

Innovation Led Growth



Innovation Led Growth

Innovation is what Kansai Nerolac Paints Limited (KNPL) is passionate about and has manifested over the years in a number of unique or first of its kind initiatives or ideas; be it products, technology or services that KNPL has brought to the market.

During the last few years, KNPL has been strategically investing in a number of ideas which would help the Company offer better value to its stakeholders.

Digitalization over the last few years has become a wave which is redefining industries and product offering. KNPL has been working on the digital agenda for the last couple of years. During the last year, KNPL has deepened the impact of digitalization by extending it to areas like Manufacturing, R&D, Supply Chain and Procurement. These innovations would bring greater transparency, speed and agility to the Company.

This year KNPL embraced mobility and cloud platform especially in customer facing processes. KNPL leveraged IT capabilities to develop an online dealer portal for order placement, order tracking, feedback, complaint resolution, and analysis. All these innovations would help the Company be more responsive in the market place.

To be able to stand out amidst the clutter in the market place is what good advertising is all about. During the year, KNPL became the first Company in the industry to associate with IPL. KNPL also associated with the popular domestic football league ISL.

Year on Year, KNPL has been able to develop and launch new and innovative products in the Indian Market, and this year too saw the launch of many innovative products. In the Decorative space, an exterior emulsion, Excel Mica Marble was launched which offers increased toughness for better protection and a rich customer experience. A novel product Ready Mix (Primer+Putty) was launched which reduces cost for the customer by combining primer and putty together. In the Industrial segment, KNPL offered to its customers medium solid base coat technology, superior mar and scratch resistant clear coats, monocoat metallic systems, superior weatherability monocoat paint as well as water based top coat for two wheeler frames. Many other products were also launched keeping in mind the ever changing requirements of the Indian consumer.

In order to maintain the momentum of growth and make it sustainable, KNPL is investing in three green-field state-of-the-art Plants in 3 different geographical zones. The Company is in the process of developing a state-of-the-art global Research & Development center in Navi Mumbai. Many new innovations in process and technology are part of the blueprint of these new set ups, which will help improve efficiency, productivity and help meet the evolving requirements of the Indian market.

With an all-round emphasis on processes, customer centricity and product innovations, KNPL is poised for growth for years to come.

DIRECTORS

P. P. SHAH *(Chairman)*
D. M. KOTHARI *(Vice Chairman – upto May 2, 2017)*
H. M. BHARUKA *(Managing Director – upto May 2, 2017)*
(Vice Chairman and Managing Director from May 3, 2017)

N. N. TATA
P. D. CHAUDHARI *(Whole-time Director)*
M. TANAKA
H. FURUKAWA
MRS. B. SOMAYA
K. KATO

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

- UNION BANK OF INDIA
- STANDARD CHARTERED BANK
- HDFC BANK LTD.
- BNP PARIBAS

AUDITORS

B S R & CO. LLP, MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

NEROLAC HOUSE, GANPATRAO KADAM MARG,
LOWER PAREL, MUMBAI-400 013

Tel: +91-22-24934001

Fax: +91-22-24973704

Website: www.nerolac.com

Investors Relations e-mail Id: investor@nerolac.com

Corporate Identity Number (CIN): L24202MH1920PLC000825

CONTENTS

Notice	..	3-13
Board's Report including Management Discussion and Analysis	..	14-56
Report on Corporate Governance	..	57-71
Business Responsibility Report	..	72-77
Auditors' Report on Standalone Financial Statements	..	78-83
Standalone Balance Sheet	..	84
Standalone Statement of Profit and Loss	..	85
Standalone Statement of Cash Flows	..	86-87
Standalone Statement of Changes in Equity	..	88
Notes to the Standalone Financial Statements	..	89-126
Salient Features of the Subsidiaries in Form AOC-1	..	127
Auditors' Report on Consolidated Financial Statements	..	128-131
Consolidated Balance Sheet	..	132
Consolidated Statement of Profit and Loss	..	133
Consolidated Statement of Cash Flows	..	134-135
Consolidated Statement of Changes in Equity	..	136
Notes to the Consolidated Financial Statements	..	137-174
Summarised Statement of Profit and Loss of 15 Years	..	175



Registered Office : 'Nerolac House', Ganpatrao Kadam Marg, Lower Parel, Mumbai 400013.

Tel: +91-22-24934001 • Fax: +91-22-24973704 • Website: www.nerolac.com

Investors Relations e-mail Id: investor@nerolac.com • Corporate Identity Number (CIN): L24202MH1920PLC000825

NOTICE

Notice is hereby given that the Ninety-Seventh Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400001 on Wednesday, 21st June, 2017 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2017 including audited Balance Sheet as at 31st March, 2017 and Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a normal dividend of ₹ 2.50 (250%) and a special dividend of ₹ 0.50 (50%) per Equity Share, thus aggregating to a total dividend of ₹ 3.00 (300%) per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2017.
3. To appoint a Director in place of Mr. Masaru Tanaka (holding DIN 06566867), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hidenori Furukawa (holding DIN 06924589), who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force), B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee in addition to the reimbursement of service tax and actual out of pocket expenses incurred in connection with the audit of accounts of the Company for the financial year ending 31st March, 2018."
6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that in accordance with the provisions of Section 148 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Amendment Rules, 2016, the remuneration of the Cost Auditor, D. C. Dave & Co., Cost Accountants, for the year ended 31st March, 2017, as recommended by the Audit Committee and approved by the Board of Directors be and is hereby ratified."
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that in accordance with the provisions of Section 148 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Amendment Rules, 2016, the remuneration of the Cost Auditor, D. C. Dave & Co., Cost Accountants, for the year ending 31st March, 2018, as recommended by the Audit Committee and approved by the Board of Directors be and is hereby ratified."

SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED that subject to the provisions of Sections 196, 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. H.M. Bharuka (holding DIN 00306084) as the Vice Chairman and Managing Director of the Company for the period commencing from 3rd May, 2017 and ending on 31st March, 2022 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Bharuka placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Bharuka, in terms of the aforesaid draft Agreement.”

9. To appoint a Director in place of Mr. Katsuhiko Kato (holding DIN 07556964), who was appointed as a Director of the Company under Article 114 of the Articles of Association of the Company to fill in the casual vacancy created by the resignation of Mr. Shinji Asatsuma, and who holds office upto the date of this Annual General Meeting by reason of Section 161 (4) of the Companies Act, 2013, but being eligible, offers himself for re-appointment and in respect of whom the Company has received notices in writing from some shareholders proposing his candidature for the office of Director.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2017.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER. A person can act as proxy on behalf of members not

exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten (10) percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

The instrument of Proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.

2. Corporate Members intending to send their authorized representatives to attend the meeting pursuant to section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board resolution together with the specimen signatures of their authorized representatives to attend and vote on their behalf at the meeting.
3. The Explanatory statement pursuant to Section 102 of the Companies Act, 2013 relating to Item Nos. 5, 6, 7, 8 and 9 is annexed hereto.
4. The Board of Directors has recommended for consideration of the Members a normal dividend of ₹ 2.50 (250%) and a special dividend of ₹ 0.50 (50%) per Equity Share, thus aggregating to a total dividend of ₹ 3.00 (300%) per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2017.
5. The Register of Members and Share Transfer books of the Company will remain closed from Thursday 15th June, 2017 to Wednesday 21st June, 2017 (both days inclusive), for the purpose of Annual General Meeting and Dividend. Dividend, if declared, will be payable on or after 27th June, 2017 to those members whose names are registered as such in the Register of Members of the Company as on 14th June, 2017 and to the Beneficiary holders as per the beneficiary list as on 14th June, 2017 provided by the NSDL and CDSL.
6. In accordance with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed 14th June, 2017 as the “cut-off date” to determine the eligibility to vote by electronic means or in the general meeting. A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. 14th June,

2017, shall be entitled to avail the facility of remote e-voting or voting in the general meeting.

7. Shareholders may be aware that the Companies Act, 2013, permits service of the Notice of the Annual General Meeting through electronic mode. Electronic copy of the Annual Report including Notice of the 97th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Admission Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes. However, those members who desire to have a physical copy may request for the same to the Registrar & Transfer Agent (RTA), TSR Darashaw Ltd. For members who have not registered their email IDs, physical copies of the Annual Report are being sent in the permitted mode.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to TSR Darashaw Ltd.
9. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs with their Depository Participant are requested to register their e-mail address at the earliest, to enable the Company to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail address to the RTA by sending an e-mail at csg-unit@tsrdarashaw.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.

10. **Voting through Electronic means**

In compliance with Section 108 and other applicable provisions of the Companies Act, 2013, if any, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide its Shareholders with the facility of "remote e-voting" (e-voting from a place

other than venue of the AGM), to enable them to cast their votes at the 97th Annual General Meeting (AGM) and the business at the 97th AGM may be transacted through such voting. The Company has entered into an agreement with Central Depository Services (India) Ltd. (CDSL) for facilitating e-voting to enable all its Shareholders to cast their vote electronically.

The facility for voting, either through electronic voting system or ballot/polling paper shall also be made available at the venue of the AGM, apart from the remote e-voting facility provided prior to the date of AGM. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again at the AGM. The Company has appointed Mr. H. R. Thakur, Practising Company Secretary, as the Scrutiniser for conducting the remote e-voting and the voting process at the AGM in a fair and transparent manner. The Scrutiniser shall make a consolidated Scrutiniser's report of the total votes cast in favour or against, if any, during the remote e-voting and voting at the AGM, not later than three days of conclusion of the meeting, to the Chairman or a person, authorised by him in writing. The Chairman or a person, authorised by him in writing, shall declare the results of the AGM forthwith. The results declared along with the Scrutiniser's report shall be placed on the Company's website and on the website of CDSL and shall be communicated to the Stock Exchanges.

Members holding shares in physical form or in demat form as on 14th June, 2017, the cut-off date shall only be eligible for e-voting.

The instructions for voting electronically are as under:

The voting period begins on Saturday, 17th June, 2017 at 9.00 a.m. and ends on Tuesday, 20th June, 2017 at 5.00 p.m. During this period the eligible shareholders of the Company, holding shares either in physical form or in demat form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- (i) The shareholders should log on to the e-voting website www.evotingindia.com.

- (ii) Click on Shareholders/Members.
- (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and Click on Login.
- (v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vi) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

- (vii) After entering these details appropriately, click on "SUBMIT" tab.

- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN of KANSAL NEROLAC PAINTS LIMITED on which you choose to vote.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote or cast your vote again.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.

(xvii) **Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. The procedure to be followed for e-voting through mobile app is the same as provided hereinabove.**

(xviii) Note for Non-Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on

approval of the accounts they would be able to cast their vote.

- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

Those persons, who have acquired shares and have become Members of the Company after the despatch of Notice of the AGM by the Company and whose names appear in the Register of Members or Register of beneficial holders as on the cut-off date i.e 14th June, 2017 shall view the Notice of the 97th AGM on the Company's website or on the website of CDSL. Such Members shall exercise their voting rights through remote e-voting by following the procedure as mentioned above or by voting at the AGM.

Annexure to Notice

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5

The Shareholders of the Company have appointed B S R & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of 94th Annual General Meeting until the conclusion of the 99th Annual General Meeting. Pursuant to provisions of Section 139 (1) of the Companies Act, 2013 (the Act) read with the Companies (Audit and Auditors) Rules, 2014, the appointment of B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company will be subject to ratification by the shareholders at every Annual General Meeting of the Company.

In accordance with Section 139 of the Act, B S R & Co. LLP, Chartered Accountants have certified that they are eligible to be appointed as the Statutory Auditors of the Company and they satisfy the criteria as provided in Section 141 of the Act. The certificate is available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item no. 5.

ITEM NO. 6

The Ministry of Corporate Affairs (MCA) vide Notification dated 14th July, 2016 amended the Companies (Cost Records and Audit Rules) 2014, through Companies (Cost Records and Audit) Amendment Rules, 2016. As per the Companies (Cost Records and Audit) Amendment Rules, 2016, the Company was required to conduct cost audit of its cost records pertaining to the products – Thinners and Resins for the financial year 2016-17. The Cost Auditor is required to forward his duly signed report to the Board of Directors of the Company within a period of one hundred and eighty days from the closure of the financial year to which the report relates.

The Board of Directors of the Company, based on the recommendation of the Audit Committee, approved the appointment of D. C. Dave & Co., Cost Accountants as

the Cost auditor to conduct cost audit of the cost records of the Company pertaining to the products – Thinners and Resins for the financial year 2016-17 on a remuneration of ₹ 2,50,000 plus service tax and out of pocket expenses. D. C. Dave & Co., had also conveyed their willingness to act as cost auditor of the Company for the year ended 31st March, 2017. The eligibility and consent letter is available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

In terms of Section 148 (3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration recommended by the Audit Committee for the Cost Auditor and approved by the Board of Directors is required to be ratified subsequently by the Shareholders. Hence the resolution at Item No. 6 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

ITEM NO. 7

In accordance with the Companies (Cost Records and Audit Rules) 2014, read with the Companies (Cost Records and Audit) Amendment Rules, 2016, the Company is required to conduct cost audit of its cost records pertaining to the products – Thinners and Resins for the year ending 31st March, 2018.

The Board of Directors of the Company, based on the recommendation of the Audit Committee, has approved the appointment of D. C. Dave & Co., Cost Accountants as the Cost auditor to conduct cost audit of the cost records of the Company pertaining to the products – Thinners and Resins for the financial year 2017-18 on the same remuneration as was approved for the previous year, i.e. ₹ 2,50,000 plus service tax and out of pocket expenses. D. C. Dave & Co., has also conveyed their willingness to act as cost auditor of the Company for the year ending 31st March, 2018. The eligibility and consent letter is available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

In terms of Section 148 (3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration recommended by the Audit Committee for

the Cost Auditor and approved by the Board of Directors is required to be ratified subsequently by the Shareholders. Hence the resolution at Item No. 7 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

ITEM NO. 8

At the 93rd Annual General Meeting of the Company held on 18th June, 2013, the Shareholders had approved the appointment of Mr. H. M. Bharuka as the Managing Director of the Company for a period of five years commencing from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive).

In view of the commendable performance of the Company during the tenure of Mr. Bharuka as the Managing Director of the Company, the Board of Directors of the Company has, on 2nd May, 2017, re-appointed Mr. Bharuka as the Vice Chairman and Managing Director of the Company for the period commencing from 3rd May, 2017 and ending on 31st March, 2022 (both days inclusive) on the remuneration and perquisites to be paid or granted to Mr. Bharuka as set out in the draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No. 8 of the Notice.

The re-appointment of Mr. Bharuka as the Vice Chairman and Managing Director of the Company and the remuneration and perquisites proposed to be paid or granted to him as set out in the aforesaid draft Agreement are in conformity with the provisions and requirements of Schedule V to the Companies Act, 2013. Accordingly, no approval of the Central Government is required to be obtained for the re-appointment of Mr. Bharuka as the Vice Chairman and Managing Director of the Company or the proposed remuneration.

The re-appointment of Mr. Bharuka as the Vice Chairman and Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Section 196 of the Companies Act, 2013. Hence the Resolution at Item No. 8 of the Notice.

Mr. Bharuka, aged 56, B.Com., A.I.C.W.A, with a varied experience of around 37 years, joined the Company on

1st October, 1985. Mr. Bharuka was appointed on the Board of Directors on 1st April, 1999, and was Deputy Managing Director, prior to his appointment as the Managing Director from April 1, 2001. He is now being re-appointed as the Vice Chairman and Managing Director for the period commencing from 3rd May, 2017 upto 31st March, 2022 (both days inclusive).

The material terms of the draft Agreement referred to in the Resolution at Item No. 8 are as follows:

1. The re-appointment of Mr. Bharuka as the Vice Chairman and Managing Director of the Company shall be for the period commencing from 3rd May, 2017 and ending on 31st March, 2022 (both days inclusive), subject to the same being previously determined as provided in the Agreement.
2. Mr. Bharuka's position and designation shall be Vice Chairman and Managing Director.
3. Mr. Bharuka shall have the day to day management of the Company, subject to the superintendence, control and direction of the Board of Directors and he shall exercise such powers as may from time to time be entrusted to him by the Directors including powers exercisable by the Board under the Articles of Association of the Company and be subject to such restrictions as the Board of Directors may from time to time specify.
4. Mr. Bharuka shall devote his whole time attention, skill and abilities during business hours to the business of the Company and undertake to the best of his skill and ability to use his utmost endeavours to promote the interest and welfare of the Company and to conform to and comply with the directions as may from time to time be given by the Board of Directors of the Company.
5. Mr. Bharuka shall not have the powers to make calls on shares and to issue debentures.
6. Mr. Bharuka shall, subject to the prior sanction of the Board of Directors and subject to such restrictions, conditions and limits as may be imposed by the Board, or where permitted by a Committee of the Board, have the power to:
 - (a) Invest the funds of the Company in:
 - (i) securities of the Government of India or any of the State Government or foreign Governments;

- (ii) any Municipal bonds and bonds issued by statutory corporations and public authorities, whether Indian or foreign;
 - (iii) debentures, preference shares and equity shares of any private, public and/or Government Companies registered in India or elsewhere; and
 - (iv) call deposits or fixed deposits with Companies, banks and other institutions.
- (b) Borrow money otherwise than on debentures for the purpose of the business of the Company;
 - (c) Accept all call deposits and/or fixed deposits;
 - (d) Sell any of the assets or investments of the Company;
 - (e) Purchase assets of the Company;
 - (f) Appoint or engage staff and terminate their employment.
7. Mr. Bharuka shall be entitled to the following emoluments, benefits, perquisites subject to the limit laid down under section 197, 198 and Schedule V of the Companies Act, 2013, as a managing director:
- (a) Salary: ₹ 10,00,000 per month.
 Increments, subject to the limit laid down under section 197, 198 and Schedule V of the Companies Act, 2013, will be decided upon from time to time by the Board each year and will be merit based and taking into account the Company's performance.
 - (b) Commission: Subject to the overall ceiling in Section 197 of the Companies Act, 2013, the Company shall pay to Mr. Bharuka remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance: 10% of annual salary.
 - (e) Other Perquisites and Allowances:
 - (i) Mr. Bharuka shall be entitled to perquisites and allowances like bonus, reimbursement

of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.

- (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.
- (iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's annual contribution to Superannuation Fund shall be upto a limit exempt from taxation under the Income-tax Act, as amended from time to time. Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company, encashment of leave during the term of employment in accordance with the rules of the Company and/or at the end of the tenure, other retirement benefits including but not limited to benefits under the Company Policy as approved by the Board of Directors on provision of retirement benefits for Managing Director/Executive Directors/Non-Board Directors, reimbursement of expenses incurred for travelling, boarding and lodging including for the spouse during business trips, provision for use of the Company's car and driver for official duties and for personal purpose, provision of telephone and internet at residence (including payment for local calls and long distance official calls), payment of club membership fees for the Company's business, reimbursement of medical expenses, reimbursement of telephone, internet and petrol expenses, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

In the event of inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section II of Part II of Schedule V to the Companies Act, 2013, subject to requisite approvals being obtained.

8. Mr. Bharuka shall not be paid any sitting fees for attending the meetings of the Board or of any Committee thereof.
9. Mr. Bharuka shall be entitled to reimbursement of actual expenses including entertainment and travelling incurred during the course of Company's business.
10. Mr. Bharuka will be granted Privilege Leave, Sick Leave and Casual Leave in accordance with the rules and regulations of the Company applicable from time to time.
11. Mr. Bharuka shall not during the term of this Agreement, whether the employment runs through the full period from the date of reappointment or is terminated by the Company or Mr. Bharuka anytime during the term of this Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company or do any deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company. It shall however be permissible for Mr. Bharuka, with the previous written sanction of the Board to hold any directorship/s of any other company or companies and the holding of such permitted directorships shall not be deemed a contravention of this clause.
12. Mr. Bharuka shall not during the term of this Agreement and for all times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
13. Mr. Bharuka's employment shall be determined herewith if he commits a material breach of any of

the terms, provisions or covenants herein contained, disqualifies himself to act as a Director for any reason besides breach of Section 167 of the Companies Act, 2013, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a Director of the Company.

14. In the event there is no breach of the terms of the Agreement by Mr. Bharuka, but the Company exercises its discretion to terminate his services during the term of this Agreement, without assigning any reason therefor, then and in that event, Mr. Bharuka shall be paid compensation in accordance with the provisions of the Companies Act, 2013.
15. In the event Mr. Bharuka is not in position to discharge his official duties due to any physical or mental incapacity, the Board of Directors shall be entitled to terminate this agreement on such terms as the Board of Directors may consider appropriate in the circumstances.
16. All personnel policies of the Company and the related rules which are applicable to other employees of the Company shall also be applicable to Mr. Bharuka, unless specifically provided otherwise.

During the tenure of Mr. Bharuka with the Company, the Company has achieved substantial growth in turnover and profitability. The Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Bharuka as the Vice Chairman and Managing Director of the Company.

The draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No. 8 will be open for inspection by the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

The Board commends the Resolution at Item No. 8 for acceptance by the Shareholders.

Mr. Bharuka is interested in the Resolution since it relates to his own appointment. None of the other Directors of the Company is in anyway concerned or interested, financial or otherwise, in the Resolution.

ITEM NO. 9

Mr. Katsuhiko Kato was appointed as a Director of the Company on 29th July, 2016, by the Board of Directors in

the casual vacancy caused by the resignation of Mr. Shinji Asatsuma. Pursuant to Section 161 (4) of the Companies Act, 2013 (" the Act") read with Article 114 of the Articles of Association of the Company, Mr. Kato holds office only up to the forthcoming Annual General Meeting because Mr. Asatsuma in whose place he was appointed would have held the office up to the date of the forthcoming Annual General Meeting, had he not resigned.

Notices in writing have been received from some Shareholders of the Company pursuant to Section 160 of the Act, signifying their intention to propose Mr. Kato as a candidate for the office of the Director. As required by the said Section 160, the Shareholders giving notice have deposited a sum of ₹ 1 lakh each with the Company which shall be refunded to them if Mr. Kato is elected as a Director.

Mr. Kato, aged 56 years, is from the Faculty of Economics, Department of Politics and Economy, Waseda University, Japan. Mr. Kato is Executive Officer in Kansai Paint Co. Ltd., Japan (KPJ). The services of Mr. Kato have been and will be very useful to the Company. The Directors, therefore,

recommend that he be appointed as a Director of the Company. If appointed, Mr. Kato will be liable to retire by rotation.

Mr. Kato is interested in the resolution at Item No. 9 of the accompanying Notice since it relates to his own appointment. Mr. M. Tanaka and Mr. H. Furukawa are nominees of KPJ and therefore, may be deemed to be concerned or interested in the Resolution. None of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

Mr. Kato is not related to any Director on the Board. Mr. Kato does not hold any shares in the Company in his personal capacity.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2017.

Disclosure in terms of Regulation 26(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Name of the Director seeking re-appointment	Shares held as on 31st March, 2017 (Own or held for other persons on beneficial basis)
Mr. Masaru Tanaka	Nil*
Mr. Hidenori Furukawa	Nil*
Mr. Katsuhiko Kato	Nil*

* Mr. Masaru Tanaka, Mr. Hidenori Furukawa and Mr. Katsuhiko Kato are the nominees of Kansai Paint Co. Ltd., Japan. They do not hold any share in their personal capacity.

Route Map to the venue of the AGM



BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 97th Annual Report and the Audited Accounts for the year ended 31st March, 2017.

1. Financial Highlights

	1st April, 2016 to 31st March, 2017	1st April, 2015 to 31st March, 2016
	₹ in Crores	₹ In Crores
Gross Sales and Other Operating Income	4936.05	4604.36
Net Sales and Other Operating Income	4531.05	4245.52
Profit Before Interest, Depreciation and Tax	730.69	579.98
Less: Depreciation	69.49	67.72
Profit Before Interest and Tax	661.20	512.26
Add: Other Income	98.22	27.35
Profit Before Tax	759.42	539.61
Exceptional Item- Profit on sale of land	-	535.34
Profit Before Tax	759.42	1074.95
Less: Tax (including deferred tax)	253.48	176.10
Profit After Tax	505.94	898.85
Other Comprehensive Income (Net of tax)	(4.73)	(4.93)
Total Comprehensive Income for the year	501.21	893.92

2. Dividend

The Directors recommend for consideration of the Members, a normal dividend of ₹ 2.50 per share (250%) and a special dividend of ₹ 0.50 per share (50%), thus aggregating to a total dividend of ₹ 3.00 per share (300%) of the face value of ₹ 1 each for the year.

This compares with a normal dividend of ₹ 1.80 per share (180%) and a special dividend of ₹ 1.25 per share (125%), thus aggregating to a total dividend of ₹ 3.05 per share (305%) of the face value of ₹ 1 each declared last year.

3

MANAGEMENT DISCUSSION AND ANALYSIS

[A] INTRODUCTION

Kansai Nerolac Paints Limited (KNPL) has come a long way since first being established as Gahagan Paint & Varnish Company Limited in 1920. Kansai Nerolac Paints Limited (KNPL) is a subsidiary of Kansai Paint Co. Ltd, Japan.

The Company is in the business of paints and caters to customers in Businesses Segments such as Decorative, Automotive, Auto Refinish, Wood Coatings, General Industrial, Performance Coatings and Powder Coatings. The Company has international operations in Nepal and Sri Lanka through Joint Ventures with Kansai Nepal and Capital Holdings Maharaja Group respectively.

KNPL is the market leader in the Industrial Paints Market. It takes great pride in being the vendor of choice to the major automotive companies operating in India as well as major Industrial houses. KNPL has been able to achieve this due to its relentless focus on customer satisfaction

built on superior coating systems and leveraging global technology.

In the Decorative Paints segment as well, KNPL is well known for its many innovations in products, service and branding as it builds on its strong brand equity built over the decades.

KNPL has four geographically spread manufacturing facilities working round the clock to produce paint of the highest quality and need located at Lote in Maharashtra, Bawal in Haryana, Jainpur in UP and Hosur in Tamil Nadu. To boost the production capability, KNPL is creating new production facilities at Saykha in Gujarat, Amritsar in Punjab and Vishakhapatnam in Andhra Pradesh. The new state of the art plants built using modern production technologies will strengthen the reach and capability of the Company thus helping KNPL to serve its customers in both the Industrial and Decorative divisions in the year ahead.



KNPL prides itself to be at the forefront of New Product Innovations, and has a state of the art R&D centre in Mumbai. A new R&D centre is set to open at Vashi in Navi Mumbai, which will help KNP maintain its edge in innovation.

KNPL has always considered IT as strategic. Since 2013, the Company has been making rapid progress on driving the digitalization agenda across the Company bringing with it benefits in customer responsiveness, efficiency, speed and productivity. This year the entire decorative sales force has been migrated to the mobility platform of SAP thus making them more agile in the market.

With a tagline of Healthy Home Paints, KNPL demonstrates its commitment to environmental preservation and sustainable manufacturing. The Company commits resources towards ensuring high standards of Environment, Health and Safety (EHS) across its manufacturing facilities. The Company publishes an Annual Sustainability Report every year.

Various customer awards as well as industry awards bestowed on KNPL serves to motivate us to strive even harder to ensure that our products, solutions and operations offer unique value to our esteemed customers and our stakeholders.

[B] INDUSTRY PROGRESS

2016-17 was a year with moderate growth for the paint industry. Growth picked up pace during the second quarter of this fiscal, owing to a good monsoon and a positive investment climate in the country. However, due to the Demonetization activity undertaken by the government, pace of growth was impacted in both the Decorative and Industrial Markets in the third and fourth quarter.

Post demonetization, the Automotive Industry is gradually seeing a revival. Consumer demand has also picked up signalling a stabilization of the economy.

The first half of the year saw a deflationary trend, which led to a reduction in raw material prices. From the second half of the year, the industry has been witnessing an inflationary trend. This trend is expected to accelerate in the new financial year further putting pressure on costs.

The rupee remained volatile, oscillating between frequent highs and lows due to an uncertain global landscape and changing conditions in the domestic economy. This volatility is expected to continue to create challenges for the industry.

Going forward, GST is expected to impact the industry. GDP is growing at a steady pace and will outpace major economies of the world. Policy decisions taken by the government in recent times to boost consumer and infrastructure demand are expected to impact the industry positively.

[C] MARKETING – OUTLOOK

Decorative

Marketing is an integral part of the Decorative paints business which aims to make the consumer aware of products available, as well as attracting them to the value proposition that KNPL offers – Healthy Home Paints.

This year saw many media campaigns across marketing channels to strengthen the Nerolac Brand. Television campaigns across channels and products were run periodically throughout the year. Regional advertisements



Cyclathon held across Multiple Cities



Outdoor & Online Media

were run during important events in West Bengal. Focus was put on products that are important to a particular region.

Excel Mica Marble, India's first acrylic emulsion with Mica particles and marble boosters, a new premium offering which is targeted at consumers who want their exterior paint to last long and provide additional protective and aesthetic properties, was well received in the market. Pan India as well as regional marketing campaigns was conducted to effectively communicate the Product Value proposition.



KNPL showcased its innovation capabilities by launching a first of its kind product, ReadyMix (Primer+Putty). This product eliminates the need to apply primer and putty on the wall separately, resulting in significant cost savings for the customer and increased ease of application.

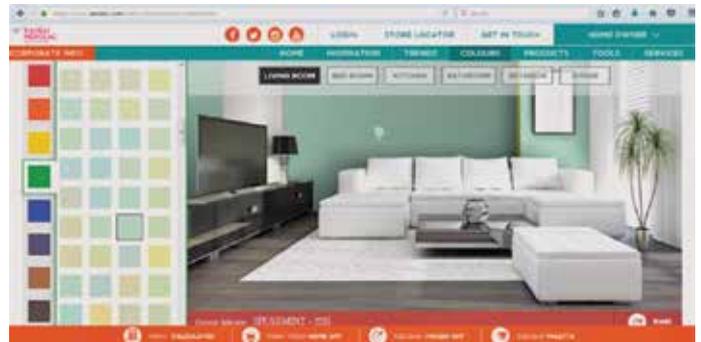
KNPL launched Alkali Prime and Construction Chemicals during the year and increased distribution of the newly launched range of Soldier Paints.

KNPL associated with the IPL Team Gujarat Lions, in the 2016 IPL edition, a first for any Paint Company in India. To tie all the promotional activities surrounding IPL 2016 together, KNPL coined a new hash tag – #aShadeBetter. This Hash Tag was promoted heavily on Social media through contests like "Predict and Win", "Colour me Orange" and a Nerolac & Gujarat Lions Dubsmash activity – #GameKiRaunak.



In soccer, KNPL associated with the ISL team North East United FC in the Soccer League ISL 2016 edition.

Nerolac Premium Painter program has been a very successful initiative for the Company over the years, and this year, the Company was able to build on the success of the previous years as well.



Revamped Website Launched

Industrial

KNPL is the market leader in industrial coatings, and has endeavoured to strengthen its leadership position over the years owing to innovative product and service offerings to industrial customers.

Despite numerous challenges in the business environment during the year, KNPL has not only maintained its leadership position, but also increased its market share. KNPL has added value to its customers and shareholders by its cutting edge technology and unique market offerings.

Technology has always been the cornerstone of KNPL solution to customers and KNPL has continued to focus on technology providing High Quality, Cost Effective and Sustainable Solutions to its automotive customers. Quality standards have been consistently enhanced by the Auto OEMs in their crusade to provide better value to their consumers. Client interaction and business acquisition remained high this year, with the Company bagging repeat business from its esteemed clients, as well as winning new business from clients.

KNPL has worked closely with the Auto Industry and this year has introduced enhanced products like a superior Mar and Scratch Resistant Clear Coat and Medium Solid Base Coats. KNPL also enhanced its range of colours for Car Interior Coatings, which are eco-friendly, free of

Hazardous Air Pollutants (HAPs) and meet international coating standards.



Floor Coating



Coil Coating – Chemo Fledge Finish

KNPL has introduced Monocoat Metallic System for Two Wheeler industry, replacing existing two coat system. In addition, KNPL worked closely with raw material suppliers for innovative product development and this year we have developed Super Weatherability Monocoat Product with enhanced properties as per customer requirements. We have also introduced Water Based Top Coat for Two wheelers frame which has helped in elimination of one baking cycle.

The Company has introduced a next generation CED with better corrosion resistance, high throwing power, low baking loss and reduction in consumption. With such sustained innovations and product improvements, KNPL managed to maintain its market leadership in the CED segment, with many new CED lines added this year.

KNPL had pioneered the practice of providing Technical service on Customer Production lines. It has further strengthened its capability on this front. KNPL has worked extensively on this front to deliver maximum value to its customers. The Company provides its Industrial customers with Value Additions and Value Engineering ideas aimed towards quality improvement and cost reduction. This year KNPL has also added value to its customers by imparting valuable trainings.

KNPL continued the thrust on traditional segments like Oil & Gas, Power, Infra, Metals and Chemical Plants to drive the growth. The focus was also on new segments like Floor, Railways and Coil Coating where KNPL has increased its presence.

The Company works closely with Industry organizations like NACE (National Association of Corrosion Engineers) and SSPC (Society for Surface Protective Coatings). The Company was well represented at NACE, SSPC and CII events which ensured visibility and connect with key industry stakeholders.

KNPL has a majority stake in OEM business catering to segments like Fans, Drum & Barrels, Construction Equipment, Helmet, LPG etc. KNPL continues to enjoy the majority market share in above segments with new product developments like water base coatings, DTM coatings etc.

KNPL is a leader in the Powder Coating Segment and this year too, the Company has further strengthened its share in segments like Auto Ancillaries, Furniture, White Goods. This year KNPL was able to leverage its tie up with Protech, Canada for introducing new products.

KNPL is the fastest growing Company in the Auto Refinish Business. KNPL provides complete range of products in the Auto Refinish market. The Company has a stabilized growth both in terms of retail customers as well as winning body shop business. Its strong focus in this industry and teamwork helped in building network across the length and breadth of the country.

It is engaging in providing multiple technical programs to develop the skills and knowledge of their customers. The Company is now focusing in water borne system and other future technology in the auto refinish segment.

[D] OPPORTUNITIES AND THREATS

Opportunities

- **GST**
The introduction of GST is expected to be a game changer for Indian Industry.
- **Favourable demographics**
India's young population represents a huge opportunity as more and more young Indians join the workforce and will have disposable income available. The trend towards nuclear family augurs well for the paint Industry.

- **Per Capita Paint Consumption**

Per capita consumption of Paint in India is much lower than the global average, and that of developed nations. Along with favourable demographics this represents a significant opportunity for the paint industry.

- **Infrastructure focus**

With infrastructure sector reforms being the top priority of the current government and keeping in mind its Smart City initiatives, demand for coatings from the infrastructure sector is going to see healthy growth.

- **Growing Auto Market**

Automotive Paints Division is a significant part of KNPL, and this Sector is expected to continue to grow in the years to come. This translates into a long term opportunity for KNPL as well which KNPL being the market leader can capitalise on.

- **Real Estate Sector & Interest Rates**

The Real Estate sector witnessed stagnancy during the last year and demonetization affected the sector sentiment further. However, after remonetisation, coupled with low Housing loan interest rates, this sector is poised to grow and activity is expected to increase.

Threats

- **New Competitors**

New Competitors are entering the Indian Paint Market, in both Decorative and Industrial Divisions, as they have realized the growth potential that India has to offer. KNPL endeavours to be proactive in countering any challenges that may arise due to increased competition in the market.

- **Inflation**

Over the past few months, inflation is showing an increasing trend which can be a threat to KNPL in the new financial year.

- **Below-par monsoon**

A below par monsoon due to the El Nino effect could have an adverse impact on customer spending, ultimately impacting paint consumption in a negative way.

[E] SEGMENT WISE PERFORMANCE

The Company has only one segment of activity named paints, in accordance with the definition of "Segment" covered under Indian Accounting Standard (Ind AS) 108 on Operating Segments. The performance of the Company is discussed in this Report.

[F] RISKS AND CONCERNS

In a business environment that is constantly under churn, Risk Management becomes a top priority for KNPL in order to guard against any eventuality, while at the same time, being able to extract maximum benefit out of favourable conditions.

The Company follows a Risk Management framework, where the risk committee meets regularly to identify imminent and potential risks, as well as documenting risk mitigation measures to eliminate or reduce the event impact.

The Company has classified its risks under the following heads.

- **Strategic Risk**

These risks relate to risks around brand, technology, industry dynamics like takeovers and alliances. These risks have the potential to impact future business plans of the Company. Identifying and mitigating these are a strategic priority at KNPL.

- **Operational Risks**

Operational Risks for KNPL include risks related to delivery, service and quality which could impact KNPL's capability to serve its customers. KNPL has a strict review mechanism to ensure these risks do not pose a threat to the Company. In addition to this, supplier risks as well as market risks are monitored carefully.

- **Statutory Risk**

With a network spanning across India and overseas, KNPL makes sure that the business operates within the ambit of law and necessary legal compliances are followed. Combining in-house expertise and knowledge of statutory compliances along with professional legal services, KNPL ensures that there are no lapses on the regulatory front, and the Company functions within the legal and statutory framework.

- **Financial Risks**

Finance risks originating out of currency fluctuations and market volatility have the potential to affect Company bottom line directly. Thus, these risks are dealt with advance planning, taking necessary steps for hedging against such outcomes.

- **System risk**

With all operations conducted using business software, ensuring high availability of systems as well as proper controls to ensure that operations are not compromised remains a top management priority. The Company takes many steps proactively to ensure that potential risks are minimized.

- **People Risk**

Retaining existing talent and attracting new talent takes centre stage as KNPL aims to grow aggressively. The Company has a structure in place for mitigating this risk.

This year the Company has been able to automate the Risk Management framework into a dashboard which helps track the risks more effectively.

[G] RESEARCH AND DEVELOPMENT

Innovation through Research & Development is one of the key Objectives at KNPL which has also been incorporated into the Company's Vision statement. KNPL's aim is to leverage the global technical know-how available with the Kansai group for innovation.

New products were developed for the Automotive division including new shade development. High Solid/Medium Solid products, anti-corrosive primer, mono-coat metallics, Acrylic/Epoxy Red CED, Super Petrol Taping Lacquer for the two wheeler industry, heavy metal free Epoxy Paint for Auto Ancillaries were a few of the innovative products developed during the financial year.

In the Automotive Refinish segment, the Company has enhanced its shade range and portfolio to strengthen its offering.

New products were also introduced in the Decorative division such as Excel Mica Marble, ready mix primer cum putty, Excel alkali Primer and Impression Glitter – Gold and Silver. Similarly the wood coating range was enhanced.



Image Analyzer System

Optimization of formulation was done by undertaking Value Engineering leading to optimum mix for cost savings. Research and Development continues to be in focus and innovation still remains the driving force behind Customer service.

[H] INFORMATION TECHNOLOGY

For 2016-17, Digitization, mobility and security were the three core IT initiatives. All these initiatives were leveraged to design improved performance and faster decision making to all the core functions in the organization.

Continuing from the last year digitization initiative, exploiting the IT investment done in the "in-memory" computation capabilities, various business processes were re-engineered and systematized in the area of Marketing, supply chain, manufacturing and finance. This would enable deeper insight; enhance the service capabilities of the supply chain, quicker response to the markets and influencers and real time information to the customers.

KNPL has always believed into data being a strategic asset. The decision capabilities were given a boost by providing next generation exception analytics at an individual employee level across the organisation which has helped provide visibility into the impact of action on the Key Performance indicator that they are responsible for.

As part of our mobility initiative this year our decorative sales team was moved to the mobility platform. In addition off-line digital content mobile application was

developed for the sales team. The work towards making KNPL GST ready continued in the current year. Being conscious about the changing IT environment and to safeguard against the vulnerabilities, the Company has implemented various security solutions.

[I] PEOPLE

At KNPL, we believe that people are essential part of the organization, as they provide inspiration, creativity, vision and motivation that keeps us going. People provide the skills and competencies necessary to make organizational strategies work. With the advancements in technology, the significance of people gets augmented multi-fold. Many efforts are taken to engage the energies and enthusiasm of our people in the most effective way.

This year too, we continued with our endeavour to maintain a 'Performance driven, fair and transparent' culture. The Organizational Business Plan is aligned with the Key Result Areas for each position. The performance review mechanism has now been digitalized to ensure greater transparency and accuracy. The daily performance dashboard is available to all the employees and it enables every employee to remain focussed on the priorities and continue to contribute to the organization's goals. We have made progress on focused initiatives and have grown on our key performance indicators over the year 2016-17. This has complimented our commitment to provide a high quality of service to our customers.

KNPL treats the development of its employees with utmost importance. New training programs for frontline staff in both the Decorative and Industrial Divisions were conducted in order to skill them with new sales techniques and drive the top-line of the Company. We also introduced a new training program called "Leap" for our Decorative sales force with an objective to rejuvenate the workforce with sales techniques that would enhance their performance. Assessment & Development centers were conducted to objectively evaluate the managerial potential of select personnel.

In order to enhance employee engagement, we also introduced an employee recognition platform called GEMS. GEMS is a framework for employees to acknowledge support and help by colleagues in their day to day interaction. It is a company-wide rewards program that fosters an environment of appreciation. In-house training workshops on people management, excellence and KNPL competency framework, have been designed and conducted by HR.

KNPL strongly believes in Healthy living, and adopted the theme of "Be Healthy, Be Better" for the sales team. KNPL encouraged employees to make small changes in their lifestyle to lead a fit and healthy life.

HR has leveraged IT to bring about a culture of excellence by focusing on increased personal effectiveness. This was done through several digital Interventions like opinion polls, interactive quiz, extending attendance system to field, e-exit module, inviting new ideas through idea management campaigns, amongst others.

The in-house knowledge management portal is leveraged to foster a learning work culture. Through this the employees can learn from each other and keep up the momentum of a learning organization. KNPL continues with its good practices of Corporate Governance through the Whistle Blower Policy, encouraging growth of individuals irrespective of gender, religion, caste or community and policy on "Appropriate Social Conduct at Workplace". All these policies add up to a congenial work environment to drive performance that is free from threat or fear.

The above mentioned HR initiatives at KNPL attempt to support and uphold organization's goals by fostering an engaging work environment in the dynamic business scenario.

All the above-mentioned initiatives have helped us retain key talent. Our employee strength is 2697 on 31st March, 2017.

[J] AWARDS AND RECOGNITION

Awards by External Agencies:

- KNPL Technical Wins 3rd Prize in Indian Paint Association (IPA) Technical Paper Competition.
- Mr. H M Bharuka, MD, KNPL was awarded the Best CEO in the Chemicals category by Business Today at the 4th edition of the Business Today – Best CEO Awards in December 2016.
- KNPL Quality Team – Bawal won the Silver Award at "Quality Circle Forum of India".
- Lote plant was awarded Certificate of Merit in the Paints & Allied Products Sector on 6th December, 2016 by Bureau of Energy Efficiency, Ministry of Power for its initiatives done under ENCON (Energy Conservation) in last 3 years.
- Bawal Plant secured Runner-up position in QIMPRO Convention – All India level under Improvement category.

- KNPL, Lote was awarded "Certificate of Merit" from National Safety Council (NSC) for the 4th consecutive year – Maharashtra chapter for achieving Zero Accident Frequency Rate in the year 2015.
- Bawal Quality Team won the Silver Category Award from the Quality Circle Forum of India.
- Lote plant received the Certification of Appreciation from NSC in group B under chemical manufacturing industries for appreciable achievement in Occupational safety and health.
- Jainpur Plant (PE) won an award for "Excellence in Coating Developments – Industry Research & Promotion" in 13th International Symposium on Surface Engineering & Paint Coatings.

Awards by Customers:

- Daimler India Commercial Vehicles, Chennai (DICV) has presented a memento to KNPL in September 2016 as an appreciation of our contribution.
- Kansai Nerolac Paints received 4 awards from Mahindra & Mahindra:
 - 1) Innovation Award for Automotive and Farm Sector.
 - 2) Award for 'The Tough and Stylish TUV 300'.
 - 3) Award for 'KUV 100'.
 - 4) Award for 'Technologically Advanced Mahindra Yuvo'.
- KNPL has been honoured with best vendor award in paints category by Suzuki Motorcycles India Pvt Ltd.
- Best supplier Award to Hosur Plant by Toyota Kirloskar Motor Limited.
- Awarded "Best Vendor" in Paints category by M/s Plastic Omnium.



Awards by Mahindra & Mahindra

[K] COMMUNITY DEVELOPMENT

Corporate Social Responsibility (CSR) is generally understood as the way through which a Company can achieve balance of economic, environmental and social imperatives. Thus, it can be said that the CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses. Now, it is a well-known fact that CSR needs to address well-being of all the stakeholders and not just the Company's shareholders.



Biocompost Machine (Organic Waste to Fertilizer) at Bawal Plant

At KNPL, we undertake several outreach programs under the umbrella of Environment, Health, Education, Community Living, Livelihood and Skill Enhancement and protection of Heritage sites.



Swachh Bharat Abhiyan

These CSR initiatives are largely done through the involvement and participation of a large section of employees thereby instilling a sense of pride and purpose amongst the employees beyond the conduct of day to day business activities.

Many of the CSR activities are carried out in partnership with government and other stakeholders so as to create a meaningful impact in the society and improve overall quality of life of people in general and of rural community in particular.

KNPL in collaboration with SBI, conducted several Basic painting training programs to the unemployed rural youth, thereby enabling them to not only be self-employed but also giving rise to entrepreneurs.

KNPL also carries out various CSR activities under Rural/Community development Program thereby contributing to make civil society strong and to extend hand in providing basic amenities to the needy. These programs include Health camps in rural area, construction of toilets, bore wells, financial assistance to various educational Institutes to meet their educational requirements, Environmental sustenance etc. Preference is given to the local area, where the Company operates, viz. near Plant locations and sales depots.



Nerolac Employees Beautifying School Walls

KNPL will continue to support National and State programs and partner with local and government bodies so as to make a impactful and effective contribution to society at large, with the involvement and engagement of its employees in the process.



Cyclathon-Generating Awareness

Nerolac launched its first ever 'Cyclathon' across 46 cities to commemorate the second anniversary of the Swachh Bharat campaign. The event brought both 'Swaasth' or health & 'Swachhata' or cleanliness into focus as it included cycling for around 5 km followed by a painting activity at a school. The event was a fun activity involving Nerolac's local teams, painters and dealers rallying together as a community to champion health.

[L] ENVIRONMENT, HEALTH & SAFETY

Environment, Health & Safety (EHS) is of utmost importance for KNPL. Fire prevention, emergency preparedness and response and safety at workplace come under the aegis of Safety. Last year, KNPL focused on enhancing safety awareness amongst its employees



Nerolac adopts Dadar Railway Station for Refurbishments

through specially designed “Danger Experience Training program”. Employees were provided with practical experience of safety hazards involved in various paint manufacturing processes at the safety laboratory. The Company intends to continue this experiential training program in the coming year and strengthen “Safety First” culture. KikenYochi Training (KYT) is being exercised aggressively on shop floor to gather employee feedback on safety hazards in their respective work areas and increase awareness level to avoid unsafe acts. In addition to this, the Company has invested in upgradation of fire-fighting installations at its plants to strengthen emergency preparedness.

Occupational health is one of the important factors of Safety. To cater to employee health, all KNPL manufacturing sites are equipped with dedicated Occupational Health Centre (OHC) and Ambulance for an emergency situation. The Company facilitates periodic medical check-up for its employees. Last year, Company enhanced focus on employee visits to OHC (Occupational Health Center).

Internal training to healthcare workers is arranged at all the manufacturing units of the Company. Training is focussed on ensuring compliance with respect to Bio-Medical Waste Management Rules, 2016. It includes key topics such as bio-medical waste segregation, packaging, transportation, safe handling and storage and its disposal methods etc. 18 personnel were provided training during the year 2016-17. 8 personnel will be provided training in the forthcoming year.



Yoga Sessions

Under environmental domain, Reduction and recovery of material losses is one of the key focus areas for KNPL.

KNPL focuses immensely on water conservation through its water reuse, reduce and recycle themes. The Company has embraced water efficient technologies

in its process to help reduce water consumption at source. Zero effluent discharge facilities at our plants led us to re-utilize whole treated water back into processes.



Tree Plantation & Go Green Initiatives

On the sustainability front, Energy Management is key focus area for the Company. In order to curtail energy consumption, KNPL has invested in energy efficiency measures as well as in upgradation of machine utilities. KNPL has been proactive in substitution of non-renewable energy sources by renewable energy sources. The Company continued to harness solar energy through various initiatives like solar plant, sola tubes amongst others. Further, it switched to renewable energy sources through mechanisms such as power purchase agreement and wind wheeling. In upcoming years, the Company would extend the proportion of renewable energy used.

The Company publishes its Environmental and social performance through Sustainability report which is available on the website of the Company.

[M] SUPPLY CHAIN

Supply Chain is an integral and a vital cog in the wheel of KNPL and this year saw increased focus on optimizing processes in this area.

This year also saw an increase in the number of depots, which has enhanced the reach of KNPL and will help serve customers better. Besides being a nodal point for material transfer, depots also serve as a check point to connect to the consumers and influencers directly.

Tinting is a vital element of the paint manufacturing process. The Company has combined IT with paint manufacturing technology to develop a system to address this element of the manufacturing process.

The Company continues to invest in various technologies which help KNPL service the Just In Time (JIT) requirements of its Industrial customers and improve service level commitments to its Decorative dealers. This year the Company rolled out a QR code and Mobility based solution to track deliveries made to its Decorative dealers.



OEM mixers installed at Saykha Plant

In order to expand production capacities to align with increasing market demand, KNPL has also announced setting up of three new plants viz. Punjab, Gujarat and Andhra Pradesh. These plants besides being automated will produce at a much higher productivity level and will interface with Manufacturing IT Systems to take the benefits of new technology.

Improvements made in ASRS (Automatic Storage and Retrieval System) at Jainpur Plant increased efficiency of the system. The Advanced Planning and Optimization Module (APO) of the SAP system was modified to enable better and effective production and dispatch planning.



Sri Lanka Plant

Digitization of manual activities was the focus during the year, to enable better performance tracking, reduction in effort and increase in efficiency. Part of this activity, was to regularise tasks that are performed on an ad-hoc basis and are outside the purview of the IT framework. This led to creation of standardisation and improvement in existing processes as well as increased accountability.

[N] INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

With an aim to monitor and control day-to-day operations at KNPL, the Company has set up internal control systems for regular tracking and reporting. These systems also monitor compliance to various rules and regulations, and adherence to policy requirements.

In order to strengthen the system of Internal Control and provide board of directors with an added ability to oversee internal controls, Internal Financial Control (IFC) system was put in place in accordance with the requirements of Section 134(5)(e) of Companies Act 2013. Systems of Internal Control were implemented, considering the framework suggested in Guidance Note on Audit of Internal Financial Controls over the Financial Reporting issued by The Institute of Chartered Accountants of India, to address its operational and financial risk.

Ministry of Corporate Affairs has prescribed the roadmap for the implementation of IFRS in India. Being a listed entity, KNPL is covered under Phase 1 which means the Company would have to prepare its Financial Statements in accordance with IFRS (known as Ind AS) for the financial year beginning with 1st April, 2016. Accordingly, the Company has prepared its first Financial Statements which comply with Ind AS applicable for the year ending on 31st March, 2017, together with comparative period data as and for the year ended 31st March, 2016. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1st April, 2015, the Company's date of transition to Ind AS.

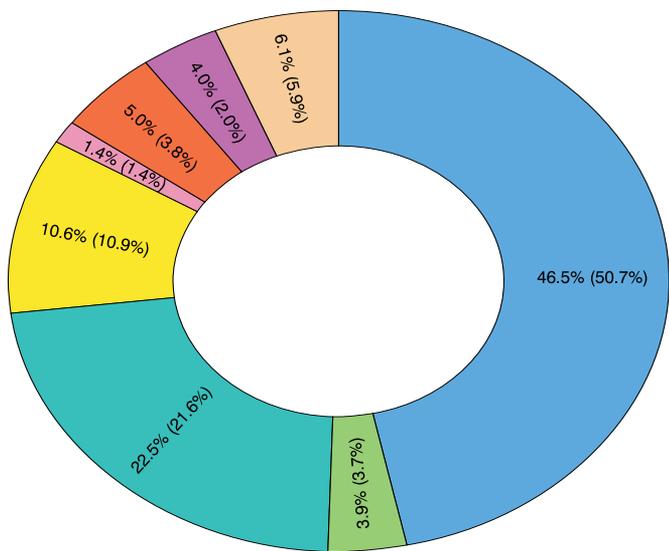
The Company's Control Efficiency Index (CEI) was improved substantially this year by horizontal deployment of industry best practices. The Company put in place control measures that are bench marked against global standards of efficient control mechanisms.

In order to perform online tracking of the Company's regulatory compliances, Compliance systems were implemented. These systems allow the Company to track its compliance requirements online, thereby enabling stricter adherence to regulations.

[O] AFFIRMATIVE ACTION

The Company has adopted a Code of Conduct for affirmative action for the purpose of providing employment opportunities for the socially disadvantaged.

DISTRIBUTION OF INCOME



2016-17

- Materials
- Manpower Cost
- Operating and Other Expenses & Rebates, Discounts, Allowances
- Excise Duty
- Depreciation
- Corporate Tax
- Dividend
- Retained Earnings*

* Before exceptional items (net of tax).

Previous year 2015-16 percentage figures are stated in brackets.

[P] FINANCIALS

Gross sales and other operating income for the year aggregated to ₹ 4936.05 Crores reflecting a growth of 7.2% over the previous year.

Depreciation for the year is ₹ 69.49 Crores as against ₹ 67.72 Crores in the previous year.

Other Income was substantially higher at ₹ 98.22 Crores as compared to ₹ 27.35 Crores for the previous year mainly due to surplus funds arising out of gain on sale of Chennai land in March 2016, deployed in mutual funds during the year.

The Company continued with its initiatives to reduce procurement cost and to reduce operational costs. These initiatives helped the Company in the current year to keep the operational costs under control and improve the bottom line.

Profit Before Depreciation, Interest and Tax (PBDIT) for the year is higher at ₹ 730.69 Crores compared to ₹ 579.98 Crores last year reflecting a growth of 26%. Profit Before Tax (PBT) for the year is ₹ 759.42 Crores as compared to ₹ 539.61 Crores (before extraordinary income) of the previous year which is a growth of 40.7% over previous year.

The Company spent ₹ 6.46 Crores towards Corporate Social Responsibility compared to ₹ 5.29 Crores in the previous year.

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013, during the year.

There are no significant or material orders passed by any Regulators, Courts or Tribunals against the Company which could impact the going concern status and Company's operations in future.

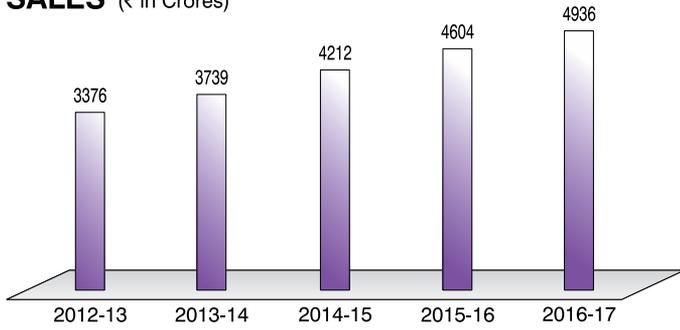
There has been no change in the nature of business during the year.

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

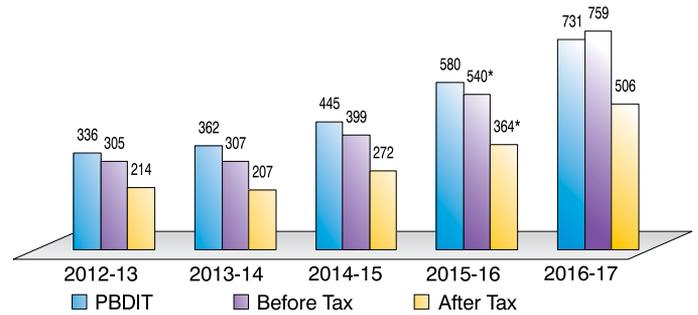
Cautionary Statement

Statements in this Management Discussions and Analysis Report describing the Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

SALES (₹ in Crores)



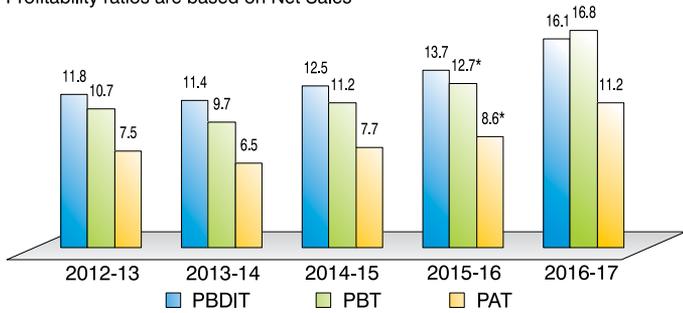
PROFIT (₹ in Crores)



*Before exceptional item (Net of Tax)

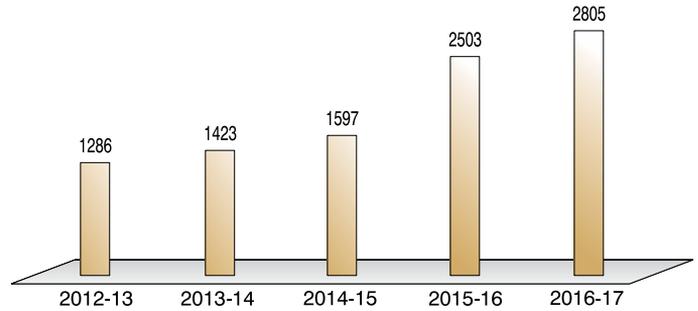
PROFITABILITY (%)

Profitability ratios are based on Net Sales



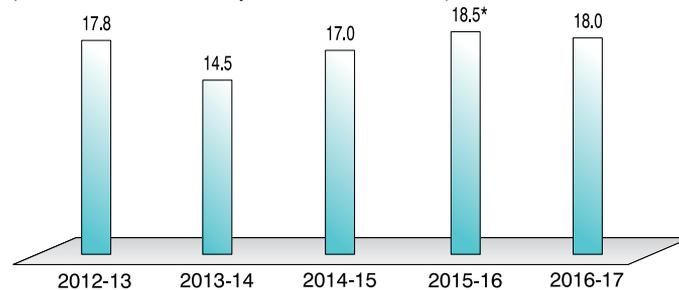
*Before exceptional item (Net of Tax)

SHAREHOLDERS' FUNDS (₹ in Crores)



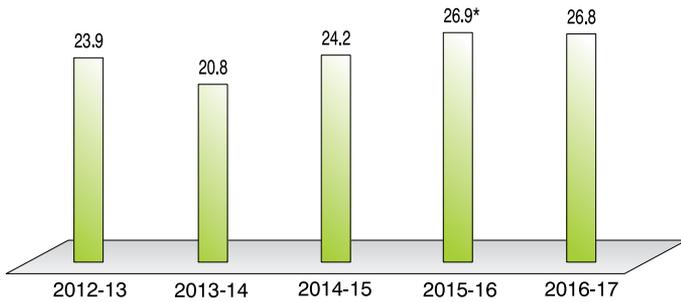
RETURN ON NET WORTH (%)

(Profit After Tax divided by Shareholders' Funds)



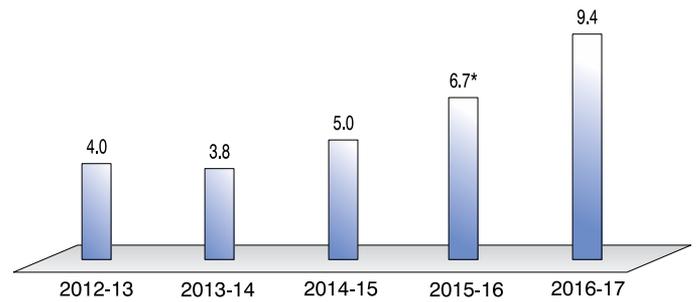
*Before exceptional item (Net of Tax)

RETURN ON CAPITAL EMPLOYED (%)



*Before exceptional item (Net of Tax)

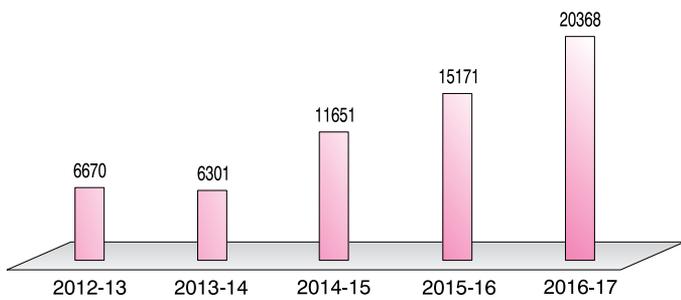
EARNINGS PER SHARE (EPS) (₹)



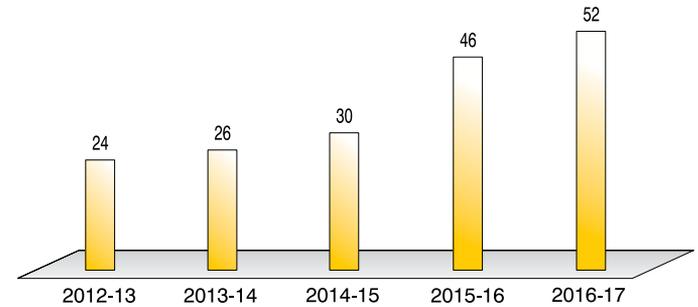
*Before exceptional item (Net of Tax)

EPS for all the years has been calculated considering face value of share as ₹ 1 each.

MARKET CAPITALISATION (₹ in Crores)

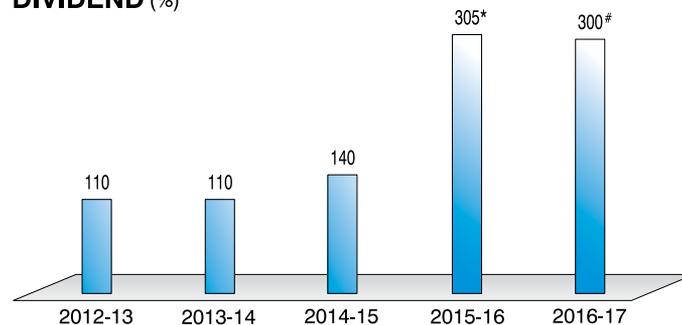


BOOK VALUE PER SHARE (₹)



Book value of shares for all the years has been calculated considering face value of ₹ 1 each.

DIVIDEND (%)



* Includes special dividend of 125%

Includes special dividend of 50%

4. Unclaimed Dividend

During the year, dividend amounting to ₹ 3.67 lacs that had not been claimed by the shareholders for the year ended 31st March, 2009, was transferred to the credit of Investor Education and Protection Fund as required under Section 205A read with Section 205C of the Companies Act, 1956. As on 31st March, 2017, dividend amounting to ₹ 87.68 lacs has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar, TSR Darashaw Ltd., for unclaimed dividend. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on 22nd June, 2016 (date of the last Annual General Meeting) on the website of the Company, www.nerolac.com. The same is also available on the website of the Ministry of Corporate Affairs, www.mca.gov.in.

5. Collaboration

The Directors record their appreciation for the contribution made and support provided by Kansai Paint Co. Ltd., Japan (Kansai). Kansai continues to provide support on process design, quality improvement, world class technology which has helped the Company in maintaining market leadership in the industrial business including automotive coatings, by servicing existing customers better and adding new lines. Kansai also provides technology for manufacture of architectural coatings.

The Company also has Technical Assistance Agreement with Oshima Kogyo Co. Ltd., Japan, for manufacturing heat resistance coatings, Cashew Co. Ltd., Japan for manufacturing coatings products MICRON TXL SK-1 and Thinner for MICRON and with Protech Chemicals Limited, Canada for manufacturing powder coating products. The Directors record their appreciation for the co-operation from these collaborators.

6. Overseas Operations:

a. Operations in Nepal

During the year, the name of our subsidiary company in Nepal was changed from Kansai Paints Nepal Pvt. Ltd. to KNP Japan Private Limited. For the financial year ended 31st March, 2017, the

Turnover of KNP Japan Private Limited increased to ₹ 53.95 Crores as compared to ₹ 40.16 Crores for the financial year ended 31st March, 2016.

Profit Before Tax has increased to ₹ 6.87 Crores as compared to ₹ 4.09 Crores last year. Profit After Tax has increased to ₹ 5.12 Crores as compared to ₹ 3.05 Crores last year.

Consolidated financial statement of the Company and of the subsidiaries, forms part of the Annual Report. A separate statement containing the salient features of the financial statement of KNP Japan Private Limited is part of this Annual Report.

Annual Audited Accounts of KNP Japan Private Limited are available on the website of the Company.

b. Operations in Srilanka

Our subsidiary in Srilanka, Kansai Paints Lanka Pvt. Ltd. has commenced its operations on 26th April, 2017.

Consolidated financial statement of the Company and of the subsidiaries, forms part of the Annual Report. A separate statement containing the salient features of the financial statement of Kansai Paints Lanka Pvt. Ltd. is part of this Annual Report.

Annual Audited Accounts of Kansai Paints Lanka Pvt. Ltd. are available on the website of the Company.

7. New Projects

The Shareholders were informed last year that the Company undertook a comprehensive review of its manufacturing capacities and had started setting up of a paint manufacturing unit at Saykha Industrial Estate in Gujarat and also a paint manufacturing unit at Goindwal Sahib near Amritsar in Punjab. It was also informed that the Company had started setting up a Global R & D Centre at Vashi, Navi Mumbai.

The construction of manufacturing unit at Saykha Industrial Estate in Gujarat and at Goindwal Sahib near Amritsar in Punjab and also the construction of Global R & D Centre at Vashi, Navi Mumbai are in process as per the planned schedule.

The Company has initiated a project at Achutapuram, Visakhapatnam district in Andhra Pradesh to set up a paint manufacturing unit having a capacity of 60,000 KL per year, which is expandable in phases, at an estimated cost of ₹ 304 crores.

8. Cost Audit

The Ministry of Corporate Affairs (MCA), vide Notification dated 14th July, 2016, amended the Companies (Cost Records and Audit Rules) 2014, through Companies (Cost Records and Audit) Amendment Rules, 2016. As per the Amendment Rules, 2016, the Company is required to conduct cost audit of the cost records of its products – Thinners and Resins. The Board of Directors has appointed D. C. Dave & Co., Cost Accountants as the Cost Auditor to conduct cost audit of the cost records of products – Thinners and Resins for the financial year 2016-17 and financial year 2017-18.

The remuneration of the Cost Auditor as recommended by the Audit Committee and approved by the Board of Directors is required to be ratified subsequently by the Shareholders. Hence the resolutions at Item nos. 6 and 7 of the Notice of the Annual General Meeting (AGM).

9. Directors

In accordance with Articles of Association of the Company, Mr. Masaru Tanaka and Mr. Hidenori Furukawa retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Shinji Asatsuma, a nominee of Kansai Paint Co. Ltd., Japan, resigned from the Board of Directors of the Company with effect from 29th July, 2016. The Board of Directors has placed on record its sincere appreciation and gratitude for the valuable and outstanding contribution made by Mr. Asatsuma during his association with the Company as a Director.

Mr. Katsuhiko Kato, a nominee of Kansai Paint Co. Ltd., Japan was appointed as a Director with effect from 29th July, 2016, in the casual vacancy caused by the resignation of Mr. Shinji Asatsuma. Mr. Kato holds office till the ensuing Annual General Meeting. Notices in writing have been received from some Shareholders of the Company proposing his candidature for the office of the director.

Mr. D. M. Kothari, Vice Chairman has retired from the Board of Directors of the Company with effect from the close of business on 2nd May, 2017. The Board of Directors has placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Mr. Kothari during his long and fruitful association with the Company as a Director, then as the Managing Director and subsequently as the Vice Chairman of the Company.

Mr. H. M. Bharuka, Managing Director, is now appointed as the Vice Chairman and Managing Director of

the Company for the period from 3rd May, 2017 to 31st March, 2022, subject to the approval of the Shareholders at the ensuing Annual General Meeting to be held on 21st June, 2017. The material terms of appointment of Mr. Bharuka are stated in the explanatory statement to the Notice of the AGM at item no. 8.

None of the Directors is disqualified for appointment/re-appointment under Section 164 of the Companies Act, 2013. As required by law, this position is also reflected in the Auditors' Report.

All the Independent Directors on the Board have given a declaration of their independence to the Company as required under Section 149(6) of the Companies Act, 2013.

The composition of the Board, meetings of the Board held during the year and the attendance of the Directors thereat have been mentioned in the Report on Corporate Governance in the Annual Report.

Mr. H. M. Bharuka, Managing Director, is a member of the Global Steering Committee of Kansai Paint Co. Ltd., Japan, the holding company. Mr. H. M. Bharuka received a remuneration of ₹ 73.10 lacs during the year as a member of the Global Steering Committee.

10. Key Managerial Personnel

As required under Section 203 of the Companies Act, 2013, the Company has noted that Mr. H. M. Bharuka, Managing Director, Mr. P. D. Chaudhari, Whole-time Director, Mr. P. D. Pai, Chief Financial Officer and Mr. G. T. Govindarajan, Company Secretary are the Key Managerial Personnel of the Company.

11. Board Evaluation

The evaluation of all the Directors, the Board as a whole and its Committees was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the Report on Corporate Governance in this Annual Report. The Board noted the evaluation results that were collated and presented to the Board.

12. Remuneration Policy

The Board of Directors of the Company has adopted a Remuneration Policy for determining qualifications, positive attributes and independence of a Director and

criteria for Director's appointment and remuneration. The features of the Policy are as follows:

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, architecture, technical, marketing, manufacturing, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, while determining the Board composition.
- A director shall be a person of integrity, who possesses relevant expertise and experience. He shall uphold ethical standards of integrity and probity and act objectively and constructively. He shall exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.
- An Independent director should meet the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Companies Act, 2013.
- The objective of the policy is to have a compensation framework that will reward and retain talent.
- The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.
- Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.
- For Directors, the Performance Pay will be linked to achievement of Business Plan.
- For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.

- The above will take into consideration industry performance, customer performance and overall economic environment.
- For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall company performance.

13. Risk Management Policy

Risk profiling is put in place for all the areas of operations in the Company and well integrated in the business cycle. The Company has identified the risk areas in its operations along with its probability and severity, department wise. The various risks to which the Company is exposed are as mentioned in the Management and Discussion Analysis Report under the relevant heading. An effective Risk Management Framework is put in place in the Company in order to analyze, control and mitigate risk.

The Risk Management Framework comprises of Risk Management Committee and the Risk Officers. The Risk Management Committee of our Company consists of the Management Committee and the Chief Risk Officer. The Managing Director, the Executive Director and the functional heads constitute the Management Committee. The Company Secretary is the Chief Risk Officer. The Risk Officers have been appointed by the functional heads and represent the various functions. The requirements of Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with regard to the constitution of a Risk Management Committee are not applicable to our Company as this Regulation is applicable only to top 100 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year. The Board of Directors and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals.

The functions of the Risk Management Committee includes preparation of company-wide framework for risk management, fixing roles and responsibilities, communicating the risk management objective, allocating resources, drawing action plan, determining criteria for defining major and minor risks, deciding strategies for escalated major risk areas, updating company-wide Risk register and preparing MIS report for review of Audit Committee.

The Risk Management Framework aims to:

- (a) address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective;
- (b) establish the risk appetite;
- (c) be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication;
- (d) seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response;
- (e) reduce surprises and losses, foresee opportunities and improve deployment of resources;
- (f) develop a mechanism to manage risks.

Through the Risk Management framework, system and process are set to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively. Clearly defined work profiles and assigned responsibilities are well at place, throughout the organization, at all levels and all functions, ensuring smooth flow of information across various levels within the organization.

14. Dividend Distribution Policy

The Dividend Distribution Policy of the Company has been formulated to ensure compliance with the provisions of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors as mentioned in this policy before declaring dividend in any financial year.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

The Dividend (including interim and/or final) for any financial year shall be declared or paid by the Company for any financial year out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013 or out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013 and remaining

undistributed, or out of both. The Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the Company. The Company shall follow the provisions of the Companies Act and all the relevant rules and regulations of the Companies Act and/or any regulatory enactment(s) as may be applicable while declaring and paying dividend for any financial year.

The rate of Dividend shall be fixed by the Board of Directors of the Company. Final dividend proposed by the Board of Directors, if any, would be subject to the approval of the shareholders at the Annual General Meeting.

The Board of Directors shall recommend dividend in compliance with this policy, the provisions of the Companies Act, 2013 and Rules made there under and other applicable legal provisions.

The Company will consider various internal and external factors, including but not limited to the following before making any recommendation for dividend:

(i) Internal factors:

- a. Profitable growth of the Company and specifically, profits earned during the financial year as compared with previous years and internal budgets;
- b. Cash flow position of the Company;
- c. Accumulated reserves;
- d. Stability of earnings;
- e. Future cash requirements for organic growth/expansion and/or for inorganic growth;
- f. Contingent liabilities;
- g. Deployment of funds in short term marketable investments and/or long term investments;
- h. Capital expenditure(s); and
- i. The ratio of debt to equity.

(ii) External factors:

- a. Economic environment;
- b. Cost and availability of alternative sources of financing;
- c. Inflation rate;
- d. Industry outlook and stage of business cycle for underlying businesses;

- e. Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution;
- f. Changes in the Government policies, industry specific rulings & regulatory provisions; and
- g. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

Apart from the above, the Board also considers past dividend history and track record of previous Dividends distributed by the Company. The Board may additionally recommend special dividend in special circumstances.

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- Buyback of shares subject to applicable limits
- Capitalisation of shares
- Issue of Bonus shares
- Payment of Dividend in future years
- Investment in new business(es) and/or additional investment in existing business(es)
- General corporate purposes, including contingencies
- Any other permissible usage as per law.

The Company currently has only one class of shares, viz. Equity shares, for which this policy is applicable. The policy will be subject to review if and when the Company issues different classes of shares.

The Dividend Distribution Policy of the Company is also available on the website of the Company at <https://nerolac.com/financial/policies.html#scroll>

15. Corporate Social Responsibility

The Board has constituted a Corporate Social Responsibility (CSR) Committee as per the provisions of Section 135 of the Companies Act, 2013. The functions of the CSR Committee are to:

- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in Clause (a); and
- (c) monitor the CSR policy of the Company from time to time.

The members of the CSR Committee are Mr. D. M. Kothari, Mr. H. M. Bharuka, Mr. N. N. Tata and Mrs. Brinda Somaya. Mr. D. M. Kothari is the Chairman of the CSR Committee. The independent Directors on the CSR Committee are Mr. D. M. Kothari, Mr. N. N. Tata and Mrs. Brinda Somaya.

With effect from 3rd May, 2017, the CSR Committee will be re-constituted as follows:

Mr. H. M. Bharuka (Chairman), Mr. N. N. Tata and Mr. P. D. Chaudhari.

The CSR Committee meetings held during the year and attendance of the members of the CSR Committee at the meetings are as follows:

Date of Meeting	Members Present at the Meeting
29-07-2016	Mr. D. M. Kothari Mr. H. M. Bharuka Mr. N. N. Tata Mrs. Brinda Somaya
27-03-2017	Mr. D. M. Kothari Mr. N. N. Tata Mrs. Brinda Somaya

The Board has also framed a CSR Policy for the Company, on the recommendations of the CSR Committee. The Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, total amount to be spent under CSR for the financial year, amount unspent and the reason for the unspent amount, is set out at Annexure-1 forming part of this Report.

16. Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013, are given in the notes to the financial statements provided in this Annual Report.

17. Related Party Transactions

All transactions entered into with the Related Parties in terms of Section 2(76) and Section 188 of the Companies Act, 2013 read with Regulation 2(zc) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and

on arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no Material Related Party Transactions during the year. Thus, disclosure in Form AOC-2 is not required.

18. Audit Committee

The Company has an Audit Committee in place, constituted as per the provisions of Section 177 of the Companies Act, 2013. The members of the Audit Committee, its terms of reference, the meetings of the Audit Committee and attendance thereof of the members of the Committee is mentioned in the Corporate Governance Report under the appropriate heading.

19. Whistle Blower Policy

The Company has a Whistle Blower Policy to report genuine concerns and grievances. The implementation of the Whistle Blower Policy has been mentioned in the Report of Corporate Governance.

20. Prevention of Sexual Harassment at workplace

The Company has adopted a policy with the name "Policy on Appropriate Social Conduct at Workplace".

The policy is applicable for all employees of the organization, which includes corporate office, branches, depots and manufacturing locations etc.

The policy is applicable to non-employees as well i.e. business associates, vendors, trainees etc.

A Complaints Committee has also been set up to redress complaints received on sexual harassment as well as other forms of verbal, physical, written or visual harassment.

During the financial year under review, the Company has not received any complaints of sexual harassment.

21. Corporate Governance

As required by Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed report on Corporate Governance is given as a part of the Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate of the compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

22. General Shareholder Information

General Shareholder Information is given in Item No. 9 of the Report on Corporate Governance forming part of the Annual Report.

23. Business Responsibility Report

Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended with effect from 1st April, 2016, requires that in case of the top 500 listed companies based on market capitalisation, the Annual Report shall contain a Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, in the format specified by SEBI. The Business Responsibility Report in the format suggested by SEBI forms part of the Annual Report.

24. Particulars regarding Employees Remuneration

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as Annexure-2.

25. Directors' Responsibility Statement

As stipulated under the provisions contained in Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 the Directors hereby state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) 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 and of the profit of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) the Directors have prepared the annual accounts on a going concern basis;
- (v) the Directors 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
- (vi) 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.

26. Energy, Technology Absorption & Foreign Exchange

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure-3 to this Report.

27. Extract of Annual Return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format is appended as Annexure-4 to this Report.

28. Statutory Auditors

The Company Auditors, B S R & Co. LLP, Chartered Accountants, have been appointed for a period of 5 years from the 94th AGM till the 99th AGM. Pursuant to provisions of Section 139(1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the appointment of B S R & Co. LLP, as Auditors of the Company for a period of 5 years shall be subject to ratification by shareholders at every AGM. Accordingly,

the appointment of B S R & Co. LLP, as the Auditors of the Company from this AGM till the conclusion of next AGM is put forth for your approval.

The Auditors' Report is clean and there are no qualifications in their Report.

29. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company had appointed M/s Ragini Chokshi & Co., Practicing Company Secretaries, as the Secretarial Auditor of the Company for the year 2016-17 to conduct secretarial audit and to ensure compliance by the Company with various Acts applicable to the Company. The Secretarial Audit Report for the financial year 2016-17 issued by M/s Ragini Chokshi & Co., is annexed to this Report as Annexure-5. There are no qualifications or adverse remarks in their Report.

30. Acknowledgements

Your Directors wish to express their grateful appreciation for the co-operation and support received from customers, parent company, collaborators, vendors, shareholders, financial institutions, banks, regulatory authorities and the society at large.

Deep appreciation is also recorded for the dedicated efforts and contribution of the employees at all levels, as without their focus, commitment and hard work, the Company's consistent growth would not have been possible, despite the challenging environment.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2017

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.**
Weblink : Given separately as a part of this Report.
: <https://www.nerolac.com/financial/policies.html>
2. **Composition of the CSR Committee** : Mr. D. M. Kothari, *Vice Chairman (Independent Director)*
Mr. H. M. Bharuka, *Managing Director*
Mr. N. N. Tata, *(Independent Director)*
Mrs. Brinda Somaya, *(Independent Director)*
3. **Average net profit of the Company for the last three financial years** : ₹ 415.77 Crores
4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)** : ₹ 8.32 Crores
5. **Details of CSR spend for the financial year :**
 - a. Total amount spent for the financial year : ₹ 6.46 Crores
 - b. Amount unspent : ₹ 1.86 Crores
 - c. Manner in which the amount spent during the financial year is as given separately in this Report.

The Company has a Corporate Social Responsibility Committee to implement and monitor the CSR policy. A lot of activities were taken up and implemented during the year, particulars of which are given in this report. However, some of the projects envisaged could not take off during the year. Hence the shortfall in CSR spend compared to the requirement as stated in point no. 4 above.

The CSR Committee confirms that the implementation of the CSR Policy is in compliance with CSR objectives and Policy of the Company.

H. M. Bharuka
Managing Director

D. M. Kothari
Chairman of the CSR Committee

Mumbai, 2nd May, 2017

Outline of CSR Policy

The Mission and philosophy of CSR function of the Company is “To contribute positively to the development of the society, by acting as a good neighbour, considerate of others, playing the role of a good corporate citizen with passion and compassion.” Hence the CSR activities undertaken by the organisation essentially focus on four core areas of Environment, Health, Education and Community Development. The focus of the Company is to contribute to various institutions and initiatives around the manufacturing locations to provide social services to the needy.

The CSR vision of the Company is to strive to be a responsible corporate by proactively partnering in the Environmental, Social and Economic development of the communities through the use of innovative technologies, products as well as through activities beyond normal business.

The Company endeavours to make a positive and significant contribution to the society by targeting social and cultural issues, maintaining a humanitarian approach and focusing on areas in and around its plants and where its establishments are located.

The Company would continue to carry out CSR activities as it has been carrying out over the years in the areas of Environment, Health, Education and Community Development. In particular, the Company will undertake CSR activities as specified in Schedule VII to the Companies Act, 2013 (including any amendments to Schedule VII and any other activities specified by the Government through its notifications and circulars) as follows :

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
8. Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women;
9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
10. Rural development projects;
11. Slum area development.

CSR activities will be undertaken either by the Company itself or through a Trust/Section 8 Company to be established by the Company or through any other Trust engaged in similar projects and activities. The Company may also collaborate with other companies to carry out its CSR activities.

PROGRAM WISE CSR DETAILS 2016-17

Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)	
A.	1.	Basic Training in Painting to the unemployed youth in partnership with SBI	Livelihood & Skill Enhancement Program	Bihar, Jharkhand, Maharashtra, Gujarat and Chhattisgarh	30.00	22.75	22.75	22.75
	2.	Advanced open Training in Painting	Livelihood & Skill Enhancement Program	In various states such as Punjab, M.P., Kerala, Karnataka, Gujarat, Rajasthan, etc	400.00	423.31	423.31	423.31
	3.	Creation of Model Training Centre with NSDC	Livelihood & Skill Enhancement Program	Hosur, Tamilnadu	100.00	0	0	0
	Sub-total				530.00	446.06	446.06	446.06
B.	1.	Health Camp for villagers	Preventive Health Care & Sanitation	Bawal	6.00	2.30	2.30	2.30
	2.	Construction of Toilets in Govt. school	Preventive Health Care & Sanitation	Bawal	3.00	1.01	1.01	1.01
	3.	Health Camps for villagers	Preventive Health Care & Sanitation	Hosur	2.00	1.20	1.20	1.20
	4.	Installation of RO system in Govt. High School, Mornapalli	Preventive Health Care & Sanitation	Hosur	2.00	0.65	0.65	0.65
	5.	Health Camps for villagers	Preventive Health Care & Sanitation	Lote	3.00	1.51	1.51	1.51
	6.	Health Camps for villagers	Preventive Health Care & Sanitation	Jainpur	7.00	3.15	3.15	3.15
	7.	Repairs of Toilets and Urinals, providing over head Tank with pump	Preventive Health Care & Sanitation	Jainpur	2.00	0.78	0.78	0.78
	8.	Installation of RO system along with storage tank near SDM office	Preventive Health Care & Sanitation	Jainpur	4.00	1.45	1.45	1.45
	9.	Health camps near Depots	Preventive Health Care & Sanitation	In 10 cities, such as Ludhiana, Jalandhar, Calicut, Cochin, Indore, Thrissur, Ambala etc.	20.00	7.30	7.30	7.30
	Sub-total				49.00	19.35	19.35	19.35
C.	1.	Providing Bore well in Jaliawas village	Rural Development / Community Development	Bawal	4.00	1.76	1.76	1.76
	2.	Providing Gate to the Community centre in Jaliawas	Rural Development / Community Development	Bawal	2.00	0.35	0.35	0.35
	3.	Providing Boundary wall to the Community centre in Chirhada	Rural Development / Community Development	Bawal	7.00	3.00	3.00	3.00
	4.	Providing Gym equipment in Chirhada	Rural Development / Community Development	Bawal	2.00	0.50	0.50	0.50
	5.	Painting of Pick up sheds	Rural Development / Community Development	Lote	1.00	0.36	0.36	0.36
	6.	Borewell Facility for villagers	Rural Development / Community Development	Lote	2.00	0.85	0.85	0.85
	7.	Installation of Water Hand Pump in Jainpur village	Rural Development / Community Development	Jainpur	2.00	0.42	0.42	0.42
	8.	Installation of Water Hand Pump in Sidhamau village	Rural Development / Community Development	Jainpur	2.00	0.33	0.33	0.33
	Sub-total				22.00	7.57	7.57	7.57

PROGRAM WISE CSR DETAILS 2016-17

	Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
D.	1.	Creative workshop for Students in Govt. school, Naichana	Promoting Education	Bawal	3.00	1.09	1.09	1.09
	2.	AIDS awareness campaign in Rewari	Promoting Education	Bawal	1.00	0.25	0.25	0.25
	3.	Providing Solar Power System in Govt. School, Mohunpur	Promoting Education	Bawal	4.00	2.52	2.52	2.52
	4.	Painting in Govt. School, Naichana	Promoting Education	Bawal	2.00	1.74	1.74	1.74
	5.	Painting in Govt. Girls School, Bawal	Promoting Education	Bawal	2.00	1.71	1.71	1.71
	6.	School building Renovation in Govt. Girls' High School, Denkanikotta	Promoting Education	Hosur	8.00	4.17	4.17	4.17
	7.	Construction of Gate, fixing of mesh etc. in Orphanage school, Denkanikotta	Promoting Education	Hosur	2.00	0.55	0.55	0.55
	8.	Compound wall to Govt. high school, Mornapalli	Promoting Education	Hosur	8.00	3.08	3.08	3.08
	9.	Educational Assistance to School for Special Children in Hosur	Promoting Education	Hosur	3.00	1.18	1.18	1.18
	10.	Providing Benches to Behre College, Lavel	Promoting Education	Lote	2.00	1.00	1.00	1.00
	11.	Providing Solar Inverter and Computers in Walope School	Promoting Education	Lote	4.00	1.67	1.67	1.67
	12.	Construction of Class room in School at Songaon	Promoting Education	Lote	7.00	2.66	2.66	2.66
		13.	Distribution of Educational Material, such as School Bags, Note books & providing Ceiling Fan etc. in Primary / Secondary school, Jainpur village	Promoting Education	Jainpur	2.00	0.67	0.67
		Sub-total			48.00	22.29	22.29	22.29
E.	1.	Developing Area in and around Dadar Station (Central)	Ensuring Environmental Sustainability	HO	120.00	116.42	116.42	116.42
	2.	Development of Green Belt near Plant	Ensuring Environmental Sustainability	Bawal	2.00	1.83	1.83	1.83
	3.	Green belt development near Jainpur Plant.	Ensuring Environmental Sustainability	Jainpur	1.00	0.18	0.18	0.18
		Sub-total			123.00	118.43	118.43	118.43
F.	1.	Painting of Somnath Temple, Gujarat	Restoration of Buildings and Sites of Historical Importance	Somnath, Gujarat	60.00	32.00	32.00	32.00
		Sub-total			60.00	32.00	32.00	32.00
		Grand Total			832.00	645.70	645.70	645.70

Implementing Agencies for CSR activities:

1. Preksha Foundation, Indore
2. State Bank of India — through its Rural Self Employment Training Institutes
3. Sachetan Society for Research, Education & Training (Bawal)
4. Modern Glory (NGO), Bawal
5. Gulati Health Care, Bawal

Annexure 2 to the Board's Report

1. Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- (i) The ratio of the remuneration of each Director to the Median Remuneration of the Employees of the Company for the Financial Year 2016-17 and
- (ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year.

Sr. No.	Name of Director / KMP and Designation	Remuneration of Director / KMP for Financial Year 2016-17 (₹ in Lacs)	Percentage increase in Remuneration for the Financial Year 2016-17	Ratio of Remuneration of each Director / KMP to the Median Remuneration of Employees
1.	Mr. P. P. Shah Chairman (Non-Executive and Independent Director)	36.10	#	6.09
2.	Mr. D. M. Kothari Vice Chairman (Non-Executive and Independent Director)	51.30	#	8.65
3.	Mr. H. M. Bharuka Managing Director	540.99	8.17	91.23
4.	Mr. P. D. Chaudhari Whole-time Director	187.76	11.95	31.66
5.	Mr. N. N. Tata (Non-Executive and Independent Director)	31.10	#	5.24
6.	Mr. M. Tanaka Non-Executive Director	*	*	*
7.	Mr. H. Furukawa Non-Executive Director	*	*	*
8.	Mr. S. Asatsuma (resigned w.e.f. 29th July, 2016) Non-Executive Director	*	*	*
9.	Mrs. Brinda Somaya (Non-Executive and Independent Director)	15.70	48.11	2.65
10.	Mr. K. Kato (appointed w.e.f. 29th July, 2016) Non-Executive Director	*	*	*
11.	Mr. P. D. Pai Chief Financial Officer	75.82	13.60	12.79
12.	Mr. G. T. Govindarajan Company Secretary	47.29	11.40	7.97

Remuneration for the purpose of the computation above in the case of Managing Director, Whole-time Director and other Key Managerial Personnel is considered as the income earned during the financial year 2016-17 which is reflected in the Income-tax Computation Sheet as "Gross Income" (inclusive of perquisites) together with the Company's Contribution to Provident Fund and Superannuation Fund.

Almost the same as in Financial Year 2015-16.

* Mr. M. Tanaka, Mr. H. Furukawa, Mr. S. Asatsuma and Mr. K. Kato did not receive any sitting fees for attending Board Meetings, nor were they paid any commission.

Kansai Nerolac Paints Limited • Annual Report 2016-2017

- (iii) The Median Remuneration of Employees (MRE) of the Company is ₹ 5,92,805 for the Financial Year 2016-17. The MRE for the year increased by 7.68% compared to the previous financial year.
- (iv) The number of permanent employees on the rolls of the Company is 2697 as on March 31, 2017.
- (v) Average percentage increase made in the salaries of employees other than key managerial personnel in the last Financial Year was 7.93%. The percentage increase in remuneration of key managerial personnel was 9.63%. The increase in remuneration is determined based on the performance by the employees of the Company.
- (vi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

2. Statement pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Sr. No.	Name	Designation / Nature of Duties	Remuneration (₹)	Qualification	Experience (in years)	Date of Commencement of Employment	Age (in years)	Last Employment Held	
								Name of the Employer	Designation held
(A) Employed throughout the Financial Year under review and in receipt of remuneration for the Financial Year in the aggregate of not less than ₹ 1,02,00,000 per annum.									
1.	Mr. H. M. Bharuka	Managing Director	5,40,98,972	B.Com., AICWA	36	01.10.1985	56	Rohit Pulp and Paper Mills Ltd.	Manager – Costing
2.	Mr. P. D. Chaudhari	Executive Director – Manufacturing & Technical	1,87,76,000	B.E., MMS	24	14.06.1993	48	Bharat Bijlee Ltd.	Graduate Apprentice
3.	Mr. Anuj Jain	Director – Decorative and Industrial Sales & Marketing	1,16,64,200	B.Sc., MMS (Mktg.)	24	04.06.1990	48	First Employment	–

(B) Employed for the part of the Financial Year under review and in receipt of remuneration at the rate of not less than ₹ 8,50,000/- per month : None.

Notes:

- The appointment is as per the contract/letter of appointment. Other terms and conditions as per Company's rules.
- Remuneration as mentioned above comprises of Salary, Commission, Company's contribution to Provident fund & Superannuation, House Rent Allowance, Leave Travel Allowance and Other Perquisites and Allowances but excludes Gratuity.
- There was no employee either throughout the financial year or part thereof who was in receipt of remuneration which in the aggregate was in excess of that drawn by the Managing Director or Whole-time Director and who held by himself or alongwith his spouse or dependent children two percent of the Equity Shares of the Company.
- None of the above employees is a relative of any Director of the Company.

For and on behalf of the Board

Mumbai, 2nd May, 2017

P. P. Shah
Chairman

Annexure 3 to the Board's Report

(A) Conservation of Energy

(i) The steps taken or impact on conservation of energy:

- Open Access Power sourcing initiated at Bawal Plant through Indian Electricity Exchange (IEX). IEX is a platform which enables Power trading through regulations governed by Central Electricity Regulatory Commission (CERC). Under this we have been bidding for electricity on 15-minutes block basis, a day prior to the delivery of electricity. With this we have accrued Cost savings of ₹ 200 Lacs in FY16-17. Over and above we have reduced our dependency on DG and thereby saved on HSD.
- As part of Open Access Power sourcing, we have signed Power Purchase agreement for cost efficient Power along with Orient Green Power at our Hosur Plant with effect from December 2016. Till date we have achieved cost savings of ₹ 12 Lacs.
- As a Technology upgrade measure, we have retrofitted our existing Pneumatic conveying Lobe type blowers with Energy Efficient Screw type Blowers at Hosur. Since the conventional Lobe blowers are belt driven there is an inherent transmission loss of approx. 5-10% on account of slippages. On the contrary a Screw Blower is a “direct drive” technology with negligible transmission losses. This upgrade has been done in March 2017. This upgrade will enable Load reduction to the tune of 53.5 KW.
- We have done an internal as well as external Specific Power consumption and Utility cost benchmarking exercise for comparable Production Blocks and taken various actions to reduce the Power consumption per KL of Paint produced and generate Utilities at optimized costs. Savings accrued is ₹ 40 Lacs.
- We underwent exhaustive Energy Audit at Hosur through BEE certified Energy Auditors and based on implementation of recommendations, we have achieved Energy savings of ₹ 92 Lacs.
- As a Technology upgrade we have switched over conventional Metal Halide/CFL/FTL lighting systems to Energy Efficient LED Lighting systems at Bawal, Jainpur and Lote in Energy intensive areas. With this upgrade we have accrued Cost savings of ₹ 32 Lacs in FY16-17.
- As a Technology upgrade we have switched over from conventional motors to IE3 Energy Efficient Induction Motors at Bawal, Jainpur and Lote. This has helped in reduced Power consumption, reliable operations and minimum motor losses.

(ii) Steps taken by the Company for utilising alternate sources of Energy :

- As part of our Renewable Energy migration Blueprint, we have planned for migrating towards Captive Power generation through on-site roof top mounted solar power plants with a potential cost savings of ₹ 195 Lacs/annum.
- As part of our Renewable Energy migration Blueprint, we have planned for shifting our steam generation on Biomass fired Thermic fluid heater at Lote. This will facilitate reduction in High Speed Diesel (HSD) consumption (around 17 KL/month) with a cost savings potential of ₹ 51 Lacs per annum.
- Sola tubes utilizing Solar radiations have been installed at Raw Material Godown at Lote Plant thereby reducing our dependency on Grid.
- As part of Open Access arrangement, Group Captive power sourcing is worked out at Hosur with a potential savings of ₹ 100 Lacs per annum. Expected commencement by May 2017.

(iii) Capital investment on energy conservation equipment: ₹ 13.5 Crores.

(B) Technology Absorption

1. The efforts made towards technology absorption :

Following activities carried out in Research and Development –

- Development of new products for Automotive, Industrial and Decorative segments
- Innovative shade development for OEM industry
- Localization of intermediates for automotive coating
- Improvement in existing production process & cycle time reduction
- Green initiatives
- Formulation optimization by value engineering
- Import substitution of raw materials
- Joint projects with vendor for mutual benefit

2. The benefits derived like product improvement, cost reduction, product development or import substitution:

- Excel Mica Marble Acrylic Exterior Emulsion
- Excel Alkali Prime Premium Exterior Primer
- Impressions Glitter Silver & Gold
- Nerolac Ready Mix Primer + Putty
- New Variants of Melamine WF's introduced to target OEM
- Super Petrol resistance taping lacquer for two wheeler industry
- High solid clear coat for automotive industry
- Heavy Metal Free Epoxy paint for auto ancillaries
- Heat Resistance Monocoats
- Energy Saving concept for tractor chassis
- PU Self Levelling floor coating
- FDA compliant Internal Epo Phen Pigmented Lacquer for packaging coating of barrels
- Coil Coating system (Primer, Back coat & Top coat)
- Electrophoretic Clear Coat
- Mar Proof Resistant Glossy Powders for Appliance Industry
- Super durable powder coating

3. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

a. **Details of Technology imported**

Sr. No.	Particulars	Year of Import
1.	Mar resistance Clear Coat	2014-15
2.	Direct to Metal 1K Anticorrosive Coating	2014-15
3.	Monocoat metallic base coats successfully absorbed for two wheeler industry	2015-16
4.	1K Super Anti Corrosive Primer	2016-17
5.	Acrylic and Epoxy Red CED	2016-17
6.	Super Durable Aluminum Extrusion	2016-17

- b. **Whether the technology has been fully absorbed:** The same has been fully absorbed.

- c. **If not fully absorbed, areas where absorption has not taken place, and the reasons thereof –**
The technology has been fully absorbed.

(C) **Expenditure on R & D**

	(₹ in Crores)	
	<u>2016-2017</u>	<u>2015-2016</u>
(a) Capital	5.87	3.55
(b) Recurring	23.12	19.09
(c) Total	<u>28.99</u>	<u>22.64</u>

(D) **Foreign Exchange earned in terms of actual inflows during the year and foreign exchange outgo during the year in terms of actual outflows**

Details of expenditure in foreign exchange are given in Notes 29.1 and 33.3 and earnings in foreign exchange are given in Note 27.1 of Notes to Financial Statements.

For and on behalf of the Board

Mumbai, 2nd May, 2017

P. P. Shah
Chairman

Annexure 4 to the Board's Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- (i) CIN : L24202MH1920PLC000825
- (ii) Registration Date : 2nd September, 1920
- (iii) Name of the Company : Kansai Nerolac Paints Limited
- (iv) Category / Sub-Category of the Company : Public Company / Limited by Shares.
- (v) Address of the Registered office and contact details : 'Nerolac House', Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013
Ph. +91 22 24934001 • Fax: +91 22 24973704
Website: www.nerolac.com
- (vi) Whether listed company : Yes
- (vii) Name, Address and Contact details of Registrar and Transfer Agent : TSR Darashaw Limited
6-10, Haji Moosa Patrawala Industrial Estate,
Near Famous Studio, 20, Dr. E. Moses Road,
Mahalaxmi (W), Mumbai 400 011
Tel.: +91 22 65568484 • Fax: +91 22 66568494
E-mail: csg-unit@tsrdarashaw.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sr. No.	Name and Description of main products/services	NIC Code of the Product/Service	% to total turnover of the Company
1	Paints	20221	100%
2	—	—	—
3	—	—	—

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN / GLN	PAN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	Kansai Paint Co. Ltd., Japan 6-14, Imabashi 2 – Chome, Chuo-Ku, Osaka 541-8523, Japan.	1400-01-048243	AADCK0435B	Holding	74.99	2(46)
2	KNP Japan Pvt. Ltd. (formerly known as Kansai Paints Nepal Pvt. Ltd.) Adarsh Nagar, Ward No. 13, Birganj, Nepal-44301.	20268/059/60	—	Subsidiary	68.00	2(87)
3	Kansai Paints Lanka (Private) Ltd. No. 146, Dawson Street, Colombo-02.	PV 107458	—	Subsidiary	60.00	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individuals / Hindu Undivided Family	—	—	—	—	—	—	—	—	—
(b) Central Government	—	—	—	—	—	—	—	—	—
(c) State Government(s)	—	—	—	—	—	—	—	—	—
(d) Bodies Corporate	—	—	—	—	—	—	—	—	—
(e) Financial Institutions / Banks	—	—	—	—	—	—	—	—	—
(f) Any Other (Trust)	—	—	—	—	—	—	—	—	—
Sub-total (A) (1):-	—	—	—	—	—	—	—	—	—
(2) Foreign									
(a) NRIs-Individuals	—	—	—	—	—	—	—	—	—
(b) Other-Individuals	—	—	—	—	—	—	—	—	—
(c) Bodies Corporate.	39,40,69,919	0	39,40,69,919	73.12	40,41,35,898	0	40,41,35,898	74.99	1.87
(d) Banks/FI	—	—	—	—	—	—	—	—	—
(e) Qualified Foreign Investor	—	—	—	—	—	—	—	—	—
(f) Any Other (specify)	—	—	—	—	—	—	—	—	—
Sub-total (A) (2):-	39,40,69,919	0	39,40,69,919	73.12	40,41,35,898	0	40,41,35,898	74.99	1.87
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	39,40,69,919	0	39,40,69,919	73.12	40,41,35,898	0	40,41,35,898	74.99	1.87
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	1,60,57,948	13,980	1,60,71,928	2.98	1,43,39,785	12,320	1,43,52,105	2.66	-0.32
(b) Financial Institutions / Banks	2,64,417	0	2,64,417	0.05	51,388	0	51,388	0.01	-0.04
(c) Central Government	—	—	—	—	—	—	—	—	—
(d) State Government(s)	—	—	—	—	—	—	—	—	—
(e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
(f) Insurance Companies	1,49,46,579	0	1,49,46,579	2.77	2,50,12,564	0	2,50,12,564	4.64	1.87
(g) Foreign Institutional Investors	2,09,70,539	0	2,09,70,539	3.89	55,62,311	0	55,62,311	1.03	-2.86
(h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
(i) Others [Foreign Portfolio Investors (Corporate)]	2,23,14,035	0	2,23,14,035	4.14	3,36,68,608	0	3,36,68,608	6.25	2.11
Sub-total (B)(1):-	7,45,53,518	13,980	7,45,67,498	13.84	7,86,34,656	12,320	7,86,46,976	14.59	0.76
(2) Non-Institutions									
(a) Bodies Corporate.									
(i) Indian	2,51,41,328	50,790	2,51,92,118	4.67	68,54,401	51,200	69,05,601	1.28	-3.39
(ii) Overseas	—	—	—	—	—	—	—	—	—
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	3,11,16,574	43,30,630	3,54,47,204	6.58	3,31,25,624	41,54,600	3,72,80,224	6.92	0.34
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	77,65,650	3,02,840	80,68,490	1.50	78,26,841	3,02,840	81,29,681	1.51	0.01
(c) Any Others (specify)									
(i) Non Resident Indians	10,29,455	22,400	10,51,855	0.20	13,76,573	22,400	13,98,973	0.26	0.06
(ii) Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
(iii) Foreign Nationals	—	—	—	—	—	—	—	—	—
(iv) Clearing Members	0	0	0	0.00	8,41,709	0	8,41,709	0.16	0.16
(v) Trusts	1,88,715	0	1,88,715	0.04	5,07,386	0	5,07,386	0.09	0.06
(vi) Foreign Bodies	—	—	—	—	—	—	—	—	—
(vii) Unclaimed Suspense Account	3,18,810	0	3,18,810	0.06	3,12,150	0	3,12,150	0.06	0.00
(viii) NBFC's	15,111	—	15,111	—	7,61,122	—	7,61,122	0.14	0.14
Sub-total (B)(2):-	6,55,75,643	47,06,660	7,02,82,303	13.04	5,16,05,806	45,31,040	5,61,36,846	10.42	-2.62
Total Public Shareholding (B) = (B)(1) + (B)(2)	14,01,29,161	47,20,640	14,48,49,801	26.88	13,02,40,462	45,43,360	13,47,83,822	25.01	-1.87
C. Shares held by Custodians and against which Depository Receipts have been issued	—	—	—	—	—	—	—	—	—
Grand Total (A+B+C)	53,41,99,080	47,20,640	53,89,19,720	100.00	53,43,76,360	45,43,360	53,89,19,720	100.00	0.00

Kansai Nerolac Paints Limited • Annual Report 2016-2017

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1.	Kansai Paint Co. Ltd.	39,40,69,919	73.12	40,41,35,898	74.99	—	1.87
	Total	39,40,69,919	73.12	40,41,35,898	74.99	—	1.87

(iii) Change in Promoters' Shareholding

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	increase/Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Kansai Paint Co. Ltd.							
	At the beginning of the year	39,40,69,919	73.12	01.04.2016			39,40,69,919	73.12
				08.04.2016	Purchase	1,71,947	39,42,41,866	73.15
				15.04.2016	Purchase	5,025	39,42,46,891	73.16
				06.05.2016	Purchase	4,89,609	39,47,36,500	73.24
				13.05.2016	Purchase	31,88,000	39,79,24,500	73.84
				27.05.2016	Purchase	6,37,000	39,85,61,500	73.96
				03.06.2016	Purchase	13,840	39,85,75,340	73.96
				10.06.2016	Purchase	1,44,000	39,87,19,340	73.98
				17.06.2016	Purchase	15,762	39,87,35,102	73.99
				30.06.2016	Purchase	1,517	39,87,36,619	73.99
				08.07.2016	Purchase	16,126	39,87,52,745	73.99
				15.07.2016	Purchase	1,64,827	39,89,17,572	74.02
				22.07.2016	Purchase	8,70,000	39,97,87,572	74.18
				05.08.2016	Purchase	1,78,717	39,99,66,289	74.22
				12.08.2016	Purchase	11,956	39,99,78,245	74.22
				19.08.2016	Purchase	26,310	40,00,04,555	74.22
				26.08.2016	Purchase	698	40,00,05,253	74.22
				07.10.2016	Purchase	5,74,590	40,05,79,843	74.33
				04.11.2016	Purchase	6,11,550	40,11,91,393	74.44
				11.11.2016	Purchase	20,69,691	40,32,61,084	74.83
				18.11.2016	Purchase	8,74,814	40,41,35,898	74.99
	At the end of the year	40,41,35,898	74.99	31.03.2017			40,41,35,898	74.99

Note: All Shares purchased by the Promoter during the year were on the floor of the Stock Exchange.

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	Increase/Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Aberdeen Asset Management - Asia Limited							
	At the beginning of the year	1,79,71,242	3.33	01.04.2016			1,79,71,242	3.33
				20.05.2016	Sale	-1,28,672	1,78,42,570	3.31
				27.05.2016	Sale	-1,20,480	1,77,22,090	3.29
				03.06.2016	Sale	-65,286	1,76,56,804	3.28
				12.08.2016	Sale	-5,641	1,76,51,163	3.28
				09.09.2016	Sale	-42,186	1,76,08,977	3.27
				16.09.2016	Sale	-1,03,737	1,75,05,240	3.25

Kansai Nerolac Paints Limited • Annual Report 2016-2017

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	Increase/ Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders			23.09.2016	Sale	-4,15,763	1,70,89,477	3.17
				30.09.2016	Sale	-1,34,622	1,69,54,855	3.15
				07.10.2016	Sale	-3,63,692	1,65,91,163	3.08
				21.10.2016	Sale	-2,384	1,65,88,779	3.08
				04.11.2016	Sale	-8,606	1,65,80,173	3.08
				25.11.2016	Purchase	3,70,000	1,69,50,173	3.15
				16.12.2016	Sale	-1,420	1,69,48,753	3.14
				27.01.2017	Sale	-3,389	1,69,45,364	3.14
				27.01.2017	Purchase	1,55,968	1,71,01,332	3.17
				03.02.2017	Purchase	33,298	1,71,34,630	3.18
				10.02.2017	Sale	-2,12,000	1,69,22,630	3.14
				17.02.2017	Sale	-46,939	1,68,75,691	3.13
				24.02.2017	Sale	-21,061	1,68,54,630	3.13
				17.03.2017	Sale	-1,00,000	1,67,54,630	3.11
				24.03.2017	Sale	-3,00,000	1,64,54,630	3.05
				31.03.2017	Purchase	2,80,000	1,67,34,630	3.11
	At the end of the year	1,67,34,630	3.11					
2.	ICICI Prudential Life Insurance Company Ltd							
	At the beginning of the year	1,63,27,747	3.03	01.04.2016			1,63,27,747	3.03
				20.05.2016	Sale	-9,46,491	1,53,81,256	2.85
				27.05.2016	Sale	-4,00,000	1,49,81,256	2.78
				30.06.2016	Sale	-850	1,49,80,406	2.78
				08.07.2016	Sale	-6,680	1,49,73,726	2.78
				15.07.2016	Sale	-6,38,850	1,43,34,876	2.66
				29.07.2016	Sale	-810	1,43,34,066	2.66
				05.08.2016	Purchase	30,270	1,43,64,336	2.67
				12.08.2016	Sale	-100	1,43,64,236	2.67
				19.08.2016	Sale	-16,660	1,43,47,576	2.66
				26.08.2016	Sale	-5,092	1,43,42,484	2.66
				02.09.2016	Sale	-2,171	1,43,40,313	2.66
				09.09.2016	Sale	-1,477	1,43,38,836	2.66
				16.09.2016	Sale	-25,714	1,43,13,122	2.66
				23.09.2016	Sale	-9,370	1,43,03,752	2.65
				30.09.2016	Sale	-739	1,43,03,013	2.65
				07.10.2016	Sale	-1,30,651	1,41,72,362	2.63
				14.10.2016	Sale	-3,407	1,41,68,955	2.63
				21.10.2016	Sale	-1,81,519	1,39,87,436	2.60
				28.10.2016	Sale	-1,59,961	1,38,27,475	2.57
				04.11.2016	Sale	-77,769	1,37,49,706	2.55
				11.11.2016	Sale	-7,371	1,37,42,335	2.55
				18.11.2016	Sale	-6,61,972	1,30,80,363	2.43
				25.11.2016	Sale	-9,24,843	1,21,55,520	2.26
				02.12.2016	Sale	-1,52,285	1,20,03,235	2.23
				06.01.2017	Sale	-8,280	1,19,94,955	2.23
				13.01.2017	Sale	-22,693	1,19,72,262	2.22
				20.01.2017	Sale	-72,282	1,18,99,980	2.21
				27.01.2017	Sale	-1,11,913	1,17,88,067	2.19
				03.02.2017	Purchase	1,01,400	1,18,89,467	2.21
				10.02.2017	Purchase	97	1,18,89,564	2.21
				17.02.2017	Sale	-1,18,89,564	0	0.00
				17.02.2017	Purchase	1,18,70,922	1,18,70,922	2.20

Kansai Nerolac Paints Limited • Annual Report 2016-2017

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	Increase/ Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders			24.02.2017	Sale	-3,322	1,18,67,600	2.20
				03.03.2017	Sale	-69,383	1,17,98,217	2.19
				10.03.2017	Sale	-1,86,267	1,16,11,950	2.15
				17.03.2017	Purchase	69	1,16,12,019	2.15
				24.03.2017	Purchase	185	1,16,12,204	2.15
				31.03.2017	Sale	-1,62,485	1,14,49,719	2.12
	At the end of the year	1,14,49,719	2.12					
3.	The New India Assurance Company Limited							
	At the beginning of the year	62,69,530	1.16	01.04.2016			62,69,530	1.16
				07.10.2016	Sale	-55,208	62,14,322	1.15
				14.10.2016	Sale	-28,307	61,86,015	1.15
				21.10.2016	Sale	-1,23,218	60,62,797	1.12
				28.10.2016	Sale	-1,61,370	59,01,427	1.10
				04.11.2016	Sale	-81,228	58,20,199	1.08
				31.03.2017	-	0	58,20,199	1.08
	At the end of the year	58,20,199	1.08					
4.	Birla Sun Life Trustee Company Private Limited							
	At the beginning of the year	54,65,403	1.01	01.04.2016			54,65,403	1.01
				20.05.2016	Purchase	5,197	54,70,600	1.02
				08.07.2016	Sale	-455	54,70,145	1.02
				05.08.2016	Sale	-7,000	54,63,145	1.01
				14.10.2016	Sale	-471	54,62,674	1.01
				18.11.2016	Purchase	25,000	54,87,674	1.02
				27.01.2017	Sale	-96,300	53,91,374	1.00
				27.01.2017	Purchase	96,300	54,87,674	1.02
				03.03.2017	Sale	-159	54,87,515	1.02
				24.03.2017	Sale	-32,076	54,55,439	1.01
				31.03.2017	Purchase	31,692	54,87,131	1.02
	At the end of the year	54,87,131	1.02					
5.	The Oriental Insurance Company Limited							
	At the beginning of the year	51,04,949	0.95	01.04.2016			51,04,949	0.95
				20.05.2016	Sale	-1,22,834	49,82,115	0.92
				27.05.2016	Sale	-37,896	49,44,219	0.92
				03.06.2016	Sale	-52,104	48,92,115	0.91
				10.06.2016	Sale	-50,000	48,42,115	0.90
				15.06.2016	Sale	-10,000	48,32,115	0.90
				30.06.2016	Sale	-30,000	48,02,115	0.89
				01.07.2016	Sale	-10,000	47,92,115	0.89
				15.07.2016	Sale	-15,000	47,77,115	0.89
				22.07.2016	Sale	-33,226	47,43,889	0.88
				29.07.2016	Sale	-32,179	47,11,710	0.87
				05.08.2016	Sale	-7,026	47,04,684	0.87
				12.08.2016	Sale	-20,000	46,84,684	0.87
				26.08.2016	Sale	-38,880	46,45,804	0.86
				02.09.2016	Sale	-32,106	46,13,698	0.86
				09.09.2016	Sale	-27,000	45,86,698	0.85
				16.09.2016	Sale	-5,894	45,80,804	0.85
				30.09.2016	Sale	-28,639	45,52,165	0.84
				07.10.2016	Sale	-20,000	45,32,165	0.84

Kansai Nerolac Paints Limited • Annual Report 2016-2017

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	Increase/ Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders			14.10.2016	Sale	-25,000	45,07,165	0.84
				21.10.2016	Sale	-28,500	44,78,665	0.83
				28.10.2016	Sale	-41,000	44,37,665	0.82
				04.11.2016	Sale	-10,500	44,27,165	0.82
				11.11.2016	Sale	-31,749	43,95,416	0.82
				24.03.2017	Sale	-39,554	43,55,862	0.81
				31.03.2017	Sale	-45,446	43,10,416	0.80
	At the end of the year	43,10,416	0.80					
6.	General Insurance Corporation of India							
	At the beginning of the year	33,49,870	0.62	01.04.2016			33,49,870	0.62
				20.05.2016	Sale	-33,447	33,16,423	0.62
				27.05.2016	Sale	-16,423	33,00,000	0.61
				09.12.2016	Sale	-50,000	32,50,000	0.60
				31.03.2017	-	0	32,50,000	0.60
	At the end of the year	32,50,000	0.60					
7.	HDFC Standard Life Insurance Company Limited							
	At the beginning of the year	21,68,034	0.40	01.04.2016			21,68,034	0.40
				20.05.2016	Purchase	2,59,617	24,27,651	0.45
				27.05.2016	Purchase	20,524	24,48,175	0.45
				03.06.2016	Purchase	1,50,691	25,98,866	0.48
				17.06.2016	Purchase	1,394	26,00,260	0.48
				22.06.2016	Purchase	5,784	26,06,044	0.48
				30.06.2016	Purchase	1,677	26,07,721	0.48
				01.07.2016	Purchase	1,148	26,08,869	0.48
				08.07.2016	Purchase	1,207	26,10,076	0.48
				22.07.2016	Purchase	4,513	26,14,589	0.49
				05.08.2016	Sale	-25,000	25,89,589	0.48
				02.09.2016	Purchase	8,178	25,97,767	0.48
				23.09.2016	Purchase	5,900	26,03,667	0.48
				07.10.2016	Purchase	1,00,000	27,03,667	0.50
				25.11.2016	Purchase	1,50,000	28,53,667	0.53
				09.12.2016	Sale	-5	28,53,662	0.53
				31.12.2016	Purchase	1,241	28,54,903	0.53
				20.01.2017	Purchase	1,02,728	29,57,631	0.55
				03.02.2017	Purchase	50,000	30,07,631	0.56
				10.02.2017	Purchase	9,675	30,17,306	0.56
				17.02.2017	Purchase	40,325	30,57,631	0.57
				03.03.2017	Sale	-1,900	30,55,731	0.57
				10.03.2017	Sale	-21,250	30,34,481	0.56
				24.03.2017	Sale	-200	30,34,281	0.56
				31.03.2017	Sale	-400	30,33,881	0.56
	At the end of the year	30,33,881	0.56					

Kansai Nerolac Paints Limited • Annual Report 2016-2017

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2016) / At the end of the year (31-03-2017)		Date	Reason	Increase/ Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders							
8.	Franklin Templeton Mutual Fund Account							
	At the beginning of the year	24,90,474	0.46	01.04.2016			24,90,474	0.46
				08.04.2016	Sale	-50,000	24,40,474	0.45
				29.07.2016	Sale	-47,983	23,92,491	0.44
				05.08.2016	Sale	-3,02,017	20,90,474	0.39
				07.10.2016	Sale	-50,000	20,40,474	0.38
				25.11.2016	Purchase	6,37,899	26,78,373	0.50
				31.03.2017	Purchase	1,43,000	28,21,373	0.52
	At the end of the year	28,21,373	0.52					
9.	Carnegie Indienfond							
	At the beginning of the year	19,91,530	0.37	01.04.2016			19,91,530	0.37
	At the end of the year	19,91,530	0.37	31.03.2017	-	0	19,91,530	0.37
10.	SBI Magnum Global Fund							
	At the beginning of the year	26,28,108	0.49	01.04.2016			26,28,108	0.49
				20.05.2016	Sale	-6,24,808	20,03,300	0.37
				06.01.2017	Sale	-13,300	19,90,000	0.37
				03.02.2017	Sale	-2,00,000	17,90,000	0.33
				31.03.2017	-	0	17,90,000	0.33
	At the end of the year	17,90,000	0.33					

(v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
	For Each of the Directors and KMP				
1.	Mr. D. M. Kothari				
	At the beginning of the year	840	0.00015	840	0.00015
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	—	—	—	—
	At the end of the year	840	0.00015	840	0.00015
2.	Mr. P. D. Chaudhari				
	At the beginning of the year	200	0.00003	200	0.00003
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	—	—	—	—
	At the end of the year	200	0.00003	200	0.00003

V. INDEBTEDNESS**Indebtedness of the Company including interest outstanding / accrued but not due for payment**

(₹ in Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	0.90	40.71	—	41.61
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	0.90	40.71	—	41.61
Change in Indebtedness during the financial year				
• Addition	—	—	—	—
• Reduction	0.90	11.93	—	12.83
Net Change	(0.90)	(11.93)	—	(12.83)
Indebtedness at the end of the financial year				
(i) Principal Amount	—	28.78	—	28.78
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	—	28.78	—	28.78

VI. REMUNERATION TO DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and / or Manager:**

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Name of the MD / WTD / Manager		Total Amount
		H. M. Bharuka	P. D. Chaudhari	
1.	Gross Salary:			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	259.83	101.16	360.99
	(b) Value of Perquisites u/s.17(2) of the Income Tax Act, 1961	0.40	0.40	0.80
	(c) Profits in lieu of Salary u/s.17(3) of the Income Tax Act, 1961	0.00	0.00	0.00
2.	Stock Option	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission:			
	— as % of Profit	237.00	71.00	308.00
	— others (specify)	0.00	0.00	0.00
5.	Others, please specify:			
	Employer's contribution to Provident Fund & Superannuation Fund	43.76	15.20	58.96
	Total (A)	540.99	187.76	728.75
	Ceiling as per the Act	3,566.80	3,566.80	7,133.60

Kansai Nerolac Paints Limited • Annual Report 2016-2017
B. Remuneration to other Directors:

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
		P. P. Shah	D. M. Kothari	N. N. Tata	B. Somaya	
1.	Independent Directors					
	Fee for Attending Board / Committee Meetings	1.10	1.30	1.10	0.70	4.20
	Commission	35.00	50.00	30.00	15.00	130.00
	Others, specify	—	—	—	—	—
	Total (1)	36.10	51.30	31.10	15.70	134.20
2.	Other Non-Executive Directors					
	Fee for Attending Board / Committee Meetings	—	—	—	—	—
	Commission	—	—	—	—	—
	Others, specify	—	—	—	—	—
	Total (2)	—	—	—	—	—
	Total B = 1 + 2	36.10	51.30	31.10	15.70	134.20
	Total Managerial Remuneration (A) + (B)					862.95
	Overall Ceiling as per the Act					7,846.96

C. Remuneration To Key Managerial Personnel other than Managing Director / Manager / Whole-time Director:

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Company Secretary	CFO	
1.	Gross Salary:			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	43.17	71.88	115.05
	b) Value of Perquisites u/s. 17(2) of the Income Tax Act, 1961	0.79	0.25	1.04
	c) Profits in lieu of Salary u/s.17(3) of the Income Tax Act, 1961	—	—	—
2.	Stock Option		—	—
3.	Sweat Equity	—	—	—
4.	Commission:			
	— as % of Profit	—	—	—
	— others (specify)	—	—	—
5.	Others, please specify:			
	Employer's contribution to Provident Fund & Superannuation Fund	3.33	3.69	7.02
	Total	47.29	75.82	123.11

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES:

There were no penalties, punishments, compounding of offences for the year ended March 31, 2017.

For and on behalf of the Board

Mumbai, 2nd May, 2017

P. P. Shah
 Chairman

Annexure 5 to the Board's Report

Form No. MR - 3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
Kansai Nerolac Paints Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kansai Nerolac Paints Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended March 31, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the Audit Period);
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).

Kansai Nerolac Paints Limited • Annual Report 2016-2017

- (vi) We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company.

We are of the opinion that the management has complied with the following laws specifically applicable to the Company:

1. Factories Act, 1948;
2. Industries (Development & Regulation) Act, 1951;
3. Labour Laws and other incidental laws;
4. Environment Protection Act, 1986 and other Environmental Laws;
5. Employees State Insurance Act, 1948;
6. Hazardous Wastes (Management and Handling) Rules, 1989 and Amendment Rule, 2003;
7. Indian Contract Act, 1872;
8. Minimum Wages Act, 1948;
9. Negotiable Instruments Act, 1881;
10. The Trade Marks Act, 1999;
11. The Patents Act, 1970;
12. The Copyright Act, 1957;
13. The Legal Metrology Act, 2009;
14. Acts as prescribed under Shops and Establishments Act of various local authorities.

We have also examined compliance with applicable clauses of the following:

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with Stock Exchanges.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For Ragini Chokshi & Co.

Mrs. Ragini Chokshi

(Partner)

C.P. No. 1436

FCS No. 2390

Place: Mumbai

Date: April 25, 2017.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Schedule V(C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on Corporate Governance as on 2nd May, 2017 (the date of this Report) is given below:

1. Company's philosophy on Code of Governance

The Company believes in abiding by the Code of Governance so as to be a responsible corporate citizen and to serve the best interests of all the stakeholders, viz., the employees, shareholders, customers, vendors and the society at large. The Company seeks to achieve this goal by being transparent in its business dealings, by disclosure of all relevant information in an easily understood manner, and by being fair to all stakeholders, by ensuring that the Company's activities are managed by a professionally competent and independent Board of Directors.

2. Board of Directors

The strength of Board as on 31st March, 2017 is nine Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are seven Non-Executive Directors, of which four Directors, including the Chairman, are Independent Directors. The Board also consists of one Woman Independent Director. The number of Independent Directors on the Board is in conformity with the requirement of Regulation 17 (1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Three Non-Executive Directors namely, Mr. M. Tanaka, Mr. H. Furukawa and Mr. K. Kato are nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

Four Board Meetings were held during the year ended 31st March, 2017, i.e. on 27th April, 2016, 29th July, 2016, 28th October, 2016 and 31st January, 2017.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Mr. P. P. Shah	Chairman (Non-Executive and Independent Director)	4	Yes
Mr. D. M. Kothari	Vice Chairman (Non-Executive and Independent Director)	4	Yes
Mr. H. M. Bharuka	Managing Director	4	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	3	Yes
Mr. P. D. Chaudhari	Whole-time Director	4	Yes
Mr. M. Tanaka	Non-Executive Director	4	Yes
Mr. H. Furukawa	Non-Executive Director	4	No
Mrs. B. Somaya	Non-Executive and Independent Director	4	Yes
Mr. S. Asatsuma@	Non-Executive Director	1	No
Mr. K. Kato#	Non-Executive Director	3	No

@ Mr. S. Asatsuma resigned from the Board with effect from 29th July, 2016.

Mr. K. Kato was appointed on the Board of the Company with effect from 29th July, 2016.

Every Director currently on the Board of the Company has personally attended at least one Board / Committee of Directors' Meeting in the financial year 2016-17.

Certificates have also been obtained from the Independent Directors confirming their position as Independent Directors on the Board of the Company in accordance with Section 149 of the Companies Act, 2013 read with Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kansai Nerolac Paints Limited • Annual Report 2016-2017

Number of Board of Directors or Board Committees other than Kansai Nerolac Paints Limited in which the Director is a Chairman / Member (excluding private limited companies, foreign companies and companies registered under Section 8 of the Companies Act, 2013) as on 31st March, 2017, is as follows:

Name of the Director	No. of Directorships	No. of Audit Committees and Stakeholders' Relationship Committees* in which Chairman / Member	
		Chairman	Member
Mr. P. P. Shah	8	Nil	7
Mr. D. M. Kothari	Nil	Nil	Nil
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	5	1	1
Mr. P. D. Chaudhari	Nil	Nil	Nil
Mr. M. Tanaka	Nil	Nil	Nil
Mr. H. Furukawa	Nil	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil	Nil
Mr. K. Kato	Nil	Nil	Nil

* As per Regulation 26(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The number of directorships and the positions held on Board Committees by the directors are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations as on 31st March, 2017.

In terms of Schedule V(C)(2)(e) and Regulation 36(3)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, none of the Directors are related to each other.

Disclosure of Shareholding of Non-Executive Directors:

Name of the Director	Shares held as on 31.3.2017 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. D. M. Kothari	840
Mr. N. N. Tata	Nil
Mr. M. Tanaka #	Nil**
Mr. H. Furukawa #	Nil**
Mrs. Brinda Somaya	Nil
Mr. K. Kato #	Nil**

** Nominee of Kansai Paint Co. Ltd., Japan. No share held in personal capacity.

Director seeking re-appointment at this Annual General Meeting.

Orientation of newly elected directors and updation strategy

Newly elected directors are given a presentation on the functioning of the Company. Every quarter, reports of the various departments of the Company are circulated among all the directors. These reports give specific particulars of the respective departments. Apart from this, the directors are intimated of the changes as and when they happen. All the functional heads are present at the Audit Committee Meeting of the Company held every quarter. Presentations are also made to the Board of Directors by the functional heads. This ensures that the functional heads can apprise all the directors about the developments in their specific areas.

Access to information

The Vice Chairman of the Company, who is an independent director, has been provided an office at the Corporate Head Office of the Company. He has direct access to the officials of the Company, without the involvement of the CEO. Directors, including independent directors, visit the various manufacturing locations of the Company. They are not necessarily accompanied by the Managing Director. The purpose is to ensure that the independent directors have free and independent access to the Company's officials and records, so that they can form an independent opinion about the state of affairs of the Company.

Apart from this, reports of the audit carried out by the internal auditors and the statutory auditors are circulated to all the directors. Independent audits are also carried out by the parent company, Kansai Paint's auditors.

Monthly Performance Report is also forwarded to the Chairman updating him with the performance on various parameters.

It is ensured that the Board receives qualitative and quantitative information in line with the best management practices adopted.

The familiarization programme for our Directors is also given on the website <https://nerolac.com/financial/policies.html>

Code of Conduct for Board of Directors and Senior Management

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of Senior Management. The Code has also been posted on the Company's website at www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2017. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

3. Audit Committee

The Audit Committee acts in accordance with the terms of reference specified by the Board which includes the recommendation for appointment, remuneration and terms of appointment of auditors of the Company, review and monitor the auditor's independence and performance and effectiveness of the audit process, examination of the financial statements and the auditor's report thereon, approval or any subsequent modification of transactions of the Company with related parties, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the Company wherever it is necessary, evaluation of internal financial controls and risk management systems, monitoring the end use of funds raised through public offers and related matters.

The members of the Audit Committee are Mr. Pradip P. Shah, Mr. D. M. Kothari and Mr. N. N. Tata.

All the members of the Audit Committee are Non-Executive and Independent Directors. All the members possess sound knowledge of accounts, audit, financial management expertise, etc.

Mr. Pradip P. Shah is the Chairman of the Audit Committee.

Mr. Pradip P. Shah, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 22nd June, 2016.

Mr. G. T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

There were four meetings of the Audit Committee during the year ended 31st March, 2017, i.e. on 27th April, 2016, 29th July, 2016, 28th October, 2016 and 31st January, 2017.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2017
Mr. P. P. Shah	4
Mr. D. M. Kothari	4
Mr. N. N. Tata	3

Besides this, another meeting of the Audit Committee was held on 2nd May, 2017 at which meeting the Audited Annual Accounts for the year ended 31st March, 2017, were placed before the Committee for consideration.

The Internal Auditor and the representatives of the Statutory Auditors also attend the Audit Committee meetings, besides the executives invited by the Audit Committee to be present thereat.

The Internal Auditors report directly to the Audit Committee.

4. Nomination & Remuneration Committee

The terms of reference of the Nomination & Remuneration Committee are:

- i. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees,
- ii. formulation of criteria for evaluation of Independent Directors and the Board,
- iii. devising a policy on Board diversity,
- iv. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

All the members of the Nomination and Remuneration Committee are Non-Executive and Independent Directors. The members of the Committee are Mr. D. M. Kothari, Mr. P. P. Shah and Mr. N. N. Tata.

Mr. D. M. Kothari, an Independent Director, is the Chairman of the Committee.

Mr. D. M. Kothari, Chairman of the Nomination & Remuneration Committee, was present at the last Annual General Meeting held on 22nd June, 2016.

There were 2 meetings of the Committee held during the year ended 31st March, 2017, i.e. on 27th April, 2016 and 31st January, 2017.

Name of the Director	Number of Nomination & Remuneration Committee Meetings attended during the year ended 31st March, 2017
Mr. D. M. Kothari	2
Mr. P. P. Shah	2
Mr. N. N. Tata	2

Besides this, another meeting of the Committee was held on 20th April, 2017 to determine the remuneration to be paid to Executive Directors, Commission to be paid to Non-Executive Directors and evaluation of the Board of Directors and the Committees of the Board.

5. Remuneration of Directors

The Company has adopted a Remuneration Policy for its Directors, Key Managerial Personnel and other employees. The Remuneration Policy has laid down the criteria for determining qualifications, positive attributes, independence of Director and Board diversity. The Policy lays down the factors for determining remuneration of Whole-time Directors, Non-Executive Directors, Key Managerial Personnel and other employees. The policy also lays down the evaluation criteria of the Independent Directors and the Board.

The Nomination and Remuneration Committee decides the remuneration for the Whole-time Directors.

Remuneration Policy:

A. Remuneration to Whole-time Directors:

- The remuneration paid to Whole-time Directors is subject to the limits laid down under Section 197 and Schedule V to the Companies Act, 2013, and in accordance with the terms of appointment approved by the Shareholders of the Company. The remuneration of the Whole-time Directors is determined by the Nomination & Remuneration Committee based on factors such as the Company's performance and performance/track record of the Whole-time Directors. The remuneration consists of Salary, Commission, Company's contribution to Provident Fund and Superannuation Fund, House Rent Allowance (HRA), Leave Travel Allowance (LTA) and other perquisites and allowances in accordance with the rules of the Company, applicable from time to time.

- The Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- The Agreement with the Whole-time Director is for a period not exceeding five years at a time. In the event that there is no breach of the terms of the Agreement by the Whole-time Director, but the Company exercises the discretion to terminate his services during the term of his Agreement, without assigning any reason therefor, then and in that event, the Whole-time Director shall be paid a compensation in accordance with the provisions of the Companies Act, 2013.
- Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

The details of remuneration (including perquisites and allowances) paid during the year ended 31st March, 2017 are as follows:

(₹ in lacs)

Break-up of Remuneration	Mr. H. M. Bharuka (Managing Director)	Mr. P. D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	115.20	43.20
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	15.32	6.68
HRA, LTA and other perquisites	144.00	54.00
	274.52	103.88
<u>Variable Component</u>		
Commission	237.00	71.00
Company's contribution to Provident Fund (on Commission)	28.44	8.52
	265.44	79.52
Total	539.96	183.40

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Whole-time Director during the previous year ended 31st March, 2016.

B. Remuneration to Non-Executive Directors

The Non-Executive Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 197 of the Companies Act, 2013, in accordance with the approval granted by the Shareholders for payment of commission to the Non-Executive Directors. The commission payable to Non-Executive Directors is decided by the Board, based on a number of factors including number of Board and Committee meetings attended, individual contribution thereat etc.

The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board or Committee thereof within the limits prescribed under the Companies Act as approved by the Shareholders of the Company.

Apart from the commission and sitting fees paid by the Company, the Non-Executive Directors, in their individual capacity, did not have any pecuniary relationship or transactions with the Company during the financial year 2016-17.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2017 are as under:
(₹ in lacs)

Name of the Director	Sitting Fees					Commission @	Total
	Board Meeting	Audit Committee Meeting	N&RC* Meeting	CSR Committee Meeting	Independent Directors Meeting		
Mr. P. P. Shah	0.40	0.40	0.20	—	0.10	35.00	36.10
Mr. D. M. Kothari	0.40	0.40	0.20	0.20	0.10	50.00	51.30
Mr. N. N. Tata	0.30	0.30	0.20	0.20	0.10	30.00	31.10
Mrs. Brinda Somaya	0.40	—	—	0.20	0.10	15.00	15.70

* N&RC: Nomination & Remuneration Committee.

** CSR Committee : Corporate Social Responsibility Committee.

@ Commission paid during the year 2016–17 was for the year ended 31st March, 2016.

C. Remuneration to Key Managerial Personnel and other employees

The objective of the policy is to have a compensation framework that will reward and retain talent.

The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.

Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.

For Directors, the Performance Pay will be linked to achievement of Business Plan.

For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.

The above will take into consideration industry performance, customer performance and overall economic environment.

For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall company performance.

Independent Directors:

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors of the Company have been appointed for a period of 5 years.

Pursuant to Schedule IV to the Companies Act, every Independent Director has been issued a letter of appointment containing the terms and conditions of his / her appointment. The terms and conditions of appointment have been posted on the website of the Company at www.nerolac.com.

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors was held during the year on 27th March, 2017 without the attendance of non-independent Directors and members of management, inter alia to:

- Review the performance of the non-independent Directors and the Board as a whole;
- Review the performance of the Chairman of the Company, taking into account the views of the executive directors and non-executive directors;
- Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The meeting was attended by Mr. P. P. Shah, Mr. D. M. Kothari, Mr. N. N. Tata and Mrs. Brinda Somaya. Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of the meeting of Independent Directors. The Independent Directors discussed matters pertaining to the Company's affairs and functioning of the Board and presented their views to the Managing Director for appropriate action.

Notes on Directors seeking appointment/re-appointment as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**Mr. M. Tanaka**

Mr. Masaru Tanaka is a Non-Executive Director on the Board of the Company.

Mr. Tanaka graduated from the Faculty of Technology, Doshisha University, Japan and joined Kansai Paint Co. Ltd., Japan in April 1981.

Mr. Tanaka is Director, Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Tanaka does not hold any shares in the Company.

Mr. H. Furukawa

Mr. Hidenori Furukawa is a Non-Executive Director on the Board of the Company.

Mr. Furukawa is a graduate from Graduate School of Engineering, Osaka University and joined Kansai Paint Co. Ltd., Japan in April 1983.

Mr. Furukawa is Director, Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Furukawa does not hold any shares in the Company.

Mr. K. Kato

Mr. Katsuhiko Kato is a Non-Executive Director on the Board of the Company.

Mr. Kato graduated from the Waseda University, Dept of Politics & Economy, Faculty of Economy, Japan and joined Kansai Paint Co. Ltd., Japan in March 2014.

Mr. Kato is Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Kato does not hold any shares in the Company.

6. Stakeholders' Relationship Committee

In our Company, the Stakeholders' Grievance Committee is known by the name of Stakeholders' Relationship Committee.

- (i) The Members of the Stakeholders' Relationship Committee are Mr. D. M. Kothari, Mr. H. M. Bharuka and Mrs. Brinda Somaya.

Mr. D. M. Kothari, a Non-Executive Independent Director, is the Chairman of the Stakeholders' Relationship Committee.

Mr. D. M. Kothari, Chairman of the Stakeholders' Relationship Committee, was present at the last Annual General Meeting held on 22nd June, 2016.

- (ii) Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.

- (iii) A summary of various complaints received and cleared by the Company during the year is given below:

Nature of Complaint	Received	Cleared
Non-receipt of Dividend Warrant	0	0
Non-receipt of Share Certificates	0	0
SEBI/Stock Exchange Letter/ROC/NSDL/CDSL	2	2
Miscellaneous	0	0
Total	2	2

- (iv) Normally all complaints / queries are disposed off expeditiously. The Company had no complaint pending at the close of the financial year.

- (v) The Committee considers and resolves the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends. The Committee attends to share-transfer formalities every fortnight.

7. General Body Meetings:

- (i) The last three Annual General Meetings (AGM) of the Company were held as under:

	Date and Time	Venue
96th AGM	22nd June, 2016 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400 001.
95th AGM	3rd July, 2015, at 3.00 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400 001.
94th AGM	20th June, 2014, at 3.00 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400 001.

- (ii) One Special Resolution authorizing the Company to keep the Register and Index of Members and the copies of Annual Returns at the office of the new Registrar & Transfer Agent of the Company – TSR Darashaw Ltd. was passed in the 96th AGM, out of previous 3 AGMs.
- (iii) No Postal Ballot was conducted last year.
- (iv) No Special Resolution is proposed to be conducted through Postal Ballot.
- (v) Postal Ballot whenever conducted will be carried out as per the procedure mentioned in Rule 22 of Companies (Management and Administration) Rules, 2014, including any amendment thereof.

8. Means of Communication

- (i) Quarterly Results:
The quarterly results are published in accordance with the requirements of the Listing Agreement of the BSE and the NSE.
- (ii) Newspaper in which results are normally published:
Business Standard and Tarun Bharat. Results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Economic Times / Maharashtra Times.
- (iii) Any website, where displayed:
www.nerolac.com
- (iv) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts:
Relevant information is displayed on the website.
As the financial results of the Company are published in the Newspapers and also displayed on the Company's website, a separate half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM Date, Time and Venue:
Wednesday, 21st June, 2017 at 11.00 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai-400 001.
- (ii) Financial Calendar:
- | | |
|---|---------------------|
| | : April – March |
| – Financial reporting for the quarter ending 30th June, 2017 | : End July, 2017 |
| – Financial reporting for the quarter ending 30th September, 2017 | : End October, 2017 |
| – Financial reporting for the quarter ending 31st December, 2017 | : End January, 2018 |
| – Financial reporting for the year ending 31st March, 2018 | : End April, 2018 |
| – Annual General Meeting for the year ending 31st March, 2018 | : End June, 2018 |
- (iii) Dates of Book Closure:
Thursday, June 15, 2017 to Wednesday, June 21, 2017 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
- (iv) Dividend Payment Date:
On or after 27th June, 2017.
Dividend, when declared, will be payable on or after 27th June, 2017 to those members whose names are registered as such in the Register of Members of the Company as on June 14, 2017 and to the Beneficiary holders as per the beneficiary list as on June 14, 2017 provided by the NSDL and CDSL.

(v) Listing on Stock Exchanges:

The Company's Equity Shares are listed on the BSE and the NSE.

The annual listing fees of the BSE and the NSE have been paid.

(vi) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

Demat – ISIN Number for NSDL & CDSL : INE531A01024

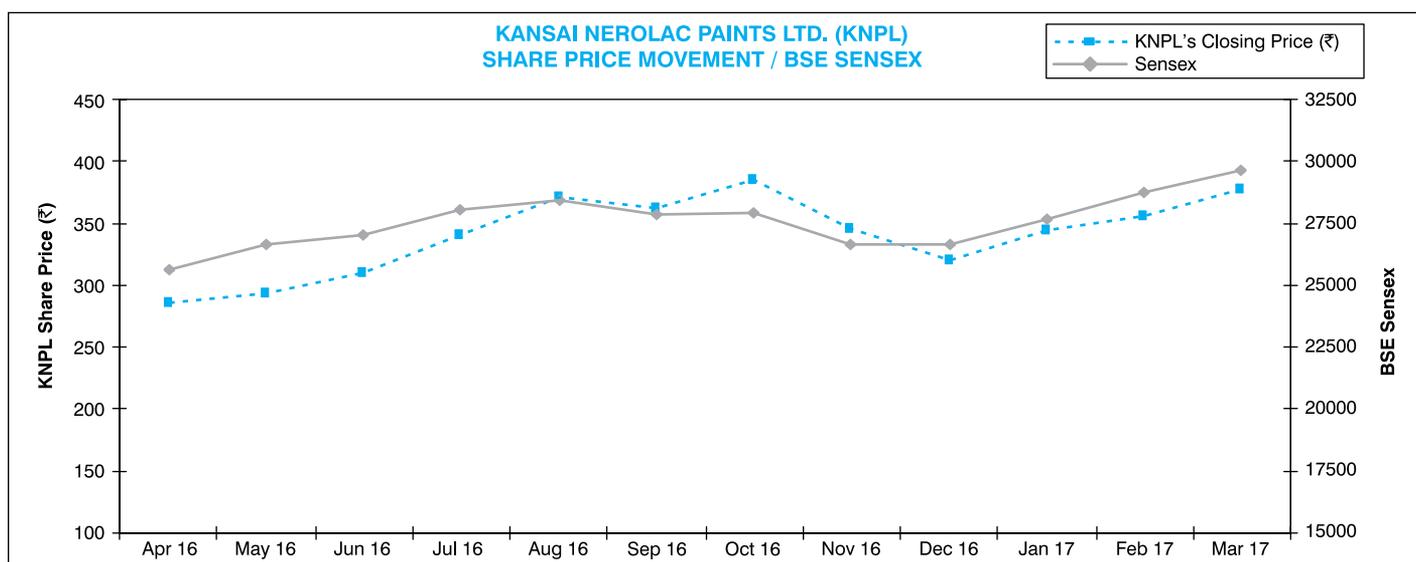
(vii) Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index, etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2017 is furnished below:

Month	High (₹)	Low (₹)
April 2016	316.10	278.95
May 2016	304.50	285.10
June 2016	315.00	291.05
July 2016	347.90	307.00
August 2016	397.50	343.00
September 2016	389.00	358.00
October 2016	403.35	364.00
November 2016	388.00	302.60
December 2016	350.00	314.00
January 2017	358.50	319.05
February 2017	374.40	343.60
March 2017	383.90	352.50

Stock Performance of Kansai Nerolac Paints Ltd. (KNPL)

Month	KNPL's Closing Price on BSE (₹)	Sensex
April 2016	286.10	25606.62
May 2016	293.75	26667.96
June 2016	310.05	26999.72
July 2016	340.90	28051.86
August 2016	370.60	28452.17
September 2016	361.60	27865.96
October 2016	384.75	27930.21
November 2016	345.45	26652.81
December 2016	319.90	26626.46
January 2017	343.85	27655.96
February 2017	355.80	28743.32
March 2017	377.95	29620.50



Kansai Nerolac Paints Limited • Annual Report 2016-2017

(viii) The securities of the Company have never been suspended from trading.

(ix) Registrar and Share Transfer Agents:

TSR Darashaw Ltd.

6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio,
20, Dr. E. Moses Road, Mahalaxmi (W), Mumbai – 400 011.

Tel. No.: +91 22 66568484

Fax No.: +91 22 66568494

E-mail: csg-unit@tsrdarashaw.com

(x) Share Transfer System:

After consideration by the Stakeholders' Relationship Committee, the Share Transfers in physical form are registered and returned within a period of 15 days from the date of receipt in case the documents are complete in all respects. The particulars of movement of shares in the dematerialized mode are also placed before the Stakeholders' Relationship Committee.

(xi) Distribution of Shareholding as on 31st March, 2017:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	35,522	83.91	35,23,074	0.65
501 to 1000	2,132	5.04	17,32,282	0.32
1001 to 2000	1,473	3.48	23,09,160	0.43
2001 to 3000	547	1.29	14,10,875	0.26
3001 to 4000	488	1.15	17,18,089	0.32
4001 to 5000	297	0.70	13,94,004	0.26
5001 to 10000	739	1.75	55,81,308	1.04
10001 and above	1,133	2.68	52,12,50,928	96.72
Grand Total	42,331	100.00	53,89,19,720	100.00

Geographical Distribution of Shareholders as on 31st March, 2017

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Co. Ltd., Japan)	1	0.01	40,41,35,898	74.99
FII's, NRI's, OCB's, FPI – Corp.	1,377	3.25	4,06,29,892	7.54
IN INDIA				
Mumbai	11,265	26.61	6,68,19,235	12.40
New Delhi	2,338	5.52	83,77,118	1.55
Ahmedabad	1,694	4.00	17,58,685	0.33
Bangalore	2,195	5.19	20,84,187	0.39
Pune	2,777	6.56	23,90,814	0.44
Kolkata	1,722	4.07	26,03,241	0.48
Chennai	1,768	4.18	8,84,195	0.16
Hyderabad	1,090	2.57	8,05,738	0.15
Surat	502	1.19	4,20,815	0.08
Vadodara	611	1.44	3,83,411	0.07
Jaipur	402	0.95	3,58,923	0.07
Others	14,589	34.46	72,67,568	1.35
TOTAL	42,331	100.00	53,89,19,720	100.00

Categories of Shareholders as on 31st March, 2017

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoters' Holding		
1.	Promoters		
	Indian Promoters	Nil	Nil
	Foreign Promoters (Kansai Paint Co. Ltd., Japan)	40,41,35,898	74.99
2.	Persons acting in concert	Nil	Nil
	Sub-Total (A)	40,41,35,898	74.99
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	1,43,53,765	2.66
b.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/Non-Government Institutions)	1,36,14,233	2.53
c.	Others (Foreign Portfolio – Corp.)	3,36,68,608	6.25
d.	Foreign Institutional Investors (FIIs)	55,62,311	1.03
	Sub-Total (i)	6,71,98,917	12.47
4.	Others		
	Private Corporate Bodies	1,91,95,369	3.56
	Indian Public	4,54,09,905	8.43
	NBFCs	7,61,122	0.14
	NRIs / OCBs	13,98,973	0.26
	Any Other (Trusts)	5,07,386	0.09
	Unclaimed Suspense Account	3,12,150	0.06
	Sub-Total (ii)	6,75,84,905	12.54
	Sub-Total (B) = (i) + (ii)	13,47,83,822	25.01
	Grand Total (A) + (B)	53,89,19,720	100.00

(xii) Dematerialisation of Shareholding and liquidity:

99.16% of the paid-up share capital had been dematerialised, as at 31st March, 2017.

Particulars of trading on the Company's shares for the Financial year 2016-17:

Stock Exchange	No. of Trades	No. of Shares
BSE	1,78,531	87,21,816
NSE	12,01,524	5,09,95,648

The particulars of Promoter holding as against Non-Promoter holding in the Company is given in (xi) of "General Shareholder Information" of this Corporate Governance Report.

(xiii) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments:

Not Issued.

(xiv) Commodity price risk or foreign exchange risk and hedging activities:

Commodity Risk

There are several raw materials which are directly driven by crude oil. These are monitored on regular basis using pricing trends and forecast from internationally reputed news agencies. Appropriate coverage is taken on rising trends and inventory is cut in declining trends. Wherever direct co-relation exists, cost sheet is monitored to calculate delta changes and accordingly purchase prices are decided. For metal related buying, price indices such as LME are used to check on trends. Additionally, import data is tracked to compare average import prices and buying prices. Accordingly, appropriate actions are taken to minimise commodity risks.

Foreign Exchange Risk

To control and minimise exchange risk, the Company has documented Forex Policy according to which currency forecast is received from various banks and consultants on regular basis. Additionally regular meetings are also done with banks and important data announcements such as unemployment data, G 7 meetings, Non-farm payroll, RBI announcements etc. is watched carefully. Coverage of currency – approximately 80% payments are in USD and approximately 15% in Yen. We try and cover 30% – 40% open market exposure depending upon movement of currencies and forward premium. Also, supplier credit terms are decided time to time looking to current forex rates and volatility. Option strategies are evaluated periodically. Purchasing from various countries is decided to maximise currency advantage, wherever applicable.

(xv) Plant Locations:

The Company's plants, which are operative, are located at:

1. Lote Parshuram, Ratnagiri, Maharashtra
2. Jainpur, Kanpur Dehat, U.P.
3. Bawal, Haryana
4. Hosur, Tamil Nadu

(xvi) Address for correspondence:

TSR Darashaw Ltd.

6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio,
20, Dr. E. Moses Road, Mahalaxmi (W), Mumbai – 400 011.

Tel. No.: +91 22 66568484

Fax No.: +91 22 66568494

E-mail: csg-unit@tsrdarashaw.com

Shareholders can also contact the Secretarial Department at the Registered Office of the Company at:

Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013.

Tel. No.: +91 22 24992796, 24992807

E-mail ID for Investor Grievances:

The Company has created an e-mail ID for redressal of Investor Complaints named investor@nerolac.com

10. Disclosures:

(i) Related Party Transactions

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with the related parties during the financial year that may have potential conflict with the interests of the Company at large.

Related party transactions have been disclosed in Note 36 to the financial statements. A statement in summary form of transactions with related parties in the ordinary course of business and arm's length basis is periodically placed before the Audit Committee for its review. Omnibus approval was obtained for transactions which were repetitive in nature. Transactions entered into pursuant to omnibus approval were placed before the Audit Committee for its review during the year. The Company has a Related Party Transaction Policy in place, which has been posted on the website of the Company at <https://nerolac.com/financial/policies.html>

(ii) Non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges, or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil.

(iii) Vigil mechanism and Whistle Blower Policy:

The Company has a Whistle Blower Policy in place. The internal auditors of the Company have been provided with a separate e-mail address. They are also stationed at the Head Office of the Company as the Company has provided the auditors with a separate office. Any employee of the organization can contact the auditor on the mail or personally. The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also directly meet the Managing Director and express their grievances / concerns. There are safeguards to ensure that all employee concerns receive due consideration. The Whistle Blower Policy of the Company has been posted on the website of the Company.

The Code of Conduct for the Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavour to promote ethical behaviour and to provide an opportunity to employees to report violation of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employees in good faith.

No personnel has been denied access to the Audit Committee.

(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements. Details of any non-compliance of any requirement of corporate governance report of sub-paras (2) to (10):

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. There is no non-compliance with any requirement of corporate governance report of sub-paras (2) to (10) of the Corporate Governance report as given in Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures of the compliance with Corporate Governance requirements specified in Regulation 17 to 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), have been made in this Corporate Governance report. Details required under clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the said Regulations are displayed on the website of the Company at www.nerolac.com

The discretionary requirements as stipulated in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, have been adopted to the extent and in the manner as stated under the appropriate headings in the Report on Corporate Governance.

(v) Material Subsidiaries: The Company does not have a material subsidiary as defined under Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations. The Policy for determining material subsidiaries is posted on the website of the Company at <https://nerolac.com/financial/policies.html>

(vi) Disclosure of commodity price risks and commodity hedging activities:

This has been discussed under point no 9 (xiv) of this Corporate Governance Report.

(vii) CEO/CFO Certification:

A certification from the CEO and CFO as specified in Part B of Schedule II in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, was placed before the Board Meeting held on 2nd May, 2017 to approve the Audited Annual Accounts for the year ended 31st March, 2017.

(viii) Risk Management: The Company has a Risk Management Framework in place, the details of which are provided in the Board's report.

(ix) Unclaimed Dividend:

Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividend upto 56th Dividend for the year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Mumbai, Maharashtra, by submitting an application in Form No. II to the aforesaid authority.

Pursuant to Section 205A read with 205C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2009 have been transferred to the Investor Education and Protection Fund.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for seven years are to be transferred to the Investor Education and Protection Fund.

Pursuant to Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, shares, in respect of which dividend is not claimed for seven consecutive years, are required to be transferred by the Company in the name of Investor Education and Protection Fund. Any claimant of such transferred shares would be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with the procedure as laid down in the aforesaid Rules.

Disclosure with respect to demat suspense account / unclaimed suspense account as required under Schedule V(F) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

	Particulars	No. of Shareholders	No. of Equity Shares
a)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2016.	174	3,18,810 Equity Shares of ₹ 1 each.
b)	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year.	1	6660 Equity Shares of ₹ 1 each
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year.	1	6660 Equity Shares of ₹ 1 each
d)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31st March, 2017.	173	3,12,150 Equity Shares of ₹ 1 each
e)	It is hereby confirmed that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.		

For and on behalf of the Board

Mumbai, 2nd May, 2017

P. P. SHAH
Chairman

DECLARATION

As required under Schedule V(D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and the Senior Management for the year ended 31st March, 2017.

For Kansai Nerolac Paints Limited

Mumbai, 2nd May, 2017

H. M. Bharuka
Managing Director

Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of Kansai Nerolac Paints Limited

1. This certificate is issued in accordance with the terms of our agreement dated 7 November 2016.
2. This report contains details of compliance of conditions of corporate governance by Kansai Nerolac Paints Limited ('the Company') for the year ended 31 March 2017 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchanges.

Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

Auditors' Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2017.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner

Membership No: 105149

Mumbai
2 May 2017

BUSINESS RESPONSIBILITY REPORT

SEBI vide its Notification dated 22nd December, 2015, amended Regulation 34 (2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and made inclusion of Business Responsibility Report (BRR) in the Annual Report mandatory for the top 500 listed companies based on market capitalisation. This amendment is applicable from 1st April, 2016. Our Company comes under the list of top 500 listed companies based on market capitalisation as on 31st March, 2016. SEBI has suggested a format for the BRR, vide its circular CIR/CFD/CMD/10/2015 dated November 4, 2015. The Business Responsibility Report is based on the format suggested by SEBI.

SECTION A: General Information about the Company

1. **Corporate Identity Number (CIN) of the Company:** L24202MH1920PLC000825
2. **Name of the Company:** Kansai Nerolac Paints Limited
3. **Registered Address:** Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013
4. **Website:** www.nerolac.com
5. **Email ID:** investor@nerolac.com
6. **Financial Year reported:** 1st April, 2016 to 31st March, 2017
7. **Sector(s) that the Company is engaged in (industrial activity code wise):**

NIC code of the Product	Description
20221	Manufacture of paints and varnishes, enamels or lacquers

8. **Key product that the Company manufactures/provides (as in balance sheet):**
Paints
9. **Total number of locations where business activity is undertaken by the Company:**
 - (a) Number of International Locations: Nil. The Company has two subsidiaries abroad, namely KNP Japan Private Limited in Nepal and Kansai Paints Lanka Private Limited in Srilanka.
 - (b) Number of National Locations:
 - Manufacturing Facilities: 4
 - R&D Centre: 1
 - Depot/Sales Locations: 98
 - Distribution Centres: 4
 - Offices: 6
10. **Markets served by the Company:** National and International

SECTION B: Financial Details of the Company

1. Paid up Capital: ₹ 53.89 crores
2. Total Turnover (Gross): ₹ 4936.05 crores
3. Total Profit after Taxes: ₹ 505.94 crores
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%):
1.28%
5. List of Activities in which expenditure in 4 above has been incurred:
 - (a) Livelihood & Skill Enhancement Programs
 - (b) Preventive Health Care & Sanitation
 - (c) Rural/Community Development
 - (d) Promoting Education
 - (e) Ensuring Environmental Sustainability
 - (f) Restoration of buildings and sites of historical importance

SECTION C: Other Details

The Company has two subsidiaries. The Company encourages its subsidiary companies to adopt its policies and practices.

SECTION D: Business Responsibility (BR) Information

1. Details of Director responsible for BR

(a) Details of the Director responsible for implementation of the BR policy

1. DIN Number: 00306084
2. Name: Mr. H. M. Bharuka
3. Designation: Managing Director

(b) Details of the BR head

No.	Particulars	Details
1	DIN Number (if applicable)	N.A.
2	Name	Mr. Jason S. Gonsalves
3	Designation	Vice President – Corporate Planning, IT, HR and Materials
4	Telephone Number	022 - 2499 2520
5	Email ID	JASONGONSALVES@nerolac.com

2. Principle-wise [as per National Voluntary Guidelines (NVGs)] BR Policy / policies

Business Responsibility Report

Principle 1 (P1)	Businesses should conduct and govern themselves with ethics, transparency and accountability
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
Principle 3 (P3)	Businesses should promote the well being of all employees
Principle 4 (P4)	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
Principle 5 (P5)	Businesses should respect and promote human rights
Principle 6 (P6)	Businesses should respect, protect, and make efforts to restore the environment
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
Principle 8 (P8)	Businesses should support inclusive growth and equitable development
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Kansai Nerolac Paints Limited • Annual Report 2016-2017

(a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies for ...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y-ISO & OHSAS Certification	Y	Y	Y
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/quality-policy.html
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

- (b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Since all answers are yes, the following is not applicable.

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles	—	—	—	—	—	—	—	—	—
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	—	—	—	—	—	—	—	—	—
3	The Company does not have financial or manpower resources available for the task	—	—	—	—	—	—	—	—	—
4	It is planned to be done within next 6 Months	—	—	—	—	—	—	—	—	—
5	It is planned to be done within the next 1 year	—	—	—	—	—	—	—	—	—
6	Any other reason (please specify)	—	—	—	—	—	—	—	—	—

3. Governance related to BR

- (a) The Board of Directors assess the BR performance of the Company on a periodic basis.
- (b) The Company publishes the Sustainability report which is available on the website of the Company at www.nerolac.com. Starting from 2016-17, the Company publishes the information on BR which forms part of the Annual report of the Company. The Annual report is available on the website of the Company at www.nerolac.com.

SECTION E: Principle wise performance

Principle 1 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

The Company's policies related to ethics, transparency and accountability cover the Company as well as its stakeholders who have business relations with the Company. The Company has institutionalized various mechanisms for receiving and resolving complaints from its stakeholders. During the year the Company received 2 shareholder complaints which were answered and resolved. During the year, the Company did not receive any complaint under the Whistle blower mechanism.

Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

The Company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. The Company continues to conduct research and introduce sustainable products and solutions for its customers.

Principle 3 : Businesses should promote the well-being of all its employees

The Company ensures that necessary laws as applicable are followed and adhered to with respect to its employees, workmen and contractual personnel.

The total number of employees in the Company is 2697. The Company has 50 permanent women employees. 15% of the permanent employees were given safety and skill upgradation training in the last year.

There are Operators' Trade Unions in all plant locations. The management discusses and settles the issues pertaining to the wages and service conditions with these Unions.

About 26% of the permanent employees of the Company are members of the Trade Unions.

The Company did not receive any complaints related to child labour, involuntary labour or sexual harassment during the year.

The Company undertakes safety training where applicable. The Company also provides training and skill upgradation program for its employees.

The Company conducts surveys, opinion polls, HR connects and meets with plants and sales teams to provide a forum for employees to voice their views and provide a platform to get their concerns voiced and heard. Management strives to address these concerns.

Principle 4 : Businesses should respect the interests of and be responsive towards all stakeholders especially those who are disadvantaged, vulnerable and marginalized

The Company has identified its stakeholders as Employees, Vendors, Customers, Shareholders, regulatory authorities, local communities and influencers. Contractual workmen and local communities are considered as those who are vulnerable. The Company has undertaken various initiatives to engage with these groups. These are covered in the Sustainability Report.

The Company encourages its employees, especially plant employees to be active in the local communities by taking part in local programs organized by the Company.

Principle 5 : Businesses should respect and promote human rights

The Company has a code of conduct for all its employees which address human rights. All employees are required to comply to the code of conduct. The Company did not receive any complaint related to human rights in 2016-17.

Principle 6 : Businesses should respect, protect and make efforts to restore the environment

The Company gives importance to environment. The Company's Decorative Paints carry a tag line of Healthy Home Paints. The Company is actively engaged in ensuring that its products are well within the limits of any harmful substance and has implemented SAP EHS system to ensure that its formulations do not carry any harmful substances. The Company took a lead in ensuring that its decorative range of products are heavy metal free and have low VOC (Volatile Organic Compounds).

Reduction of carbon footprint, reduction in waste water, zero discharge at plants, rain water harvesting, use of natural sunlight are amongst the various initiatives done by the Company.

There were no showcause / legal notices from CPCB / SPCB which were pending as at the end of the financial year.

Principle 7 : Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner

The Company engages with the public and regulatory bodies in a responsible manner. The Company is a member of the following trade associations :

- a. Confederation of Indian Industry
- b. Federation of Indian Chamber of Commerce and Industry
- c. Indian Paint Association
- d. Bombay Chamber of Commerce

The Company participates in various programs of these associations and supports them with appropriate inputs.

Principle 8 : Businesses should support inclusive growth and equitable development

The Company has specified initiatives based on its CSR policies to support inclusive growth and equitable development of society.

The Company's CSR program is monitored by the CSR Committee of the Board. In 2016-17 a sum of ₹ 6.46 Crores was spent on these programs, details of which are in the CSR Report as Annexure 1 to the Board's Report.

Principle 9 : Businesses should engage with and provide value to their customers and consumers in a responsible manner

The Company prides itself in being a customer centric organization. The Company works very closely with its Automotive customers in providing technical services on the customer line. The Company personnel are involved in many value engineering activities for its customers in various areas. The Company also conducts presentations to its customers thus making them aware of the various technology trends. It also conducts color presentations and training for customer personnel. In Decorative, the Company ensures regular visits to its dealers to ensure that all concerns of the dealers are addressed. The product packaging displays all information mandated by law. In addition, the Company actively takes feedback from its customer base and addresses any open issues. There is a mechanism in place to address any customer complaint. There were 4 consumer cases pending as at the end of the financial year. As at the end of the financial year, there was no pending case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour.

From time to time, the Company also conducts surveys of all its customers with a view to understand its services and product offerings from a customer view point.

For and on behalf of the Board

H. M. Bharuka
Managing Director

Mumbai, 2nd May, 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the standalone Balance sheet as at 31 March 2017, the standalone statement of profit and loss (including other comprehensive income), the standalone Statement of cash flows and the standalone Statement of changes in equity for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements").

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, including Ind AS, of the financial position of the Company as at 31 March 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraphs 3 and 4 of the Order.

As required by sub-section (3) of Section 143 of the Act, we report that:

- (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the standalone Balance sheet, the standalone Statement of profit and loss (including other comprehensive income), the standalone Statement of cash flows and the standalone Statement of changes in equity dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder;
- (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the board of directors, none of the directors are disqualified as on 31 March 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B; and
- (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 34 to the standalone Ind AS financial statements;
 - ii. the Company did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2017; and
 - iv. the Company has provided requisite disclosure in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 44 to the standalone Ind AS financial statements.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No.: 105149

Mumbai, 2 May 2017

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March 2017, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and investment properties.
 - (b) The Company has a regular programme of physical verification of its property, plant and equipment and investment properties by which the property, plant and equipment and investment properties are verified by the management according to a phased programme designed to cover all the items over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the policy, the Company has physically verified certain property, plant and equipment and investment properties during the year and we are informed that no discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than leasehold land) as disclosed in Note 2 and Note 3 to the standalone Ind AS financial statements, are held in the name of the Company. In respect of leasehold lands, we have verified the lease agreements duly registered with the appropriate authorities as disclosed in Note 2 and Note 3 to the standalone Ind AS financial statements.
- (ii) The inventory, except for goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. In respect of stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.
 - (iii) According to the information and explanations given to us and based on the legal opinion obtained by the Company, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraphs 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.
 - (iv) In our opinion and according to the information and explanation given to us, and based on the legal opinion obtained by the Company, the Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of Section 186 of the Act in respect of the loans given and investments made.
 - (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.
 - (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 148(1) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
 - (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Profession tax, Income-tax, Duty of customs, Duty of excise, Cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities. The amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Employees' State Insurance, Sales-tax, Service tax and Value added tax have generally been regularly deposited during the year with the appropriate authorities, though there have been slight delays in a few cases. As explained to us, the Company did not have any dues on account of wealth tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Profession tax, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise, Value added tax, Cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise and Value added tax as at 31 March 2017, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

(₹ in crores)

Name of Act	Nature of Dues	Amount Demanded	Amount not Deposited Under Disputes	Period to which amount relates	Forum where dispute is pending
Sales Tax and Value Added Tax	Tax, Penalty and Interest	0.01	0.01	1980-81	Commissioner
		0.01	0.01	1991-92	Commissioner
		0.32	0.32	1996-97	Commissioner
		0.26	0.26	2001-02 to 2006-07	Commissioner
		0.02	0.02	2009-10	Commissioner
		0.51	0.51	1995-96 to 2009-10	Appellate Authorities and Tribunal
The Central Excise Act, 1944	Tax, Penalty and Interest	0.75	0.75	1994-95 to 1995-96	Commissioner
		0.27	0.27	1998-99 to 2000-01	Commissioner
		0.01	0.01	2015-16	Commissioner
		0.01	—	1995-96	Appellate Authorities and Tribunal
The Finance Act, 1994	Tax, Penalty and Interest	1.36	1.36	2014-15 to 2015-16	Commissioner
		0.59	0.59	2009-10	Appellate Authorities and Tribunal
		6.41	5.98	2011-12 to 2015-16	Appellate Authorities and Tribunal

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the government. The Company did not have any outstanding dues to bankers, financial institutions and debenture holders during the year.
- (ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and has not obtained any term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by applicable Ind AS.

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2017 (continued)

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No.: 105149

Mumbai, 2 May 2017

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2017

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Kansai Nerolac Paints Limited (“the Company”) as of 31 March 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Auditors' Responsibility (continued)

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No.: 105149

Mumbai, 2 May 2017

KANSAI NEROLAC PAINTS LIMITED
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2017

₹ in Crores

	Note	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
ASSETS				
Non-current Assets				
Property, Plant and Equipment	2	945.53	925.86	899.84
Capital Work-in-progress		142.12	41.95	43.94
Investment Property	3	0.18	0.18	0.18
Other Intangible Assets	4	0.89	0.52	2.44
		1088.72	968.51	946.40
Financial Assets:				
Investments	5	22.03	11.15	8.47
Loans	6	—	0.65	7.38
Other Financial Assets	7	10.31	9.29	10.06
		32.34	21.09	25.91
Other Non-current Assets	8	121.64	62.00	49.28
Total Non-current Assets		1242.70	1051.60	1021.59
Current Assets				
Inventories	9	691.31	571.71	541.67
Financial Assets:				
Investments	10	530.75	535.56	208.63
Trade Receivables	11	571.71	524.62	496.34
Cash and Cash Equivalents	12	43.87	477.25	33.48
Bank Balances other than Cash and Cash Equivalents	13	432.00	0.64	0.57
Loans	14	6.66	6.38	—
Other Financial Assets	15	12.57	3.88	2.97
		1597.56	1548.33	741.99
Other Current Assets	16	65.79	39.38	34.15
Total Current Assets		2354.66	2159.42	1317.81
Non-current Assets held for Sale		—	—	2.54
Total Assets		3597.36	3211.02	2341.94
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	17	53.89	53.89	53.89
Other Equity	18	2751.43	2448.98	1646.29
Total Equity		2805.32	2502.87	1700.18
Liabilities				
Non-current Liabilities				
Financial Liabilities:				
Borrowings	19	18.33	28.79	41.50
Provisions	20	7.11	4.05	3.28
Deferred Tax Liabilities (Net)	21	79.21	12.62	64.54
Total Non-current Liabilities		104.65	45.46	109.32
Current Liabilities				
Financial Liabilities:				
Trade Payables	22	550.20	542.98	429.71
Other Financial Liabilities	23	80.24	69.06	47.71
		630.44	612.04	477.42
Other Current Liabilities	24	37.13	30.35	27.44
Provisions	25	16.15	15.22	13.72
Current Tax Liabilities (Net)	26	3.67	5.08	13.86
Total Current Liabilities		687.39	662.69	532.44
Total Liabilities		792.04	708.15	641.76
Total Equity and Liabilities		3597.36	3211.02	2341.94
Significant Accounting Policies	1			

The notes referred to above and other notes form an integral part of Standalone Financial Statements

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholtime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

₹ in Crores

	Note	Year ended 31st March, 2017	Year ended 31st March, 2016
Income			
Revenue from Operations	27	4531.05	4245.52
Other Income	28	98.22	27.35
Total Income		4629.27	4272.87
Expenses			
Cost of Materials Consumed	29	2190.78	2187.33
Purchases of Stock-in-trade		186.43	174.84
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	30	(34.26)	(13.81)
Excise Duty on Sale of Goods		531.98	506.99
Employee Benefits Expense	31	198.12	170.11
Depreciation and Amortisation Expenses	32	69.49	67.72
Other Expenses	33	727.31	640.08
Total Expenses		3869.85	3733.26
Profit Before Exceptional Item and Tax		759.42	539.61
Profit on Sale of Non-current Assets held for Sale		—	535.34
Profit Before Tax		759.42	1074.95
Tax Expense			
Current Tax		246.47	225.41
Reversal of Tax Provision for earlier years		(1.31)	—
Deferred Tax		8.32	(49.31)
Total Tax Expense		253.48	176.10
Profit for the Year		505.94	898.85
Other Comprehensive Income			
(i) Items that will not be reclassified to Standalone Statement of Profit and Loss			
(a) Remeasurement of Defined Benefit Liability		(7.23)	(7.54)
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		2.50	2.61
Other Comprehensive Income (net of tax)		(4.73)	(4.93)
Total Comprehensive Income for the Year		501.21	893.92
Earnings per Share:			
Basic and Diluted	35	9.39	16.68
Significant Accounting Policies	1		

The notes referred to above and other notes form an integral part of Standalone Financial Statements

As per our attached report of even date

 For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2017

₹ in Crores

	Year ended 31st March, 2017	Year ended 31st March, 2016
Cash Flow from Operating Activities		
Profit Before Tax.....	759.42	1074.95
Adjustments for:		
Depreciation and Amortisation Expenses.....	69.49	67.72
Fair Value Gain on Financial Instruments recognised through FVTPL	(7.53)	(2.70)
Unrealised Foreign Exchange Gain	(2.16)	(1.96)
Profit on Sale of Investments (Net).....	(59.68)	(3.73)
Interest Income	(11.77)	(2.85)
Dividend Income	(2.70)	(15.66)
Profit on Sale of Property, Plant and Equipment (Net)	(0.04)	(0.02)
Profit on Sale of Non-current Assets held for Sale (Refer Note 41).....	—	(535.34)
Provisions for doubtful debts and bad debts.....	5.13	5.56
	(9.26)	(488.98)
Operating Profit Before Working Capital Changes.....	750.16	585.97
(Increase) / Decrease in Trade and Other Receivables.....	(80.97)	(38.25)
(Increase) / Decrease in Inventories	(119.60)	(30.04)
Increase / (Decrease) in Trade Payables, Other Financial Liabilities and Provisions	19.79	120.39
	(180.78)	52.10
Cash Generated from Operations	569.38	638.07
Direct Taxes Paid (Net of Refunds)	(224.42)	(248.50)
Net Cash generated from Operating Activities	344.96	389.57
Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Other Intangible Assets (including Adjustments on Account of Capital Work-in-progress, Capital Creditors and Capital Advances)	(204.29)	(87.32)
Proceeds from Sale of Non-current Assets held for Sale (Refer Note 41) ...	—	537.86
Proceeds from Sale of Property, Plant and Equipment	0.10	0.07
Purchase of Investments.....	(26917.59)	(15369.55)
Proceeds from Sale / Redemption of Investments.....	26989.39	15049.12
Purchase of Investments in Subsidiary Company Kansai Paints Lanka (Private) Limited.....	(10.71)	(2.76)
Interest Received	4.77	2.24
Dividend Received	2.70	15.66
Investments in Fixed Deposits with SBI	(431.12)	—
Net Cash (used in) / generated from Investing Activities.....	(566.75)	145.32
Cash Flow from Financing Activities		
Repayment of Borrowings.....	(12.83)	0.11
Dividend Paid	(164.37)	(75.45)
Tax on Proposed Dividend	(34.39)	(15.78)
Net Cash (used in) Financing Activities.....	(211.59)	(91.12)
Net (Decrease) / Increase in Cash and Cash Equivalents	(433.38)	443.77

KANSAI NEROLAC PAINTS LIMITED

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2017 (contd.)

₹ in Crores

	Year ended 31st March, 2017	Year ended 31st March, 2016
Cash and Cash Equivalents at beginning of the year, the components being:		
Cash on hand	0.06	0.10
Cheques on hand	18.61	22.47
Balances with Banks.....	458.58	10.91
	477.25	33.48
Cash and Cash Equivalents at end of the year, the components being:		
Cash on hand	0.21	0.06
Cheques on hand	21.79	18.61
Balances with Banks.....	21.87	458.58
	43.87	477.25
Net (Decrease) / Increase as disclosed above	(433.38)	443.77

Note: Figures in brackets are outflows / deductions.

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

	₹ in Crores
Balance as at 1st April, 2015	53.89
Changes in Equity Share Capital during 2015-2016.....	—
Balance as at the 31st March, 2016	53.89
Changes in Equity Share Capital during 2016-2017.....	—
Balance as at 31st March, 2017.....	53.89

B. Other Equity

	₹ in Crores				
	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2015	0.30	12.56	424.92	1208.51	1646.29
Total Comprehensive Income for the Year	—	—	—	893.92	893.92
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(75.45)	(75.45)
Dividend Distribution Tax	—	—	—	(15.78)	(15.78)
	—	—	—	(91.23)	(91.23)
Transfer from Retained Earnings.....	—	—	—	(27.17)	(27.17)
Transfer to General Reserve	—	—	27.17	—	27.17
Balance as at 31st March, 2016.....	0.30	12.56	452.09	1984.03	2448.98

	₹ in Crores				
	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1984.03	2448.98
Total Comprehensive Income for the Year	—	—	—	501.21	501.21
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(164.37)	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	(34.39)
	—	—	—	(198.76)	(198.76)
Transfer from Retained Earnings.....	—	—	—	(35.58)	(35.58)
Transfer to General Reserve	—	—	35.58	—	35.58
Balance as at 31st March, 2017.....	0.30	12.56	487.67	2250.90	2751.43

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

A. Corporate Information

Kansai Nerolac Paints Limited (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of the Companies Act. The Company's shares are listed on National Stock Exchange and Bombay Stock Exchange. The registered office of the Company is located at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai-400013. The Company is principally engaged in the manufacturing of Paints.

Kansai Paints Co. Ltd. is immediate and ultimate holding company of Kansai Nerolac Paints Limited and is based and listed in Japan. Financial Statements of Kansai Paints Co. Ltd. are available in public domain.

B. Basis of Preparation

1. Statement of Compliance

The Standalone Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act. The Standalone Financial Statements up to and for the year ended 31st March, 2016 were prepared in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

As these are the Company's first Standalone Financial Statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 42.

The Standalone Financial Statements for the year ended 31st March, 2017 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 2nd May, 2017.

Details of the Company's Accounting Policies are included in Note 1.

2. Functional and Presentation Currency

The Standalone Financial Statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise indicated.

3. Basis of Measurement

The Standalone Financial Statements have been prepared on the historical cost basis except for investments in mutual funds, non-trade equity shares, bonds and provision for employee defined benefit plans.

4. Use of Estimates and Judgements

In preparing these Standalone Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31st March, 2018 are as follows:

- (a) recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- (b) measurement of defined benefit obligations: key actuarial assumptions;
- (c) recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- (d) determining the fair value less costs to sell of the Non-current Assets held for Sale on the basis of significant unobservable inputs;

Note 1: Significant Accounting Policies

1. Classification of Assets and Liabilities

Schedule III to the Act, requires assets and liabilities to be classified as either Current or Non-current.

- (a) An asset shall be classified as current when it satisfies any of the following criteria:
 - (i) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
 - (ii) it is held primarily for the purpose of being traded;
 - (iii) it is expected to be realised within twelve months after the reporting date; or
 - (iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
- (b) All assets other than current assets shall be classified as non-current.
- (c) A liability shall be classified as current when it satisfies any of the following criteria:
 - (i) it is expected to be settled in the Company's normal operating cycle;
 - (ii) it is held primarily for the purpose of being traded;
 - (iii) it is due to be settled within twelve months after the reporting date; or
 - (iv) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (d) All liabilities other than current liabilities shall be classified as non-current.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

2. Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has ascertained the operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

3. Property, Plant and Equipment

(a) Recognition and Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost and then carried at the cost less accumulated depreciation and accumulated impairment, if any.

The cost of an item of Property, Plant and Equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is included in the cost of an item of property, plant and equipment.

The cost of a self-constructed item of Property, Plant and Equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Tangible Property, Plant and Equipment under construction are disclosed as Capital Work-in-progress.

(b) Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(c) Depreciation

The depreciable amount of an item of Property, Plant and Equipment is allocated on a systematic basis over its useful life. The Company provides depreciation on the straight line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Based on internal technical evaluation, the management believes useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is generally recognised in the Standalone Statement of Profit and Loss unless it is included in the carrying amount of another asset.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Company
Buildings	30-60	30-60
Plant and Equipments	10-20	10-20
Furniture and Fixtures	10	10
Vehicles	10	10
Office Equipments	5	5
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets given on Operating Lease	NA	5

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed off). Depreciation charge for the year is displayed as depreciation on the face of Standalone Statement of Profit and Loss.

Leasehold lands and leasehold improvements are amortised over the primary period of lease.

(d) Disposal

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Standalone Statement of Profit and Loss when the item is derecognised.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

4. Investment Property

(a) Recognition and Measurement

Land or building held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business is recognised as Investment Property. Land held for a currently undetermined future use is also recognised as Investment Property.

An investment property is measured initially at its cost. The cost of an investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, the Company carries the investment property at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

After initial recognition, the Company measures all of its investment property in accordance with Ind AS 16 – Property, Plant and Equipment requirements for cost model. The depreciable amount of an item of investment property is allocated on a systematic basis over its useful life. The Company provides depreciation on the straight line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Based on internal technical evaluation, the management believes useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The depreciation charge for each period is generally recognised in the Standalone Statement of Profit and Loss.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Useful Lives (in years)	Useful Lives (in years)
	– as per Companies Act, 2013	– as estimated by the Company
Buildings	30-60	30-60

(c) Fair Value

Fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of investment property is disclosed in the Note 3.

(d) Gain or Loss on Disposal

Any gain or loss on disposal of an Investment Property is recognised in the Standalone Statement of Profit and Loss.

5. Other Intangible Assets

(a) Recognition and Measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially measured at its cost and then carried at the cost less accumulated depreciation and accumulated impairment, if any.

Research and Development

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure incurred on research of an internal project is recognised as an expense in Standalone Statement of Profit and Loss, when it is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. An intangible asset arising from development is recognised if, and only if, the following criteria are met:

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale.
- (b) the Company intends to complete the intangible asset and use or sell it.
- (c) the Company has ability to use or sell the intangible asset.
- (d) the Company can demonstrate how the intangible asset will generate probable future economic benefits.
- (e) the Company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) the Company has ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognised in Standalone Statement of Profit and Loss as incurred.

(b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Standalone Statement of Profit and Loss as incurred.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

5. Other Intangible Assets (contd.)

(c) Amortisation

The Company amortises Other Intangible Assets on the straight line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. The amortisation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives as estimated by management are as follows:

Asset Class	Useful Lives (in years) – as estimated by the Company
Software	3 Years

Amortised intangible asset is displayed as amortisation on the face of Standalone Statement of Profit and Loss.

6. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Company's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in Standalone Statement of Profit and Loss.

Once classified as held-for-sale, Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer depreciated or amortised.

7. Employee Benefits

(a) Short-term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

(b) Post-Employment Benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

(i) Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund managed by the trust set up by the Company, or to the Regional Provident Fund Commissioner (RPFC) which are charged to the Standalone Statement of Profit and Loss as incurred.

In respect of contribution to RPFC, the Company has no further obligations beyond making the contribution, and hence, such employee benefit plan is classified as Defined Contribution Plan. The Company's contribution is recognised as an expense in the Standalone Statement of Profit and Loss.

(ii) Superannuation

The eligible employees of the Company are entitled to receive post employment benefits in respect of superannuation fund in which the Company makes annual contribution at a specified percentage of the employees' eligible salary (currently 15% of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution is recognised as an expense in the Standalone Statement of Profit and Loss.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

7. Employed Benefits (contd.)

(b) Post Employment Benefits (contd.)

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Standalone Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Company has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Company accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised as Other Comprehensive Income.

Provident Fund Trust

In respect of contribution to the trust set up by the Company, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(c) Other Long-term Employee Benefits – Compensated Absences:

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The Company makes provision for compensated absences based on an independent actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Standalone Statement of Profit and Loss.

8. Inventories

(a) Measurement of Inventory

The Company measures its inventories at the lower of cost and net realisable value.

(b) Cost of Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned by weighted average cost formula. The Company uses the same cost formula for all inventories having a similar nature and use to the Company.

(c) Net Realisable Value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is ascertained for each item of inventories with reference to the selling prices of related finished products.

The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Inventories are usually written down to net realisable value item by item. Estimates of net realisable value of finished goods and stock-in-trade are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

8. Inventories (contd.)

(c) Net Realisable Value (contd.)

at the end of the period. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Amount of any reversal of write-down of inventories shall be recognised as an expense as when the event occurs.

A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

(d) Valuation of Spare Parts, Stand-by Equipments and Servicing Equipments

Spare parts, stand-by equipment and servicing equipment are recognised as Property, Plant and Equipment if and only if it is probable that future economic benefits associated with them will flow to the Company and their cost can be measured reliably. Otherwise such items are classified and recognised as Inventory.

9. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts which are repayable on demand form an integral part of the Company's cash management, hence bank overdrafts are included as a component of cash and cash equivalents.

10. Government Grants

Government grants are assistance by government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not be recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in Statement of Profit and Loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

11. Provisions and Contingent Liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on technical evaluation, historical warranty data and a weighting of all possible outcomes by their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

12. Revenue Recognition

Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

12. Revenue Recognition (contd.)

Sale of Goods (contd.)

The Company measures revenue at the fair value of the consideration received or receivable taking into account the amount of any sales returns, trade discounts and volume rebates allowed by the Company. No element of financing is deemed present as the sales are made with credit term in line with market practice.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 39 - Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Dividend Income

Dividend income is recognised when right to receive payment is established and it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

13. Foreign Currency Transactions

Functional currency is the currency of the primary economic environment in which the Company operates whereas presentation currency is the currency in which the financial statements are presented. Indian Rupee is the functional as well as presentation currency for the Company.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Financial Statements are recognised in the Standalone Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Standalone Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Standalone Statement of Profit and Loss.

14. Taxation

Income Tax

Income tax comprises current and deferred tax. It is recognised in Standalone Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in Equity or in Other Comprehensive Income.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

14. Taxation (contd.)

Deferred Tax (contd.)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

15. Leases

Leases of Property, Plant and Equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Standalone Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Standalone Statement of Profit and Loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

16. Financial Instruments

(a) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and Subsequent Measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) – debt investment;
- Fair Value through Other Comprehensive Income – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and Subsequent Measurement (contd.)

Financial Assets: Subsequent Measurement and Gains and Losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Standalone Statement of Profit and Loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Standalone Statement of Profit and Loss. Any gain or loss on derecognition is recognised in Statement of Profit and Loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Standalone Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to Standalone Statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in Standalone Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to Standalone Statement of Profit and Loss.

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Standalone Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Standalone Statement of Profit and Loss.

(c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Standalone Statement of Profit and Loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

17. Borrowing Cost

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company recognises other borrowing costs as an expense in the period in which it incurs them. Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

18. Earnings Per Share

Basic earnings per share

The Company calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders and, if presented, profit or loss from continuing operations attributable to those equity holders.

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

18. Earnings Per Share (contd.)

Diluted Earnings Per Share

The Company calculates diluted earnings per share amounts for profit or loss attributable to ordinary equity holders and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares calculated for calculating basic earnings per share and adjusted the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

19. Impairment Loss

Impairment of Financial Assets

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI – debt investments.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In accordance with Ind AS 109 – Financial Instruments, the Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime expected credit loss at each reporting date, right from its initial recognition.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impairment of Non Financial Assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate.

The Company assesses at the end of each reporting period whether there is any indication that an asset is impaired. In assessing whether there is any indication that an asset may be impaired, the Company considers External as well as Internal Source of Information. If any such indication exists, the Company estimates the recoverable amount for the individual asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company recognises impairment loss for a cash-generating unit if, and only if, the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit. The Company allocates impairment loss of cash-generating units first to the carrying amount of goodwill allocated to the cash-generating units, if any, and then, to the other assets of the cash-generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised accordingly.

20. Measurement of Fair Values

A number of the Companies accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017
Freehold Land	27.30 (9.00)	15.06 (18.30)	— (—)	42.36 (27.30)	— (—)	— (—)	— (—)	— (—)	42.36 (27.30)
Leasehold Land	46.77 (22.35)	— (24.42)	— (—)	46.77 (46.77)	2.18 (1.77)	0.46 (0.41)	— (—)	2.64 (2.18)	44.13 (44.59)
Buildings	423.62 (422.97)	7.34 (0.65)	— (—)	430.96 (423.62)	81.52 (68.65)	12.77 (12.87)	— (—)	94.29 (81.52)	336.67 (342.10)
Plant and Equipment	675.09 (659.52)	25.31 (15.57)	0.06 (—)	700.34 (675.09)	239.97 (211.36)	29.72 (28.61)	0.06 (—)	269.63 (239.97)	430.71 (435.12)
Furniture and Fixtures.....	15.18 (14.81)	0.73 (0.37)	— (—)	15.91 (15.18)	12.18 (11.05)	0.75 (1.13)	— (—)	12.93 (12.18)	2.98 (3.00)
Vehicles	1.16 (1.23)	0.03 (—)	0.14 (0.07)	1.05 (1.16)	0.48 (0.40)	0.09 (0.10)	0.08 (0.02)	0.49 (0.48)	0.56 (0.68)
Office Equipments.....	9.22 (8.74)	0.77 (0.48)	— (—)	9.99 (9.22)	7.60 (6.64)	0.82 (0.96)	— (—)	8.42 (7.60)	1.57 (1.62)
Computers.....	32.83 (30.40)	4.50 (2.57)	0.59 (0.14)	36.74 (32.83)	24.94 (22.28)	3.15 (2.80)	0.59 (0.14)	27.50 (24.94)	9.24 (7.89)
Assets for Scientific Research*	19.83 (16.28)	5.87 (3.55)	— (—)	25.70 (19.83)	10.05 (9.14)	0.98 (0.91)	— (—)	11.03 (10.05)	14.67 (9.78)
Assets given on Operating Lease (Refer Note 2.5)	217.34 (191.38)	29.01 (25.96)	— (—)	246.35 (217.34)	163.56 (145.54)	20.15 (18.02)	— (—)	183.71 (163.56)	62.64 (53.78)
Total Tangible Assets.....	1468.34 (1376.68)	88.62 (91.87)	0.79 (0.21)	1556.17 (1468.34)	542.48 (476.83)	68.89 (65.81)	0.73 (0.16)	610.64 (542.48)	945.53 (925.86)

* Net block includes Buildings ₹ 0.35 Crores (2015-2016 ₹ 0.37 Crores, 1st April, 2015 ₹ 0.38 Crores), Plant and Equipment ₹ 14.08 Crores (2015-2016 ₹ 9.25 Crores, 1st April, 2015 ₹ 6.72 Crores) and Furniture and Fixtures ₹ 0.24 Crores (2015-2016 ₹ 0.16 Crores, 1st April, 2015 ₹ 0.04 Crores).

2.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2.2. No items of Property, Plant and Equipment were pledged as security for liabilities during any part of the current and comparative periods other than as disclosed in Note 19(a).

2.3. Nil amount of borrowing costs is capitalised during the current and comparative periods.

2.4. Nil amount of impairment loss is recognised during the current and comparative periods.

Note 2.5:

The Company has given Colour Dispenser Machines on operating lease to its dealers. Particulars in respect of such leases are as follows:

- (a) (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 246.35 Crores (2015-2016 ₹ 217.34 Crores, 1st April, 2015 ₹ 191.38 Crores) and ₹ 183.71 Crores (2015-2016 ₹ 163.56 Crores, 1st April, 2015 ₹ 145.54 Crores) respectively.
- (ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 20.15 Crores (2015-2016 ₹ 18.02 Crores).
- (b) The Company enters into three years cancellable lease agreements. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017
Freehold Land	0.07 (0.07)	— (—)	— (—)	0.07 (0.07)	— (—)	— (—)	— (—)	— (—)	0.07 (0.07)
Leasehold Land	0.01 (0.01)	— (—)	— (—)	0.01 (0.01)	— (—)	— (—)	— (—)	— (—)	0.01 (0.01)
Buildings	3.39 (3.39)	— (—)	— (—)	3.39 (3.39)	3.29 (3.29)	— (—)	— (—)	3.29 (3.29)	0.10 (0.10)
Total Investment Property	3.47 (3.47)	— (—)	— (—)	3.47 (3.47)	3.29 (3.29)	— (—)	— (—)	3.29 (3.29)	0.18 (0.18)

3.1. Figures in the brackets are the corresponding figures in respect of the previous year.

3.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

3.3. Nil amount of impairment loss is recognised during the current and comparative periods.

3.4. During the financial year, no rental income was generated from the investment properties whereas direct operating expenses of ₹ 0.40 Crores (2015-2016 ₹ 0.30 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1362.70 Crores (2015-2016 ₹ 1223.70 Crores, 1st April, 2015 ₹ 1204.14 Crores).

Fair Value Hierarchy

The fair value of investment property has been determined by external independent property valuers, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The fair value measurement for all of the investment property has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Description of Valuation Technique used:

The Company obtains Independent Valuations of its investment property as at the year end. The fair value of the investment property have been derived using the Direct Comparison Method. The direct comparison approach involves a comparison of the investment property to similar properties that have actually been sold in arms-length distance from investment property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing price. Given that the comparable instances are located in close proximity to the investment property; these instances have been assessed for their locational comparative advantages and disadvantages while arriving at the indicative price assessment for investment property.

Note 4: Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017
Software	12.78 (12.78)	0.97 (—)	— (—)	13.75 (12.78)	12.26 (10.34)	0.60 (1.92)	— (—)	12.86 (12.26)	0.89 (0.52)
Total Other Intangible Assets .	12.78 (12.78)	0.97 (—)	— (—)	13.75 (12.78)	12.26 (10.34)	0.60 (1.92)	— (—)	12.86 (12.26)	0.89 (0.52)

4.1. Figures in the brackets are the corresponding figures in respect of the previous year.

4.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

4.3. Nil amount of impairment loss is recognised during the current and comparative periods.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 5: Non-current Investments

Investments in Equity Instruments:

I. Subsidiary Companies at Cost

KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	7.87	7.87	7.87
8,84,000 Equity Shares of NPR 100 each (8,84,000 Equity Shares of NPR 100 each) (8,84,000 Equity Shares of NPR 100 each)			
Kansai Paints Lanka (Private) Limited.....	13.47	2.76	—
3,00,00,000 Equity Shares of LKR 10 each (60,00,000 Equity Shares of LKR 10 each) (Nil Equity Shares of LKR 10 each)			

II. Others at FVTPL

National Thermal Power Corporation Ltd. (Quoted)	0.67	0.52	0.60
40,524 Equity Shares of ₹ 10 each (40,524 Equity Shares of ₹ 10 each) (40,524 Equity Shares of ₹ 10 each)			
Paints and Coatings Skill Council.....	0.02	—	—
10 Equity Shares of ₹ 25,000 each (Nil Equity Shares of ₹ 25,000 each) (Nil Equity Shares of ₹ 25,000 each)			

Total Non-current Investments.....

22.03

11.15

8.47

Aggregate book value of quoted investments	0.67	0.52	0.60
Aggregate market value of quoted investments	0.67	0.52	0.60
Aggregate amount of unquoted investments.....	21.36	10.63	7.87
Aggregate amount of impairment in value of investments	Nil	Nil	Nil

Note 6: Non-current Loans

Unsecured and Considered Good:

Loan to Subsidiary – KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)*	—	—	6.38
Loan to Supplier	—	0.65	1.00

—

0.65

7.38

* The Company has provided working capital loan to its Subsidiary Company, a private company in which Director of the Company is a Director, which carries an interest of 5.5% p.a. (8% p.a. for comparative periods) Maximum amount outstanding during the year – ₹ 6.38 Crores (2015-2016 ₹ 6.38 Crores, 1st April, 2015 ₹ 6.38 Crores) This loan is within the limit of Section 186 of the Companies Act, 2013.

Note 7: Other Non-current Financial Assets

Unsecured and Considered Good:

Security Deposits	10.31	9.29	10.06
-------------------------	--------------	------	-------

10.31

9.29

10.06

Note 8: Other Non-current Assets

Unsecured and Considered Good:

Capital Advances	46.69	25.68	27.28
Income Tax Paid (Net of Provisions)	74.95	36.32	22.00

121.64

62.00

49.28

Note 9: Inventories

Raw Materials	236.35	160.54	152.46
Work-in-progress.....	44.69	46.29	48.49
Finished Goods	388.48	344.14	321.17
Stock-in-trade.....	18.37	17.89	17.13
Stores and Spares	3.42	2.85	2.42

691.31

571.71

541.67

No inventories were pledged as security for liabilities during any part of the financial year.

Nil amount of inventories were written down to net realisable value during the current and comparable periods. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments

(A) Investments in Bonds at FVTPL (Quoted):

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1 Indian Railways Finance Corporation Ltd. Nil units of ₹ 1,00,000 each (1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each) (1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each)	—	10.04	10.04
2 Indian Railways Finance Corporation Ltd. 1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each) (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each)	10.00	10.00	10.00
3 National Highway Authority of India 24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each) (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each)	2.78	2.74	2.72
4 Power Finance Corporation Ltd. 14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each) (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each)	1.60	1.55	1.55
5 Indian Railway Finance Corporation Ltd. 10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each) (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each)	1.20	1.17	1.09
6 National Highway Authority of India 57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each (57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each) (Nil units of ₹ 1,000 each)	6.86	5.60	—
7 National Highway Authority of India 23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each (23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each) (Nil units of ₹ 1,000 each)	2.60	2.32	—
Total Investments in Bonds	25.04	33.42	25.40

(B) Investments in Mutual Funds at FVTPL (Unquoted):

(i) Dividend Option:

1 Kotak Quarterly Interval Plan Series 6 Nil units of ₹ 10 each (Nil units of ₹ 10 each) [2,49,99,953 units (and 125 fractions) of ₹ 10 each]	—	—	25.33
2 ICICI Prudential Interval Fund Quarterly Interval Nil units of ₹ 10 each (Nil units of ₹ 10 each) (49,11,350 units of ₹ 10 each)	—	—	5.01
3 ICICI Prudential FMP Series 78-95 Days Plan K Nil units of ₹ 10 each (1,00,00,000 units of ₹ 10 each) (Nil units of ₹ 10 each)	—	10.11	—
4 Reliance Quarterly Interval Fund Series II Nil Units of ₹ 10 each [2,99,58,657 units (and 053 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	30.37	—
5 UTI-Fixed Income Interval Fund - III..... Nil units of ₹ 10 each [2,49,64,051 units (and 765 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	25.23	—
Total Investments in Mutual Fund (Dividend Option)	—	65.71	30.34

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments (contd.)

(B) Investments in Mutual Funds at FVTPL (Unquoted) (contd.):

(ii) Growth Option:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1 Axis Banking Debt Fund..... Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [15,719 units (and 683 fractions) of ₹ 1000 each]	—	—	2.02
2 Axis Treasury Advantage Fund..... 1,36,113 units (and 008 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)	25.13	—	—
3 BNP Paribas Overnight Fund..... Nil units of ₹ 1000 each [3,18,827 units (and 583 fractions) of ₹ 1000 each] (Nil units of ₹ 1000 each)	—	74.07	—
4 BNP Paribas Money Plus Fund..... 2,42,05,868 units (and 931 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)	61.00	—	—
5 DSP BlackRock Money Manager Fund..... 2,27,421 units (and 264 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)	50.79	—	—
6 HDFC Banking & PSU Debt Fund..... 7,71,93,569 units (and 776 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)	102.49	—	—
7 HDFC FRIF STP WP..... Nil units of ₹ 10 each [1,27,31,085 units (and 326 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	33.23	—
8 ICICI Prudential Savings Fund..... Nil units of ₹ 100 each [22,04,383 units (and 566 fractions) of ₹ 100 each] (Nil units of ₹ 100 each)	—	50.54	—
9 Indiabulls Ultra Short Term Fund..... 1,28,653 units (and 478 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)	20.73	—	—
10 JP Morgan India Treasury Fund..... Nil units of ₹ 10 each (Nil units of ₹ 10 each) [1,37,44,662 units (and 300 fractions) of ₹ 10 each]	—	—	25.32
11 JP Morgan India Liquid Fund..... Nil units of ₹ 10 each (Nil units of ₹ 10 each) [3,08,78,771 units (and 676 fractions) of ₹ 10 each]	—	—	56.07
12 JM MIP Fund..... Nil units of ₹ 10 each [1,05,65,632 units (and 339 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	25.25	—
13 Kotak Banking & PSU Debt Fund..... 1,39,11,146 Units (and 724 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)	51.75	—	—
14 Kotak Low Duration Fund..... Nil units of ₹ 1000 each [2,77,235 units (and 061 fractions) of ₹ 1000 each] (Nil units of ₹ 1000 each)	—	51.34	—
15 LIC MF Savings Plus Fund..... 1,59,52,202 units (and 989 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)	41.08	—	—
16 Reliance Medium Term Fund..... 1,45,13,914 units (and 49 fractions) of ₹ 10 each [3,21,03,552 units (and 367 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	50.35	101.88	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments (contd.)

(B) Investments in Mutual Funds at FVTPL (Unquoted) (contd.):

(ii) Growth Option (contd.):

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
17 Reliance Fixed Horizon Fund XXX Series 9..... Nil units of ₹ 10 each (2,90,00,000 units of ₹ 10 each) (Nil units of ₹ 10 each)	—	29.27	—
18 Reliance Quarterly Interval Fund Series III Nil units of ₹ 10 each [40,30,535 units (and 336 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	5.03	—
19 Religare Invesco Liquid Fund..... Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [83,166 units (and 705 fractions) of ₹ 1000 each]	—	—	16.00
20 Religare Invesco Short Term Fund..... Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [53,799 units (and 848 fractions) of ₹ 1000 each]	—	—	10.25
21 Sundaram Ultra Short Term Fund Nil units of ₹ 10 each (Nil units of ₹ 10 each) [1,71,64,275 units (and 652 fractions) of ₹ 10 each]	—	—	33.13
22 Sundaram Income Plus..... Nil units of ₹ 10 each (Nil units of ₹ 10 each) [49,17,503 units (and 412 fractions) of ₹ 10 each]	—	—	10.10
23 Sundaram Ultra Short Term Fund 4,50,82,817 units (and 135 fractions) of ₹ 10 each (1,92,44,798 units (and 849 fractions) of ₹ 10 each) (Nil units of ₹ 10 each)	102.39	40.39	—
24 UTI Banking & PSU Debt Fund..... Nil units of ₹ 10 each [2,09,63,635 units (and 201 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	25.43	—
Total Investments in Mutual Fund (Growth Option) ...	505.71	436.43	152.89
Total Investments in Mutual Fund (i+ ii).....	505.71	502.14	183.23
Total Current Investment (A + B)	530.75	535.56	208.63
Aggregate book value of quoted investments	25.04	33.42	25.40
Aggregate market value of quoted investments	25.04	33.42	25.40
Aggregate amount of unquoted investments.....	505.71	502.14	183.23
Aggregate amount of impairment in value of investments.....	Nil	Nil	Nil

Note 11: Trade Receivables

Overdue for a Period Exceeding Six Months:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Secured, Considered Good.....	—	—	—
Unsecured, Considered Good.....	1.98	1.54	4.10
Doubtful.....	12.64	8.34	3.21
	14.62	9.88	7.31
Less: Provision for Bad and Doubtful Debts.....	12.64	8.34	3.21
	1.98	1.54	4.10

Other Receivables:

Secured, Considered Good.....	—	—	—
Unsecured, Considered Good*	569.73	523.08	492.24
Doubtful.....	0.60	—	—
	570.33	523.08	492.24
Less: Provision for Bad and Doubtful Debts.....	0.60	—	—
	569.73	523.08	492.24
	571.71	524.62	496.34

* includes ₹ 2.23 Crores (2015-2016 ₹ 2.66 Crores, 1st April, 2015 ₹ 3.98 Crores receivable from KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited) subsidiary company, private company in which a director of the Company is a director.

No trade receivables are secured against borrowings.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 12: Cash and Cash Equivalents

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Cash on hand	0.21	0.06	0.10
Cheques on hand	21.79	18.61	22.47
Banks Balances	21.87	458.58	10.91
	43.87	477.25	33.48

Note 13: Bank Balance other than Cash and Cash Equivalents

Unpaid Dividend Accounts	0.88	0.64	0.57
Fixed Deposit with SBI*	431.12	—	—
	432.00	0.64	0.57

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain

Note 14: Loans

Unsecured and Considered Good:

Loan to Subsidiary – KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)*	6.38	6.38	—
Loan to Supplier	0.28	—	—
	6.66	6.38	—

* The Company has provided working capital loan to its Subsidiary Company, private company in which director of the Company is a director, which carries an interest of 5.5% p.a. (8% p.a. for comparative periods) Maximum amount outstanding during the year – ₹ 6.38 Crores (2015-2016 ₹ 6.38 Crores, 1st April, 2015 ₹ 6.38 Crores). This loan is within the limit of Section 186 of the Companies Act, 2013.

Note 15: Other Current Financial Assets

Unsecured and Considered Good:

Interest Accrued on Loans, Investments and Fixed Deposits*	9.53	2.53	1.92
Security Deposits	3.04	1.35	1.05
	12.57	3.88	2.97

* Includes ₹ 1.50 Crores (2015-2016 ₹ 1.66 Crores, 1st April, 2015 ₹ 1.15 Crores) receivable from KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited) subsidiary company, private company in which a director of the Company is a director.

Note 16: Other Current Assets

Unsecured and Considered Good:

Balances with Indirect Tax Authorities	32.76	15.26	11.91
Insurance Claims Receivable	—	—	2.25
Trade Advances	19.35	13.71	8.24
Prepaid Expenses	7.79	7.06	8.85
Other Receivable*	5.89	3.35	2.90
	65.79	39.38	34.15

* Includes ₹ 0.91 Crores (2015-2016 ₹ 0.98 Crores, 1st April, 2015 ₹ 1.17 Crores) receivable from Kansai Paints Co., Ltd., Japan

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 17: Share Capital

	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
1. Authorised Share Capital (₹ in Crores)	60		60		60	
Par Value per Share (₹)	1		1		1	
Number of Equity Shares	60,00,00,000		60,00,00,000		60,00,00,000	
2. Issued, Subscribed and Fully Paid up (₹ in Crores)	53.89		53.89		53.89	
Par Value per Share (₹)	1		1		1	
Number of Equity Shares	53,89,19,720		53,89,19,720		53,89,19,720	
3. Details of Shareholders holding more than 5% of shares and details of shares held by Holding Company:						
	%	No. of Shares	%	No. of Shares	%	No. of Shares
Holding Company:						
Kansai Paint Co., Ltd., Japan.....	74.99	40,41,35,898	73.12	39,40,69,919	69.27	37,32,97,600
Others:						
Aberdeen Asset Management Asia Ltd.	—	—	—	—	5.83	3,14,19,056
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve		Nil		2,69,45,986		2,69,45,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.						
6. Reconciliation of the number of shares outstanding:						
Number of shares at the beginning of the year		53,89,19,720		53,89,19,720		53,89,19,720
Issued during the year.....		—		—		—
Number of shares at the end of the year.....		53,89,19,720		53,89,19,720		53,89,19,720
7. Capital Management						
For the purpose of the Company's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Company. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the levels of dividends to equity shareholders. The Company is not subject to any externally imposed capital requirements.						

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 18: Other Equity

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2015	0.30	12.56	424.92	1208.51	1646.29
Profit for the year	—	—	—	898.85	898.85
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(7.54)	(7.54)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.61	2.61
Other Comprehensive Income for the Year, net of tax	—	—	—	(4.93)	(4.93)
Total Comprehensive Income for the Year	—	—	—	893.92	893.92
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(75.45)	(75.45)
Dividend Distribution Tax	—	—	—	(15.78)	(15.78)
	—	—	—	(91.23)	(91.23)
Transfer from Retained Earnings	—	—	—	(27.17)	(27.17)
Transfer to General Reserve	—	—	27.17	—	27.17
Balance as at 31st March, 2016	0.30	12.56	452.09	1984.03	2448.98

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1984.03	2448.98
Profit for the Year	—	—	—	505.94	505.94
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	2.50
Other Comprehensive Income for the Year, net of tax	—	—	—	(4.73)	(4.73)
Total Comprehensive Income for the Year	—	—	—	501.21	501.21
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(164.37)	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	(34.39)
	—	—	—	(198.76)	(198.76)
Transfer from Retained Earnings	—	—	—	(35.58)	(35.58)
Transfer to General Reserve	—	—	35.58	—	35.58
Balance as at 31st March, 2017	0.30	12.56	487.67	2250.90	2751.43

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Defined Benefit Liability

	As at 31st March, 2017	As at 31st March, 2016
Opening Balance	(4.93)	—
Remeasurement of Defined Benefit Liability	(4.73)	(4.93)
Closing Balance	<u>(9.66)</u>	<u>(4.93)</u>

Securities Premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Dividend

For the year 2014-2015, the Directors had recommended and Shareholders had approved a dividend of 140% (₹ 1.40 per share). For the year 2015-2016, the Directors had recommended and Shareholders had approved a dividend of 305%, including special dividend of 125%, (₹ 3.05 per share), which has been accounted in current year. For the year 2016-2017, the Directors have recommended a normal dividend of 250% (₹ 2.50 per share) and a special dividend of 50% (₹ 0.50 per share), thus aggregating to a total dividend of 300% (₹ 3.00 per share) for the year. The dividend proposed by the Directors is subject to approval of Shareholders at the annual general meeting. The proposed dividend of ₹ 161.67 Crores alongwith dividend distribution tax of ₹ 33.83 Crores have not been recognised as liabilities.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 19: Borrowings

Deferred Payment Liabilities

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
a. Secured Sales Tax Deferral Loan..... (Hypothecated over the fixed assets of the factory at Jainpur) Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ Nil (2015-2016 ₹ 0.90 Crores, 1st April, 2015 ₹ Nil) is disclosed under 'Other Financial Liabilities' — Refer Note 23].	—	—	0.90
b. Unsecured Sales Tax Deferral Loan..... Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in five annual installments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 10.45 Crores (2015-2016 ₹ 11.92 Crores, 1st April, 2015 ₹ Nil) is disclosed under 'Other Financial Liabilities' — Refer Note 23].	18.33	28.79	40.60
	<u>18.33</u>	<u>28.79</u>	<u>41.50</u>
Note 20: Provisions			
Provision for Compensated Absences (Refer Note 37).....	7.11	4.05	3.28
	<u>7.11</u>	<u>4.05</u>	<u>3.28</u>

Note 21: Income Taxes

A. The major components of income tax expense for the year ended 31st March 2017 are as under:

(i) Income tax recognised in the Standalone Statement of Profit and Loss

Current tax:

	Year ended 31 March 2017	Year ended 31 March 2016
In respect of current year.....	246.47	225.41
Adjustments in respect of previous year.....	(1.31)	—

Deferred tax:

In respect of current year.....	8.32	(49.31)
---------------------------------	------	---------

Income tax expense recognised in the Standalone Statement of Profit and Loss.....	253.48	176.10
--	---------------	---------------

(ii) Income tax expense recognised in OCI

Deferred tax expense on remeasurements of defined benefit plans.....	2.50	2.61
Income tax expense recognised in OCI.....	2.50	2.61

B. Reconciliation of tax expense and the accounting profit for the year is as under:

Income tax expense calculated at 34.608%	263.14	369.28
Tax effect on non-deductible expenses	2.93	1.77
Incentive tax credits	(8.47)	(7.24)
Effect of Income that is exempted from tax	(4.31)	(188.72)
Others	0.19	1.01
Total	253.48	176.10
Tax expense as per Standalone Statement of Profit and Loss	253.48	176.10

The tax rate used for reconciliation above is the corporate tax rate of 34.608% payable by corporate entities in India on taxable profits under Indian tax law.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 21: Income Taxes (contd.)

C. The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows:

Particulars	Balance Sheet	Profit and Loss	OCI	Other Adjustments	Balance Sheet	Balance Sheet	Profit and Loss	OCI	Balance Sheet
	01.04.2016	2016-2017	2016-2017	2016-2017	31.03.2017	01.04.2015	2015-2016	2015-2016	31.03.2016
Difference between written down value/capital work in progress of fixed assets as per the books of accounts and Income Tax Act, 1961	(92.59)	(8.57)	—	—	(101.16)	(82.50)	(10.09)	—	(92.59)
Tax adjustment on account on indexation of freehold land.....	11.54	0.73	12.27	—	10.61	0.93	11.54	—	—
Provision for Diminution in Value of Fixed Assets	0.12	(0.12)	—	—	0.14	(0.02)	0.12	—	—
Expense claimed for tax purpose on payment basis	4.85	0.69	—	—	5.54	5.22	(2.98)	—	2.24
Provision for doubtful debts and advances	2.89	1.70	—	—	4.59	1.09	1.80	—	2.89
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.60	(0.30)	—	—	0.30	0.90	(0.30)	—	0.60
Remeasurement benefit of the defined benefit plans through OCI ...	—	—	2.50	—	2.50	—	—	2.61	2.61
MAT Credit Entitlements	60.77	—	—	(60.77)	—	—	60.77	—	60.77
Net fair value loss on investment in through FVTPL	(0.80)	(2.45)	—	—	(3.25)	—	(0.80)	—	(0.80)
Deferred tax (expense)/income	—	—	—	—	—	—	—	—	—
Net Deferred tax liabilities	(12.62)	(8.32)	2.50	(60.77)	(79.21)	(64.54)	49.31	2.61	(12.62)

Note 22: Trade Payables

Trade Payables:

Payables to Micro and Small Enterprises*	—
Payables to Others	550.20
	<u>550.20</u>

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

As at
31st March, 2017

As at
31st March, 2016

₹ in Crores
As at
1st April, 2015

Note 23: Other Financial Liabilities

Current Maturities of Long-term Borrowings (Refer Note 19).....	10.45
Unpaid Dividends*	0.88
Trade Deposits	54.61
Creditors for Capital Goods	14.30
	<u>80.24</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

As at
31st March, 2017

As at
31st March, 2016

As at
1st April, 2015

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 24: Other Current Liabilities

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Other Statutory Obligations*	28.18	24.97	22.67
Trade Receivables with Credit Balance	8.95	5.38	4.77
	<u>37.13</u>	<u>30.35</u>	<u>27.44</u>

* Includes payable toward TDS, Excise duty, Service tax, VAT and Employee Related Statutory Obligations.

₹ in Crores

Note 25: Provisions

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Provision for Compensated Absences (Refer Note 37)	1.60	1.60	1.30
Provision for Gratuity (Refer Note 37)	6.53	4.70	2.32
Provision for Indirect Taxes*			
Opening Balance	7.77	8.35	11.79
Add: Provision during the year	—	—	2.02
Less: Utilisation / reversal during the year	—	0.58	5.46
	<u>7.77</u>	<u>7.77</u>	<u>8.35</u>
Provision for Warranty#			
Opening Balance	1.15	1.75	1.75
Add: Provision during the year	—	—	—
Less: Utilisation / reversal during the year	0.90	0.60	—
	<u>0.25</u>	<u>1.15</u>	<u>1.75</u>
	<u>16.15</u>	<u>15.22</u>	<u>13.72</u>

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2015-2016 ₹ 4.66 Crores, 1st April, 2015 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

The Company was selling certain products with a warranty of seven years. Accordingly, provision had been recognised on the basis of management's expectation of warranty claims on such products.

₹ in Crores

Note 26: Current Tax Liabilities (Net)

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Current Tax Liabilities (Net of Advances)	3.67	5.08	13.86
	<u>3.67</u>	<u>5.08</u>	<u>13.86</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 27: Revenue from Operations

	Year ended 31st March, 2017	Year ended 31st March, 2016
Sale of Products (including excise duty)		
Sales	4925.15	4593.43
Less: Rebates and Cash Discounts.....	405.00	358.84
Total Sale of Products.....	4520.15	4234.59
Other Operating Revenues		
Sale of Scrap	9.97	9.70
Other Operating Income	0.93	1.23
Revenue from Operations	10.90	10.93
	4531.05	4245.52

Note 27.1: Earnings in Foreign Exchange

FOB Value of Exports	2.24	1.10
Recovery of Freight and Other Charges on Exports	0.05	0.05

Note 28: Other Income

Dividend Income

Dividend from Mutual Funds recognised through FVTPL.....	2.70	15.66
--	------	-------

Interest Income

Interest on Loans and Deposit.....	9.55	1.01
Interest on bonds recognised through FVTPL.....	2.22	1.84

Profit on Sale of Investment (Net)	11.77	2.85
Profit on Sale of Investment (Net)	59.68	3.73
Fair Value Gain on Financial Instruments recognised through FVTPL.....	7.53	2.70

Other Non operating Income

Profit on Sale of Property, Plant and Equipment (Net)	0.04	0.02
Foreign Exchange Gain (Net)	11.52	—
Insurance Claims Received	2.96	2.39
Miscellaneous Income	2.02	—
	16.54	2.41
	98.22	27.35

Note 29: Cost of Materials Consumed

Raw Material Consumed

Opening Stock	153.49	145.05
Add: Purchase	1997.65	1942.46
Less: Sales	3.89	2.95
Less: Closing Stock	226.44	153.49
	1920.81	1931.07

Packing Material Consumed

Opening Stock	7.05	7.41
Add: Purchase	272.82	255.90
Less: Closing Stock	9.90	7.05
	269.97	256.26
	2190.78*	2187.33*

*Includes ₹ 1.89 Crores (2015-2016 ₹ 1.61 Crores) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 29: Cost of Materials Consumed (contd.)

Note 29.1: CIF Value of Import

	Year ended 31st March, 2017	Year ended 31st March, 2016
Raw Materials	902.09	797.69
Stores and Spare Parts.....	1.57	1.12
Finished Products	22.45	24.98
Capital Goods	7.52	2.63

**Note 30: Changes in Inventories of Finished Goods,
Stock-in-trade and Work-in-progress**

Opening Stock		
Finished Goods.....	344.14	321.17
Work-in-progress	46.29	48.49
Stock-in-trade (in respect of goods acquired for trading).....	17.89	17.13
	408.32	386.79
Less: Closing Stock		
Finished Goods.....	388.48	344.14
Work-in-progress	44.69	46.29
Stock-in-trade (in respect of goods acquired for trading).....	18.37	17.89
	451.54	408.32
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	8.96	7.72
	(34.26)	(13.81)

Note 31: Employee Benefits Expense

Salaries and Wages	175.86	151.09
Contribution to Provident and Other Funds (Refer Note 37).....	12.61	9.88
Staff Welfare Expense.....	9.65	9.14
	198.12*	170.11*

*Includes ₹ 15.77 Crores (2015-2016 ₹ 12.75 Crores) expenditure incurred on Research and Development

Note 32: Depreciation and Amortisation

Depreciation on Property, Plant and Equipment	68.89	65.80
Amortisation on Other Intangible Assets.....	0.60	1.92
	69.49*	67.72*

*Includes ₹ 0.98 Crores (2015-2016 ₹ 0.91 Crores) Depreciation and Amortisation Expenses incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 33: Other Expenses

	Year ended 31st March, 2017	Year ended 31st March, 2016
Consumption of Stores and Spare Parts.....	19.57	19.33
Power and Fuel	71.02	69.43
Repairs to Buildings	0.86	0.30
Repairs to Machinery	10.43	8.42
Freight and Forwarding Charges.....	193.58	168.56
Advertisement and Sales Promotion.....	271.01	228.92
Rent.....	27.12	21.70
Rates and Taxes.....	5.34	3.13
Insurance	3.36	3.09
Miscellaneous Expenses.....	125.02	117.20
	727.31*	640.08*

*Includes ₹ 4.48 Crores (2015-2016 ₹ 3.82 Crores) expenditure incurred on Research and Development

Note 33.1: Payments to Auditors'

Auditors' Remuneration excluding Service Tax (Included in Miscellaneous Expenses in Note 33)

As Auditor

Statutory Audit	0.25	0.25
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results.....	0.09	0.09

In other capacity

Certification.....	0.09	0.07
Other matters.....	0.15	0.15

Reimbursements of Expenses

0.03	0.03
0.65	0.63

Note 33.2: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss is.....	23.12	19.09
---	-------	-------

Note 33.3: Expenditure in Foreign Currencies

Foreign Travel.....	0.16	0.15
Royalties.....	16.04	14.53
Professional and Technical Fees.....	1.25	0.56
Others	1.01	0.56
	18.46	15.80

Note 33.4: Operating Lease Expenses

The Company obtains business warehouses on cancellable lease terms. Hence the following disclosure is provided only for vehicles obtained on non-cancellable lease terms. Vehicles are obtained for use by employees on operating lease for a lease term of three to five years.

Lease payments recognised in Standalone Statement of Profit and Loss	0.48	0.50
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	0.59	0.40
Later than one year and not later than five years	1.09	0.56
Later than five years	—	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

**Note 34: Contingent Liabilities and Commitments
(to the extent not provided for)**

Claims against the Company not acknowledged as debt:

Service Tax	6.41	4.44
-------------------	-------------	------

The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 6.41 Crores (2015-2016 ₹ 4.44 Crores, 1st April, 2015 ₹ 4.44 Crores) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Company's operation and financial position.

Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	231.29	80.89
--	---------------	-------

Corporate guarantee

Corporate guarantee given to HDFC Bank for employee loans.....	2.55	1.41
	240.19	86.74

Note 35: Earnings Per Share

Numerator:

Profit attributable to Equity Shareholders (₹ in Crores)	505.94	898.85
--	---------------	--------

Denominator:

Weighted Average Number of ordinary shares at the beginning and end of the year	53,89,19,720	53,89,19,720
---	---------------------	--------------

Basic and Diluted Earnings Per Share (in ₹)	9.39	16.68
--	-------------	-------

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 36: Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Parent and ultimate controlling entity

Name	% Shareholding			Type	Principal Activities	Place of Incorporation
	2017	2016	2015			
Kansai Paints Co., Ltd.	74.99	73.12	69.27	Parent and ultimate controlling entity	Manufacturing Paints	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Ltd. and is based and listed in Japan. Financial Statements of Kansai Paints Co., Ltd. are available in public domain.

Subsidiary Companies

Name	% Shareholding			Type	Principal Activities	Place of Incorporation
	2017	2016	2015			
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	68	68	68	Subsidiary	Manufacturing Paints	Nepal
Kansai Paints Lanka (Private) Limited (w.e.f 30th July, 2015)	60	60	—	Subsidiary	Manufacturing Paints	Srilanka

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.....	Fellow Subsidiary	Manufacturing Paints	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints	Malaysia
Kansai Paints Europe Ltd.	Fellow Subsidiary	Manufacturing Paints	Europe
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints	Turkey

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. H. M. Bharuka, Managing Director, (2) Mr. P. D. Chaudhari, Wholetime Director, (3) Mr. P. D. Pai, CFO and (4) Mr. G. T. Govindarajan, Company Secretary.

Note 36: Related Party Disclosures (contd.)

Related Party Transactions:

Transaction Type	Relation	2017	2016	2015
Sale of finished goods				
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	1.15	1.08	0.70
— Kansai Altan Boya Sanayi Ve Ticaret A.S.....	Fellow Subsidiary	0.09	—	—
— KNP Japan Private Limited.....	Subsidiary	—	—	0.80
Sale of Raw Materials				
— KNP Japan Private Limited.....	Subsidiary	—	—	2.16
Transfer under license agreements				
Royalty Expense				
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	14.62	13.14	12.29
Technical Fees (including reimbursement of expenses)				
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	1.52	0.96	0.50
— Kansai Paint Asia Pacific SDN.BHD.....	Fellow Subsidiary	0.08	0.05	0.04
— Kansai Paints Europe Ltd.....	Fellow Subsidiary	—	—	0.02
Royalty Income				
— KNP Japan Private Limited.....	Subsidiary	0.47	0.34	0.39
Transfers under finance arrangements (including loans and equity contributions in cash or in kind)				
Equity Investment				
— Kansai Paints Lanka (Private) Limited.....	Subsidiary	10.71	2.76	—
Interest Income				
— KNP Japan Private Limited.....	Subsidiary	0.35	0.51	0.51
Reversal of Interest				
— KNP Japan Private Limited.....	Subsidiary	0.52	—	—
Management contracts including for deputation of employees				
Reimbursement of Expenses Receivable				
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	0.91	0.98	1.17
— KNP Japan Private Limited.....	Subsidiary	0.55	0.54	0.50
Amount of outstanding balances, including commitments, their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement				
Receivable as at Year End				
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	0.91	0.98	1.17
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	0.34	0.34	0.36
— KNP Japan Private Limited.....	Subsidiary	2.23	2.66	3.98
Receivable towards Loan and Interest				
— KNP Japan Private Limited.....	Subsidiary	7.88	8.04	7.53
Payable as at Year End				
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	0.36	0.41	0.07
— Kansai Paint Asia Pacific SDN. BHD.....	Fellow Subsidiary	0.01	0.01	—
Key Management Personnel				
(a) short-term employee benefits.....		8.73	7.72	6.93
(b) post-employment benefits.....		0.16	0.16	0.11
(c) other long-term employee benefits.....		0.11	0.01	0.01

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 37: Employee Benefits:

A. Defined Contribution Plans:

Contribution to defined contribution plan, recognised in the Standalone Statement of Profit and Loss under Company's Contribution to Provident Fund and Other Funds in Employee Benefits Expenses for the year are as under:

Particulars	₹ in Crores	
	Year ended 31st March, 2017	Year ended 31st March, 2016
Employer's contribution to Regional Provident Fund Commissioner	1.45	1.12
Employer's contribution to Family Pension Fund	2.98	2.48
Employer's contribution to Superannuation Fund	4.22	3.63

B. Defined Benefit Plans:

a. Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's Financial Statements as at March 31, 2017 and March 31, 2016:

Particulars	₹ in Crores	
	Year ended 31st March, 2017	Year ended 31st March, 2016
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	24.16	15.13
Current Service Cost	2.68	1.95
Interest Expense	1.84	1.20
Benefit Payments from Plan Assets	(1.80)	(1.67)
Remeasurements – Actuarial (gains)/ losses	6.46	7.55
Defined Benefit Obligation at the end	<u>33.34</u>	<u>24.16</u>
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	19.45	13.37
Interest Income	1.34	1.23
Employer Contributions	6.51	6.51
Benefit Payments from Plan Assets	(1.80)	(1.67)
Increase/(Decrease) due to effect of any business combination/ divestiture/transfer)		
Increase/(Decrease) due to Plan combination	0.99	0.02
Remeasurements – Return on plan assets excluding amounts included in interest income	0.32	—
Fair Value of Plan Assets at the end	<u>26.81</u>	<u>19.46</u>
Funded Status	<u>(6.53)</u>	<u>(4.70)</u>

Components of Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss under Employee Benefit Expenses:

Particulars	₹ in Crores	
	Year ended 31st March, 2017	Year ended 31st March, 2016
Current Service Cost	2.68	1.95
Net Interest Cost	0.50	(0.04)
Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss	<u>3.18</u>	<u>1.91</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 37: Employee Benefits: (contd.)

B. Defined Benefit Plans: (contd.)

a. Gratuity (contd.)

Components of Defined Benefit Cost recognised in the Statement of Other Comprehensive Income:

₹ in Crores

Particulars	Year ended	Year ended
	31st March, 2017	31st March, 2016
Actuarial (gains) / losses on Defined Benefit Obligation.....	6.46	7.54
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	(0.32)	—
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	6.14	7.54

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31st March, 2017	31st March, 2016
Discount Rate	7.20%	7.90%
Salary Escalation.....	7.50%	7.50%
Weighted average duration of the Defined Benefit Obligation (years)	12.82	12.82

Sensitivity Analysis:

Discount Rate, Salary Escalation Rate and Withdrawal Rate are significant actuarial assumptions. The change in the Present Value of Defined Benefit Obligation for a change of 100 Basis Points from the assumed assumption is given below:

Scenario	₹ in Crores	
	31.03.2017	31.03.2016
Under Base Scenario	33.33	24.16
Salary Escalation – Up by 1%	35.68	26.25
Salary Escalation – Down by 1%.....	30.31	22.36
Withdrawal Rates – Up by 1%	32.66	24.00
Withdrawal Rates – Down by 1%	33.03	24.32
Discount Rates – Up by 1%.....	29.61	21.66
Discount Rates – Down by 1%	35.08	25.94
Expected Rate of Return on Planned Asset	7.20%	9.21%

Mortality Table	31.03.2017		31.03.2016	
	Male	Female	Male	Female
Attained Age				
20	0.09%	0.09%	0.09%	0.09%
25	0.10%	0.10%	0.10%	0.10%
30	0.11%	0.11%	0.11%	0.11%
35	0.13%	0.13%	0.13%	0.13%
40	0.18%	0.18%	0.18%	0.18%
45	0.29%	0.29%	0.29%	0.29%
50	0.49%	0.49%	0.49%	0.49%
55	0.79%	0.79%	0.79%	0.79%
60	1.15%	1.15%	1.15%	1.15%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Company contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India.

The Company expects to contribute ₹ 6.53 Crores to the fund during the accounting year 2017-2018.

b. Provident Fund (Managed by the Trust set up by the Company)

The Company has contributed ₹ 1.90 Crores (2015-2016 ₹ 1.61 Crores) to the Provident Fund Trust. The Company has an obligation to fund any shortfall on the yield of the trust's investments over the guaranteed interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors and in most cases the actual return earned by the Company has been higher in the past years. The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the below provided assumptions there is no shortfall:

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 37: Employee Benefits: (contd.)

B. Defined Benefit Plans: (contd.)

b. Provident Fund (Managed by the Trust set up by the Company) (contd.)

The details of fund and plan asset position are given below:

₹ in Crores

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Plan assets at period end, at fair value.....	50.21	44.05	40.79
Present value of benefit obligation at period end	46.27	42.78	39.51
Asset recognised in balance sheet.....	Nil	Nil	Nil

The plan assets have been primarily invested in government securities.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Discount Rate (%)	7.2	7.9	7.8
Guranteed Interest Rate (%)	8.65	8.75	8.75
Expected Average Remaining Working Lives of Employees (Years) ..	6.4	6.4	6.4

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 3.06 Crores (2015-2016 ₹ 1.07 Crores).

Note 38: Segment Reporting

The Management Committee of the Company, approved by the Board of Directors and Audit Committee performs the function of allotment of resources and assessment of performance of the Company. Considering the level of activities performed, frequency of their meetings and level of finality of their decisions, the Company has identified that Chief Operating Decision Maker function is being performed by the Management Committee. The financial information presented to the Management Committee in the context of results and for the purposes of approving the annual operating plan is on a consolidated basis for various products of the Company. As the Company's business activity falls within a single business segment viz. 'Paints' and the sales substantially being in the domestic market, the financial statement are reflective of the information required by Ind AS 108 "Operating Segments".

Note 39: Corporate Social Responsibilities

During the year, the Company has spent ₹ 6.46 Crores (2015-2016 ₹ 5.29 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year : ₹ 8.32 Crores.

(b) Amount spent during the year on:

₹ in Crores

	In Cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any asset.....	—	—	—
(ii) On purposes other than (i) above	6.46	—	6.46

Note 40:

During the previous year, management had detected some cases of fraudulent transfer of shares and wrongful payment of dividend by the Company's Registrar and Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. Based on the current status of investigation conducted by the management, through Company's internal auditors, the estimated amount involved in the fraud as at balance sheet date is ₹ 1.28 Crores (2015-16 ₹ 1.28 Crores) and provision for the same is made in the Standalone Statement of Profit and Loss. Further adjustments, if any required, would be considered by the Company on completion of the investigation.

Note 41: Profit on Sale of Non-Current Assets held for Sale

The Board of Directors of the Company had approved on June 29, 2015 the sale of the Company's land at Perungudi, Chennai. The said asset was reclassified as Non-current Asset held for Sale.

The non-recurring fair value measurement for the Non-current Assets held for Sale had been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

On 30th March, 2016, the Company has sold its Perungudi Fixed Assets for a consideration of ₹ 537.86 Crores. The Profit of ₹ 535.34 Crores is disclosed as an exceptional item in the Standalone Statement of Profit and Loss. The Company has executed the deed of indemnity with the purchaser on 30 March 2016 to indemnify and agrees to defend and keep indemnified to the purchaser against the losses that the Purchaser is likely to suffer on account of any kind of any claim made in connection with the issues.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 42: Explanation of transition to Ind AS :

(I) First-time adoption of Ind AS

These Standalone Financial Statements, for the year ended 31st March, 2017, are the first Ind AS compliant Standalone Financial Statements prepared by the Company. For the period upto and including the year ended 31st March, 2016, the Company has prepared its Standalone Financial Statements in accordance with accounting standards notified under Section 133 of the Companies Act, 2013 (to the extent notified) read together with Rule 7 of the Companies (Accounts) Rules, 2014, and other generally accepted accounting principles (GAAP) in India, to the extent applicable, under the historical cost convention, on the accrual basis of accounting.

Accordingly, the Company has prepared its first Standalone Financial Statements which comply with Ind AS applicable for the year ended on 31st March, 2017, together with comparative period data as and for the year ended 31st March, 2016, as described in the summary of significant accounting policies. In preparing these Standalone Financial Statements, the Company's opening balance sheet was prepared as at 1st April, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its previous GAAP Financial Statements, including the balance sheet as at 1st April, 2015 and the Standalone Financial Statements as at and for the year ended 31st March, 2016.

(II) Exemption Applied

Ind AS 101 – First-time adoption of Indian Accounting Standards allows first-time adopters certain exemptions from the retrospective application of certain adjustments under Ind AS. The Company has applied the following exemptions:

(i) Deemed cost

Ind AS 101 – First-time adoption of Indian Accounting Standards permits a first-time adopter to elect to continue with the carrying value for all of its Property, Plant and Equipment as recognised in the Financial Statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for Intangible Assets, Investment Property and investments in subsidiaries.

Accordingly, the Company has elected to measure all of its Property, Plan and Equipment, Intangible Assets, Investment Property and Investments in Subsidiaries at their previous GAAP carrying value.

(ii) Business Combination

Ind AS 101 – First-time adoption of Indian Accounting Standards provides the option to apply Ind AS 103 – Business Combinations prospectively from the transition date or from a specific date prior to the transition date.

Accordingly, the Company has elected to apply Ind AS 103 – Business Combination prospectively to Business Combinations occurring after its transition date.

(iii) Government Grants

Ind AS 101 – First-time adoption of Indian Accounting Standards permits the Company to apply the requirements in Ind AS 109 – Financial Instruments, and Ind AS 20 – Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to Ind AS.

Accordingly, the Company has opted for exemption from retrospective application for fair valuation of such Government Grants (i.e. Sales Tax Deferral Loan)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 42: Explanation of Transition to Ind AS (contd.)

Reconciliation of Equity as previously reported as per previous GAAP to Ind AS:

	Note	As at 31st March, 2016 (Reported as per Previous GAAP)	Adjustment due to Ind AS	As at 31st March, 2016 (As per Ind AS)	As at 1st April, 2015 (Reported as per Previous GAAP)	Adjustment due to Ind AS	As at 1st April, 2015 (As per Ind AS)
ASSETS							
Non-current Assets							
Property, Plant and Equipment.....		926.04	(0.18)	925.86	902.56	(2.72)	899.84
Capital Work-in-progress		41.95	—	41.95	43.94	—	43.94
Investment Property	(b)	—	0.18	0.18	—	0.18	0.18
Other Intangible Assets		0.52	—	0.52	2.44	—	2.44
		968.51	—	968.51	948.94	(2.54)	946.40
Financial Assets:							
Investments.....	(e)	43.89	(32.74)	11.15	33.10	(24.63)	8.47
Loans.....		—	0.65	0.65	6.38	1.00	7.38
Other Financial Assets.....		9.29	—	9.29	10.06	—	10.06
		53.18	(32.09)	21.09	49.54	(23.63)	25.91
Other Non-current Assets.....		62.00	—	62.00	49.28	—	49.28
Total Non-current Assets.....		1083.69	(32.09)	1051.60	1048.78	(27.19)	1021.59
Current Assets							
Inventories.....		571.71	—	571.71	541.67	—	541.67
Financial Assets:							
Investments.....	(e)	498.61	36.95	535.56	182.48	26.15	208.63
Trade Receivables.....		524.62	—	524.62	496.34	—	496.34
Cash and Cash Equivalents.....		477.89	(0.64)	477.25	34.05	(0.57)	33.48
Bank Balances other than Cash and Cash Equivalents		—	0.64	0.64	—	0.57	0.57
Loans.....		6.38	—	6.38	—	—	—
Other Financial Assets.....		0.97	2.91	3.88	—	2.97	2.97
		1508.47	39.86	1548.33	712.87	29.12	741.99
Other Current Assets		105.50	(66.12)	39.38	41.06	(6.91)	34.15
Total Current Assets.....		2185.68	(26.26)	2159.42	1295.60	22.21	1317.81
Non-current Assets held for Sale.....		—	—	—	—	2.54	2.54
Total Assets.....		3269.37	(58.35)	3211.02	2343.36	(1.42)	2341.94
EQUITY AND LIABILITIES							
Equity							
Equity Share Capital.....		53.89	—	53.89	53.89	—	53.89
Other Equity.....		2235.27	213.71	2448.98	1542.93	103.36	1646.29
Total Equity.....		2289.16	213.71	2502.87	1596.82	103.36	1700.18
Liabilities							
Non-current Liabilities							
Financial Liabilities:							
Borrowings		28.79	—	28.79	41.50	—	41.50
Provisions.....		16.90	(12.85)	4.05	25.49	(22.21)	3.28
Deferred Tax Liabilities (Net)	(f)	84.13	(71.51)	12.62	75.15	(10.61)	64.54
Total Non-current Liabilities.....		129.82	(84.36)	45.46	142.14	(32.82)	109.32
Current Liabilities							
Financial Liabilities:							
Trade Payables.....		400.04	142.94	542.98	322.40	107.31	429.71
Other Financial Liabilities		—	69.06	69.06	—	47.71	47.71
		400.04	212.00	612.04	322.40	155.02	477.42
Other Current Liabilities.....		244.14	(213.79)	30.35	185.40	(157.96)	27.44
Provisions.....		206.21	(190.99)	15.22	96.60	(82.88)	13.72
Current Tax Liabilities (Net)		—	5.08	5.08	—	13.86	13.86
Total Current Liabilities.....		850.39	(187.70)	662.69	604.40	(71.96)	532.44
Total Liabilities.....		980.21	(272.06)	708.15	746.54	(104.78)	641.76
Total Equity and Liabilities.....		3269.37	(58.35)	3211.02	2343.36	(1.42)	2341.94

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 42: Explanation of Transition to Ind AS (contd.)

Reconciliation of Equity

₹ in Crores

	31st March, 2016	1st April, 2015
Reconciliation of Equity as reported earlier:		
Equity (As per previous GAAP)	2289.16	1596.82
Dividend adjustments	198.76	91.23
Fair value gain / (loss) on Investments	4.21	1.51
Deferred tax on fair value gain / (loss) on Investments and Land.....	10.74	10.62
Equity (As per Ind AS)	2502.87	1700.18

Reconciliation of Total Comprehensive Income for the year ended 31st March, 2016

₹ in Crores

	Note	Year Ended 31st March, 2016 (Reported as per Previous GAAP)	Adjustment due to Ind AS	Year ended 31st March, 2016 (As per Ind AS)
Income				
Revenue from Operations.....		3830.22	415.30	4245.52
Other Income		24.84	2.51	27.35
Total Income		3855.06	417.81	4272.87
Expenses				
Cost of Materials Consumed		2187.33	—	2187.33
Purchases of Stock-in-trade.....		174.84	—	174.84
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress.....		(13.81)	—	(13.81)
Excise Duty on Sale of Goods.....	(d)	—	506.99	506.99
Employee Benefits Expense.....		177.65	(7.54)	170.11
Depreciation and Amortisation Expenses		67.79	(0.07)	67.72
Other Expenses		731.89	(91.81)	640.08
Total Expenses		3832.68	407.57	3733.26
Profit Before Exceptional Item and Tax		529.37	10.24	539.61
Profit on Sale of Non-current Assets held for Sale		535.34	—	535.34
Profit Before Tax		1064.71	10.24	1074.95
Tax Expense	(f)			
Current Tax.....		164.63	60.78	225.41
Deferred Tax.....		8.98	(58.29)	(49.31)
Total Tax Expense		173.61	2.49	176.10
Profit for the Year		891.10	7.75	898.85
Other Comprehensive Income				
(i) Items that will not be reclassified to Standalone Statement of Profit and Loss				
(a) Remeasurement of Defined Benefit Liability	(a)	—	(7.54)	(7.54)
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		—	2.61	2.61
Other Comprehensive Income (net of tax)		—	(4.93)	(4.93)
Total Comprehensive Income for the Year		891.10	2.82	898.92

Notes to the reconciliations:

(a) Actuarial Gain and Loss:

Under Ind AS, all actuarial gains and losses on gratuity are recognised in other comprehensive income. Under previous GAAP the Company recognised actuarial gains or losses in Standalone Statement of Profit and Loss. However, this has no impact on the total comprehensive income and total equity as on 1st April, 2015 or as on 31st March, 2016.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 42: Explanation of Transition to Ind AS (contd.)

Notes to the reconciliations (contd.):

(b) Investment Property:

Based on Ind AS 40 – Investment Property, the Company has reclassified buildings and land with undetermined future use to Investment Property. Under the previous GAAP, this was disclosed as a part of Property, Plant and Equipment. The impact arising from the change is summarised as follows:

₹ in Crores

	31st March, 2016	1st April, 2015
Standalone Balance Sheet		
Property, Plant and Equipment	(0.18)	(0.18)
Investment Property	0.18	0.18
Adjustment to retained earnings	—	—

(c) Proposed Dividend:

Under previous GAAP, dividends proposed by the Board of Directors after the reporting date but before the approval of Standalone Financial Statements were considered to be adjusting event and accordingly recognised (along with related dividend distribution tax) as liability at the reporting date. Under Ind AS, dividends so proposed by the Board of Directors are considered to be non-adjusting event. Accordingly, provision for so proposed dividend and dividend distribution tax recognised under previous GAAP has been reversed. The impact arising from the change is summarised as follows:

₹ in Crores

	31st March, 2016	1st April, 2015
Standalone Balance Sheet		
Provisions — Proposed Dividend including Dividend Distribution Tax	198.76	91.23
Adjustment to retained earnings	198.76	91.23

(d) Excise Duty:

Under previous GAAP, the revenue from sale of goods was presented net of the excise duty on sales. Under Ind AS, revenue from sale of good is presented inclusive of excise duty. Excise duty is presented in the Standalone Statement of Profit and Loss as an expense. This has resulted in an increase in the revenue from operations and expenses for the year ended 31st March, 2016. The total comprehensive income for the year ended and equity as at 31st March, 2016 has remained unchanged. The impact arising from the change is summarised as follows:

₹ in Crores

	31st March, 2016
Standalone Statement of Profit and Loss	
Revenue from Operations	506.99
Excise Duty	(506.99)
Adjustment for Profit before Income Tax	—

(e) Fair Valuation of Investments:

The Company has designated certain investments classified as fair value through profit or loss as permitted by Ind AS 109 — Financial Instruments. Under the previous GAAP, the application of the relevant accounting standards resulted in all these investments being carried at cost. The impact arising from the change is summarised as follows:

₹ in Crores

	31st March, 2016
Standalone Statement of Profit and Loss	
Profit or Loss:	
Other Income	2.70
Adjustment for Profit before Income Tax	2.70

	31st March, 2016	1st April, 2015
Standalone Balance Sheet		
Investments – Financial Assets FVTPL – Net of deferred tax	1.91	1.50
Adjustment to retained earnings	1.91	1.50

(f) Income-tax:

The above changes decreased deferred tax liability as follows based on a tax rate as per tax laws enacted or substantially enacted by the reporting date. The impact arising from the change is summarised as follows:

₹ in Crores

	31st March, 2016	1st April, 2015
Tax adjustment on account on indexation of freehold land	11.54	10.61
Net fair valuation loss on investment at FVTPL	(0.80)	—
Decrease in deferred tax liability	10.74	10.61

Note 43: Financial Instruments: Fair Values and Risk Management

(A) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Year	At FVTPL	Other Financial Assets / Liabilities – Amortised Cost	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value							
Non-current Assets: Investments (Note 5)	2017	22.03	—	22.03	—	—	22.03
	2016	11.15	—	11.15	—	—	11.15
	2015	8.47	—	8.47	—	—	8.47
Current Assets: Investments (Note 10)	2017	530.75	—	530.75	—	—	530.75
	2016	535.56	—	535.56	—	—	535.56
	2015	208.63	—	208.63	—	—	208.63
Financial Assets not measured at Fair Value							
Non-current Assets: Loans (Note 6)	2017	—	—	—	—	—	—
	2016	—	0.69	—	—	0.69	0.69
	2015	—	7.38	—	—	7.38	7.38
Non-current Assets: Other Financial Assets (Note 7)	2017	—	10.31	—	—	10.31	10.31
	2016	—	9.29	—	—	9.29	9.29
	2015	—	10.06	—	—	10.06	10.06
Current Assets: Trade Receivables (Note 11)	2017	—	571.71	—	—	571.71	571.71
	2016	—	524.62	—	—	524.62	524.62
	2015	—	496.34	—	—	496.34	496.34
Current Assets: Cash and Cash Equivalent (Note 12)	2017	—	43.87	—	—	43.87	43.87
	2016	—	477.25	—	—	477.25	477.25
	2015	—	33.48	—	—	33.48	33.48
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 13)	2017	—	432.00	—	—	432.00	432.00
	2016	—	0.64	—	—	0.64	0.64
	2015	—	0.57	—	—	0.57	0.57
Current Assets: Loans (Note 14)	2017	—	6.66	—	—	6.66	6.66
	2016	—	6.38	—	—	6.38	6.38
	2015	—	—	—	—	—	—
Current Assets: Other Financial Assets (Note 15)	2017	—	12.57	—	—	12.57	12.57
	2016	—	3.88	—	—	3.88	3.88
	2015	—	2.97	—	—	2.97	2.97
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 19)	2017	—	18.33	—	—	18.33	18.33
	2016	—	28.79	—	—	28.79	28.79
	2015	—	41.50	—	—	41.50	41.50
Current Liabilities: Trade Payable (Note 22)	2017	—	550.20	—	—	550.20	550.20
	2016	—	542.98	—	—	542.98	542.98
	2015	—	429.71	—	—	429.71	429.71
Current Liabilities: Other Financial Liabilities (Note 23)	2017	—	80.24	—	—	80.24	80.24
	2016	—	69.06	—	—	69.06	69.06
	2015	—	47.71	—	—	47.71	47.71

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 43: Financial Instruments: Fair values and Risk Management (contd.)

(B) Financial Risk Management

The Company has exposure to the following risks arising from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

(i) Risk Management Framework

Risk Management Committee oversees the management of these risks. Management is supported by Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk Management Committee provides assurance to the management that Company's risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Company's Risk Management Policies are established to identify and analyses the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management Policies and Systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments in debt securities. The carrying amounts of financial assets represent the maximum credit risk exposure.

Trade Receivables and Loans:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and reviewed constantly. Any sales exceeding those limits require approval from the management.

Financial Instruments and Cash Deposits:

Credit risks from balances with banks and financial institutions is managed by the Company's Treasury Department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturities of Financial Liabilities:

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	3 years and above	Total
Borrowings.....	31-03-2017	—	—	—	10.45	8.62	9.71	28.78
	31-03-2016	—	—	—	12.83	10.45	18.33	41.61
	01-04-2015	—	—	—	—	—	41.50	41.50
Trade Payables	31-03-2017	—	550.20	—	—	—	—	550.20
	31-03-2016	—	542.98	—	—	—	—	542.98
	01-04-2015	—	429.71	—	—	—	—	429.71
Other Financial Liabilities.....	31-03-2017	55.49	14.30	—	—	—	—	69.79
	31-03-2016	48.38	7.86	—	—	—	—	56.24
	01-04-2015	40.79	6.92	—	—	—	—	47.71

(iv) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. In respect of monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 43: Financial Instruments: Fair values and Risk Management (contd.)

(iv) Market Risk (contd.)

Exposure to Currency Risk:

The summary quantitative data about the Company's exposure to currency risk is as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	USD	INR	Total
Trade Receivables	31-03-2017	—	—	—	—	0.63	571.08	571.71
	31-03-2016	—	—	0.01	—	0.34	524.27	524.62
	01-04-2015	—	—	—	—	0.36	495.98	496.34
Trade Advances	31-03-2017	0.09	6.29	6.22	—	11.66	41.78	66.04
	31-03-2016	0.53	1.29	4.39	—	5.32	27.86	39.39
	01-04-2015	0.07	0.33	0.73	—	7.11	27.28	35.52
Financial Liabilities								
Trade Payables	31-03-2017	(0.27)	(4.01)	(16.79)	(0.06)	(71.48)	(457.59)	(550.20)
	31-03-2016	(0.23)	(3.80)	(11.76)	(—)	(74.66)	(452.53)	(542.98)
	01-04-2015	(0.02)	(0.28)	(12.35)	(—)	(48.27)	(368.79)	(429.71)
Net exposure to Foreign Currency Risk (Liabilities)	31-03-2017	0.18	(2.28)	10.57	0.06	59.19	(155.27)	(87.55)
	31-03-2016	(0.30)	2.51	7.36	—	65.02	(95.62)	(21.03)
	01-04-2015	(0.05)	(0.05)	11.62	—	40.80	(154.47)	(102.15)

Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY and USD exchange rates, with all other variable held constant.

₹ in Crores

	Profit or Loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31st March, 2017				
CHF (5% movement)	0.01	(0.01)	—	—
EURO (5% movement)	0.11	(0.11)	0.04	(0.04)
JPY (5% movement)	0.53	(0.53)	0.18	(0.18)
USD (5% movement)	2.96	(2.96)	1.02	(1.02)
31st March, 2016				
CHF (5% movement)	0.02	(0.02)	0.01	(0.01)
EURO (5% movement)	0.13	(0.13)	0.04	(0.04)
JPY (5% movement)	0.37	(0.37)	0.23	(0.23)
USD (5% movement)	3.25	(3.25)	1.13	(1.13)

Note 44:

Disclosure of Specified Bank Notes:

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30th March, 2017. The said amendment requires the Company to disclose the details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016. For the purpose of this clause, the term 'Specific Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E), dated the 8th November, 2016.

Details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016 are as follows:

₹ in Crores

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.15	0.02	0.17
(+) Permitted receipts	—	0.25	0.25
(-) Permitted payments	—	0.20	0.20
(-) Amount deposited in Banks	0.15	—	0.15
Closing cash in hand as on 30.12.2016	—	0.06	0.06

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholtime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES / ASSOCIATE COMPANIES / JOINT VENTURES

PART "A" : Subsidiaries

₹ in Crores

Name of the subsidiary	As at / for the Year ended 31st March, 2017	As at / for the Year ended 31st March, 2016	As at/ for the Year ended 31st March, 2017
Name of the subsidiary	KNP Japan Private Limited (formerly know as Kansai Paints Nepal Private Limited)	KNP Japan Private Limited (formerly know as Kansai Paints Nepal Private Limited)	Kansai Paints Lanka (Private) Limited
The date since when subsidiary was acquired	1st October, 2012	1st October, 2012	30th July, 2015
Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.....	NPR 1 NPR = 0.61 INR	NPR 1 NPR = 0.61 INR	LKR 1 LKR = 0.42 INR
Share Capital.....	7.97	7.99	21.06
Reserves and Surplus	15.57	10.45	(1.09)
Total Assets	47.78	46.03	20.30
Total Liabilities	24.25	27.59	0.33
Investments	Nil	Nil	Nil
Turnover.....	53.95	40.16	Nil
Profit / (Loss) before Taxation.....	6.87	4.09	(0.96)
Provision for Taxation.....	1.75	1.04	(0.02)
Profit / (Loss) after Taxation.....	5.12	3.05	(0.98)
Proposed Dividend	Nil	Nil	Nil
Extent of Shareholding (in percentage)	68%	68%	60%

Notes:

- The assets and liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and income and expense items are translated at average rates of exchange for the year.
- The reporting period of both subsidiary is same as that of the holding company i.e. 1st April, 2016 to 31st March, 2017.
- Names of subsidiaries which are yet to commence operations as at 31st March, 2017 – Kansai Paints Lanka (Private) Limited
- Names of subsidiaries which have been liquidated or sold during the year – Nil

Since the Company does not have any Associates or Joint Ventures, information pertaining to Part "B" to this form relating to Associates and Joint Ventures is not given.

		For and on behalf of the Board of Directors		
		P.P. SHAH	<i>Chairman</i>	DIN 00066242
		D.M. KOTHARI	<i>Vice Chairman</i>	DIN 00516431
		H.M. BHARUKA	<i>Managing Director</i>	DIN 00306084
G.T. GOVINDARAJAN	P.D. PAI	N.N. TATA	<i>Director</i>	DIN 00024713
<i>Company Secretary</i>	<i>CFO</i>	P.D. CHAUDHARI	<i>Wholetime Director</i>	DIN 02171823
ACS No. 8887		BRINDA SOMAYA	<i>Director</i>	DIN 00358908

Mumbai, 2nd May, 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Kansai Nerolac Paints Limited ('the Holding Company') and its subsidiaries KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited (the Holding Company and its subsidiaries are together referred to as the "Group"), which comprise the consolidated balance sheet as at 31 March 2017, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended on that date, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules thereunder. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of the report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS, of the consolidated financial position of the Group as at 31 March, 2017 and its consolidated financial position including other comprehensive income, its consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other matters

We have not audited the financial statements of KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited, a subsidiaries of the Holding Company, included in the consolidated Ind AS financial statements, which constitute total assets of ₹ 68.08 crores at year ended 31 March 2017; as well as total revenue of ₹ 53.95 crores for the year ended 31 March 2017, total profit after tax of ₹ 4.13 crores and net cashflows

Other matters (Continued)

of ₹ 4.15 crores for the year ended 31 March 2017, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose report has been furnished to us for the purpose of the consolidation, and our opinion on the consolidated Ind AS financial statements, in so far as it related to the amounts and disclosures included in respect of the subsidiaries, and our report in terms of Section 143 (3) of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

- 1 As required by Section 143 (3) of the Act based on our audit and on the consideration of report of other auditors on separate financial statements of subsidiaries as noted in the 'Other matter' paragraph, we report, to the extent applicable, that:
- (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors;
 - (c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the statement of changes in equity dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
 - (d) in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules thereunder;
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on 31 March 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act;
 - (f) The internal financial controls over financial reporting is not applicable to KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited, foreign subsidiaries of the Holding Company. With respect to the adequacy of the internal controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors, as noted in the 'Other Matters' paragraph:
 - i. the consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 34 to the consolidated Ind AS financial statements;
 - ii. the Holding Company and its subsidiary company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company; and
 - iv. the Holding Company has provided requisite disclosure in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with the books of accounts maintained by the Holding Company. Refer Note 44 to the consolidated Ind AS financial statements.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No: 105149

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated Ind AS financial statements of the Kansai Nerolac Paints Limited (“the Holding Company”) as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of the Holding Company as of that date.

Management’s Responsibility for Internal Financial Controls

The Holding Company’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2017 (Continued)

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No: 105149

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

₹ in Crores

	Note	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
ASSETS				
Non-current Assets				
Property, Plant and Equipment	2	954.11	934.58	908.91
Capital Work-in-progress		154.37	41.95	43.94
Investment Property	3	0.18	0.18	0.18
Goodwill		2.27	2.27	2.27
Other Intangible Assets	4	0.90	0.55	2.49
		1111.83		957.79
Financial Assets:			979.53	
Investments	5	0.69	3.28	0.60
Loans	6	—	0.65	1.00
Other Financial Assets	7	11.29	9.31	10.07
		11.98		11.67
Other Non-current Assets	8	122.17	13.24	49.71
			62.55	
Total Non-current Assets		1245.98	1055.32	1019.17
Current Assets				
Inventories	9	703.20	582.72	555.14
Financial Assets:				
Investments	10	530.75	535.56	208.63
Trade Receivables	11	590.44	545.51	515.14
Cash and Cash Equivalents	12	55.62	477.87	33.88
Bank Balances other than Cash and Cash Equivalents	13	432.00	0.64	0.57
Loans	14	0.28	—	—
Other Financial Assets	15	11.09	3.88	1.82
		1620.18		760.04
Other Current Assets	16	66.89	1563.46	34.95
			38.95	
Total Current Assets		2390.27	2185.13	1350.13
Non-current Assets held for Sale	41	—	—	2.54
Total Assets		3636.25	3240.45	2371.84
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	17	53.89	53.89	53.89
Other Equity	18	2760.61	2455.72	1650.98
Equity attributable to owners of the Company ..		2814.50	2509.61	1704.87
Non-controlling interests		15.25	5.97	4.95
Total Equity		2829.75	2515.58	1709.82
Liabilities				
Non-current Liabilities				
Financial Liabilities:				
Borrowings	19	18.20	29.44	45.80
Provisions	20	7.11	4.05	3.28
Deferred Tax Liabilities (Net)	21	79.47	12.90	64.82
Total Non-current Liabilities		104.78	46.39	113.90
Current Liabilities				
Financial Liabilities:				
Trade Payables	22	560.66	551.27	437.74
Other Financial Liabilities	23	80.24	73.63	53.09
		640.90	624.90	490.83
Other Current Liabilities	24	39.60	32.43	28.87
Provisions	25	16.35	15.31	13.79
Current Tax Liabilities (Net)	26	4.87	5.84	14.63
Total Current Liabilities		701.72	678.48	548.12
Total Liabilities		806.50	724.87	662.02
Total Equity and Liabilities		3636.25	3240.45	2371.84

Significant Accounting Policies

The notes referred to above and other notes form an integral part of Consolidated Financial Statements

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholtime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

₹ in Crores

	Note	Year ended 31st March, 2017	Year ended 31st March, 2016
Income			
Revenue from Operations	27	4584.53	4273.86
Other Income.....	28	98.00	27.53
Total Income		4682.53	4301.39
Expenses			
Cost of Materials Consumed.....	29	2216.88	2205.93
Purchases of Stock-in-trade		186.50	174.87
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress.....	30	(34.27)	(12.62)
Excise Duty on Sale of Goods.....		531.98	506.99
Employee Benefits Expense.....	31	202.57	173.27
Depreciation and Amortisation Expenses	32	70.09	68.29
Other Expenses.....	33	743.47	640.76
Total Expense		3917.22	3757.49
Profit Before Exceptional Item and Tax		765.31	543.90
Profit on Sale of Non-current Assets held for Sale.....	41	—	535.34
Profit Before Tax		765.31	1079.24
Tax Expense			
Current Tax		248.24	226.54
Reversal of Tax Provision for earlier years		(1.31)	—
Deferred Tax		8.30	(49.31)
Total Tax Expense		255.23	177.23
Profit for the year		510.08	902.01
Other Comprehensive Income			
(i) items that will not be reclassified to Consolidated Statement of Profit and Loss			
(a) Remeasurement of Defined Benefit Liability.....		(7.23)	(7.54)
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss.....		2.50	2.61
Net other comprehensive income not to be reclassified subsequently to consolidated statement of profit and loss		(4.73)	(4.93)
(ii) items that will be reclassified subsequently to Consolidated Statement of Profit and Loss			
(a) Exchange differences on translation of financial statements of foreign operations.....		0.03	—
(b) Income tax relating to items that will be reclassified to Consolidated Statement of Profit and Loss		—	—
Net other comprehensive income to be reclassified subsequently to consolidated statement of profit and loss		0.03	—
Other Comprehensive income for the year, net of income tax		(4.70)	(4.93)
Total comprehensive income for the year		505.38	897.08
Profit attributable to:			
Owners of the Company.....		508.84	900.99
Non-controlling interests.....		1.24	1.02
Profit for the year		510.08	902.01
Other comprehensive income attributable to:			
Owners of the Company.....		(4.63)	(4.93)
Non-controlling interests.....		(0.07)	—
Other comprehensive income for the year		(4.70)	(4.93)
Total comprehensive income attributable to:			
Owners of the Company.....		504.21	896.06
Non-controlling interests.....		1.17	1.02
Total comprehensive income for the year		505.38	897.08
Earnings per Share:			
Basic and Diluted	35	9.44	16.72
Significant Accounting Policies			
	1		

The notes referred to above and other notes form an integral part of Consolidated Financial Statements

As per our attached report of even date

 For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE
 Partner

Membership No. 105149

Mumbai, 2nd May, 2017

 G.T. GOVINDARAJAN
 Company Secretary

ACS No. 8887

 P.D. PAI
 CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2017

₹ in Crores

	Year ended 31st March, 2017	Year ended 31st March, 2016
Cash Flow from Operating Activities		
Profit Before Tax.....	765.31	1079.24
Adjustments for:		
Depreciation and Amortisation Expenses.....	70.09	68.29
Fair Value Gain on Financial Instruments recognised through FVTPL ..	(7.53)	(2.70)
Unrealised Foreign Exchange Gain	(2.16)	(1.96)
Profit on Sale of Investments (Net).....	(59.68)	(3.73)
Interest Income.....	(10.99)	(2.85)
Dividend Income.....	(2.70)	(15.66)
Profit on Sale of Property, Plant and Equipment (Net)	(0.08)	(0.19)
Profit on Sale of Non-current Assets held for Sale (Refer Note 41).....	—	(535.34)
Provisions for doubtful debts and bad debts.....	7.09	6.44
	<u>(5.96)</u>	<u>(487.70)</u>
Operating Profit Before Working Capital Changes.....	759.35	591.54
(Increase) / Decrease in Trade and Other Receivables.....	(83.28)	(39.97)
(Increase) / Decrease in Inventories	(120.48)	(27.58)
Increase / (Decrease) in Trade Payables, Other Financial Liabilities and Provisions	21.72	117.56
	<u>(182.04)</u>	<u>50.01</u>
Cash Generated from Operations.....	577.31	641.55
Direct Taxes Paid (Net of Refunds)	(226.11)	(249.84)
Net Cash generated from Operating Activities	351.20	391.71
Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Other Intangible Assets (including Adjustments on Account of Capital Work-in-progress, Capital Creditors and Capital Advances)	(217.02)	(88.15)
Proceeds from Sale of Non-current Assets held for Sale (Refer Note 41) ...	—	538.46
Proceeds from Sale of Property, Plant and Equipment.....	0.14	0.24
Purchase of Investments.....	(26920.34)	(15372.31)
Proceeds from Sale / Redemption of Investments.....	27002.90	15049.12
Interest Received	5.49	1.09
Dividend Received	2.70	15.66
Investments in Fixed Deposit with SBI	(431.12)	—
Net Cash (used in) / generated from Investing Activities.....	(557.25)	144.11
Cash Flow from Financing Activities		
Repayment of Borrowings.....	(17.44)	(0.60)
Dividend Paid	(164.37)	(75.45)
Tax on Proposed Dividend	(34.39)	(15.78)
Net Cash (used in) Financing Activities.....	(216.20)	(91.83)
Net (Decrease) / Increase in Cash and Cash Equivalent	(422.25)	443.99

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2017 (contd.)

₹ in Crores

	Year ended 31st March, 2017	Year ended 31st March, 2016
Cash and Cash Equivalents at Beginning of the year the components being:		
Cash on hand	0.60	0.23
Cheques on hand	18.61	22.47
Balances with Banks.....	458.66	11.18
	477.87	33.88
Cash and Cash Equivalents at end of the year the components being:		
Cash on hand	0.80	0.60
Cheques on hand	21.79	18.61
Balances with Banks.....	33.03	458.66
	55.62	477.87
Net (Decrease) / Increase as disclosed above	(422.25)	443.99

Note: Figures in brackets are outflows / deductions.

As per our attached report of even date

 For **B S R & Co. LLP**
Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE
Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

Mumbai, 2nd May, 2017

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

₹ in Crores

Balance as at 1st April, 2015	53.89
Changes in Equity Share Capital during 2015-2016.....	—
Balance as at the 31st March, 2016.....	53.89
Changes in Equity Share Capital during 2016-2017.....	—
Balance as at 31st March, 2017.....	53.89

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2015	0.30	12.56	424.92	1213.24	(0.08)	1650.98	4.95	1655.89
Total Comprehensive Income for the Year	—	—	—	896.06	—	896.06	1.02	897.08
Other Adjustment	—	—	—	—	(0.05)	(0.05)	—	(0.05)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(75.45)	—	(75.45)	—	(75.45)
Dividend Distribution Tax	—	—	—	(15.78)	—	(15.78)	—	(15.78)
	—	—	—	(91.23)	—	(91.23)	—	(91.23)
Transfer from Retained Earnings.....	—	—	—	(27.17)	—	(27.17)	—	(27.17)
Transfer to General Reserve	—	—	27.17	—	—	27.17	—	27.17
Balance as at 31st March, 2016.....	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69
Total Comprehensive Income for the Year	—	—	—	504.14	0.07	504.21	1.17	505.38
Other Adjustment	—	—	—	—	(0.56)	(0.56)	—	(0.56)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(164.37)	—	(164.37)	—	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	—	(34.39)	—	(34.39)
	—	—	—	(198.76)	—	(198.76)	—	(198.76)
Transfer from Retained Earnings.....	—	—	—	(35.58)	—	(35.58)	—	(35.58)
Transfer to General Reserve	—	—	35.58	—	—	35.58	—	35.58
Share of NCI on Consolidation*	—	—	—	—	—	—	8.11	8.11
Balance as at 31st March, 2017.....	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86

* In above impact of previous year Consolidation for share of NCI of ₹ 8.11 Crores considered in current year.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. Corporate Information

Kansai Nerolac Paints Limited (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of the Companies Act. The Company's shares are listed on National Stock Exchange and Bombay Stock Exchange. The registered office of the Company is located at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013. The Company is principally engaged in the manufacturing of Paints.

Kansai Paints Co., Ltd. is immediate and ultimate holding company of Kansai Nerolac Paints Limited and is based and listed in Japan. Financial Statements of Kansai Paints Co., Ltd. are available in public domain.

The Consolidated Financial Statements relate to Kansai Nerolac Paints Ltd ('the Company') and its Subsidiary Companies, KNP Japan Private Limited (formerly know as Kansai Paints Nepal Private Limited), a Company incorporated in Nepal in which the holding company has 68% equity holding, and Kansai Paints Lanka (Private) Limited, a Company incorporated in Srilanka in which the holding company has 60% equity hereinafter referred to as the "Group".

B. Basis of Preparation

1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act. The Consolidated Financial Statements up to and for the year ended 31st March, 2016 were prepared in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

As these are the Group's first Consolidated Financial Statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Group is provided in Note 42

The Consolidated Financial Statements for the year ended 31st March, 2017 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 2nd May, 2017.

Details of the Group's Accounting Policies are included in Note 1.

2. Functional and Presentation Currency

The Consolidated Financial Statements are presented in Indian Rupees (INR), which is also the Group's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise indicated.

3. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for investments in mutual funds, non-trade equity shares, bonds and provision for employee defined benefit plans.

4. Use of Estimates and Judgements

In preparing these Consolidated Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31st March, 2018 are as follows:

- (a) recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- (b) measurement of defined benefit obligations: key actuarial assumptions;
- (c) recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- (d) determining the fair value less costs to sell of the Non-current Assets held for Sale on the basis of significant unobservable inputs;

C. Basis of Consolidation

The Consolidated Financial Statement comprise the financial statements of the Company and its subsidiaries as at 31st March, 2017. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statement from the date on which control commences until the date on which control ceases.

Non-controlling interest (NCI) are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Kansai Paints Lanka (Private) Limited was excluded from Consolidated Financial Statements for the year ended 31st March, 2016 as it was not significant.

Note 1: Significant Accounting Policies

1. Classification of Assets and Liabilities

Schedule III to the Act, requires assets and liabilities to be classified as either Current or Non-current.

- (a) An asset shall be classified as current when it satisfies any of the following criteria:
 - (i) it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;
 - (ii) it is held primarily for the purpose of being traded;
 - (iii) it is expected to be realised within twelve months after the reporting date; or
 - (iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

1. Classification of Assets and Liabilities (contd.)

- (b) All assets other than current assets shall be classified as non-current.
- (c) A liability shall be classified as current when it satisfies any of the following criteria:
- it is expected to be settled in the Group's normal operating cycle;
 - it is held primarily for the purpose of being traded;
 - it is due to be settled within twelve months after the reporting date; or
 - the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (d) All liabilities other than current liabilities shall be classified as non-current.

2. Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Group has ascertained the operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

3. Property, Plant and Equipment

(a) Recognition and Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost and then carried at the cost less accumulated depreciation and accumulated impairment, if any.

The cost of an item of Property, Plant and Equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is included in the cost of an item of Property, Plant and Equipment.

The cost of a self-constructed item of Property, Plant and Equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Tangible Property, Plant and Equipment under construction are disclosed as Capital Work-in-progress.

(b) Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(c) Depreciation

The depreciable amount of an item of Property, Plant and Equipment is allocated on a systematic basis over its useful life. The Group provides depreciation on the straight line method. The Group believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Based on internal technical evaluation, the management believes the useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is generally recognised in the Consolidated Statement of Profit and Loss unless it is included in the carrying amount of another asset.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Group
Buildings	30-60	30-60
Plant and Equipments	10-20	10-20
Furniture and Fixtures	10	10
Vehicles	10	10
Office Equipments	5	5
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets given on operating lease	NA	5

Depreciation on additions (disposals) is provided on a pro rata basis i.e. from (upto) the date on which asset is ready for use (disposed off). Depreciation charge for the year is displayed as depreciation on the face of Consolidated Statement of Profit and Loss.

Leasehold lands and leasehold improvements are amortised over the primary period of lease.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(d) Disposal

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Consolidated Statement of Profit and Loss when the item is derecognised.

4. Investment Property

(a) Recognition and Measurement

Land or building held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business is recognised as Investment Property. Land held for a currently undetermined future use is also recognised as Investment Property.

An investment property is measured initially at its cost. The cost of an investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, the Group carries the investment property at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

After initial recognition, the Group measures all of its investment property in accordance with Ind AS 16 - Property Plant and Equipment requirements for cost model. The depreciable amount of an item of investment properties is allocated on a systematic basis over its useful life. The Group provides depreciation on the straight line method. The Group believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Based on internal technical evaluation, the management believes the useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8. Accounting Policies, Changes in Accounting Estimates and Errors.

The depreciation charge for each period is generally recognised in the Consolidated Statement of Profit and Loss.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Group
Buildings	30-60	30-60

(c) Fair Value

Fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of investment property is disclosed in the Note 3.

(d) Gain or Loss on Disposal

Any gain or loss on disposal of an Investment Property is recognised in the Consolidated Statement of Profit and Loss.

5. Other Intangible Assets

(a) Recognition and Measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially measured at its cost and then carried at the cost less accumulated depreciation and accumulated impairment, if any.

Research and Development

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure incurred on research of an internal project is recognised as an expense in Consolidated Statement of Profit and Loss, when it is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. An intangible asset arising from development is recognised if, and only if, the following criteria are met:

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale.
- (b) the Group intends to complete the intangible asset and use or sell it.
- (c) the Group has ability to use or sell the intangible asset.
- (d) the Group can demonstrate how the intangible asset will generate probable future economic benefits.
- (e) the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) the Group has ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognised in Consolidated Statement of Profit and Loss as incurred.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

5. Other Intangible Assets (contd.)

(b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Consolidated Statement of Profit and Loss as incurred.

(c) Amortisation

The Group amortises Others Intangible Assets on the straight line method. The Group believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The amortisation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimated and Errors.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives as estimated by management are as follows:

Asset Class	Useful Lives (in years) – as estimated by the Group
Software	3 Years

Amortised intangible asset is displayed as amortisation on the face of Consolidated Statement of Profit and Loss.

6. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in Consolidated Statement of Profit and Loss.

Once classified as held-for-sale, Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer depreciated or amortised.

7. Employee Benefits

(a) Short-term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

(b) Post-Employment Benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

(i) Provident and Family Pension Fund

The eligible employees of the Group are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Group make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund managed by the trust set up by the Company, or to the Regional Provident Fund Commissioner (RPFC) which are charged to the Consolidated Statement of Profit and Loss as incurred.

In respect of contribution to RPFC, the Group has no further obligations beyond making the contribution, and hence, such employee benefit plan is classified as Defined Contribution Plan. The Group's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

(ii) Superannuation

The eligible employees of the Group are entitled to receive post employment benefits in respect of superannuation fund in which the Group makes annual contribution at a specified percentage of the employees' eligible salary (currently 15% of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Group has no further obligations beyond making the contribution. The Group's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

(b) Post-Employment Benefits: (contd.)

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Consolidated Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Gratuity

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Group has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Group accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised as Other Comprehensive Income.

Provident Fund Trust

In respect of contribution to the trust set up by the Group, since the Group is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(c) Other Long-term Employee Benefits - Compensated Absences:

The Group provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The Group makes provision for compensated absences based on an independent actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Statement of Profit and Loss.

8. Inventories

(a) Measurement of Inventory

The Group measures its inventories at the lower of cost and net realisable value.

(b) Cost of Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned by weighted average cost formula. The Group uses the same cost formula for all inventories having a similar nature and use to the Group.

(c) Net Realisable Value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is ascertained for each item of inventories with reference to the selling prices of related finished products.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

8. Inventories (contd.)

(c) Net Realisable Value (contd.)

The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Inventories are usually written down to net realisable value item by item. Estimates of net realisable value of finished goods and stock-in-trade are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Amount of any reversal of write-down of inventories shall be recognised as an expense as when the event occurs.

A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

(d) Valuation of Spare Parts, Stand-by Equipments and Servicing Equipments

Spare parts, stand-by equipment and servicing equipment are recognised as Property, Plant and Equipment if and only if it is probable that future economic benefits associated with them will flow to the Group and their cost can be measured reliably. Otherwise such items are classified and recognised as Inventory.

9. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts which are repayable on demand form an integral part of the Group's cash management, hence bank overdrafts are included as a component of cash and cash equivalents.

10. Government Grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in Consolidated Statement of Profit and Loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

11. Provisions and Contingent Liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on technical evaluation, historical warranty data and a weighting of all possible outcomes by their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

12. Revenue Recognition

Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

12. Revenue Recognition (contd.)

The Group measures revenue at the fair value of the consideration received or receivable taking into account the amount of any sales returns, trade discounts and volume rebates allowed by the Group. No element of financing is deemed present as the sales are made with credit term in line with market practice.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 39 - Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Dividend Income

Dividend income is recognised when right to receive payment is established and it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

13. Foreign Currency Transactions

Functional currency is the currency of the primary economic environment in which the Group operates whereas presentation currency is the currency in which the financial statements are presented. Indian Rupee is the functional as well as presentation currency for the Group.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Financial Statements are recognised in the Consolidated Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Consolidated Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Statement of Profit and Loss.

14. Taxation

Income Tax

Income tax comprises current and deferred tax. It is recognised in Consolidated Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in Equity or in Other Comprehensive Income.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- a. temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- b. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

15. Leases

Leases of Property, Plant and Equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

Leases of Property, Plant and Equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Consolidated Statement of Profit and Loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

16. Financial Instruments

(a) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and Subsequent Measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) – debt investment;
- Fair Value through Other Comprehensive Income – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent Measurement and Gains and Losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Consolidated Statement of Profit and Loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is recognised in Consolidated Statement of Profit and Loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in Consolidated Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and Subsequent Measurement (contd.)

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Consolidated Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Consolidated Statement of Profit and Loss.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Consolidated Statement of Profit and Loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

17. Borrowing Cost

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group recognises other borrowing costs as an expense in the period in which it incurs them. Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

18. Earnings Per Share

Basic earnings per share

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders and, if presented, profit or loss from continuing operations attributable to those equity holders.

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

Diluted earnings per share

The Group calculates diluted earnings per share amounts for profit or loss attributable to ordinary equity holders and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, the Group adjusts profit or loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares calculated for calculating basic earnings per share and adjusted the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

19. Impairment Loss

Impairment of Financial Assets

The Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI- debt investments.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In accordance with Ind AS 109 – Financial Instruments, the Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime expected credit loss at each reporting date, right from its initial recognition.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Impairment of Non Financial Assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate.

The Group assesses at the end of each reporting period whether there is any indication that an asset is impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers External as well as Internal Source of Information. If any such indication exists, the Group estimates the recoverable amount for the individual asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group recognises impairment loss for a cash-generating unit if, and only if, the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit. The Group allocates impairment loss of cash-generating units first to the carrying amount of goodwill allocated to the cash-generating units, if any, and then, to the other assets of the cash-generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised accordingly.

20. Measurement of Fair Values

A number of the Group Companies accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017	
Freehold Land	27.53 (9.23)	15.06 (18.30)	— (—)	42.59 (27.53)	— (—)	— (—)	— (—)	— (—)	42.59 (27.53)	
Leasehold Land	46.77 (22.35)	— (24.42)	— (—)	46.77 (46.77)	2.18 (1.77)	0.46 (0.41)	— (—)	2.64 (2.18)	44.13 (44.59)	
Buildings	429.44 (428.79)	7.34 (0.65)	— (—)	436.78 (429.44)	82.61 (69.55)	12.97 (13.06)	— (—)	95.58 (82.61)	341.20 (346.83)	
Plant and Equipment	678.84 (663.22)	25.34 (15.62)	0.06 (—)	704.12 (678.84)	241.14 (212.36)	29.90 (28.78)	0.06 (—)	270.98 (241.14)	433.14 (437.70)	
Furniture and Fixtures.....	15.30 (14.93)	0.82 (0.37)	— (—)	16.12 (15.30)	12.22 (11.09)	0.77 (1.13)	— (—)	12.99 (12.22)	3.13 (3.08)	
Vehicles.....	2.44 (2.51)	0.23 (—)	0.14 (0.07)	2.53 (2.44)	1.42 (1.21)	0.23 (0.23)	0.08 (0.02)	1.57 (1.42)	0.96 (1.02)	
Office Equipments.....	9.67 (9.16)	0.80 (0.51)	— (—)	10.47 (9.67)	7.70 (6.72)	0.84 (0.98)	— (—)	8.54 (7.70)	1.93 (1.97)	
Computers.....	33.03 (30.53)	4.51 (2.60)	0.59 (0.14)	36.95 (32.99)	25.09 (22.40)	3.21 (2.83)	0.59 (0.14)	27.71 (25.09)	9.24 (7.90)	
Assets for Scientific Research*	19.83 (16.28)	5.87 (3.55)	— (—)	25.70 (19.83)	10.05 (9.14)	0.98 (0.91)	— (—)	11.03 (10.05)	14.67 (9.78)	
Assets given on Operating Lease . (Refer Note 2.5)	217.34 (191.38)	29.01 (25.96)	— (—)	246.35 (217.34)	163.56 (145.54)	20.15 (18.02)	— (—)	183.71 (163.56)	62.64 (53.78)	
Colourant Machine.....	0.40 (0.35)	0.08 (0.05)	— (—)	0.48 (0.40)	— (—)	— (—)	— (—)	— (—)	0.48 (0.40)	
Total Tangible Assets.....	1480.59 (1388.73)	89.06 (92.03)	0.79 (0.21)	1568.86 (1480.55)	545.97 (479.78)	69.51 (66.35)	0.73 (0.16)	614.75 (545.97)	954.11 (934.58)	

* Net block includes Buildings ₹ 0.35 Crores (2015-2016 ₹ 0.37 Crores, 1st April, 2015 ₹ 0.38 Crores), Plant and Equipment ₹ 14.08 Crores (2015-2016 ₹ 9.25 Crores, 1st April, 2015 ₹ 6.72 Crores) and Furniture and Fixtures ₹ 0.24 Crores (2015-2016 ₹ 0.16 Crores, 1st April, 2015 ₹ 0.04 Crores).

Notes:

- 2.1. Figures in the brackets are the corresponding figures in respect of the previous year.
- 2.2. No item of Property, Plant and Equipment were pledged as security for liabilities during any part of the current and comparative periods other than as disclosed in Note 19(a).
- 2.3. Nil amount of borrowing costs is capitalised during the current and comparative periods.
- 2.4. Nil amount of impairment loss is recognised during the current and comparative periods.
- 2.5. The Holding Company has given Colour Dispenser Machines on operating lease to its dealers. Particulars in respect of such leases are as follows:
 - (a) (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 246.35 Crores (2015-2016 ₹ 217.34 Crores, 1st April, 2015 ₹ 191.38 Crores) and ₹ 183.71 Crores (2015-2016 ₹ 163.56 Crores, 1st April, 2015 ₹ 145.54 Crores) respectively.
 - (ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 20.15 Crores (2015-2016 ₹ 18.02 Crores).
 - (b) The Holding Company enters into three years cancellable lease agreements. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017
Freehold Land	0.07 (0.07)	— (—)	— (—)	0.07 (0.07)	— (—)	— (—)	— (—)	— (—)	0.07 (0.07)
Leasehold Land	0.01 (0.01)	— (—)	— (—)	0.01 (0.01)	— (—)	— (—)	— (—)	— (—)	0.01 (0.01)
Buildings	3.39 (3.39)	— (—)	— (—)	3.39 (3.39)	3.29 (3.29)	— (—)	— (—)	3.29 (3.29)	0.10 (0.10)
Total Investment Property	3.47 (3.47)	— (—)	— (—)	3.47 (3.47)	3.29 (3.29)	— (—)	— (—)	3.29 (3.29)	0.18 (0.18)

- 3.1. Figures in the brackets are the corresponding figures in respect of the previous year.
3.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.
3.3. Nil amount of impairment loss is recognised during the current and comparative periods.
3.4. During the financial year, no rental income was generated from the investment properties whereas direct operating expenses of ₹ 0.40 Crores (2015-2016 ₹ 0.30 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.
3.5. Total fair value of Investment Property is ₹ 1362.70 Crores (2015-2016 ₹ 122 3.70 Crores, 1st April, 2015 ₹ 1204.14 Crores)

Fair Value Hierarchy

The fair value of investment property has been determined by external independent property valuers, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The fair value measurement for all of the investment property has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Description of Valuation Technique used:

The Group obtains Independent Valuations of its investment property as at the year end. The fair value of the investment property have been derived using the Direct Comparison Method. The direct comparison approach involves a comparison of the investment property to similar properties that have actually been sold in arms-length distance from investment property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing price. Given that the comparable instances are located in close proximity to the investment property; these instances have been assessed for their locational comparative advantages and disadvantages while arriving at the indicative price assessment for investment property.

Note 4: Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 1st April, 2016	Additions	Deductions	As at 31st March, 2017	As at 31st March, 2017
Software	12.87 (12.87)	0.97 (—)	— (—)	13.84 (12.87)	12.32 (10.38)	0.63 (1.95)	— (—)	12.95 (12.33)	0.89 (0.54)
Total Other Intangible Assets ..	12.87 (12.87)	0.97 (—)	— (—)	13.84 (12.87)	12.32 (10.38)	0.63 (1.95)	— (—)	12.95 (12.33)	0.89 (0.55)

- 4.1. Figures in the brackets are the corresponding figures in respect of the previous year.
4.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.
4.3. Nil amount of impairment loss is recognised during the current and comparative periods.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 5: Non-current Investments

Investments in Equity Instruments:

I. Subsidiary Companies at Cost

Kansai Paints Lanka (Private) Limited..... —
 Nil Equity Shares of LKR 10 each
 (60,00,000 Equity Shares of LKR 10 each)
 (Nil Equity Shares of LKR 10 each)

II. Others at FVTPL

National Thermal Power Corporation Ltd. (Quoted)..... **0.67**
 40,524 Equity Shares of ₹ 10 each
 (40,524 Equity Shares of ₹ 10 each)
 (40,524 Equity Shares of ₹ 10 each)
 Paints and Coatings Skill Council **0.02**
 10 Equity Shares of ₹ 25,000 each
 (Nil Equity Shares of ₹ 25,000 each)
 (Nil Equity Shares of ₹ 25,000 each)

Total Non-current Investments..... **0.69**

Aggregate book value of quoted investments **0.67**

Aggregate market value of quoted investments **0.67**

Aggregate amount of unquoted investments..... **0.02**

Aggregate amount of impairment in value of investments **Nil**

Note 6: Non-current Loans

Unsecured and Considered Good:

Loan to Supplier —

Note 7: Other Non-current Financial Assets

Unsecured and Considered Good:

Security Deposits **11.29**

Note 8: Other Non-current Assets

Unsecured and Considered Good:

Capital Advances **46.69**

Income Tax Paid (Net of Provision) **75.48**

Note 9: Inventories

Raw Materials **242.82**

Work-in-progress..... **44.92**

Finished Goods **393.42**

Stock-in-trade..... **18.37**

Stores and Spares **3.67**

No inventories were pledged as security for liabilities during any part of the financial year.

Nil amount of inventories were written down to net realisable value during the current and comparable periods. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments

(A) Investments in Bonds at FVTPL (Quoted):

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1 Indian Railways Finance Corporation Ltd. Nil units of ₹ 1,00,000 each (1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each) (1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each)	—	10.04	10.04
2 Indian Railways Finance Corporation Ltd. 1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each) (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each)	10.00	10.00	10.00
3 National Highway Authority of India 24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each) (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each)	2.78	2.74	2.72
4 Power Finance Corporation Ltd. 14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each) (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each)	1.60	1.55	1.55
5 Indian Railway Finance Corporation Ltd. 10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each) (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each)	1.20	1.17	1.09
6 National Highway Authority of India 57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each (57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each) (Nil units of ₹ 1,000 each)	6.86	5.60	—
7 National Highway Authority of India 23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each (23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each) (Nil units of ₹ 1,000 each)	2.60	2.32	—
Total Investments in Bonds	25.04	33.42	25.40

(B) Investments in Mutual Funds at FVTPL (Unquoted):

(i) Dividend Option:

1 Kotak Quarterly Interval Plan Series 6 Nil units of ₹ 10 each (Nil units of ₹ 10 each) [2,49,99,953 units (and 125 fractions) of ₹ 10 each]	—	—	25.33
2 ICICI Prudential Interval Fund Quarterly Interval Nil units of ₹ 10 each (Nil units of ₹ 10 each) (49,11,350 units of ₹ 10 each)	—	—	5.01
3 ICICI Prudential FMP Series 78-95 Days Plan K Nil units of ₹ 10 each (1,00,00,000 units of ₹ 10 each) (Nil units of ₹ 10 each)	—	10.11	—
4 Reliance Quarterly Interval Fund Series II Nil units of ₹ 10 each [2,99,58,657 units (and 053 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	30.37	—
5 UTI-Fixed Income Interval Fund - III..... Nil units of ₹ 10 each [2,49,64,051 units (and 765 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	25.23	—
Total Investments in Mutual Fund (Dividend Option)	—	65.71	30.34

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments (contd.)

(B) Investments in Mutual Funds at FVTPL (Unquoted) (contd.):

(ii) Growth Option:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1 Axis Banking Debt Fund.....	—	—	2.02
Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [15,719 units (and 683 fractions) of ₹ 1000 each]			
2 Axis Treasury Advantage Fund.....	25.13	—	—
1,36,113 units (and 008 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)			
3 BNP Paribas Overnight Fund.....	—	74.07	—
Nil units of ₹ 1000 each [3,18,827 units (and 583 fractions) of ₹ 1000 each] (Nil units of ₹ 1000 each)			
4 BNP Paribas Money Plus Fund.....	61.00	—	—
2,42,05,868 units (and 931 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)			
5 DSP BlackRock Money Manager Fund.....	50.79	—	—
2,27,421 units (and 264 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)			
6 HDFC Banking & PSU Debt Fund.....	102.49	—	—
7,71,93,569 units (and 776 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)			
7 HDFC FRIF STP WP.....	—	33.23	—
Nil units of ₹ 10 each [1,27,31,085 units (and 326 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)			
8 ICICI Prudential Savings Fund.....	—	50.54	—
Nil units of ₹ 100 each [22,04,383 units (and 566 fractions) of ₹ 100 each] (Nil units of ₹ 100 each)			
9 Indiabulls Ultra Short Term Fund.....	20.73	—	—
1,28,653 units (and 478 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each) (Nil units of ₹ 1000 each)			
10 JP Morgan India Treasury Fund.....	—	—	25.32
Nil units of ₹ 10 each (Nil units of ₹ 10 each) [1,37,44,662 units (and 300 fractions) of ₹ 10 each]			
11 JP Morgan India Liquid Fund.....	—	—	56.07
Nil units of ₹ 10 each (Nil units of ₹ 10 each) [3,08,78,771 units (and 676 fractions) of ₹ 10 each]			
12 JM MIP Fund.....	—	25.25	—
Nil units of ₹ 10 each [1,05,65,632 units (and 339 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)			
13 Kotak Banking & PSU Debt Fund.....	51.75	—	—
1,39,11,146 units (and 724 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)			
14 Kotak Low Duration Fund.....	—	51.34	—
Nil units of ₹ 1000 each [2,77,235 units (and 061 fractions) of ₹ 1000 each] (Nil units of ₹ 1000 each)			
15 LIC MF Savings Plus Fund.....	41.08	—	—
1,59,52,202 units (and 989 fractions) of ₹ 10 each (Nil units of ₹ 10 each) (Nil units of ₹ 10 each)			
16 Reliance Medium Term Fund.....	50.35	101.88	—
1,45,13,914 units (and 49 fractions) of ₹ 10 each [3,21,03,552 units (and 367 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)			

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 10: Current Investments (contd.)

(B) Investments in Mutual Funds at FVTPL (Unquoted) (contd.):

(ii) Growth Option (contd.):

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
17 Reliance Fixed Horizon Fund XXX Series 9..... Nil units of ₹ 10 each (2,90,00,000 units of ₹ 10 each) (Nil units of ₹ 10 each)	—	29.27	—
18 Reliance Quarterly Interval Fund Series III Nil units of ₹ 10 each [40,30,535 units (and 336 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	5.03	—
19 Religare Invesco Liquid Fund..... Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [83,166 units (and 705 fractions) of ₹ 1000 each]	—	—	16.00
20 Religare Invesco Short Term Fund..... Nil units of ₹ 1000 each (Nil units of ₹ 1000 each) [53,799 units (and 848 fractions) of ₹ 1000 each]	—	—	10.25
21 Sundaram Ultra Short Term Fund Nil units of ₹ 10 each (Nil units of ₹ 10 each) [1,71,64,275 units (and 652 fractions) of ₹ 10 each]	—	—	33.13
22 Sundaram Income Plus Nil units of ₹ 10 each (Nil units of ₹ 10 each) [49,17,503 units (and 412 fractions) of ₹ 10 each]	—	—	10.10
23 Sundaram Ultra Short Term Fund 4,50,82,817 units (and 135 fractions) of ₹ 10 each [1,92,44,798 units (and 849 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	102.39	40.39	—
24 UTI Banking & PSU Debt Fund..... Nil units of ₹ 10 each [2,09,63,635 units (and 201 fractions) of ₹ 10 each] (Nil units of ₹ 10 each)	—	25.43	—
Total Investments in Mutual Fund (Growth Option) ...	505.71	436.43	152.89
Total Investments in Mutual Fund (i + ii)	505.71	502.14	183.23
Total Current Investment (A + B)	530.75	535.56	208.63
Aggregate book value of quoted investments	25.04	33.42	25.40
Aggregate market value of quoted investments	25.04	33.42	25.40
Aggregate amount of unquoted investments.....	505.71	502.14	183.23
Aggregate amount of impairment in value of investments.....	Nil	Nil	Nil

Note 11: Trade Receivables

Overdue for a Period Exceeding Six Months:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Secured, Considered Good.....	—	—	—
Unsecured, Considered Good.....	1.98	1.54	4.10
Doubtful.....	12.64	8.34	3.21
	14.62	9.88	7.31
Less: Provision for Bad and Doubtful Debts.....	12.64	8.34	3.21
	1.98	1.54	4.10

Other Receivables:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Secured, Considered Good.....	—	—	—
Unsecured, Considered Good.....	588.46	543.97	511.04
Doubtful.....	2.21	0.63	0.19
	590.67	544.60	511.23
Less: Provision for Bad and Doubtful Debts.....	2.21	0.63	0.19
	588.46	543.97	511.04
	590.44	545.51	515.14

No trade receivables are secured against borrowings.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 12: Cash and Cash Equivalents

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Cash on hand.....	0.80	0.60	0.37
Cheques on hand.....	21.79	18.61	22.47
Banks Balances.....	33.03	458.66	11.04
	<u>55.62</u>	<u>477.87</u>	<u>33.88</u>

Note 13: Bank Balance other than Cash and Cash Equivalents

Unpaid Dividend Accounts.....	0.88	0.64	0.57
Fixed Deposit with SBI*.....	431.12	—	—
	<u>432.00</u>	<u>0.64</u>	<u>0.57</u>

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain

Note 14: Loans

Unsecured and Considered Good:

Loan to Supplier.....	0.28	—	—
	<u>0.28</u>	<u>—</u>	<u>—</u>

Note 15: Other Current Financial Assets

Unsecured and Considered Good:

Interest Accrued on Loans, Investments and Fixed Deposits.....	8.03	2.53	0.77
Security Deposits.....	3.06	1.35	1.05
	<u>11.09</u>	<u>3.88</u>	<u>1.82</u>

Note 16: Other Current Assets

Unsecured and Considered Good:

Balances with Indirect Tax Authorities.....	32.76	15.26	11.91
Insurance Claims Receivable.....	0.16	0.05	2.26
Trade Advances.....	19.74	14.07	8.46
Prepaid Expenses.....	8.03	7.19	8.93
Other Receivable*.....	6.20	2.38	3.39
	<u>66.89</u>	<u>38.95</u>	<u>34.95</u>

* Includes ₹ 0.91 Crores (2015-2016 ₹ 0.98 Crores, 1st April, 2015 ₹ 1.17 Crores) receivable from Kansai Paints Co., Ltd., Japan

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Share Capital

	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	%	No. of Shares	%	No. of Shares	%	No. of Shares
1. Authorised Share Capital (₹ in Crores)		60		60		60
Par Value per Share (₹)		1		1		1
Number of Equity Shares		60,00,00,000		60,00,00,000		60,00,00,000
2. Issued, Subscribed and Fully Paid up (₹ in Crores)		53.89		53.89		53.89
Par Value per Share (₹)		1		1		1
Number of Equity Shares		53,89,19,720		53,89,19,720		53,89,19,720
3. Details of Shareholders holding more than 5% of shares and details of shares held by Holding Company						
Holding Company:						
Kansai Paint Co., Ltd., Japan	74.99	40,41,35,898	73.12	39,40,69,919	69.27	37,32,97,600
Others:						
Aberdeen Asset Management Asia Ltd.	—	—	—	—	5.83	3,14,19,056
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.....		Nil		2,69,45,986		2,69,45,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Group, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.....		1		1		1
6. Reconciliation of the number of shares outstanding:						
Number of shares at the beginning of the year		53,89,19,720		53,89,19,720		53,89,19,720
Issued during the year.....		—		—		—
Number of shares at the end of the year.....		53,89,19,720		53,89,19,720		53,89,19,720
7. Capital Management						
For the purpose of the Group's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the levels of dividends to equity shareholders. The Group is not subject to any externally imposed capital requirements.						

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 18: Other Equity

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2015	0.30	12.56	424.92	1213.24	(0.08)	1650.98	4.95	1655.89
Profit for the year	—	—	—	900.99	—	900.99	1.02	902.01
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(7.54)	—	(7.54)	—	(7.54)
Deferred Tax Remeasurement of Defined Benefit Liability	—	—	—	2.61	—	2.61	—	2.61
Other Comprehensive Income for the Year, net of tax	—	—	—	(4.93)	—	(4.93)	—	(4.93)
Total Comprehensive Income for the Year	—	—	—	896.06	—	896.06	1.02	897.08
Other Adjustment	—	—	—	—	(0.05)	(0.05)	—	(0.05)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(75.45)	—	(75.45)	—	(75.45)
Dividend Distribution Tax	—	—	—	(15.78)	—	(15.78)	—	(15.78)
Transfer from Retained Earnings	—	—	—	(91.23)	—	(91.23)	—	(91.23)
Transfer to General Reserve	—	—	27.17	(27.17)	—	27.17	—	27.17
Balance as at 31st March, 2016	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69
Profit for the Year	—	—	—	508.84	—	508.84	1.17	510.01
Exchange differences on translation of foreign operations	—	—	—	—	0.07	0.07	—	0.07
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	—	(7.23)	—	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	—	2.50	—	2.50
Exchange differences on translation of foreign operations	—	—	—	0.10	—	0.10	—	0.10
Other comprehensive Income (net of tax) attributable to Non-controlling Interests	—	—	—	(0.07)	—	(0.07)	—	(0.07)
Other Comprehensive Income for the Year, net of tax	—	—	—	(4.70)	—	(4.70)	—	(4.70)
Total Comprehensive Income for the Year	—	—	—	504.14	0.07	504.21	1.17	505.38
Other Adjustment	—	—	—	—	(0.56)	(0.56)	—	(0.56)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(164.37)	—	(164.37)	—	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	—	(34.39)	—	(34.39)
Transfer from Retained Earnings	—	—	—	(198.76)	—	(198.76)	—	(198.76)
Transfer to General Reserve	—	—	35.58	(35.58)	—	35.58	—	(35.58)
Share of NCI on Consolidation*	—	—	—	—	—	—	8.11	8.11
Balance as at 31st March, 2017	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86

* In above impact of previous year Consolidation for share of NCI of ₹ 8.11 Crores considered in current year.

Analysis of Accumulated OCI, Net of Tax

Remeasurement of Defined Benefit Liability

	31st March, 2017	31st March, 2016
Opening Balance	(4.93)	—
Remeasurement of Defined Benefit Liability	(4.73)	(4.93)
Closing Balance	(9.66)	(4.93)

Exchange differences on translation of foreign operations

	31st March, 2017	31st March, 2016
Opening Balance	(0.13)	(0.08)
Exchange differences on translation of foreign operations	(0.49)	(0.05)
Closing Balance	(0.62)	(0.13)

Securities Premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Dividend

For the year 2014-2015, the Director had recommended and shareholder had approved a dividend of 140% (₹ 1.40 per share). For the year 2015-2016, the Directors had recommended and Shareholders had approved a dividend of 305%, including special dividend of 125%, (₹ 3.05 per share), which has been accounted in current year. For the year 2016-2017, the Directors have recommended a normal dividend of 250% (₹ 2.50 per share) and a special dividend of 50% (₹ 0.50 per share), thus aggregating to a total dividend of 300% (₹ 3.00 per share) for the year. The dividend proposed by the Directors is subject to approval of shareholders at the annual general meeting. The proposed dividend of ₹ 161.67 Crores alongwith dividend distribution tax of ₹ 33.83 Crores have not been recognised as liabilities.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 19: Borrowings

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
A. Term Loans:			
a. Fixed Term Loans	—	0.60	1.42
Term loans from bank are repayable in 84 equal monthly installments starting from financial year 2010-11 and carries interest of 9.50% p.a. It is secured against Subsidiary's Factory Land and Building at Birta and personal guarantee of Directors of the Subsidiary. [Current maturity of Term loans of ₹ Nil (2015-2016 ₹ 0.82 Crores, 1st April, 2015 ₹ 0.81 Crores) is disclosed under 'Other Financial Liabilities' — Refer Note 23].			
b. Auto Loans	—	0.05	0.11
Auto loans from bank are repayable in 60 equal monthly installments starting from financial year 2011-2012 and carries interest of 9.50% p.a. It is secured against underlying vehicles. [Current maturity of Auto loans of ₹ Nil (2015-2016 ₹ 0.06 Crores, 1st April, 2015 ₹ 0.07 Crores) is disclosed under 'Other Financial Liabilities' — Refer Note 23].			
B. Deferred Payment Liabilities:			
a. Secured Sales Tax Deferral Loan	—	—	0.90
(Hypothecated over the fixed assets of the factory at Jainpur) Package Scheme of Incentive allowed the Holding Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ Nil (2015-2016 ₹ 0.90 Crores, 1st April, 2015 ₹ Nil) is disclosed under 'Other Financial Liabilities' — Refer Note 23]			
b. Unsecured Sales Tax Deferral Loan	18.20	28.79	40.60
Package Scheme of Incentive allowed the Holding Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in five annual installments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 10.45 Crores (2015-2016 ₹ 11.92 Crores, 1st April, 2015 ₹ Nil) is disclosed under 'Other Financial Liabilities' — Refer Note 23].			
C. Working Capital Loan	—	—	2.77
Working capital loan from other shareholders in the Subsidiary are repayable in 60 equal installments starting from financial year 2015-2016 and carries an interest of 5.5% p.a.			
	<u>18.20</u>	<u>29.44</u>	<u>45.80</u>
Note 20: Provisions			
Provision for Compensated Absences (Refer Note 37)	7.11	4.05	3.28
	<u>7.11</u>	<u>4.05</u>	<u>3.28</u>
Note 21: Income Taxes			
A. The major components of income tax expense for the year ended 31st March 2017 are as under:		Year ended 31 March 2017	Year ended 31 March 2016
(i) Income tax recognised in the Consolidated Statement of Profit and Loss			
Current tax:			
In respect of current year		248.24	226.54
Adjustments in respect of previous year		(1.31)	—
Deferred tax:			
In respect of current year		8.30	(49.31)
Income tax expense recognised in the Consolidated Statement of Profit and Loss .		255.23	177.23
(ii) Income tax expense recognised in OCI			
Deferred tax expense on remeasurements of defined benefit plans		2.50	2.61
Income tax expense recognised in OCI		2.50	2.61

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 21: Income Taxes (contd.)

	Year ended 31 March 2017	Year ended 31 March 2016
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Income tax expense calculated at 34.608%	264.91	370.33
Tax effect on non-deductible expenses	2.93	1.77
Incentive tax credits	(8.47)	(7.24)
Effect of Income that is exempted from tax	(4.31)	(188.72)
Others	0.17	1.09
Total	255.23	177.23
Tax expense as per Consolidated Statement of Profit and Loss	255.23	177.23

The tax rate used for reconciliation above is the corporate tax rate of 34.608% payable by corporate entities in India on taxable profits under Indian tax law.

C. The major components of deferred tax (liabilities)/assets arising on account of timing differences are as follows:

Particulars	Balance Sheet	Statement of Profit and Loss	OCI	Other Adjustment	Balance Sheet	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2016	2016-2017	2016-2017	2016-2017	31.03.2017	01.04.2015	2015-2016	2015-2016	31.03.2016
Difference between written down value/capital work in progress of fixed assets as per the books of accounts and Income Tax Act, 1961	(92.87)	(8.55)	—	—	(101.42)	(82.78)	(10.09)	—	(92.87)
Tax adjustment on account on indexation of freehold land.....	11.54	0.73	—	—	12.27	10.61	0.93	—	11.54
Provision for Diminution in Value of Fixed Assets	0.12	(0.12)	—	—	—	0.14	(0.02)	—	0.12
Expense claimed for tax purpose on payment basis	2.24	0.69	—	—	2.93	5.22	(2.98)	—	2.24
Provision for doubtful debts and advances	2.89	1.70	—	—	4.59	1.09	1.80	—	2.89
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.60	(0.30)	—	—	0.30	0.90	(0.30)	—	0.60
Remeasurement benefit of the defined benefit plans through OCI	2.61	—	2.50	—	5.11	—	—	2.61	2.61
MAT Credit Entitlements	60.77	—	—	(60.77)	—	—	60.77	—	60.77
Net fair value loss on investment in through FVTPL	(0.80)	(2.45)	—	—	(3.25)	—	(0.80)	—	(0.80)
Deferred tax (expense)/income	(12.90)	(8.30)	2.50	(60.77)	(79.47)	(64.82)	49.31	2.61	(12.90)
Net Deferred tax liabilities	(12.90)	(8.30)	2.50	(60.77)	(79.47)	(64.82)	49.31	2.61	(12.90)

Note 22: Trade Payables

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Trade Payables:			
Payables to Micro and Small Enterprises*	—	—	—
Payables to Others	560.66	551.27	437.74
	<u>560.66</u>	<u>551.27</u>	<u>437.74</u>

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Note 23: Other Financial Liabilities			
Current Maturities of Long-term Borrowings (Refer Note 19)	10.45	16.65	0.88
Unpaid Dividends*	0.88	0.64	0.57
Trade Deposits	54.61	47.74	40.22
Creditors for Capital Goods.....	14.30	7.86	6.92
Other Payables.....	—	0.74	4.50
	80.24	73.63	53.09
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.			
Note 24: Other Current Liabilities			
Other Statutory Obligations*	30.20	27.05	23.95
Trade Receivables with Credit Balance.....	9.40	5.38	4.92
	39.60	32.43	28.87
* Includes payable toward TDS, Excise duty, Service tax, VAT and Employee Related Statutory Obligations.			
Note 25: Provisions			
Provision for Compensated Absences (Refer Note 37)	1.60	1.60	1.30
Provision for Gratuity (Refer Note 37)	6.73	4.79	2.39
Provision for Indirect Taxes*:			
Opening Balance	7.77	8.35	11.79
Add: Provision during the year.....	—	—	2.02
Less: Utilisation / reversal during the year	—	0.58	5.46
	7.77	7.77	8.35
Provision for Warranty#:			
Opening Balance	1.15	1.75	1.75
Add: Provision during the year.....	—	—	—
Less: Utilisation / reversal during the year	0.90	0.60	—
	0.25	1.15	1.75
	16.35	15.31	13.79
* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2015-2016 ₹ 4.66 Crores, 1st April, 2015 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.			
# The Holding Company was selling certain products with a warranty of seven years. Accordingly, provision had been recognised on the basis of management's expectation of warranty claims on such products.			
Note 26: Current Tax Liabilities (Net)			
Current Tax Liabilities (Net of Advances)	4.87	5.84	14.63
	4.87	5.84	14.63

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 27: Revenue from Operations

	Year ended 31st March, 2017	Year ended 31st March, 2016
Sale of Products (including excise duty)		
Sales.....	4990.50	4640.39
Less: Rebates and Cash Discounts.....	416.40	377.12
Total Sale of Products.....	4574.10	4263.27
Other Operating Revenues		
Sale of Scrap	9.97	9.70
Other Operating Income	0.46	0.89
	<u>10.43</u>	<u>10.59</u>
Revenue from Operations.....	4584.53	4273.86

Note 27.1: Earnings in Foreign Exchange

FOB Value of Exports.....	2.24	1.10
Recovery of Freight and Other Charges on Exports.....	0.05	0.05

Note 28: Other Income

Dividend Income		
Dividend from Mutual Funds recognised through FVTPL.....	2.70	15.66
Interest Income		
Interest on Loans and Deposit.....	8.77	1.01
Interest on bonds recognised through FVTPL.....	2.22	1.84
	<u>10.99</u>	<u>2.85</u>
Profit on Sale of Investment (Net)	59.68	3.73
Fair Value Gain on Financial Instruments recognised through FVTPL.....	7.53	2.70
Other Non operating Income		
Profit on Sale of Property, Plant and Equipment (Net)	0.08	0.19
Foreign Exchange Gain (Net)	11.54	0.01
Insurance Claims Received	2.96	2.39
Miscellaneous Income	2.52	0.00
	<u>17.10</u>	<u>2.59</u>
	<u>98.00</u>	<u>27.53</u>

Note 29: Cost of Materials Consumed*

Raw Material Consumed		
Opening Stock	158.09	150.68
Add: Purchase	2018.52	1958.62
Less: Sales	6.48	4.90
Less: Closing Stock	228.08	158.11
	<u>1942.05</u>	<u>1946.29</u>
Packing Material Consumed		
Opening Stock	8.09	8.56
Add: Purchase	277.48	259.17
Less: Closing Stock	10.74	8.09
	<u>274.83</u>	<u>259.64</u>
	<u>2216.88*</u>	<u>2205.93*</u>

*Includes ₹ 1.89 Crores (2015-2016 ₹ 1.61 Crores) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 29: Cost of Materials Consumed (contd.)

Note 29.1: CIF Value of Import

	Year ended 31st March, 2017	Year ended 31st March, 2016
Raw Materials	902.09	797.69
Stores and Spare Parts.....	1.57	1.12
Finished Products	22.45	24.98
Capital Goods	7.52	2.63

**Note 30: Changes in Inventories of Finished Goods,
 Stock-in-trade and Work-in-progress**

Opening Stock		
Finished Goods.....	348.80	327.21
Work-in-progress	46.80	48.81
Stock-in-trade (in respect of goods acquired for trading).....	17.89	17.13
	413.49	393.15
Less: Closing Stock		
Finished Goods.....	393.43	348.80
Work-in-progress	44.92	46.80
Stock-in-trade (in respect of goods acquired for trading).....	18.37	17.89
	456.72	413.49
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	8.96	7.72
	(34.27)	(12.62)

Note 31: Employee Benefits Expense

Salaries and Wages	178.95	153.47
Contribution to Provident and Other Funds (Refer Note 37)	12.77	9.89
Staff Welfare Expense.....	10.85	9.91
	202.57*	173.27*

*Includes ₹ 15.77 Crores (2015-2016 ₹ 12.75 Crores) expenditure incurred on Research and Development

Note 32: Depreciation and Amortisation

Depreciation on Property, Plant and Equipment	69.49	66.37
Amortisation on Other Intangible Assets.....	0.60	1.92
	70.09*	68.29*

*Includes ₹0.98 Crores (2015-2016 ₹0.91 Crores) Depreciation and Amortisation Expenses incurred on Research and Development

Note 33: Other Expenses

Consumption of Stores and Spare Parts.....	19.59	19.40
Power and Fuel	71.27	69.68
Repairs to Buildings	0.90	0.38
Repairs to Machinery	10.56	8.56
Freight and Forwarding Charges.....	195.03	169.78
Advertisement and Sales Promotion.....	281.04	236.12
Rent.....	27.85	22.24
Rates and Taxes.....	5.41	3.16
Insurance	3.61	3.30
Miscellaneous Expenses.....	128.21	108.14
	743.47*	640.76*

*Includes ₹ 4.48 Crores (2015-2016 ₹ 3.82 Crores) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 33: Other Expenses (contd.)

Note 33.1: Payments to Auditors'

Auditors' Remuneration excluding Service Tax (Included in Miscellaneous Expenses in Note 33)

As Auditor

Statutory Audit	0.29	0.29
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results.....	0.09	0.09

In other capacity

Certification.....	0.09	0.07
Other Matter.....	0.15	0.15

Reimbursements of Expenses	0.05	0.04
	0.71	0.68

Note 33.2: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Consolidated Statement of Profit and Loss is	23.12	19.09
--	-------	-------

Note 33.3: Expenditure in Foreign Currencies

Foreign Travel.....	0.16	0.15
Royalties.....	16.04	14.53
Professional and Technical Fees.....	1.25	0.56
Others	1.01	0.56
	18.46	15.80

Note 33.4: Operating Lease Expenses

The Group obtains business warehouses on cancellable lease terms. Hence the following disclosure is provided only for vehicles obtained on non-cancellable lease terms. Vehicles are obtained for use by employees on operating lease for a lease term of three to five years.

Lease payments recognised in Consolidated Statement of Profit and Loss	0.48	0.50
--	------	------

Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:

Not later than one year	0.59	0.40
Later than one year and not later than five years	1.09	0.56
Later than five years	—	—

Note 34: Contingent Liabilities and Commitments
(to the extent not provided for)

Claims against the Company not acknowledged as debt:

Service Tax	6.41	4.44
-------------------	------	------

The Group has made adequate provisions in the accounts for claims against the Group related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 6.41 Crores (2015-2016 ₹ 4.44 Crores, 1st April, 2015 ₹ 4.44 Crores) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit. In addition, the Group is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Group's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Company's operation and financial position.

Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	231.29	80.89
--	--------	-------

Corporate guarantee

Corporate guarantee given to HDFC Bank for employee loans.....	2.55	1.41
--	------	------

	240.25	86.74
--	---------------	--------------

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 35: Earnings Per Share

Numerator:

Profit attributable to Equity Share holders (₹ in Crores) **508.84** 896.06

Denominator:

Weighted Average Number of ordinary shares at the beginning and end of the year..... **53,89,19,720** 53,89,19,720

Basic and Diluted Earnings Per Share (in ₹) 9.44 16.72

Note 36: Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Parent and Subsidiary Company

Name	% Shareholding			Type	Principal Activities	Place of Incorporation
	2017	2016	2015			
Kansai Paints Co., Ltd.	74.99	73.12	69.27	Parent and ultimate controlling entity	Manufacturing Paints	Japan
Kansai Paints Lanka (Private) Limited.. (w.e.f. 30th July, 2015) – not considered for consolidation in financial year 2015-2016	60.00	60.00	—	Subsidiary Company	Manufacturing Paints	Sri Lanka

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Ltd. and is based and listed in Japan. Financial Statements of Kansai Paints Co., Ltd. are available in public domain.

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints	Malaysia
Kansai Paints Europe Ltd.	Fellow Subsidiary	Manufacturing Paints	Europe
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints	Turkey

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. H. M. Bharuka, Managing Director, (2) Mr. P. D. Chaudhari, Wholetime Director, (3) Mr. P. D. Pai, CFO and (4) Mr. G.T. Govindarajan, Company Secretary.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 36: Related Party Disclosures (contd.)

₹ in Crores

Related Party Transactions:

Transaction Type	Relation	2017	2016	2015
Sale of finished goods				
– Kansai Paint Philippines Inc.	Fellow Subsidiary	1.15	1.08	0.70
– Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	0.09	—	—
Transfer under license agreements				
Royalty Expense				
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	14.62	13.14	12.29
Technical Fees (including reimbursement of expenses)				
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	1.52	0.96	0.50
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.08	0.05	0.04
– Kansai Paints Europe Ltd.	Fellow Subsidiary	—	—	0.02
Transfers under finance arrangements (including loans and equity contributions in cash or in kind)				
Equity Investment				
– Kansai Paints Lanka (Private) Limited (upto 31st March, 2016).....	Fellow Subsidiary	—	2.76	—
Management contracts including for deputation of employees				
Reimbursement of Expenses Receivable				
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.91	0.98	1.17
Amount of outstanding balances, including commitments, their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement				
Receivable as at Year End				
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.91	0.98	1.17
– Kansai Paint Philippines Inc.	Fellow Subsidiary	0.34	0.34	0.36
Payable as at Year End				
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.36	0.41	0.07
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.01	0.01	—
Key Management Personnel				
(a) Short-term Employee Benefits		8.73	7.72	6.93
(b) Post-employment Benefits		0.16	0.16	0.11
(c) Other Long-term Employee Benefits.....		0.11	0.01	0.01
Related Party Transactions:				
Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.				

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 37: Employee Benefits

A. Defined Contribution Plans:

₹ in Crores

Contribution to defined contribution plan, recognised in the Consolidated Statement of Profit and Loss Account under Group's Contribution to Provident Fund and Other Funds in Employee Benefits Expenses for the year are as under:

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Employer's contribution to Regional Provident Fund Commissioner	1.48	1.15
Employer's contribution to Family Pension Fund	2.98	2.48
Employer's contribution to Superannuation Fund	4.22	3.63

B Defined Benefit Plans:

a. Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognised in the Group's Consolidated Financial Statements as at March 31, 2017 and March 31, 2016:

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	24.24	15.20
Current Service Cost	2.71	1.96
Interest Expense	1.85	1.21
Benefit Payments from Plan Assets	(1.80)	(1.67)
Remeasurements – Actuarial (gains)/losses	6.54	7.54
Defined Benefit Obligation at the end	33.54	24.24
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	19.45	12.81
Interest Income	1.34	1.23
Employer Contributions	6.51	6.50
Benefit Payments from Plan Assets	(1.80)	(1.10)
Increase/(Decrease) due to effect of any business combination/divestiture/transfer) Increase/ (Decrease) due to Plan combination	0.99	–
Remeasurements – Return on plan assets excluding amounts included in interest income	0.32	0.01
Fair Value of Plan Assets at the end	26.81	19.45
Funded Status	(6.73)	(4.79)

Components of Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss under employee benefit expenses:

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Current Service Cost	2.71	1.96
Net Interest Cost	0.51	(0.02)
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	3.22	1.94

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 37: Employee Benefits: (contd.)

B Defined Benefit Plans: (contd.)

a. Gratuity (contd.)

Components of Defined Benefit Cost recognised in the Consolidated Statement of other comprehensive income:

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Actuarial (gains)/losses on Defined Benefit Obligation.....	6.54	7.54
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset).....	(0.32)	(0.01)
Defined Benefit Cost recognised in the Statement of other comprehensive income	6.22	7.53

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Discount Rate.....	7.20%	7.90%
Salary Escalation.....	7.50%	7.50%
Weighted average duration of the defined benefit obligation (years).....	12.82	12.82

Sensitivity Analysis:

Scenario	31.03.2017	31.03.2016
Under Base Scenario	33.54	24.24
Salary Escalation – Up by 1%	35.89	26.34
Salary Escalation – Down by 1%.....	30.47	22.43
Withdrawal Rates – Up by 1%	32.87	24.08
Withdrawal Rates – Down by 1%	33.23	24.40
Discount Rates – Up by 1%.....	29.79	21.73
Discount Rates – Down by 1%	35.31	26.04
Expected Rate of Return on Planned Asset	7.20%	9.21%

Mortality Table	31.03.2017		31.03.2016	
	Male	Female	Male	Female
Attained Age				
20	0.09%	0.09%	0.09%	0.09%
25	0.10%	0.10%	0.10%	0.10%
30	0.11%	0.11%	0.11%	0.11%
35	0.13%	0.13%	0.13%	0.13%
40	0.18%	0.18%	0.18%	0.18%
45	0.29%	0.29%	0.29%	0.29%
50	0.49%	0.49%	0.49%	0.49%
55	0.79%	0.79%	0.79%	0.79%
60	1.15%	1.15%	1.15%	1.15%

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 37: Employee Benefits: (contd.)

B Defined Benefit Plans: (contd.)

a. Gratuity (contd.)

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Group contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India.

The Group expects to contribute ₹ 6.73 Crores to the fund during the accounting year 2017-2018.

b. Provident fund (Managed by the Trust set up by the Group)

The Group has contributed ₹ 1.90 Crores (2015-2016 ₹ 1.61 Crores) to the Provident Fund Trust. The Group has an obligation to fund any shortfall on the yield of the trust's investments over the guaranteed interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors and in most cases the actual return earned by the Company has been higher in the past years. The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the below provided assumptions there is no shortfall:

The details of fund and plan asset position are given below:

Particulars	₹ in Crores		
	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Plan assets at period end, at fair value.....	50.21	44.05	40.79
Present value of benefit obligation at period end	46.27	42.78	39.51
Asset recognised in balance sheet.....	Nil	Nil	Nil

The plan assets have been primarily invested in government securities.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

Particulars	₹ in Crores		
	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Discount Rate (%)	7.20	7.90	7.80
Guaranteed Interest Rate (%)	8.65	8.80	8.75
Expected Average Remaining Working Lives of Employees (Years).....	6.4	6.4	6.4

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 3.06 Crores (2015-2016 ₹ 1.07 Crores).

Note 38: Segment Reporting

The Management Committee of the Holding Company, approved by the Board of Directors and Audit Committee, performs the function of allotment of resources and assessment of performance of the Group. Considering the level of activities performed, frequency of their meetings and level of finality of their decisions, the Group has identified that Chief Operating Decision Maker function is being performed by the Management Committee. The financial information presented to the Management Committee in the context of results and for the purposes of approving the annual operating plan is on a consolidated basis for various products of the Group. As the Group's business activity falls within a single business segment viz. 'Paints' and the Group primarily operates in the Indian markets (overseas turnover being 1.17% (2015-2016 – 0.66%) of the total turnover of the Group), separate geographical segment information has not been given in the Consolidated Financial Statement and accordingly, these Consolidated Financial Statement are reflective of the information required by the Ind AS 108 "Operating Segments".

Note 39: Corporate Social Responsibilities

During the year, the Holding Company has spent ₹ 6.46 Crores (2015-2016 ₹ 5.29 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Holding Company during the year: ₹ 8.32 Crores.

(b) Amount spent during the year on:

		₹ in Crores		
		In Cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset.....	—	—	—
(ii)	On purposes other than (i) above.....	6.46	—	6.46

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 40:

During the previous year, management had detected some cases of fraudulent transfer of shares and wrongful payment of dividend by the Holding Company's Registrar and Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. Based on the current status of investigation conducted by the management, through Holding Company's internal auditors, the estimated amount involved in the fraud as at balance sheet date is ₹ 1.28 Crores (2015-2016 ₹ 1.28 Crores) and provision for the same is made in the Consolidated Statement of Profit and Loss. Further adjustments, if any required, would be considered by the Holding Company on completion of the investigation.

Note 41: Profit on Sale of Non-current Assets held for Sale

The Board of Directors of the Holding Company had approved on June 29, 2015 the sale of the Holding Company's land at Perungudi, Chennai. The said asset was reclassified as Non-current Asset held for Sale. The non-recurring fair value measurement for the Non-current Assets held for Sale had been categorized as a Level 3 fair value based on the inputs to the valuation techniques used. On 30th March, 2016, the Company has sold its Perungudi Fixed Assets for a consideration of ₹ 537.86 Crores. The Profit of ₹ 535.34 Crores is disclosed as an exceptional item in the Consolidated Statement of Profit and Loss. The Holding Company has executed the deed of indemnity with the purchaser on 30 March 2016 to indemnify and agrees to defend and keep indemnified to the purchaser against the losses that the Purchaser is likely to suffer on account of any kind of any claim made in connection with the issues.

Note 42: Explanation of Transition to Ind AS

(I) First-time adoption of Ind AS

These Consolidated Financial Statements, for the year ended 31st March, 2017, are the first Ind AS compliant Consolidated Financial Statements prepared by the Group. For the period upto and including the year ended 31st March, 2016, the Company has prepared its Consolidated financial statements in accordance with accounting standards notified under Section 133 of the Companies Act, 2013 (to the extent notified) read together with Rule 7 of the Companies (Accounts) Rules, 2014, and other generally accepted accounting principles (GAAP) in India, to the extent applicable, under the historical cost convention, on the accrual basis of accounting.

Accordingly, the Group has prepared its first Consolidated Financial Statements which comply with Ind AS applicable for the year ending on 31st March, 2017, together with comparative period data as and for the year ended 31st March, 2016, as described in the summary of significant accounting policies. In preparing these Consolidated Financial Statements, the Group's opening balance sheet was prepared as at 1st April, 2015, the Group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP Consolidated Financial Statements, including the balance sheet as at 1st April, 2015 and the Consolidated Financial Statements as at and for the year ended 31st March, 2016.

(II) Exemption Applied

Ind AS 101 - First-time adoption of Indian Accounting Standards allows first-time adopters certain exemptions from the retrospective application of certain adjustments under Ind AS. The Group has applied the following exemptions:

(i) Deemed cost

Ind AS 101 - First-time adoption of Indian Accounting Standards permits a first-time adopter to elect to continue with the carrying value for all of its Property, Plant and Equipment as recognised in the Consolidated Financial Statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for Intangible Assets, Investment Property and Investments in Subsidiaries.

Accordingly, the Group has elected to measure all of its Property, Plan and Equipment, Intangible Assets, Investment Property and Investments in Subsidiaries at their previous GAAP carrying value.

(ii) Business Combination

Ind AS 101 - First-time adoption of Indian Accounting Standards provides the option to apply Ind AS 103 - Business Combinations prospectively from the transition date or from a specific date prior to the transition date.

Accordingly, the Group has elected to apply Ind AS 103 - Business Combination prospectively to Business Combinations occurring after its transition date.

(iii) Government Grants

Ind AS 101 – First-time adoption of Indian Accounting Standards permits a first-time adopter shall apply the requirements in Ind AS 109 – Financial Instruments, and Ind AS 20 - Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to Ind AS.

Accordingly, the Holding Company has opted for exemption from retrospective application for fair valuation of such Government Grants (i.e. Sales Tax Deferral Loan)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 42: Explanation of Transition to Ind AS (contd.)

Reconciliation of Equity as previously reported as per previous GAAP to Ind AS:

₹ in Crores

	Note	As at 31st March, 2016 (Reported as per Previous GAAP)	Adjustment as per Ind AS	As at 31st March, 2016 (As per Ind AS)	As at 1st April, 2015 (Reported as per Previous GAAP)	Adjustment as per Ind AS	As at 1st April, 2015 (As per Ind AS)
ASSETS							
Non-current Assets							
Property, Plant and Equipment.....		934.77	(0.19)	934.58	911.64	(2.73)	908.91
Capital Work-in-progress		41.95	—	41.95	43.94	—	43.94
Investment Property.....	(b)	—	0.18	0.18	0.00	0.18	0.18
Goodwill		2.27	—	2.27	2.27	—	2.27
Other Intangible Assets		0.54	0.01	0.55	2.49	—	2.49
		979.53	—	979.53	960.34	(2.55)	957.79
Financial Assets:							
Investments.....	(e)	36.02	(32.74)	3.28	25.23	(24.63)	0.60
Loans.....		—	0.65	0.65	—	1.00	1.00
Other Financial Assets.....		9.30	—	9.30	10.07	—	10.07
		45.32	(32.08)	13.24	35.30	(23.63)	11.67
Other Non-current Assets.....		62.55	—	62.55	49.28	0.43	49.71
Total Non-current Assets.....		1087.40	(32.08)	1055.32	1044.92	(25.75)	1019.17
Current Assets							
Inventories.....		582.72	—	582.72	555.14	—	555.14
Financial Assets:							
Investments.....	(e)	498.61	36.95	535.56	182.48	26.15	208.63
Trade Receivables.....		545.51	—	545.51	515.30	(0.16)	515.14
Cash and Cash Equivalents.....		478.51	(0.64)	477.87	34.45	(0.57)	33.88
Bank Balances other than Cash and Cash Equivalents		—	0.64	0.64	—	0.57	0.57
Loans.....		—	—	—	—	—	—
Other Financial Assets.....		—	3.88	3.88	—	1.82	1.82
		1522.63	40.83	1563.46	732.23	27.81	760.04
Other Current Assets		106.05	(67.10)	38.95	40.69	5.74	34.95
Total Current Assets.....		2211.40	(26.27)	2185.13	1328.06	22.07	1350.13
Non-current Assets held for Sale.....		—	—	—	—	2.54	2.54
Total Assets.....		3298.80	(58.35)	3240.45	2372.98	(1.14)	2371.84
EQUITY AND LIABILITIES							
Equity							
Equity Share Capital.....		53.89	—	53.89	53.89	—	53.89
Other Equity.....		2242.01	213.71	2455.72	1547.58	103.40	1650.98
Non-controlling interests.....		5.97	—	5.97	4.95	—	4.95
Total Equity.....		2301.87	213.71	2515.58	1606.42	103.40	1709.82
Liabilities							
Non-current Liabilities							
Financial Liabilities:							
Borrowings		29.44	—	29.44	45.80	—	45.80
Provisions.....		16.90	(12.85)	4.05	25.49	(22.21)	3.28
Deferred Tax Liabilities (Net)	(f)	84.41	(71.51)	12.90	75.43	(10.61)	64.82
Total Non-current Liabilities.....		130.75	(84.36)	46.39	146.72	(32.82)	113.90
Current Liabilities							
Financial Liabilities:							
Trade Payables.....		404.29	146.98	551.27	326.47	111.27	437.74
Other Financial Liabilities		3.69	69.94	73.63	—	53.09	53.09
		407.98	216.92	624.90	330.97	159.86	490.83
Other Current Liabilities		251.14	(218.71)	32.43	191.78	(162.91)	28.87
Provisions.....		207.06	(191.75)	15.31	97.09	(83.30)	13.79
Current Tax Liabilities (Net)		—	5.84	5.84	—	14.63	14.63
Total Current Liabilities.....		866.18	(187.70)	678.48	619.84	(71.72)	548.12
Total Liabilities.....		996.93	(272.06)	724.87	766.56	(104.54)	662.02
Total Equity and Liabilities.....		3298.80	58.35	3240.45	2372.98	(1.14)	2371.84

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 42: Explanation of Transition to Ind AS (contd.)

Reconciliation of Equity

₹ in Crores

	31st March, 2016	1st April, 2015
Reconciliation of Equity as reported earlier:		
Equity (As per previous GAAP)	2301.87	1596.82
Dividend adjustments	198.76	91.23
Fair value gain / (loss) on Investments	4.21	1.51
Deferred tax on fair value gain / (loss) on Investments and Land.....	10.74	10.62
Equity (As per Ind AS).....	2515.58	1700.18

Reconciliation of Total Comprehensive Income for the year ended 31st March, 2016

₹ in Crores

	Note	Year ended 31st March, 2016 (Reported as per Previous GAAP)	Adjustment for Ind AS	Year ended 31st March, 2016 (As per Ind AS)
Income				
Revenue from Operations.....		3869.96	403.90	4273.86
Other Income		25.02	2.51	27.53
Total Income		3894.98	406.41	4301.39
Expenses				
Cost of Materials Consumed		2205.93	—	2205.93
Purchases of Stock-in-trade.....		174.87	—	174.87
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress.....		(12.62)	—	(12.62)
Excise Duty on Sale of Goods.....	(d)	—	506.99	506.99
Employee Benefits Expense.....		180.81	(7.54)	173.27
Depreciation and Amortisation Expenses		68.36	(0.07)	68.29
Other Expenses		743.97	(103.21)	640.76
Total Expense		3361.32	396.17	3757.49
Profit Before Exceptional Item and Tax		533.66	10.24	543.90
Profit on Sale of Non-current Assets held for Sale.....		535.34	—	535.34
Profit Before Tax		1069.00	10.24	1079.24
Tax Expense				
Current Tax.....	(f)	165.77	60.77	226.54
Deferred Tax.....		8.97	(58.28)	(49.31)
Total Tax Expense		174.74	2.49	177.23
Profit for the Year		894.26	7.75	902.01
Profit attributable to Non-controlling Interests.....		1.02	—	1.02
Profit after Non-controlling Interests		893.24	7.75	900.99
Other Comprehensive Income				
(i) Items that will not be reclassified to Consolidated Statement of Profit and Loss				
(a) Remeasurement of Defined Benefit Liability	(a)	—	(7.54)	(7.54)
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss.....		—	2.61	2.61
Other Comprehensive Income (net of tax)		—	(4.93)	(4.93)
Total Comprehensive Income for the Year		893.24	2.82	896.06

Notes to the reconciliations:

(a) Actuarial Gain and Loss:

Under Ind AS, all actuarial gains and losses on gratuity are recognised in other comprehensive income. Under previous GAAP the Group recognised actuarial gains or losses in Consolidated Statement of Profit and Loss. However, this has no impact on the total comprehensive income and total equity as on 1st April, 2015 or as on 31st March, 2016.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 42: Explanation of Transition to Ind AS (contd.)

Notes to the reconciliations: (contd.)

(b) Investment Property:

Based on Ind AS 40 – Investment Property, the Group has reclassified buildings and land with undetermined future use to Investment Property. Under the previous GAAP, this was disclosed as a part of Property, Plant and Equipment. The impact arising from the change is summarised as follows:

	₹ in Crores	
	31st March, 2016	1st April, 2015
Consolidated Balance Sheet		
Property, Plant and Equipment	(0.18)	(0.18)
Investment Property	0.18	0.18
Adjustment to retained earnings	—	—

(c) Proposed Dividend:

Under previous GAAP, dividends proposed by the Board of Directors after the reporting date but before the approval of Consolidated Financial Statements were considered to be adjusting event and accordingly recognised (along with related dividend distribution tax) as liability at the reporting date. Under Ind AS, dividends so proposed by the Board of Directors are considered to be non-adjusting event. Accordingly, provision for so proposed dividend and dividend distribution tax recognised under previous GAAP has been reversed. The impact arising from the change is summarised as follows:

	₹ in Crores	
	31st March, 2016	1st April, 2015
Consolidated Balance Sheet		
Provisions — Proposed Dividend including Dividend Distribution Tax	198.76	91.23
Adjustment to retained earnings	198.76	91.23

(d) Excise Duty:

Under previous GAAP, the revenue from sale of goods was presented net of the excise duty on sales. Under Ind AS, revenue from sale of good is presented inclusive of excise duty. Excise duty is presented in the Consolidated Statement of Profit and Loss as an expense. This has resulted in an increase in the revenue from operations and expenses for the year ended 31st March, 2016. The total comprehensive income for the year ended and equity as at 31st March, 2016 has remained unchanged. The impact arising from the change is summarised as follows:

	₹ in Crores	
	31st March, 2016	
Consolidated Statement of Profit and Loss		
Revenue from Operations	506.99	
Excise Duty	(506.99)	
Adjustment for Profit before Income Tax	—	

(e) Fair Valuation of Investments:

The Group has designated certain investments classified as fair value through profit or loss as permitted by Ind AS 109 — Financial Instruments. Under the previous GAAP, the application of the relevant accounting standards resulted in all these investments being carried at cost. The impact arising from the change is summarised as follows:

	₹ in Crores	
	31st March, 2016	
Consolidated Statement of Profit and Loss		
Profit or Loss:		
Other Income	2.70	
Adjustment for Profit before Income Tax	2.70	

	₹ in Crores	
	31st March, 2016	1st April, 2015
Consolidated Balance Sheet		
Investments — Financial Assets FVTPL – Net of deferred tax	1.90	1.51
Adjustment to retained earnings	1.90	1.51

(f) Income-tax:

The above changes decreased deferred tax liability as follows based on a tax rate as per tax laws enacted or substantially enacted by the reporting date. The impact arising from the change is summarised as follows:

	₹ in Crores	
	31st March, 2016	1st April, 2015
Tax adjustment on account on indexation of freehold land	11.54	10.61
Net fair valuation loss on investment in through FVTPL	(0.80)	—
Decrease in deferred tax liability	10.74	10.61

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 43: Financial Instruments: Fair values and Risk Management

(A) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Year	At FVTPL	Other financial assets/ liabilities – Amortised cost	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value							
Non-current Assets: Investments (Note 5)	2017	0.69	–	0.69	–	–	0.69
	2016	3.28	–	3.28	–	–	3.28
	2015	0.60	–	0.60	–	–	0.60
Current Assets: Investments (Note 10)	2017	530.75	–	530.75	–	–	530.75
	2016	535.56	–	535.56	–	–	535.56
	2015	208.63	–	208.63	–	–	208.63
Financial Assets not measured at Fair Value							
Non-current Assets Loans (Note 6)	2017	–	–	–	–	–	–
	2016	–	0.65	–	–	0.65	0.65
	2015	–	1.00	–	–	1.00	1.00
Non-current Assets: Other Financial Assets (Note 7)	2017	–	11.29	–	–	11.29	11.29
	2016	–	9.31	–	–	9.31	9.31
	2015	–	10.07	–	–	10.07	10.07
Current Assets: Trade Receivables (Note 11)	2017	–	590.44	–	–	590.44	590.44
	2016	–	545.51	–	–	545.51	545.51
	2015	–	515.14	–	–	515.14	515.14
Current Assets: Cash and Cash Equivalent (Note 12)	2017	–	55.62	–	–	55.62	55.62
	2016	–	477.87	–	–	477.87	477.87
	2015	–	33.88	–	–	33.88	33.88
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 13)	2017	–	432.00	–	–	432.00	432.00
	2016	–	0.64	–	–	0.64	0.64
	2015	–	0.57	–	–	0.57	0.57
Current Assets: Loans (Note 14)	2017	–	0.28	–	–	0.28	0.28
	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Current Assets: Other Financial Assets (Note 15)	2017	–	11.09	–	–	11.09	11.09
	2016	–	3.88	–	–	3.88	3.88
	2015	–	1.82	–	–	1.82	1.82
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 19)	2017	–	18.20	–	–	18.20	18.20
	2016	–	29.44	–	–	29.44	29.44
	2015	–	45.80	–	–	45.80	45.80
Current Liabilities: Trade Payable (Note 22)	2017	–	560.66	–	–	560.66	560.66
	2016	–	551.27	–	–	551.27	551.27
	2015	–	437.74	–	–	437.74	437.74
Current Liabilities: Other Financial Liabilities (Note 23)	2017	–	80.24	–	–	80.24	80.24
	2016	–	73.63	–	–	73.63	73.63
	2015	–	53.09	–	–	53.09	53.09

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 43: Financial Instruments: Fair values and Risk Management (contd.)

(B) Financial Risk Management

The Company has exposure to the following risks arising from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

(i) Risk Management Framework

Risk Management Committee oversees the management of these risks. Management is supported by Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Risk Management Committee provides assurance to the management that Group's risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group's Risk Management Policies are established to identify and analyses the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management Policies and Systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and investments in debt securities. The carrying amounts of financial assets represent the maximum credit risk exposure.

Trade Receivables and Loans:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and reviewed constantly. Any sales exceeding those limits require approval from the management.

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Group's Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Maturities of Financial Liabilities:

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	3 years and above	Total
Borrowings.....	31-03-2017	–	–	–	10.45	8.49	9.71	28.65
	31-03-2016	–	–	–	16.65	10.45	18.99	46.09
	01-04-2015	–	–	–	–	0.88	45.80	46.68
Trade Payables	31-03-2017	–	560.66	–	–	–	–	560.66
	31-03-2016	–	551.27	–	–	–	–	551.27
	01-04-2015	–	437.74	–	–	–	–	437.74
Other Financial Liabilities.....	31-03-2017	55.49	14.13	–	–	–	–	68.91
	31-03-2016	48.38	7.86	–	–	–	–	56.34
	01-04-2015	40.79	6.92	–	–	–	–	51.64

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 43: Financial Instruments: Fair values and Risk Management (contd.)

(iv) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level.

Exposure to Currency Risk:

The summary quantitative data about the Company's exposure to currency risk is as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	USD	INR	Total
Trade Receivables	31-03-2017	–	–	–	–	0.63	589.81	590.44
	31-03-2016	–	–	0.01	–	0.34	545.16	545.51
	01-04-2015	–	–	–	–	0.36	514.78	515.14
Trade Advances	31-03-2017	0.09	6.29	6.22	–	11.66	42.17	66.43
	31-03-2016	0.53	1.29	4.39	–	5.32	28.22	39.75
	01-04-2015	0.07	0.33	0.73	–	7.11	27.50	35.74
Financial Liabilities								
Trade Payables	31-03-2017	(0.27)	(4.01)	(16.79)	(0.06)	(71.48)	(468.05)	(560.66)
	31-03-2016	(0.23)	(3.80)	(11.76)	–	(74.66)	(460.82)	(551.27)
	01-04-2015	(0.02)	(0.28)	(12.35)	–	(48.27)	(376.82)	(437.74)
Net exposure to Foreign Currency Risk (Liabilities)	31-03-2017	0.18	(2.28)	10.57	0.06	59.19	(163.93)	(96.21)
	31-03-2016	(0.30)	2.51	7.36	–	65.02	(108.58)	(33.99)
	01-04-2015	(0.05)	(0.05)	11.62	–	40.80	(165.46)	(113.14)

Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY and USD exchange rates, with all other variable held constant.

₹ in Crores

	Profit or Loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31st March, 2017				
CHF (5% movement)	0.01	(0.01)	—	—
EURO (5% movement)	0.11	(0.11)	0.04	(0.04)
JPY (5% movement)	0.53	(0.53)	0.18	(0.18)
USD (5% movement)	2.96	(2.96)	1.02	(1.02)
31st March, 2016				
CHF (5% movement)	0.02	(0.02)	0.01	(0.01)
EURO (5% movement)	0.13	(0.13)	0.04	(0.04)
JPY (5% movement)	0.37	(0.37)	0.13	(0.13)
USD (5% movement)	3.25	(3.25)	1.13	(1.13)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 44: Disclosure of Specified Bank Notes

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30th March, 2017. The said amendment requires the Holding Company to disclose the details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016. For the purpose of this clause, the term 'Specific Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E), dated the 8th November, 2016.

Details of Specified Bank Notes held and transacted by Holding Company during the period from 8th November, 2016 to 30th December, 2016 are as follows:

	₹ in Crores		
	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.15	0.02	0.17
(+) Permitted receipts	—	0.25	0.25
(-) Permitted payments	—	0.20	0.20
(-) Amount deposited in Banks	0.15	—	0.15
Closing cash in hand as on 30.12.2016	—	0.06	0.06

As per our attached report of even date

For **B S R & Co. LLP**
Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE
Partner

Membership No. 105149

Mumbai, 2nd May, 2017

G.T. GOVINDARAJAN
Company Secretary
 ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors

P.P. SHAH

D.M. KOTHARI

H.M. BHARUKA

N.N. TATA

P.D. CHAUDHARI

BRINDA SOMAYA

Mumbai, 2nd May, 2017

Chairman

Vice Chairman

Managing Director

Director

Wholetime Director

Director

DIN 00066242

DIN 00516431

DIN 00306084

DIN 00024713

DIN 02171823

DIN 00358908

SUMMARISED STATEMENT OF PROFIT AND LOSS OF 15 YEARS

₹ in Crores

Year	Cost of Materials/ Products	Excise Duty	Employee Benefits Expense	Other Expenses	Finance Costs	Depreciation and Amortisation Expenses	Tax Expense	Profit after Tax	Total Revenue #	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2002-2003	388.78	—	57.71	133.86	1.65	24.14	16.25	39.84	662.22	13.77	9.00	26.03	149.34
2003-2004	456.76	—	52.51	148.86	1.32	22.04	30.80	57.96	770.25	19.13	12.50	37.87	173.11
2004-2005	531.55	—	49.31	161.18	0.77	20.70	45.30	91.96	900.76	29.33	11.50	36.05†	126.78†
2005-2006	610.96	—	55.92	185.56	0.78	31.78	61.01	138.59	1084.59	51.02*	20.00*	54.40	159.19
2006-2007	778.33	—	59.57	213.05	0.96	33.56	53.31	107.66	1246.43	30.99	11.50	39.95	189.91@
2007-2008	837.32	—	69.13	226.75	1.41	39.60	50.60	119.79	1344.60	32.34	12.00	44.46	220.33
2008-2009	899.58	—	73.30	244.20	1.84	37.61	41.60	98.59	1396.71	32.34	12.00	36.59	242.87
2009-2010	1071.82	—	75.05	295.83	1.20	44.26	73.11	165.50	1726.77	40.42	15.00	30.71^	286.80
2010-2011	1400.25	—	91.64	356.34	0.84	49.36	83.15	205.99	2187.56	53.89	10.00**	38.22	170.00+
2011-2012	1740.41	—	106.94	415.91	0.09	56.35	89.24	215.89	2624.84	59.28	11.00	40.06	197.28
2012-2013	1942.62	—	118.14	459.76	0.02	47.11	90.80&	214.49&	2872.94	59.28	11.00	39.80&	224.21&
2013-2014	2133.95	—	135.88	532.10	0.45	64.98	100.42	206.57	3174.35	59.28	1.10~	3.83\$	26.41\$
2014-2015	2364.44	—	143.30	596.50	0.02	67.69	127.23	271.67	3570.85	75.45	1.40~	5.04\$	29.63\$
2015-2016	2348.36	506.99	170.11	640.08	—	67.72	176.10	363.51&	4272.87	164.37	3.05^^	6.65&	46.44
2016-2017	2342.95	531.98	198.12	727.31	—	69.49	253.48	505.94	4629.27	161.67¢	3.00¢	9.39	52.06

Net of Rebates & Excise Duty upto 2014-2015, From 2015-2016, net of Rebates and Discounts.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of ₹ 8.50 per share.

@ Calculated on number of shares post amalgamation of Polycoat Powders Ltd. with the Company.

^ Re-calculated consequent to the Bonus Issue of 1:1 2010-2011.

** On enhanced Share capital consequent to the Bonus Issue in 2010-2011.

+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

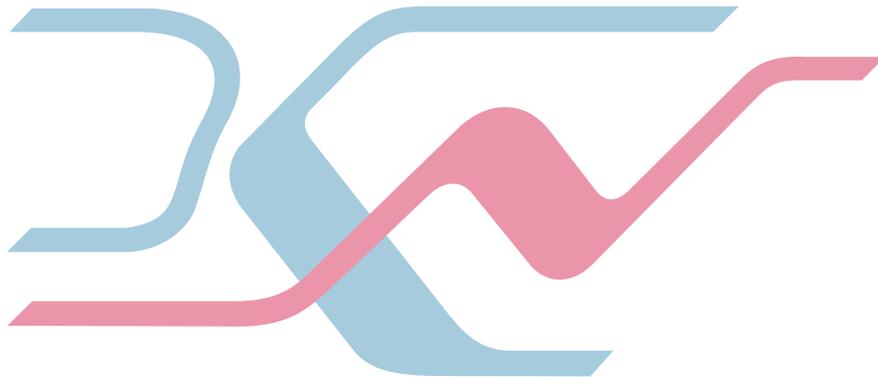
\$ Re-calculated consequent to the subdivision of Equity Share of face value of ₹ 10 each to 10 (ten) equity shares of ₹ 1 each.

~ Consequent to the subdivision of Equity Share.

^^ Includes Special Dividend of ₹ 1.25 per share.

¢ The dividend proposed by the Directors is subject to approval of shareholders at the annual general meeting. The proposed dividend alongwith dividend distribution tax have not been recognised as liabilities.

Figures for financial year 2015-2016 and 2016-2017 are Ind AS compliant.



 **KANSAI NEROLAC PAINTS LIMITED**

A subsidiary of Kansai Paint Co. Ltd, Japan
Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013
www.nerolac.com