit of Pidilite Awards", which is an initiative to continuously reward and recognise our employees whose contribution to Pidilite in various fields has been exemplary. The intent is to establish a "Fair and Transparent" process giving every employee an equal opportunity to participate and helping the organization drive high benchmarks in everything that we do.

With a renewed sense of optimism and focus, the organisation is looking forward to a successful FY 2023-24. The entire organisation will be celebrating and drawing lessons from Shri B. K. Parekh's life as well as working towards creating and surpassing our high benchmarks in all areas.

The total number of employees on the rolls of the Company was 7,310 as on 31<sup>st</sup> March, 2023.

## Miscellaneous

The Company's Net Worth (Equity capital + Reserves) has grown from ₹ 4,187 crores as on 31<sup>st</sup> March, 2019 to ₹ 7,108 crores as on 31<sup>st</sup> March, 2023, giving a Compounded Annual Growth Rate (CAGR) of 14.1%

The market capitalisation of the Company on 31<sup>st</sup> March, 2023 was ₹ 1,19,647 crores and has grown at a CAGR of 29.27% since the IPO in 1993.

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## Other Matter

Internal Control Systems and their adequacy is elaborated in the Director's Report.

## 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 @ 7.27%) + market risk premium (assumed @ 6.50%) x beta variant for the Company (taken at 0.83), 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	2018-19	2019-20	2020-21	2021-22 <sup>^</sup>	2022-23
1. Risk Free Return on Long Term GOI Securities	7.3%	7.5%	6.0%	6.9%	7.3%
2. Cost of Equity	13.1%	12.0%	11.7%	12.0%	12.7%
3. Cost of Debt (Post Tax)	0.0%	0.0%	3.4%	3.0%	4.1%
4. Effective Weighted Average Cost of Capital	13.1%	12.0%	11.6%	11.9%	12.6%
<b>Economic Value Added (₹ in crores)</b>					
5. Average Debt	0	0	55	80	53
6. Average Equity (Shareholder Funds)	3,875	4,326	5,013	5,952	6,726
7. Average Capital Employed (Debt + Equity)	3,875	4,326	5,068	6,032	6,779
8. Profit After Tax (as per Statement of Profit and Loss)	979 \$	1,161 # \$	1,082 # \$	1,191 \$	1,257 \$
9. Interest (as per Statement of Profit and Loss, net of Income Tax)	5	10	13	20	21
10. Net Operating Profit After Tax (NOPAT)	984	1,171	1,095	1,211	1,278
11. Weighted Average Cost of Capital (4x7)	509	521	588	715	854
12. Economic Value Added (10-11)	475	650	506	496	424
13. EVA as a % of Average Capital Employed (12 ÷ 7)	12.3%	15.0%	10.0%	8.2%	6.3%

# Profit After Tax excludes exceptional items.

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

<sup>^</sup> Previous year's figures restated on account of merger. (refer Note 56 of Standalone Financial Statements)