

To
The Members

Your Directors take pleasure in presenting the Fifty First Annual Report together with Audited Financial Statements for the year ended 31st March 2020.

Financial Results (Standalone)

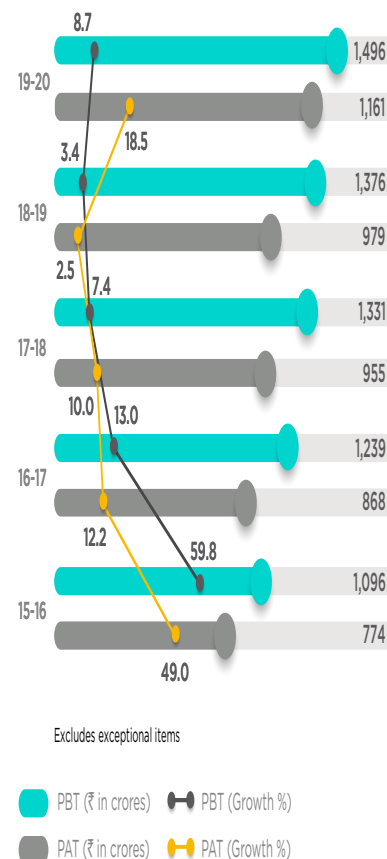
	₹ in crores	
	2019-20	2018-19
Sales	6,290.43	6,047.40
Operating Profit	1,637.28	1,489.74
Finance Costs	(13.40)	(7.14)
Depreciation, Amortisation and Impairment Expense	(125.79)	(99.83)
Net Foreign Exchange Loss	(1.86)	(6.32)
Profit Before Exceptional Items and Tax	1,496.23	1,376.45
Exceptional Items	59.28	-
Profit Before Tax	1,436.95	1,376.45
Current Year's Tax	(368.65)	(385.56)
Profit After Current Year's Tax	1,068.30	990.89
Deferred Tax	33.32	(11.45)
Profit After Tax	1,101.62	979.44
Profit Brought Forward	2,779.09	2,166.95
Other Comprehensive Income included in retained earnings (Net of tax)	(11.20)	(2.98)
Profit available for appropriation	3,869.50	3,143.41
Appropriations		
Dividend paid	(330.18) *	(304.69) #
Interim Dividend paid	(355.61)	-
Tax on Dividend	(140.97)	(59.63) #
Total	(826.76)	(364.32) #
Closing balance of Retained Earnings	3,042.74	2,779.09

* Pertaining to dividend for FY 2018-19

Pertaining to dividend for FY 2017-18

The dividend payout is in accordance with the Dividend Distribution Policy which is given as an annexure and the same is also available on the website of the Company www.pidilite.com.

PBT, PAT & GROWTH (YOY)



Excludes exceptional items

■ PBT (₹ in crores) ■ PAT (₹ in crores)
— PBT (Growth %) — PAT (Growth %)

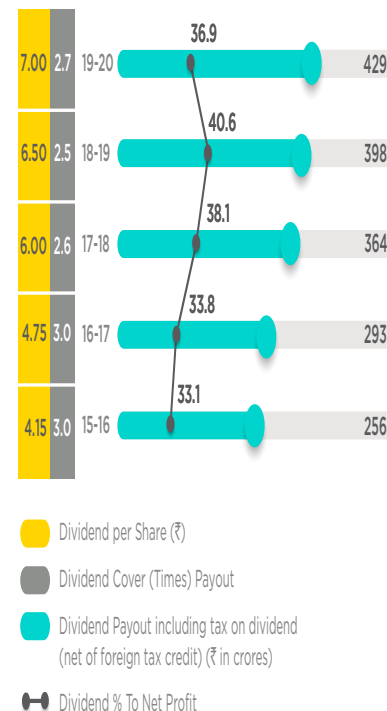
Financial Performance

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

Dividend

Your Directors recommend that the interim dividend of ₹ 7/- per equity share of ₹ 1/- each amounting to ₹ 355.61 crores, which was declared and paid during the Financial Year, be considered as the final dividend out of the current year's profit, on equity capital of ₹ 50.81 crores (previous year ₹ 6.50 per equity share of ₹ 1/- each aggregating to ₹ 330.18 crores on equity capital of ₹ 50.80 crores). The dividend payout amount has grown at a CAGR of 13.8% during the last five years.

EQUITY DIVIDEND PAYOUT & % OF STANDALONE NET PROFIT (EXCLUDING EXCEPTIONAL ITEMS)



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 ₹ 369.03 crores (previous year ₹ 186.23 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 2019-20 (previous year NIL).

Subsidiaries

Investment in Subsidiaries

During the year, investment of ₹ 146.18 crores (previous year ₹ 61.04 crores) was made in subsidiaries. Of this, ₹ 127.08 crores was invested in domestic subsidiaries and ₹ 19.10 crores in overseas subsidiaries.

The investments in domestic subsidiaries were in Madhumala Ventures Pvt. Ltd. (formerly known as Madhumala Traders Pvt. Ltd.) amounting to ₹ 126.47 crores and in newly incorporated subsidiaries namely Pidilite Litokol Pvt Ltd (₹ 0.60 crores) and Pidilite Grupo Puma Manufacturing Ltd (₹ 0.01 crores).

The investments in overseas subsidiaries were in Pidilite International Pte Ltd., Singapore (₹ 18.03 crores), Pidilite Chemical PLC, Ethiopia (₹ 0.75 Crores) and Pidilite Industries Egypt SAE (₹ 0.32 crores).

During the year

- a. The Company along with Litokol S.p.A, Italy has incorporated a joint venture subsidiary in the name of "Pidilite Litokol Private Limited" (PLPL) on 7th October 2019 to carry on the business of chemicals epoxy grouts, chemical based products etc. The Company holds 60% of the paid up share capital and has management control of PLPL.
- b. The Company alongwith Corporacion Empresarial Grupo Puma S.L., Spain has incorporated a joint venture subsidiary in the name of "Pidilite Grupo Puma Manufacturing Limited" (PGPML)

on 13th January 2020 to carry on the business of manufacturing, processing and distribution of technical mortars and other materials used in construction. The Company holds 50% of the paid up share capital and has management control of PGPML.

- c. Nina Percept Private Limited (NPPL), subsidiary of the Company along with Pidilite Speciality Chemicals Pvt Ltd (PSCB), a step down subsidiary of the Company, has incorporated a company on 29th January 2020, in Bangladesh namely "Nina Percept (Bangladesh) Pvt Ltd." to carry on the business of roofing and waterproofing services in Bangladesh. NPPL holds 99% of the paid up share capital of Nina Percept (Bangladesh) Pvt. Ltd and the balance 1% is held by PSCB.
- d. The Company alongwith Chetana Exponential Technologies Pvt Ltd, Bangalore has incorporated a joint venture company in the name of "Pidilite C-Techos Walling Limited" (PCWL) on 5th March 2020, to carry on the business of construction of building works or any other structural or architectural work of any kind using C-Techos wall technology, manufacturing of ACC panels and other ancillary products. The Company holds 60% of the paid up share capital and has management control of PCWL.
- e. The Company has, for operational convenience and synergies, entered into a business transfer agreement for acquiring the business of wholly owned entity, M/s. Nitin Enterprise (a partnership firm having two partners, both of which are wholly owned subsidiaries of the Company) on a slump sale basis for a cash consideration of an amount not exceeding ₹ 18.50 crores subject to necessary approvals. The acquisition process is likely to be completed during the financial year 2020-21.
- f. Madhumala Ventures Pvt Ltd (formerly known as Madhumala Traders Pvt Ltd), a wholly owned subsidiary of the Company, has made three strategic investments in relevant start-ups in the domain of home décor, furnishings, painting and waterproofing aggregating to ₹ 122.48 crores. With these investments, the Company intends to support and collaborate with these start ups for mutual benefits.
- g. Pursuant to a share purchase agreement executed with Tenax S.p.A, Italy, the Company acquired 70% of the share capital of Tenax India Stone Products Pvt. Ltd. for a cash consideration of approx. ₹ 80 crores. The acquisition process was completed on 28th May 2020.

Performance of Major Domestic and Overseas Subsidiaries

(₹ in crores)

Name of Subsidiary	Sales 2019-20	Sales 2018-19	% Growth	EBITDA 2019-20	EBITDA 2018-19	% Growth
Nina Percept Pvt Ltd	267.76	304.80	(12.2%)	11.50	34.08	(66.3%)
ICA Pidilite Pvt Ltd	185.83	168.33	10.4%	24.13	1.56	1450.1%
CIPY Poly Urethanes Pvt Ltd	121.38	155.43	(21.9%)	15.38	20.93	(26.5%)
Pidilite Speciality Chemicals Bangladesh Pvt Ltd	119.19	99.14	20.2%	18.38	17.14	7.2%
Pidilite Lanka (Pvt) Ltd	41.46	35.04	18.3%	2.91	(0.60)	584.7%
Pidilite USA Inc	113.72	104.97	8.3%	(0.42)	1.36	(131.3%)
Pulvitec do Brasil Industria e Comercio de Colas e Adesivos Ltda	88.12	81.80	7.7%	1.98	0.32	511.0%
Pidilite Industries Egypt SAE includes PIL Trading (Egypt) Company	35.03	31.64	10.7%	(0.07)	(1.92)	96.1%
Pidilite Bamco Ltd includes Bamco Supply and Services Ltd (Thailand)	60.69	63.07	(3.8%)	5.14	4.02	27.9%
Pidilite MEA Chemicals LLC (UAE)	109.55	100.78	8.7%	(4.14)	(7.55)	45.2%

Overseas subsidiaries figures are at constant currency.

Nina Percept saw a decline in sales and decrease in profitability due to a slowdown in the real estate sector.

ICA Pidilite reported higher sales and improved profitability on account of scaled up local manufacturing.

Cipy witnessed lower sales and decline in profitability on account of a slowdown in the Auto and Engineering segment.

The subsidiary in Bangladesh reported good sales growth with healthy profitability. The second manufacturing plant at Bhaluka was commissioned during the year.

Pidilite Lanka continued to grow in the current year, and reported positive EBITDA due to lower material cost and benefit of local manufacturing.

Pidilite USA sales grew due to higher sales of Tempera, Pencil and Acrylic colours, however it reported a negative EBITDA due to one off tax expenses pertaining to the past period.

Pulvitec do Brasil reported moderate sales growth and higher EBITDA on account of margin improvement and cost saving initiatives.

The subsidiaries in Egypt reported moderate sales growth. The subsidiaries in Thailand saw marginal

decline in sales due to market conditions. EBITDA in these subsidiaries improved due to benefit of softer input cost and controlled spends.

The subsidiary in UAE reported reduction in EBITDA losses due to higher sales, margin improvement and cost saving initiatives.

Consolidated Financial Statements

In accordance with the provisions of the 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 2019-20, together with the Auditors' Report, form part of this Annual Report. A statement containing the salient features of the Company's subsidiaries, associate and joint venture company 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 company and joint venture, as approved by their respective Board of Directors except Pulvitec do Brasil Industria e

Comercio de Colas e Adesivos Ltda which has been approved by the local administrator and Plus Call Technical Services LLC, Dubai for which the financial statements has been approved by the management. There has been no transaction in Pidilite C-Techos Private Limited and Pidilite Grupo Puma Private Limited from the respective dates of their incorporation till 31st March 2020.

The accounts of the subsidiaries are also uploaded on the website of the Company, www.pidilite.com.

Directors and Key Managerial Personnel

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, has recommended to the Members (a) the re-appointment of Shri Bharat Puri as the Managing Director of the Company for a further period of 5 years with effect from 10th April 2020 (b) the re-appointment of Shri A N Parekh as the Whole-time Director of the Company for a further period of 5 years with effect from 1st July 2020 and (c) the re-appointment of Shri Sanjeev Aga as an Independent Director of the Company for a second consecutive term of 5 years, commencing from the conclusion of the 51st AGM.

Shri Sabyaschi Patnaik, Whole-time Director, designated as Director-Operations of the Company, resigned from the end of business hours of 29th February 2020. The Directors place on record their sincere appreciation for the valuable services rendered by him during his tenure as the Whole-time Director of the Company.

Shri Debabrata Gupta was appointed as an Additional Director of the Company by the Board on the recommendation of Nomination and Remuneration Committee with effect from 1st March 2020. Members' approval is sought for his appointment as a Director and also Whole-time Director designated as Directors-Operations of the Company for a period of three years with effect from 1st March 2020.

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

In terms of Section 203 of the Act and applicable provision of Listing Regulations, the Board of Directors have appointed Shri Pradip Menon as the Chief Financial Officer (Key Managerial Personnel) of the Company with effect from 18th November 2019.

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. 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;
- 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 2020 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 and performance of its Committees 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. 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 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 the Listing Regulations, is uploaded on the website of the Company.

Number of Meetings of Board of Directors

Six meetings of the Board of Directors of the Company were held during the year. 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 and
- b. they have registered their names in the Independent Directors' Databank.

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 M. M. Sheth & Co., Practising Company Secretaries, is attached to the Report on Corporate Governance.

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 Board's 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 the recommendations made by the Audit Committee have been accepted by the Board.

Corporate Social Responsibility (CSR) Report and Policy

The CSR Report as per Section 135 of the Act read with Companies (Corporate Social Responsibility

Policy) Rules, 2014 is attached as Annexure 1 to this Report. The details of CSR Initiatives forms part of Social & Community Services Initiatives section of this Annual Report. CSR Policy can be accessed on website of the Company www.pidilite.com

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. 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

The Company has formulated a Prevention of Sexual Harassment Policy and has formed Internal Complaints Committees, as per statutory requirements. For further details, please refer to the Report on Corporate Governance, which forms a part of this Annual Report.

Statutory Auditors

In accordance with the provisions of the Act, M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No 117366W/W-100018) have been appointed as the Statutory Auditors of the Company, for a period of five years i.e. up to the conclusion of 54th AGM to be held for the adoption of accounts for the year ending 31st March 2023. Auditors have confirmed that they are not disqualified from continuing as Auditors of the Company.

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.

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 2019-20 to conduct the audit of the cost records of the Company and they have been reappointed as the Cost Auditor for the financial year 2020-21. 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 Auditors 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 Auditors for the financial year 2020-21.

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 M. M. Sheth & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2019-20. The Report of the Secretarial Auditor is attached as **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 Risk Management Oversight Committee, is 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 also constituted a Management Risk Committee which is chaired by the Managing Director and has Senior Leadership of the Company as members of the Committee. 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 entered into by the Company during the financial year 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 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 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.

Disclosure of related party transactions with the promoter(s)/promoter(s) group, which individually hold 10% or more share holding 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 (SBEB Regulations). The certificate of Auditors regarding implementation of the Scheme is available for inspection of Members in electronic mode.

The applicable disclosure, as stipulated under the SBEB Regulations, as on 31st March 2020 with regard to the 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. It is also available on the website: www.pidilite.com.

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.

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

Disclosure pertaining to remuneration as per Section 197(12) of the Act, 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 Act 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.

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 : 17th June 2020

M B Parekh
Executive Chairman

