

MANAGEMENT DISCUSSION & ANALYSIS



Financial Review

Consolidated Financials

Consolidated Net Sales grew by	On a constant currency basis, the overseas subsidiaries reported decline in sales of
5.0%	7.4%
"EBITDA" (Earnings before Interest, Taxes, Depreciation and Exceptional items) before non-operating income, grew by	and EBITDA grew by
36.4%	14.9%
Profit Before Tax and Exceptional Items (PBT) grew by	Domestic subsidiaries sales grew by
42.2%	15.8%
Profit After Tax (PAT) grew by	and EBITDA grew by
35.6%	32.3%

Financial Review

Standalone Financials

Net sales grew by	Profit Before Tax and exceptional items (PBT) grew by
5.4%	43.7%
EBITDA (excluding non-operating income) grew by	Profit After Tax (PAT) grew by
37.4%	43.1%





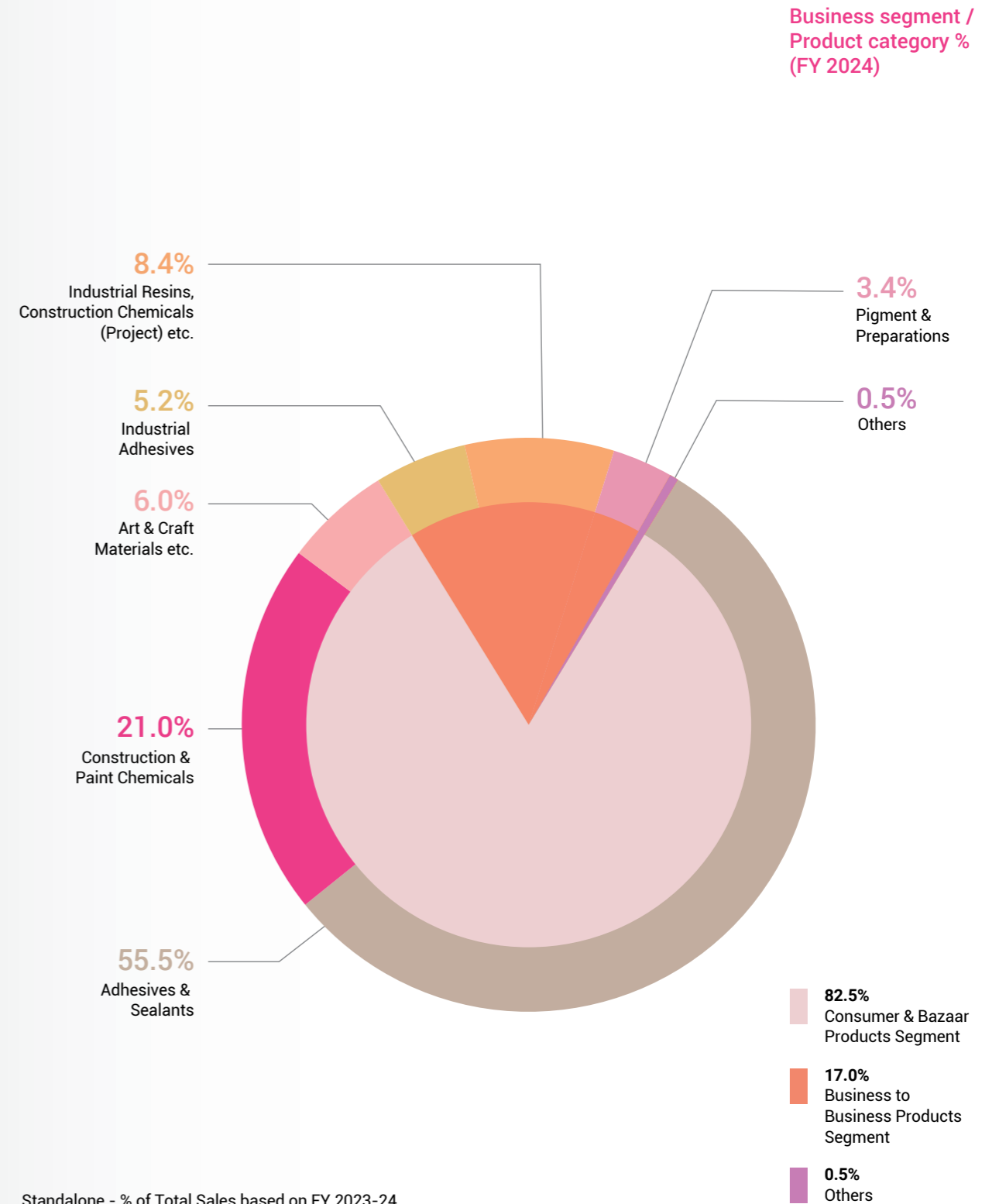
Performance By Industry Segment (Standalone)

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.



Standalone - % of Total Sales based on FY 2023-24

**Consumer
& Bazaar
(C&B)**

Branded Consumer & Bazaar segment contributed

82.5%

of the sales of the Company and grew by

11.7%

Adhesives & Sealants category (adhesives, sealants & tapes) contributed

55.5%

of the sales of the Company and grew by

9.4%

Construction and Paint Chemicals contributed

21.0%

of the sales of the Company and grew by

19.5%

Art & Craft Materials etc. contributed

6.0%

of the sales of the Company and grew by

8.2%



**Business
To Business
(B2B)**

Business to Business segment contributed

17.0%

of the sales of the Company and grew by

3.5%

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

5.2%

of sales of the Company and declined by

1.7%

Industrial Resins, Construction Chemicals (Projects) etc. contributed

8.4%

of the sales of the Company and grew by

17.3%

Pigments and Preparations contributed

3.4%

of sales of the Company and declined by

14.2%

Others

Others mainly includes sale of raw materials.



Current Year Outlook

Last year (FY 2023-24) witnessed robust broad-based Underlying Volume Growth ("UVG") across both C&B and B2B segments. Input prices remained soft and part of the benefits were passed on by way of selective price reductions and investments behind brands and capability building were stepped up. EBITDA margins also improved and restored to acceptable levels.

The domestic demand environment, especially in the construction sector, backed by increase in Government spending augurs well for our business. Input prices appear to have bottomed out and we are witnessing mild increases in raw material costs.

However, the global geo political situation and its likely impact on global demand and inflation remains an area to watch.

The Company is taking actions to drive demand generation initiatives to deliver on its objective of profitable volume growth.

The existing subsidiaries in India have delivered strong sales and profit growth. A series of actions and initiatives have been taken to maintain and strengthen the performance in the year.

The Company's major international subsidiaries are in Bangladesh, Sri Lanka, Thailand, Egypt and Dubai. 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 Brazil was divested in March 2024

Outlook On Opportunities, Threats, Risks & Concerns

The Indian economy provides a large opportunity to the Company to market its differentiated products. The additional Government spending on infrastructure and impetus to affordable housing programs together with increasing per capita income are positive for the Company's business. These 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 new construction as well as renovation.

Slower growth of the Indian economy and elevated interest rates could impact the construction industry thereby putting pressure on the performance of the Company. Increase in input prices especially due to disturbed global geo-political factors could impact demand in the near term. 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 impact the performance of the subsidiaries.

Human Resources

FY 2023-24 was a year where the organisation was keenly looking at continuing our progress transforming business, our workplaces, and employee experiences.

On 12th March, 2024, the Company celebrated the 100th Birth anniversary of the founder Shri B K Parekh (BKP). This milestone offered a special opportunity to reflect on our founder's remarkable legacy. The 100 Inspiring Years were communicated under the theme of "Goodness of Pidilite", which inspired the communication and participation of all employees. Through stories & theatre, the values & learnings from BKP were brought to life.

The Company introduced the 'Spirit of Pidilite' Reward and Recognition Program. This unified Platform has established a fair and transparent process to recognise all employees across all verticals of the Company and is helping us drive high benchmarks in everything that we do. We have hosted two successful seasons, with our leadership

honouring the winners. The award categories have also evolved and have inspired our workforce to create a meaningful impact.

The ongoing Happy and Healthy (HAH) initiatives programs have been bringing employees together to bond over common passions. This past year HAH has brought in renewed focus on Holistic well-being under the banner of HAH Cares through celebrations of Heart Day and Yoga Day and sessions on Financial Well-being for employees, while continuing our focus on employee health and happiness.

In the FY 2023-24, the Learning and Development (L&D) efforts of the Company have included focus on strengthening learning opportunities for manufacturing and supply chain teams, with a keen emphasis on enhancing efficiency, safety, and quality. The learning coverage was increased to include technical skills development, sustainability, along with programs on Company's Core Values

and ways of working. Gurukool, Company's Learning Management System (LMS) platform has grown significantly during the year, providing extensive learning opportunities to all employees in continuous improvement management, refresher courses on Company's Systems Processes Policies and Business modules (SPPBMs) and IT subjects. Manager development programs like First Time Manager, Execution Excellence, Step Up to Leadership, have also improved, helping managers to learn and grow.

Towards building an inclusive and diverse culture, that develops talent from within us also attracts outside talent and that is enriched by values, the Company has strengthened its journey on both fronts, Talent Management and Diversity Equity & Inclusion (DEI).

The total number of employees on the rolls of the Company was 7,914 as on 31st March, 2024.



Miscellaneous

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

₹ 4,465 crores

as on 31st March, 2020 to

₹ 8,337 crores

as on 31st March, 2024, giving a Compounded Annual Growth Rate (CAGR) of 16.9%

The market capitalisation of the Company on 31st March, 2024 was

₹ 1,53,333 crores

and has grown at a CAGR of 29.23% since the IPO in 1993.



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 @ 7.14%) + market risk premium (assumed @ 7.50%) x beta variant for the Company (taken at 0.85), 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	2019-20	2020-21	2021-22 [^]	2022-23	2023-24
1. Risk Free Return on Long Term GOI Securities	7.5%	6.0%	6.9%	7.3%	7.1%
2. Cost of Equity	12.0%	11.7%	12.0%	12.7%	13.5%
3. Cost of Debt (Post Tax)	0.0%	3.4%	3.0%	4.1%	0.0%
4. Effective Weighted Average Cost of Capital	12.0%	11.6%	11.9%	12.6%	13.5%
Economic Value Added (₹ in crores)					
5. Average Debt	-	55	80	53	-
6. Average Equity (Shareholder Funds)	4,326	5,013	5,952	6,726	7,723
7. Average Capital Employed (Debt + Equity)	4,326	5,068	6,032	6,779	7,723
8. Profit After Tax (as per Standalone Statement of Profit and Loss)	1,161 #	1,082 #	1,191 \$	1,257 \$	1,792 #
9. Interest (as per Standalone Statement of Profit and Loss, net of Income Tax)	10	13	20	21	22
10. Net Operating Profit After Tax (NOPAT)	1,171	1,095	1,211	1,278	1,814
11. Weighted Average Cost of Capital (4 x 7)	521	588	715	854	1,045
12. Economic Value Added (10 - 11)	650	506	496	424	769
13. EVA as a % of Average Capital Employed (12 ÷ 7)	15.0%	10.0%	8.2%	6.3%	10.0%

Profit After Tax excludes exceptional items.

\$ Profit is After Tax but before Other Comprehensive Income.

[^] FY 2021-22 figures restated on account of merger.

