

To
The Members

Your Directors take pleasure in presenting the Forty Ninth Annual Report together with Audited Financial Statements for the year ended 31st March, 2018.

Financial Results (Standalone)

	(₹ in crores)	
	2017-18	2016-17
Gross Turnover	5445.67	5270.30
Turnover, Net of Excise	5309.11	4837.02
Operating profit	1430.30	1338.94
Exceptional items	-	94.34
Profit Before Tax	1331.28	1144.72
Current Year's Tax	356.89	362.66
Profit After Current Year's Tax	974.39	782.06
Deferred Tax	19.20	8.27
Profit After Tax	955.19	773.79
Profit Brought Forward	1504.72	763.76
Other comprehensive income (net of tax)	0.13	(1.98)
Profit available for appropriation	2460.04	1535.57
Appropriations		
Dividend paid	243.52 *	25.63
Tax on Dividend	49.57 *	5.22
Total	293.09	30.85
Closing balance of Retained Earnings	2166.95	1504.72

* Pertaining to dividend for FY 2016-17

Financial Performance

On a comparable basis after reflecting accounting impact of GST for the full year, net sales grew by 12.0%, with sales volume and mix growth of 11.2%. Consumer and Bazaar products grew by 12.1% and Industrial Products grew by 7.6%.

The Operating Profit for the year at ₹ 1430.30 crores increased by 6.8% and Net Profit at ₹ 955.19 crores increased by 23.4%. Income tax for the current year at ₹ 356.89 crores (including reversal of excess tax provision of ₹ 46.47 crores of earlier years) is lower by 1.6%.

The Indian Rupee was at ₹ 65.17 to a US \$ as on 31st March 2018 as compared to ₹ 64.81 to a US \$ as on 31st March 2017.

Dividend

Your Directors recommend a dividend of ₹ 6/- per equity share of ₹ 1 each (previous year a total dividend of ₹ 4.75 per equity share of ₹ 1 each), out of the current year's profit, on 50.78 crores equity capital of ₹ 1/- each amounting to ₹ 304.69 crores (previous year ₹ 243.52 crores on equity capital of 51.27 crores). Dividend for the current year will be free of tax in the hands of shareholders, upto an amount aggregating to ₹ 10 lacs. The dividend payout amount has grown at a CAGR of 22.68 % during the last 5 years. The dividend payout is in accordance with the Dividend Distribution Policy as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), is given as an annexure and the same is also available on the website of the Company.

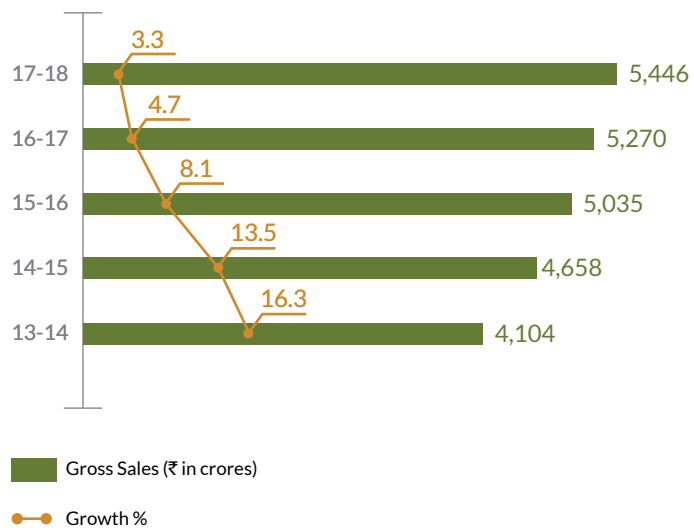
Transfer to Reserves

The Company does not propose to transfer amounts to the general reserve out of the amount available for appropriation and an amount of ₹ 2166.95 crores is proposed to be retained in the profit and loss account.

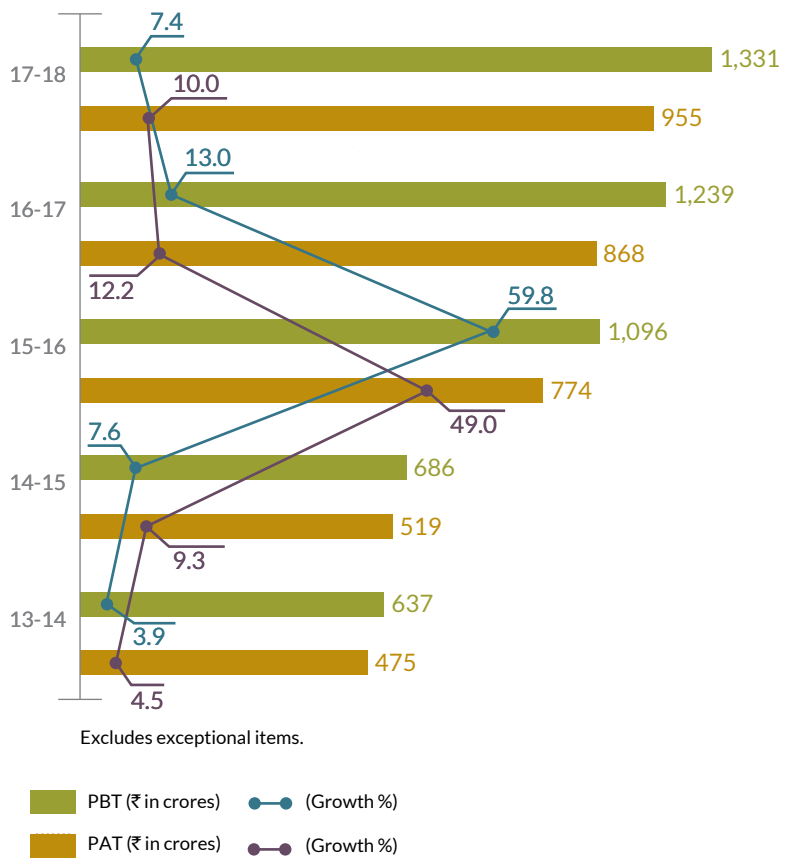
Term Finance

The Company has no outstanding term loans.

GROSS SALES & GROWTH %



PBT, PAT & GROWTH (YOY)



Capital Expenditure

The total capital expenditure during the year was ₹ 131.94 crores, spent on fixed assets for various manufacturing units, offices, laboratories, warehouses and on information technology.

Fixed Deposits

The Company has not accepted any fixed deposits during the year 2017-18.

Subsidiaries

Investment in Subsidiaries

During the year, investment of ₹ 151.19 crores was made in subsidiaries. Of these ₹ 33.92 crores was invested in overseas subsidiaries and ₹ 21.02 crores was invested in domestic subsidiaries. The balance represents the consideration paid for the acquisition of 70% equity stake in CIPY Poly Urethanes Pvt. Ltd. (excluding fair valuation of derivative option to buy balance 30% equity stake).

The investments in overseas subsidiaries were in Pidilite Middle East Ltd (₹ 16.54 crores) and Pidilite International Pte Ltd (₹ 15.91 crores) for onward investments in their step down subsidiaries and Pidilite Chemical PLC (₹ 1.47 crores).

The investments in domestic subsidiaries were in ICA Pidilite Pvt. Ltd (₹ 20.46 crores) and Fevicol Company Ltd. (₹ 0.56 crores)

During the year

- A petition has been filed with National Company Law Tribunal, Mumbai division (NCLT) for amalgamation of Percept Waterproofing Services Limited (Percept) with Nina Waterproofing Systems Private Limited (Nina). The Company holds 80% equity capital in Percept and 70% equity capital in Nina and shall hold 71.53% equity capital post merger in Nina. The said petition is pending for approval by NCLT.
- The Company acquired 70% stake in CIPY Poly Urethanes Pvt Ltd
- Building System Solution Trading Limited Liability Company (BSST) incorporated in Qatar, ceased to be a step down subsidiary of the Company with effect from 5th March 2018.
- Pidilite USA Inc., a wholly owned subsidiary of the Company sold the Cyclo Division which was engaged in the business of automobile grooming, performance and maintenance products and other such products. Some of the Trademarks used by the Cyclo Division which were owned by Pidilite International Pte Ltd., Singapore (a wholly owned subsidiary of the Company) were also assigned.

During the year CIPY Poly Urethanes Private Limited became a subsidiary of the Company.

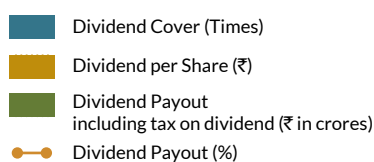
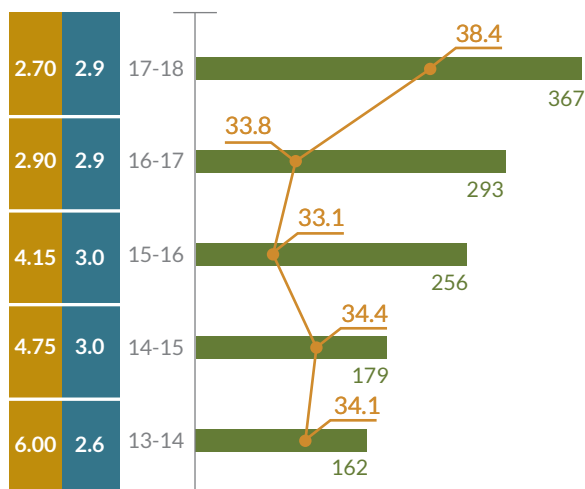
Performance of Major Domestic and Overseas Subsidiaries

Nina and Percept, domestic subsidiaries engaged in waterproofing services, reported strong sales and EBITDA growth in current year.

ICA Pidilite Private Limited (ICA Pidilite), a joint venture (JV) of the Company and ICA Spa of Italy, commenced operations in 2016-17. As a part of the Technology Transfer Agreement with ICA Spa, the JV is setting up a plant to manufacture high end wood finishes in India. Sales of ICA Pidilite for the fourth quarter was impacted by a classification dispute with regulatory authorities. The matter is being contested by the Company.

Pidilite USA sales for the year declined over previous financial year due to drop in demand of products for adult coloring segment. EBITDA for the year grew over the previous year, as the previous year results include provision for voluntary recall of Tempra and Fingerpaint products based on routine quality control inspections.

Equity Dividend Payout & % of Net Profit (excluding exceptional items)



(₹ in crores)

Name of Subsidiary	Sales 17-18	Sales 16-17	% Growth	EBITDA 17-18	EBITDA 16-17	% Growth
Nina Waterproofing Systems Pvt Ltd	183.61	150.69	21.8%	22.95	11.17	105.5%
Percept Waterproofing Services Ltd	55.58	43.64	27.4%	7.09	4.76	48.9%
ICA Pidilite Pvt Ltd	102.76	94.94	8.2%	1.43	10.30	(86.1%)
CIPY Poly Urethanes Pvt Ltd (Acquired on 8 th February 2018)	26.72	-	-	2.22	-	-
Pidilite USA Inc	108.48	143.80	(24.6%)	7.05	(2.00)	452.5%
Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda	93.60	97.21	(3.7%)	0.72	5.21	(86.2%)
Pidilite Speciality Chemicals Bangladesh Pvt Ltd	85.07	75.62	12.5%	15.20	13.50	12.6%
Pidilite Industries Egypt SAE includes PIL Trading (Egypt) Company	26.34	21.40	23.1%	(1.40)	(3.32)	57.8%
Pidilite Bamco Ltd includes Bamco Supply and Services Ltd	51.33	46.66	10.0%	4.43	4.86	(8.7%)
Pidilite MEA Chemicals LLC	84.00	72.29	16.2%	(9.28)	(18.02)	48.5%
Pidilite Lanka (Pvt) Ltd	31.84	26.28	21.2%	1.03	1.80	(42.5%)

Previous year figures, wherever applicable, are made comparable after reflecting impact of GST for the full year.

Overseas subsidiaries figures are at constant currency. Figures given above do not include Sales and EBITDA of Cyclo Division of Pidilite USA as Cyclo business was sold by Pidilite USA in June 2017.

Pulvitec do Brasil sales declined due to competitive pressure in key products. The demand situation in Brazil continues to be uncertain.

The subsidiaries in Bangladesh and Thailand reported reasonable sales growth. EBITDA for subsidiaries in Thailand declined on account of higher material cost.

The subsidiaries in Egypt and UAE reported reduction in EBITDA losses due to good sales growth and control on expenses.

Pidilite Lanka continued to report good sales growth. However, EBITDA declined due to higher investments to support future sales growth.

Consolidated Financial Statements

In accordance with the requirements of Indian Accounting Standards AS 110 (read with IND AS 28 and IND AS 31) issued by Central Government under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, the Consolidated Financial Statements of the Company are provided in the Annual Report. A statement containing the salient features of the Company's subsidiaries, associate and joint venture company in the prescribed form in Form AOC - 1 is attached.

The Consolidated Financial Statements have been prepared on the basis of audited financial statements of the Company, its subsidiaries, associate company and joint venture, as approved by their respective Board of Directors except Plus Call Technical Services LLC for which the financial statements have been approved by the management of the Joint Venture.

The Consolidated Financial Statements of the Company for the financial year 2017-18 are prepared in compliance with applicable provisions of the Companies Act, 2013, Indian Accounting Standards and presented in compliance with Listing Regulations. The accounts of the subsidiaries are also uploaded on the website of the Company, www.pidilite.com.

Directors and Key Managerial Personnel

Members approval is sought by way of Special Resolution for re-appointment of Shri M B Parekh as Whole Time Director for a further period of 5 years with effect from 1st August 2018. Shri M B Parekh is the Executive Chairman of the Company.

Members approval is sought for re-appointment of (i) Shri A B Parekh, as a Whole Time Director, for a further period of 5 years with effect from 1st August 2018 and

(ii) Shri Sabyaschi Patnaik, as a Whole Time Director, for a further period of 3 years with effect from 19th May 2018.

In accordance with the Articles of Association of the Company, Shri A B Parekh and Shri Sabyaschi Patnaik, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Shri Ranjan Kapur, Director of the Company passed away on 27th January 2018. He was a director in the Company since 17th October 2000. The Directors place on record their sincere appreciation of the valuable services rendered by Shri Ranjan Kapur during his tenure as Director of the Company.

Shri Piyush Pandey was appointed as an Additional Director of the Company with effect from 11th April 2018. Members approval is sought for appointment of Shri Piyush Pandey as an Independent Director for a period of 5 years.

In terms of Section 203 of the Companies Act, 2013, the Board has appointed Shri P Ganesh as the Chief Financial Officer (Key Managerial Personnel) of the Company with effect from 20th November 2017.

Policy on Directors' remuneration

The Policy on Directors' remuneration is given as an annexure and is also available on the website of the Company, www.pidilite.com. There has been no change except an increase in the commission payable to non-executive Directors. The remuneration paid to the Directors is as per the terms laid out in the said policy of the Company.

Buyback of shares

In terms of the special resolution passed by the members, by postal ballot procedure, the Company has completed buyback of 50,00,000 (Fifty Lakhs) fully paid-up equity shares of ₹ 1/- each (representing about 0.975% of the total outstanding pre buyback equity shares of the Company) at a price of ₹ 1,000/- (Rupees One Thousand only) per equity share for an aggregate amount of ₹ 500,00,00,000/- (Rupees Five Hundred Crores only) from the equity shareholders/ beneficial owners holding equity shares as on Record Date i.e. 12th February 2018, on proportionate basis through the tender offer route in accordance with the provisions of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder.

Consequent to above change, the paid up share capital of the Company has decreased from 51,28,10,330 equity shares of ₹ 1/- each to 50,78,10,330 equity shares of ₹ 1/- each.

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;
- the directors 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 31st March 2018 and of the profit of the company for that period;
- the directors 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;
- the directors have prepared the annual accounts on a going concern basis;
- the Board has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the directors 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, Committee and Individual Directors. The evaluation of the Board, Committees, Directors and Chairman of the Board was conducted based on the evaluation parameters such as Board composition and Structure, effectiveness of the Board, participation at meetings, domain knowledge, awareness and observance of governance, etc.

Familiarisation Programme

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

The familiarisation programme for Independent Directors in terms of provisions of Regulation 46(2)(i) of Listing Regulations, is uploaded on the website of the Company.

Number of Meetings of Board of Directors

Seven meetings of the Board of Directors of the Company were held during the year. For further details, please refer to Corporate Governance section of this Annual Report.

Statement of Declaration on Independence given by Independent Directors

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of Listing Regulations.

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 Report. The requisite certificate from M/s M. M. Sheth & Co., Practising Company Secretaries, is attached to the Report on Corporate Governance.

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review as stipulated under Listing Regulations is presented in a section forming part of Annual Report. Items covered in Board's Report are not repeated in the Management Discussion and Analysis Report.

Statutory Auditors

The members on 25th September 2014 had appointed M/s. Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 117364W) for a period of 4 years upto the conclusion of the 49th Annual General Meeting of the Company. M/s. Deloitte Haskins & Sells are not seeking re-appointment as Statutory Auditors of the Company.

In accordance with the provisions of Companies Act, 2013 it is proposed to appoint M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018) (which belongs to the same network as that of existing Statutory Auditors), as Statutory Auditors of the Company, for a period of 5 years i.e. upto the conclusion of Annual General Meeting to be held for the adoption of accounts for the year ending 31st March 2023.

M/s Deloitte Haskins & Sells LLP, Chartered Accountants, have consented to be the Auditors of the Company, if appointed by the members at the Annual General Meeting and have also confirmed that their appointment is as per the provisions of Section 141 of the Companies Act, 2013 and Rule 4 of Companies (Audit and Auditors) Rule, 2014.

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 Companies Act, 2013.

Corporate Social Responsibility Committee

The details of Corporate Social Responsibility Committee has been provided under Corporate Governance section of this Annual Report and is also posted on the website of the Company.

The report as per Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as Annexure 1.

Audit Committee

The Audit Committee was reconstituted on 11th April 2018 by appointing Shri Sanjeev Aga as a member of the Committee. Shri Ranjan Kapur ceased to be member of the Committee due to his demise. The Audit Committee comprises of Directors namely Shri B S Mehta (Chairman), Shri M B Parekh, Shri Uday Khanna and Shri Sanjeev Aga as other members. All the recommendations made by the Audit Committee were accepted by the Board.

Vigil Mechanism / Whistle Blower Policy

The Company has established a Vigil mechanism and Whistle Blower Policy for Directors and employees. It has been communicated to the Directors and employees of the Company and also posted on the website of the Company.

Policy relating to Prevention of Sexual Harassment

The Company has formulated a Prevention of Sexual Harassment Policy and has formed an Internal Complaints Committee. 1 complaint was received during the year and the same was resolved.

Cost Auditor and Cost Audit Report

M/s. V J Talati & Co., Cost Accountants, were appointed as the Cost Auditor for the financial year 2017-18 to conduct the audit of the cost records of the Company. M/s V J Talati & Co., Cost Accountants, have been reappointed as the Cost Auditor for the financial year 2018-19. In terms of the provisions of Section 148(3) of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company. Accordingly, the Board seeks ratification at the ensuing AGM of the remuneration payable to the Cost Auditors for the financial year 2018-19.

Secretarial Auditor and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s M.M. Sheth & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor is attached as Annexure 2. 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 Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 are attached to this Report as Annexure 3.

Risk Management

In compliance with Regulation 21 of Listing Regulations, a Risk Management Committee has been constituted by the Board. Risk Management Committee also known as Risk Management Oversight Committee has been entrusted with roles and powers which includes: a) Review and approval of risk management plan b) Review progress on the risk management plan c) Propose methodology on risk classification and measurement.

The Company has laid out a risk management plan for identification and mitigation of risks. The Company has constituted a Management Risk Committee which is chaired by an Executive Director and has functional heads as members of the Committee. Business heads are invited as and when required. Risks (Business / Reputation) and mitigation plans are considered by this committee. The Risk Management Committee of the Board provides reasonable oversight of the risks.

The other details are provided in the Corporate Governance Report.

Contracts and Arrangements with Related Parties

All contracts/arrangements entered by the Company during the financial year with related parties 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.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board is available on the website: www.pidilite.com.

Your Directors draw attention of the members to Note No. 44 to the standalone financial statement which sets out related party disclosures pursuant to IND AS.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees or investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

Employees Stock Option Scheme

The Employees Stock Option Scheme is in line with SEBI (Share Based Employee Benefits) Regulations, 2014 [SBEB Regulations]. The certificate of auditors regarding implementation of the Scheme being in accordance with

SBEB Regulations would be placed at the Annual General Meeting for inspection by Members.

The applicable disclosure, as stipulated under the SBEB Regulations, as on 31st March 2018 with regard to Employee Stock Option Scheme is provided in Annexure 4 to this Report.

Extract of Annual Return

Extract of Annual Return of the Company is attached as Annexure 5 to this Report.

Particulars of Employees and related disclosures

Disclosure pertaining to remuneration as per Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as Annexure 6 to this Report.

Details of employee remuneration as required under provisions of Section 197 of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any modifications, thereof) are available at the Registered Office of the Company during working hours and shall be made available to any shareholder on request.

Business Responsibility Report

A Business Responsibility 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.

Industry Structure and Development

There is no material change in the industry structure as was reported last year.

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

Products such as Adhesives, Sealants, Art & Craft Materials and Others, Construction and Paint Chemicals as well as joineries are covered under Branded Consumer & Bazaar products segment.

These products are widely used by carpenters, painters, plumbers, mechanics, households, students, offices etc.

Industrial Products segment covers products such as industrial adhesives, synthetic resins, organic pigments, pigment preparations, surfactants etc and caters to various industries like packaging, textiles, paints, printing inks, paper, leather etc.

In both the above business segments, there are a few medium to large companies with national presence and a large number of small companies which are active regionally. There is a growing presence of multinationals in many of the product categories in which the Company operates.

Current Year Outlook

The GST regime is stabilizing and is expected to have a positive influence on the Company's business in the long run.

The prices of raw material and packing material have further increased. The Company will take necessary steps to mitigate this increase.

The major subsidiaries in India are taking initiatives to improve the market shares in their respective businesses.

The Company's major international subsidiaries are in USA, Brazil, Thailand, Egypt, Dubai and Bangladesh. The business environment in some of these countries remain subdued. However, the management is taking various steps to improve the 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. Higher growth in select global economies could provide a boost to exports.

Slower growth of the Indian economy could impact the performance of the Company.

Overseas subsidiaries by virtue of their relatively smaller size remain vulnerable to the political and economic uncertainties of their respective countries.

Internal Financial 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, periodically reviews the progress of audits as per approved audit plans, 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.

Human Resources

The focus for the year was on Capability Building, Employee Engagement and Key Talent Management. Capability building was taken forward by introducing Signature Programs across

disciplines. These programs focus on building sales, marketing and excellence management.

This year the development Centre for frontline sales and field marketing employees covered over 500 employees across all divisions. This has facilitated frontline development, appropriate staffing for new opportunities and building frontline capability.

Employee Engagement activities have been now brought under the new theme of "HAH" – Happy And Healthy Pidilite. This enables building an engaging workplace for the employees. Coupled with Facebook's Workplace which was launched last year, a young and vibrant workplace is now offered across all locations to all employees.

The total number of employees as on 31st March 2018 was 5382.

General

The Company has not issued equity shares with differential rights as well as sweat equity shares.

The details of constitution of Nomination and Remuneration Committee and Stakeholders Relationship Committee are given in the Corporate Governance Report.

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 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 : 24th May 2018

MB Parekh
Executive Chairman