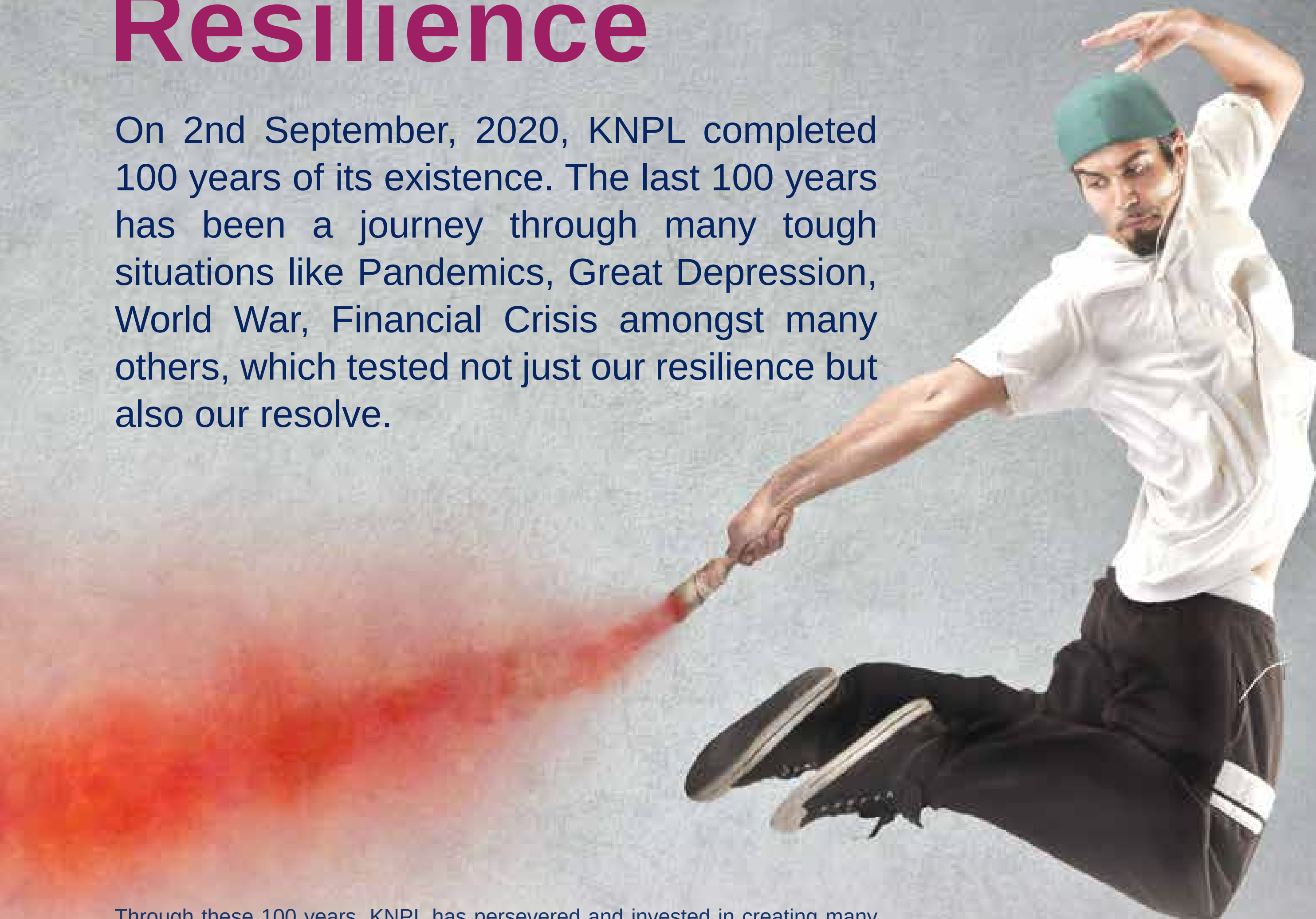
101st Annual Report 2021

KANSAI NEROLAC PAINTS LIMITED

Demonstrating Resilience

Demonstrating
Resilience

On 2nd September, 2020, KNPL completed 100 years of its existence. The last 100 years has been a journey through many tough situations like Pandemics, Great Depression, World War, Financial Crisis amongst many others, which tested not just our resilience but also our resolve.



Through these 100 years, KNPL has persevered and invested in creating many long-term strategic assets while pioneering and bringing to the market many unique and pathbreaking technologically-advanced painting solutions for a variety of surfaces from walls, to automobiles, to infrastructure to appliances just to name a few. In doing so, KNPL has redefined the concept of Care for all types of surfaces in India.

As we embarked into the new millennium, a new challenge in the form of Covid emerged in the past year. Covid severely impacted business operations across the globe. The emerging situation once again challenged and tested us. We responded rapidly by implementing measures aimed at conserving cash, ensuring liquidity while always focussing on stakeholder care. We minimised operational expenses, built flexibility into our operations, launched innovative new products across segments and took steps that demonstrated our commitment towards the well-being of all our stakeholders. Despite all odds, we continued with our investment and expansion plans and ended the year with solid performance and growth.

Our innovative strategy, flexibility and cost optimisation and results have demonstrated KNPL's spirit of RESILIENCE.

Corporate Information

BOARD OF DIRECTORS

- **Mr. Pradip Panalal Shah**
  Chairman (Independent Director)
- **Mr. Harishchandra Meghraj Bharuka**
  Vice Chairman and Managing Director
- **Mr. Noel Naval Tata**
  Non Executive Director (Independent Director)
- **Mr. Anuj Jain**
  Executive Director
- **Mr. Hitoshi Nishibayashi**
  Non Executive Director
- **Ms. Sonia Singh**
  Non Executive Director (Independent Director)
- **Mr. Shigeki Takahara**
  Non Executive Director
- **Mr. Takashi Tomioka**
  Non Executive Director

COMPANY SECRETARY

Mr. G. T. Govindarajan

BANKERS

- AXIS BANK LTD.
- HDFC BANK LTD.
- ICICI BANK LTD.
- STANDARD CHARTERED BANK

STATUTORY AUDITORS

S R B C & CO LLP, Mumbai

REGISTERED OFFICE

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Lower Parel, Mumbai-400 013, Maharashtra.
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Website: www.nerolac.com

INVESTORS RELATIONS

E-mail ID: investor@nerolac.com
Corporate Identity Number (CIN): L24202MH1920PLC000825

About the Report

REPORTING PERIOD

Kansai Nerolac Paints Limited (hereafter referred to as 'KNPL' or the 'Company') is pleased to present its 101st Annual Report for the Financial Year 2020-21 (1st April, 2020 to 31st March, 2021, or the 'reporting period').

REPORTING BOUNDARY

The information provided in this Report pertains to the Company and its subsidiaries. The Report takes a broader approach by covering information beyond financial capital to five other capitals – natural, intellectual, financial, manufacturing, social & relationship and human capital. It demonstrates the interlinkage of these capitals and how the company uses them to maximise value creation for itself and all the stakeholders while managing trade-offs, risks and material issues. This Report intends to serve as a concise and all-inclusive communication about the Company's value creation process using both financial and non-financial resources.

STRATEGIC IMPERATIVES

The Report provides insights into the Company's business model, strategies, material issues emanating from stakeholder engagements and its response to it, governance, performance (financial and non-financial) and prospects, in the context of its external environment. Both qualitative and quantitative data have been used to enable stakeholders better understand the Company's business and evaluate its performance for making informed investment decision.

The strategic imperatives were developed in response to matters material to the Company. The Report focusses on material opportunities and risks that significantly impact our businesses and stakeholders, as discussed in the chapter on engaging with stakeholders and materiality assessment.

REPORTING PRINCIPLE

The financial information presented in this Report complies with the financial and statutory data requirements of the Companies Act, 2013 (including the rules made thereunder), the Indian Accounting Standards and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The non-financial information in this Report is disclosed in accordance with Global Reporting Initiative (GRI) Standards: Core option. It is based on calculation methodologies conforming to globally accepted standards and is presented in a manner that it is succinct and comparable to enhance the Report's value for all stakeholders. The assumptions, exclusions and restatements have been included wherever applicable.

APPROACH TO MATERIALITY

The Report covers key material issues which have been identified basis various stakeholder engagements, their impact on value-creation process and the Company's approach to address them with a measurable target. This facilitates stakeholders in making informed decisions with regards to their engagement with the Company.

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Message from Vice Chairman and Managing Director

'At every step of this 100-year journey, we have adapted and transformed, but what has always remained constant is our focus on care and innovation directed at protecting, inspiring and touching lives every day'

Dear Shareholders,

It is with great pleasure that I present to you our 101st Annual Report.

As we turned 100, we encountered one of the toughest years in our history. Despite the crisis situation arising out of the pandemic, it is important to note that your Company has performed well on all fronts.

We accorded the highest priority to human life and safety of all our employees as well as our various stakeholders like vendors, customers, dealers and painters as it worked to meet the challenges and opportunities of the pandemic.

100-YEAR LANDMARK

On 2nd September 2020, Kansai Nerolac Paints Limited (KNPL) marked the historic completion of a century in India. At every step of this 100-year journey, we have adapted and transformed, but what has always remained constant is our focus on care and innovation directed at protecting, inspiring and touching lives every day. Our Core Values have guided the way we conduct ourselves and interact with stakeholders.

RESILIENCE

Nerolac's Spirit of Resilience was put to test in 2020-21.

The year saw unprecedented demand destruction across categories, global supply chain disruptions and considerable volatility in material prices that scaled new highs. Managing this situation and the uncertainty called for Resilience. Nerolites rose to the occasion and demonstrated this spirit of Resilience whether it was in the factories, customer sites, R&D facility or even in the market.

We conducted a sensitivity analysis and stress tested various scenarios due to the pandemic. We identified potential impact areas and worked on agile mitigation strategies. A robust risk mitigation plan to protect the top-line and bottomline was put in place and rigorously tracked at the highest levels of the organisation.

A REVIEW

The first quarter saw unprecedented demand destruction with virtually no sales in Industrial as well as Decorative, even in April, the peak month of the season. However, Decorative demand started to revive in small towns and Tier 3 and Tier 4 markets, which led to a sharp recovery in the second quarter. Demand remained healthy in the subsequent quarters. Industrial demand also recovered towards the end of Q2.

In Decorative, as the market revived, Construction Chemicals also saw strong growth. However, KNPL being a new entrant in this space and in the process of developing product portfolio and distribution, was unable to take the full benefit of this revival. We were able to close gaps in our product portfolio by the fourth quarter.

Material costs at the start of the year were benign due to low demand, but started moving northward once demand picked up and increased at double digit rate towards the end of year. As the pandemic concurrently affected different parts of the world, many force majeures were announced, that, coupled with disruptions in shipping lines, created several supply chain challenges.

We launched a comprehensive cost management programme across all areas. Good material cost reduction, strong overhead review and control besides focus on assets and people productivity defined our response to the situation. We were able to post a profitability of 17.8% for the year gone by.

NEW THRUST AREAS

In line with our strategy, we focussed on new segments. In Decorative, the focus was on our paint brand Soldier, Construction Chemicals, Adhesives and High-end Wood finishes. In Industrial, we looked at our niche areas in Powder and Performance Coatings, ARF and Coil Coatings.

KNPL had launched its Soldier brand a few years ago to cater to the economy segment of the paint market. The brand has gained good acceptance over the years and will prove to be a vehicle of future growth.

In Construction Chemicals and Adhesives, we are focussed on strengthening the Brand and product range. We launched new products, increased reach and distribution, initiated influencer programmes and approvals from OEMs. These steps will enable us to become a significant player in these markets and participate in growth opportunities over the coming years.

Similarly, in Wood finishes, we entered into a tie-up with Italian company ICRO Coatings, which has a comprehensive range of products. We have invested in branding, distribution and capacity to ensure that we are poised to benefit from opportunities in this market.

In Industrial, we have entered the Sealants and Underbody segment in Automotive. We have chosen to focus on the premium segment in powder coatings as well as functional coatings such as rebar, heat resistant powders and super durable powders. Similarly, in Performance Coatings, we have focussed on high end performance coatings in areas like Bridges, Metros and Pipes. Our products have gained acceptance and poised to become growth drivers over the coming years.

NEW BUSINESS AS AN OPPORTUNITY

Our deep technological leadership has enabled us to work closely with customers to create customised solutions providing better finish, film properties and thickness, productivity and cost besides energy savings too. We are able to draw on our global technology from across the Kansai Network and work jointly with OEM customers to create long-term product roadmaps, which add value over the long term. Combined with our technical services, we have added value to our differentiated offerings for our customers.

Building on this strength, we drew up aggressive plans during the year to generate additional business across the Industrial segment where we are the leader. Our efforts have borne good results with KNPL gaining market share across Automotive, General Industrial and Powder coatings.

LONG-TERM STRATEGY FOR DECORATIVE

The Decorative market is seeing renewed interest with new and emerging competitors. It is likely to witness intense competition in the years ahead. We have engaged in a formal exercise to revisit our business strategy in terms of elements like new distribution models and unique to category products and services. We have also launched new products on the Health and Hygiene platform this year.

INTERNATIONAL SUBSIDIARIES

Internationally too, the impact of COVID was visible in terms of demand and supply challenges. Although, different markets opened at different times of the year, demand in H1 was impacted significantly. Despite this disruption, our international subsidiaries in Nepal, Bangladesh and Sri Lanka continued to grow from strength to strength with improvement in all areas.

In Bangladesh, the Company was renamed Kansai Nerolac Paints, Bangladesh. A majority of its products have now been converted to the Nerolac Range. The Company has also made a foray in the Industrial Paints Market In Sri Lanka, after numerous challenges, the Company is now in turnaround mode. Our operations in Nepal continue to do well.

OUR NEW BRAND IDENTITY

Last year, we unveiled our new brand identity 'Swirl'. We constantly endeavour to create an environment of 'care' and our new **brand positioning of 'Colours that Care'** resonates with our philosophy of care and accountability. It is an integral part of our identity and a living manifestation of the care that we offer in an ever-changing world. It encompasses all that we are – innovative, inventive, agile and of course, caring.

In keeping with our brand promise, we launched a series of digital films titled 'Aaj Careful toh Kal Colourful' to spread the message that we need to stay home and be careful during the pandemic. We shifted our advertisement strategy from mass media to a greater focus on digital platforms to better connect with consumers and channel partners during the pandemic.

We also rolled out new packaging with the new brand identity this year.

TECHNOLOGY AND INNOVATION

Kansai Paints, our parent company and a leader in Japan, as well as the entire Kansai group of companies are a rich source of new ideas and technologies. Additionally, our technology partners bring in cutting edge technology. Our close working relationship with suppliers, both in India and globally, has helped us create exciting new technological roadmaps and innovations.

CAPACITY EXPANSION

We have continued with our expansion and investment plan into building new capacities. Capacities were added in several product lines viz. coil coating, CED, wood finish and powder coatings. All this firmly establishes our belief in the Indian Growth Story and demonstrates our resilience during the pandemic crisis.

SUPPLY CHAIN RESILIENCE

We have a robust and responsive supply chain built on a strong IT backbone right from demand generation to fulfilment and closely aligned with our supplier base. During this difficult period, we have laid specific emphasis on improvement of Service levels and OTIF (On time in full) despite the constraints in the environment.

DIGITAL

We have embraced Digital in a big way. We have always believed in leveraging IT to drive business efficiency and better decision making. Our investment in IT infrastructure ensured that we stayed ahead of the curve.

The COVID-19 pandemic provided us an added impetus to drive the identified digital transformation with renewed zeal. We successfully transitioned our entire workforce to the Work from Home (WFH) environment using cloud-based technologies. We have leveraged digital to drive a deeper connect with our employees through a range of applications.

We developed several digital tools for conducting business better and even faster. We launched digital applications for our Sales team, Dealers and Painters. We have used advanced analytics to drive improvements in R&D, Manufacturing and Supply chain. The applications are developed using leading technology such as Artificial intelligence and Machine learning. Digital applications have served to bring in convenience and insights into decision-making at the click of a button.

SUSTAINABILITY

Sustainability has been one of the key focus areas for the Company. This year has seen furthering of these efforts to ensure KNPL is top notch in this area.

Environment

We are dedicated to facilitating society in the conservation of natural resources and environment protection. We have been at the forefront of the Industry in taking a lead on sustainability over the past several years. Our facilities are ISO 14001 and ISO 45001 standards certified. Our rigorous sustainability management measures have resulted in 11 per cent reduction in Specific Water Consumption, 8.5 per cent reduction in Specific Hazardous Waste generation and 13 per cent reduction in emissions (Scope 1, 2 & 3). Our renewable energy consumption contributes 46 per cent of our total energy consumption (power & fuel) and 30 per cent of our total power consumption is from renewable sources. Our sustainability disclosures comply with Global Reporting Initiatives (GRI) 4.0 Standards.

Community

We have engaged in Corporate Social Responsibility (CSR) programmes aimed at societal improvement with a particular emphasis on activities that benefit the disadvantaged and vulnerable sectors of society. We have consistently participated in social initiatives that have led to improvement in livelihoods, healthcare and sanitation facilities, besides educational access in the communities where we operate. Several initiatives were also undertaken for welfare and skill upgradation of our painter community.

STAKEHOLDERS

We ensured that stakeholders' interests are protected during the pandemic crisis. We took several measures for Customers, Suppliers, Dealers and Painters to maintain business continuity and protect their interests and livelihoods. We worked jointly with customers for smooth closure and start-up of operations pre and post lockdown respectively. Every measure was taken to ensure continuity of operations for all stakeholders during the pandemic. For you, our shareholders, we also declared an interim dividend during the year.

PEOPLE

In the staunch belief that our people are a valuable asset in KNPL's progressive odyssey, we are committed to fostering their growth. We continue to invest in improving the competency of our workforce in order to provide further value to our customers. We established a Digital University and introduced several digital resources to help employees improve their capability and competency. We had invested in a variety of internal and external competency and skill programmes including Ivy League programmes to ensure that our staff remain on the cutting edge.

46%

Total energy consumption from renewable sources

WAY FORWARD

On the back of the vaccine rollout, the Indian economy is projected to expand by double digits. Every industry segment is brimming with optimism. The Paint Industry, on the other hand, is experiencing unprecedented changes. New entrants are making inroads. Smaller and niche players are stepping up their game. Private labels can be created by organised service players. New channel models are surfacing. New regulations are increasing the burden on how we conduct our business. All these factors as well as changes in consumer behaviour necessitate alertness and rapid adaptation to these challenges.

We are re-inventing itself by strengthening every facet of our business from talent, systems, sustainable product design and development to state-of-the-art manufacturing, efficient distribution, and higher service orientation.

We have taken up the task to develop future leaders through empowerment and by creating a lean organisation structure. We have invested in various leadership and competency building programmes designed for our future leaders and senior management.

IN CONCLUSION

The new year has begun with challenges in terms of high inflation and short-term uncertainty over the spread of the COVID-19 pandemic. Price increases in all markets along with the ability of the economy to bounce back fast are critical.

The agility and resilience demonstrated by our people during the pandemic gives me utmost confidence in our company's ability to successfully overcome the challenges in the short term and continue to build a sustainable future over the long term.

H M Bharuka
Vice Chairman and Managing Director

Key Highlights

100TH YEAR MILESTONE

The 2nd of September, 2020 was marked a Red Letter Day for Kansai Nerolac Paints Limited (KNPL) which was written down in history for completing a century of presence in India. KNPL acknowledges the contribution of its parent company Kansai Paints Co. Ltd., overseas partners, painters, dealers, customers and employees for this memorable and enriching journey.

BRANDING

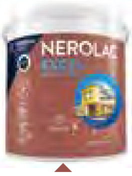
The organisation's purpose to create an environment for a healthy & beautiful future provided the much-needed impetus to launch its new positioning '**Colours That Care**'. The Company unveiled its new brand identity "Swirl" - a symbol of ensuring positive change and re-evaluation that our brand seeks to encourage within the industry and amongst consumers, thereby creating an environment for transforming the world.

This was launched through a series of digital films titled "**#AajCarefulTohKalColourful**", creating the context of today's times. The Company also rolled out new packaging with the new brand identity.

CARE

KNPL's philosophy of Care for its employees, customers, painters, and dealer and to the society at large is well reflected in the various initiatives undertaken during the year.

NEW PACKAGING



Excel Anti Pollution

Excel Anti Peel

Beauty Little Master

Suraksha Dust Resist

Excel Top Guard

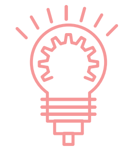
ESG (ENVIRONMENT, SOCIAL & GOVERNANCE)

Being a responsible organisation, we adopt a holistic approach towards environmental sustainability. KNPL has been actively working on the sustainability agenda for nearly a decade and has brought ESG at the centre stage of its strategy. It has incorporated ESG parameters from product design stage to product usage stage. KNPL also featured in NSE-ESG report published by NSE.

FINANCIALS

The Company posted robust financial results despite pandemic crisis. Both profitability and cash position improved significantly.

INNOVATION



Nerolac has been the first Company in India to have launched an **anti-viral paint, Excel Virus Guard** with **anti-viral properties.** In yet another ground-breaking innovation, it launched **Nerolac Excel Multi Surface Protection Sheets** made with Japanese Shiqui Technology.

The Company also provided several unique, innovative solutions for its industrial customer using **high solids, low bake, environment-friendly and low VOC-based technology**.

MANUFACTURING FOOTPRINT

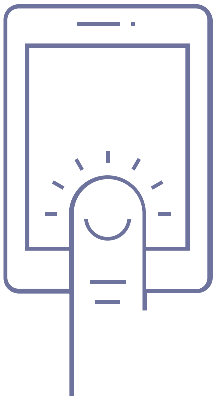
The Company expanded its manufacturing capacity in several product segments viz. colourants, wood finish, coil coating, powder coating and polyester putty.

TALENT MANAGEMENT

The Company considers people their biggest assets and has invested in development of future leaders. It has undertaken several Ivy League programmes on leadership for its employees so they are well equipped for tomorrow. It has launched a comprehensive skill development programme called UDAAN. It has been developed for functions including Auto Refinish, Commercial, Finance, PCD and Plants and consists of an online assessment to chart out a developmental roadmap for competency gaps.

DIGITAL

In line with the Company's digital strategy, several applications were launched and rolled out for Employees, Sales Team and Dealers. Latest technologies like Artificial Intelligence, Machine Learning were deployed to develop new applications to give real-time information and insights to the user.



Performance Highlights

Financial Highlights

NET TURNOVER

₹4,690.0 Crores FY 2020-21	₹4,943.2 Crores FY 2019-20	-5.1% % Change

EBITDA MARGIN

17.8% FY 2020-21	15.8% FY 2019-20	12.6% % Change

PAT

₹530.9 Crores FY 2020-21	₹535.4 Crores FY 2019-20	-0.8% % Change

OPERATIONAL CASH FLOW

₹638.6 Crores FY 2020-21	₹620.6 Crores FY 2019-20

FREE CASH FLOW

₹542.1 Crores FY 2020-21	₹403.6 Crores FY 2019-20

Non-Financial Highlights

CAPACITY IN MILLION LITRES

FY 2020-21	FY 2019-20	% Change
547	518	5.5%

TOTAL EMISSIONS (MT OF CO_2)

FY 2020-21	FY 2019-20	% Change
41,243	47,698	-13.5%

R&D EXPENSE

FY 2020-21	FY 2019-20	% Change
₹30.6 Crores	₹30.5 Crores	0.3%

SPECIFIC WATER CONSUMPTION (KL/KL OF FG)

FY 2020-21	FY 2019-20	% Change
1.25	1.40	-10.7%

CSR SPEND

FY 2020-21	FY 2019-20	% Change
₹14.3 Crores	₹16.9 Crores	-15.4%

ELECTRICITY CONSUMPTION THROUGH RENEWABLE SOURCES IN %

FY 2020-21	FY 2019-20	% Change
30	23	30%

Note: Performance Highlights are based on standalone performance.

Corporate Profile

A subsidiary of Kansai Paints Co. Ltd, Japan; Kansai Nerolac Paints Limited (KNPL) is one of India's leading players in the Paint industry, catering to the evolving need for newer Coating solutions of customers. A future-focussed Company rooted in innovation, KNPL bespeaks quality and manufacturing excellence that makes it a preferred choice of a growing and ever-evolving customer base.

Our Vision

"We design Solutions that Protect, Inspire and Touch Lives everyday"

Our Mission

We leverage superior technology to contribute to our Customers and Society, in a sustainable manner, with innovative Products and Services, through a competent workforce, built on a culture of Customer Focus, Integrity and Respect to our Stakeholders

Our Purpose

Create Environments for a Healthy and Beautiful future

Our Brand Promise

Renew Life

Our Brand Expression

Colours that Care

New Corporate Identity

In 2020, we changed our corporate identity/logo to capture the spirit of positive change and re-evaluation that we seek to encourage as a brand. Our new logo, highlighted by the Swirl, underlines the connect with between Change (transformation highlighted by the swirling circle) and Care, underscoring our new tag line of 'Colours that Care'. The endless possibilities triggered by this marriage of Change and Care showcase the constant evolution of the Company towards something better.

ORGANISATIONAL VALUES

Integrity

We build strong trust with all stakeholders, by doing the right thing, and by taking decisions that enhance the reputation of the organisation in the society.

Customer Focus

We continuously strive to understand and exceed Customer expectations.

Accountability

We encourage organisation members to take responsibility for their own actions and decisions, show commitment to all stakeholders, and accomplish work in an appropriate and efficient manner.

Respect

We respect diversity and embrace cultural and individual characteristics of organisation members, customers and communities by showing empathy and understanding the viewpoints of distinct beliefs, philosophies and cultures. We encourage and foster an environment of learning, teamwork and cooperation, that enables the development of all organisation members.

Entrepreneurial Mindset

We facilitate the emergence of entrepreneurial ideas that have a long-term perspective, originality in thinking, and practicality of execution, taking responsibility to see these ideas through, with ownership at all times. We shall continue contributing to People and Society by providing sustainable value to all stakeholders.

Innovation

We pioneer Innovation by engaging our collective wisdom and knowledge to create new value propositions, and continuously strive to generate original and novel solutions for products, services, and work processes. We experiment in different and groundbreaking ways to deal with value-creation opportunities or challenges, through a deep understanding of the issue at hand.

Our Product Portfolio

Our product proposition is designed to cater to the evolving needs of customers in the key segments of Decorative and Industrial.

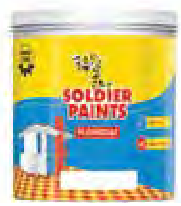
DECORATIVE - NEW ADDITIONS

Excel Virus Guard

Beauty Gold Washable

Suraksha Sheen

Beauty Sheen



Soldier Floor Coat

Nerolac Excel Multi-Surface Protection Sheets

Damp Protect

Magic Boost

Perma Super 2K

Waterproof Latex

DECORATIVE

Interior Range

Impressions UHD

Impressions HD

Impressions Ultra Fresh

Beauty Gold Classic

Beauty Smooth

Exterior Range

Excel Top Guard (Basecoat)

Excel Top Guard (Topcoat)

Excel Total

Excel Mica Marble

Suraksha Plus

Designer Range

Ideaz

Glitter

Metallics

Enamel

Synthetic

Satin

Primers

Excel Alkali Primer

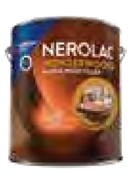
Exterior Primer

Ready Mix

Premium Interior Primer

OTHERS

Wood Finishes



Gloria

Italian

ICRO

Waterproofing

Waterproof Putty

No Damp

Crack Filler

Soldier Range

Soldier Emulsion Range

Brush & Rollers

Adhesives

Nerofix

Nerofix Gold

Our Product Portfolio

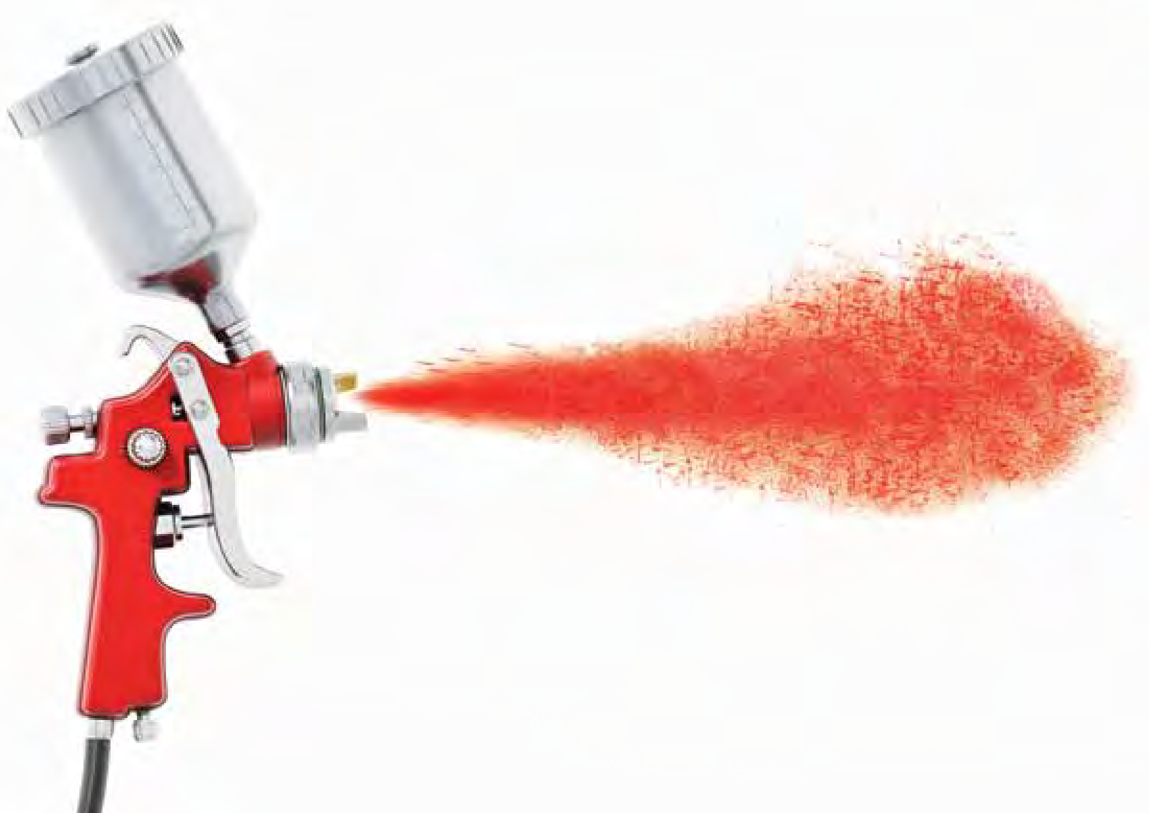
INDUSTRIAL- NEW ADDITIONS

Automotive:

4-Wheeler	2-Wheeler	Construction & Farm Equipment
Low Formaldehyde Coatings (formaldehyde <0.1%)	Clear coat with high durability and abrasion resistance	DTM (Direct to Metal) Monocoat to eliminate conventional 2 coat
High solids Clear coat with low VOC and better durability	Low Bake Monocoat coating with low VOC and lower energy need	PU High solid 2K Monocoat for tractor sheet metal with excellent gloss and colour retention
-	KP 200 PU Tapping Clear Coat	-

Performance Coating:

General Industrial (GI)	High Performance (HPC)	Powder Coating (PC)
Anti-Bacterial Top Coat for pre-coated sheets for pharma and health care industry	Neropoxy 6000 Direct to Metal Low VOC in epoxy chemistry	Fusion-Bonded Epoxy (FBE) as powder primer for pipe coating with excellent anti-corrosion properties
NeroDTM AK 6500 Synthetic Enamel Monocoat system for PEB industry	-	Anti-graffiti Powder Coating with anti-smog feature for furniture
-	-	Single coat Powder Coating for alloy wheel, replacing 3 Coat 2 Bake Liquid Coating



INDUSTRIAL

Automotive

Applications in Industries

Passenger Vehicles, Commercial Vehicles, Tractors, Two-Wheelers, Three-Wheelers, Wheels and Auto Ancillaries.

Key Products

- Cathodic Electro Deposition (CED) and Acrylic Cathodic Electro Deposition (ACED) Primers
- 3 Coat – 1 Bake System
- Medium Solid, Thermal Sprayed Aluminium (TSA) Polyester
- Monocoat Metallics
- High Mar Resistant Clear Coats
- Super Durable Monocoats
- Heat Resistant Paints
- Auto Interior Coatings
- Polyurethane (PU) Coatings for Metal and Plastics

Performance Coatings Liquid

(General Industrial + High Performance Coating)

Applications in Industries

Petroleum, Metal Industries, Chemicals and Fertiliser, Infrastructure, Cement Industry, Railways, Pipes Pre-Coated Steel, Bridges, Drums and Barrels, Cylinders, Electricals, Helmet, Pre-engineered Buildings, Construction Equipments.

Key Products

- Polyurethane (PU) Primer and Top Coats
- Chlorinated Rubber Coatings
- Epoxy Coatings
- Alkyds – Primers and Top Coats
- Zinc Rich Coatings
- Heat Resistant Coatings
- Floor Coatings
- Pipe Coatings
- Coil Coatings
- Polysiloxane, C5, IPNet

Powder Coatings

Applications in Industries

Refrigerators, Washing Machines, Air Conditioner, Light Fixtures, Electrical, Auto Components, Pipes, Rebar Steel, Architectural.

Key Products

- Epoxy Polyester Powder, Epoxy Powder, Pure Polyester Polyurethane
- Heat Resistance Powder
- Rebar Coatings, Pipe Coating Powders
- Super Durable Powders, Bonded Metallic Powders

Auto Refinish

Applications in Industries

After Market Repainting and Touch-up for Passenger Vehicles, Commercial Vehicles, Two-Wheelers, Three-Wheelers, Bus Body, Auto Parts and Furniture.

Key Products

- Polyurethane Paints - Retan PG Eco, Cardea, Nerokan, Acric EZ, Perfect Match
- Nitrocellulose (NC) and NC Acrylic - NAP
- Alkyd-Based - Nova Plus
- Putty - NC, Polyester, Body Fillers

Our Operational Footprint

Our manufacturing footprint spans six plants, all of which are strategically located near key OEMs, thus lending the Company a strong competitive edge. We also have a large and well-established network of depots spread across key markets.

6 Plants

- Jainpur-Uttar Pradesh
- Bawal-Haryana
- Hosur-Tamil Nadu
- Lote-Maharashtra
- Sayakha-Gujarat
- Goindwal-Punjab

1 upcoming plant

in
Andhra Pradesh

29,500+

Customers Network

99

Depots Pan-India

Our Strategy and Future Orientation

We, at KNPL, have structured our strategic roadmap around the goal of delivering strong and sustainable financial performance, while creating sustained value for our stakeholders, responsibly and transparently.

STRATEGIC PRIORITY #1

Strengthening the Core

With customers at the heart of our value creation model and strategy, it is our constant endeavour to deliver to their evolving needs and aspirations. To this end, we are continuously investing in, and strengthening, the levers of technology and service orientation, product innovation, distribution, brand, manufacturing, and marketing.

STRATEGIC PRIORITY #2

Expanding the Horizons

Led by a two-pronged approach, we are focussed on creating new avenues of growth by exploring new opportunities amongst customers and consumers, and by expanding across the Indian subcontinent where we have a mandate to operate. Leveraging our core competencies is the key to our expansion into new market opportunities and it is the same philosophy that has powered our expansion beyond Decorative and Automotive markets, to foray into Performance Coatings and then Auto Refinishes.

Strategic objective

Strengthen the core while expanding horizons.

Use innovation and market development to strengthen the core product portfolio, while leveraging existing capabilities to create new growth engines by expanding into nearby geographies and allied businesses, for delivering long-term sustainable value to the stakeholders, built on a strong platform of organisational capability

STRATEGIC PRIORITY #3

Building Organisational Capabilities

Cognisant of their importance to our strategic charter, we are continually investing in Information Technology (IT), digital, people and internal efficiency improvement programmes, with the aim of building the capabilities and competencies needed to execute our vision.

STRATEGIC PRIORITY #4

Delivering Long-Term Sustainable Value

Delivering long-term sustainable value to all our stakeholders remains the overarching goal of our strategic roadmap. To achieve this, we are regularly strengthening governance, compliance and risk management functions, besides building a robust sustainability framework.

Our Strategy and Future Orientation

OUR STRATEGY IN ACTION

STRATEGIC PRIORITY #1

STRENGTHENING THE CORE

Actions initiated

Technology Orientation

- *Creation of need-based unique solutions for customers through high-end technology deployment at in-house R&D facilities, both centrally and across the plants located in customer proximity*

Created several (More than 10) need based unique solutions for customers. Given below are some of them:

BUSINESS	Product
Commercial Vehicle	High Durable Monocoats
Powder coating	Powder primer for Three Layer Pipe coating Anti-graffiti Powder coating
Coil coating	NeroCoil Clear Coat for high gloss coil coating sheet
Decorative	Beauty Gold washable interior emulsion Suraksha Dust resistance

- *Close collaboration with Kansai Paint Co. Ltd, Japan, to bring in high-end, home-grown technology solutions, to cater to the specific needs of the modern Automotive Industry and other end-user industries*

Several Product Solutions created (More than 5) for automotive customers in close collaboration with Kansai Paint Co. Ltd, Japan

Segment	Product / Solution
4 Wheeler	High solids & high appearance bumper clear coat
2 Wheeler	High solid & high appearance PU Tapping clear with smooth finish, super distinctness of image & shine Adhesion promoter primer for Ni-Cr plated petrol tank
Construction Equipment	High Weatherable WP PU

- *Development of new solutions for diversified end users and industries by leveraging the vast unique technical capabilities of Kansai Paint Co., Ltd. Japan and its group companies, Oshima Kogyo Co. Ltd., Japan, Cashew Co. Ltd., Japan, and Protech Chemicals Limited, Canada*

New Products developed by leveraging the vast unique technical capabilities of:

Partner	Development
Oshima Kogyo Co. Ltd., Japan	Product developed for BS6 Compliance with higher thermal shock resistance for motorcycle mufflers. New Generation Heat resistance Pyrosin System for BS6 product for 2 Wheeler.
Cashew Co. Ltd., Japan	Micron TXL 3000 approved for car interiors which complies HAPS & VOC norms as per customer
Helios, Altan and Plascon	Developed Super Durable top coat Developed DTM Monocoat NeroDTM Monocoat Customer specific yellow shade developed in powder

Service Orientation

- *Unique service offerings for Industrial customers built on decades of know-how, and experience of working with most Automotive lines in India and Japan, which is translating into enhanced value proposition for customers, led by cost savings, reduced environmental impact and improved productivity resulting from value addition / value engineering (VAVE)*

Cost Saving, Reduced Environmental Impact & Improved Productivity

	Cost Saving	Reduced Environmental Impact	Improved Productivity
No. of Product systems developed with impact on	7	10	5

- *High quality service with quick turnaround, coupled with convenience for Decorative customers (dealers and influencers)*

Dealer	Painter / Influencer
Dealer App for real time information and ease of operations	Influencer / Painter App for direct connect
Dealer training workshops to operate safely during pandemic	Advanced painting skilling workshops for painters
Training to dealers for starting CCD machine after lockdown	Home fumigation training for painters
NexGen 2.0 – Dealer Loyalty Program	Nerolac crowd sourcing initiative – #PaintTheirFuture

Product Innovation

- *Continued focus on pioneering innovative, revolutionary and globally best-in-class products in diverse market segments, enabling dramatic improvements across key parameters of finish quality, reduced cost of ownership, consumption, baking time, and environment-friendliness*

We have provided details of product innovation in the Intellectual capital of the capital section.

- *Augmentation of our environment-conscious "Healthy Home Paints" positioning through our comprehensive range of 100% Heavy Metal Free by Design and Low VOC products that offer total painting solutions to consumers across price points, launch of new technology-based, cost-friendly products in the Decorative market*

Under "Healthy Home Paints", the products launched were Beauty Classic with antibacterial properties and anti-viral paint Nerolac Excel Virus Guard developed in close collaboration with Kansai Paint Co. Ltd, Japan. Beauty sheen and Suraksha sheen were launched as cost-friendly products in the decorative segment.

Multiple Teams

- *Alignment of organisational teams and capabilities to sharpen focus on diverse customer segments, across the value creation process, for seamlessly serving their unique needs and ensuring that business model is crafted to the transforming market dynamics*

KNPL identified niche business segments in decorative and in Industrial as growth drivers for future. Accordingly, multiple teams were formed to bring in focus on each such segment. The team ensured that the product portfolio was strengthened with introduction of new products. These teams were the prime movers for mobilising resources to drive growth, expand reach and establish KNPL's presence in the new segments. Also, strong support from across functions moved these new business up the life cycle curve.

Our Strategy and Future Orientation

Backward Integrated Manufacturing Facilities

- *6 well-equipped state-of-the-art manufacturing facilities for the production of paints, resins and other intermediates, located strategically across India, with most of them capable of serving a multiple range of product streams, thus ensuring unwavering customer confidence through uninterrupted service, including Just-in-Time (JIT) and cost competitiveness for Industrial customers*
- *Acquisition of Marpol to scale up leadership in Powder Coating segment*

Capacity Expansion

During the year, capacity expansions, upgradations at our plants were completed in line with our investment plans.

Plant	Product
Goindwal Sahib	Powder coating
Jainpur	Wood finish, Colorant
Sayakha	CED F1 & F2, Coil Coating
Bawal	Industrial putty
Lote	Rebar Coating

Well-established Distribution Network

Pan-India presence through 99 sales locations and 29,500+ customers to reach out effectively to customers across regions:

Powerful Brand Focus

- *Reputed brand, being among India's Top 40 brands and recipient of numerous recognitions*
- *Established as an iconic and strong consumer brand, with several firsts in the Indian Paint Industry, propelled by sustained investments in brand building*

Keeping up to its brand promise, KNPL launched series of digital films titled 'Aaj Careful toh Kal Colourful' to spread the message that we need to be careful in the context of pandemic situation which had gripped the whole world.

KNPL has been in forefront in providing **healthy and sustainable solutions** to the customers. It realized the harmful effects of lead and introduced lead-free decorative paints way back in 2008. In 2010, it was the first company to introduce ecofriendly and low VOC paints. Our new **brand positioning of "Colours that Care"** resonates our philosophy of care and accountability.

Keeping up to its brand promise, KNPL launched series of digital films titled 'Aaj Careful toh Kal Colourful' to spread the message that we need to be careful in the context of pandemic situation which had gripped the whole world. The campaign was also amplified across television and radio. An industry first podcast series on Aaj Careful toh Kal Colourful was also launched on Spotify as a part of the campaign.

STRATEGIC PRIORITY #2

EXPANDING THE HORIZONS

New Market Segments

- *Foray into Adhesives and Construction Chemicals in the mass market through acquisition of Perma Chemicals and JV with Polygel*
- *Increased focus on promising opportunities of coil / rebar / floor / pipe coatings and other specialty coatings in Industrial business, to deepen presence*
- *Expanding presence and reach in Auto Refinish Paints and Wood Coatings*
- *Tie-up with ICRO for high-end Wood Coating products*

The new market segments that we entered were focussed upon to expand the product portfolio and strengthen the Company's reach and presence in various markets. This year the Company also expanded its portfolio of health & hygiene segments. (Refer Marketing section of MDAR for more details)

New Geographies

Expansion beyond India through acquisitions in Nepal, Bangladesh and establishment of a greenfield JV project in Sri Lanka.

Our progress on geographical presences is covered in the MDAR section under Indian subsidiaries and overseas subsidiaries.

STRATEGIC PRIORITY #3

BUILDING ORGANISATIONAL CAPABILITIES

Strategic IT Deployment

- *Successful deployment of cutting-edge IT tools to improve processes, gain business insight, set policies and ensure process rigor and productivity*
- *Enabling integrated IT across the supply chain to drive deep value for customers*

Digital Thrust

- *Utilisation of advanced digital tools, such as Machine Learning, Robotic Process Automation, Internet of Things (IoT) and Chatbots, to secure increased business benefits*
- *Enhancement of Decorative Paints manufacturing capabilities with commissioning of state-of-the-art Digital factory at Goindwal, Punjab*

Several digital initiatives were undertaken during the year for every stakeholder. Same is mapped and detailed under Intellectual capital of the Capitals Section

Nurturing People

- *Professional approach, led by equal opportunity for all employees and investment in their alignment with organisational strategy*
- *Driving synergies through Clarity of Vision, Purpose, Core Values, Code of Conduct, Competencies, two-way Communication, challenging roles and assignments, transparent personalised Performance Management System*

KNPL has considered people its biggest asset and works relentlessly for employee development and growth. Details of employee development and benefits is covered in Human capital of the capital section

Internal Efficiency Programme

- *Cohesive Enterprise-wide savings programme, driven through cross-functional teams of R&D, supply chain, procurement and finance*
- *Continuous efforts to drive efficiencies and increase organisational capabilities across the value chain for further business development and growth*

Several initiatives were undertaken at product category level like construction chemicals, wood finish, and decorative paint for cost efficiency. Close inter functional coordination for VAVE of formulations and adoption of cost effective raw materials

STRATEGIC PRIORITY #4

DELIVERING LONG-TERM SUSTAINABLE VALUE

Governance, Compliance and Risk Management

- *Maintenance of highest standards for all stakeholders through adherence to values of strong and transparent Corporate Governance, backed by robust practices and disclosures*
- *Regular Internal Audits, and monitoring of Control Efficiency Index and Robust Control Index*
- *System-based controls, as well as compliance tracking and reporting, to ensure full visibility to the Management*
- *System-based Enterprise Risk Management Framework to actively track risks and chalk out mitigation strategies, which are presented to the Board from time to time*

KNPL has developed a dashboard of key legislation changes that are notified by various Government Authorities and is tracked by the Management with respect to requirements and implementation.

The Company tracks all regulatory compliances online, through the Legatrix system. The system is continually updated with all the changes in compliances as they occur. Online tracking and tracing of completion helps ensure strict adherence to regulations. In addition, the Company also tracks any legal cases through the Roznama system

Sustainability Programme

- *Robust sustainability programme, focussed around environmental consciousness, safety, reduction in carbon emissions, water conservation, waste management, renewable energy, livelihood and skill enhancement*
- *Voluntary publishing of efforts on website since 2012*

This is covered under "Natural capitals" of the Capitals section.

Our Value Creation Model

INPUT

Financial Capital	
Total borrowings (₹ Crores)	0
Total equity (₹ Crores)	53.89
Retained earnings (₹ Crores)	4027.04
Capital expenditure (₹ Crores)	147

Manufacturing Capital	
Number of Plants (Nos.)	6
Property, plant and equipment (₹ Crores)	1587.18
Material Cost (₹ Crores)	2911.43

Intellectual Capital	
Spend on R&D (₹ Crores) (including capex)	30.60
Innovation and technical sessions held in different forums (Nos.)	117
Royalty in (₹ Crores)	13.13

Natural Capital	
Total Energy Consumption (GJ)	479472
Renewable Energy (GJ)	222718
Specific Water Consumption (KL/KL of FG)	1.25
Rainwater used in Process (KL)	7800
Green Belt %	33

Human Capital	
Total Employees (Permanent)	2889
Employee Training (including safety) in mandays / employee / year	5.7

Social and Relationship Capital	
Raw Material Supplier Base (Nos.)	500+
Total Suppliers audited (Nos.)	7
CSR Spend (₹ Crores)	14.33

VALUE CREATION PROCESS

OUR PURPOSE

Create environment for a healthy and beautiful future

OUR VISION

We design solutions that Protect, Inspire and Touch Lives every day

OUR MANUFACTURING PROCESS

Premixing → Grinding

OUR STRATEGY

1. STRENGTHENING THE CORE
2. EXPANDING HORIZONS
3. ENHANCING ORGANISATIONAL CAPABILITY
4. DELIVERING LONG-TERM SUSTAINABLE VALUE

Refer to Chapter Our Strategy and Future Orientation

VALUE CREATION PROCESS

OUR VALUES

- Integrity
- Accountability
- Entrepreneurial Mindset
- Customer Focus
- Respect
- Innovation

Thinning → Tinting → Filling

BRAND PROMISE
Renew Life

BRAND EXPRESSION
Colours that Care

OUTPUT AND OUTCOMES

Financial Capital	
Market Capitalisation (₹ Crores) (As on 31st March, 2021)	32370
Revenue generated from Operations (₹ Crores)	4690
EBITDA (₹ Crores)	833.08
PAT (₹ Crores)	530.99
Operating Cash Flow (₹ Crores)	638.6
Free Cash Flow (₹ Crores)	542.1
Dividend paid including dividend distribution tax (₹ Crores) (Paid during FY 2020-21)	237.1

Manufacturing Capital	
Increase in plant capacity (Million Litres)	29

Intellectual Capital	
No. of Patents Filed	2
New Products Launched	40

Natural Capital	
GHG emissions (MT of CO_2 Eq.)	41243
Hazardous Waste generated (% of Finished Goods)	0.25
Liquid Discharged (KL)	0
GHG emission avoided (%)	37%
Recycled / reused water (%)	22.4%

Human Capital	
Revenue per Permanent Employee (₹ Crores)	1.62
*GPTW Trust index (%)	70

*Once in 2 years

Social and Relationship Capital	
New Raw Material Suppliers Added (Nos.)	8
% of local sourcing	70
Lives touched through CSR initiatives (Approximate Nos.)	>70,000
Tax Paid (₹ Crores)	420

Staying Engaged with the Stakeholders

	Business Partner	Shareholders & Investors	Customers
Stakeholder Group & their importance	Our parent company 'Kansai Paint Co. Ltd, Japan' gives us functional leverage to improve operational efficiency and shape business	They provide financial capital for business growth and help improve business image	Our success and sustained business growth are defined by meeting customer expectations in the given business climate
Mode of engagement	• Emails • Board Meetings • Company Functions • Audits and Review Meets • Multi-Stakeholder Platforms (Conferences, Knowledge sharing Conclaves)	• Board Meetings • Investor / Analyst Meets • Annual Report • Media Updates and Press Releases • Website	• Emails • Meetings • Customer Satisfaction Survey • Multi-Stakeholder Platforms (Conferences, Knowledge sharing Conclaves) • Grievance Redressal
Matters relevant to them	• Business Growth • Risk Management • Corporate Governance • Financial Performance • Operational Performance	• Business Growth • Risk Management • Corporate Governance • Financial Performance • Operational Performance	• Customer Satisfaction • Timely Delivery • Quality • Product Performance • Product Innovation • Technology Advancement • Long-Term Value Creation
KNPL's response discussed in	• Financial Capital • Intellectual Capital • Manufacturing Capital • Natural Capital • Human Capital • Social and Relationship Capital • Corporate Governance	• Financial Capital • Corporate Governance	• Social and Relationship Capital • Intellectual Capital

Staying Engaged with the Stakeholders

	Employees	Suppliers	Community
Stakeholder Group & their importance	Employee skills, knowledge, experience and commitment guide our continued success	They are a critical part of our value chain, enabling us to scale operational efficiency and exceed customer demands	Communities give us social licence to operate and it is our responsibility to uplift and foster strong relationships with them
Mode of engagement	• Review Meetings • Emails • Appraisals (Contest - Nerolac Premier League) • Employee Engagement Surveys • Work Line Portal, Training Programmes • Monthly Newsletter ‘Impressions’ • Town Hall meeting by MD • ‘Coffee with HR’ • Suggestion schemes and quality circles • Advanced Business Skills Modules • Digital University - DEGREED • UDAAN training programme • I AM NEROLAC application • IDEA MANAGEMENT PORTAL • Improving productivity & morale - SAMVAAD • Health App - AALIZWELL	• Emails • Meetings • Supplier Portal • Supplier Audits • Vendor Development Programmes • Vendor Performance/ Rating • Multi-stakeholder Platforms (Conferences, Knowledge Sharing Conclaves) • Join Value Creation Programme for cost competitiveness	• Community Welfare Programmes • Community visits / meeting • Local authority and town council meetings
Matters relevant to them	• Training and Skill Development • Employee Well-being • Employee Experience • Career Progression • Occupational Health and Safety	• Transparency • Sustainable Supply Chain • Procurement Practices • Capacity Building • Timely Payment	• Improvements in Social Infrastructure • Skill Development Programmes • Health and Environment • Enhancement of School Infrastructure • Sanitation and Safe Water Supply • Local Employment
KNPL’s response discussed in	• Human Capital	• Social and Relationship Capital	• Social and Relationship Capital

Materiality Assessment

Material matters are series of topics that influence an organisation's ability to create sustainable value not only for itself, but also for the stakeholders, over the short, medium and long term. These material matters are identified, prioritised, and monitored as part of our operational, financial, and social activities. These topics are mapped on a matrix to show their relevance to 'Influence on stakeholder assessments and decisions' and 'Significance of economic, environmental, and social impacts' to create a predictive model of value creation.

MATERIALITY DETERMINATION PROCESS

IDENTIFYING material issues

PRIORITISING material issues

ASSESSMENT of material issues

IDENTIFYING AND MAPPING MATERIAL ISSUES

Our comprehensive materiality identification process is based on the Reporting Principles and Guidance for Defining Content as per GRI Standards Sustainability Reporting Framework.

Our approach involves sectoral analysis, studying industry peers, guidance from sustainability standards and frameworks, and learnings from previous experiences to identify an exhaustive list of material topics. The assessment process involves engaging with all our stakeholders through focussed discussions and response to questionnaires along with interviews with the top management.

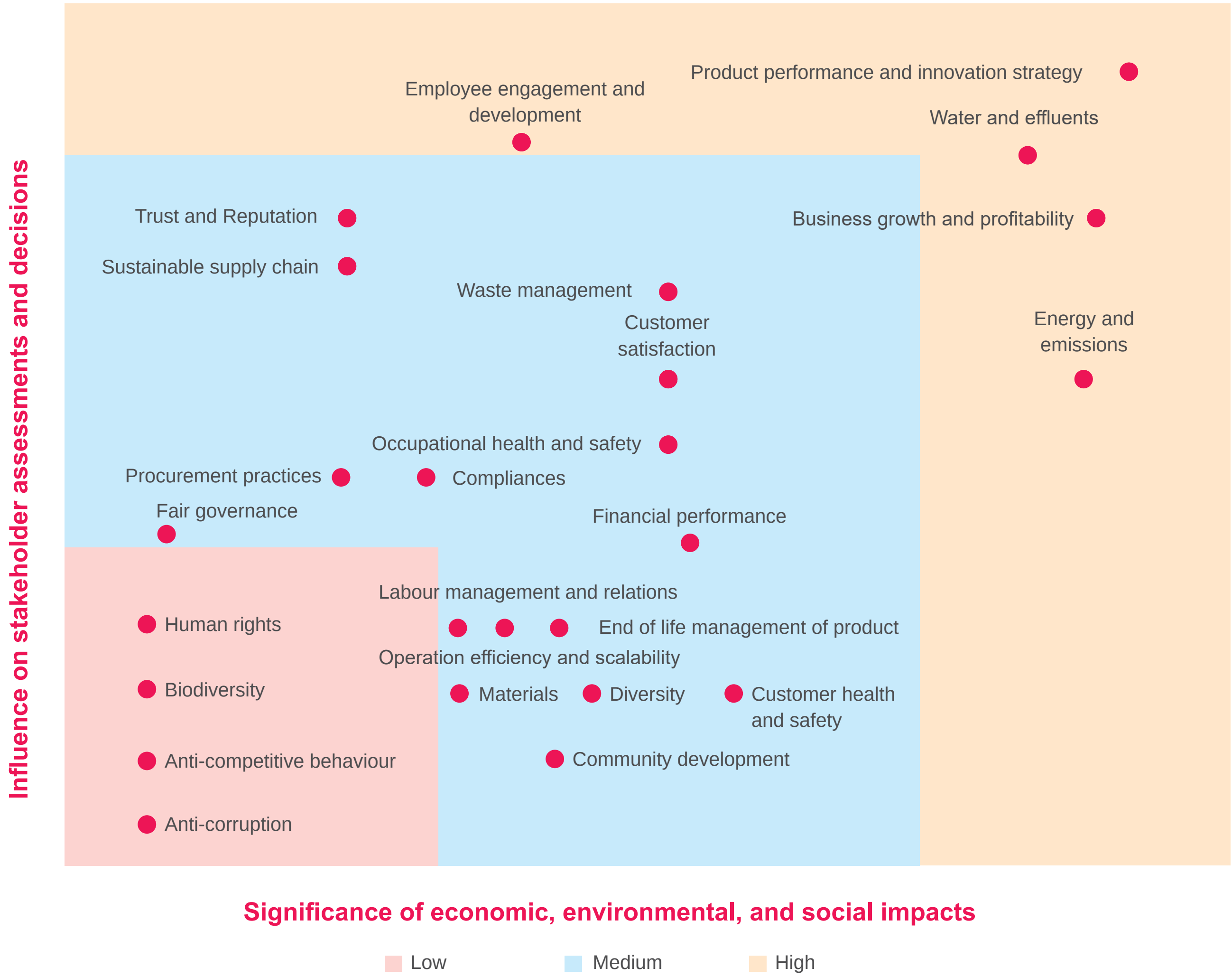
Material matters are then ranked on the basis of the degree to which they are aligned with the organisation's strategic goals, have an impact on stakeholders, and our influence on the material matter.

PRIORITISATION OF MATERIAL TOPICS

We gathered inputs from our senior management and key stakeholders. The identified material topics were ranked based on:

Degree to which the topic is aligned with the organisation's strategic goals	Degree to which the topic has an impact on key stakeholders	Degree to which we have an influence on the topic

The prioritised topics were rated on a criticality scale that ranged from "Not Applicable" to "Extremely Important". Outcome of the analysis, depicting material topics important to our stakeholders and business, is illustrated in the matrix below:



Materiality Assessment

MATERIAL TOPICS AND THEIR ASSESSMENT

Category	Material Topic	GRI Topic	Boundary	Key Action	Capitals Impacted
Economic	Business Growth and Profitability	Non-GRI	Internal and External	• Increase sales • Enter new markets • Increased focus on Decorative paint market • Cost leadership	• Financial Capital • Manufacturing Capital • Intellectual Capital
	Product Performance and Innovation Strategy	Non-GRI	Internal and External	• Value engineering • Process improvement and technological advancement • Product stewardship	• Manufacturing Capital • Intellectual Capital
Environmental	Energy and Emissions	GRI 302: Energy GRI 305: Emissions	Internal and External	• Increase energy efficiency • Increase renewable portfolio • Move towards carbon neutrality • Product lifecycle assessment • Greenbelt development	• Natural Capital
	Water and Effluents	GRI 303: Water and Effluents	Internal and External	• Decrease freshwater consumption • Maximise recycled water consumption • Ensure Zero Liquid Discharge	• Natural Capital
	Waste Management	GRI 306: Waste	Internal and External	• 3R Principle - Reduce, Reuse & Recycle • Zero waste to landfill	• Natural Capital

Category	Material Topic	GRI Topic	Boundary	Key Action	Capitals Impacted
Social	Employee Engagement and Development	GRI 404: Training and Education	Internal	• Build workforce capacities through various training and development programmes	• Human Capital
	Occupational Health and Safety	GRI 403: Occupational Health and Safety	Internal	• Identification and mitigation of hazards and risks • Reduce safety incidents • Ensure excellence in Process Safety Management	• Human Capital
	Sustainable Supply Chain	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	Internal and External	• Green Procurement Guidelines • Supplier Audits • Vendor Development Programme	• Social and Relationship Capital • Natural Capital
	Customer Satisfaction	Non-GRI	Internal and External	• Supply quality products and service • Timely delivery • Exceed customer requirements/ expectations • Safe products	• Social and Relationship Capital
Governance	Trust and Reputation	Non-GRI	Internal and External	• Effective Corporate Governance • Responsible Corporate Citizen	• Financial Capital • Human Capital • Social and Relationship Capital

Opportunities & Threats

We define an opportunity as a set of circumstances with an uncertain outcome, requiring commitment of resources. The paints industry faces numerous threats, some of which are volatile and uncertain, requiring agile decision-making and effective strategies that mitigate exposure and harness the available opportunities.

Opportunities

Policies

New Code on Wages, OHSE, Social Security, Plastic Waste Management, Chemicals Safety Management

Liquidity support to MSME sector

Per capita consumption

Paint consumption per kg in India is low as compared to developing countries

Increased focus on Home improvement due to work from home

Growing preference for Personal mobility

Infrastructure thrust

The government is expected to continue its push toward infrastructure growth which will provide great impetus to the economy

New market sectors

Forays into new opportunity areas with huge potential for growth such as Construction Chemicals, Adhesives, Coil Coatings, and Health & Hygiene

Specialty niches

Specialty products in the form of specialty coatings represent an opportunity for the Company to leverage its technical strengths

Rural thrust

Budget focussed on increased spending towards agriculture Increase in income of the rural consumer

Environment

Increase in legislation brings more consciousness in saving cost, energy saving and quality paint products

Reduction in energy consumption at customer production lines through product and process innovations

Growing use of renewable energy

Threats

Pandemic

Disruptive effect of COVID-19 pandemic on demand

Looming threat of global recession

Lockdown restrictions

Supply chain disruptions

Employee Health & Wellness

Geopolitical

Emerging geopolitical trade restrictions

New Competiton

New competitors are entering the market

Unpredictable monsoon

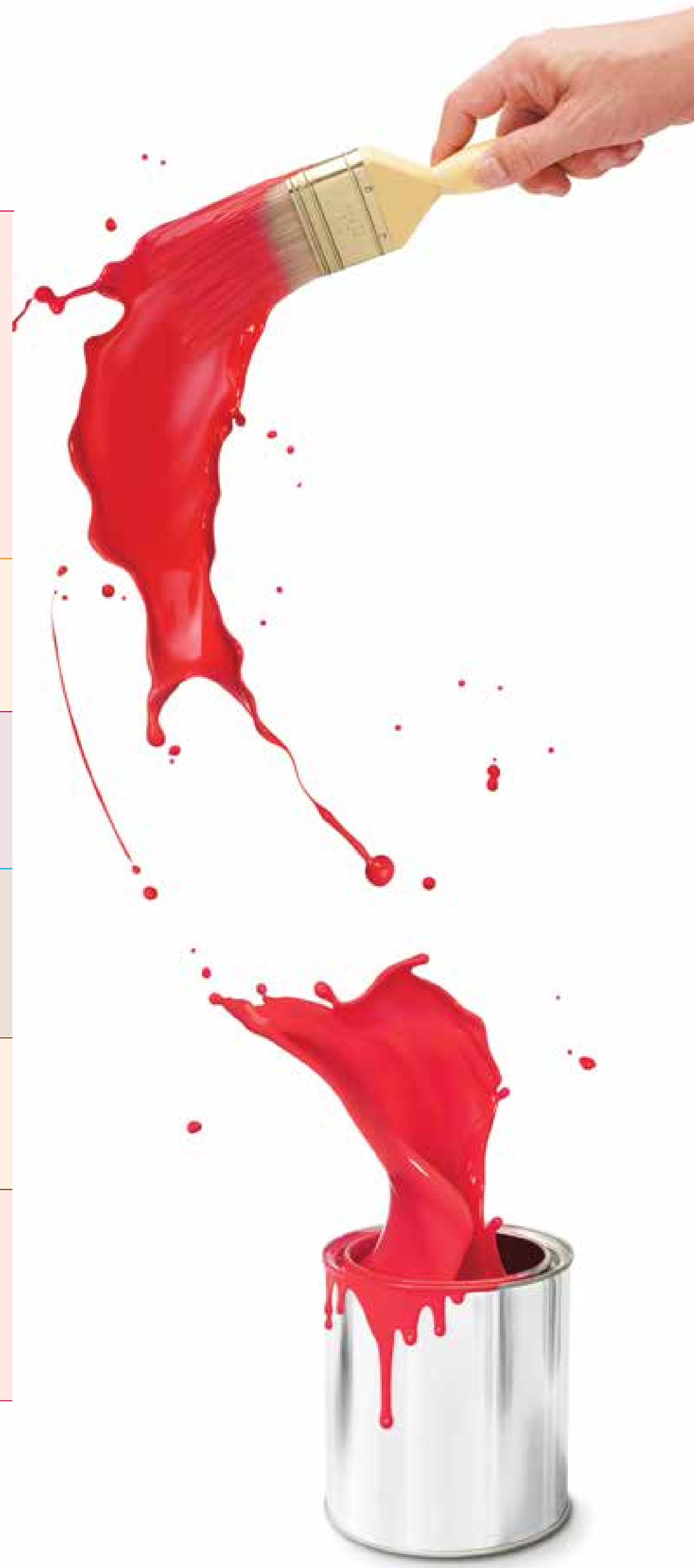
Unpredictability of monsoon in India

Financial

Volatility in Indian Rupee and US Dollar exchange rates

Cyber-security

Data loss/Thefts
Domain-based threats
Hacktivism
Site non-availability



Risk 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.

Strategic Risk

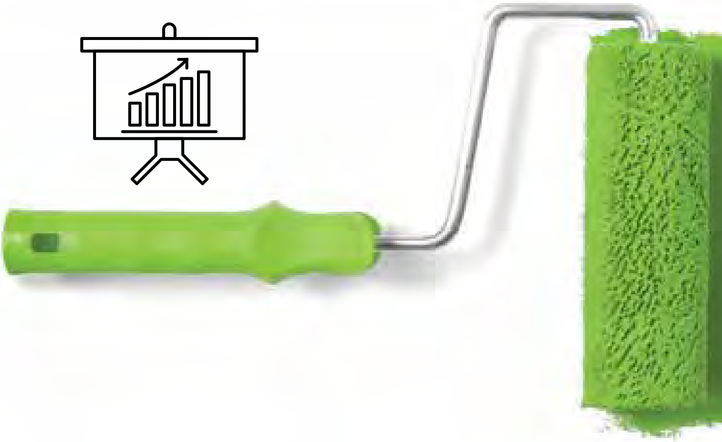
These risks revolve around Competition (existing and new), brand, growth and profitability, technology and service strategy during normal and force majeure situations. Strategic risk identification and mitigation remains a top priority activity at KNPL, and contingency measures are put in place for issues emanating out of the same.

Operational Risk

While pursuing innovative product offerings and radical business models, there are certain risks associated with product delivery, Service Level Agreement adherence, quality, and environmental impact amongst others. In order to tackle these risks, KNPL has developed robust mechanisms that ensure that while being innovative, the key operational parameters are never compromised, and we deliver on the promise that we make to our customers and stakeholders in a sustainable and safe manner.

Statutory Risk

With a network spanning across India and overseas, KNPL makes sure that the business operates within the ambit of law and all the 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 Risk

Financial risks originating out of currency fluctuations and market volatility have the potential to affect the Company's bottomline directly. These risks are dealt with advance planning by taking the necessary steps for hedging against such outcomes.

System Risk

With all operations conducted using business software, ensuring high availability of systems, disaster management and cybersecurity along with maintaining 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 minimised.

Commodity Risk

There are several raw materials which are directly driven by crude oil. These are monitored on a 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 a direct correlation exists, the cost sheet is monitored to calculate delta changes, and accordingly, purchase prices are decided. For metal-related buying, price indices such as the London Metal Exchange (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 these commodity risks.

People Risk

With the industry growing at a fast pace and demand for experienced and trained manpower outstripping supply, the ability to retain existing talent and attract new professional talent assumes crucial importance. The Company has a structured process for potential identification and talent management and development.

Nurturing Our Capitals

All the SDGs are relevant to KNPL to varying degrees. Through our process of managing our capitals and creating value, we make significant contribution to the United Nations Sustainable Development Goals (UN SDGs). We firmly believe that our business activities have a direct or indirect impact on the UN Sustainability Development Goals (SDGs), and we can leverage our capabilities to catalyse sustainable, profitable and overall growth.

As a responsible corporate citizen, we have mapped our capitals to the relevant SDGs.

Natural Capital

- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

Social and Relationship Capital

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND
- 17 PARTNERSHIPS FOR THE GOALS

Intellectual Capital

- 4 QUALITY EDUCATION
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

Financial Capital

- 8 DECENT WORK AND ECONOMIC GROWTH

Human Capital

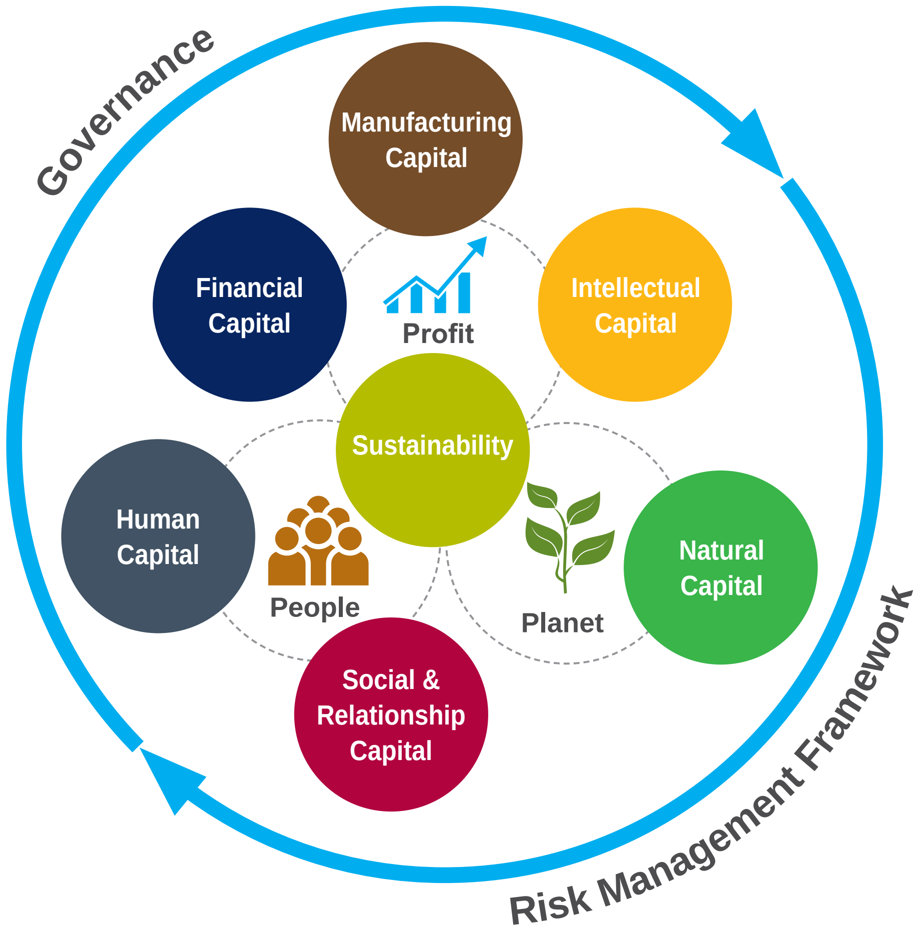
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH

Manufacturing Capital

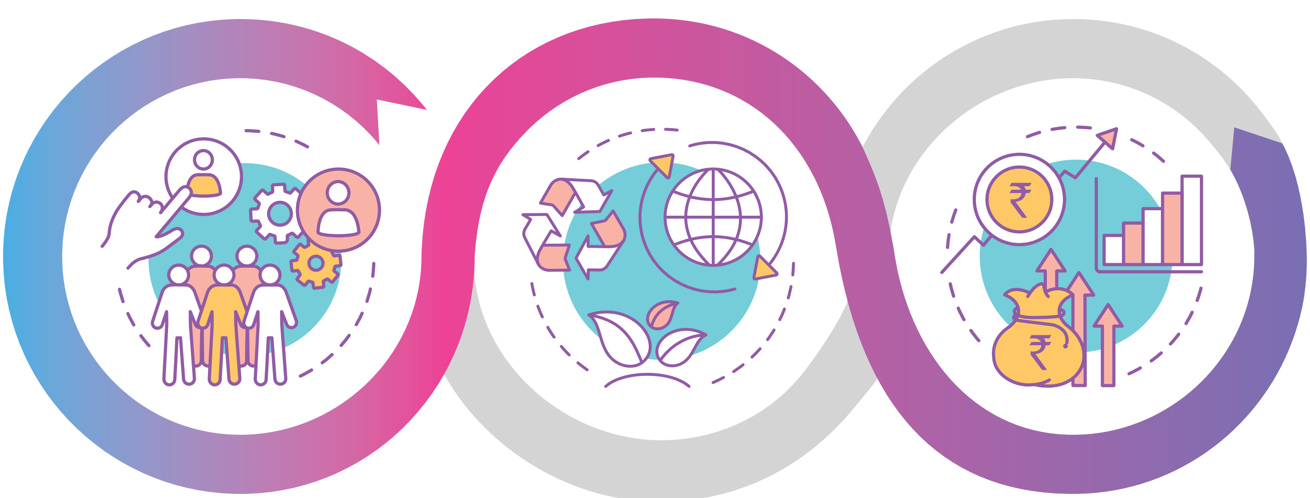
- 8 DECENT WORK AND ECONOMIC GROWTH
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

Our 3P Goal

We achieve sustainable growth with a focus on protecting and nurturing our triple bottomline – People, Planet and Profits.



In alignment with our business strategy, we set performance goals under six capitals under the gamut of triple bottomline.



Natural Capital

Being a responsible organisation, we adopt a holistic approach towards environmental sustainability and conserving our natural capital. Our pursuit of environmental stewardship is supported by best-in-class facilities and investments to improve our operational as well as environmental performance. We strive to operate in a manner that addresses the evolving challenges of climate change and other environmental aspects. At KNPL, we set exacting standards that go beyond the statutory compliances.

Natural Capital

BACKDROP

As per the World Economic Forum's Global Risk Report, 4 risks out of the top 5 risks in 'Terms of Likelihood' for the year 2021 are environmental risks. During these unprecedented times, when climate change and COVID-19 both call for integrated action on a war-footing, the world is preparing for a dynamic shift towards an environment-conscious approach, and we, at KNPL, have been steadfast in embracing this change.

RESPONSE

We have a cohesive framework and well-structured processes in place to maintain a strong focus on responsible operations. We are on a consistent drive to maximise resource efficiency and mitigate negative environmental impact. To this end, we have established comprehensive indicators and periodically track performance against them. Our Company-wide OHSE (Occupational Health, Safety and Environment) policy is in line with ISO 14001 and ISO 45001 standards. Our commitment towards ecological sustainability is steered by our ethos, our leadership's vision as well as our long-term action plans.

FOCUS OF OUR RESPONSE

Quality raw material procurement
Greater resource efficiency
Energy-efficient operations across facilities
Reduction of carbon footprint through implementation of carbon-neutrality projects
Reduce non-product Specific Water Consumption (SWC), especially freshwater consumption
Achieve 'Zero Waste to Landfill'

MANAGING THE NATURAL CAPITAL

The nature of our operations make Material Management, Energy Management, Emission Management, Water Management, Waste Management, Greenbelt Development, and Environmental Compliances key aspects of our business.

Impact on SDGs

Material Management

Pigments, binders, additives, and solvents are major components of input raw materials for paint manufacturing. We consistently strive to optimise our raw material consumption, thereby reducing the material losses and increasing the conversion of raw materials into finished goods.

Raw Materials

Raw Materials	Unit	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Pigments, Extenders and Resins	MT	1,46,114	1,69,546	1,85,715	1,95,973	1,87,903	1,79,976
Organic Acids and Anhydrides	MT	15,097	17,560	18,529	20,058	17,750	16,798
Solvents and Fatty Acids	MT	87,741	95,467	95,822	1,00,051	83,363	90,205

Thrust areas

Sharp focus on process automation for improved accuracy and minimised material wastage; close loop material addition and adoption/ promotion of various reuse and recovery initiatives

Packing Materials

During the year, our packing material consumption stood at 24,925 MT. Additionally, we are in the process of increasing the content of recycled materials in our packaging and thereby minimising the ecological impact. We are working closely with our value chain to make our packaging more sustainable.

In FY 2020-21, we recovered approximately 14.69 MT of TiO_2 worth ₹ 2.58 million with de-dusting machines utilised across KNPL.

Energy Management

Efficient energy management is of utmost importance, as it not only reduces operational costs, but also helps curb greenhouse gas (GHG) emissions. At KNPL, we have adopted a two-pronged approach: increase energy productivity and maximise green energy footprint in the total energy mix.

Thrust areas

Adoption of measures to reduce energy consumption and enhance per watt productivity. Reduce Specific Fuel Consumption (SFC) and Specific Power Consumption (SPC)	Diversification of our energy mix to limit emissions and reduce dependence on conventional fossil fuels	Conduct energy audits at all the manufacturing units, and implement interventions based on the findings

Energy Consumption

We measure our progress in energy management through key indicators of specific power consumption, specific fuel consumption, and percentage of renewable energy. Other operational efficiency parameters like Power factor, Power losses, Cable losses, DG outage, Transformer efficiencies, Utility efficiencies etc. are also tracked closely to ensure energy-efficient operation.

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Relentless emphasis is put on the theme of **'Energy security'**, which has been our guiding principle in energy management. Various initiatives under the umbrella of energy security have enabled us to cut down on our energy costs and adopt environment-friendly technologies; this has, in turn, helped us to limit our carbon footprint at the manufacturing level.

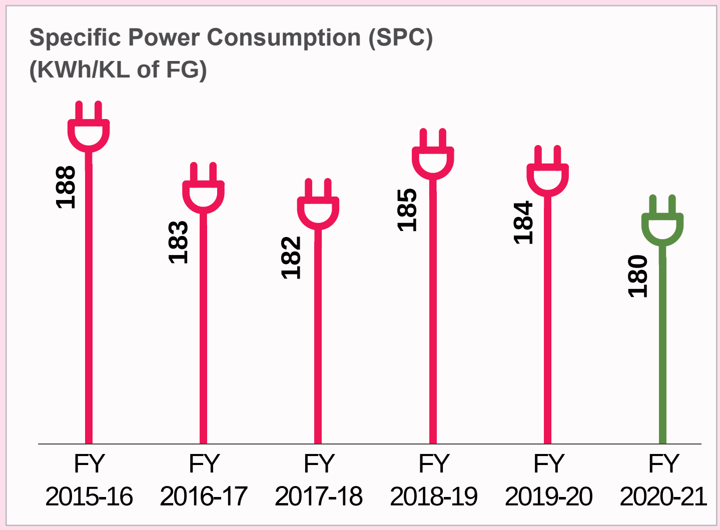
In FY 2020-21, our focus was on improving the overall **power quality** at plants. With regard to this, we have implemented capacitor banks for improvement of power factor, conducted power study to understand harmonics, and have undertaken suitable measures to control the harmonics. Through these measures, we were able to reduce the overall power loss and improve energy efficiency.

Electricity Consumption

Sources of Electricity	Electricity (in MWh)
Grid Energy	37,862
Diesel Generator Set	767
Wind Energy	8,392
Solar Energy	5,279
Biomass-Based Electricity	1,271
Total Electricity Consumed	53,571

Method of Calculation

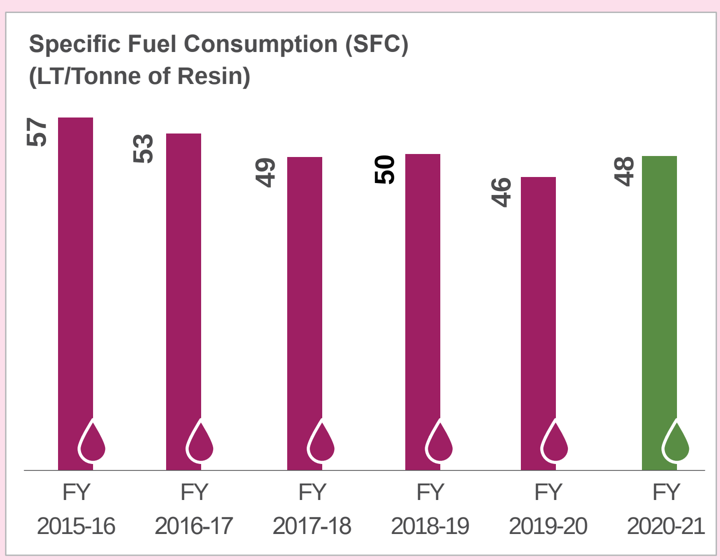
Specific Power Consumption is the ratio of electricity consumed (from all sources) at plants to total paint production during a specified period. Electricity consumption is the sum of electricity received from grid (i.e. state electricity board), electricity generated by DG set, and electricity from renewable energy sources at each manufacturing facility.



Fuel Consumption

Method of Calculation

Specific Fuel Consumption is the ratio of fuel i.e. High Speed Diesel (HSD) and biofuel consumption in boilers at plants to the total resin production during a specified period.



Heat & Steam Consumption

Energy is also used in the form of heat and steam in our manufacturing processes. A large part of the steam and heat requirements is now met through clean and environment-friendly fuels. Health of the heating systems is also monitored closely. Insulation thickness, flue gas analysis, excess air monitoring, calorific value and overall fuel quality is assessed from time to time.

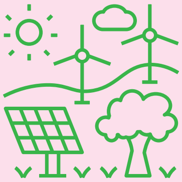
Heat & Steam generation through Biomass-based Boiler

14,519

Total steam consumption (MT)

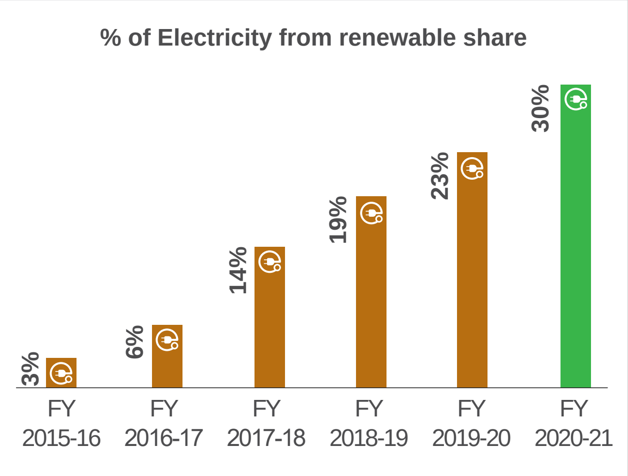
1,77,826

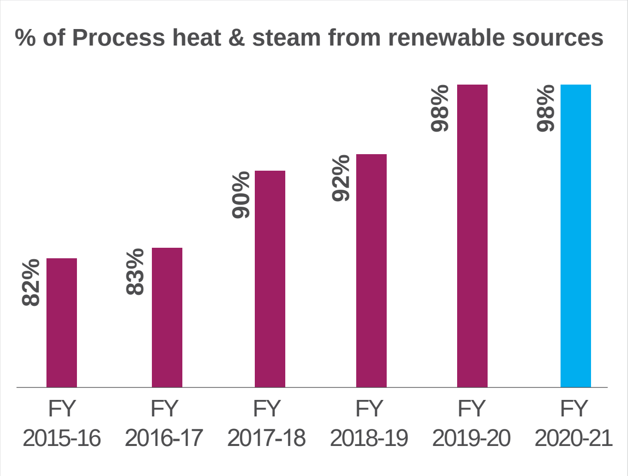
Total heat consumption (Lakh Kcal)



Measuring the Progress – Renewable Energy

For environmental custodianship and sustainable growth, we are diversifying our energy mix and increasing the share of renewable energy.





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In FY 2020-21:

Total energy consumed within the organisation was 3,67,731 GJ, while total energy consumed outside our organisation was 1,11,741 GJ. The scope of energy consumed outside the organisation is same as that for calculating the Scope 3 GHG emissions, described in the section ahead.

Of the total energy consumed, 2,22,718 GJ was through renewable sources.

The following carbon-neutrality projects were commissioned, helping us to increase the green power percentage in our overall energy mix:

- Installed additional Solar Power capacity of 1,000 KW at Goindwal Sahib
- Installed additional Solar Power capacity of 670 KW at Bawal

Moreover, the efforts made in previous years in the area of renewable energy have led to significant reduction in the carbon footprint.

Case Study: Chilling network optimisation

As a part of energy conservation initiatives, we have identified certain areas of utilities for improvement. One such initiative was to improve the specific power consumption of the chillers by combining the chilling utility network so as to optimise the load. Until now, there have been independent chillers for each section, operating at a lesser than optimum load for each section. This project is to combine all chillers on the common two networks so that effective loading on each network can be achieved, enabling it to operate at the optimum load.

Energy conservation projects implemented in FY 2020-21

No.	Implemented projects in FY 2020-21
1	Captive Wind turbine at Lote
2	Steam load optimisation through chilling utility re-engineering
3	Mist cooling tower installation for chiller at Bawal
4	PC Compressed air load shifting
5	Timer installation in all high speed stirrer equipment

Way Forward

In FY 2021-22, as part of energy-efficiency enhancement, plans are in place for the implementation of:

100% LED lighting across KNPL	Synchronisation of DG load for ensuring optimal load distribution and efficiencies	Use of Hydromx heat transfer nano-fluids for better heat transfer rates	New technologies, such as infinite uptime real-time vibration monitoring system for complete analysis of rotating equipment for optimising energy use	Wind turbines for Hosur plant to source part of captive power requirement

In the coming years, we plan to implement an Internet of Things (IoT)-based energy management system across KNPL, comprising energy dashboards and insight gathering tools. Along with solar capacity increase, we would also replace old asbestos sheets on rooftops with solar panel-compatible sheets.

We shall also undertake:

Alternative power sourcing initiatives

- Group captive power sourcing at Jainpur facility

Carbon-neutrality projects

- Migration to PNG as a fuel at Bawal
- Green power sourcing at Jainpur

By FY 2022-23, we aim to source 41% of our total power requirement through renewable energy sources. Our long-term goal is to achieve 70% of renewable contribution in our overall power mix.

Emission Management

Climate change is a catastrophic global risk; we aim to play a catalysing role in actively addressing this challenge. We integrate emission-related concerns with our operational agenda and strive to curb our emissions through effective management of greenhouse gas (GHG) emissions, air emissions, and ozone-depleting substances (ODS) emissions.

GHG Emissions

At KNPL, we are earnest in our efforts to reduce our carbon footprint by increasing our energy efficiency and reducing our dependence on non-renewable sources of energy.

Thrust areas

Increasing renewable portfolio	Consistent tracking and monitoring of our GHG emissions	Accounting of our GHG emissions through our customised GHG Accounting Tool

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Types of GHG Emissions accounted	Activities	Scope of Data
Scope 1 GHG Emissions: Direct GHG emissions	• Captive power generation from DG • HSD consumption in boilers	KNPL India operations
Scope 2 GHG Emissions: Indirect GHG emissions	• Power imported from grid	KNPL India operations
Scope 3 GHG Emissions: Other indirect emissions	• Product transport • Raw material transport • Employee commuting • Business travel	KNPL India operations

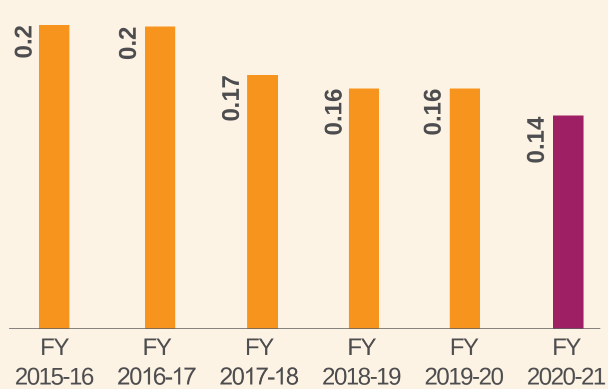
This year, we have also included the Goindwal Sahib manufacturing plant in our scope of GHG accounting.

Note: *The GHG emissions are estimated based on guidelines defined in the World Resource Institute's (WRI) Greenhouse Gas (GHG) Protocol and CEA (Central Electrical Authority) database. Emission standards relevant to our industry and those prescribed by the Intergovernmental Panel on Climate Change (IPCC) have been used appropriately to determine GHG emissions.*

GHG Emissions

Financial Year	Scope 1	Scope 2	Scope 3	Total Emissions (MT of CO_2 eq)	Emission Intensity (MT of CO_2 eq/KL of FG)
2015-16	6,886	36,532	8,752	52,171	0.20
2016-17	6,449	38,273	9,702	54,423	0.20
2017-18	5,461	40,228	6,242	51,931	0.17
2018-19	4,111	40,672	6,733	51,516	0.16
2019-20	1,419	36,721	9,558	47,698	0.16
2020-21	1,087	31,969	8,187	41,243	0.14

GHG Emission Intensity (MT of CO_2eq./KL of FG)



Our target for FY 2020-21 was to reduce our GHG emission intensity by 5%; however, our conscious efforts have led us to reduce our GHG emission intensity by 13%, as compared to FY 2019-20. In FY 2021-22, we aim to further decrease our GHG emission intensity by 5%, in comparison to FY 2020-21.

Case Study: Carbon Sequestration Study

Carbon sequestration, also known as carbon capture or carbon storage, is used to describe both natural and manmade processes by which CO_2 is either removed from the atmosphere or diverted from emission sources and stored in reservoirs. These reservoirs are also known as carbon sinks or carbon pools. Carbon is sequestered in the following ways: Geological sequestration (Underground), Ocean sequestration (Deep in ocean) and Terrestrial sequestration (In plants and soil).

During the year, we conducted an internal study to calculate the carbon sequestered by the trees on our plant premises. Only full-grown or medium-grown trees were considered for the study.

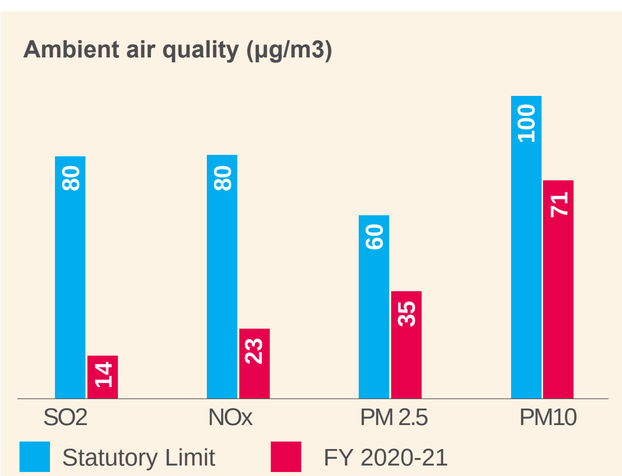
From the study, it was observed that the trees with higher biomass had more sequestration potential, as they stored more carbon in their woody biomass. Also, the current carbon sequestration rate across KNPL is 1,209 MT of CO_2 per year.

Air Emissions

In addition to GHG emissions, we also track and curb our significant air emissions such as SOx, NOx, particulate matter, and volatile organic compounds (VOCs). The emission levels are also monitored by an external agency at periodic intervals. All our plants are equipped with necessary controls to manage these emissions within permissible limits. We comply with the National Ambient Air Quality Standards (NAAQS) 2009.

Thrust Areas

Periodic monitoring of ambient air quality, stack emissions, VOC level at the shop floor and other locations at plants	Diligent monitoring of noise level, among others, at designated locations within our manufacturing sites	Use of conventional air pollution control devices like Air Handling Units (AHUs), Dust Collectors, Fume Extractors, and Forced Draft Ventilation systems	Installation of Scrubbers in the resin area and Cyclone Separator in solid fuel boilers to reduce Suspended Particulate Matter (SPM)	Activated carbon filter attached to vent to filter air emission before discharge into ambient atmosphere	Online stack monitoring system to ensure compliance with permissible limits



In FY 2020-21, our VOC concentration was 15 PPM (parts per million).

ODS Emissions

At KNPL, ozone-depleting R-22 refrigerant is in use only at old facilities i.e. Jainpur, Bawal, and head office for work-area air-conditioning; we mostly use R-134a, a refrigerant gas with zero ozone-depleting potential.

Thrust Areas

Installation of refrigeration system based on refrigerant having zero ozone-depleting potential at all new manufacturing facilities

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Way Forward

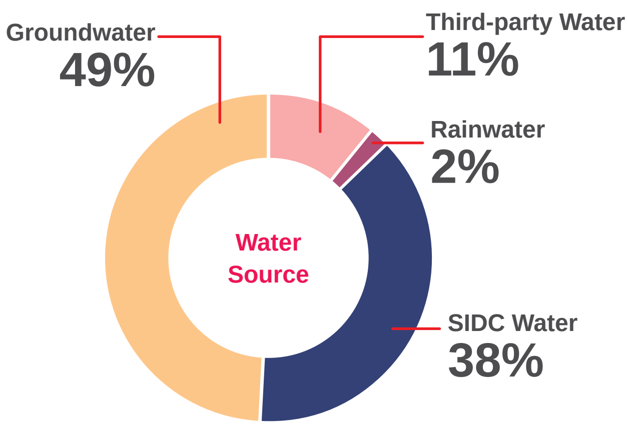
We plan to develop a Decarbonisation Roadmap, which would help us harness opportunities to reduce the carbon footprint to the maximum extent. In FY 2021-22, we also plan to respond to the Carbon Disclosure Project (CDP) Questionnaire publicly and strengthen our climate-related disclosures.

In the coming years, we will work out the modality of setting Science-Based Targets (SBTs), to quantify the amount of GHG emissions that need to be reduced in a specified timeframe. We also plan to embrace the concept of Internal Carbon Pricing to shift investments to low-carbon alternatives.

Water and Waste Water Management

Water is a critical natural resource for human life and manufacturing businesses. Unlike earlier days when clean water was considered to be constantly available, significant challenges are faced globally at present due to insufficient freshwater availability as well as stricter water regulations. Water scarcity may cause serious problems for companies and gradually take the form of both physical and financial risks, the former caused by pollution and insufficient freshwater availability, the latter due to increased water costs and/or reduced revenues as a result of damage to the corporate image.

At KNPL, water stewardship is a core thrust area and we set challenging water management goals to minimise our water footprint. We use water primarily as a raw material for water-based paints, in utilities, cleaning of process equipment, landscaping and horticulture development and domestic purposes. Our water requirement is met through groundwater, State Industrial Development Corporation (SIDC) water supply, third-party water supply, and rainwater.



Thrust areas

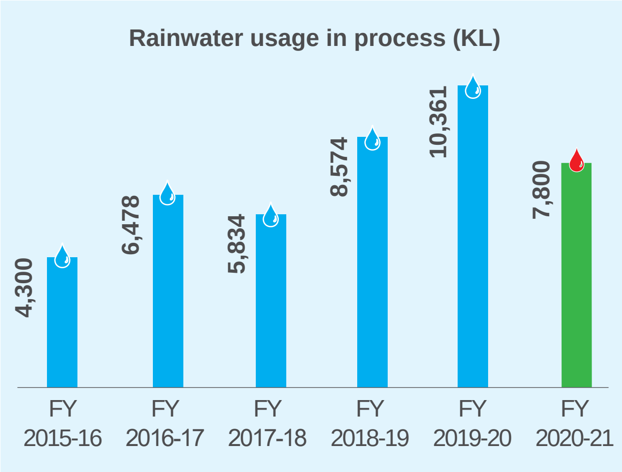
Continuous measurement and monitoring of the quantity of water consumed	Adoption of sustainable water management techniques to limit our water footprint	Ensuring that water withdrawal at every site is well within permissible limits as set by regulatory requirements, so that no water bodies are impacted due to our operations

In FY 2020-21, our figure for water withdrawal stood at

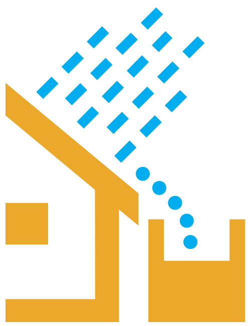
3,80,147 KL

Rainwater Harvesting

In the reporting period, through rainwater harvesting, we continued to use rainwater in process at Lote and the same is being initiated at Sayakha. However, at other locations, we have stopped groundwater recharge through the provision of rainwater harvesting within the factory premises, as notified by the Central Ground Water Authority (CGWA).



The capacity of rainwater harvested is more if there is a consistent rainfall pattern. In FY 2020-21, there were some months with heavy rainfall, while some months with deficient rainfall, thereby creating an intermittent rainfall pattern. Due to this, we could collect and use only a specific quantum of rainwater. We aim to increase the use of rainwater in process and have initiated suitable actions for the same across all manufacturing facilities.



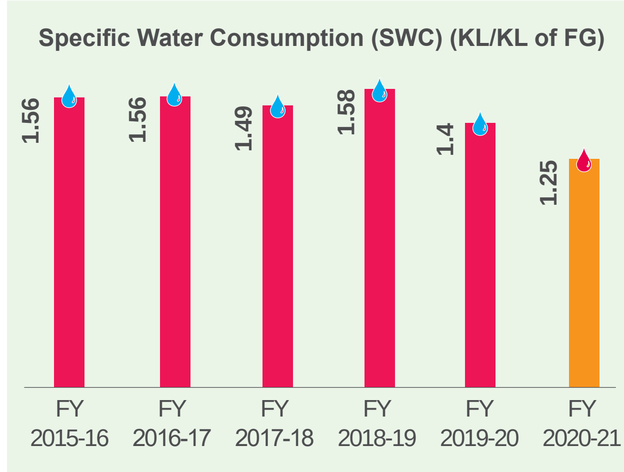
Water Consumption

In FY 2020-21, we consumed 5,00,058 KL of water, of which 1,12,112 KL was recycled water and 7,800 KL was rainwater. With our conscious efforts, we have managed to steadily increase our recycled water consumption.

Our new manufacturing facility at Goindwal Sahib is in a water-stressed area. At Goindwal, our focus is not only on consuming water efficiently within our operations, but also to ensure water sustainability in the area we operate in. In the past two years, we have installed water recharging modules in nearby villages, resulting in an increased recharging potential of over 59,000 KL.

Our recycled water consumption has increased from 10% to 22% since FY 2015-16.

Water Intensity



Method of Calculation

Specific Water Consumption is the ratio of water consumed in plants to the total production of finished goods during a specified period.

With regard to SWC, we undertake an incremental target of 5% reduction year-on-year basis. This helps us to reduce our freshwater consumption and drive water efficiency across our operations. We also study and implement best practices prevalent in the industry for water conservation.

Water Stewardship

With increased scale and scope of business, the demand for water keeps on increasing. Water stewardship is at the centre of our business strategy and our pursuit is to become a water-positive organisation by 2025, meaning we are looking to generate more water than what we consume. In line with this, we are going beyond water efficiency enhancement within our operations; we are driving watershed management projects in neighbouring villages through Corporate Social Responsibility (CSR) for larger community benefits.

Key Water Conservation Measures
Reuse of boiler condensate as boiler feed
Restoring water ponds/Creating water-recharge modules
Multiple effect evaporator condensate recycled in boiler feed
Utility RO reject reused for pallet cleaning and boiler ash quenching
Provision of filter at cooling tower area for recycling of reactor drained water
Stripping water recycling in tanker cleaning
Installation of softener plant to reduce RO rejects
Installation of dry screw vacuum pump in place of water-based vacuum pump

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Case Study:
Water Footprint Assessment Study

During the year, we conducted a detailed water footprint assessment study internally, in line with Water Footprint Network. The water footprint of an individual, community, or a business is defined as the total volume of freshwater used to produce the goods and services consumed by the individual or community or produced by the business. The water footprint has three components: Green, Blue and Grey.

Green Water Footprint is water consumption of green water resources (rainwater) in products.

Blue Water Footprint is water that has been sourced from surface or groundwater resources and is either evaporated, incorporated into a product, or taken from one body of water and returned to another, or returned at a different time.

Grey Water Footprint is the amount of freshwater required to assimilate pollutants to meet specific water quality standards.

KNPL

Green water footprint (KL)
7,800

Blue water footprint (KL)
3,80,147

Grey water footprint (KL)
0

The aim is to decrease **blue water footprint** and gradually increase the **green water footprint**, while we endeavour to keep our **grey water footprint** at zero.

Zero Liquid Discharge

Our strategy has two elements, reduction at source and reuse, with regard to effluent management. This has enabled us to sustain our Zero Liquid Discharge Organisation status since FY 2018-19.

- Installed dedicated treatment facilities for domestic and industrial effluents across all our plants
- Our industrial effluents are treated in Effluent Treatment Plant (ETP) and then passed through Reverse Osmosis (RO) and Multi-Effect Evaporator (MEE)
- All plants are equipped with in-house laboratory to monitor the quality of effluent to ensure compliance with Central Pollution Control Board (CPCB) and State Pollution Control Board (SPCB) norms

Way Forward

With the goal of becoming a water-positive organisation by 2025, we are developing an action plan with the following key focus areas: **reduce freshwater consumption; increase usage of recycled/reused water; increase usage of rainwater in process; and water replenishment in nearby villages**.

In FY 2021-22, our target is to reduce our Specific Water Consumption by 5% in comparison to FY 2020-21, initiate rainwater use in process at Bawal; and drive integrated watershed management in the nearby villages at Sayakha and Hosur through CSR activities. Eventually, these interventions will be applied to other locations, too.

Waste Management

Owing to the nature and enormity of our operation, a substantial quantum of waste is generated at our plants. With the changing regulatory landscape and enforcement of stringent rules around waste management, judicious actions in this space are imperative.

We are committed to managing waste efficiently within our operations and also to going beyond that to contribute more to the larger cause of protecting the natural world from manufacturing waste. We firmly believe in promoting industry best practices of waste minimisation, waste treatment, and safe disposal.

Hazardous waste generated due to our operations mainly includes distillation residue, ETP sludge, paint sludge, dirty resin, contaminated barrel/tins, filter cartridge and contaminated cotton waste.

Thrust Areas

- Dedicated storage for category-wise waste in scrap yard across all plants
- Systematic tracking of the quantity of waste generated and waste disposed of
- All the waste is disposed of as per statutory requirement to authorised Treatment, Storage and Disposal Facilities (TSDFs), who then dispose, reuse or recycle it as applicable
- Established systems in place to authenticate the authorisations and licences of agencies
- Employees are sensitised on handling waste, both hazardous as well as non-hazardous, in a responsible manner
- Co-processing of hazardous waste across all plants
- Imbibed the principle of 3Rs – Reduce, Reuse and Recycle – for efficient waste management

REDUCE

Material Wastage

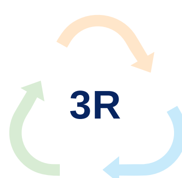
- Larger production Batch-size
- Improved accuracy and stringent controls on material addition
- Closed loop manufacturing process

Sticking Material Losses

- Procurement of bulk liquid chemicals in tankers instead of barrels, and are further stored in tanks
- Nitrogen purging in resin area

Other Measures

- Solvent Recovery Units
- Eliminated entire pretreatment operation by developing suitable coating system for Barrel Industry



REUSE

- Reusable cartridge in the filtration process
- Cleaning solvents of all major resins are reused in the next batch of same resins
- In paint section, system controls have been implemented to ensure reuse of paint filled in part filled cans in the next compatible batch of paint
- In operations, cleaning solvent is reused after distillation process again for equipment cleaning
- Paint Pigging wash water reuse
- TIO2 recovery through de-dusting

RECYCLE

- Barrels/Tins are recycled through authorised vendors
- Raw materials procured in recyclable packaging material

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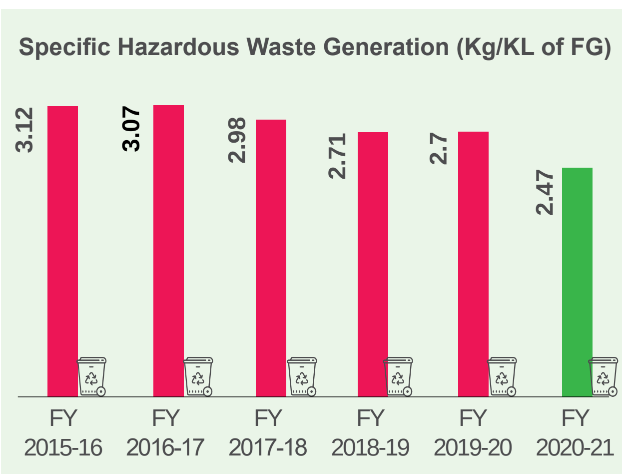
We have deployed bio-composting machines across all plants which not only help us to reduce our waste disposal but also curb our carbon emissions, reduce methane formation and divert waste away from landfills. Through these machines, we convert organic canteen/food waste into good quality manure, which is used internally for gardens and horticulture purposes. During the year, we treated 11 MT of food waste to generate 4 MT of manure.

No hazardous waste was transported (imported or exported) internationally from the sites. During the year, there have not been any cases of significant spillage at any of our manufacturing sites.

The total waste generated in FY 2020-21 was 10,989 MT, of which 748 MT was hazardous and the rest was non-hazardous waste. Approximately, 38% of the total waste generated is recycled / reused within the factory premises.

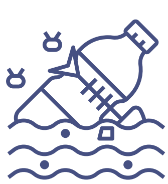
Specific Hazardous Waste Generation



Method of Calculation

Specific Hazardous Waste Generation is the ratio of hazardous waste generated in plants to the total production of finished goods during a specified period.

With regard to SHWG, we undertake an incremental target of 5% reduction year-on-year basis.



Case study: Installation of Hydraulic Press

During the reporting period, we have installed a hydraulic press (baling machine) at Bawal for judicious waste management related to tins and drums. The machine uses strong hydraulic pressure to flatten the drums/tins, so that they occupy less space when being hauled away for disposal. It not only helps to fulfil the drum disposal needs, but also ensures that the drums are not misused for other purpose. This has a positive economic impact as well, because fewer vehicles are required to collect and dispose of the scrap. Additionally, it has also helped us improve our scrap yard condition as it is easier to stack and store flattened drums efficiently.

Plastic Waste Management

In response to the stringent laws and emerging regulations around plastic waste management, we put special emphasis on cutting plastic waste and endeavour to eliminate it in the coming years. There is zero procurement and usage of packing material with thickness less than 50 microns.

Most of the pre-consumer plastic waste is from the incoming packaging of raw materials from suppliers. We have been stringent in our due diligence process and encouraged the suppliers to substitute plastic with alternative materials or implement a takeback mechanism.

Aligning with the Plastic Waste Management (PWM) Rules under the provision of Extended Producer Responsibility (EPR), we have initiated our efforts towards curbing post-consumer plastic waste. Our action plan has been submitted to CPCB to register ourselves as a Brand Owner. We believe that the best is achieved through collaborative effort and hence have associated with external agencies for safe collection, treatment, and disposal of post-consumer plastic waste. Moreover, our technical team is working closely with our packing material suppliers to increase recycled plastic content and optimise the packaging weight, without affecting the performance characteristics and customer delight.

Greenbelt Development

At KNPL, we ensure compliance with the 33% Greenbelt requirement of CPCB across all plants. We are cognisant of environmental protection and conduct tree plantation drives on various occasions within and outside the organisation.

Currently, a total of 47,247 trees are planted within the factory premises across all locations, of which 4,120 trees were planted in FY 2020-21. In addition, a total of 3,417 trees were planted outside factory premises in FY 2020-21.

We have set a target of planting 5,000 trees outside the factory premises in FY 2021-22 that will not only enhance the ecological value but also offer myriad other benefits.

Environmental Compliances

With respect to the environmental compliance aspect, we ensure that our operations are fully compliant with all applicable environmental laws and regulations. During the reporting year, no monetary fines or forms of non-monetary sanctions were levied upon us for any non-compliance with environmental laws and regulations.

EHS Expenditure

During the year, a capital expenditure of ₹ 9.76 Crores was spent on EHS requirements at existing plants. This included procurement and upgrade of assets for environmental monitoring, effluent treatment, water conservation, energy efficiency, harnessing renewable energy, emergency preparedness and safety equipment. Also, an additional of ₹ 4.71 Crores was spent in the form of revenue expenditure at our existing plants.

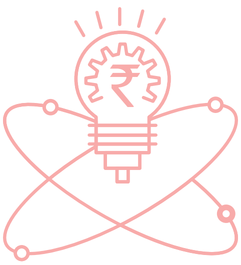
Digital Film on World Environment Day

Under our ‘Aaj Careful Toh Kal Colourful’ campaign, we launched a thought-provoking digital film on World Environment Day, showcasing insights on safeguarding our environment through small steps undertaken by people. The film encouraged each individual to do their bit and drive a positive change and make the world a better place.

Intellectual Capital

At KNPL, innovation is a strategic pillar for successful longevity which not only acts as an enabler in business excellence but also fosters collaborations with internal as well as external stakeholders. We aim to develop and deliver best-in-class sustainable solutions for a better world. Our innovation management entails product innovation, technological advancement, process improvement and growing digital capabilities.

Intellectual Capital



Scientific research into innovative, better-performing, longer-lasting paints, the related patents for products and processes, and the physical and digital repository of all our data are the most important elements of our intellectual capital. This capital underpins our strategy of identifying growth markets and increasing collaboration with all stakeholders; it reinforces our reputation as a Company that attains excellence through knowledge.

BACKDROP

We understand that our future success relies on our potential and ability to stay attuned to the ever-changing business environment and increasingly competitive market. Customer-centric innovation is imperative for business growth. In today's time, customers are continuously evolving with shift in their preferences. Our primary responsibility is to move quickly enough with these shifts and provide high-standard paint solutions to our customers at the right time and at the right price points. We make concerted efforts to bring more agility and innovation to our core categories and focus on portfolio expansion.

RESPONSE

We cater to our customers through pioneering innovative, revolutionary, and globally best-in-class products in diverse market segments. Leveraging the vast unique technical capabilities of Kansai Paint Co. Ltd, Japan, and its group companies, Oshima Kogyo Co. Ltd, Japan, Cashew Co. Ltd, Japan, and Protech Chemicals Limited, Canada, helps us strengthen our in-house capabilities, thereby giving us the competitive edge needed for accelerated growth.

FOCUS OF OUR RESPONSE

- To be a pioneer in developing best-in-class, sustainable, and user-friendly products
- To be one of India's most technologically advanced paint companies
- To develop new solutions in niche segments (adhesives, construction chemicals)

INTELLECTUAL PARAMETERS OF OUR RESPONSE

Best-in-class research and development (R&D) infrastructure, with advanced technologies and modern equipment	Investments in R&D to conduct pioneering research, facilitating innovative product development and deliver products of highest standards for the overall well-being of people and the environment	Constant efforts to create innovative and value-added products

Impact on SDGs

AUGMENTING R&D

Adopting an innovative approach to respond dynamically to the external environment and build new competencies, we strive to upscale our R&D capabilities. The following are the components of this endeavour.

- **Products with added advantages**
- **Technology advancement**
- **Process improvements**
- **Increasing digital capabilities**

Xenon Arc Weather-o-meter

In FY 2020-21, we have installed a Xenon Arc Weather-o-meter at our R&D centre. It enables us to design and develop products that are technically-advanced, cost-effective and offer superior quality. Through this intervention, we have been able to reduce our dependency on the Bawal plant and KPJ as the tests can now be done at the R&D centre.

INNOVATING ACROSS BUSINESS SEGMENTS

Decorative

Our edge

- Trendsetter of Low VOC products in the Indian market and zero heavy metals in the Indian market
- Relentless focus on developing novel and sustainable Eco-Friendly Green solutions
- Working on megatrends such as enhancing the life and performance of coatings, improving health and wellness

NEW PRODUCTS LAUNCHED IN FY 2020-21

Products	Key Feature
Excel Virus Guard	Interior emulsion with fabric finish and anti-viral properties
Nerolac Beauty Gold Washable	Premium interior emulsion with stain resistance, wash ability and anti-bacterial property
Nerolac Beauty Gold Washable	Economic exterior emulsion with 3-year performance warranty, excellent dust resistance and high sheen
Suraksha Sheen	Economic exterior emulsion with high sheen and exterior durability
Beauty Sheen	Economic interior emulsion, providing excellent opacity, whiteness and rich sheen
Nerolac Excel Multi-Surface Protection Sheets	Ground-breaking innovation made with Japanese technology
Nerolac Disinfectant HWS 256	4th Generation surface disinfectant which is biodegradable

Automotive

Our edge

- Industry leadership position through best-in-class technical services and value-added solutions that are **environment-friendly, energy-efficient, have improved finish and higher productivity**
- Key industry differentiators include **Medium High solids, Low VOC products, Direct to Metal Anticorrosive Technologies, Zero Bake Technology**
- Collaborations with knowledge partners and customers to drive innovation and colour trends

NEW PRODUCTS LAUNCHED IN FY 2020-21

4-Wheeler	2-Wheeler	Construction & Farm Equipment
Low Formaldehyde Coatings (formaldehyde <0.1%)	Clear coat with high durability and abrasion resistance	DTM (Direct to Metal) Monocoat to eliminate conventional 2 coat
High solids Clear coat with low VOC and better durability	Low Bake Monocoat coating with low VOC and lower energy need	PU High solid 2K Monocoat for tractor sheet metal with excellent gloss and colour retention

Process improvements and technological advancements in FY 2020-21

Enhanced technology support from parent company Kansai Paint Co. Ltd, Japan, Kansai Altan Boya Sanayi A.S. and Helios, with newer technology know-how transfers for key growing markets.

Intellectual Capital

Performance Coating (Liquid and Powder)

Our edge

Strengthened our efforts and commitment to offer sustainable products that are **environment-friendly and energy-efficient**

Powder coating know-how to shift 2W component industry from liquid paints to **zero VOC** powder coating

NEW PRODUCTS LAUNCHED IN FY 2020-21

General Industrial (GI)	High Performance Coating (HPC)	Powder Coating (PC)
Anti-Bacterial Top Coat for pre-coated sheets for pharma and health care industry	Neropoxy 6000 Direct to Metal Low VOC in epoxy chemistry	Fusion-Bonded Epoxy (FBE) as powder primer for pipe coating with excellent anti-corrosion properties
NeroDTM AK 6500 Synthetic Enamel Monocoat system for PEB industry		Anti-graffiti Powder Coating with anti-smog feature for furniture
		Single coat Powder Coating for alloy wheel, replacing 3 Coat 2 Bake Liquid Coating

Design Philosophy

We have focussed on providing environment-friendly, energy-efficient, higher performance and superior quality products to the customer. We have incorporated these parameters at the product design stage, and the benefits are tracked till product usage stage at the customer end. Our domain knowledge on polymer chemistry and paint technology, and our state-of-the-art R&D Centre help us design unique solutions for customers.

Increasing Digital Capabilities

During the year, we retained our thrust on adopting newer digital technologies & leveraging technologies like Machine Learning, Mobility, Visual Analytics, Internet of Things, Business Process Automation Technologies, ChatBot, & Cloud Platform. Solutions based on Artificial Intelligence were adopted in the areas of Network & Data Security.

Stakeholder	Digital Initiative
Decorative Sales Team	SAATHI app enhancement by using ML, Predictive Capabilities, GPS and Heat Maps
Dealers	DEALER app for dealer connect and online payments
Painters	PAINTER self-service app for painter engagement
Functions	BUSINESS critical dashboards using Visual Analytics SAP processes on mobile for smooth functioning despite the COVID-19 pandemic restrictions RPA (Robotic Process Automation) to automate standard and repetitive processes, enabling efficiencies and 24X7 support
Employees	DIGITAL UNIVERSITY, a learner-driven tool that helps us to discover, share, and track all kinds of learning resources HEALTH & WELLNESS app for employee care
General Digital Experience	Collaboration Tools (Teams), Idea Management App, Virtual Assessment Centres, Knowledge Management Portal, Reward & Recognition, Virtual Contact Programmes, Gamification-Based Induction, Post-Employment Feedback, etc.

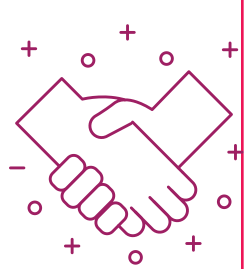
I AM NEROLAC PAGE

During the introduction of our renewed brand identity, UNATI – the roadmap to the future – was launched. One of the elements of UNATI was 'Transform Digitally'. Taking into consideration the Digital Transformation, we introduced 'I Am Nerolac Page', a digital engagement platform to keep the employees connected with the brand on a day-to-day basis. Its features include InShorts and Leadership Videos that enable employees to easily adapt to – and enthusiastically embrace – all the digitalised endeavours to come.

INDUSTRY KNOWLEDGE & COLLABORATIONS

Kansai Paint Co. Ltd, Japan (KPJ), our parent company, continued to share best-in-industry practices and technology advancements. We also have strategic and technical associations with Oshima Kogyo Co. Ltd, Japan, Cashew Co. Ltd, Japan, and Protech Chemicals Limited, Canada, for specific product and service offerings. We firmly believe that industry associations and partnerships will provide a strong foundation to develop the business, share knowledge, and gather new ideas for innovations.

During the reporting period, we have strengthened our relationship with our subsidiary company Kansai Nerolac Bangladesh Limited by imparting know-how and by training the team to establish the business with key 2W manufacturers and achieve cost-effectiveness.



WAY FORWARD – ENHANCING PRODUCTS

In line with our innovation thrust, we shall continue to cater our customers' with products of premium quality and highest standards. We shall also leverage innovation and our business excellence through capability building and continue to enhance our product performance through environmentally-friendly and energy-saving solutions.

Financial Capital

Cost leadership is one of our key competencies and a vital factor for achieving operational excellence. We are constantly looking for lucrative growth prospects, which are backed up by focussed and rigorous planning, policy, and prudence. We look at financial capital as a means of creating wealth for our shareholders with judicious use of company and community resources.

Financial Capital

BACKDROP

FY 2020-21 saw huge challenges on account of the COVID-19 pandemic, which severely affected business operations and economic performance. The nation witnessed stringent lockdown which was imposed on 25th March, 2020 to prevent the spread of COVID-19 infections in the country, and continuing restrictions thereafter, to break the chain.

Following the relaxation of restrictions, the industry experienced a rapid recovery in both consumer and industrial sectors. The second half of 2020, however, was beset by rising input costs due to a steady increase in global raw material demand and supply chain disturbances. The washout experienced during the first quarter of the fiscal year impacted achievement of our topline targets for the fiscal year.

RESPONSE

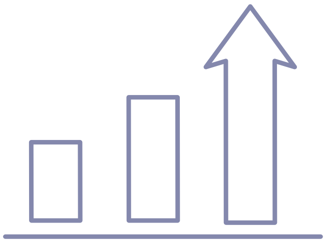
Against this backdrop, the Company was able to improve its EBITDA, operating cash and free cash flows. The Company's EBITDA was 17.8% for the year as compared with 15.8% in the previous year.

Data on financial capital performance is covered in the statutory part and in the latter sections of this report. We maintain an apolitical stance and do not support any specific political party or candidate for political office. We did not offer or provide any Company funds or property as donations to any political party, candidate or campaign during the year.

TAKING THE RIGHT DECISIONS

All strategic economic decisions at KNPL are made by the Board of Directors and implemented by the Vice-Chairman and Managing Director, other management committee members and departmental heads, as necessary for day-to-day business operations.

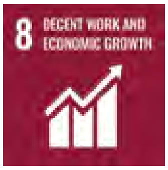
The Management Committee under the leadership of the Vice Chairman and MD, took proactive measures early during the year to reduce the impact on business caused due to pandemic. The foresightedness shown by the Management helped the Company overcome the huge challenge posed by the pandemic crisis. The measures undertaken encompassed every nook and corner of company operations and involved every employee and location.



₹833.08 Crores

EBITDA of Company which is an improvement of 6.6% over the previous year.

Impact on SDGs



OPERATIONAL ACHIEVEMENTS

During the year under review, the Company improved its operational performance by focussing on cost reduction initiatives and improved operating cash flows through prudent fiscal management.

Increase in Operational Cash Flow and Free Cash Flow

Cash flow from operating activities was ₹ 638.66 Crores during FY 2020-21, as compared with ₹ 620.61 Crores in the previous year. The free cash flow was ₹ 542.10 Crores during FY 2020-21 as compared with ₹ 403.60 Crores in the previous year.

Strategic Capital Investment

The Company spent ₹ 147 Crores towards capital expenditure related to various projects.

Improved EBITDA

The EBITDA of the Company was at ₹ 833.08 Crores, which is an improvement of 6.6% over previous year.

Significant Control of Overheads

The Company was able to control and reduce 'other expenses' from ₹ 834.55 Crores to ₹ 686.91 Crores.

WAY FORWARD – BUDGETING AND CONTROL

Agenda and plans for the next financial year are decided at KNPL, at the start of the year and entail documentation of a detailed annual business plan. Based on the annual business plan and macro environment, with respect to currency value, raw material costs and energy costs amongst others, a detailed annual budget is prepared by the Management Committee consisting of Functional Heads and Vice-Chairman and Managing Director and then approved by Board of Directors. The Company uses various IT platforms to monitor the budget and has developed multiple system checks to control it. The budget is reviewed regularly by the functional heads along with the Management Committee.

Manufacturing Capital

At KNPL, innovation and excellence are entrenched in every aspect of our business, of which manufacturing is the central pillar. To grow our manufacturing capital, we implement state-of-the-art technologies, optimise processes, enhance automation, and undertake green initiatives. It is our aim to always remain a role model of responsible manufacturing in the paints sector.

Manufacturing Capital

BACKDROP

Quality, reliability, performance, and innovation have been the drivers of our business reputation. We have been successful in consistently raising the bar through our product offerings. Our rich organisation-wide culture, along with technical know-how and agility, has enabled us to gain the competitive edge and foster improved efficiencies across our manufacturing facilities.

3

International subsidiaries located in Nepal, Sri Lanka, and Bangladesh

RESPONSE

We continue to build our organisation on a strong foundation, backed by a deep value system that includes economic and societal development.

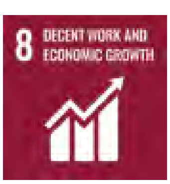
PARAMETERS OF OUR RESPONSE

Primary operations in India
6 subsidiaries (3 in India, 3 International)
International subsidiaries located in Nepal, Sri Lanka, and Bangladesh
6 strategically located manufacturing facilities, 99 depots catering to customers across India

FOCUS OF OUR RESPONSE

- Improving product quality to enhance customer satisfaction.
- Embracing digital capabilities and implementation of automation
- Enhancing productivity and operational efficiency
- Optimising overhead costs
- Strengthening integrated supply chain function

Impact on SDGs



MANUFACTURING FOOTPRINT

Our manufacturing facilities are strategically located to fulfil the requirements of our esteemed customers and OEM vendors. We serve varied markets in both the segments: decorative as well as industrial.

To ensure a safe working environment and the highest level of service, our plants have deployed the most advanced detection and protection mechanisms. These safeguard the operating equipment, shopfloor environment, the human workforce, tank-farms etc., and eliminate fire hazards. Our manufacturing units have also taken adequate sustainable measures, like developing a sufficiently large green belt within plant premises, recycling and reusing to ensure zero effluent liquid discharge, and reducing waste at source through better tools and practices.

Decorative Segment

- Our plants at Hosur, Jainpur, Lote, and Goindwal Sahib cater to this segment
- Product offerings: Interior Range, Exterior Range, Designer Range, Enamel, Primers, Wood Finishes, Water-Proofing, Adhesives and Soldier Paints
- Augmented our Decorative Paint manufacturing capability with state-of-the-art manufacturing facilities
- Enhanced the ability to serve a wide range of environment-friendly, new technology-based and cost-effective products
- All facilities are capable of serving multiple ranges of product streams
- Ensuring quality and manufacturing practices of highest standards on the shopfloor
- Deployment of advanced systems, high-end technologically advanced machines and innovative tools and techniques to drive operational excellence

Industrial Segment

- Our plants at Bawal, Sayakha, Lote, Hosur, and Jainpur cater to this segment
- Product offerings: Automotive Coatings, Powder Coatings, Performance Coatings Liquid (General Industrial + High Performance Coating) and Auto Refinish
- Our manufacturing plants are equipped with state-of-the-art Auto Paint manufacturing infrastructure to ensure safe operations and highest standard of quality in the products
- Deployment of high-end technology to manufacture need-based unique solutions for diversified industries
- High-end robotics-based bell and paint booths to simulate OEM line conditions
- Value Analysis / Value Engineering (VAVE) offering cost savings, reduced environmental impact and improved productivity
- Close industrial collaboration with our parent company Kansai Paint Co. Ltd., Japan, and its group companies to develop cutting-edge, home-grown technology solutions
- All facilities are capable of serving multiple ranges of product streams
- Ensuring quality and manufacturing practices of the highest standards on the shopfloor
- Utilisation of advanced digital tools to drive manufacturing excellence

Manufacturing Capital

CAPACITY ADDITIONS

During the year, capacity expansions at our plants were completed in line with our investment plans. The new capacities have been commissioned and are now on stream. The key capacity additions are as follows:

Bawal	Industrial Putty
Jainpur	Wood Coating and consolidation of Colourant capacity
Sayakha	CED F1 & F2 and Coil Coating capacity
Lote	Rebar Coating
Hosur	Consolidation of ARF
Goindwal Sahib	Powder Coating

Certifications

Our plants are certified for the highest standards:

	IATF 16949: 2016	ISO 9001:2015	ISO 14001:2015	ISO 45001: 2018
Bawal	✓	✓	✓	✓
Hosur	✓	✓	✓	✓
Jainpur	✓	✓	✓	✓
Lote	✓	✓	✓	✓
Sayakha	✓	✓	✓	✓
Goindwal Sahib	Not applicable	✓	Planned in FY 2021-22	Planned in FY 2021-22

Additionally, with a focussed approach on productivity enhancement, several projects on Batch Cycle Time (BCT) reduction, rework reduction, Asset sweating data, and throughput improvement were taken up. Underutilised assets were diverted to restore and generate capacity within. Capacity-mapping and debottlenecking exercise is performed at periodic intervals.

With the help and data from Kansai Paint, Japan, opportunities are identified and worked upon with regard to BCT benchmarking, enhancing mistake-proofing on shopfloor activities. The 3S approach has been adopted to strengthen the focus on safety and quality.

INITIATIVES TO MAINTAIN EXCELLENCE

All our facilities are designed and equipped to suffice our evolving customer needs and changing market requirements. At KNPL, we strive to maintain excellence, not just in our products but also in our operations. We have adopted world-class practices at our plants to improve safety level, enhance quality, productivity and efficiency; and deliver superior products in timely manner. In line with this, we pursue several initiatives as listed below:

Safety and employee engagement

- Deployment of adequate safety measures
- Infrastructure upgrade to achieve highest level of fire safety
- Periodic trainings and awareness sessions to build a ‘Safety First’ mindset
- Safety training KIOSK and Safety Laboratories across all locations
- Programmes that aid employee engagement: horizontal deployment of CAPA, POKAYOKE (mistake-proofing), Kaizen competitions, Six Sigma and Improvement projects

Quality, productivity and efficiency improvement

- Improved usage of predictive and preventive maintenance to reduce asset downtime
- OEE (Overall Equipment Effectiveness) improvement of critical equipment
- Evaluation of current assets in terms of useful life, and improving utilisation by using advanced diagnostic methods
- Line consolidations for improved quality, manpower productivity and reduced waste generation
- Manpower efficiency (white and blue collar) improvement using scientific tools like Day In Life Of (DILO) and Measure Of Performance (MOP)
- Distinguished projects under the themes of Power & Fuel, General Works Charges (GWC) and Spares & Consumables for cost-efficiency improvement
- Deploying Quality – Kiken-Yochi Training (Q-KYT) and 4M analysis for quality improvement
- Usage of raw materials in slurry form to enhance capacity and quality
- Adoption of innovative tools and techniques to achieve reduction in fresh solvent NPI and improvement in flow-rate in colourant

Technological advancement

- Usage of high-end technologically advanced machines to improve performance and smoothness of intermediates in CED section
- Implementation of special filter systems
- Usage of better VOC control techniques for asset downtime reduction due to vessel entry related work
- SAP-based dashboards for effective utilisation of assets
- Deployment of advanced systems: MES (Manufacturing Execution System), ASRS (Automatic Storage & Retrieval System), Robotic Palletisers, Mo-Fa (Modular Factory), In-land Dispersion Technology

Manufacturing Capital

PROJECT UDAY

Project UDAY, a strategic initiative for throughput, productivity improvement, and energy cost reduction was implemented in the previous year with the support of an external consultant. During the year, we were able to successfully achieve our desired targets through the interventions implemented under Project UDAY across all manufacturing locations and horizontally deploy the same at new sections through an in-house team.

With relentless focus on throughput improvement at the Pan-India level, we achieved a closure of 2,131 section shifts in the reporting period.

At KNPL, we drive a culture of constant improvement and learning through participation in knowledge-sharing platforms, conferences and competitions. We encourage and facilitate such participation by employees from different levels to embed operational excellence across the organisation. In FY 2020-21, a total of 18 prizes were won by our manufacturing teams through participation in external forums like CII - 3M, Kaizen, Maintenance Excellence; QCFI, Six Sigma competition and Qimpro.

In FY 2020-21, the Lote plant received First Prize in the 15th State Level Awards for Excellence in Energy Conservation and Management in the 'Chemicals & Petrochemical' category.

A total of 76 companies participated from Maharashtra across various sectors for this prestigious award, conferred by MEDA (Maharashtra Energy Development Agency).

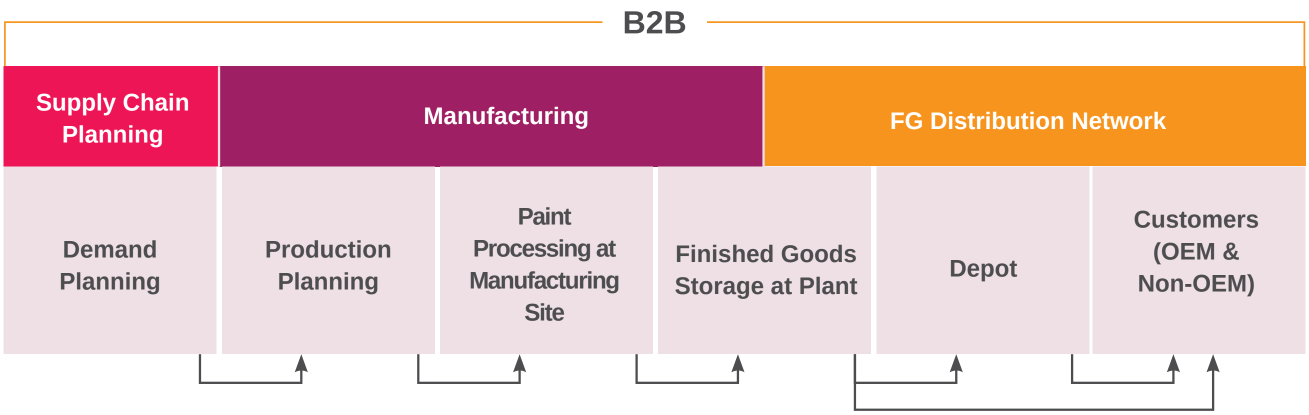
Supply Chain Strategy

At KNPL, we have a vertically integrated supply chain, which helps us serve a wide range of Industrial as well as Decorative customers. We have a robust planning and distribution strategy for these two major groups.

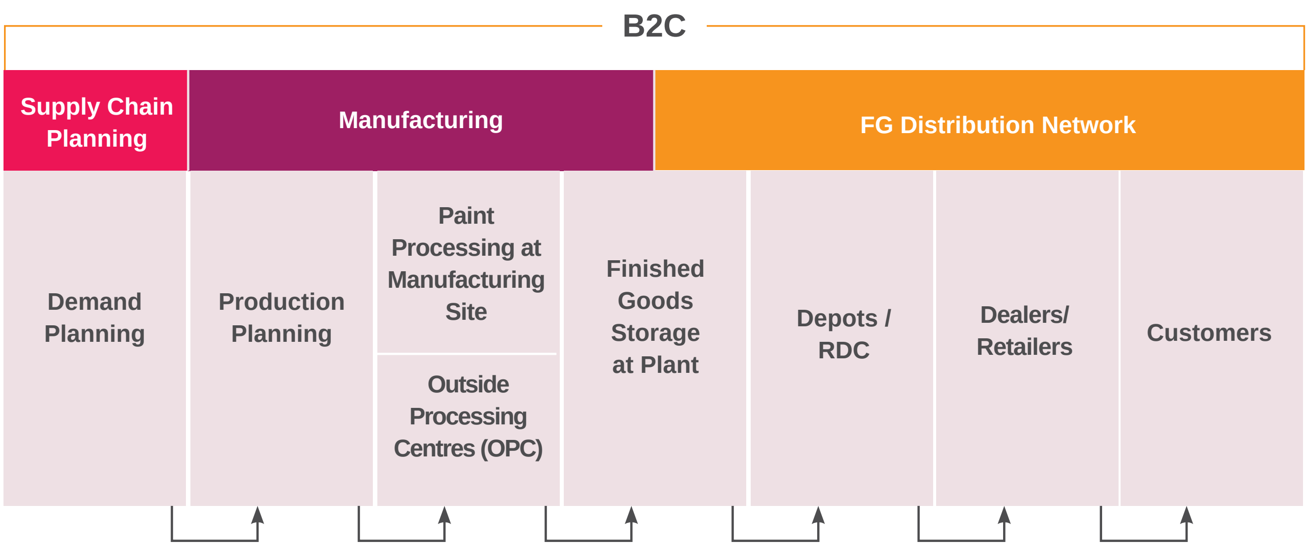
For Industrial customers, planning is carried out as per a "Make to Order" philosophy. For Decorative customers, planning is carried out based on a demand forecast and they are served by the Company's wide distribution network.

How the Supply Chain works

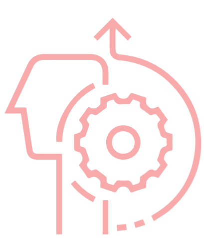
Production plan is the output of planning phase, which serves as an input for the Manufacturing team (in terms of finished goods to be produced) and for the Purchase department (in terms of raw materials to be procured). Procurement of materials and manufacturing of paint is carried out as per the Production plan.



For B2B customers, FG (finished goods) service levels are managed at JIT (Just in Time) level. We have the unique strength of sufficient backup facilities and flexibility of producing at multiple locations.



In order to serve our customers and OEM vendors in a timely manner during these unprecedented times, we identified our single-source suppliers and suitable alternatives were deployed.



WAY FORWARD – HOLISTIC IMPROVEMENTS

We are committed to embracing digitalisation and automation and institutionalising data analytics in every aspect from product development to manufacturing and supply chain. We will continue to focus on process improvement, implement state-of-the-art technologies and deliver superior quality to address the evolving needs and preferences of our customers with a better response time.

Social and Relationship Capital

We believe that sustained business success depends on factors beyond our own operational boundaries; it derives much of its strength from the long-term ties with all our stakeholders and our ability to drive value-accretive growth for them. From customers to supply chain partners to the wider community, all our stakeholders are part of our journey towards inclusive growth. This helps us set a precedent as a responsible organisation and build social and relationship capital.

Social and Relationship Capital

ENHANCING CUSTOMER RELATIONSHIPS

In this dynamic business environment, we aspire to tread the path of value-accretive growth by delivering superior products with uncompromising quality and creating differentiated benefits for our customers.

BACKDROP

At KNPL, with innovation imbued in every aspect of our product offerings, we align ourselves with the shift in preferences of our customers and go beyond their demands. We constantly strive to provide a unique customer value proposition.

RESPONSE

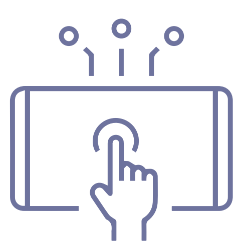
By virtue of our industry, we have an immense customer base, catering to a wide range of customer groups. Over the years, we have been successful in fostering relationships of trust with them; it is a mandate for us to provide total customer satisfaction by supplying quality products and services to meet or exceed customer requirements.

FOCUS OF OUR RESPONSE

Supply quality product in a timely manner
Reaffirm customer satisfaction
Deliver environment-friendly and safe products and solutions meeting global standards

The onset of FY 2020-21 was hit by the COVID-19 pandemic and the ensuing nationwide lockdown in India, which led to unprecedented disruption in demand and sudden closure of working facilities. During this challenging time, we demonstrated our leadership in the automotive paints market by constantly engaging with customers through digital channels. This enabled us to ramp up production quickly for our OEM customers after the lockdown. In the decorative paints space, the market demand saw a faster recovery than expected during the festive season.

Impact on SDGs



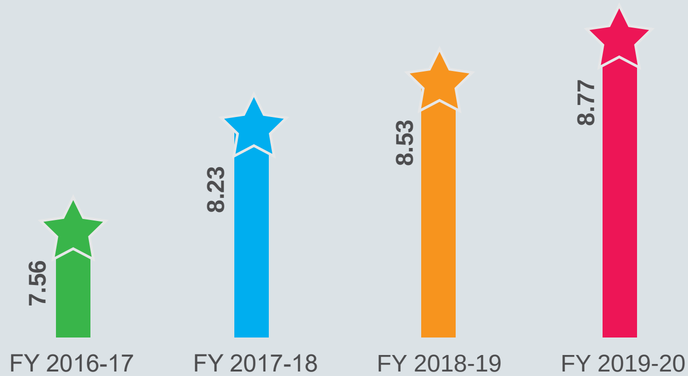
Customer Satisfaction

For an organisation like ours, customer delight is of paramount importance. To exceed expectations here, we take the following steps:

- Strive to understand and assess the needs of our customer base and then fulfil those needs
- Conduct periodic evaluation of the satisfaction levels of the various customer groups
- Track customer profile attributes based on their expectations and priorities
- Proactively formulate strategic plans to address key areas for improvement, retain customers and acquire new ones

In FY 2020-21, a customer satisfaction survey for the preceding year was conducted through a digital platform, and it showed a steady annual growth in satisfaction levels.

Trend of Customer Satisfaction Index



The survey for FY 2020-21 is planned in the first half of the next financial year. Continual efforts are planned to further improve support, response, and engagement with our customers.

Customer Complaints

	Industrial	Decorative	Powder Coating
% of Number of Batches	1.49	0.45	1.53
Complaints Justified (%)	0.84	0.03	0.40

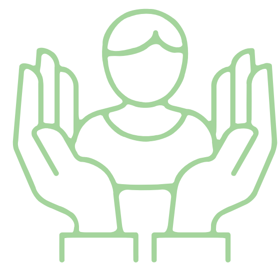
Social and Relationship Capital

Customer Care, Health and Safety

During the pandemic, to ensure the safety of our customers and business continuity, we worked jointly with institutional customers for safe and smooth shutdown and startup of operations, as the lockdown was imposed at the end of March 2020 and began to be lifted gradually from June 2020. We engaged with our dealers on smooth opening of the outlets and ensuring social distancing and preventive measures during customer visits.

Our customer-centricity is supported by pioneering concepts and technology-led paint solutions:

Decorative	Industrial
Pioneering concepts like **Lead-free, Low VOC, Healthy Home Paints** Functional Smart Coatings, such as formaldehyde abatement, air purifying and waterproofing	**Environment-friendly, Energy-saving** and Value-adding technologies like low bake common technology, high solids low VOC products



We ensure that product information about the physical dimensions and/or chemical compositions is provided through the product labels/pack declaration and/or catalogues. The information on the products is readily available on our Company website. We also have a dedicated consumer helpline 1800-209-2092.

For product information and labelling, we adhere to the Legal Metrology (Packaged Commodities) Rules. Other than the basic requirements stipulated in these rules, the following product-related information is also provided:

- Content, with regard to substances that might produce Environmental/Social impacts
- Safe use of the product
- Environmental/Social impact of product

In case of Industrial products, Material Safety Data Sheets (MSDS) are provided to Industrial paint customers on demand. All finished products are appropriately labelled with health and safety precautionary information and disposal methods as per applicable norms in India.

We advertise our products and improve our brand value on our own merits without encroaching on others by any unethical means. We engage only reputable advertising agencies that are members of The Advertising Standard Council of India (ASCI) and voluntarily follow its guidelines for our marketing communications.

All finished products are appropriately labelled with health and safety precautionary information and disposal methods as per applicable norms in India.

WAY FORWARD – WALKING WITH CUSTOMERS

We aim to strengthen our leadership position in the Industrial segment and increase our presence in the Decorative segment. We shall continue to find newer markets to achieve inorganic growth. Through proper channelling of efforts and sharp focus, our goal is to achieve profitable business growth without compromising customer delight.

STRENGTHENING RELATIONSHIPS WITH SUPPLY CHAIN PARTNERS

A sustainable supply chain is an integral part of our long-term performance and brand value. We work closely with our network of supply chain partners to cultivate a relationship based on trust and mutual benefit.

BACKDROP

Close collaborations with suppliers is vital for business growth, and we have adopted this as one of the primary goals of our operations.

RESPONSE

In our business, we rely on a huge network of suppliers and dealers and periodically engage with them to develop a better understanding and add value to our partnership.

INVESTING IN LOCAL GROWTH

The availability of quality raw material is crucial for our business. At present, we have more than 500 direct raw material suppliers, of which around 350 are local suppliers. With the objective of boosting the local economy, simplifying logistics, minimising transportation and the associated environmental impact, we encourage local sourcing. The majority of our packing materials is sourced from suppliers within a 10 km radius of our production sites.

FOCUS OF OUR RESPONSE

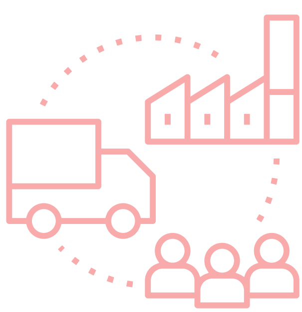
Create long-term relationships with our supplier network
Build a supply chain based on the highest standards of ethical conduct, environmental management and working conditions

CARE DURING PANDEMIC

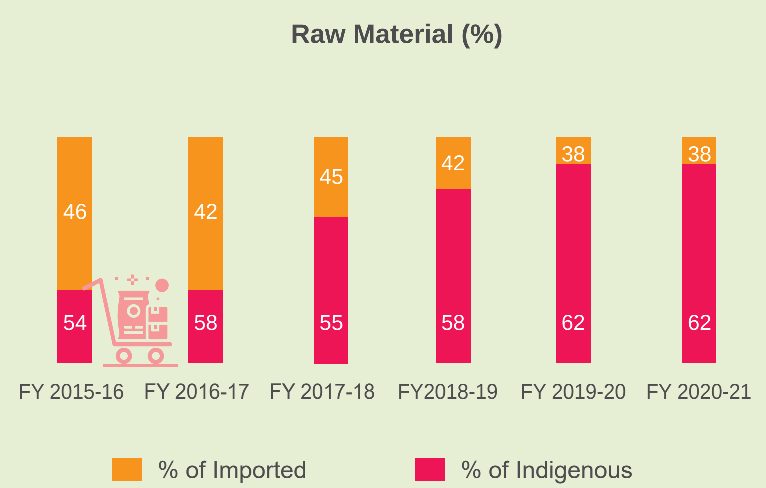
We took special care of our supply chain partners during the pandemic. Our business continued with all the preventive measures in place. Engagement sessions to connect with the supply chain partners were undertaken to understand their challenges and offer solutions.

SUPPLY CHAIN ETHICS

We diligently sensitise all our supply chain partners about the Code of Conduct for fair and transparent dealings, protection of human rights, compliance with environmental regulations and standards, and adherence to health and safety requirements.



Impact on SDGs



Social and Relationship Capital

REGULAR SUPPLIER AUDITS

As part of our due diligence, we conduct supplier audits at regular intervals to ensure operations of highest standards. We have a comprehensive audit system to evaluate suppliers through factory visits.

Additionally, we have a Nerolac Supplier Portal in place to collaborate in an effective manner and facilitate supply chain visibility of order processing.

Supplier Audit Parameters			
Certification & Statutory Compliance	Supplier Control & Delivery Performance	Sustainability/ Green Initiatives	Complaints Management
Documentation & Data Control	Inspection of Incoming Materials	Process Control	Training & Development
Inspection of in-process materials	Inspection of Finished Goods	Equipment and Standard Costing	Shop-floor observations
Handling, Storage and Packaging	Maintenance Management	SS and Safety	Human Rights

In FY 2020-21, we conducted supplier audits for 7 existing suppliers, of which 2 were raw material suppliers and 5 were packaging material suppliers. Apart from this, joint testing was also carried out for improving quality with 8 vendors. During the year, 8 new vendors were incorporated in our approved manufacturer list, and all of them were assessed and regularised. These included local and international vendors.

WAY FORWARD – STRONGER & BETTER

Going ahead, we will focus not just on strengthening relationships with our suppliers but also on their capacity building and overall development to catalyse sustainable growth.

TOUCHING LIVES – ACROSS THE COMMUNITY

At KNPL, social development is an important agenda. Aligned with our business proposition of promoting well-being through colours, our CSR engagement with the community is designed to increase happiness through meaningful initiatives that have a lasting impact on the beneficiaries' lives.

BACKDROP

We are committed to creating maximum positive value through long-term symbiotic relationships with the communities we operate in.

RESPONSE

We believe that we should play a strong role in social uplift and inclusive growth. We strive to proactively partner the communities around our business locations in their development plans, through the use of innovative technologies, products and activities that go beyond normal business.

Impact on SDGs

FOCUS OF OUR RESPONSE

- Contribute to the community's overall development
- Foster relationships
- Enhance social goodwill

CORPORATE SOCIAL RESPONSIBILITY POLICY

Our CSR initiatives are formulated to engage, enhance, and empower communities. Aligning with the provisions of Section 135 of the Companies Act, 2013, our CSR mission is driven by the highest governing body. We have instituted a dedicated Corporate Social Responsibility (CSR) Committee to achieve the Company's CSR objectives with efficient resource use. Our Board has also framed a CSR Policy that serves as a guiding principle for our community stewardship activities. We undertake CSR initiatives through our own teams or through NGOs or government entities. Employees are encouraged to volunteer.

Stakeholders Consultation	**Need Assessment**	**Identity Potential**
Periodic Monitoring and Evaluation	**Stakeholder Engagement during Implementation**	**Resource mobilisation and plan preparation**

Our CSR Focus Areas are as follows:

Livelihood and Skill Enhancement Program	Rural Development/ Community Development	Ensuring Environmental Sustainability
Preventive Healthcare & Sanitation	Promoting Education	Restoration of building and sites of Historical Importance

We have taken a structured approach to designing and implementing development programmes as part of our CSR charter:

Livelihood & Skill Enhancement

- Contributing to the socio-economic development of the nearby communities
- Training unemployed youth in enhancing their capacity and skill-sets

Rural/Community Development

- Reaching out to the grassroots communities by providing basic facilities and amenities in the villages near our plant/depot locations
- Working to provide basic infrastructure/ facilities to the rural community in areas close to the plants, in order to improve their basic living standards
- Driving women empowerment under 'Women Entrepreneurship' programmes

Preventive Health Care and Sanitation

- Providing basic health care and sanitation facilities to improve the general health condition and sanitation of the communities we operate in
- Activity bouquet includes: setting up health camps, creating awareness, building toilets in villages, common public places and schools, providing dust bins, provision of pure drinking water facility
- Imparting operational trainings and providing fumigation machines to painter communities as an alternative source of employment during these tough times

Promoting Education

- Collaborating with various educational institutes to promote education in rural areas
- Major activities include construction of classrooms, labs, providing computers, solar lights, solar inverters, drinking water facility, supply of educational material such as projectors, benches, and desks etc.

Restoration of Buildings & Sites of Historical Importance

- Projects for conservation of National Heritage sites, Art & Culture
- Promotion and development of traditional arts and handicrafts

Ensuring Environmental Sustainability

- Strong belief in responsible consumption of resources guides our commitment to preserving natural resources and ensure a clean environment
- Key areas of intervention span water conservation, air emissions, and use of clean energy
- Implementation of watershed development projects
- Focus on sustaining ecological balance through beautification projects, plantation activities etc.

Response to the COVID-19 Crisis

Activities undertaken:

- Distribution of masks and sanitisers
- Provided PPE sets to medical staff
- Distribution of food packets, groceries and other essentials in villages
- Supplied paints and other infrastructure requirements to hospitals
- Aatmanirbhar Bharat initiative for painters
- Donation for training women in fumigation and sanitisation
- Free Eye Check-Up and Cataract Surgery camp
- Installation of RO Plant
- Construction of science lab, rest room, renovation work of mid-day meal kitchen, and donation of computer systems along with UPS for rural schools

We have measured the impact of our CSR interventions through the number of beneficiaries.

WAY FORWARD – AUGMENTING THE CSR THRUST

Going ahead, we aim to drive progress that permeates every stratum of society through more robust and structured initiatives.

Human Capital

We believe that an organisation's successful odyssey is attributed to the competencies, capabilities, contributions, and experience of its human capital. Talent attraction and retention, employee development and well-being, equal opportunity, and cordial relations are priority aspects as we diversify and scale up our business, and build a future-ready organisation.

Human Capital

BACKDROP

At KNPL, we aim to maintain our eminence as a corporate citizen by adding to our organisational capabilities, enhancing employee value proposition, leveraging technology to augment our operations, and achieving a higher level of excellence.

RESPONSE

Our employees are the cornerstone of the organisation, and we continually strive to promote a respectful and motivating workplace. Through our performance-driven culture, we encourage people to put in their best and they help us deliver excellence, thereby adding value to our brand.

PARAMETERS OF OUR RESPONSE

- Human Resource Management
- Occupational Health and Safety
- Ethics and Integrity

Impact on SDGs

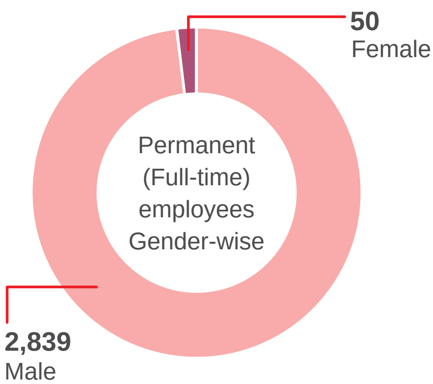
FOCUS OF OUR RESPONSE

Contribute to the community's overall development
Creating a differentiated employee experience
Sustaining the core workforce management programmes
Providing a healthy and safe work environment
Providing a fair, respectful and growth-oriented culture

HUMAN RESOURCE MANAGEMENT

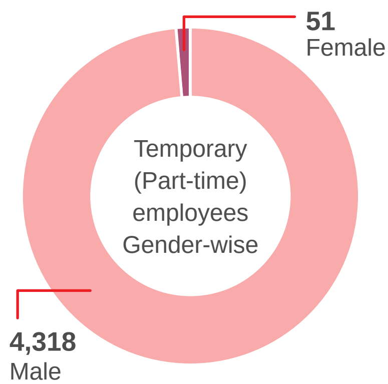
At KNPL, we believe in offering careers, not just jobs. We strive to create an atmosphere of “trust, confidence and transparency” for our employees. The HR processes are driven by well-defined competencies and company values.

Our workforce consists of permanent (full-time) employees and contractual (part-time) employees. The details of our workforce are represented below:



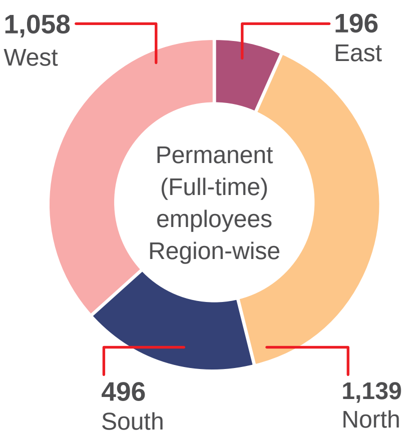
2,889

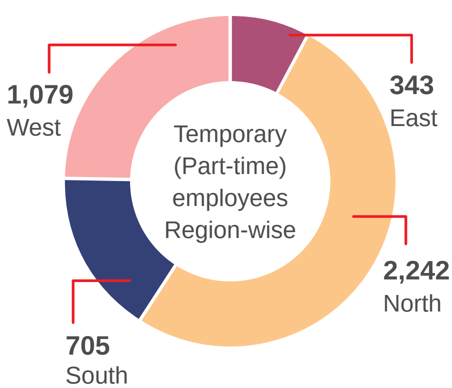
Total Workforce



4,369

Total Workforce





Our rate of new employee hire was 9% and employee turnover was 13%.

In FY 2020-21:

Our total new hires figure stood at 272, while the number of employees who left was 375.

New employee hiring details

< 30 years	30 - 50 years	> 50 years
153	118	1

Age-wise distribution

Male	Female
265	7

Gender-wise distribution

East	North	South	West
16	105	55	96

Zone-wise distribution

Employee turnover details

< 30 years	30 - 50 years	> 50 years
134	219	22

Age-wise distribution

Male	Female
370	5

Gender-wise distribution

East	North	South	West
26	129	84	136

Zone-wise distribution

Human Capital

Getting future-ready

To ensure the organisation's future-readiness, we endeavour to effectively sustain various core programmes established over the years. These include:

I Am Nerolac Page
Launch of digital engagement platform to keep the employees connected with the brand

Launch of Digital Learning – DEGREED
To create a continuous education framework for selected 200 managers

Manager Assessment
Launch of AAE assessment for the critical position incumbents and managers in grade C, C+

UDAAN - Virtual Assessment Centre
For identification of HiPOT and establishing IDPs (L5/L6) across functions

Internal Online Employee Engagement Survey
Hosted on HR Portal – Engagement Score, 91%

Employee Experience
Using post-employment surveys & HR connects

Strengthening the Talent Management Programme
By evaluation of critical positions & creating consideration sets for succession planning

Leveraging IT
To bring culture of excellence

Quarterly Townhall Meetings
Leadership Connect Session with MD encompassing FAQ session, announcement of quarterly results

Nerolac Premier League [NPL]
Interactive platform for gamified monthly contests

Webinars
Conducted on various topics revolving around health & wellbeing in association with our Medical Insurance Partner

Productivity Survey
Initiated for all employees – Majority of employees participated in the survey

Nerolac Centenary – 100-Year Celebrations Brightened by Paint

As part of our initiatives to commemorate KNPL's 100-year legacy and to engage the families of Nerolac employees, we launched a 'Paint Your Art Out' painting competition and a 'Selfie with the Family' contest. We received an amazing response and some heartwarming entries from our Nerolac family. Six entries were then announced as winners for both the competitions, and the winners were given exciting rewards for their active participation.

Employee Benefits

A range of benefits, including gratuity, medical insurance, life insurance, group accident insurance, maternity leave, superannuation, pension, and Provident Fund contributions as per company norms are offered to our full-time employees.

In FY 2020-21, a total of 50 employees (Male: 0; Female: 50) were entitled for parental leave, but none of the employees availed the parental leave.

We are an equal opportunity employer. All recruitments are based on potential, competency and suitability of candidate with respect to a job profile. We prefer local candidates if the portfolio matches with job requirement. All our senior management employees at significant locations of operations are hired from the local community (Definition of local for KNPL is India).

In FY 2020-21, there were no incidents of discrimination.

Nerolac Premier League [NPL]

India is a country where cricket is akin to a religion. The concept of our new contest is linked to the most famous cricket league played in India, i.e. Indian Premier League. In the Nerolac Premier League, the Quantitative Contest is considered Batting and the Qualitative Contest is considered Bowling. This unique approach has engaged and entertained employees, drastically improving their focus and quality of work.

Talent Management

Our Talent Management Programmes are designed to help the organisation spot the high-potential performers within varied functions. The key positions and the talent pool are identified for every function. After in-depth analysis, a Talent Inventory is created, with the aim of preparing individual development plans for the identified performers. The plans comprise extensive training, cross-functional assignments, projects and mentoring.

Talent Development

We endeavour to create a future-ready organisation by leveraging technology, enhancing capability, and driving excellence. In doing so, we introduced a comprehensive capability-building Training System for multiple functions. In FY 2020-21, training in terms of man-days per employee has been calculated as 5.7.

Performance Management

Our Contest-Based Framework ensures that employees are well-integrated with the performance-driven culture. We have been using Contest as a basis for the annual performance evaluation, in terms of both quantitative and qualitative appraisal. The Contest has KPIs that are objectively defined. The power of the Contest-Based Framework is that it links Company goals to an individual in a transparent manner, helping the individual to review his/her performance on a regular basis through system-generated dashboards.

To keep the engagement levels high, we decided to gamify our framework by introducing NPL – Nerolac Premier League.

Employee Engagement

Some key programmes in the thrust areas of employee engagement are as follows:

CAPABILITY-BUILDING

With an objective of making employee skills more relevant to changing business environment and customer needs, we launched programmes like:

- Advanced Business Skills Modules
- Soft Skills
- Manager Assessment Programmes
- Digital University Degreed
- UDAAN, a multi-skilling programme

REWARDS & RECOGNITION

Programmes launched under the rewards & recognition umbrella include:

- Interactive Nerolac Premier League (NPL), a gamified contest platform
- Peer-to-peer appreciation platform GEMS

ORGANISATIONAL CONNECT

Programmes launched for strengthening the connection between the employees and the brand include:

- I Am Nerolac Page on Sharepoint
- Samvaad: A dialogue with sales frontliners
- Employee Connect by MD

INCLUSIVITY, THANKING & INSPIRATION

Events launched on the occasion of the centennial celebrations to engage the employees and their families include:

- Painting Competition
- Quiz Competition
- Milestone Competition
- Selfie with the Family Contest

DIGITAL EXPERIENCE

Initiatives for a better experience include:

- Digitalisation of application, offer and joining stages
- Implementation of mobile app for day-to-day transactions
- First-level interview by bot, based on competency framework
- Collaboration Tool – MS Teams for task review & connect
- Health & Wellness App
- COVID Helpdesk: FAQs, imp. Links & info released by corporate communication

Human Capital

Employee Connect

We have established effective employee connect and communication platforms. The key ones are:

MD'S NOTE	IMPRESSIONS	HR CONNECT	COMMUNICATION ROUND
Inclusive of the highlights in business, current business scenario and its impact on the organisation, financial results for the quarter and way forward	Monthly newsletter that captures various events and news pertaining to each function and location	Contact programmes Coffee with HR	Works Manager at plants daily addresses all employees on important happenings in the organisation
HRIS PORTAL	**ANNUAL SALES CONFERENCE**	**OPEN HOUSE PROGRAMMES**	**LEARNING CONFERENCES**
Platform used to share information like policies, announcements, etc. This helps KNPL maintain transparency with its employees	Creates awareness for various schemes provided to the sales team. Workshops are conducted by IT, HR, Marketing	Conducted across all the plants for discussion and feedbacks on various topics/aspects	Held with unique themes, it encompasses business presentations from the heads along with the new initiatives to be undertaken and employee felicitation

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

At KNPL, we regard safety as a top priority and ensure effective implementation of industry best practices. We acknowledge the fact that occupational health and safety (OHS) is a fundamental value, vital for the success and longevity of an organisation. Our OHS&E policy helps us to move closer to our goal of ZERO Accidents.

Health and Safety Management

Initiative	Description	Outcome
Policy	Occupational Health, Safety and Environment (OHS&E) Policy	Organisational commitment towards health & safety
Committee	Definite Safety Committee with representation from workmen	Participation of all to monitor and manage health & safety aspects
Review	Review by safety committee	Strengthening of safety framework and stakeholder consultation
Cross-Functional Structure	Comprising trained personnel from Production, Engineering, EHS	Hazard identification and risk mitigation to improve safety preparedness
Certification	ISO 45001. All plants certified. (Except Goindwal Sahib)	Establishing robustness of safety systems
Emergency Response	Dedicated OHCs & ambulances	Handling emergency situations
Fire Drill	Mock fire drills conducted periodically, jointly with NDRF (National Disaster Response Force)	Improving preparedness and responsiveness amongst employees for emergency
Health Check-ups	Conducted every six months for all employees, including contract workmen	Medical counselling by practitioner and identifying specific areas of concern
Safety Audit	Monitoring & review of safety indicators	Enhancing safety measures & control
PHA & HAZOP	Process Hazard Analysis & Hazard and Operability study	Identifying any possible safety risks and hazards
HIRA Study	Hazard Identification and Risk Assessment	Tracking expected hazards and risk analysis to put control measures in place
Fire Load Survey	Study conducted to analyse fire load densities at various sections of the plant	Determine the adequacy and suitability of the firefighting equipment in case of fire
Compatibility Chart	Review compatibility chart incorporating the relevant aspects like National Fire Protection Association (NFPA) ratings, dedicated list of chemicals under CMR (Carcinogenic, Mutagenic, Reproductive) category and under Manufacture, Storage and Import of Hazardous Chemicals (MSIHC) Rules, 1989	Reducing inherent hazards by proper segregation, storage and handling of chemicals
Interlock System	Assessment of existing interlock system robustness and identification of new areas	Establishing workability and robustness of the interlock system

Safety Trainings and Competitions

Our safety trainings and competitions include Kiken Yochi Trainings (KYT), Danger Experience Programme (DEP), Life After Accident (LAA) exercise, online safety tests, safety quiz, and CAPA completion. Through these, our aim is to sensitise employees on various aspects of health and safety.

During the reporting period, 40,267 man-hours of trainings were imparted on safety topics, while we ensured 95% coverage of the workforce, including contractual employees. Our safety training man-hours per employee has increased from 3 hours to 10 hours since FY 2015-16.

Behaviour-Based Safety (BBS)

A large number of incidents at the workplace are attributed to behavioural issues. During the reporting year, we imparted trainings on Behaviour-Based Safety and initiated BBS observations across all locations to minimise behavioural accidents and promote a safety-conscious work environment.

Recognition

Excellence Award by CII
Environment Health & Safety
Hosur

Gold Award at FAME
(Foundation for Accelerated Mass Empowerment)
Safety Excellence
Bawal

Prashansa Patra at NSCI
Safety Award
Lote

External Trainings and Webinars

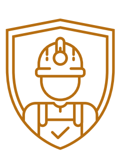
During the unprecedented pandemic times, as the world embraced digital platforms, we attended various external trainings and webinars conducted by the Indian Chemical Council (ICC), Confederation of Indian Industry (CII), and the Federation of Indian Chambers of Commerce & Industry (FICCI) with regard to safety.

Product Stewardship

A workshop on 'Product Stewardship - Safe Handling of Acrylic Monomers' was conducted for KNPL employees by the BASF team. The workshop not only provided valuable insights but also helped our employees understand chemical handling and safety in a better way. It was attended by over 50 participants from KNPL's six manufacturing facilities, R&D centre and Head Office.

Incident Management

- Committed to achieving 'ZERO INCIDENT'
- E-Platform: SAP EHS module to record and track safety statistics
- Root cause assessments in case of safety-related events and horizontal deployment of counter-measures to eliminate their recurrence



Particulars	FY 2020-21
Lost Time Injury Frequency Rate (per million man-hours worked)	0
Severity Rate (per million man-hours worked)	0
Lost Time Injuries (LTI)	0
Minor injuries	4
Million man-hours worked without LTI	10.10
Occupational illness	Nil

Way Forward

In FY 2021-22, we aim to initiate Personal-Level Risk Assessment (PLRA), ensure 100% coverage of BBS observations and deploy safety measures of highest standards, based on learnings from other industries to inculcate a safety-first mindset.

Human Capital

ETHICS AND INTEGRITY

Code of Conduct

Designed for managerial employees and executives of KNPL and its subsidiaries to establish appropriate behavioural norms, primarily focussing on discipline, self-control, professionalism and best ethical practices. Also, seeks to build core values, determining best-in-class practices and establishing centres of excellence.

Whistle-Blower

KNPL is committed to high standards of openness, integrity, probity and reliability in its work. To maintain these standards, the Company encourages its employees who have concerns about suspected serious misconduct to come forward and report these concerns without fear of punishment, reprisal or unfair treatment. Proper safeguards ensure that all employee concerns receive due consideration.

Training on Code of Conduct and Whistle-Blower Policies

- All new joiners are given training on KNPL Code of Conduct as well as Whistle-Blower Policy
- Security personnel at our facilities are trained in required policies, procedures of organisation and aspects of human rights that are relevant to our operations

RESPONSE TO THE COVID-19 CRISIS

With the COVID-19 outbreak, the world was engulfed by an unprecedented crisis. However, we responded quickly to the situation. Ensuring the safety & well-being of our employees and customers by taking all the necessary precautions, we lived up to our vision of 'touching lives every day' and our core values.

At KNPL, we released care bulletins (an advisory guide on the novel coronavirus), issued guidelines for travel to work and updated office etiquette, discontinued biometric attendance machines, and took social distancing measures even before the implementation of the nationwide lockdown and work-from-home directives from the Government of India.

COVID-19 Helpdesk

- **Corporate Communications Desk**
- **Helpful Tips, FAQs, Link on Advisories, Emergency Contacts & Make a Request section for all employees**

Resumption of Work Post-Lockdown

A set of guidelines on pre start-up activities, travelling and Company transportation, plant check-in/entry, hygiene at workplace, hygiene at canteen, disinfection of premises, medical emergency preparedness and COVID-19 waste disposal was released to prepare the plants and the depot, ensuring the safety and well-being of all employees.

Pre-Startup Activities

Mandatory installation of Aarogya Setu App (no entry into the premises in case of non-compliance)

Self-declaration health form

Checklist for safe start-up of operations

Plant Check-In

Thermal scanning/ temperature checks

Sanitisation of hands

Manual attendance instead of biometrics

Travelling & Company Transportation

Temperature check before boarding vehicle

Social distancing while seating

Sanitisation of hands

Hygiene at Workplace

Practising social distancing

Staggered timings

Conducting virtual meetings via MS Teams

Adequate use of sanitisers

Periodic disinfection

COVID-19 awareness programme

Mandatory installation of Aarogya Setu App (no entry into the premises in case of non-compliance)

Periodic inspections and reviews are conducted to ensure compliance with applicable procedures and deployed interventions.

KANSAI NEROLAC PAINTS LIMITED

Registered Office: 'Nerolac House', Ganpatrao Kadam Marg, Lower Parel, Mumbai 400013, Maharashtra.
Tel.: +91-22-24934001 • **Fax:** +91-22-24936296 • **Website:** www.nerolac.com
Investors Relations Email ID: investor@nerolac.com • **Corporate Identity Number (CIN):** L24202MH1920PLC000825

Notice

NOTICE is hereby given that the 101st Annual General Meeting of Kansai Nerolac Paints Limited will be held through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), on Friday, 25th June, 2021 at 11 a.m. (IST), to transact the following business:

Ordinary Business:

1. To consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the year ended 31st March, 2021 and the Reports of the Board of Directors and the Auditors thereon.

2. To confirm the interim dividend of ₹1.25 (125%) per Equity Share of the nominal value of ₹1 each already paid and to declare a final dividend of ₹4.00 (400%) per Equity Share of the nominal value of ₹1 each which includes special dividend of ₹2.00 (200%) per Equity Share of the nominal value of ₹1 each for the year ended 31st March, 2021.

3. To appoint a Director in place of Mr. Anuj Jain, Whole-time Director (holding Director Identification Number 08091524), who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. Hitoshi Nishibayashi, Non-Executive Director (holding Director Identification Number 03169150), who retires by rotation and being eligible, offers himself for re-appointment.

Special Business:

5. To consider and if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

   "RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and Companies (Cost Records and Audit) Rules, 2014 (including any statutory amendment or modification or re-enactment thereof, for the time being in force), the remuneration of the Cost Auditor, D. C. Dave & Co., Cost Accountants (Firm Registration No. 000611), to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2022, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified.

   RESOLVED FURTHER that the Board of Directors and/or key managerial personnel of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to the above resolution."

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 7th May, 2021

NOTES:

1. In view of the ongoing COVID-19 pandemic, social distancing is a norm to be followed and Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 02/2021 dated 13th January, 2021 read with General Circular 20/2020 dated 5th May, 2020, General Circular No. 14/2020 dated 8th April, 2020 and General Circular No. 17/2020 dated 13th April, 2020 (collectively referred to as "said Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC/OAVM, without the physical presence of the Members at a common venue. In this Annual Report, the connotation of "Members" and "Shareholders" is the same.

   Accordingly, in compliance with the applicable provisions of the Companies Act, 2013 ("Act") read with the said Circulars and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Company has decided to convene its ensuing 101st AGM through VC/OAVM, and the Members can attend and participate in the ensuing AGM through VC/OAVM.

2. Explanatory Statement pursuant to Section 102 of the Act relating to Item no. 5 of the Notice of the 101st AGM, which is considered to be unavoidable by the Board of Directors of the Company, is annexed hereto. Also, relevant details in respect of Directors seeking re-appointment at the AGM, in terms of Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Clause 1.2.5 of Secretarial Standard - 2 on General Meetings are also annexed to this notice.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. However, since this AGM is being held through VC/OAVM, whereby physical attendance of Members has been dispensed with and in line with Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 read with Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 ("said SEBI Circulars") issued by the Securities and Exchange Board of India ("SEBI"), THE FACILITY TO APPOINT A PROXY TO ATTEND AND CAST VOTE FOR THE SHAREHOLDER IS NOT MADE AVAILABLE FOR THIS AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

   However, in terms of the provisions of Section 112 and 113 of the Act read with the said Circulars, Corporate Members are entitled to appoint their authorized representatives to attend the AGM through VC/OAVM on their behalf and participate thereat, including cast votes by electronic means (details of which are provided separately, hereinbelow). Such Corporate Members are requested to refer 'General Guidelines for Shareholders' provided in the Point No. 8 hereinbelow, for more information.

4. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (i.e. Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

5. The attendance of the Members attending the AGM through VC/ OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.

6. The Shareholders, seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before Monday, 21st June, 2021, through Email on agm@nerolac.com. The same will be replied by/on behalf of the Company suitably.

7. In view of the continuing COVID-19 pandemic, resultant difficulties involved in dispatching of physical copies of the Annual Report and in line with the said Circulars issued by the MCA and said SEBI Circulars, the Annual Report including Notice of the 101st AGM of the Company inter alia indicating the process and manner of e-voting is being sent only by Email, to all the Shareholders whose Email IDs are registered with the Company/ Depository Participant(s) for communication purposes to the Shareholders and to all other persons so entitled.

   Further, in terms of the applicable provisions of the Act, SEBI Listing Regulations read with the said Circulars issued by MCA and said SEBI Circulars, the Annual Report including Notice of the 101st AGM of the Company will also be available on the website of the Company at www.nerolac.com. The same can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited at www.bseindia.com and National Stock Exchange of India Limited at www.nseindia.com and on the website of NSDL i.e. www.evoting.nsdl.com.

8. **Voting through Electronic Means**

   Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the said Circulars issued by the Ministry of Corporate Affairs, the Company is providing facility of "e-voting" to its Members in respect of the business to be transacted at the AGM, by electronic means. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as e-voting on the date of the AGM will be provided by NSDL.

   Further, in accordance with Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), the Company has fixed Friday, 18th June, 2021 as the "cut-off date" to determine the eligibility to vote by remote e-voting or e-voting at the AGM. 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. Friday, 18th June, 2021, shall be entitled to avail the facility of remote e-voting or e-voting at the AGM.

   Only those Shareholders, who will be present at the AGM through VC/OAVM facility and who would not have cast their vote by remote e-voting prior to the AGM and are otherwise not barred from doing so, shall be eligible to vote through e-voting system at the AGM.

   The Company has appointed Mr. J. H. Ranade, Membership No. F4317 & Certificate of Practice No. 2520 or failing him Mr. Sohan J. Ranade, Membership No. A33416 & Certificate of Practice No. 12520 or failing him Ms. Tejaswi P. Jogal, Membership No. A29608 & Certificate of Practice No. 14839 (anyone of them), being Partners of JHR & Associates, Company Secretaries in practice, as the Scrutinizer to scrutinize the remote e-voting and the e-voting at the AGM in a fair and transparent manner.

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-

The remote e-voting period begins on Tuesday, 22nd June, 2021 at 9:00 A.M. and ends on Thursday, 24th June, 2021 at 5:00 P.M. The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members/Beneficial Owners as on the record date (cut-off date) i.e. Friday, 18th June, 2021, may cast their vote electronically. The voting right of shareholders shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date being Friday, 18th June, 2021. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Access to NSDL e-Voting system

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	1. If you are already registered for **NSDL IDeAS facility**, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the **"Beneficial Owner"** icon under **"Login"** which is available under **"IDeAS"** section. A new screen will open. You will have to enter your User ID and Password After successful authentication, you will be able to see e-Voting services. Click on **"Access to e-Voting"** under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or **e-Voting service provider – NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
	2. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS"** Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp
	3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon **"Login"** which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or **e-Voting service provider – NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi/Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi/Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on **New System Myeasi**. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL.** Click on **"NSDL"** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective e-Voting Service Provider i.e. **NSDL** where the e-Voting is in progress.

Type of shareholders	Login Method
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/Password are advised to use Forgot User ID and Forgot Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43

B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon **"Login"** which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below :

Manner of holding shares (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered.**
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
   a) Click on "**Forgot User Details/ Password?"** (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b) **"Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/ folio number, your PAN, your name and your registered address etc.
   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on **"Login"** button.
9. After you click on the **"Login"** button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on **"VC/OAVM"** link placed under "Join General Meeting".

3. Now you are ready for e-Voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on **"Submit"** and also **"Confirm"** when prompted.

5. Upon confirmation, the message "Vote cast successfully" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to jhr@jhrasso.com with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to Mr. Amit Vishal, Senior Manager – NSDL or Ms. Pallavi Mhatre, Manager - NSDL or Mr. Sagar Ghosalkar, Assistant Manager - NSDL at evoting@nsdl.co.in.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

1. If your e-mail address is not registered with the Depositories (if shares held in electronic form)/ Company (if shares held in physical form), you may register on or before June 15, 2021 5:00 p.m. (IST) to receive the Notice of the AGM along with the Annual Report 2020-21 by completing the process as under:
   a. Visit the link https://tcpl.linkintime.co.in/EmailReg/Email_Register.html
   b. Select the name of the Company from dropdown.
   c. Enter details in respective fields such as DP ID and Client ID (if shares held in electronic form)/Folio no. and Certificate no. (if shares held in physical form), Shareholder name, PAN, mobile number and e-mail ID.
   d. System will send OTP on mobile no. and e-mail ID.
   e. Enter OTP received on mobile no. and e-mail ID and submit.

2. In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to evoting@nsdl.co.in for procuring the User ID and Password for e-Voting.

3. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to evoting@nsdl.co.in for procuring the User ID and Password for e-Voting. If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained at **step 1(A)** i.e. **Login method for e-Voting and joining virtual meeting for Individual shareholder holding securities in demat mode**.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/ Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.
2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered Email ID mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at agm@nerolac.com from Friday, 18th June, 2021 (from 9.00 a.m.) to Monday, 21st June, 2021 (upto 5.00 p.m.). Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

Other Information:

(i) Any person holding shares in physical form and non-individual shareholder who acquires shares of the Company and becomes a Member of the Company after sending of Notice and holding shares in demat mode as on the cut-off date may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can cast his/her vote by using existing User ID and password and by following the procedure as mentioned above or by voting at the AGM. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30.

    In case of Individual Shareholders holding securities in demat mode and who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. Friday, 18th June, 2021 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system.

    Those persons, who have acquired shares and have become members of the Company after the dispatch 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. Friday, 18th June, 2021 shall view the Notice of the 101st AGM on the Company's website or on the website of NSDL.

(ii) Every Client ID No./ Folio No. will have one vote, irrespective of number of joint holders.

Scrutinizer's Report and Declaration of results

(i) The Scrutinizer shall, after the conclusion of e-voting at the AGM, first count the votes cast vide e-voting at the AGM and thereafter shall, unblock the votes cast through remote e-voting, in the presence of at least two witnesses not in the employment of the Company. He shall submit a Consolidated Scrutinizer's Report of the total votes cast in favour or against, not later than 48 (forty eight) hours of the conclusion of the AGM, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

(ii) The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.nerolac.com and on the website of NSDL i.e. www.evoting.nsdl.com. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

9. The Shareholders who are holding shares in dematerialized form and have not yet registered their e-mail IDs with their Depository Participant are requested to register their Email ID at the earliest, to enable the Company to use the same for serving documents to them electronically, hereafter. Shareholders holding shares in physical form may kindly provide their Email ID to the Registrar & Transfer Agent of the Company viz. TSR Darashaw Consultants Private Limited ("TSR Darashaw"), by sending an e-mail at csg-unit@tcplindia.co.in. The support of the Shareholders for the 'Green initiative' is solicited.

10. Dividend

(i) The Board of Directors has recommended for consideration of the Shareholders a final dividend of ₹4.00 (400%) per Equity Share of the nominal value of ₹1 each which includes special dividend of ₹ 2.00 (200%) per Equity Share of the nominal value of ₹1 each for the year ended 31st March, 2021; in addition the Company had declared interim dividend of ₹1.25 (125%) per Equity Share paid on November 27, 2020. Accordingly, the total dividend is ₹5.25 (525%) per Equity Share for the financial year ended 31st March, 2021 as compared to total dividend of ₹3.15 (315%) per Equity Share declared last year.

(ii) The Register of Members and Share Transfer books of the Company will remain closed from Saturday, 19th June, 2021 to Friday, 25th June, 2021 (both days inclusive), for the purpose of AGM and Dividend. The Dividend, if declared, will be payable on or after Wednesday, 30th June, 2021, to those Shareholders whose names are registered as such in the Register of Members of the Company as on Friday, 18th June, 2021 and to the beneficiary holders as per the beneficiary list as on Friday, 18th June, 2021 provided by the NSDL and CDSL, subject to deduction of tax at source where applicable.

(iii) Payment of Dividend through electronic means

(a) The Company provides the facility to the Shareholders for remittance of dividend directly in electronic mode through National Automated Clearing House (NACH). In view of the continuing COVID-19 pandemic and resultant difficulties involved in dispatching of physical dividend warrants, Shareholders holding shares in physical form and desirous of availing this facility of electronic remittance are requested to provide their latest bank account details (Core Banking Solutions Enabled Account Number, 9 digit MICR and 11 digit IFSC Code), along with their Folio Number, to the Company or TSR Darashaw. Shareholders holding shares in dematerialized form are requested to provide the said details to their respective Depository Participants.

(b) In line with the General Circular No. 02/2021 dated 13th January, 2021 read with General Circular No. 20/2020 dated 5th May, 2020 issued by the MCA, in case the Company is unable to pay the dividend to any shareholder by the electronic mode, due to non-availability of their latest bank account details (Core Banking Solutions Enabled Account Number, 9 digit MICR and 11 digit IFSC Code), the Company shall dispatch the dividend warrant/ cheque to such shareholder by post.

(c) Shareholders holding shares in dematerialized form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company/TSR Darashaw cannot act on any request received directly from the Shareholders holding shares in dematerialized form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Shareholders.

(iv) Pursuant to Finance Act 2020, dividend income is taxable in the hands of Shareholders with effect from 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to the Shareholders at the prescribed rates.

For the prescribed rates for various categories, the Shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The Shareholders are requested to update their PAN with the Company/TSR Darashaw (in case of shares held in physical mode) and their respective Depository Participants (in case of shares held in dematerialized form).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by Email to csg-exemptforms2122@tcplindia.co.in by 15th June, 2021. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Resident shareholders whose Dividend is liable for deduction of TDS at a concessional or Nil rate as per Section 197 of the Income-tax Act, 1961 can submit the certificate/letter issued by the Assessing Officer, to avail the benefit of lower rate of deduction or non-deduction of tax at source by Email to csg-exemptforms2122@tcplindia.co.in by 15th June, 2021.

Non-resident Shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing the necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an Email to csg-exemptforms2122@tcplindia.co.in. The aforesaid declarations and documents need to be submitted by the Shareholders by 15th June, 2021.

(v) In terms of the provisions of Sections 124 and 125 of the Act, dividend which remains unpaid/ unclaimed for a period of 7 (seven) years from the date of declaration is required to be transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Accordingly, the unpaid/ unclaimed dividend for the financial year 2012-13, has been transferred by the Company to the IEPF. Those Shareholders who have not encashed their dividends for the financial year 2013-14 are requested to lodge their claims in that regard with the Company or TSR Darashaw.

Further, in terms of the provisions of Section 124 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), Equity Shares, in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more from the date of declaration, are also required be transferred to an account viz. IEPF Suspense Account, which is operated by the IEPF Authority pursuant to the IEPF Rules. Accordingly, in compliance with the aforesaid Rules, the Company has already transferred equity shares on which dividend remained unclaimed for 7 (seven) consecutive years starting from the financial year 2012-13 to the IEPF Suspense Account, after providing necessary intimations to the relevant Shareholders. Further, all equity shares of the Company on which dividend has not been paid or claimed for 7 (seven) consecutive years or more, shall be transferred by the Company to the IEPF from time to time.

Details of unpaid/unclaimed dividend and equity shares transferred to IEPF for the financial year 2012-13 are uploaded on the website of the Company as well as that of the Ministry of Corporate Affairs, Government of India ("MCA"). No claim shall lie against the Company in respect of unclaimed dividend amount and equity shares transferred to the IEPF and IEPF Suspense Account, respectively, pursuant to the IEPF Rules. Shareholders can however claim both the unclaimed dividend amount and the equity shares from the IEPF Authority by making an online application in web Form No. IEPF-5, the details of which are available at www.iepf.gov.in.

11. At the 99th AGM of the Company, held on 21st June, 2019, the Shareholders approved appointment of S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003) as Statutory Auditors of the Company, to hold office for a term of 5 (five) consecutive years from the conclusion of the 99th Annual General Meeting of the Company until the conclusion of the 104th Annual General Meeting of the Company. Details of the remuneration paid to S R B C & CO LLP, Chartered Accountants, Statutory Auditors, during Financial Year 2020-21 are disclosed in the Financial Statements of Company, which are part of the Annual Report of the Company.

12. In terms of the provisions of Regulation 40 of SEBI Listing Regulations and various notifications issued in that regard, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from 1st April, 2019 unless the securities are held in the dematerialized form with the depositories. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated December 2, 2020 read with circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020 had fixed March 31, 2021 as the cut-off date for re-lodgement of physical shares for transfer and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of the same, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

13. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Shareholders holding shares in dematerialized form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Shareholders holding shares in physical form should submit their PAN to the Company/ TSR Darashaw.

14. Shareholders are requested to intimate changes, if any, pertaining to their name, postal address, Email ID, telephone/mobile numbers, PAN, mandates, nominations, power of attorney, bank details (such as name of the bank and branch details, bank account number, MICR code, IFSC code, etc.), with necessary documentary evidence, to their Depository Participants in case the shares are held by them in dematerialized form and to the Company/TSR Darashaw in case the shares are held by them in physical form.

15. In terms of the provisions of Section 72 of the Act, the facility for making nomination is available for the Shareholders in respect of the shares held by them. Shareholders who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. Shareholders holding shares in dematerialized form are requested to submit the said details to their Depository Participant(s) and the Shareholders holding shares in physical form, are requested to submit the said details to the Company or TSR Darashaw.

16. Shareholders are requested to quote their Folio No. or DP ID - Client ID, as the case may be, in all correspondence with the Company or the TSR Darashaw.

17. Since the AGM will be held through Video Conferencing/ Other Audio Visual Means, route map of venue of the AGM and admission slip is not attached to this Notice.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5

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 falling under the product categories – Organic & Inorganic Chemicals, Ores & Mineral Products, Plastics and Polymers, Rubbers and Allied Products & Insecticides or any other products required by the law, for the year ending 31st March, 2022. The products of the Company covered under the aforesaid categories are different types of thinners, floor coating products, powder coating products & hardeners, fungicidal solutions and Construction Chemicals.

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 for the aforesaid product categories for the financial year 2021-22 on the same remuneration as was approved for the previous year i.e. ₹ 2,50,000 plus GST and out of pocket expenses.

D. C. Dave & Co., has also conveyed its willingness to act as cost auditor of the Company for the year ending 31st March, 2022. The eligibility and consent letter will be available for inspection of the Shareholders through electronic mode. Shareholders may write to the Company at agm@nerolac.com in that regard, by mentioning "*Request for Inspection*" in the subject of the Email.

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 Ordinary Resolution set out in Item no. 5 of the Notice seeks approval of the Shareholders for the same.

None of the Directors and/or Key Managerial Personnel of the Company and/or their relatives, are in any way concerned or interested (financially or otherwise), in the proposed Ordinary Resolution.

The Board recommends ratification of the remuneration of the Cost Auditor, D. C. Dave & Co. (Firm Registration No. 000611), Cost Accountants, as recommended by the Audit Committee and approved by the Board of Directors, as set out in Item no. 5 of the Notice, for approval of the Shareholders.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 7th May, 2021

Annexure to the Notice

Details of the directors seeking appointment/re-appointment in the 101st Annual General Meeting, as set out in Item nos. 3 and 4 of this Notice, in terms of Regulations 26(4) and 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with clause 1.2.5 of Secretarial Standard-2 on General Meetings

Name of Director	Mr. Anuj Jain	Mr. Hitoshi Nishibayashi*
Director Identification Number	08091524	03169150
Age	52 years	57 years
Qualifications and experience	Mr. Anuj Jain is B.Sc., MMS (Marketing) and was Director – Decorative and Industrial Sales & Marketing of the Company prior to his appointment as a Whole-time Director. He is designated as Executive Director.	Mr. Hitoshi Nishibayashi is a graduate from Osaka University of Foreign Studies, Faculty of English studies. He joined Kansai Paint Co. Ltd. ("KPJ") in April 1987. He has worked in various divisions of KPJ and is presently a Director of the board, Managing executive officer of KPJ. He was earlier associated with the Company in the capacity of a Non-Executive Director, for a period of about 4 years, during 2010 to 2014. He is now a Non-Executive Director on the Board of the Company.
Date of First Appointment	1st April, 2018	29th July, 2019
Directorships held in other public companies (excluding this Company, foreign companies and Section 8 companies)	Nil	Nil
Memberships/Chairmanships of committees of other public companies #	Nil	Nil
Shareholding in the Company as on 31st March, 2021	13,560 Equity Shares	Nil*

Notes:

* Mr. Nishibayashi is a nominee of Kansai Paint Co. Ltd., Japan and does not hold any share in his personal capacity.

\# In terms of the provisions of Regulation 26 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Memberships/ Chairmanships in only two committees viz. Audit Committee and Stakeholders Relationship Committee (known by whichever name) are considered.

For other details such as the number of meetings of the Board attended during the year, remuneration drawn and relationship with other directors and key managerial personnel in respect of above directors, please refer to the Report on Corporate Governance which is a part of this Annual Report.

Board’s Report

Dear Members,

The Directors of your Company are pleased to present the 101st Annual Report and the Audited Financial Statements (Standalone and Consolidated) for the year ended 31st March, 2021 (“year under review / FY 2020-21”).

The section on Management Discussion and Analysis includes a review of the financial performance of the Company – Financial Highlights of the Company’s standalone financial results, key financial ratios and the dividend declared / recommended by the Directors. It also includes the particulars of the subsidiaries of the Company including overseas subsidiaries and their performance during the year under review.

1. Management Discussion and Analysis

Introduction

Established in 1920, Kansai Nerolac Paints Limited (“KNPL”), is one of India’s largest Coatings companies with leadership in industrial coatings. In line with its stated strategy and objective, KNPL has built organisation capabilities to expand its horizons into new product segments and new regions, while strengthening its core of technology and service orientation to provide revolutionary and best-in-class products to its customers. The Company has ventured into new segments, such as High-end Wood Coatings, Adhesives, Construction Chemicals and Hygiene Products. KNPL is one of the most trusted brands in the industry and stands for quality, ingenuity, and excellence. Apart from its primary operations in India, KNPL operates in Nepal, Sri Lanka and Bangladesh.

Marking The Centenary – 100-Year Celebrations

Founded in 1920 as Gahagan Paints and Varnish Co Ltd with a paint manufacturing unit in Lower Parel, Mumbai, KNPL crossed the glorious 100-year milestone on 2nd September 2020. The Company is now a subsidiary of Kansai Paint Co. Ltd., Japan (“KPJ”). It has been a journey of not only resilience but also pure resolve from one pandemic (Spanish Flu 1920) to another (COVID-19). The Company maintained its technological leadership over the decades through continued focus on pioneering, innovative, revolutionary and globally best-in-class products in diverse market segments. It brought world-class technology to India in the areas of automotives, powder coatings and high-performance coatings. It pioneered environment consciousness through the introduction of heavy-metal-free paints by design and low-VOC paints.

As we turn a century, we have renewed ourselves through our Purpose, Vision, Mission, Brand promise and Brand expression. We have also changed our corporate identity/logo to capture the spirit of positive change and re-evaluation that we encourage as a brand. Our new logo, highlighted by the Swirl, underlines the connect with Change (transformation highlighted by the swirling circle) and Care, underscoring our new tag line of ‘Colours that Care’. The endless possibilities triggered by this marriage of Change and Care showcase the constant evolution of the Company towards something better.

Industry Progress

COVID-19 has been the most disruptive event in recent memory for the Indian paint and coatings industry. Due to the nationwide lockdown restrictions imposed to combat the spread of the COVID-19, demand was suppressed in the first half of the year.

Following the easing of COVID-19-related restrictions, demand conditions improved in the second half of the year. New construction and renovation, as well as strong holiday demand, bolstered the recovery. The manufacturing and construction sectors have also shown signs of improvement.

While raw material prices were soft during the initial months of the year, the second half of year saw inflationary pressures, mainly due to global supply-demand gaps, force majeure and shipping-line disruptions and delays.

The implementation of the COVID-19 vaccination campaign augurs well for a broad-based and well-established domestic demand recovery.

Financials

Financial Highlights

A summary of the Company's standalone financial results for the year ended 31st March, 2021 (FY 2020-21) vis-à-vis standalone financial results for the previous year FY 2019-20, is as under:

₹ in Crores

	FY 2020-21	FY 2019-20
Revenue from Operations	**4690.00**	4943.17
Profit before Depreciation, Interest, Exceptional Item and Tax (PBDIT)	**833.08**	781.62
Less: Depreciation and Amortisation	**138.97**	119.88
Profit Before Interest, Exceptional Item and Tax	**694.11**	661.74
Less: Finance Cost	**7.49**	5.00
Less: Exceptional Item	**10.82**	–
Add: Other Income	**38.71**	26.86
Profit Before Tax (PBT)..............	**714.51**	683.60
Less: Tax Expense	**183.52**	148.20
Profit After Tax (PAT)	**530.99**	535.40
Other Comprehensive Income (Net of Tax)	**0.19**	(1.02)
Total Comprehensive Income for the year	**531.18**	**534.38**

Revenue from Operations for the year aggregated to ₹ 4,690.00 Crores as compared to ₹ 4,943.17 Crores for the previous year, reflecting a de-growth of 5.1%.

Till YTD December 20 there was a deflation, however there was a steep inflation in Q4 2020-21, resulting in overall inflation for the year. Raw material prices also increased due to global shortages.

During the year, Company took major steps to reduce operating costs. Cost reduction was achieved through innovative ideas, renegotiations, and strong budgetary control. These initiatives resulted in improvement in the bottom line.

PBDIT (before exceptional item) for the year was higher at ₹ 833.08 Crores compared to ₹ 781.62 Crores reflecting a growth of 6.6%.

Depreciation for the year was at ₹ 138.97 Crores, which was higher compared to the previous year ₹ 119.88 Crores, mainly due to project capitalisation and addition in Right of Use assets.

Other income was higher at ₹ 38.71 Crores as compared to ₹ 26.86 Crores of the previous year. Increase was due to higher deployment of surplus funds in mutual funds & fixed deposits.

In the current year, we had provided for impairment loss towards our investment in subsidiary viz. Kansai Paints Lanka (Private) Limited amounting to ₹ 10.82 Crores.

PBT (before exceptional item) for the year was ₹ 725.33 Crores as compared to ₹ 683.60 Crores of the previous year reflecting a growth of 6.1% over previous year. PAT is lower at ₹ 530.99 Crores compared to ₹ 535.40 Crores, resulting in de-growth of 0.8%.

There is no amount proposed to be transferred to any reserves.

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 is no corporate insolvency resolution process initiated under the Insolvency and Bankruptcy Code, 2016. There has been no failure to implement any Corporate Action.

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.

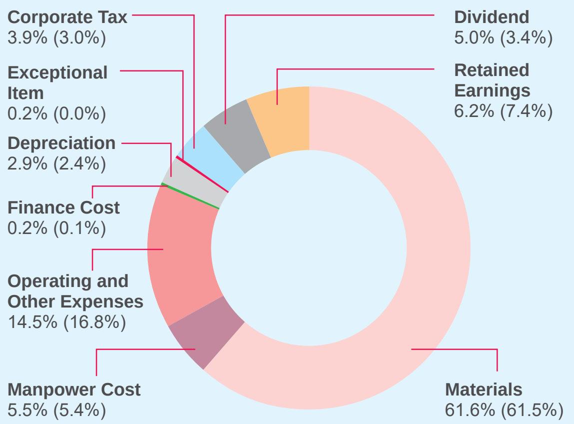
Dividend

The Board has recommended a final dividend of 400% (₹ 4.00 per share) which includes special dividend of 200% (₹ 2.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on 27th November, 2020. Accordingly, the total dividend is 525% (₹ 5.25 per share) for the financial year ended 31st March, 2021 as compared to total dividend of 315% (₹ 3.15 per share) declared last year.

Key Financial Ratios

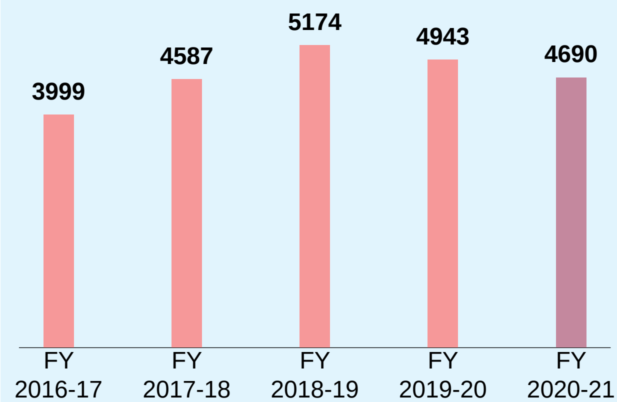
Key Ratios	2020-21	2019-20	Difference	% Change	Explanation
Debtors Turnover (No. of Days)...	**45**	42	3	7.1%	
Inventory Turnover (No. of Days)....	**114**	118	-4	-3.4%	
Interest Coverage Ratio................	**93**	132	-39	-29.5%	Interest cost on account of lease accounting as per Ind AS 116.
Current Ratio...	**3.0**	3.4	-0.4	-11.3%	
Debt Equity Ratio................	**-**	-	-	-	
Operating Profit Margin (%).......	**14.6%**	15.7%	-1.1%	-6.8%	
Net Profit Margin (%).......	**11.3%**	10.8%	0.5%	4.5%	
Return on Net Worth (%)..	**13.0%**	14.1%	-1.1%	-8.0%	

Distribution of Income



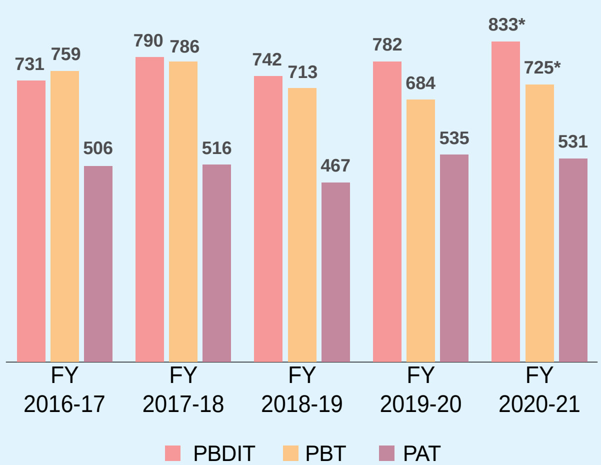
Revenue from Operations

(₹ in Crores)



Profit

(₹ in Crores)

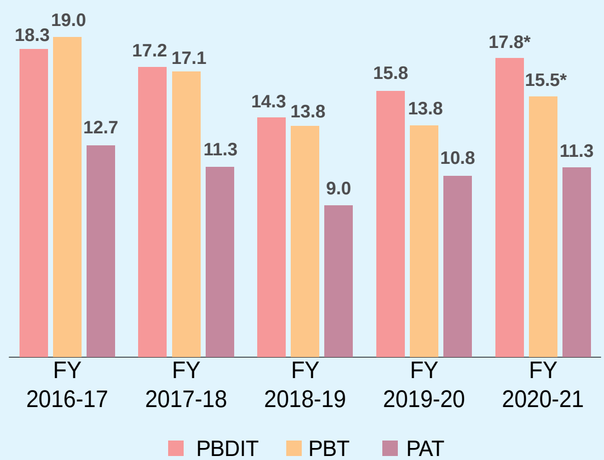


*Before exceptional item

Profitability

(%)

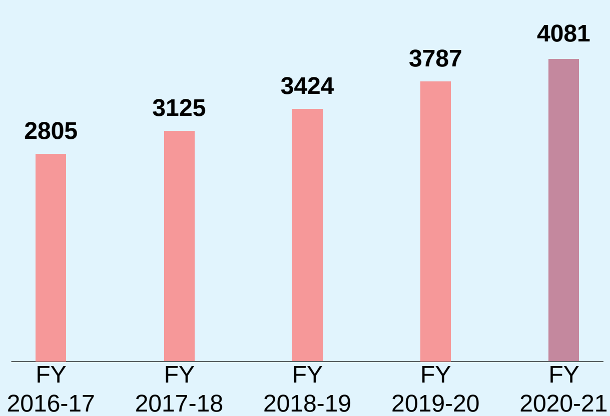
Profitability ratios are based on Net Sales



*Before exceptional item

Shareholders' Funds

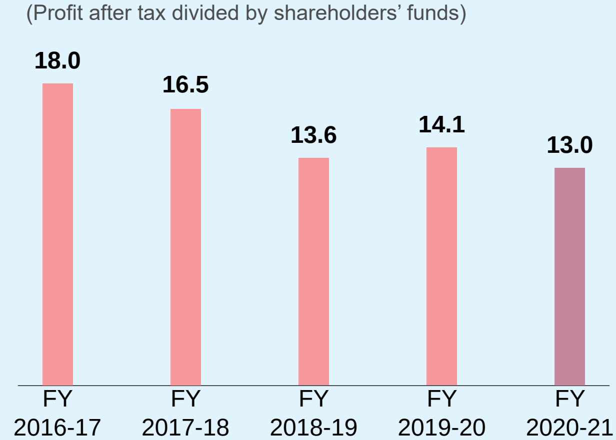
(₹ in Crores)



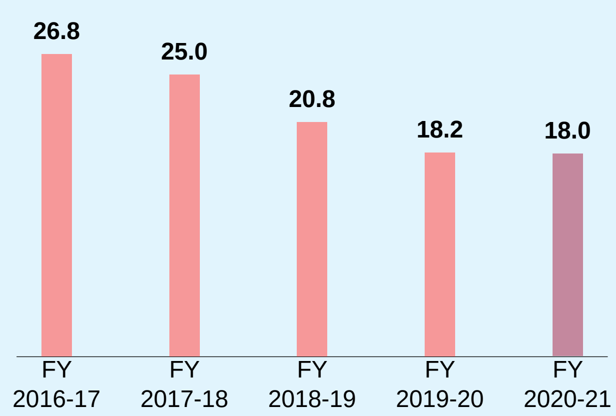
Return on Net Worth

(%)

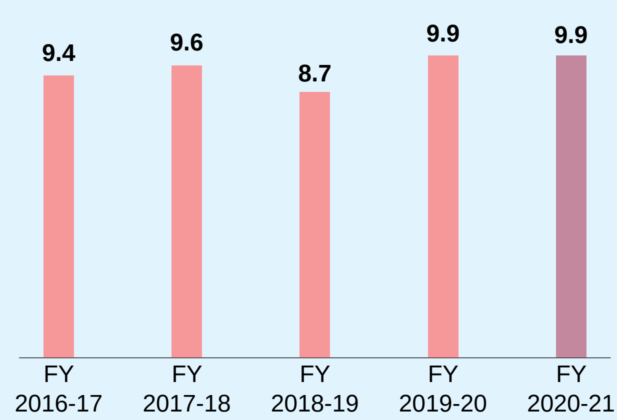
(Profit after tax divided by shareholders' funds)



Return on Capital Employed (%)

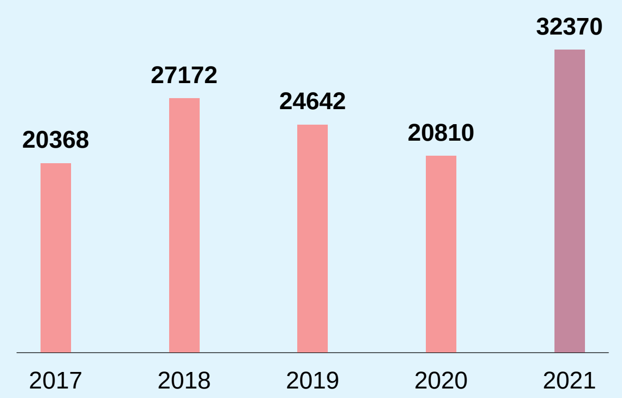


Earnings Per Share (EPS) (₹)

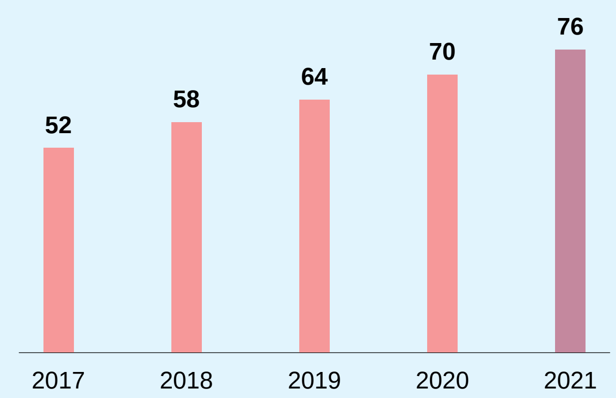


EPS for all the years has been calculated considering face value of share as ₹ 1 each.

Market Capitalisation as on 31st March (₹ in Crores)

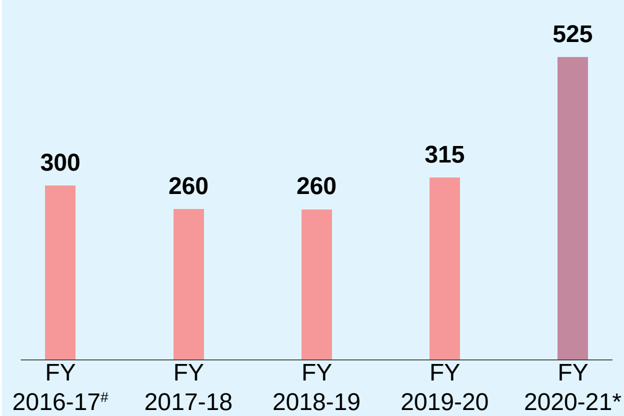


Book Value Per Share as on 31st March (₹)



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

Dividend (%)



Includes special dividend of 50%
* Includes interim dividend of 125% and special dividend of 200%

Subsidiaries and Consolidated Financial Statements

In terms of the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Board has approved a Policy for determining material subsidiaries. The same is also available on the website of the Company at www.nerolac.com. Further, in terms of the said policy, the Company does not have a material subsidiary.

Indian Subsidiaries

a. Marpol Private Limited

The Revenue from Operations was lower at ₹ 58.01 Crores as compared to ₹ 59.03 Crores of the previous year. PBDIT for the year stood at 9.5%. Profit After Tax (PAT) is ₹ 2.63 Crores (FY 2019-20: ₹ 2.90 Crores).

b. Perma Construction Aids Private Limited

The Revenue from Operations was at ₹ 35.94 Crores compared to ₹ 35.23 Crores of the previous year. PBDIT for the year increased to 13.3% from 9.7%. Profit After Tax (PAT) is ₹ 3.52 Crores (FY 2019-20: ₹ 2.28 Crores).

c. Nerofix Private Limited

Nerofix Private Limited (Nerofix) started operations in December 2019 and achieved Revenue from Operations of ₹ 69.98 Crores in FY 2020-21. PBDIT for the year was at 3.1%. Nerofix incurred a loss of ₹ 3.71 Crores during the year. Nerofix has plans to expand this business and become a noticeable player in this category.

d. Merger of wholly-owned subsidiaries with the Company

The Company had conducted National Company Law Tribunal (NCLT) convened meeting of the members of the Company on 20th October, 2020, wherein the consent of the members had been obtained for the merger of Marpol Private Limited and Perma Construction Aids Private Limited, both wholly- owned subsidiaries of the Company, with the Company. The merger process is on and petition for merger has been filed by the Company and the subsidiaries with NCLT.

Overseas Subsidiaries:

a. Operations in Nepal

During the year, the Revenue from Operations of KNP Japan Private Limited, the subsidiary of the Company in Nepal, was lower at ₹ 68.46 Crores as compared to ₹ 85.09 Crores of the previous year. PBDIT for the year improved from 16.1% to 18.0% on Y-o-Y basis. Profit After Tax is ₹ 10.24 Crores as compared to ₹ 10.34 Crores in the previous year.

b. Operations in Sri Lanka

The Revenue from Operations of our subsidiary in Sri Lanka, Kansai Paints Lanka (Private) Limited (KPLPL) for the year was ₹ 15.17 Crores as compared to ₹ 12.19 Crores during the previous year. KPLPL incurred a loss of ₹ 7.68 Crores during the year as compared to loss of ₹ 10.00 Crores during the previous year. During the year, the Company has made additional equity infusion of ₹ 12.00 Crores.

c. Operations in Bangladesh

The Revenue from Operations of our subsidiary in Bangladesh, Kansai Nerolac Paints (Bangladesh) Limited (Formerly known as RAK Paints Limited) (KNPBL) for the year was ₹ 163.52 Crores as compared to ₹ 135.30 Crores in the previous year. PBDIT for the year improved from 2.9% to 6.0% on Y-o-Y basis. KNPBL incurred a loss of ₹ 6.09 Crores during the year as compared to loss of ₹ 9.27 Crores during the previous year. During the year, the Company has made additional equity infusion of ₹ 14.34 Crores.

Consolidated financial statements of the Company as on 31st March 2021, are prepared in accordance with applicable Accounting Standards and form a part of this Annual Report. All the subsidiaries of the Company as on 31st March 2021, have been considered in the preparation of consolidated financial statements. Further, a separate statement in Form AOC-1, containing the salient features of the respective financial statements of subsidiaries of the Company, forms part of this Annual Report. Also, Annual Audited Financial Statements of all subsidiaries of the Company are available on the website of the Company i.e. www.nerolac.com.

Segment-wise performance

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

Marketing

Decorative Paints

New Long-term Roadmap for the Decorative Paints Business

The year saw KNPL re-visit its approach to the Decorative Paints market. A long-term roadmap has been evolved. As part of this initiative, the business is being restructured under verticals such as Retail for the Nerolac range

New Product Launches in Decorative Paints and Retail for the Soldier range, Institutional and new business segments. Various initiatives around unique to category products, markets and distribution would now be undertaken as part of the roadmap. Amongst the initiatives to be undertaken are a new thrust on rural areas as well as experimentation with new distribution models. The Company would also look at entering painting services.

New Products launches in Adhesives, High end Wood Finishes & Construction Chemicals

Foray into new product lines and segments

In line with its stated strategy, KNPL has been making strategic investments in the new businesses of Adhesives, Construction Chemicals and High-end Wood Finishes.

For Adhesives, it entered into a strategic JV with Polygel last year to set up a new company “Nerofix” to tap the B2B and B2C adhesives markets. During the year, the Company undertook many initiatives around strengthening and augmenting its product range, securing various OEM approvals, developing connect with carpenters and strengthening distribution.

For Construction Chemicals, KNPL had acquired Perma Construction Aids Private Limited. It also launched a range of products under the Nerolac Perma Brand. During the year, many products were introduced, and distribution strengthened as KNPL sharpened its strategic focus in this segment. With these investments, KNPL can confidently move ahead on the path of becoming a significant player in this space.

For High-end Wood Coatings, KNPL had inked an agreement with the Italian company ICRO Coatings. The product range has gained significant traction during the year. To ensure a strong presence in wood coatings, the Company is augmenting its wood-coatings manufacturing capability through a new facility at Jainpur.

A separate organisation structure has been put in place to drive these businesses.

Product Launches in Health & Hygiene

Keeping to its brand promise of **"Colours that Care"**, KNPL is dedicated to developing products in the segment of health & hygiene. It launched **India's first anti-viral paint**, Nerolac Excel Virus Guard, with **Japanese Shiqui technology**. The product has excellent antiviral properties and efficacy against different viruses.

KNPL introduced **another ground-breaking innovation** with the launch of **Nerolac Excel Multi-Surface Protection Sheets providing anti-viral and anti-bacterial protection** for highly-used surfaces. The product has been made with Japanese technology and launched on e-commerce and rolled out in select paint-dealer channels.

New Product Launches in Health & Hygiene Segment

Marketing Campaign

During the year, KNPL strengthened its Economy Emulsion Portfolio for Interiors and Exteriors, through a variety of launches. In addition, it introduced Suraksha Dust Resist and Beauty Gold – washable and anti-bacteria.

In the Soldier range of products, catering to the lower end of the market, KNPL strengthened its portfolio through the launch of emulsions. It also introduced CCD machines for its dealers carrying the Soldier range of products. The Floor Coatings and Metallic ranges introduced last year have been accepted by the market.

In Construction Chemicals, KNPL has strengthened its product range through the introduction of products such as Damp Protect, Magic Boost, Perma Super 2K and Waterproof Latex.

KNPL has been in forefront in providing healthy and sustainable solutions to customers. It realised the harmful effects of lead and introduced lead-free decorative paints back in 2008. In 2010, it was the first company to introduce eco-friendly and low-VOC paints. The new brand positioning of "Colours that Care" resonates with our philosophy of care and accountability.

Economy Emulsion Paints | Economy Emulsion Paints | Metallic Paints

Damp Protect | Magic Boost | Waterproof Latex | Perma Super 2K

Construction Chemical Products

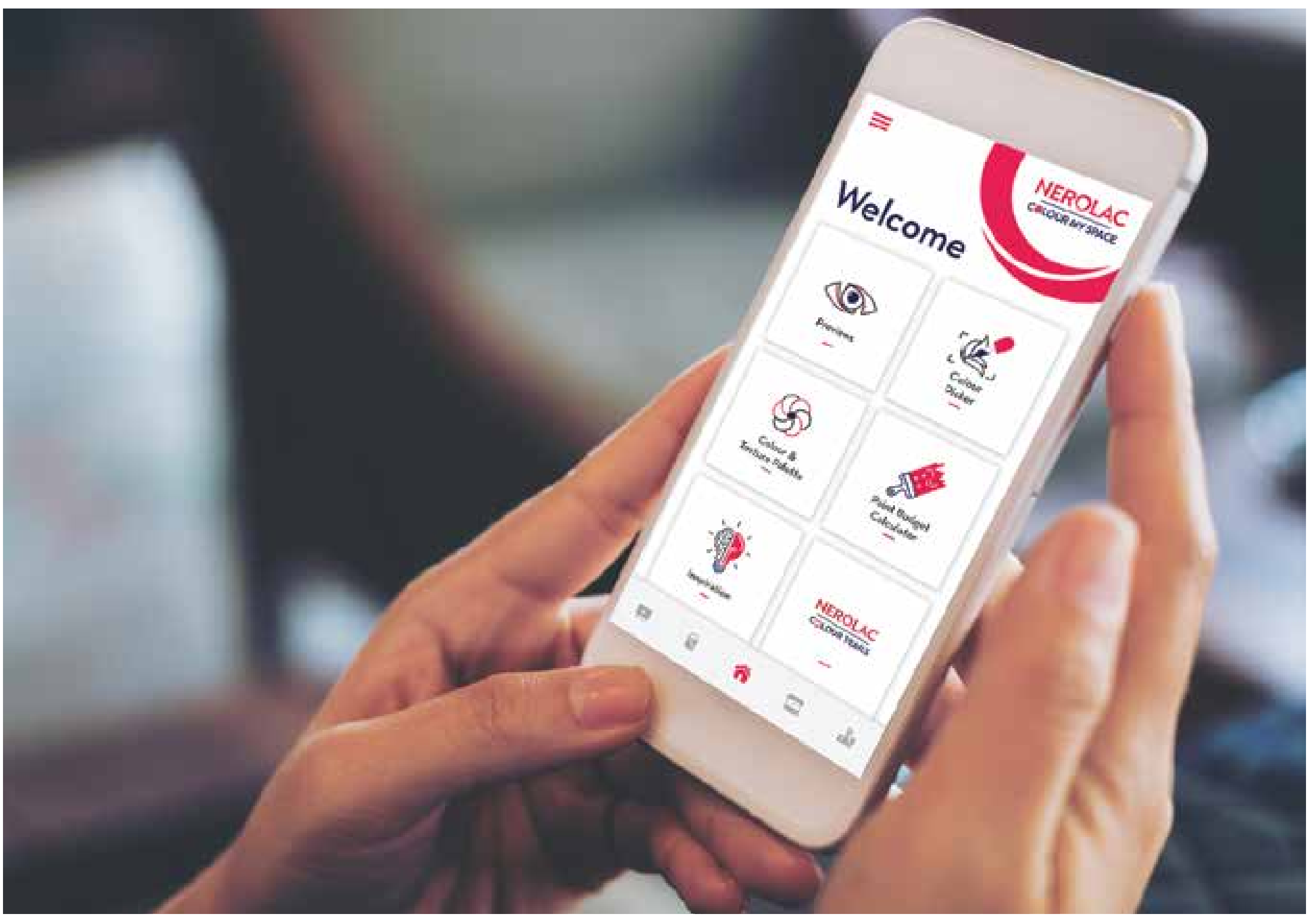
As we turn a century, we have renewed ourselves through our Purpose, Vision, Mission, Brand promise and Brand expression.

Keeping to its brand promise, KNPL launched a series of digital films, titled 'Aaj Careful toh Kal Colourful' to spread the message that we need to be careful in the context of the pandemic situation which has gripped the whole world. The campaign was also amplified across television and radio. An industry-first podcast series on Aaj Careful toh Kal Colourful was also launched on Spotify as a part of the campaign.

Digital Marketing

In line with our philosophy of customer focus, we have identified the digital space as a thrust area for deepening consumer connect and brand promotion. We have devised a two-pronged approach for digital marketing:

- Drive brand affinity through content and digital engagement activations
- Creating salience for key focussed products



Colour my space digital app for consumers

Influencer Activities

KNPL believes in equitable growth and development of the whole value chain; the painter community is a crucial partner in this value chain. The Company went an extra mile to support this community during the pandemic crisis. It initiated Aatmanirbhar training for painters in which they were trained for home-sanitisation services, creating alternative sources of income in the absence of fewer painting jobs, and adding one more skill to their profession. 500 painters were trained in Delhi and Ghaziabad and were given a sanitisation kit along with a Nerolac disinfectant. Several online training programmes were also conducted during lockdown, benefiting 4,000 painters. Safety kits were provided to one lakh painters.

"Paint their Future" crowd-sourcing initiative

A ₹ 25 Lakh COVID fund was generated through the painters' welfare programme.

KNPL launched a unique crowd-sourcing initiative for painters, called "Paint their Future". This was unique and a one-of-its-kind programme for painters where stakeholders across the value chain were tapped to support this community during the pandemic crisis. A ₹ 25 Lakh COVID fund was generated through this painters' welfare programme.

NexGen Dealer Kit

NexGen

KNPL realises the importance of business partners. It had designed an innovative programme 'NexGen' for its partners. It is a one-of-its-kind partner-engagement programme in the paints industry with the objective of aiding business growth. This programme is curated on the basis of a deep understanding of trade partners' needs, and enables paint dealers access the best in technology and knowhow to improve and grow their business manifold.

Industrial

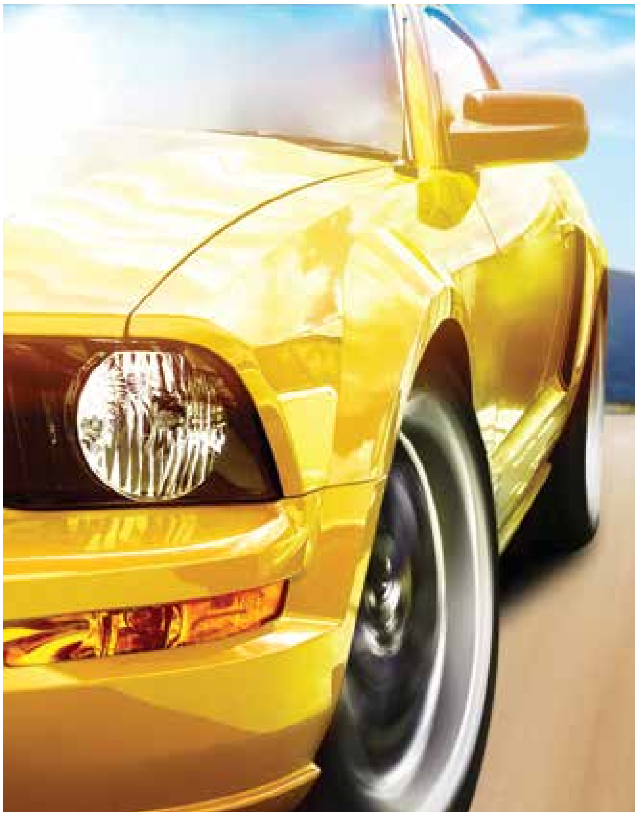
KNPL specialises in distinctive services for industrial customers based on decades of know-how and experience working with most automotive lines in India.

Due to the pandemic and lockdowns, factories were completely shut down. KNPL engaged with all customers to ensure smooth and safe shutdown of their production lines. Later, the factories were gradually given permissions by the Authorities to operate at reduced rates. KNPL worked with customers to ensure a smooth start-up of their production lines. It ensured continuity even while the external environment became ever more challenging.

Automotive Coatings

During the year, KNPL gained market share among automotive customers within its existing customer base as well as through wins of new accounts. Many innovative technologies were introduced during the year.

In auto ancillaries, for automobile wheels, the products introduced by KNPL using technology from group company, Kansai Altan, Turkey, have been well accepted.



Performance Coatings

Under Performance Coatings, the Company offers liquid and powder coatings. KNPL continues to grow from strength to strength in powder coatings, and is the market leader.

Besides conventional coatings, the Company's foray in areas like bridges and pipe coatings gained traction during the year. KNPL's range of products like the C5 Fluoro Polymer Coatings, IPNet, Polysiloxane and anti-carbonation systems have yielded good results.

Anticarbonation Paint Application

During the year, KNPL gained market share among automotive customers within its existing customer base as well as through wins of new accounts. Many innovative technologies were introduced during the year.

Pipe Coating Application

In Powder Coatings, the Company renewed its focus on high-end functional powders like Rebar Coatings, heat resistant powders, super durable powders and powders for pipe coatings. KNPL has made good progress in these areas and has gained market share. Bonded metallic powders developed in the previous year and offering customers the advantages of a uniform finish and lower process costs have gained acceptance in the market.

Auto Refinish

Auto Refinish remains one of the key focus divisions under the Industrial Coatings Division. The Company continues on the growth path with strategic actions to improve market share, year-on-year.

The Premium PU brand "**Retan**" from Kansai Paints, Japan, is an environment-friendly paint, high-solids system offering great benefits to paint shops with increased productivity and profitability. This brand is predominantly well accepted in across the premium segment.

Auto Refinish Products

Perfect Match is one of the flagship brands in the retail segment.

The Mid-Tier PU brand "**Cardea**", based on technology from Kansai Paints Altan, introduced last year was launched in different markets during the year. The product provides a superior finish and performance benefits for retail customers. The brand is now soaring to new heights and has now presence across the country in the retail segment.

Perfect Match is one of the flagship brands in the retail segment. The brand provides channel connect PU products and delivers quick paint-finishing solutions to end-customers. The brand is well established across the retail channel in the country.

Coil Coatings

Over the past few years, KNPL had forayed into Coil Coatings in a big way. With dedicated capacity in place, an innovative product range and agile services, KNPL has garnered market share in this segment. It introduced many innovative products which are technology-based such as low-bake coatings, uni-coats, and super durable coil coatings. During the year, KNPL innovated with products such as topcoats with anti-bacterial properties as well as Clear coats with high gloss at very low thickness. KNPL continues to work on expanding its customer base and positioning itself as a technology player in this market.

Research & Development

KNPL has maintained its leading position in the paint industry by staying ahead of consumer needs and providing solutions proactively. With a dedicated facility at Mumbai along with a satellite facility at its plants, R&D is at the core of KNPL's strategy of creating customised and innovative solutions catering to the ever-changing needs of its various customers. The R&D facility focusses on not just creating solutions for today's need but works on creating new unique-to-category products which offer long-term value to its valued customers. It has developed deep expertise to develop new products and shades with quick turnaround and offering the best value proposition to customers.

KNPL has decades of experience in designing and commissioning various customer lines to successfully run various paint products in the automotive and OEM spaces for both liquid and powder coatings. Together with deep expertise in resin technology and keen working with suppliers over many decades, KNPL has introduced many technological innovations over the years, which have helped customers improve finish, film thickness, productivity, save painting time, and reduce energy cost based on its deep expertise and R&D strength. The Company has also pioneered many new concepts and innovations in decorative paints. Its technology-based products, customised for various operating environments, offer protection to many key industries like metals, chemicals and petrochemicals, among others.

Collaboration with Kansai Paints, Japan, and Kansai Paint Group Companies and Other Collaborators

The Company has stayed ahead of the technology curve and maintains its leadership in industrial coatings. This is because of the strong collaboration and support from Kansai Paint Co. Ltd., Japan, one of the global leaders in the category with several decades of experience in designing and developing technologies. KNPL works closely with KPJ in developing paint and resin formulations customised to Indian customers. It also offers insights to customers on emerging shade trends across the globe, with world-class technical support to Indian customers based on experience across the globe.

KNPL also collaborates with Kansai Group companies across the globe to offer Indian customers differentiated technologies across a spectrum of end-user industries in the areas of industrial coatings, coil coatings, ARF and decorative paints.

The Company has a technical assistance agreement with Oshima Kogyo Co. Ltd., Japan, to manufacture heat-resistant coatings; Cashew Co. Ltd., Japan, to manufacture coating products MICRON TXL SK-1 and thinner for MICRON; and Protech Chemicals Limited, Canada, to manufacture powder-coating products. The Directors record their appreciation for the co-operation from these collaborators.

Emulsions, coil coatings, rebar coatings, pipe coatings, high-end wood finishes, adhesives and construction chemicals, hygiene products, and automotive sealants are some of the product segments where the Company is now concentrating its efforts.

Leadership in Industrials Paints:

KNPL's in-house R&D capability, coupled with partnerships, gives it a huge advantage in maintaining its technical leadership in the paints sector. The R&D team focusses on its domain expertise and collaborates closely with customers to develop long-term product roadmaps and shade concepts.

The shade concept for the year 2020 was "FOSTERING SOLUS"

We have introduced PU KP 200 HP Clear Coat for higher durability and superior scratch resistance for two-wheeler segment.

PU KP 200 HP Clear Coat Application

R&D also leads the effort to collaborate closely with customers to develop unique and customised value-added and value-engineering projects that, when combined with product and line knowledge, have added significant value to customers in areas like finish improvement, consumption reduction, productivity and energy saving.

In the PV segment, as the European Union has banned the use of formaldehyde, which was declared a toxic substance, to fulfil this requirement, we have initiated the development of low formaldehyde products. In the 1st phase, we have implemented low formaldehyde base coats at one of our precious PV manufacturers' unit.

In the two-wheeler sector, on the trend of introducing high-end bikes, expectations regarding coatings performance are much superior to conventional coatings with respect to durability and scratch resistance. We have introduced PU KP 200 HP Clear Coat to meet these requirements.

For commercial vehicles, we have introduced PU High Solid Top Coat, which has many benefits like increased productivity and energy saving. With this technology, a product's superior performance can be achieved at lower baking conditions. We have also introduced zero flash off 3C-1B System, this technology product can be introduced at the existing painting set-up without any extra investment. This has helped customers for enhancement of a superior performance without losing productivity. In addition, we have implemented a common primer for ABS and PP Plastic Substrate as an inventory-reduction project

Sealants for passenger vehicles is an emerging segment where the Company has directed its research efforts. Towards that end, the Company has developed sealants for automotive customers which has been approved. A dedicated facility is being put in place to cater to this new area.

Key Developments in Decorative Paints:

The decorative space is exciting with constantly evolving customer needs. KNPL has been bringing exciting innovations to this market segment based on technology. With products built on the platform of Healthy Home Paints, its products are heavy-metal-free by design and Low VOC. Building on the brand promise of Colours that Care, KNPL is now working to create a new basket of products that address the emerging trend of functional products. With a range of "smart" coatings, it has now developed another unique category product, Excel Virus Guard, which has various performance qualities like anti-viral, anti-bacteria and pollution abetment properties, like Ammonia, Formaldehyde, SOx and NOx.

Given the thrust of the Company in adhesives, construction chemicals and high-end wood coatings, it is rapidly developing new products which can offer differentiated value to end-customers. This year, the Company already introduced many products in both construction chemicals and adhesives, which have gained good acceptance in the market.

Key developments in Performance Coatings:

Performance Coatings help protect and beautify surfaces in a variety of OEMs and end-user Industries. KNPL has strong demonstrated skills and competency to cater to this wide variety of end-user industries.

In case of construction equipment, most of the colours are very vibrant, and achieving good colour and gloss retention is a challenge. We have developed a high-durable product system and implemented it at one of our key customers, overcoming all challenges.

The Company is working on areas such as new coatings solutions for demanding infrastructure categories like bridges, metro-rail and pipelines.

Key developments in Powder Coatings:

Technological leadership in this segment has helped KNPL be the market leader in powder coatings, serving a vast array of industries such as white goods, furniture, auto ancillaries and electricals, besides others.

The Company continues to be at the forefront of working closely with customers in Auto as it converts liquid coatings to powder coatings. With electrical vehicles going to be the future, KNPL is working in this emerging space. It has developed a dielectric powder for use in coating the battery enclosure of 2-wheeler batteries, having the property of electrical insulation.

R&D is focussed on developing products for niche areas like rebar coatings, powders for pipe coatings, heat-resistant powders and other high-end powder coatings. R&D efforts are also focussed on developing various resin backbones for powder coatings.

Key developments in Coil Coatings:

In coil coatings, KNPL has been bringing to the market a differentiated set of products which can create differentiated value for customers. Despite entering this space only a few years ago, the Company's products are now well accepted. In line with bringing technology leadership in this space, the Company has developed the Nero Coil anti-bacteria top-coat. These coil-coating sheets will be used for Hospitals, which will help in hygiene improvement. The R&D efforts of the Company are committed to ensuring that market-share gain in this space.

Coil Coating Application

Rebar Coating Application

Key developments in Auto Refinish:

In ARF, the Company's R&D efforts are towards creating better products for end-customers using the vast Kansai experience across the globe. Work is being done to continue to bring various factory-made shades to end-customers through the Perfect Match Range. The Company is also working to strengthen its Retan and Cardea ranges of offerings to the high end and popular PU segment.

This year, KNPL introduced an innovative Rapid Cure non-isocyanate PU primer surface, which is an isocyanate-free product for human health & safety. This product has the property of drying fast, which helps start the next process within 30 minutes and reduces the process time by around 60%.

Collaboration with vendors

KNPL considers its vendors as partners with whom it strives to achieve a win-win situation. Via a structured coordinated programme, it collaborates closely with its main global supplier base, various research institutes and academia to develop new ideas, products, and innovations for the future.

Instrument analysis and analytical capabilities

KNPL has a strong R&D talent pool and high-end instrumentation to analyse complex chemicals and provide systematic solutions, offering invaluable support to customers. The capabilities of the instrument lab have been strengthened by the addition of Atlas Ci4400 Xenon Arc Weatherometer at the R&D centre.

Supply Chain

In a year of extremely high uncertainty in the macro environment due to the pandemic, daily new challenges were faced to keep operations running. The year also saw extreme volatility in crude oil prices and exchange rates. There were a series of proactive measures taken to ensure raw-material and packing-material supplies and minimise the damage caused due to disruption in the global supply chain.

With the single agenda and passion of fulfilling customer needs, KNPL ensured continuity of operations for all its customers.

Xenon Arc Weatherometer

With the single agenda and passion of fulfilling customer needs, KNPL ensured continuity of operations for all its customers. At KNPL, supply chain excellence is all about putting in place a more customer-focussed and data-driven planning process to help fuel our and our customer's growth. KNPL continues to invest in systems to offer world-class supply-chain capabilities, with a customer-centric approach backed by data-driven planning systems.

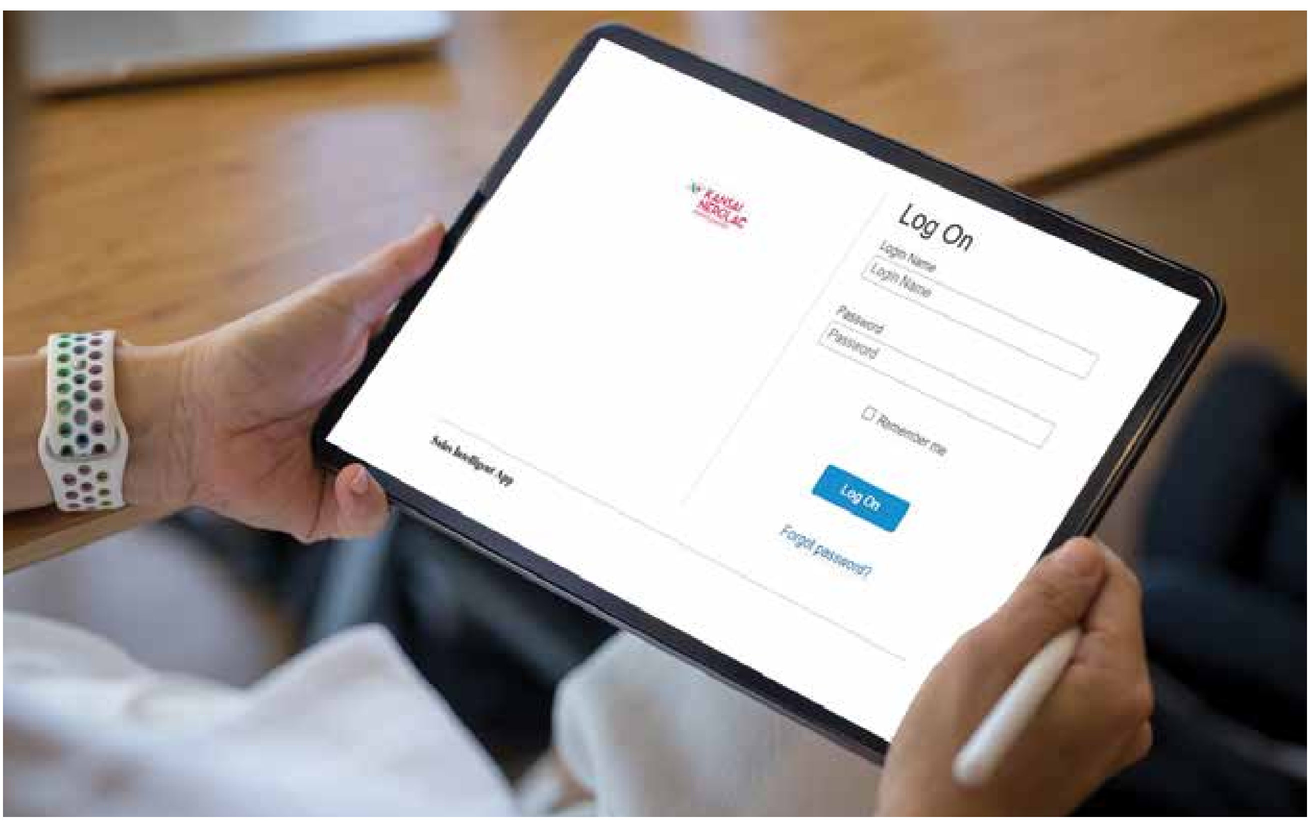
Information Technology

KNPL has always been investing regularly in cutting-edge technologies to help the business gain an additional edge in the market. With the advent of the new age digital technologies, it is ready to leverage these technologies to bring in digital transformation across the organisation and reap the necessary business benefits from the use of these technologies.

The lockdown at the beginning of the year saw KNPL embrace Digital in a massive way, with the entire workforce migrating to Digital platforms to facilitate WFH.

This year, KNPL began to implement the digital roadmap it had drawn for itself. It has been making rapid progress on pushing an organisation-wide digitisation agenda to improve consumer responsiveness, reliability, speed and productivity. Some of the key digital initiatives that have been introduced for various stakeholders are:

- **Dealers:** Introducing a Dealer app, 'SAATHI', aimed at creating a digital bridge between a dealer and KNPL.
- **Influencers:** Introducing an Influencer App, 'PRAGATI', to create a digital connect with influencers such as painters.
- **Sales Teams:** Use of machine learning and chatbots to generate and guide regarding actionable insights for enhanced effectiveness in the marketplace.
- **Employees:** A range of apps concerning employee-training, competency-enhancement, engagement, employee well-being, and performance management through gamification.
- **Decision-making:** Dashboards were developed incorporating visual and predictive capabilities.
- **Automation:** Introducing Vendor Invoice Management for automatic bill passing.
- **Manufacturing and R&D:** KNPL had set up its first Digital factory using the latest technology at Amritsar. In manufacturing and R&D, KNPL is using advanced analytics to drive improvements in formulation development, formulation cost optimisation for new developments, asset utilisation, tinting optimisation, formulation optimisation and waste reduction.
- **Mobility and Cloud:** This year, KNPL has embraced Mobility and Cloud in a big way with applications being developed and rolled out using these platforms. This would be further enhanced in the years to come.



ML App

People

At KNPL, people are the most important asset. It is the employees of the organisation that create value. Many efforts are made to engage the energies and enthusiasm of KNPL employees in the most effective way. KNPL strongly believes that it is the employees that make the organisation successful.

KNPL strives to create an atmosphere of “trust, confidence and transparency” for employees. It believes in offering careers.

Employee well-being is an important facet of KNPL’s HR focus and, this year with the onset of the pandemic, the Company undertook many initiatives to ensure the well-being and health of its employees.

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Pandemic and Employee well-being:

The COVID-19 outbreak engulfed the world in an unprecedented crisis. KNPL adapted itself quickly to the situation to ensure an “employee safety first” environment.

KNPL holds employee well-being in high regard; therefore, the corporate communications function released care bulletins. An advisory guide on corona virus, guidelines for travel to work and updated office etiquette were issued, biometric machines were discontinued and crowd-controlling measures were taken even before the implementation of the lockdown and work from home by the government.

Beginning with setting up a dedicated task-force internally to attend to employees, creating a COVID Site for employees, launching a Health and Wellness App, KNPL has tried to do its utmost for employee care. Regular interventions right through the lock-down and during the various phases of opening up, HR and the COVID taskforce ensured that employee concerns at all levels related to self or family were heard and addressed. Employees were encouraged to work from home wherever possible and all necessary support for this was extended to make an effortless transition to the new WFH environment.

At KNPL plants, right from the beginning of the lock-down, the plants were safely shut down and subsequently safely started up, following all the safety protocols to create a sanitised and safe environment. Clear operating protocols for travel to and fro from the plants, and manuals for day-to-day operations were created, and employees trained.

Similar care for taken for all employees operating out of the depots, R&D and the head office. Regular health check-ups were also organised to ensure the health of its people.

Employees who were affected by COVID were provided with necessary help and aid to ensure their recovery. Help was also extended to the immediate families of the employees in need.

As a part of the ***Employee Value Proposition***, a new initiative was undertaken with the view to being a one-stop platform to manage employees’ health and well-being.

The ***Health and Wellness App*** was launched in association with our insurance partner. This app consists of a host of benefits such as: health insurance, personal health data, fitness activity tracker, chat with doctors, articles and tips on health awareness and special offers for Nerolac employees.

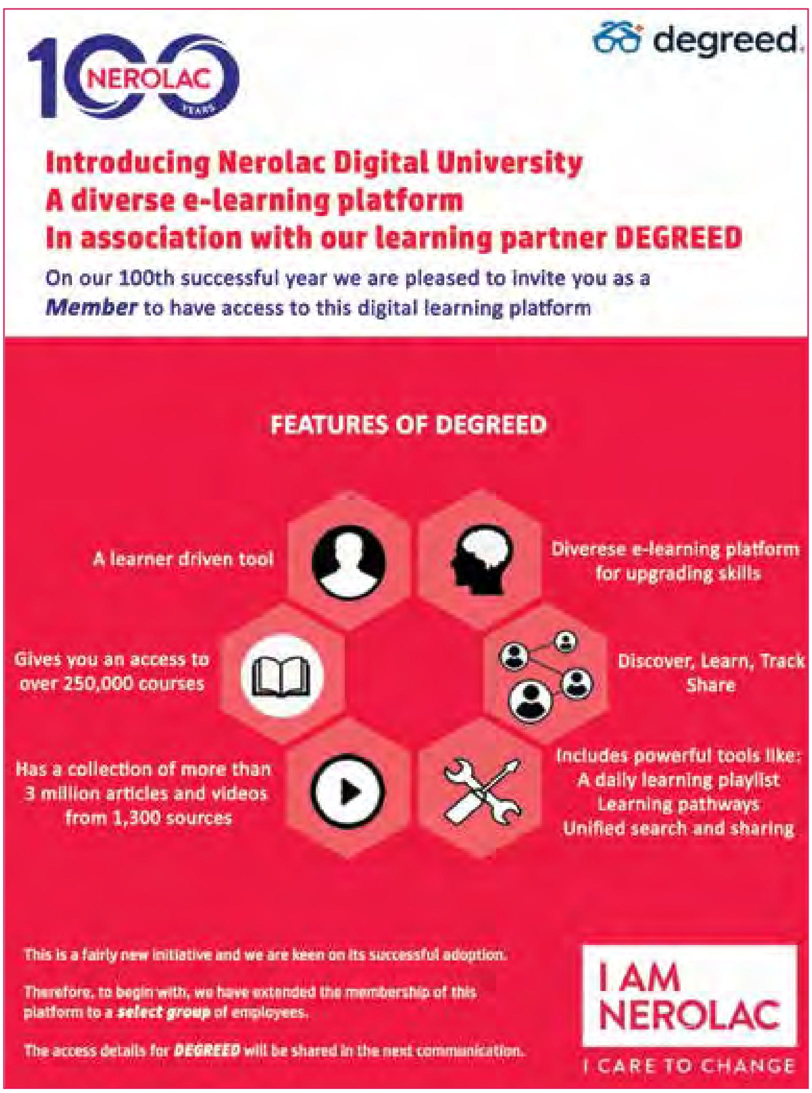
Competency and Capability Building:

KNPL puts utmost focus on training and skilling its employees. Interventions of training extend right from the time an employee joins and continues during the life-cycle of an employee.

For personnel in sales, the Company has a multi-step structured training approach to induct and ensure that a salesperson reaches full capability to lead a team. In manufacturing, employees are continuously exposed to various facets of process, quality, systems, technology, kaizen and group projects to develop their skills and capabilities. For personnel working in R&D, a detailed training system has been evolved and implemented to develop the skills and competencies of the R&D personnel. Leadership training is also imparted to various employee groups. Wherever needed, KNPL has external interventions in various functional areas either through external training or through projects with best-in-class companies to upgrade the knowledge and capability of its employees. These interventions expose the employees to new thinking and concepts, and helps them better cope with the challenges of the environment.

During the year, a special focus was launched around Digital to make employees comfortable in operating new platforms and applications.

As part of the initiative to provide a formal opportunity to managers and employees to develop themselves, various assessment tools were used which gave employees feedback, as well as courses to pursue to improve competency in identified areas. The Company launched the 1st phase of the Digital University for managers across the Company. The platform provides content from numerous Ivy League colleges and provides a forum for managers to develop new competencies in various subject areas.



Nurturing Talent:

The Company is investing in a big way to nurture and develop leaders for the new decade. Emphasis on competency building, structured and experiential learning as well as outside world exposure is stressed. Many of our employees are being exposed to external training programmes and structured interventions including Ivy League school exposure to develop themselves.

Communication Platforms:

The Company lays a lot of emphasis on two-way communication with employees. Digital has helped create a closer working environment with management regularly interacting with employees over various matters. Regular updates on performance and strategic initiatives help employees stay tuned to the latest developments. The Company has launched an Internal Communications App, I Am Nerolac, which keeps employees posted on various facets of the organisation.

Functional Connects:

HR lays much emphasis on connecting with employees at a functional level to communicate various policies, discuss issues around performance management, talent development, training-need identification and make employees aware of happenings across the Company and the Kansai Group.

Performance Management:

KNPL is a professional organisation. We believe in transparency in goals and objective-setting as well as providing continuous feedback to our employees. This is achieved through KRAs and performance dashboards for our employees, in which they can relate how their KPIs and performance impacts the overall organisation. KNPL also believes in a shared goal towards the larger corporate goal of top line and bottom line with employees.

Taking performance management a step forward this year, the performance management system has been gamified by introducing the NPL (Nerolac Premier League) built around the popular Cricket concept of IPL.

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During the introduction of our renewed brand identity, ***UNATI*** – the roadmap to the future was launched. One of the elements of Unati was: ***Transform Digitally***. Taking into consideration the Digital Transformation, we introduced – ***I Am Nerolac app***, a digital engagement platform to keep employees connected with the brand on a day-to-day basis. Its features include ***InShorts & Leadership Videos*** that enable employees to easily adapt and embrace all the digitised future endeavours.

Total employee strength on 31st March 2021 was 2,889.

Community Development

KNPL's emphasis on social responsibility extends to the communities in which it works as well as society at large. The Company operates under the principle of making a meaningful contribution to the progress of humanity by behaving as a good neighbour, being considerate of others, and acting as a responsible corporate citizen with zeal and compassion. It also aspires to be a responsible corporate citizen by proactively partnering in the cultural, social, and economic growth of societies through use of creative technology, goods, and practices outside the scope of the regular industry.

The Company actively works and engages with communities around its manufacturing facilities as well as with painters and their families through a variety of interventions.

The organisation participates in Corporate Social Responsibility (CSR) programmes, focussing on societal improvement, with special emphasis on events that support the disadvantaged and vulnerable sectors of society. The Company strives for overall national growth as well as

community development. Involvement of the Company's staff, deployed in all regions, in CSR programmes tends to inculcate in them a sense of belonging while also building a strong image of the Company.

As a responsible corporation, the Company approaches people's social needs consciously, giving attention to the local communities where it works under different programme heads. All programmes can be broadly defined as follows:

Rural Development / Community Development

The goal is to reach out to people by offering basic facilities and amenities in the villages surrounding the plant locations/ depots. Construction and renovation of basic infrastructure of schools and child care centres.

Preventive Health Care and Sanitation

This programme's goal is to provide facilities that enhance general health care and sanitation. Among them are health camps, the provision of toilets in villages, public buildings and schools, provision of clean drinking water and COVID-19 related activities, such as periodic sanitisation of common public areas, distribution of sanitisers and masks to the villagers.

Promoting Education

To increase the educational level and encourage education in rural areas, the organisation implements a variety of programmes in schools near its plants and depots. Construction of classrooms and science laboratories, provision of computers, solar inverters, clean water facilities, and provision of instructional materials such as projectors, benches and tables, and inverters, among other things, are essential practices.

Ensuring Environmental Sustainability

The Company is committed to supporting the community in the preservation of natural resources and in ensuring a clean environment. It has undertaken many projects aimed at maintaining the ecological balance. These include the development of public parks, painting in village schools, plantation, tree guards and rainwater harvesting projects, to name a few.

Affirmative Actions

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

Environment Health & Safety

At KNPL, environment, health, and safety (EHS), is a top priority and an integral part of the Company's value system. We make concerted efforts to be an environmental steward and ensure the well-being of every employee. As a responsible organisation, we continued to introduce and embrace high-quality practices and programmes to protect the environment and encourage the highest level of physical, emotional and social well-being among our employees.

Safety

During these unprecedented times, we continued to raise employee awareness and instil a safety culture across the organisation. All locations implemented appropriate safety measures, not only limited to industrial safety but also to COVID-19, and ensured 100% adherence.

The Company's manufacturing sites, except for Amritsar, are ISO 45001-certified. The Company lays specific emphasis on periodic mock drills and fire drills. Periodic safety audits are conducted. The Company conducts operations and process reviews through Process Hazard Analysis (PHA) and Hazard and Operability (HAZOP) studies. It also has Hazard Identification and Risk Assessment (HIRA) registers at every location to track expected hazards and analyse risks.

The Company has clocked 25.7 million man-hours without lost-time injury (LTI).

Zero Accidents

In pursuance of a 'Zero Accident' goal, thematic safety online tests, trainings and competitions like Kiken Yochi Training (KYT), Danger Experience Programme (DEP), trainings on static electricity and human-error prevention are conducted across all levels at regular intervals. Self-learning Safety Training Kiosks with customised training modules are deployed to increase competency and imbibe a safety culture among employees.

Safety Training

We understand behaviour plays an important role as a majority of incidents are caused due to negligence, non-adherence to standards and procedural violations. Aiming to reduce behavioural incidents, this year we have developed and introduced an in-house Behavioural-Based Safety (BBS) training module and initiated BBS observations across all plants.

We have instituted an online system to prevent unsafe conditions, report incidents and for timely closure. We have also set up safety laboratories to demonstrate and experience hazards related to specific activities. During the year, we conducted various safety-related studies interlock assessments, fire-load surveys and published a revised chemical-compatibility chart.

At KNPL, we consistently study industry-best practices and horizontally deploy them across all manufacturing locations.

During the year, we consumed 7,800 kl of rainwater in the process. Specific water consumption in FY 2020-21 was 1.25 KL/KL of FG, compared to 1.4 KL/KL of FG in FY 2019-20, a reduction of 11% from the previous year. Of the total non-product water consumed 36% is recycled.

Water and Waste Management

In regards to water and waste management, we have adopted a two-way approach: Reduction at source and recycle & reuse.

Water Management

We have water management goals in place and set exacting standards to limit our water consumption across the organisation. The aim is to increase the utilisation of recycled and rainwater and reduce freshwater consumption. During the year, we consumed 7,800 kl of rainwater in the process. Specific water consumption in FY 2020-21 was 1.25 KL/KL of FG, compared to 1.4 KL/KL of FG in FY 2019-20, a reduction of 11% from the previous year. Of the total non-product water consumed 36% is recycled.

During the year, we have implemented various water-conservation initiatives like installation of fan-less cooling towers to reduce drift losses, faucet-type taps and flow-controllers, transition from VAM chillers to SCREW chillers, among others. This year, in addition to Lote, we have initiated the reuse of rainwater in process at Sayakha. These efforts have helped us to successfully achieve our target of reduction in specific water consumption, compared to last year.

With a long-term strategic goal of becoming a water-positive organisation, we intend to focus not only on reduction of freshwater consumption, but also on implementing watershed management projects in neighbouring villages through Corporate Social Responsibility (CSR) to increase water replenishment.

During the year, we initiated a water-footprint assessment in line with the Water Footprint Network to assess our blue, green and grey water footprint and identify opportunities for water reduction.

All plants have achieved ZERO LIQUID DISCHARGE through the installation of Ultrafiltration (UF), Reverse Osmosis (RO) and Multi-effect-Evaporator (MEE) treatment systems.

Waste Management

With the changing regulatory landscape and emerging rules, it is necessary to manage waste judiciously. Waste management is another key aspect and of paramount importance. We follow the 3R principle for management of all types of wastes, and special precautions are taken to handle, store and dispose of hazardous wastes. Continuous efforts are made to minimise industrial waste through adopting and implementing distillation-residue reduction, solvent refining, sticking-losses reduction, and sample resin reuse.

During the year, our specific hazardous waste generation decreased by 8.5% from the previous year.

We have installed bio-composting machines across all plants to convert food waste into good quality manure. We have also initiated disposal of hazardous waste through co-processing across all plants to minimise the quantum of waste sent to landfills.

Zero Liquid Discharge Facility

Plastic Waste and Extended Producer Responsibility:

During the year, special emphasis was laid on plastic waste. In terms of post-consumer plastic waste, we have initiated efforts under the provision of Extended Producer Responsibility. Also, we have taken concerted steps to reduce incoming plastic waste from suppliers by substituting plastic with alternative materials or through a take-back mechanism set by the supplier.

Energy and Emission Management

We have continued our energy-saving agenda in FY 2020-21, making a collective effort to minimise our carbon footprint through a number of energy-saving measures and transitioning towards environmentally-friendly and cost-effective alternatives.

The aim is to gradually reduce our carbon emissions and offset unavoidable carbon emissions to achieve carbon neutrality. During the year, we continued to invest in renewable energy to ensure energy efficiency. In FY 2020-21, 46% of our energy (power + fuel) consumed is from renewable sources. 29% of our power consumption is from renewable sources.

Additionally, we implemented energy-saving measures, which include replacement of conventional lights with LED lighting, installation of a mist cooling tower, provision of interlocks between dust collector blowers and purging timers, timer ad sensor installation, among others.

During the year, we initiated a water-footprint assessment in line with the Water Footprint Network to assess our blue, green and grey water footprint and identify opportunities for water reduction.

As a responsible organisation, we conduct tree-plantation drives within and outside factory premises on various occasions at all plants round the year. With the current carbon sequestration rate, we have been able to offset 2% of our total GHG emissions.

Our Scope 1, Scope 2 and Scope 3 emissions have been brought down from 47,698 tonnes of CO_2e to 41,324 tonnes of CO_2e, a 13.3% reduction.

Opportunities and Threats

Information for this section can be found in the "Opportunities and Threats" section of the Corporate Overview.

Risks and Concerns

Information for this section can be found in the "Risk and Concerns" section of the Corporate Overview.

Outlook

We expect demand to remain positive for the year. Many favourable factors like demographics, nuclear families, infrastructure thrust and lower penetration of paint by global standards make the outlook positive over the long term.

The industry is seeing renewed action with the entry of newer players. This augurs well for the industry as it will lead to more innovation. KNPL has taken many strategic initiatives in the areas of Brand, Technology, Products, Manufacturing, Distribution, Service, People, Digital and Governance and is confident of meeting the challenges of the emerging tomorrow.

There are small challenges expected in the immediate term due to the second wave of COVID-19. However, with the vaccine rollout, we expect that this would be a short-term hic-cup, and the economy will bounce back immediately.

Internal Control Systems and their Adequacy

The Internal Control Systems at KNPL are intended to monitor and control its day-to-day operations through regular tracking and reporting. These systems also satisfactorily screen consistency to various principles, policies and rules, and adherence to methodology necessities.

To strengthen the systems of internal control and provide the Board of Directors with an added ability to oversee internal controls, the Company has in place an Internal Financial Control system, in accordance with the requirements of Section 134(5) (e) of The Companies Act, 2013. Implementation of these systems has been guided by the framework suggested in the Guidance Note on Audit of Internal Financial Controls in Financial Reporting issued by The Institute of Chartered Accountants of India, to address the Company's operational and financial risks. In addition, the Company's systems are tested through automated tools by the statutory auditors.

Control Efficiency Index and Robust Control Index:

The Company continues to monitor its internal audit progress by measuring the Control Efficiency Index (CEI) and the Robust Control Index (RCI). The control measures at KNPL are benchmarked against standards of efficient control-mechanisms. The Company's internal audit programme focusses on identifying whether gaps arise on account of control design, policy design, control or process deviation, IT or regulatory compliances. It also focusses on which controls can be automated. The Company in turn uses the audit findings to strengthen its internal controls.

Compliances:

KNPL has developed a dashboard of key legislation changes that are notified by various government authorities and is tracked by the management with respect to requirements and implementation.

The Company tracks all regulatory compliances online, through the Legatrix system. The system is updated regularly with all the changes in compliances as they occur. Online tracking and tracing of completion helps ensure strict adherence to regulations. In addition, the Company also tracks any legal cases through the Roznama system.

Awards & Recognition

Name of Award	Category	Awarded By	Plant
Excellence Award	Environment Health & Safety	Confederation of Indian Industry (CII)	Hosur
Gold Award	Safety Excellence	Foundation for Accelerated Mass Empowerment	Bawal
Prashansa Patra	Safety Award	National Safety Council of India	Lote
First Prize	Energy Conservation	Maharashtra Energy Development Agency	Lote
Gold Award	Quality	Quality Circle Forum of India	Bawal
Best Vendor Award	Supply Chain	Honda Motorcycle and Scooter India Ltd	Bawal, Hosur, Sayakha, Jainpur
Runner Up	Quality Management	Qimpro	Bawal

Cautionary Statement

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

2. 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 Act'), the Board of Directors, to the best of its knowledge and belief and according to the information and explanations obtained by it, hereby states that:

i in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no 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 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 the 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 of the Company 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.

3. New Projects

The Shareholders were informed last year that the Company's paint manufacturing unit at Goindwal Sahib, Punjab has commenced commercial production.

During the financial year 2020-21, the Company has commissioned its powder coating facility at Goindwal Sahib, Punjab, wood coating facility at Jainpur, Uttar Pradesh and Cathodic Electro Deposition facility at Sayakha, Gujarat.

4. Directors

In terms of the provisions of the Act and the Articles of Association of the Company, Mr. Anuj Jain, Whole-time Director and Mr. Hitoshi Nishibayashi, Non-Executive Director would be liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

None of the Directors is disqualified as on 31st March, 2021 from being appointed as a Director under Section 164 of the Act. 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 Act and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). In the opinion of the Board, all the Independent Directors possess the integrity, expertise and experience including the proficiency required to be Independent Directors of the Company, fulfil the conditions of independence as specified in the Act and the SEBI Listing Regulations and are independent of the management and have also complied with the Code for Independent Directors as prescribed in Schedule IV of the Act.

The Company has a Code of Conduct for Directors and senior management personnel. All the Directors and senior management personnel have confirmed compliance with the said code.

Details with respect to the composition of the Board, the meetings of the Board held during the year and the attendance of the Directors thereat have been provided separately in the Annual Report, as a part of the Report on Corporate Governance.

Mr. H. M. Bharuka, Vice Chairman and Managing Director, resigned with effect from 26th June, 2020, from the Board of Directors of Kansai Paint Co., Ltd., Japan ("KPJ"), the holding company. He received a remuneration of ₹ 20.87 Lakhs during the year as a Non-Executive Director of KPJ.

5. Key Managerial Personnel

In terms of Section 203 of the Companies Act, 2013, the Company has the following Key Managerial Personnel : Mr. H. M. Bharuka, Vice Chairman and Managing Director, Mr. Anuj Jain, Executive Director, Mr. P. D. Pai, Chief Financial Officer and Mr. G. T. Govindarajan, Company Secretary.

6. Meetings of the Board

The Board met 4 (four) times during the financial year. The meeting details are provided in the Corporate Governance report that forms part of this Annual Report. The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Act and the SEBI Listing Regulations.

7. Board Evaluation

In terms of the applicable provisions of the Act and the SEBI Listing Regulations, Nomination and Remuneration Committee and the Board of Directors have approved a framework, which lays down a structured approach, guidelines and processes to be adopted for carrying out an evaluation of the performance of all the Directors, the Board as a whole and its Committees. The evaluation process has been separately explained in this Annual Report, as a part of the Report on Corporate Governance.

For the year under review, the Board carried out the evaluation of its own performance and that of its Committees and the individual Directors and the evaluation results, as collated and presented, were noted by the Board.

8. Audit Committee

In terms of the provisions of Regulation 18 of SEBI Listing Regulations read with Section 177 of the Act, the Audit Committee is constituted as follows:

Names of the Members	Designation
Mr. P. P. Shah (Chairman of the Audit Committee)	Chairman and Independent Director
Mr. N. N. Tata	Independent Director
Ms. Sonia Singh	Independent Director

The recommendations made by the Audit Committee to the Board, from time to time during the year under review, have been accepted by the Board.

Other details with respect to the Audit Committee such as its terms of reference, the meetings of the Audit Committee and attendance thereat of the members of the Committee, are separately provided in this Annual Report, as a part of the Report on Corporate Governance.

Further, detailed information with respect to the other Committees of the Board is also provided in this Annual Report, as a part of the Report on Corporate Governance.

9. Statutory Auditors

At the 99th Annual General Meeting of the Company, the Shareholders had approved the appointment of S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/ E300003) as the Statutory Auditors of the Company, to hold office for a period of 5 (five) years from the 99th Annual General Meeting of the Company till the conclusion of the 104th Annual General Meeting of the Company, in terms of the applicable provisions of Section 139(1) of the Act read with the Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report on the Financial Statements (Standalone and Consolidated) of the Company for the year under review, is clean and there are no qualifications in their Report. Also, no frauds in terms of the provisions of Section 143(12) of the Act have been reported by the Statutory Auditors in their report for the year under review.

The Notes to the Financial Statements (Standalone and Consolidated) are self-explanatory and do not call for any further comments.

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

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act, are separately disclosed in this Annual Report, as a part of the notes to the Financial Statements.

11. Related Party Transactions

Related Party Transactions entered into during the year under review were approved by the Audit Committee and the Board of Directors, from time to time and the same are disclosed in the Financial Statements of the Company for the year under review. Further, pursuant to the provisions of the Act and the SEBI Listing Regulations, the Board of Directors has, on recommendation of its Audit Committee, adopted a Policy on Related Party Transactions and the said policy is available on the website of the Company i.e. https://nerolac.com/financial/policies.html.

In terms of the provisions of Section 188(1) of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the SEBI Listing Regulations, all contracts/ arrangements/ transactions entered into by the Company with its related parties, during the year under review, were in the ordinary course of business of the Company and on an arm's length basis. There were no material Related Party transactions during the year. Accordingly, Form No. AOC-2, prescribed under the provisions of Section 134(3)(h) of the Act and Rule 8 of the Companies (Accounts) Rules, 2014, for disclosure of details of Related Party Transactions, which are "not at arm's length basis" and also which are "material and at arm's length basis", is not provided as an annexure to this Report as it is not applicable.

12. Corporate Governance

The Company is in full compliance with the requirements and disclosures that have to be made in terms of the requirements of Corporate Governance specified in SEBI Listing Regulations.

In terms of the provisions of Schedule V(C) of the SEBI Listing Regulations, a detailed Report on Corporate Governance forms part of this Annual Report. Further, though for better readability and easy reference of the Shareholders, a Certificate from the Statutory Auditors of the Company confirming compliance with the requirements of Corporate Governance as specified in SEBI Listing Regulations is provided together with the Report on Corporate Governance, the same shall be considered to be an annexure to this Report.

13. Remuneration Policy

The Board of Directors has adopted a Policy which deals with (i) criteria for determining qualifications, positive attributes and independence of a Director, and (ii) Remuneration Policy for Directors, Key Managerial Personnel and other employees ("Remuneration Policy").

The features of the Remuneration Policy are as follows:

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, sales, marketing, architecture, administration, research, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, race, ethnicity and nationality 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 Act and the SEBI Listing Regulations, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Act.

- 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. The short and long term performance objectives cover amongst various aspects industry performance, customer performance, overall economic environment, financial performance and performance on Environment, Social and Governance objectives.

- For Directors, the Performance Pay will be linked to achievement of Business Plan (achievement of short term and long-term business objective).

- 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.

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

14. Risk Management Policy

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

The Risk Management Framework of the Company comprises of Risk Management Committee and the Risk Officers.

In terms of the provisions of Regulation 21 of SEBI Listing Regulations, the Risk Management Committee is constituted as follows:

Names of the Members	Designation
Mr. H. M. Bharuka (Chairman of the Risk Management Committee)	Vice Chairman and Managing Director
Mr. Anuj Jain	Executive Director
Mr. Jason Gonsalves	Chief Risk Officer

The Risk Management Committee will be reconstituted in accordance with the amendments to the SEBI Listing Regulations.

The functional Heads are the Risk Officers of their respective functions. The Board 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 include preparation of company-wide framework for risk management, fixing roles and responsibilities, communicating the risk management objective, giving direction for managing cyber security, drawing action plan and allocating resources, 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.

Systems and processes are set through the Risk Management framework, 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.

15. Vigil Mechanism – Whistle Blower Policy

The Company has a Whistle Blower Policy to report genuine concerns and grievances. The policy provides adequate safeguards against victimisation of persons who use the Whistle Blower mechanism. Details with respect to implementation of the Whistle Blower Policy are separately disclosed in this Annual Report, as a part of the Report on Corporate Governance. The same is also available on the website of the Company at https://nerolac.com/financial/policies.html.

16. Corporate Social Responsibility

The Board of Directors has constituted a Corporate Social Responsibility ("CSR") Committee in terms of the provisions of Section 135 of the Act, as follows :

Names of the Members	Designation
Mr. H. M. Bharuka (Chairman of the CSR Committee)	Vice Chairman and Managing Director
Mr. N. N. Tata	Independent Director
Mr. Anuj Jain	Executive Director

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 in areas or subject, 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.

There was one meeting of the CSR Committee during the financial year, which was attended by all members of the Committee.

The Board has also framed a CSR Policy for the Company, on the recommendations of the CSR Committee and the same is available on the website of the Company at https://nerolac.com/financial/policies.html#scroll.

Pursuant to appeal dated 30th March, 2020 by the Secretary of Ministry of Corporate Affairs for contribution to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), the Company had contributed a sum of ₹ 4 crores on 31st March, 2020 towards the PM CARES Fund. Based on the appeal as aforesaid and legal opinion, in respect of recent amendments by Ministry of Corporate Affairs in the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has set-off excess amount expensed towards CSR in FY 2019-2020 of ₹ 2.43 Crores against FY 2020-2021 CSR obligations.

The Annual Report on CSR activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014, including a brief outline of the Company's CSR Policy, is annexed to this Report as Annexure 1.

17. Particulars on the committees of the Board

The details with regard to the composition of the committees of the Board and the number of meetings held during the year of such committees, as required under SEBI Listing Regulations, is separately provided in the Report on Corporate Governance forming part of this Annual Report.

18. 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 Regulations.

The Board of Directors 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 Act 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 Act 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 Act and all the relevant rules and regulations issued thereunder 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 dividends:

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 the 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.

The declaration of dividend by the Company is in compliance with the Dividend Distribution Policy.

19. Prevention of Sexual Harassment at workplace

In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act"), the Company has adopted a "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.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the POSH Act 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 did not receive any complaints of sexual harassment and no cases were filed under the POSH Act.

20. General Shareholder Information

General Shareholder Information is given as Item No. 11 of the Report on Corporate Governance forming part of this Annual Report.

21. Particular regarding Employees Remuneration

Disclosure comprising particulars with respect to the remuneration of directors and employees, as required to be disclosed in terms of the provisions of Section 197(12) of the Act and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as Annexure 2.

22. Conservation of Energy, Technology Absorption & Foreign Exchange

The statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required in terms of Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed to this Report as Annexure 3.

23. Share Capital

The paid up Equity Share Capital as at 31st March, 2021 stood at ₹ 53.89 Crores. During the year under review, the Company did not issue any Equity Shares. Further, the Company has not issued any convertible securities or shares with differential voting rights nor has granted any stock options or sweat equity or warrants. There has been no change in the capital structure of the Company during the year.

24. Annual Return

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on March 31, 2021 is available on the website of the Company in the following link https://www.nerolac.com/our-financial-results.html

25. Details of Unclaimed Suspense Account

Details pertaining to Unclaimed Suspense Account of the Company are separately disclosed in this Annual Report, as a part of the General Shareholder Information.

26. Investor Education and Protection Fund ("IEPF")

Transfer of Unclaimed Dividend to IEPF

During the year under review, dividend amounting to ₹ 11.14 Lakhs that had not been claimed by the shareholders for the year ended 31st March, 2013, was transferred to the credit of IEPF as required under Sections 124 and 125 of the Act.

Unclaimed dividend as on 31st March, 2021

As on 31st March, 2021, dividend amounting to ₹ 2.37 Crores has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar and Share Transfer Agents of the Company i.e. TSR Darashaw Consultants Private Ltd. (formerly known as TSR Darashaw Ltd.), for unclaimed dividend.

Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended), the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31st March, 2020, on the website of the Company i.e. www.nerolac.com. The same are also available with the Ministry of Corporate Affairs.

Transfer of Equity Shares

As required under Section 124 of the Act, 48,120 Equity Shares, in respect of which dividend has not been claimed by the members for 7 (seven) consecutive years or more, have been transferred by the Company to the IEPF Authority during the financial year 2020-21. Details of such shares transferred have been uploaded on the website of the Company, i.e. www.nerolac.com. The same are also available with the Ministry of Corporate Affairs.

Nodal Officer

The Company has appointed Mr. G. T. Govindarajan, Company Secretary as the Nodal Officer for the purpose of verification of claims filed with the Company in terms of IEPF Rules and for co-ordination with the IEPF Authority. The said details are also available on the website of the Company i.e. www.nerolac.com.

27. Secretarial Audit

Pursuant to the provisions of Section 204 of the Act, the Company had appointed JHR & Associates, Company Secretaries, as the Secretarial Auditor for the year under review, to conduct the Secretarial Audit of the Company.

The Secretarial Audit Report for the year under review issued by JHR & Associates is annexed to this Report as Annexure 4. There is no qualification or adverse remark in their Report.

Further, in terms of the provisions of the Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 issued by Securities and Exchange Board of India, the Company has obtained the Annual Secretarial Compliance Report for the financial year ended 31st March, 2021, confirming compliance of the applicable SEBI Regulations and circulars/ guidelines issued thereunder, by the Company.

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

28. Cost Audit

In terms of the provisions of Section 148 of the Act, the Company had appointed D. C. Dave and Co., Cost Accountants (Registration No.000611), as the Cost Auditor to conduct an audit of its Cost Accounting Records for the financial year 2019-20, pertaining to products of the Company as required by the law. The Cost Audit Report submitted by the Cost Auditor for the previous year, was clean and there was no qualification in their Report. The same was duly filed with Ministry of Corporate Affairs on 23rd October, 2020.

The Company had re-appointed D.C. Dave & Co., Cost Accountants, as the Cost Auditor for the year ended 31st March, 2021, and the Cost Audit Report when submitted by them, will be duly filed with Ministry of Corporate Affairs.

Further, the Company has re-appointed D.C. Dave & Co., Cost Accountants, as the Cost Auditor for the Financial Year 2021-22, to conduct an audit of its Cost Accounting Records pertaining to said products, at a remuneration of ₹ 2,50,000 plus Goods and Service tax and out of pocket expenses. The Company is seeking the approval of the Shareholders by means of ratification, for the remuneration to be paid to D. C. Dave & Co. vide Resolution No. 5 of the Notice of the ensuing Annual General Meeting.

Certificate from D. C. Dave & Co., Cost Accountants, has been received to the effect that their appointment as Cost Auditor, if made, would be in accordance with the limits specified under Section 141 of the Act and Rules framed thereunder.

29. Business Responsibility Report

A Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, as required in terms of the provisions of Regulation 34(2)(f) of SEBI Listing Regulations, separately forms part of this Annual Report.

30. Acknowledgements

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

We also place on record our appreciation for the contribution made by our employees at all levels and for their commitment, hard work and support in a challenging environment.

For and on behalf of the Board

P.P. Shah
Chairman

Mumbai, 7th May, 2021

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2020-21

1. **A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be taken** : Given separately as part of this report.

2. **Composition of CSR Committee:**

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. H. M. Bharuka	Vice Chairman and Managing Director	1	1
2.	Mr. N. N. Tata	Independent Director	1	1
3.	Mr. Anuj Jain	Executive Director	1	1

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company**

   Composition of the CSR committee shared above and is available on the Company's website on https://www.nerolac.com/our-people.html#/scroll

   CSR Policy - https://www.nerolac.com/financial/policies.html#/scroll

   CSR Projects - https://www.nerolac.com/financial/csr-projects-approved.html#/scroll

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).**

   As per the Frequently Asked Questions (FAQs) released by the Institute of Company Secretaries of India dated April 29, 2021, the Company is required to undertake impact assessment of the CSR projects having outlays of one crore rupees or more and which have been completed not less than one year before undertaking the impact study. Since there are no CSR projects qualifying under the said criteria, the impact assessment is not applicable for financial year 2020-21.

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any :**

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
1.	2020-21	2.43 Crores	2.43 Crores
2.	—	—	—
3.	—	—	—
	Total	**2.43 Crores**	**2.43 Crores**

6. **Average net profit of the company as per section 135(5) -** ₹ 714.88 Crores

7. (a) **Two percent of average net profit of the company as per section 135(5) -** ₹ 14.30 Crores

   (b) **Surplus arising out of the CSR projects or programmes or activities of the previous financial years:** ₹ 2.43 Crores

   (c) **Amount required to be set off for the financial year, if any :** ₹ 2.43 Crores

   (d) **Total CSR obligation for the financial year (7a+7b-7c) :** ₹ 14.30 Crores

8. (a) **CSR amount spent or unspent for the financial year:**

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
14.32 Crores*	NIL	–	–	NA	–

* Includes ₹ 2.43 Crores setoff of previous year surplus amount.

(b) **Details of CSR amount spent against ongoing projects for the financial year :** There are no pending ongoing projects under CSR as at March 31, 2021.

(c) **Details of CSR amount spent against other than ongoing projects for the financial year:** ₹ 14.32 Crores (Separately attached to this report).

(d) **Amount spent in Administrative Overheads -** NIL

(e) **Amount spent on Impact Assessment, if applicable -** NIL

(f) **Total amount spent for the Financial Year (8b+8c+8d+8e) :** ₹ 14.32 Crores

(g) **Excess amount for set off, if any**

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	14.30 Crores
(ii)	Total amount spent for the Financial Year	14.32 Crores*
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.02 Crores
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.02 Crores

* Includes ₹ 2.43 Crores setoff of previous year surplus amount.

9. (a) **Details of Unspent CSR amount for the preceding three financial years:**

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	–	NIL	–	–	NIL	–	–
2.							
3.							

(b) **Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed/ Ongoing
1	–	–	–	–	–	–	–	–

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).

   (a) Date of creation or acquisition of the capital asset(s). – None

   (b) Amount of CSR spent for creation or acquisition of capital asset. – NIL

   (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Not Applicable

   (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) - Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5) – Not Applicable

H. M. Bharuka
Vice Chairman and Managing Director
(Chairman of the CSR Committee)

Mumbai, 7th May, 2021

BRIEF 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 health care including preventive health care and sanitation, including contribution to the Swach 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, agroforestry, 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, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows ;
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 Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) 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. (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

   (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs) ;
10. Rural development projects;
11. Slum area development; Explanation.- For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.
12. Disaster management, including relief, rehabilitation and reconstruction activities

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 2020-21

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
A.	1	Advanced Open Training in Painting	**Livelihood & Skill Enhancement Program**	YES	Punjab, M.P., Kerala, Karnataka, Gujarat, Rajasthan, Andhra Pradesh, Delhi, Goa, Puducherry, Tamilnadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himachal Pradesh, Chhatisgarh, J&K, Jharkhand, M.P., West Bengal	ALL	238.51	NO	PREKSHA FOUNDATION-INDORE	YET TO OBTAIN
	2	Mobile Training Academy	**Livelihood & Skill Enhancement Program**	YES	Maharashtra, Punjab, Gujarat, Madhya Pradesh, Rajasthan	ALL	108.27	NO	PREKSHA FOUNDATION-INDORE	YET TO OBTAIN
	3	Fumigation Training	**Livelihood & Skill Enhancement Program**	YES	Punjab, Bihar, Gujarat, Assam, MP, Chhattisgarh, West Bengal, Odisha, Jharkhand, UP, Kerala	ALL	119.17	NO	PREKSHA FOUNDATION-INDORE	YET TO OBTAIN
						Sub Total	**465.95**			
B.	1	Donation to PM CARES Fund for COVID 19 Pandemic*	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	243.00	YES		
	2	Distribution of Fumigation Machines & Sanitizers	**Preventive Health Care & Sanitation**	YES	Punjab, Bihar, Gujarat, Assam, MP, Chhattisgarh, West Bengal, Odisha, Jharkhand, UP, Kerala	ALL	122.37	YES		
	3	Health Camp for villagers near Plant	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	1.20	YES		
	4	Providing Oximeters to Civil Hospital, Rewari	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	2.65	YES		
	5	Renovation of Toilets and Boundary wall in Chirhara village	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	4.66	YES		
	6	Invertor to ESI Hospital, Bawal	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	0.61	YES		
	7	Covid-19 related equipment (PPE kits, Mask, Sanitizers) to DM	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	0.48	YES		
	8	Construction of Toilets in Govt. Primary School, Chinnar	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	7.33	YES		
	9	Distribution of Sanitizer Dispensing stand to Govt.Offices & Public places	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	0.74	YES		
	10	Iron Bed with I.V. stand to Govt. Hospitals in Krishnagiri district	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	4.07	YES		
	11	Renovation & painting of Primary Health Centre at Shoolagiri	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	2.36	YES		
	12	RO-ATM project at Mornapalli village	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	5.25	YES		
	13	Health Camps for villagers near plant	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	2.49	YES		
	14	Distribution of Mask, Sanitizers & Medical Equipment to Govt. Hospital	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	2.84	YES		
	15	Providing Blood Storage Cabinets in Govt.hospital	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	2.54	NO	ROTARY CLUB KHED	YET TO OBTAIN

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.	Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR Registration Number
16	Distribution of Computers to Blood Bank	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	1.76	NO	ROTARY CLUB KHED	YET TO OBTAIN
17	Provided CCTV to Kamathe Covid Centre, Kamathe Hospital	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	1.50	YES		
18	Providing Mask & Sanitizers to nearby Villages	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	CHIPLUN	3.32	YES		
19	Health Camps in Villages near Plant	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	1.38	YES		
20	Providing Blood Culture Test Machine & AC for Governement Hospital Lab.	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	4.07	YES		
21	Providing Mask & Sanitizers for Community	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	4.04	YES		
22	Providing Dental Chair & Equipment to Vagra Hospital	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	3.83	YES		
23	Construction of Community Room in sayakha village	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	4.50	YES		
24	Construction of Public Toilets in Park in Bharuch	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	10.91	NO	ROTARY CLUB BHARUCH	YET TO OBTAIN
25	Construction of Toilets in Primary & Junior School at Seedhamau	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	4.93	YES		
26	Health Camps for villagers near plant	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	4.89	YES		
27	Cataract Surgeries for villagers near Plant	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	7.00	YES		
28	Construction of Toilets, Washing Area in Govt. Primary School	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	1.12	YES		
29	Providing Covid-19 related equipment (PPE kits, Mask, Sanitizers	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	1.86	YES		
30	Providing water Facility for public at PS Goinwal sahib police station	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	2.31	YES		
31	Providing Mask, Gloves & Sanitizers in DC Office Tarn Taran	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	4.45	YES		
32	Anti virus Paint to Stanley Hospital, Chennai for Covid Ward	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	4.73	YES		
33	Support for Trg. In Fumigation & Sanitization for women	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	0.55	YES		
34	Providing Covid-19 related equipment (PPE kits, Mask, Sanitizers, etc.	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	2.00	YES		

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implemen-tation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	35	Providing Masks to Police Stations	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	0.21	YES		
	36	Donation towards Painters Relief Fund	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	5.00	YES		
	37	Providing Masks to Police Stations	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	0.95	YES		
						Sub Total	**477.90**			
C.	1	Solar Street lights in villages	**Rural Development/ Community Development**	YES	HARYANA	REWARI	6.92	YES		
	2	Street Lights in Jaliawas Village	**Rural Development/ Community Development**	YES	HARYANA	REWARI	0.89	YES		
	3	Barricades for Public Safety to Police Station	**Rural Development/ Community Development**	YES	HARYANA	REWARI	3.12	YES		
	4	Providing Laptops to Police Station, Rewari	**Rural Development/ Community Development**	YES	HARYANA	REWARI	0.92	YES		
	5	Annapurna project for Women Empowerment in village near plant	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	6.00	NO	DISHANTAR SANSTHA-CHIPLUN	CSR00003091
	6	Renovation work in Tehsil Office	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	1.91	YES		
	7	Providing Computers & Medical related equipment to Public Health Care Centre, Ambavali	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	0.75	YES		
	8	Providing Drinking water Facility at Songaon Village	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	2.83	YES		
	9	Providing Bus Pickup shed for villagers at Gunade village	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	1.60	YES		
	10	Renovation work at Police Station	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	1.74	YES		
	11	Providing Bus Pickup shed for villagers at Khopi village	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	1.60	YES		
	12	Borewell at Poynar Village	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	0.65	YES		
	13	Food packet distribution to nearby villages	**Rural Development/ Community Development**	YES	MAHARASHTRA	CHIPLUN	1.79	YES		
	14	Providing of Water Coolers at Public Places & Govt.Offices	**Rural Development/ Community Development**	YES	UTTAR PRADESH	KANPUR DEHAT	2.70	YES		
	15	Providing of Water Coolers at Public Places & Govt.Offices	**Rural Development/ Community Development**	YES	UTTAR PRADESH	KANPUR DEHAT	0.30	YES		
	16	Construction of Canteen Shed at SP office, Krishnagiri	**Rural Development/ Community Development**	YES	TAMIL NADU	KRISHNAGIRI	7.47	YES		
	17	Providing UPS system at Hodcu Police Station	**Rural Development/ Community Development**	YES	TAMIL NADU	KRISHNAGIRI	0.19	YES		
	18	Renovation work of Govt. office in Hosur	**Rural Development/ Community Development**	YES	TAMIL NADU	KRISHNAGIRI	1.00	YES		

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	19	Renovation of Bus shelter and civil work in Park near Plant	**Rural Development/ Community Development**	YES	TAMIL NADU	KRISHNAGIRI	0.96	YES		
	20	Renovation of Fire Tender Shed at Fire office, Krishnagiri	**Rural Development/ Community Development**	YES	TAMIL NADU	KRISHNAGIRI	2.95	YES		
	21	Barricades for Public Safety to Vagrai Police Station	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	1.57	YES		
	22	Renovation of Community Shed & providing Water Tank for drinking water facility at Sayakha	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	5.50	YES		
	23	Construction of Community Centre Shed at Aragama Village	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	3.50	YES		
	24	Fencing work at Aragama Village	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	1.81	YES		
	25	Panchayat House Renovation work in Saladara Village	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	4.13	YES		
	26	Paver Block work at Govt.School in Vorasamni village	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	3.86	YES		
	27	Paver Block work of Community Centre at Ankot village	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	4.47	YES		
	28	RO Plant Installation in Old Age Home at Bharuch	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	1.58	YES		
	29	RO Plant Installation & Beds to Women Protection Centre at Bharuch	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	4.86	YES		
	30	Food packet distribution to nearby villages	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	2.10	YES		
	31	Painting work of Vagra Police station	**Rural Development/ Community Development**	YES	GUJARAT	BHARUCH	2.68	YES		
	32	Bus Shelter at Goindwal square	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	1.40	YES		
	33	Renovation of Shed with RCC construction at Goinwal square	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	3.36	YES		
	34	Installation of Solar Street lights	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	11.91	YES		
	35	Installation of High Mask Solar Street lights in chowk	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	2.66	YES		
	36	Renovation of Washroom, Drinking water facility & sitting arrangement at Goindwal sahib Bus stop	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	5.87	YES		
	37	Barricades for Public Safety at DSP office, Goindwal	**Rural Development/ Community Development**	YES	PUNJAB	TARN TARAN	1.03	YES		
	38	Road Safety Work on sea face road, Mumbai	**Rural Development/ Community Development**	YES	MAHARASHTRA	MUMBAI	15.21	YES		
						Sub Total	**123.79**			

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
D.	1	Solar Geyser Installation at Naichana Village School	**Promoting Education**	YES	HARYANA	REWARI	5.00	YES		
	2	JNV Training provided to poor students of Sainik School	**Promoting Education**	YES	HARYANA	REWARI	2.50	YES		
	3	Construction of Science Lab at Mornapalli village	**Promoting Education**	YES	TAMIL NADU	KRISHNAGIRI	14.25	YES		
	4	Construction of School boundary wall and Kitchen at De Paul Primary School, Denkanikotta	**Promoting Education**	YES	TAMIL NADU	KRISHNAGIRI	6.42	YES		
	5	Painting and Civil work at Govt School, Hosur	**Promoting Education**	YES	TAMIL NADU	KRISHNAGIRI	7.27	YES		
	6	Painting, Civil repair at Govt school (for disabled children day care)	**Promoting Education**	YES	TAMIL NADU	KRISHNAGIRI	2.08	YES		
	7	Renovation work at St. John Bosco Girls Hr sec school, Hosur	**Promoting Education**	YES	TAMIL NADU	KRISHNAGIRI	7.10	YES		
	8	Shed for Students at Kendriya Vidyalay, Mati, Kanpur Dehat	**Promoting Education**	YES	UTTAR PRADESH	KANPUR DEHAT	27.00	YES		
	9	Civil work at Kendriya Vidyalay, Mati, Kanpur Dehat	**Promoting Education**	YES	UTTAR PRADESH	KANPUR DEHAT	4.70	YES		
	10	Painting work at Kendriya Vidyalay, Mati, Kanpur Dehat	**Promoting Education**	YES	UTTAR PRADESH	KANPUR DEHAT	0.41	YES		
	11	Providing Computers & Projectors to Kinjale High School	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	1.46	YES		
	12	Providing Computers & Projectors to LTT High School, Khed	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	0.70	YES		
	13	Construction of classroom of Waloti Schol, Chiplun	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	1.50	YES		
	14	Renovation of classroom of Kapsal Schol, Payarwadi	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	1.08	YES		
	15	Providing Computers & Projectors to Schools	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	2.21	YES		
	16	Providing Computers & Projectors to MIB Girls High school & Junior College	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	0.70	YES		
	17	Providing Kids Playing equipment to Gunade School	**Promoting Education**	YES	MAHARASHTRA	CHIPLUN	1.04	YES		
	18	Constructions of Classroom at Dhwani School, Bharuch	**Promoting Education**	YES	GUJARAT	BHARUCH	10.00	YES		
	19	Stage RCC work & boundary wall construction in school at Rahad	**Promoting Education**	YES	GUJARAT	BHARUCH	4.77	YES		
	20	Windows, Shed work and painting in school at Rahad	**Promoting Education**	YES	GUJARAT	BHARUCH	4.70	YES		

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	21	Donation of Computers with UPS system to Jhunjera Public School, Vagra	**Promoting Education**	YES	GUJARAT	BHARUCH	1.94	YES		
	22	Installation of Solar Panels at St.Xavier ITI College, Ankleshwar	**Promoting Education**	YES	GUJARAT	BHARUCH	7.31	YES		
	23	Soft skill training to villagers, Rahad	**Promoting Education**	YES	GUJARAT	BHARUCH	2.00	YES		
	24	Painting of School at Rahad	**Promoting Education**	YES	GUJARAT	BHARUCH	0.81	YES		
	25	Construction of new classrom at Govt. primary school, Goindwal Sahib	**Promoting Education**	YES	PUNJAB	TARN TARAN	14.95	YES		
	26	Providing Benches, Chairs for Mid-day meal Dining hall at Govt. school	**Promoting Education**	YES	PUNJAB	TARN TARAN	1.46	YES		
	27	Renovation of Mid-day meal Dining hall at Goindwal School	**Promoting Education**	YES	PUNJAB	TARN TARAN	9.01	YES		
	28	Renovation of 7 Anganwadis in Khadur Sahib Taluka	**Promoting Education**	YES	PUNJAB	TARN TARAN	44.12	YES		
	29	Providing furniture to 7 Anganwadis in Khadur Sahib Taluka	**Promoting Education**	YES	PUNJAB	TARN TARAN	8.06	YES		
	30	Installation of Mini Science Centre in Govt.School, Mahape near R&D	**Promoting Education**	YES	MAHARASHTRA	MUMBAI	6.05	NO	STEM LEARNING PVT.LTD.	YET TO OBTAIN
	31	Installation of Mini Science Centre in Govt.Schools	**Promoting Education**	YES	MAHARASHTRA	MUMBAI	9.90	NO	STEM LEARNING PVT.LTD.	YET TO OBTAIN
						Sub Total	**210.50**			
E.	1	Maintenance of Park at Chirahara Village, Rewari	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**2.80**	**YES**		
	2	Painting of School building in Garibolni Village	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**6.82**	**YES**		
	3	Painting of School building in Mohanpur Village	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**3.37**	**YES**		
	4	Painting of School building in Mahendragarh Village	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**4.44**	**YES**		
	5	RO System with Water Cooler in Mahendragarh village	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**1.50**	**YES**		
	6	Maintenance & Beautification of garden near Plant	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**3.00**	**YES**		
	7	Park Development at Rajgarh Village	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	**0.86**	**YES**		
	8	Mass tree plantation at Mornapalli lake	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	**1.75**	**YES**		
	9	Maintenance of Industrial park and Road near Plant	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	**0.50**	**YES**		

PROGRAM WISE CSR DETAILS 2020-21 (contd.)

Sr. No.		Name of the Project / Program	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the Project / Program		Amount spent for the Project/ Program (in ₹)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	10	Development of Children Park in Chiplun	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	CHIPLUN	**22.50**	**YES**		
	11	Maintenance and Park Development in village near plant	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	CHIPLUN	3.20	YES		
	12	Tree Plantation at Awashi Village	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	CHIPLUN	0.53	YES		
	13	Maintenance & Beautification of garden near Plant	**Ensuring Environmental Sustainability**	YES	UTTAR PRADESH	KANPUR DEHAT	4.28	YES		
	14	Tree Plantation near Plant	**Ensuring Environmental Sustainability**	YES	UTTAR PRADESH	KANPUR DEHAT	0.99	YES		
	15	Painting of schools at Bharuch	**Ensuring Environmental Sustainability**	YES	GUJARAT	BHARUCH	18.00	NO	ROTARY CLUB BHARUCH	YET TO OBTAIN
	16	Green Development near Sayakha plant	**Ensuring Environmental Sustainability**	YES	GUJARAT	BHARUCH	4.08	YES		
	17	Beautification, tree Plantation near Plant	**Ensuring Environmental Sustainability**	YES	GUJARAT	BHARUCH	3.28	YES		
	18	External Painting of Govt.school, Derol	**Ensuring Environmental Sustainability**	YES	GUJARAT	BHARUCH	2.77	YES		
	19	Renovation of Shed & Seepage Repairing at Govt.School, Deroal	**Ensuring Environmental Sustainability**	YES	GUJARAT	BHARUCH	2.97	YES		
	20	Providing Paint to Vardhaman School, Thane	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	MUMBAI	0.85	YES		
	21	Providing Paint to Police Station, Vashi	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	MUMBAI	0.23	YES		
	22	Providing Paint Material to Govt School, Near R&D	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	MUMBAI	1.92	YES		
	23	Beautification, maintenance of Garden near Dadar Railway Station	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	MUMBAI	3.06	YES		
	24	Beautification of Goindwal Square Chowk, Goindwal sahib	**Ensuring Environmental Sustainability**	YES	PUNJAB	TARN TARAN	5.74	YES		
	25	Painting of Govt. Primary School, Goindwal Sahib	**Ensuring Environmental Sustainability**	YES	PUNJAB	TARN TARAN	4.99	YES		
	26	Maintenance of Theme Park in Dhunda, Goindwal	**Ensuring Environmental Sustainability**	YES	PUNJAB	TARN TARAN	3.60	YES		
	27	Development of Park of Theme Park in Dhunda, Goindwal	**Ensuring Environmental Sustainability**	YES	PUNJAB	TARN TARAN	11.07	YES		
	28	Civil work of Theme Park in Dhunda village	**Ensuring Environmental Sustainability**	YES	PUNJAB	TARN TARAN	9.62	YES		
						Sub Total	**128.72**			
F.	1	Development of Matka Chowk, Chandigarh, a Heritage property	**Restoration of Buildings and Sites of Historical Importance**	YES	CHANDIGARH	CHANDIGARH	25.15	NO	STUDIO EMERGENCE	YET TO OBTAIN
						GRAND TOTAL	**1432.01**			

* Surplus CSR expenditure of FY 19-20, which has been setoff in FY 20-21 towards CSR obligation

Implementing Agencies for CSR Activities -

1 Preksha Foundation, Indore
2 Studio Emergence, Mumbai
3 Rotary Club, Bharuch
4 Stem Foundation, Mumbai
5 Rotary Club, Khed
6 Dishantar Sanstha, Chiplun

Annexure 2 to the Board's Report

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197 (12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 :

(a) The ratio of the remuneration of each Director to the Median Remuneration of the employees of the Company for the financial Year 2020-21 and

(b) 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/ Key Managerial Personnel ('KMP') and Designation	Remuneration of Director/ KMP for Financial Year 2020-21^ (₹ In Lakhs)	Percentage increase in remuneration for the Financial Year 2020-21	Ratio of Remuneration of each Director/ KMP to the Median Remuneration of employees
1	Mr. P.P. Shah Chairman Non-Executive and Independent Director	43.00	Nil	6.88
2	Mr. H.M. Bharuka Vice Chairman and Managing Director	734.60	(6.12)	117.53
3	Mr. N.N. Tata Non-Executive and Independent Director	38.25	Nil	6.12
4	Mr. H. Furukawa* Non-Executive Director	–	–	–
5	Mr. Anuj Jain Whole-time Director	187.61	(12.97)	30.02
6	Mr. H. Nishibayashi* Non-Executive Director	–	–	–
7	Mr. H. Hasebe* Non-Executive Director	–	–	–
8	Ms. Sonia Singh@ Non-Executive and Independent Director	23.25	–	3.72
9	Mr. S. Takahara* Non-Executive Director	–	–	–
10	Mr. T. Tomioka* Non-Executive Director	–	–	–
11	Mr. P.D. Pai Chief Financial Officer	106.67	(5.77)	17.07
12	Mr. G.T. Govindarajan Company Secretary	60.91	(27.95)	9.74

^ Remuneration for the purpose of the computation above in the case of Vice-Chairman and Managing Director, Whole-Time Director and other KMP is the income earned during the financial year 2020-21 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. Remuneration, in the case of the Independent Directors, is the commission and sitting fees paid during the financial year.

* Mr. H. Furukawa, Mr. H. Nishibayashi, Mr. H.Hasebe, Mr. S. Takahara and Mr. T. Tomioka did not receive any sitting fees for attending Board Meetings, nor were they paid any commission. Mr. H. Furukawa and Mr. H. Hasebe resigned from the Board of Directors of the Company with effect from 7th May, 2020. Mr. S. Takahara and Mr. T. Tomioka were appointed as Non-Executive Directors of the Company in their place, with effect from 7th May, 2020.

@ Ms. Sonia Singh was appointed as a Non-Executive and Independent Director of the Company from 29th July, 2019. She did not receive any remuneration by way of commission during the previous financial year 2019-20. Commission for the year ended 31st March, 2020 was paid to her in the financial year 2020-21. Hence the remuneration in her case is not comparable with that of the previous financial year 2019-20.

(c) There has been no change in the median remuneration of Employees of the Company for the current financial year compared to the previous financial year.

(d) The number of permanent employees on the rolls of the Company is 2889 as on 31st March, 2021.

(e) Average percentage increase made in the salaries of employee other than KMP in the last Financial Year was 0.25%. There has been a decrease in the remuneration of KMP by 8.86%. The increase in remuneration is determined based on the positions filled in the organization arising out of attrition. In view of the economic conditions impacted by the COVID-19 pandemic, it was decided to maintain the salaries of employees without any increase in the remuneration.

(f) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

(g) The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197 (12) of the Companies Act, 2013 ("the Act") read with Rule 5 (2) and Rule 5 (3) of the Companies (Appointment and Remuneration of Key Managerial Personnel) Rules, 2014, is provided in a separate annexure forming a part of the report. Further, the report and the accounts are being sent to the Members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure will be available for inspection of the Shareholders through electronic mode. Shareholders may write to the Company at agm@nerolac.com in that regard.

None of the employees listed in the said annexure is a relative of any director in the Company.

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 along with his spouse or dependent children, not less than two percent of the equity shares of the Company.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 7th May, 2021

Annexure 3 to the Board's Report

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO, AS PRESCRIBED UNDER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

A. Conservation of Energy

We are cognisant of the importance of saving and efficient usage of energy and have adopted a two-pronged approach. Our prime objective is to make efficient and judicious use of Energy sources and considerable investments have been made across organisation to improve the overall energy consumption.

In addition, our focus has also been on enhancing the energy mix to reduce dependence on fossil fuels and to cut emissions. We have made considerable investments across organisation to enhance the Green footprint through various initiatives. Through this, we have been steadily reducing our dependency of state Power Grids and moved towards captive generation through various means. Plans are in place for enhancing solar and wind power footprint in line with corporate RE 70 theme.

The Company measures progress in energy management through various key indicators of specific power consumption, specific fuel consumption, percentage outage, power cost, absolute power generation both captive as well as through Grid and renewable energy quantum as a percentage of total power consumed for manufacturing operations.

(i) Steps taken or impact on conservation of energy :

At Kansai Nerolac Paints Ltd., we have adopted measures to overcome the sustainability challenge. Measures are being taken to reduce energy consumption through efficiency improvement projects viz:

a) Conversion to low energy consumption LED lighting.

b) Optimizing compressed air network based on loading and utilization, regular leak tests, pump up tests to ensure efficient operations of compressed air network.

c) Steam load optimization through re-engineering of chilling network, chilling system audits to ensure highest efficiencies with minimum power consumption.

d) Improvement in power factor by installing real time detuned power factor control panels.

e) Mist cooling tower as new technology implemented with higher cooling efficiencies and reduced operating cost.

f) Efficiency checks of cooling and chilling pumping systems to ensure pumps operate at their nearest duty points.

(ii) Steps taken by the Company for utilizing alternate sources of energy:

Following carbon neutrality projects have been implemented in FY 20-21:

1. Solar power capacity addition of 1000 kW at Goindwal plant
2. Solar power capacity addition of 670 kW at Bawal plant.

With this implementation, our organization-wide solar power capacity now stands at 5300 kW.

With above projects, our renewable power green footprint stands at 30%

(iii) Capital investment on energy conservation equipment: ₹ 734.9 Lakhs

B. Technology Absorption

(i) Efforts made towards technology absorption

Following activities carried out in Research and Development:

— Development of new products for Automotive, performance coating and Decorative business.

— Innovative shade development & color forecasting for OEM industry.

— Upgradation of processes for cycle time reduction and energy saving.

— Localization of New technology Products and intermediates for automotive coating.

— Green initiatives- Development of Low bake & High solid products for OE Industries to reduce VOC & Carbon footprint.

— Formulation optimization by value engineering.

— Import substitution of raw materials.

- — Joint projects with vendor & customers for mutual benefit & quality enhancement.
- — Technical support to overseas subsidiaries for new product development, value engineering, Alternate / New Raw material development etc.
- — Competitor sample evaluation and benchmarking.
- — Support to customers for smooth introduction of new shades & products on running production line.
- — Training to customers on paint Technology & Application to upgrade knowledge & skill.

(ii) Benefits derived like product improvement, cost reduction, product development or import substitution:

Below range of products has helped us to generate additional business by way of New Product & product upgradation, also it covers the list of products where we have done Cost Reduction and import substitution which has helped to improve our margins.

- — Nerolac Excel Virus Guard fabric finish interior emulsion.
- — Beauty Gold washable interior emulsion.
- — Suraksha Dust resist exterior emulsion.
- — Suraksha Sheen plastic exterior emulsion.
- — Beauty Sheen interior emulsion.
- — Nerolac Perma damp protect exterior.
- — Nerolac Perma magic boost.
- — High Solids base coat & high solids clear coat technology products with exceptional appearance for 4 Wheeler OEM plastic parts.
- — Low formaldehyde coatings (<0.1%) for OEM 4 Wheelers.
- — High appearance, high durability & superior mar resistance tapping clear coat Retan KP 200 for 2 Wheeler industry.
- — Metal Grip Eco primer for commercial vehicles.
- — Localization of High solids & high appearance Soflex 7650 PU Clear for 2 wheeler industry.
- — HS Metallic Base coat & HS AKR clear coat for alloy wheel.
- — Localisation of Retan Kar plast primer for plastic parts.
- — Localisation of Retan HS & Retan HX clear coat for good polishability & appearance for auto refinish.
- — Gloss Improvement in NT 200 black pigment paste F1.
- — CED suitable for super low turnover production.
- — Finish & Roughness improvement of LB 200 Kai.
- — Ease of manufacturing in resin emulsion of LB 200.
- — Weather proof top coat SR 2200 WP Taxi Yellow for construction equipment.
- — Inter penetrating network Epoxy, PU system for concrete structure of Metro.
- — High salinity atmosphere Steel bridges protection coatings CELATECT Fluro system.

(iii) Details of imported technology (imported during last three years reckoned from the beginning of the financial year) :

a. Details of technology imported

Particulars	Year of Import
Novel grind resin for F1 pigment paste for CED paint application	2018 – 19
Acrylic resin for Acrylic CED paint	2018 – 19
Coatings for Musical instruments	2018 – 19
Flouro resin Celatect technology product	2018 – 19
HR 600 based on Protech Technology	2018 – 19

Particulars	Year of Import
Intermediate Paste of Bismuth & DOTO on high efficient mill	2019 – 20
High Weather resistance Taxi Yellow shade for construction equipment	2019 – 20
Painting for steel bridges of Railway & Road for High corrosion protection life	2019 – 20
Fluoro polymer resin based system (Celatect F Top coat, Celatect F Undercoat, Epomarine SHB, Esco NB & SD Zinc 500)	2019 – 20
Coatings for Alloy wheels	2019 – 20
Soflex-420 Base coat & 7175 common clear coat for Solvent & Water Borne Base coats for 4 Wheeler Industry for plastic painting	2019 – 20
SFX 415 & SFX 7500 High solid Clear coat for Product Rationalization -4 wheeler Industry	2019 – 20
Adhesion Promotor for Diamond cut alloy wheel painting system	2019 – 20
Retan Karplast primer - is adhesion promoter for PP Substrate	2020 – 21
Retan KP 200 is PU tapping clear for two wheeler's high end motorcycle petrol tank	2020 – 21
Grip Eco primer for chrome plated petrol tank of motor cycle	2020 – 21
Soflex 7650 PU Clear for Two wheeler application	2020 – 21
Low formaldehyde coatings for OEM	2020 – 21
Nerolac Excel Virus Guard	2020 – 21

b. Whether the technology has been fully absorbed : Yes

c. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof : The Technology has been fully absorbed.

(iv) Expenditure incurred on Research and Development

(₹ in Crores)

Particulars		FY 2020-21	FY 2019-2020
a.	Capital	**1.92**	3.44
b.	Recurring	**28.68**	30.47
Total		**30.60**	33.91

C. Foreign Exchange earnings and outgo

Foreign Exchange earnings during the year: ₹ 9.39 Crores (2019-2020: ₹ 9.60 Crores)

Foreign Exchange outgo during the year: ₹ 763.12 Crores (2019-2020: ₹ 769.66 Crores)

For and on behalf of the Board

P.P. Shah
Chairman

Mumbai, 7th May, 2021

Annexure 4 to the Board's Report

FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021
[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]

The Members,
Kansai Nerolac Paints Limited
Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013

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/representations provided by the Company, its officers, agents and authorised 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 on 31st March 2021, 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, registers, minute books, forms and returns filed, and other records maintained by the Company, for the financial year ended on 31st March, 2021 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, and Overseas Direct Investment.

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, 2018 **(Not applicable to the Company during audit period)**;

   d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during audit period)**;

   e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during 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 audit period)**;

   h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not applicable to the Company during audit period)**;

   i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015;

   j. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 **(Not applicable to the Company during audit period)**;

   k. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

There are no laws which specifically apply to the type of activities undertaken by the Company.

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India as in force from time to time.

ii. The Listing Agreements entered into by the Company with National Stock Exchange of India Limited (NSE) and BSE Limited.

During the period under review the Company has filed forms / returns within stipulated time period and has complied with the provisions of the Act, Rules, Regulations and Guidelines and 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 of atleast seven days was 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 was carried through while the dissenting members' views, (if any), 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.

We further report that during the audit period the Company has conducted NCLT convened meeting of the members of the Company on 20th October, 2020, for obtaining consent to the Scheme of Amalgamation for merger of Marpol Private Limited and Perma Construction Aids Private Limited (both being wholly owned subsidiaries) with the Company.

Place: Thane
Date: 05th May 2021

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)
FCS: 4317, CP: 2520

UDIN: F004317C000248330

The Members,
Kansai Nerolac Paints Limited
Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Thane
Date: 05th May 2021

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)
FCS: 4317, CP: 2520

Report on Corporate Governance

Pursuant to Schedule V(C) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), a Report on Corporate Governance for the year ended 31st March, 2021 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 ("Board")

(a) As on 31st March, 2021, the strength of Board was eight Directors. The Board of Kansai Nerolac Paints Limited comprises of Executive and Non-Executive Directors. The Managing Director and the Whole-time Director are the two Executive Directors. There are six Non-Executive Directors, of which three 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)(a) and (b) of SEBI Listing Regulations. The three Non-Executive Non-Independent Directors on the Board as on 31st March, 2021, namely, Mr. Hitoshi Nishibayashi, Mr. Shigeki Takahara and Mr. Takashi Tomioka are nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

(b) In view of the ongoing Covid-19 pandemic, all meetings during the year ended 31st March, 2021 were held through Video Conferencing/Other Audio Visual Means without the physical presence of the directors/members in accordance with the circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India. During the year ended 31st March, 2021, four Board Meetings were held i.e. on 6th May, 2020, 3rd August, 2020, 3rd November, 2020 and 1st February, 2021. The last Annual General Meeting of the Company was held on 22nd June, 2020 by Video Conferencing/Other Audio Visual Means through the e-voting system of National Securities Depository Limited, vide Cisco Webex.

Details of the Directors of the Company and their attendance at the Board Meetings held during the financial year 2020-21 and the last Annual General Meeting of the Company, are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last Annual General Meeting
Mr. P. P. Shah	Chairman (Non-Executive and Independent Director)	4	Yes
Mr. H. M. Bharuka	Vice-Chairman and Managing Director	4	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	4	Yes
Mr. H. Furukawa*	Non-Executive Director (upto 6th May, 2020)	1	Not Applicable
Mr. Anuj Jain	Whole-time Director	4	Yes
Mr. H. Nishibayashi	Non-Executive Director	4	Yes
Mr. H. Hasebe*	Non-Executive Director (upto 6th May, 2020)	1	Not Applicable
Ms. Sonia Singh	Non-Executive and Independent Director	4	Yes
Mr. S. Takahara@	Non-Executive Director (w.e.f. 7th May, 2020)	3	Yes
Mr. T. Tomioka@	Non-Executive Director (w.e.f. 7th May, 2020)	3	Yes

* Mr. H. Furukawa and Mr. H. Hasebe, both Non-Executive Directors, resigned from the Board with effect from 7th May, 2020.

@ Mr. S. Takahara and Mr. T. Tomioka were appointed as Non-Executive Directors of the Company, liable to retire by rotation, with effect from 7th May, 2020.

All Independent Directors of the Company have certified and confirmed their independence in accordance with Section 149 of the Companies Act, 2013 read with Regulations 16(1)(b) and 25(8) of the SEBI Listing Regulations.

(c) Number of Board of Directors or Committees (other than the Company) 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) and their category of directorship as on 31st March, 2021, 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	2	4
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	5	1	1
Mr. Anuj Jain	Nil	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil	Nil
Ms. Sonia Singh	4	Nil	Nil
Mr. S. Takahara	Nil	Nil	Nil
Mr. T. Tomioka	Nil	Nil	Nil

* As per Regulation 26(1)(b) of SEBI Listing Regulations.

Details of their directorships in listed entities other than the Company and their category of directorship as on 31st March, 2021, are as follows:

Name of the Director	Names of Listed Entities	Category of Directorship
Mr. P. P. Shah	BASF India Ltd.	Non-Executive - Independent Director - Chairperson
	KSB Ltd. (Formerly KSB Pumps Ltd.)	Non-Executive - Independent Director
	Pfizer Ltd.	Non-Executive - Independent Director
	Sonata Software Ltd.	Non-Executive - Independent Director - Chairperson
	Bajaj Auto Ltd.	Non-Executive - Independent Director
	Bajaj Holdings & Investment Ltd.	Non-Executive - Independent Director
Mr. H. M. Bharuka	Nil	Nil
Mr. N. N. Tata	Trent Ltd.	Non-Executive - Non Independent Director - Chairperson
	Voltas Ltd.	Non-Executive - Non Independent Director - Chairperson
	Tata Investment Corporation Ltd.	Non-Executive - Non Independent Director - Chairperson
	Titan Company Ltd.	Non-Executive - Nominee Director
Mr. Anuj Jain	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil
Ms. Sonia Singh	Trent Ltd.	Non-Executive - Independent Director
Mr. S. Takahara	Nil	Nil
Mr. T. Tomioka	Nil	Nil

The number of directorships and the positions held by them on Board Committees 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 Regulations, as on 31st March, 2021.

(d) Number of meetings of the Board held and dates on which held during the year are given in Clause 2(b) above.

(e) In terms of Regulation 36(3)(c) and Schedule V(C)(2)(e) of the SEBI Listing Regulations, none of the Directors are related to each other. However, Mr. H. Nishibayashi, Mr. S. Takahara and Mr. T. Tomioka are the nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

(f) Disclosure of Shareholding of Non-Executive Directors:

Name of the Director	Shares and Convertible instruments held as on 31st March, 2021 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. N. N. Tata	Nil
Mr. H. Nishibayashi	Nil*
Ms. Sonia Singh	Nil
Mr. S. Takahara	Nil*
Mr. T. Tomioka	Nil*

* As on 31st March, 2021, Mr. H. Nishibayashi, Mr. S. Takahara and Mr. T. Tomioka were the nominees of Kansai Paint Co. Ltd., Japan, Promoter Company and they did not hold any Equity Share of the Company in their personal capacity.

(g) 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

Directors, including independent directors, can visit the various manufacturing locations of the Company. They need not necessarily be 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 situation 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.

Monthly Performance Report is also forwarded to the Chairman including other independent Directors updating them 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 details of familiarization programme for the Independent Directors of the Company is available on the website of the Company at https://www.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 and Senior Management (“Code”). The Code has been communicated to the Directors and the members of Senior Management. The Code is available on the Company’s website at https://www.nerolac.com/financial/policies.html. All Directors and Senior Management have confirmed compliance with the Code for the year ended 31st March, 2021. A declaration to this effect signed by the Managing Director who is the Chief Executive Officer, is separately provided at the end of this report.

(h) A Chart/Matrix setting out the skills/expertise/competence of the Board of Directors

Competency is defined as the experience, knowledge, skills, attitudes, values and beliefs of the person (member). A list of core skills/expertise/competencies identified by the Board, as required in the context of its business(es) and sector(s) for it to function effectively, is as follows:

Competencies:

Competency	Definition
Strategic expertise	Ability to understand, review and guide strategy by analyzing the company's competitive position and benchmarking taking into account market and industry trends
Business and financial acumen	Demonstrate techno-commercial and business perspective, ability to comprehend, interpret and guide on financial statements, Audit Committee presentations and matters of business.
Risk management	Experience in providing guidance on major risks, compliances and various legislations
Building high performance teams	Build and nurture talent to create strong and competent future business leaders
Industry knowledge	Experience in similar industries
IT – digital acumen	Ability to understand, support and guide the digital strategy in the organization with respect to AI, IOT, MI, Robotics, Big Data Analytics

Personal Qualities:

Personal quality	Definition
Integrity	Fulfilling a director's duties and responsibilities, putting the organization's interests above personal interests, acting ethically
Curiosity and courage	Must have the curiosity to ask questions and the courage to persist in asking or to challenge management and fellow board members where necessary
Interpersonal skills	Must work well in a group, listen well, be tactful but able to communicate his/her point of view frankly
Instinct	Good business instincts and acumen, ability to get the crux of the issue quickly
An active contributor	The member must be one who participates and contributes actively and must allocate quality time to the organization's affairs

Details of the skills/expertise/competencies possessed by the directors who were part of the Board as on 31st March, 2021, are as follows:

Name	Age	Qualifications	Industry Experience	Expertise
Mr. P. P. Shah	68	B. Com., Chartered Accountant and Cost Accountant, MBA (Harvard Business School)	Finance, Investments, Projects and Consultancy	Business Strategy, Financial Analyst
Mr. H. M. Bharuka	60	B.Com., Cost Accountant	Engineering, Paint	Business Strategy
Mr. N. N. Tata	64	Graduate of University of Sussex, International Executive Programme at INSEAD Business School	Marketing, Administration and Investments	Business Strategy
Mr. Anuj Jain	52	BSc, MMS	Paint	Sales, Marketing
Mr. H. Nishibayashi	57	Graduated from Osaka University of Foreign Studies, faculty of English studies	Paint	Sales, Marketing, International business
Ms. Sonia Singh	56	BA (Economics), MBA	Consumer goods and services	Brand Strategy, Sales and Marketing
Mr. S. Takahara	62	BS of Accounting (Kobe University of Commerce), US-CPA	High Technology, Pharmaceutical, Paint	Finance, Business Strategy
Mr. T. Tomioka	48	Graduated from Tokyo Gakugei University, faculty of Education	Paint	Sales, Marketing, Business Strategy, International

(i) The Board hereby confirms that in its opinion, the Independent Directors of the Company fulfill the conditions as specified in the SEBI Listing Regulations and are independent of the management.

(j) Detailed reasons for the resignation of an Independent Director who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided – During the year, no Independent Director resigned before the expiry of his/her tenure.

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.

As at 31st March, 2021, Mr. P. P. Shah, Mr. N. N. Tata and Ms. Sonia Singh, all Non-Executive and Independent Directors, were the members of the Audit Committee. All of them possess sound knowledge of accounts, audit, financial management expertise etc.

Mr. P. P. Shah is the Chairman of the Audit Committee and Mr. G. T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

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

Mr. P. P. Shah, Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company held on 22nd June, 2020 by Video Conferencing/Other Audio Visual Means.

During the year ended 31st March, 2021, 4 (four) meetings of the Audit Committee were held i.e. on 6th May, 2020, 3rd August, 2020, 3rd November, 2020 and 1st February, 2021.

Name of the Member	Number of Audit Committee Meetings attended during the year ended 31st March, 2021
Mr. P. P. Shah	4
Mr. N. N. Tata	4
Ms. Sonia Singh	4

After 31st March, 2021, an Audit Committee meeting was held on 7th May, 2021, whereat the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2021, were reviewed, considered and recommended by the Audit Committee to the Board.

4. Nomination and Remuneration Committee

The terms of reference of the Nomination and 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 performance 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;

(v) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors; and

(vi) recommend to the Board, all remuneration, in whatever form, payable to senior management.

As at 31st March, 2021, Mr. N. N. Tata, Mr. P. P. Shah and Ms. Sonia Singh, all Non-Executive and Independent Directors, were the members of the Nomination and Remuneration Committee.

Mr. N. N. Tata, an Independent Director, is the Chairman of the Nomination and Remuneration Committee and he was present at the last Annual General Meeting of the Company held on 22nd June, 2020 by Video Conferencing/Other Audio Visual Means.

During the year ended 31st March, 2021, 2 (two) meetings of the Nomination and Remuneration Committee were held i.e. on 6th May, 2020 and 3rd November, 2020.

Name of the Director	Number of Nomination and Remuneration Committee Meetings attended during the year ended 31st March, 2021
Mr. N. N. Tata	2
Mr. P. P. Shah	2
Ms. Sonia Singh	2

After 31st March, 2021, a Nomination and Remuneration Committee meeting was held on 7th May, 2021, whereat the remuneration to be paid to Executive Directors and senior management, Commission to be paid to Non-Executive Directors was determined and evaluation of the performance of the Board, its Committees and the Directors was carried out and discussed.

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 and 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 thereof, 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 paid to Mr. H. M. Bharuka – Vice Chairman and Managing Director and Mr. Anuj Jain – Executive Director, for the financial year 2020-21, are as follows:

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Mr. H. M. Bharuka	Mr. Anuj Jain
1	Fixed component		
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act 1961	383.80	99.81
	b. Value of Perquisites u/s 17(2) of Income Tax Act 1961	0.40	0.40
	c. Company's contribution to Provident Fund and Superannuation Fund	7.50	7.50
		391.70	107.71
2	Variable component (performance linked)		
	Commission	342.90	79.90
	Total	**734.60**	**187.61**

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. The commission payable to Non-Executive Directors is decided by the Board, on recommendation of the Nomination and Remuneration Committee, 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, 2013.

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 2020-21.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2021 are as under:

(₹ in Lakhs)

Name of the Director	Sitting Fees						Commission$	Total
	Board Meeting	Audit Committee Meeting	NRC* Meeting	CSR Committee# Meeting	Independent Directors Meeting	SRC@ Meeting		
Mr. P. P. Shah	1.00	1.00	0.50	–	0.50	–	40.00	43.00
Mr. N. N. Tata	1.00	1.00	0.50	0.25	0.50	–	35.00	38.25
Ms. Sonia Singh	1.00	1.00	0.50	–	0.50	0.25	20.00	23.25

* NRC: Nomination and Remuneration Committee.

\# CSR Committee: Corporate Social Responsibility Committee.

@ SRC: Stakeholders Relationship Committee.

$ Commission paid during the year 2020-21 was for the year ended 31st March, 2020. Besides the commission as given in the table above, during the year 2020-21, Mrs. Brinda Somaya who was an independent director of the Company upto 21st July, 2019 was paid a commission of Rs. 10.00 Lakhs for the financial year 2019-20.

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.

As per the policy, the remuneration is 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 involves 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 is linked to achievement of Business Plan (achievement of short-term and long-term business objective).

For Heads of Department, the Performance Pay is 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 takes into consideration industry performance, customer performance and overall economic environment.

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

6. Stakeholders' Relationship Committee

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

As at 31st March, 2021, Ms. Sonia Singh, Mr. H. M. Bharuka and Mr. Anuj Jain were the members of the Stakeholders' Relationship Committee.

During the year ended 31st March, 2021, 1 (one) meeting of the Stakeholders' Relationship Committee was held on 23rd March, 2021, which was attended by all its members.

Ms. Sonia Singh, an Independent Director, is the Chairperson of the Stakeholders' Relationship Committee and she was present at the last Annual General Meeting of the Company held on 22nd June, 2020 by Video Conferencing/ Other Audio Visual Means.

Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.

A summary of various complaints received and resolved to the satisfaction of the Shareholders by the Company during the year is given below:

Nature of Complaint	Received	Resolved	Pending
Non-receipt of Dividend Warrant	0	0	0
Non-receipt of Share Certificates	0	0	0
SEBI/Stock Exchange Letter/ROC/NSDL/CDSL	1	1	0
Miscellaneous	0	0	0
Total	**1**	**1**	**0**

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

7. Risk Management:

In terms of Regulation 21 of the SEBI Listing Regulations, the Company has constituted a Risk Management Committee and has Risk Management Framework in place, the details of which are provided in the Board's report.

During the financial year ended 31st March, 2021, 1 (one) Risk Management Committee Meeting was held on 20th January, 2021. Other than the above, there were discussions on Risk Management at various times during the year.

8. Independent Directors:

The Independent Directors of the Company have been appointed in accordance with the provisions of Section 149 of the Companies Act, 2013 and applicable provisions of SEBI Listing Regulations.

Pursuant to Schedule IV to the Companies Act, 2013, 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 https://www.nerolac.com/financial/policies.html.

Independent director's databank registration

Pursuant to a notification dated 22nd October, 2019 issued by the Ministry of Corporate Affairs, all Independent directors are registered with the Independent Director's Databank.

Separate meeting of Independent Directors

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of SEBI Listing Regulations, 2 (two) separate meetings of the Independent Directors were held during the year i.e. on 6th May, 2020 and 3rd November, 2020, wherein the Internal Auditors and the Statutory Auditors of the Company were also invited. Both these meetings of the Independent Directors were without the attendance of Non-independent Directors and members of management.

Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of all the meetings 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.

The Independent Directors at their meetings also consider:

a. Review of the performance of the Non-Independent Directors and the Board as a whole;

b. Review of the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-Executive Directors;

c. Assessing 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

Name of the Director	Number of meetings of the Independent Directors attended during the year ended 31st March, 2021
Mr. P. P. Shah	2
Mr. N. N. Tata	2
Ms. Sonia Singh	2

After 31st March, 2021, another meeting of the Independent Directors was held on 7th May, 2021, and the Internal Auditors and the Statutory Auditors of the Company were also invited for discussion in this meeting.

9. General Body Meetings:

(a) Location and time of the last three Annual General Meetings ("AGM") of the Company:

Particulars of the AGM	Date and Time	Venue
100th AGM	22nd June, 2020 at 12 noon	By Video Conferencing/Other Audio Visual Means
99th AGM	21st June, 2019 at 11.00 a.m.	Walchand Hirachand Hall, I.M.C. Chambers Churchgate, Mumbai – 400020
98th AGM	21st June, 2018 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400001

(b) No Special Resolution was passed at the 98th and 99th AGM of the Company. 2 (two) Special Resolutions were passed at the 100th AGM of the Company, for re-appointment of Mr. P. P. Shah and Mr. N. N. Tata, Independent Directors.

(c) No Special Resolution was passed last year through Postal Ballot.

(d) During the year, no postal ballot was conducted by the Company.

(e) As at 31st March, 2021, no Special Resolution is proposed to be conducted through Postal Ballot.

(f) 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.

On 20th October, 2020, National Company Law Tribunal Convened Meeting of the Equity Shareholders of the Company was held through Video Conferencing / Other Audio Visual Means, for approval of the merger of Marpol Private Limited and Perma Construction Aids Private Limited, wholly-owned subsidiaries of the Company, with the Company

10. Means of Communication

(a) Quarterly Results: The quarterly results are published in accordance with the applicable provisions of the SEBI Listing Regulations.

(b) Newspaper in which results are normally published: Generally the results are published in Business Standard and Sakal. However, the results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Economic Times / Maharashtra Times.

(c) Any website, where displayed: https://www.nerolac.com.

(d) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts: Relevant information is displayed on the website of the Company at https://www.nerolac.com/financial/policies.html.

11. General Shareholder Information

(a) Date, Time and Venue of the AGM : The ensuing AGM of the Company will be held on Friday, 25th June, 2021 at 11.00 a.m. through video conferencing or other audio visual means.

(b)

Financial Calendar	:	April - March
Financial reporting for the quarter ending 30th June, 2021	:	July - August, 2021
Financial reporting for the quarter ending 30th September, 2021	:	October - November, 2021
Financial reporting for the quarter ending 31st December, 2021	:	January - February, 2022
Financial reporting for the year ending 31st March, 2022	:	April - May, 2022
Annual General Meeting for the year ending 31st March, 2022	:	End June, 2022

(c) Dates of Book Closure: Saturday, 19th June, 2021 to Friday, 25th June, 2021 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

Dividend Payment Date: Dividend, when declared, will be payable on or after Wednesday, 30th June, 2021 to those members whose names are registered as such in the Register of Members of the Company as on Friday, 18th June, 2021 and to the Beneficiary holders as per the beneficiary list as on Friday, 18th June, 2021 provided by National Securities Depository Limited (“NSDL”) and Central Depository Services (India) Limited (“CDSL”).

(d) Listing of Stock Exchanges:

The Company’s Equity Shares are listed on the BSE Limited and the National Stock Exchange of India Limited.

BSE Limited (“BSE”)	**National Stock Exchange of India Limited (“NSE”)**
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051

The annual listing fees of the BSE and the NSE for the financial year 2021-22 have been paid.

(e) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

ISIN : INE531A01024

(f) Market Price Data - High, Low during each month in last financial year:

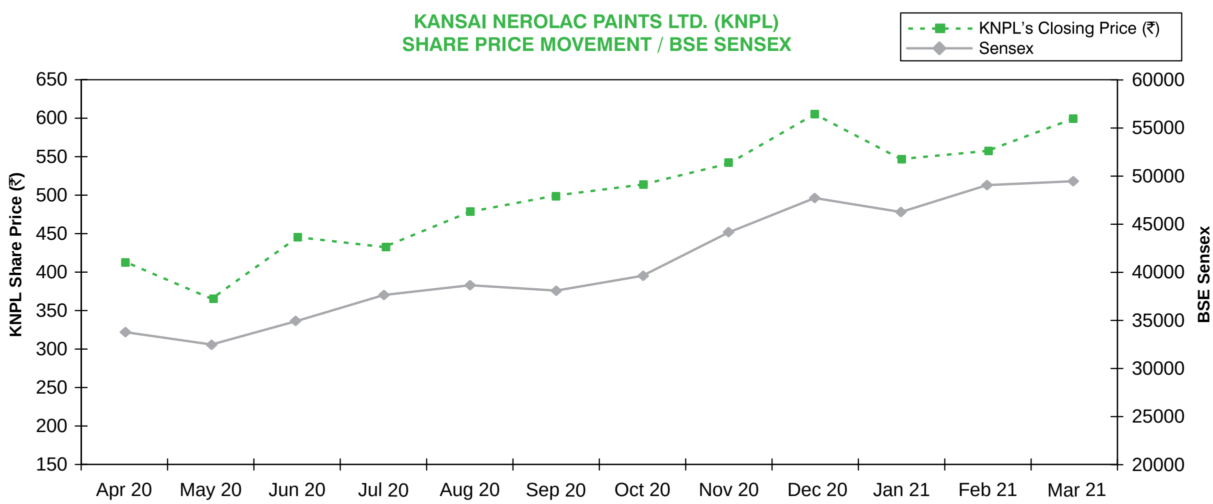
High / Low of market price of the Company's shares traded on the Stock Exchanges during the year ended 31st March, 2021 is furnished below:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2020	420.95	348.50	420.90	347.95
May 2020	408.00	333.00	406.80	332.50
June 2020	478.00	369.45	478.65	367.05
July 2020	466.20	416.15	466.30	416.50
August 2020	506.20	428.60	507.00	428.05
September 2020	541.25	456.80	536.00	456.40
October 2020	526.20	469.05	525.95	470.65
November 2020	556.05	494.45	556.95	493.30
December 2020	649.00	531.00	632.35	530.00
January 2021	679.60	542.00	680.00	541.30
February 2021	616.15	545.20	616.10	538.70
March 2021	610.00	522.00	610.00	521.35

(g) Performance of the Company's Stock in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.:

Details of the performance of the Company's stock vis-à-vis BSE Sensex, was as below:

Month	Company's Closing Price on BSE (₹)	BSE Sensex
April 2020	413.30	33,717.62
May 2020	365.15	32,424.10
June 2020	445.65	34,915.80
July 2020	432.80	37,606.89
August 2020	478.95	38,628.29
September 2020	500.25	38,067.93
October 2020	514.50	39,614.07
November 2020	541.85	44,149.72
December 2020	606.60	47,751.33
January 2021	547.85	46,285.77
February 2021	558.45	49,099.99
March 2021	600.65	49,509.15



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

(i) Registrar and Share Transfer Agents:

TSR Darashaw Consultants Private Ltd.
(Formerly known as TSR Darashaw Limited)
C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai – 400 083.
Tel. No. : +91 22 66568484, Fax No. : +91 22 66568494
E-mail: csg-unit@tcplindia.co.in

(j) Share Transfer System:

In terms of the provisions of Regulation 40 of SEBI Listing Regulations and various notifications issued in that regard, requests for effecting transfer of securities (except in case of transmission or transposition of securities) are not to be processed from 1st April, 2019 unless the securities are held in the dematerialized form with the depositories. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated December 2, 2020 read with circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020 had fixed March 31, 2021 as the cut-off date for re-lodgement of physical shares for transfer and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of the same, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

The requests for transmission or transposition of securities held 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 same are placed for consideration of the Stakeholders' Relationship Committee. Further, particulars of movement of shares in the dematerialized form are also placed before the Stakeholders' Relationship Committee.

(k) Distribution of Shareholding as on 31st March, 2021:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	53,613	90.39	36,42,051	0.68
501 to 1000	1,764	2.97	14,12,363	0.26
1001 to 2000	1,167	1.97	18,29,856	0.34
2001 to 3000	462	0.78	11,86,715	0.22
3001 to 4000	392	0.66	13,79,639	0.26
4001 to 5000	253	0.43	11,86,049	0.22
5001 to 10000	659	1.11	49,75,807	0.92
10001 to 20000	454	0.77	65,59,534	1.22
20001 and above	549	0.93	51,67,47,706	95.89
Grand Total	**59,313**	**100.00**	**53,89,19,720**	**100.00**

Geographical Distribution of Shareholders as on 31st March, 2021

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Promoter - Kansai Paint Co. Ltd., Japan	1	0.00	40,41,35,898	74.99
FII, NRI, OCB, FPI - Corp.	2,383	4.02	2,17,51,740	4.04
IN INDIA				
Mumbai	14,295	24.10	9,11,45,190	16.91
New Delhi	3,133	5.28	45,50,794	0.84
Ahmedabad	1,893	3.19	15,85,962	0.29
Bangalore	3,121	5.26	18,59,739	0.35
Pune	3,204	5.40	19,10,012	0.35
Kolkata	1,582	2.67	29,92,335	0.56
Chennai	1,845	3.11	5,77,553	0.11
Hyderabad	1,519	2.56	7,68,378	0.14
Surat	606	1.02	3,61,833	0.07
Vadodara	698	1.18	3,26,012	0.06
Jaipur	538	0.91	3,53,181	0.07
Others	24,495	41.30	66,01,093	1.22
TOTAL	**59,313**	**100.00**	**53,89,19,720**	**100.00**

Categories of Shareholders as on 31st March, 2021

Sr. No.	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	4,16,33,688	7.73
b.	Banks, Financial Institutions, Insurance Companies, Alternate Investment Funds (Central/State Govt. Institutions/ Non-Government Institutions)	2,76,76,221	5.14
c.	Foreign Portfolio Investors	2,00,94,552	3.73
	Sub-Total (i)	**8,94,04,461**	**16.59**
4.	Others		
	Private Corporate Bodies	39,32,177	0.73
	Indian Public	3,90,63,545	7.25
	NBFCs	5,400	0.00
	NRIs/OCBs	16,57,181	0.31
	Any Other (Trusts)	1,85,430	0.03
	Unclaimed Suspense Account	1,22,810	0.02
	IEPF	4,12,818	0.07
	Sub-Total (ii)	**4,53,79,361**	**8.42**
	Sub-Total (B) = (i) + (ii)	**13,47,83,822**	**25.01**
	Grand Total	**53,89,19,720**	**100.00**

(l) Dematerialisation of Shareholding and Liquidity: As at 31st March, 2021, 99.56% of the paid-up share capital of the Company had been dematerialized. Particulars of trading on the Company's shares for the financial year 2020-21:

Stock Exchange	No. of Trades	No. of Shares
BSE	2,35,761	41,57,253
NSE	24,80,717	7,74,12,907

The particulars of holding of the Promoter as against Non-Promoter holding in the Company is given in Point no. 11(k) hereinabove.

(m) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments: The Company has not issued any GDRs/ADRs/Warrants or any Convertible Instruments.

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

With reference to Circular bearing Ref. No. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated 15th November, 2018 issued by Securities and Exchange Board of India, on disclosures regarding commodity risks by listed entities, the Company is actively working on mitigating commodity risks and foreign exchange risks.

Commodity Risk

The Company has an Enterprise Risk Management Policy and the same is reviewed periodically to ensure that steps are taken to mitigate the risks. The Company procures certain raw materials which are derivatives of various commodities, from various vendors. The Company does not undertake any commodity hedging activities on any exchange. It benchmarks its raw material prices based on international forecasts and local price trends and accordingly devices its cover strategy that ensures that Company's interests are protected despite volatility in prices.

Foreign Exchange Risk

The Company is exposed to the risks associated with fluctuations in foreign exchange rates mainly on import of raw materials. It has a well-structured foreign exchange risk management policy. The Company actively monitors the foreign exchange movements and takes forward covers as appropriate to reduce the risks associated with transactions in foreign currencies. Please refer to Note No. 38(B) of Notes to the Standalone Financial Statements towards exposure to currency risk.

(o) 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
5. Sayakha, Gujarat
6. Goindwal Sahib, Punjab.

(p) Address for correspondence:

TSR Darashaw Consultants Private Ltd.
(Formerly known as TSR Darashaw Limited)
C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai – 400 083.
Tel. No. : +91 22 66568484, Fax No. : +91 22 66568494
Email: csg-unit@tcplindia.co.in

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, Maharashtra.
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.

(q) List of all credit ratings obtained by the Company:

Sr. No.	Particulars	Amount (₹ in Crores)	Rating Agency	Rating
1	Cash Credit *	158	CRISIL	Long Term Rating – CRISIL AAA/Stable
2	Commercial Paper	30	CRISIL	CRISIL A1+
3	Non-Convertible Debentures	10	CRISIL	CRISIL AAA/Stable

* Interchangeable with buyer's credit, working capital loan, letter of credit, and bank guarantee.

12. Disclosures:

(a) Related Party Transactions:

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI Listing Regulations, 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 no. 34 to the Standalone Financial Statements.

The Company has in place a Policy on dealing with Related Party Transactions and on Materiality of Related Party Transactions which is available on the website of the Company at https://nerolac.com/financial/policies.html. In terms of the same, 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.

(b) 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.

(c) Vigil mechanism and Whistle Blower Policy:

The Company has a Whistle blower Policy in place, which is available on the website of the Company at https://nerolac.com/financial/policies.html. 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. Further, the internal auditors of the Company, who are stationed at the Head Office of the Company as the Company has provided them with a separate office, have been provided with a separate e-mail address. Any employee of the organization can contact the auditor on the mail or personally.

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 have been denied access to the Audit Committee.

(d) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements alongwith the details of any non-compliance of any requirement of the corporate governance report, pertaining to Point Nos. (2) to (10) of Schedule V(C) of the SEBI Listing Regulations:

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. There is no non-compliance of any requirement of the Corporate Governance Report and necessary details as required vide Schedule V(C) of the SEBI Listing Regulations have been provided herein. Further, necessary disclosures with respect to the compliance with Corporate Governance requirements specified in Regulation 17 to 27 of the SEBI Listing Regulations, have been made in this Corporate Governance report. Necessary details as required in terms of clauses (b) to (i) of Regulation 46(2) of the SEBI Listing Regulations are available on the website of the Company i.e. www.nerolac.com.

The discretionary requirements as stipulated in Part E of Schedule II of the SEBI Listing Regulations, have been adopted to the extent and in the manner as stated under the appropriate headings in this Corporate Governance Report.

(e) Material Subsidiaries:

The Company does not have a material subsidiary as defined under Regulation 16(1)(c) of the SEBI Listing Regulations. The Policy for determining material subsidiaries is available on the website of the Company at https://nerolac.com/financial/policies.html

(f) Disclosure of commodity price risks and commodity hedging activities: This has been discussed under Point No. 11 (n) of this Corporate Governance Report.

(g) Details of utilization of funds raised through Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32(7A) of SEBI Listing Regulations:

There was no Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32(7A) of SEBI Listing Regulations.

(h) A Certificate has been received from JHR & Associates, Practicing Company Secretaries that none of the Directors on the Board of Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India/Ministry of Corporate Affairs or any such Statutory Authority.

Further, in terms of the provisions of the Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 issued by Securities and Exchange Board of India, the Company has obtained the Annual Secretarial Compliance Report for the financial year ended 31st March, 2021, confirming compliance of the applicable SEBI Regulations and circulars/guidelines issued thereunder, by the Company.

(i) Disclosure of instances along with the reasons, where the Board of Directors had not accepted any recommendation of any Committee of the Board which is mandatorily required, in the financial year 2020-21:

There was no instance during the financial year 2020-21, where the Board of Directors did not accept the recommendation of any Committee of the Board which it was mandatorily required to accept.

(j) Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part:

Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to S R B C & CO LLP (statutory auditor of the Company) and other firms in the network entity of which the statutory auditor is a part, as included in the consolidated financial statements of the Company for the year ended 31st March, 2021, is as follows:

(₹ in Crores)

Fees for audit and related services paid to S. R. Batliboi & Affiliates firms and to entities of the network of which the statutory auditor is a part (excluding out of pocket expenses)	0.78
Other fees paid to S. R. Batliboi & Affiliates firms and to entities of the network of which the statutory auditor is a part	–
Total fees	**0.78**

(k) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

a. Number of complaints filed during the financial year 2020-21: Nil

b. Number of complaints disposed of during the financial year 2020-21: Nil

c. Number of complaints pending as on end of the financial year 2020-21: Nil

13. CEO/CFO Certification:

A certificate from the CEO and CFO as specified in Part B of Schedule II in terms of Regulation 17(8) of the SEBI Listing Regulations, was placed before the meeting of the Board of Directors held on 7th May, 2021, to approve the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2021.

14. Compliance certificate obtained from S R B C & CO LLP, Statutory Auditors of the Company, regarding compliance of conditions of corporate governance, is annexed to this report.

15. 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. Also, pursuant to Section 205A read with 205C of the Companies Act, 1956 as replaced by Section 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), as amended, all unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2013 have been transferred to the Investor Education and Protection Fund ("IEPF").

Shareholders who have not encashed their dividend warrants for the aforesaid period are requested to claim the amount from the Investor Education and Protection Fund Authority, by submitting an online application in Form IEPF-5 available on www.iepf.gov.in.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for seven years are to be transferred to the IEPF. Further, pursuant to Section 124 of the Companies Act, 2013 read with IEPF Rules, as amended, the 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 IEPF. Any claimant of such transferred shares would be entitled to claim the transfer of shares from IEPF in accordance with the procedure as laid down in the aforesaid Rules.

Shareholders are requested to visit the website of the Company at https://www.nerolac.com/financial/shareholders.html for details of amounts lying in the unclaimed dividend accounts of the Company, unclaimed dividend for 2012-13 transferred to the IEPF, the shares transferred to IEPF and the shares due to be transferred to IEPF.

Disclosure with respect to demat suspense account/unclaimed suspense account

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, 2020	39	1,30,720 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	Nil	Nil
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	Nil	Nil
d)	Number of shareholders whose unclaimed dividends were transferred to the IEPF account in terms of Ministry of Corporate Affairs General Circular No. 12/2017 dated 16th October, 2017	5	7,910 Equity Shares of ₹ 1 each
e)	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2021	34	1,22,810 Equity Shares of ₹ 1 each
f)	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

P. P. Shah
Chairman

Mumbai, 7th May, 2021

DECLARATION

As required under Schedule V(D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby declared that the members of the Board of Directors 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, 2021.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Vice Chairman and Managing Director

Mumbai, 7th May, 2021

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

The Members of Kansai Nerolac Paints Limited

1. The Corporate Governance Report prepared by Kansai Nerolac Paints Limited (hereinafter the "Company"), contains details as specified in regulations 17 to 27, clauses (b) to (i) and (t) of sub – regulation (2) of regulation 46 and para C, D, and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') for the year ended March 31, 2021 as required by the Company for annual submission to the Stock exchange.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion whether, the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.

6. 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.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of procedures performed include:

   i. Read and understood the information prepared by the Company and included in its Corporate Governance Report;

   ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;

   iii. Obtained and read the Register of Directors as on March 31, 2021 and verified that atleast one independent woman director was on the Board of Directors throughout the year;

   iv. Obtained and read the minutes of the following committee meetings / other meetings held from April 01, 2020 to March 31, 2021:

      (a) Board of Directors;

      (b) Audit Committee;

      (c) Annual General Meeting (AGM);

      (d) Nomination and Remuneration Committee;

      (e) Stakeholders Relationship Committee;

      (f) Risk Management Committee

   v. Obtained necessary declarations from the directors of the Company.

   vi. Obtained and read the policy adopted by the Company for related party transactions.

vii. Obtained the schedule of related party transactions during the year and balances at the year- end. Obtained and read the minutes of the audit committee meeting where in such related party transactions have been pre-approved prior by the audit committee.

viii. Performed necessary inquiries with the management and also obtained necessary specific representations from management, including that the Company is in the process of submitting the secretarial compliance report to stock exchanges and the due date for submission of the same is June 30, 2021 as per SEBI circular no. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021.

8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

9. Based on the procedures performed by us, as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended March 31, 2021, referred to in paragraph 4 above.

Other matters and Restriction on Use

10. This report 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.

11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and 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 or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759

UDIN: 21110759AAAACC9189

Place of Signature: Mumbai
Date: 07 May 2021

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 a Business Responsibility Report (BRR) in the Annual Report mandatory for the top-500 listed companies based on market capitalisation as on 31st March of every year. KNPL comes in the list of top-500 listed companies based on market capitalisation. SEBI has suggested a format for the BRR, vide its circular CIR/CFD/CMD/10/2015 dated 4th November 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 2020 to 31st March 2021

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 the balance sheet):** Paints

9. **Total number of locations where business activity is undertaken by the Company:**

   (a) Number of International Locations: The Company has three subsidiaries abroad, namely KNP Japan Private Limited in Nepal, Kansai Paints Lanka (Private) Limited in Sri Lanka and Kansai Nerolac Paints (Bangladesh) Limited, Bangladesh.

   (b) Number of National Locations:

   – Manufacturing Facilities: 6

   – R&D Centre: 1

   – Depot/Sales Locations: 99 (At start of year was 107, Closed & Added during the year: {9&1})

   – Distribution Centres: 3

   – Divisional Offices: 6 (Pune, Ahmedabad, Mayapuri - Delhi, Gurugram, Kolkata, Patna)

10. **Markets served by the Company:** National and International

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid-up Capital: ₹ 53.89 Crores

2. Net Revenue: ₹ 4,690 Crores

3. Total Profit after Taxes: ₹ 530.99 Crores

4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax: 2.70%

5. List of Activities in which expenditure in 4 as above has been incurred:

   (a) Livelihood & Skill-Enhancement Programmes

   (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

During FY 2020-21, the Company, Kansai Nerolac Paints Limited (KNPL), had six subsidiaries (3 Domestic and 3 International). KNPL 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: Vice-Chairman and Managing Director

(b) Details of the BR head:

No.	Particulars	Details
1	DIN Number (if applicable)	-
2	Name	Mr Jason S. Gonsalves
3	Designation	Director - Corporate Planning, IT, 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

This BR Report follows the National Voluntary Guidelines on social, environmental and economic responsibilities of business, as notified by the Ministry of Corporate Affairs, Government of India, which laid down the following principles:

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

	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 been 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	Y	Y	Y
		Policies have been formulated taking into consideration the laws of the land, environmental and safety norms. The policies are based on and are in compliance with applicable regulatory requirements								
4	Has the policy been 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
		Policies are prepared and discussed with management committee and approved								
5	Does the Company have a specific 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	Links for the policies are mentioned in the table below								
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?	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

Principle		Applicable Policies	Policy link
Principle 1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		b) Code of Conduct for Directors and Senior Management	https://www.nerolac.com/financial/policies.html
		c) Code of Practices and Procedures for Fair Disclosure of Unpublished Price-Sensitive Information	https://www.nerolac.com/financial/policies.html
		d) Whistle-blower Policy	https://www.nerolac.com/financial/policies.html
Principle 2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	a) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
Principle 3	Businesses should promote the well-being of all employees	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		b) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		c) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
		d) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
		e) Prevention of Sexual Harassment	Available on the Employee Workline Portal
		f) Mediclaim Policy	Available on the Employee Workline Portal
		g) Maternity Policy	Available on the Employee Workline Portal
Principle 4	Businesses should respect the interests of, and be responsive towards, all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	a) CSR Policy	https://www.nerolac.com/financial/policies.html

Principle		Applicable Policies	Policy link
Principle 5	Businesses should respect and promote human rights	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		b) Occupational Health, Safety & Environment Policy,	https://www.nerolac.com/financial/policies.html
		c) Policy on Health Related Ailments	https://www.nerolac.com/corporate-sustainability/downloads.php
		d) Prevention of Sexual Harassment	Available on the Employee Workline Portal
Principle 6	Businesses should respect, protect and make efforts to restore the environment	a) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
Principle 7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	a) Policy regarding Advocacy of Public & Regulatory Policies	https://www.nerolac.com/financial/policies.html
Principle 8	Businesses should support inclusive growth and equitable development	a) CSR Policy	https://www.nerolac.com/financial/policies.html
		b) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 9	Businesses should engage with, and provide value to, their customers and consumers in a responsible manner	a) Quality Policy	https://www.nerolac.com/financial/policies.html

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

	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 the 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 assesses the BRR performance of the Company annually and the Management Committee reviews the BRR Performance quarterly.

b) The Company publishes the information on BRR, which forms part of its Annual Report.

The Company has been publishing the Sustainability Report since 2012, in FY 2018-19, the Sustainability Report formed a part of its Annual Report. From FY 2019-20, the Company started publishing its Annual Report in the Integrated Report format. The Annual Report is available on the Company's website at www.nerolac.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No

Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

A Board-approved policy provides the framework for the KNPL Corporate Governance philosophy, which covers Directors, Senior Management and all employees. It addresses conflicts of interest; corporate opportunities; confidentiality; related-party transactions; insider trading; compliance with laws, rules & regulations; protection and proper use of Company assets; fair dealing; and ethical business practices. It encourages reporting of any illegal or unethical behaviour, amongst others. The provisions are available on the Company website.

KNPL's Whistle-Blower Policy encourages employees & business associates to bring to the Ethics Committee's notice any instances of unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics policies. The provisions are available on the Company's website. Whistle-Blower complaints are reviewed by the Audit Committee of the Board.

The Code of Conduct policy extends to the Company's subsidiaries. The policy coverage on acts such as deception, bribery, forgery, extortion, corruption is applicable to any irregularity involving employees in their dealings with any external entities. Fraud detection is part of the Statutory Audit committee and the Risk Management committee.

Business Associates, Contractors and Suppliers are governed by the Supplier Code of Conduct.

All new joiners are inducted on the KNPL Code of Conduct as well as the Whistle-Blower Policy. The Company's Code of Conduct is the part of the new-joinee kit and Corporate Orientation programme. An Induction Confirmation Undertaking (ICU) is received from all new joiners.

Training Provided on Topics	% New Employees Covered
Code of Conduct	100%
Whistle-Blower Policy	100%

It is the Company's policy to provide full, fair, accurate and timely disclosures to statutory authorities and to the stock exchanges where the Company is listed. The Company is conscious of price-sensitive information in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015. KNPL also has a "Code of Practices and Procedures for Fair Disclosure of Unpublished Price-Sensitive Information" to address related requirements.

How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

KNPL has institutionalised various mechanisms to receive and resolve complaints from its stakeholders. There are dedicated resources to respond to the complaints in a time-bound manner.

During FY 2020-21, KNPL received 1 (one) shareholder complaints and 0 (zero) whistle-blower complaints. One shareholder complaint has been resolved and none is under investigation.

No (0) staff or employee has been dismissed / disciplined for corruption-related activity.

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

List up to 3 of your products or services whose designs have incorporated social or environmental concerns, risks and/or opportunities.

KNPL endeavours to embed the principles of sustainability, as far as practicable, into the various stages of its product or service life cycle, including procurement of raw material/

service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers.

The Company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. It has been taking all possible measures to reduce Volatile Organic Compounds (VOCs).

The Company's philosophy of product design is to have products which are heavy-metal free by design and conforming to applicable sustainability standards. Necessary care is taken as part of the new-product design process at the design stage itself to adhere to relevant sustainability requirements. Its range of Decorative Products are heavy-metal free by design, with low VOC. In Industrial Products, KNPL has focussed on introducing or extending technology products that enable VOC reduction, energy saving and process-time reduction. The Company continues to conduct research and introduce sustainable products and solutions for its customers.

Some of the latest offerings in FY 2020-21 are:

Superior powder coating for painting two-wheeler parts

KNPL developed and introduced a special powder-coating product with superior performance for two-wheeler manufacturers and helped them transition from liquid paints to powder coatings for components. This transition has also resulted in zero VOC due to powder usage.

Unique low bake temperature coating for plastic and metals for 2W:

In the two-wheeler segment, KNPL has developed a unique Low-Bake Coating. The coating helps lower the baking temperature and enables plastic and metal components to be coated and baked on the same line, thereby eliminating the need to have a separate painting line for plastics apart from resulting in savings in costs and energy.

Low formaldehyde coating and high solids coating

We have implemented low formaldehyde coatings at one of our prestigious Passenger Vehicle manufacturers. This coating would help reduce health concerns of the applicators. Also we have introduced a high solids version with a better aesthetic system for plastic components for car exteriors, which has reduced VOCs by 15%.

KNPL as part of its Sustainability Agenda continues to make progress on measurement of the carbon footprint index (kg of CO2 equivalent per tonne of finished product).

For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):

a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain

KNPL as part of its Sustainability Agenda continues to make progress on measurement of the carbon-footprint index (kg of CO2 equivalent per tonne of finished product). Steps to reduce the carbon-footprint index are undertaken, wherever possible, by pursuing energy efficiency in operations and adopting renewable energy. Details are provided under the Natural Capital Section of the Annual Report.

Products are designed without Persistent Organic Pollutants (POPs), which are synthetic organic chemicals which are persistent in the environment, accumulate in the food chain and are known for their acute toxicity.

Paint production is done by KNPL on flexible production lines with multiple brands produced on same line. Besides, common infrastructure is used to produce and distribute different paints. So, there is the practical difficulty of isolating data on resource utilisation for the above-mentioned products.

Through a combination of 99 depots and Information Technology systems, KNPL has ensured that kilometres covered by the finished goods are minimised. KNPL has also taken various measures to ensure that spillages and damages incurred during transportation are minimised.

At the plants, various initiatives are undertaken systemically to reduce wastage, like residual raw materials in bags and barrels, and solvents used for cleaning, amongst others. Details are provided under the Natural Capital Section of the Annual Report.

Resource use across the value chain for the products mentioned:

Superior powder coating for painting two-wheeler parts

The powder coating, a monocoat system, has eliminated base-coat manufacturing and reduced solvent consumption. The number of coats has reduced from two to one, helping reduce additional raw material handled by customers.

Unique low-bake-temperature coating for plastic and metals for two-wheelers:

The products TSA and PU were used for metal and plastic parts, respectively. This has now reduced to one product (PU), leading to reduction of raw material, packing material and number of production batches.

Low formaldehyde coating and high solids coatings:

Low formaldehyde and high solids coatings for passenger vehicle help reduce solvent sourcing and consumption by approximately 10% at our manufacturing sites.

b) **Reduction during use by consumers (energy, water) achieved since the previous year**

Actual change in use by consumers/customers varies, depending on area of application, method of application, type of line, operating conditions and a host of other variables.

Superior powder coating for two-wheeler components:

For two-wheelers child parts converted liquid painting to powder coating helps eliminate VOCs. This has eliminated solvent consumption, as powder coating is VOC-free. This system has shifted from multi-coat to single-coat application at customer end, resulting in cost and energy savings.

Unique low bake temperature coating for plastic and metals for two-wheelers:

The products TSA and PU were used for metal and plastic parts respectively. This has now reduced to one product (PU). Low-bake PU for sheet metal and plastic has reduced the baking temperature from 140°C to 80°C, helping in energy saving of about 20%.

Low formaldehyde coating and high solids coatings for passenger vehicles:

Low-formaldehyde coating and high solids coating for passenger vehicles helps reduce VOCs by 15%. The reduction in exposure to formaldehyde helps applicators' health.

Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

KNPL encourages suppliers to adhere to green procurement guidelines. More than 60% of sourcing is done from manufacturers who have a formal sustainability programme.

KNPL believes in using safer chemicals in its products and is committed to reduce and phase out hazardous substances in the products. KNPL uses raw materials which are heavy-metal-free by design (Decorative – 100%, Automotive – 100%, Powder Coating – 94%, Performance Coating – 82%). The Company is focussed on identifying and implementing material processed through the bio-route.

KNPL encourages suppliers to provide raw material and transportation & storage solutions, which reduce emissions or energy consumption directly or indirectly. Rail transportation of imported cargo is also adopted for inland transportation. Most of the packing material used is sourced from suppliers within 10-kilometre radius of production sites to minimise transportation. There is zero procurement and use of packing material less than 50 microns.

>60%

sourcing is done from manufacturers who have a formal sustainability programme.

KNPL encourages its suppliers to commit to protection of environment with respect to energy use, climate including GHG emissions, water use, pollution, waste reduction and resource use as part of its Supplier Code of Conduct.

Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve the capacity and capability of local and small vendors?

Most packing material used is sourced from local and/or small suppliers within a 10-kilometre radius of production sites. KNPL actively encourages and works with local and small producers to improve their capability and capacity through quality programmes, suggestions, price competitiveness feedback, vendor ratings, and audits at supplier factories by purchase, as well as interaction with senior management.

KNPL has collaborated with suppliers to set up units next to its production sites and worked with a set of suppliers to augment capacity.

KNPL has also engaged with suppliers to develop local substitutes for imported raw materials and participated with them to improve quality aspects as part of their capability-enhancement initiative.

Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.

KNPL has a robust mechanism in place to ensure that products and waste are efficiently recycled. KNPL has zero liquid discharge at six of its facilities. For all new project expansions, a zero-effluent-discharge facility is part of the plant design. A standard process to recycle products is followed across all the plants, where the technical team advises recycling of products based on their chemical composition. Tracking mechanism is put in place for batch-wise tracking of recycling of the products.

Along with recycling of products, KNPL also ensures that all waste is recycled and reused in the plants. A Solvent Recovery Unit (SRU) is installed at each plant to distill solvents. SRU removes sludge in the used solvent, thus making it reusable. Recycling of products and waste is tracked.

Percentage of recycling of products: >10%

Percentage of waste recycled: >10%

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

Please indicate the total number of employees.

KNPL views employees as a key stakeholder. Their well-being is a core component of KNPL's philosophy and this is reflected in the approach toward health and safety of employees at the workplace. KNPL has 2,889 permanent employees as on 31st March 2021. This diverse workforce comprises different age groups, gender, religion, nationality, intellectual abilities and professional backgrounds.

KNPL focusses on creating a stimulating work environment, supported by a caring and compassionate work ethos to enable employees to thrive and deliver winning performance. Multiple processes and systems have been designed and implemented in order to simplify the jobs of employees and create an atmosphere of "trust, confidence and transparency".

KNPL provides the following employee benefits:

1. Welfare facilities like subsidised food, bus service, medical check-up, amongst others, for its workmen. KNPL also provides mediclaim facility to employees.
2. Employees' Group Insurance Policy (EGI): In the unfortunate event of the demise of a permanent employee, the family of the deceased employee will be supported financially by the policy. The EGI policy proposes an assured financial assistance as 'sum assured' which becomes applicable in the event of an unfortunate death of the employee whilst in service and is payable to the grantees of the benefit of the Beneficiary of the employee.
3. At manufacturing locations, programmes like investment opportunities, career options, health & hygiene practices, etc., are held for employees and their family members.
4. Industry experts are also invited to share their knowledge and experience for the benefit of the employees.

Further details on initiatives of FY 2020-21 have been given in Human Capital and Management Discussion and Analysis (People section).

Please indicate the total number of employees hired on a temporary/contractual/casual basis: Total number of employees hired on temporary/contractual/ casual basis:

4,369

Please indicate the number of permanent women employees: The number of permanent women employees:

50 (1.73%)

KNPL has set a target to increase this to up to 2.5% by Mar'24.

Please indicate the number of permanent employees with disabilities:

KNPL follows a policy of equal opportunity to everyone and does not discriminate between any individual, and evaluates strictly on merit to decide suitability for a job. We have set a target of representation of disabled workforce up to 0.25% of White Collar manpower by March'24. We are in the process of defining a policy and assessment of resources to achieve this.

Do you have an employee association that is recognised by the management?

KNPL has Operators' Trade Unions at each of its plant locations. The management discusses and settles issues pertaining to wages and service conditions with these Unions.

What percentage of your permanent employees are members of this recognised employee association?

KNPL's trade unions represent 100% of its workers, which is about 23% of the permanent employees of KNPL. There were no (0) grievances on labour practices filed through formal grievance mechanism during the reporting year.

Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as at the end of the Financial Year.

No.	Category	No. of complaints filed during FY 2020-21	No. of complaints pending as at end-FY 2020-21
1.	Child labour/forced labour/involuntary labour	0	0
2.	Sexual harassment	0	0
3.	Discriminatory employment	0	0

What percentage of your under-mentioned employees were given safety & skill upgradation training in the last year?

(a) Permanent Employees

(b) Permanent Women Employees

(c) Casual/Temporary/Contractual Employees

(d) Employees with Disabilities

Skill Development	Percentage (%)
Permanent	92
Permanent Women Employees	92
Casual/Temporary/Contractual Employees	88
Employees with Disabilities	Not Applicable

Safety Training	Percentage (%)
Permanent	94
Permanent Women Employees	100
Casual/Temporary/Contractual Employees	98.5
Employees with Disabilities	Not Applicable

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

Has the Company mapped its internal and external stakeholders? Yes/No

The Company has mapped its internal and external stakeholders and believes that an effective stakeholder engagement process is necessary to achieve its sustainable goal of inclusive growth.

Internal stakeholders:

External stakeholders:

Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders, across businesses and units, in a continuous, consistent and systematic manner.

The Company will undertake its CSR for overall betterment of the community with special emphasis on activities for the benefit of the poor and needy segments of society. The Company aims at overall national and community development; at the same time, it would give preference to local areas around which it operates.

The Company has various initiatives in place to cover local communities in and around the plants. Construction of toilets, providing dustbins, conducting health camps and medical facilities, building classrooms, beautification of the surroundings, plantation of trees, construction of bore wells and providing pipelines for water are some of the activities that the Company engages in.

The Company also conducts training programmes for people engaged in the painting profession to enhance their skills and capabilities such as:

1. Under the Recognition of Prior Learning (RPL), more than 8,000 painters were trained in collaboration with the Paints & Coatings Skill Council.
2. More than 32,000 painters were given advanced training in paint application through classroom sessions or by using a Mobile Training Academy (mini-van)
3. Fumigation Training through class-room sessions for more than 12,000 painters.

More details are covered in the Social & Relationship Capital of the Annual Report & Annexure 1 to the Board's Report pertaining to CSR.

Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

KNPL's CSR programme covers the vulnerable sections of society as part of the overall scope.

The five main CSR areas related to vulnerable sections of society are:

1. Rural / Community Development (in villages around the Company's facilities)
2. Livelihood & Skill Enhancement (national level)
3. Promoting Education
4. Healthcare & Sanitation
5. Environment Sustainability

Stakeholder engagement activities and matters relevant to stakeholders are presented in the table in the section Stakeholder Engagement.

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders, across businesses and units, in a continuous, consistent and systematic manner.

Principle 5: Businesses should respect and promote human rights

Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

KNPL has policies on Human Rights, which are applicable to all its employees and value chains. The said policies and their implementation are directed toward adherence to applicable laws and to upholding the spirit of human rights. KNPL also actively tracks contractor obligations to ensure necessary payments to contract employees.

KNPL encourages the practice of the principles of human rights, such as collective bargaining, non-discrimination, gender equality, appropriate conduct as outlined in the Code of Conduct, prevention of sexual harassment, occupational safety, employee health and well-being and respect for the environment.

The Company shall ensure no discrimination in employment in any form, i.e., working age, gender, nationality, race, religion, disabilities and sexual orientation.

KNPL shall ensure prevention of child labour, forced labour or any form of involuntary labour, paid or unpaid in any of its offices, units/ depots/ subsidiaries/ contractors/ suppliers/ joint ventures.

KNPL ensures and emphasises that any verbal or physical conduct of any employee that harasses, disrupts or interferes with another's work performance or that creates an intimidating, offensive or hostile environment is not acceptable.

KNPL provides various mechanisms to ensure that an employee's voice is heard through the grievance redressal mechanism, as well as emails and direct interaction with employees through forums like open house, functional connects conducted by HR and workshops.

Alignment with UNGC Principles

UNGC Principle	Description	Policy / Reference	Link
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		b) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		c) Occupational Health, Safety and Environment Policy	https://www.nerolac.com/financial/policies.html
		d) Policy on Health-Related Ailments	https://www.nerolac.com/corporate-sustainability/downloads.php
		e) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
		f) Prevention of Sexual Harassment	Available on the Employee Workline Portal
Principle 2	Businesses should make sure they are not complicit in human rights abuses	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		b) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
		c) Prevention of Sexual Harassment	Available on the Employee Workline Portal
		d) Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	BRR – Principle 3 & 7	Business Responsibility Report of the Annual Report
		Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html

UNGC Principle	Description	Policy / Reference	Link
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 5	Businesses should uphold the effective abolition of child labour	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 7	Businesses should support a precautionary approach to environmental challenges	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report- BRR Intellectual Capital
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report- BRR Intellectual Capital & Natural Capital Section of the Annual Report
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report - BRR Intellectual Capital & the Natural Capital Section of the Annual Report
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		b) Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html
		c) Code of Conduct for Directors and Senior Management of Kansai Nerolac Paints, Ltd	https://www.nerolac.com/financial/policies.html
		d) Whistle-blower Policy	https://www.nerolac.com/financial/policies.html

How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

KNPL received 0 (zero) stakeholder complaints regarding human rights during the reporting period.

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

Does the policy related to Principle 6 cover only the Company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?

KNPL has a well-defined Occupational, Health & Safety and Environmental Policy (OHS&E) extended to the Group/Joint Ventures/Suppliers/Contractors. KNPL has been disclosing various initiatives under the sustainability programme in accordance with the GRI guidelines for the last nine years in its Sustainability Report, which is available on the website. From FY 2018-19, this is being published as part of the Integrated Annual Report. In this report, it is covered in the Natural Capital part of the Annual Report.

KNPL submits the EHS Performance every quarter to the Board. In addition, a comprehensive review of the EHS is done to the Board annually.

KNPL continuously upgrades its customers on new technology products which are environment-friendly. KNPL conducts various VAVE (Value Analysis / Value Engineering) activities for its automotive customers to explore projects jointly, to reduce energy needs. KNPL's plants are ISO 14001 certified.

Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage, etc.

In pursuit of its Occupational Safety and Health Policy commitments, KNPL has established management systems, certified by accredited agencies in line with international standards. Over the years, KNPL has taken various measures towards improving the carbon and water footprint through optimal utilisation of natural resources. There are defined processes and systems in order to identify, quantify and reduce the impact on the environment, including the carbon, water, energy and waste footprint. It is covered in the Natural Capital of the Annual Report.

KNPL has a well-defined Occupational, Health & Safety and Environmental Policy (OHS&E) extended to the Group/Joint Ventures/Suppliers/ Contractors.

Information on detailed initiatives can also be accessed at https://nerolac.com/corporate-sustainability/environmental-performance.html.

Does the Company identify and assess potential environmental risks? Y/N

KNPL has a formal mechanism to identify and assess potential environmental risks. KNPL has taken multiple initiatives to mitigate those risks, details of which are covered in the Natural Capital section of this Annual Report.

Does the Company have any project related to a Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report has been filed?

KNPL has undertaken various emission-reduction initiatives to minimise its carbon footprint. Currently, no project is registered under the Clean Development Mechanism. However, detailed information on greenhouse-gas emissions and emission reduction is covered in the Natural Capital section in this Annual Report.

Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page, etc.

KNPL has increased its renewable energy portfolio. Reduction of carbon footprint, reduction and reuse of waste generated, rainwater harvesting and use of natural sunlight are amongst the various initiatives undertaken by it.

Clean technology	Initiatives are taken by the R&D facility to produce products with less VOCs as compared to the previous year.
Energy efficiency	Details are mentioned under the subtopic, Natural Capital section of this Annual Report.

Renewable energy: 46% of our total energy (power + fuel) consumed is from renewable sources.

Our long-term goal is to achieve 70% of renewable energy in our overall power mix (solar energy, wind energy).

Information on detailed initiatives are covered in the Natural Capital section of this Annual Report and can also be accessed at https://nerolac.com/corporate-sustainability/environmental-performance.html

Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The emissions/waste generated by KNPL are within the permissible limits given by CPCB/SPCB for FY 2020-21. These are being monitored continuously through online monitoring systems installed at all the manufacturing sites of KNPL. All the manufacturing facilities are Zero Liquid Discharge. Initiatives are being carried out for EPR (Extended Producer Responsibility) in collaboration with third-party vendors for recycling post-consumer plastic waste. Also, initiatives are being taken to reduce incoming packaging (plastic) waste.

Emissions:

The Company monitors Scope 1, Scope 2, Scope 3 emissions. Reduction of emissions over LY is as follows:

Emission Type	Reduction over LY
Scope 1	23%
Scope 2	13%
Scope 3	13%

We are complying with the National Ambient Air Quality Standards (NAAQS), 2009, to ensure ambient air-quality parameters.

In FY 2020-21, we planted 7,537 trees, of which 4,120 were planted within factory premises while 3,417 were planted outside factory premises. Also, we completed the "Carbon Sequestration Study Report", delineating carbon sequestered and the carbon-sequestration rate through full-/medium-grown trees within factory premises.

Waste:

Waste Management

Specific Hazardous Waste	FY 19-20	FY 20-21	Reduction
Kg/KL of FG	2.7	2.47	8.5%

Information on detailed initiatives are covered in the Natural Capital section of this Annual Report and can be accessed at https://nerolac.com/corporate-sustainability/environmental-performance.html

Number of show-cause/legal notices received from CPCB/SPCB which are pending (i.e., not resolved to satisfaction) as at the end of the Financial Year.

No show-cause notices from SPCB or CPCB have been received or are pending at end-FY 2020-21

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

Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.

KNPL engages with the public and regulatory bodies in a responsible manner. It participates in the same on a need basis. KNPL is a member of the following trade associations:

- Indian Paint Association
- Employer's Federation of India
- Bombay Management Association
- Indian Chemical Council
- Bombay Chamber of Commerce & Industry
- Maharashtra Economic Development Council
- National Safety Council
- Confederation of Indian Industry
- The Colour Society
- Advertising Standards Council of India

7,537

trees were planted In FY 2020-21

Have you advocated/lobbied through the above associations for the advancement or improvement of public good? Yes/No; if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)

Various government authorities and departments invite opinion from the public and industry members regarding various regulations and policies under their jurisdictions.

During the year, KNPL provided inputs on matters concerning business and society in general through trade and chamber associations.

Principle 8: Businesses should support inclusive growth and equitable development

Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.

KNPL has specific programmes to support inclusive growth and equitable development. Driven by its Corporate Social Responsibility policy, KNPL engages in various activities which support inclusive growth and development of all. The broad areas of work are Livelihood and Skill Development, Preventive Health Care and Sanitation, Promoting Education, Rural and Community Development.

Details are covered in the Social & Relationship Capital of the Annual Report and Annexure 1 to the Board's Report pertaining to CSR.

KNPL ensures all community development initiatives make an impactful and effective contribution to society at large, with involvement and engagement of its employees, along with partnerships with local and government bodies.

Are the programmes/projects undertaken through the in-house team/own foundation/external NGOs/ government structures/any other organisation?

The projects are undertaken through a combination of all. CSR activities will be undertaken either by the Company itself or through a Trust/Section 8 company (under The Companies Act, 2013) to be established by the Company. CSR activities shall be implemented by the Management of the Company. KNPL takes various measures to involve employees in CSR activities and charitable work. Approximately 5% of the employees would be involved in charitable work and we intend to increase it to 8%.

Have you done any impact assessment of your initiative?

KNPL has constituted a CSR Committee of the Board consisting of a judicious combination of independent and non-independent directors with the majority being independent. KNPL carries out an assessment before starting an initiative and constantly monitors it at various stages. The number of beneficiaries through CSR activity is also monitored. An impact assessment of CSR projects is done annually. The CSR Committee of the Board provides strategic direction to the Company's CSR agenda and monitors outcomes and impacts of the initiatives.

What is your Company's direct contribution to community development projects? Amount in ₹ and details of the projects undertaken.

An amount of ₹14.33 Crores was spent towards various CSR projects during FY 2020-21.

Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words.

KNPL ensures all community development initiatives make an impactful and effective contribution to society at large, with involvement and engagement of its employees, along with partnerships with local and government bodies. The number of beneficiaries of the CSR activities is also monitored. Details of the CSR initiatives undertaken by KNPL are set out in Annexure 1 to the Board's Report. More than 70,000 beneficiaries have received benefits from different activities under CSR programmes such as construction of classrooms, labs, toilets, setting up health camps, tree plantation, digging bore-wells, etc.

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

What percentage of customer complaints/consumer cases are pending as at the end of the Financial Year?

KNPL's R&D team works with OEM customers to develop long-term product roadmaps. Various colour presentations and trainings are provided to OEM customers as needed. KNPL seeks to align the supply chain with some of its large customers to ensure minimal inventory at the customer's end. KNPL also allows its OEM customers to audit its manufacturing facilities.

KNPL's uncompromising commitment to providing world-class products and services to customers is supported by its concern for the safety of its customers/consumers. The technical and production teams work together to ensure that a customer's concern is successfully resolved. If needed, teams from Kansai Paint Co., Ltd., Japan are also involved.

KNPL provides technical sales service personnel who are stationed at customer lines for automotive and certain Industrial Original Equipment Manufacturer (OEM) customers to ensure that the product provided by it runs smoothly on the line. These personnel are available to support customer lines round the clock and provide various value analysis and value engineering activities to customers.

All customer product complaints are recognised and recorded in the IT system. Each complaint has a unique reference number. They are then tracked to closure at the customer end by the Quality Assurance function as per internally laid-down timeline norms. Most products are batch-managed and KNPL conducts root-cause analysis to ascertain the issue with a product when needed.

KNPL extends this rigour of monitoring and control of quality to its suppliers as well.

KNPL has set up a dedicated consumer helpline, 1800-209-2092, for consumers to record their issues. Consumer-related issues are also tracked to successful resolution. In addition, dealers can call up KNPL and record any grievance they may have regarding the company. These are then tracked to successful resolution.

There are 12 consumer-related cases and 16 (2.2%) customer complaints pending at the end of the Financial Year.

Does the Company display product information on the product label over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)

The products of KNPL display all information mandated by law, including directions for use. Product information is available on the Product Data sheet, and the MSDS (Material Safety Data Sheet) is available with customers of the company and on the website of the Company, as applicable.

Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of Financial Year? If so, provide details thereof, in about 50 words or so.

There are no cases filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending at the end of FY 2020-21.

Did your Company carry out any consumer survey / consumer satisfaction trends?

KNPL regularly engages with customers to get their feedback on products and gauge their satisfaction level. Engagement mechanisms include brand track, customer meets, customer satisfaction feedback and surveys, customer and product training at the customer's end. For its customers, detailed customer surveys are carried out. Based on the feedback received, KNPL undertakes and tracks various initiatives to ensure that the overall satisfaction level of a customer is improved. For customer satisfaction surveys conducted during the year, scores indicate a positive upward trend.

For and on behalf of the Board

H. M. Bharuka
Vice-Chairman and Managing Director

Mumbai, 7th May, 2021

Independent Auditor's Report

To the Members of Kansai Nerolac Paints Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition on sale of goods (as described in note 25 of the standalone financial statements)	
Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives and returns, if any, ('variable consideration') as specified in the contracts with the customers. An estimate of variable consideration payable to the customers is recorded as at the year-end. Such estimation is done based on the terms of contracts, rebates and discounts schemes and historical experience.	Our audit procedures included, amongst others: • We read and evaluated the Company's policies for revenue recognition and assessed its compliance with Ind AS 115 'Revenue from contracts with customers'; • We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls related to sales including variable consideration;

Independent Auditor’s Report (Continued)

Key audit matters	How our audit addressed the key audit matter

We identified estimation of variable consideration as a key audit matter because the Company’s management exercises judgment in calculating the said variable consideration.	• We performed the following tests for a sample of transactions relating to variable consideration:
	  • Read the terms of contract including rebates and discounts schemes as approved by authorized personnel.
	  • Assessed computation of variable consideration by comparing it with the budget, schemes, past trends and evaluated the reasons for deviation, if any.
	• We read and assessed the relevant disclosures made within the standalone financial statements.

Assessment of impairment of investments in subsidiaries (as described in note 5 of the standalone financial statements)	
The carrying values of the Company’s investments in subsidiaries, including corporate guarantees provided by the Company to the lenders of its subsidiaries, are assessed annually by management for potential indicators of impairment. As a result, an impairment assessment was required to be performed by the Company by comparing the carrying value of these investments and guarantees to their recoverable amount to determine whether an impairment was required. For the above impairment testing, management has determined the value in use and the fair value less cost to sell as applicable. Value in use has been determined by forecasting and discounting future cash flows. The determination of value in use requires management to make estimates and judgments in respect of projected sales volume, margins, terminal growth rates and discount rates. We identified the assessment of potential impairment of investments including corporate guarantees as a key audit matter because impairment assessment involves significant degree of management judgement in determining the key assumptions and forecasting future cash flows.	Our audit procedures included, among others the following: • We evaluated the key judgements / assumptions underlying management’s assessment of potential indicators of impairment; • Where potential indicators of impairment were identified, we evaluated management’s impairment assessment and assumptions around the key drivers of the cash flow forecasts, discount rates, expected growth rates and terminal growth rates by comparison with available financial information including considerations of the economic conditions and audited financial statements of the subsidiaries; • We compared the forecast of future cash flows to business plan considering economic conditions and previous forecasts to the actual results; • We performed sensitivity analysis to determine the impact of changes in current and estimated future uncertain economic conditions and key assumptions, both individually and in aggregate; • We involved our valuation specialists to assist in evaluating the key assumptions and methodology used by the Company in computing the recoverable amount; • We read and assessed the relevant disclosures made within the standalone financial statements.

Other Information

The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone financial statements and our auditor’s report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Standalone Financial Statements

The Company’s Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone 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) specified under section 133 of the Act read with [the Companies (Indian Accounting Standards) Rules, 2015, as amended. This

Independent Auditor's Report (Continued)

responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor’s Report (Continued)

Report on Other Legal and Regulatory Requirements

1. 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 1” a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) 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 Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and 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 financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended 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 financial statements – Refer Note 32 to the standalone 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

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 21110759AAAACB3593

Place of Signature: Mumbai
Date: 07 May 2021

Annexure 1 Independent Auditor's Report

Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date on the standalone financial statements of Kansai Nerolac Paints Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us and audit procedures performed by us, 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. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us and based on the audit procedures conducted by us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to guarantees provided and investments made by the Company. The Company has not granted loans nor provided any security during the year to the parties covered under Sections 185 and 186 of the Act. Accordingly, compliance under Section 185 and 186 of the Act in respect of granting of loans and providing securities is not applicable to the Company.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company and hence not commented upon.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to manufacture of paints, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax and other statutory dues have generally been regularly deposited with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess not deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount unpaid* (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Tax, Penalty and Interest	0.19	2000-01	Commissioner (Appeals)
Sales Tax and Value Added Tax Act	Tax, Penalty and Interest	5.32	1980-81, 1991-92, 2007-08 to 2011-12 and 2014-15	Assistant Commissioner
		45.17	1991-92, 1995-96, 2001-02, 2004-05 to 2006-07, 2009-10 to 2015-16	Deputy Commissioner
		1.50	1996-97, 2004-05, 2008-09, 2009-10, 2011-12	Additional Commissioner
		13.72	2001-02, 2003-04, 2005-06, 2012-13, 2015-16, 2017-18	Joint Commissioner
		2.45	2005-06, 2008-09, 2009-10, 2015-16, 2016-17	Senior Additional Commissioner (Revision Board)
		0.05	2002-03	Joint Commissioner (Appeals)
		0.03	2006-07	Commissioner
		0.58	2014-15	Senior Additional Commissioner
The Finance Act, 1994	Tax, Penalty and Interest	8.78	2009-10, 2012-13 to 2016-17	CESTAT

* Net of amount paid under protest

Annexure 1 Independent Auditor's Report (Continued)

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to government. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management and audit procedures performed by us, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Accordingly, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given to us by the management and audit procedures performed by us, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of clause 3(xiv) are not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 21110759AAAACB3593

Place of Signature: Mumbai
Date: 07 May 2021

Annexure 2 Independent Auditor's Report

Annexure 2 to the Independent Auditor's Report of even date on the standalone financial statements of Kansai Nerolac Paints Limited

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 with reference to standalone financial statements of Kansai Nerolac Paints Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements 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, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by 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 with reference to these standalone financial statements 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 with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to these standalone financial statements, 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 internal financial controls with reference to these standalone financial statements.

Meaning of Internal Financial Controls with Reference to these Standalone Financial Statements

A company's internal financial controls with reference to standalone financial statements 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 controls with reference to standalone financial statements 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.

Annexure 2 Independent Auditor's Report (Continued)

Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements 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, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, 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 issued by the ICAI.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 21110759AAAACB3593

Place of Signature: Mumbai
Date: 07 May 2021

Standalone Balance Sheet as at 31st March 2021

₹ in Crores

	Note	As at 31st March, 2021		As at 31st March, 2020	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	1587.18		1594.61	
Capital Work-in-progress		205.83		164.43	
Right of Use Assets (ROU)	2A	137.57		111.06	
Investment Property	3	0.18		0.18	
Other Intangible Assets	4	1.18		2.79	
			1931.94		1873.07
Financial Assets:					
Investments	5	165.54		149.92	
Loans	6	14.59		14.88	
			180.13		164.80
Non-current Tax Assets (Net)			113.09		145.33
Other Non-current Assets	7		90.17		145.87
Total Non-current Assets			2315.33		2329.07
Current Assets					
Inventories	8		1090.20		930.14
Financial Assets:					
Investments	9	668.06		305.10	
Trade Receivables	10	836.16		674.50	
Cash and Cash Equivalents	11	72.28		163.61	
Bank Balances other than Cash and Cash Equivalents	12	3.01		2.67	
Loans	13	6.23		4.30	
Other Financial Assets	14	55.51		6.09	
			1641.25		1156.27
Other Current Assets	15		162.34		176.96
Total Current Assets			2893.79		2263.37
Total Assets			5209.12		4592.44
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	53.89		53.89	
Other Equity	17	4027.04		3732.98	
Total Equity			4080.93		3786.87
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Lease Liabilities	18	72.69		49.04	
Deferred Tax Liabilities (Net)	19	88.38		84.97	
Total Non-current Liabilities			161.07		134.01
Current Liabilities					
Financial Liabilities:					
Lease Liabilities	18	17.41		10.97	
Trade Payables	20				
Total Outstanding dues of Micro Enterprises and Small Enterprises		89.09		32.51	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		719.94		487.00	
		809.03		519.51	
Other Financial Liabilities	21	94.55		99.10	
		920.99		629.58	
Other Current Liabilities	22	22.13		23.02	
Provisions	23	19.01		15.65	
Current Tax Liabilities (Net)	24	4.99		3.31	
Total Current Liabilities			967.12		671.56
Total Liabilities			1128.19		805.57
Total Equity and Liabilities			5209.12		4592.44
Significant Accounting Policies	1				
The notes referred to above form an integral part of Standalone Financial Statements					

As per our attached report of even date
For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Standalone Statement of Profit and Loss for the year ended 31st March 2021

₹ in Crores

	Note	Year ended 31st March, 2021		Year ended 31st March, 2020	
Income					
Revenue from Operations	25		**4690.00**		4943.17
Other Income	26		**38.71**		26.86
Total Income			**4728.71**		4970.03
Expenses					
Cost of Materials Consumed	27	**2694.59**		2722.18	
Purchases of Stock-in-trade		**315.33**		284.23	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	28	**(98.49)**		51.21	
Employee Benefits Expense	29	**258.58**		269.38	
Finance Cost	40	**7.49**		5.00	
Depreciation and Amortisation Expenses	30	**138.97**		119.88	
Other Expenses	31	**686.91**		834.55	
Total Expenses			**4003.38**		4286.43
Profit Before Exceptional Items and Tax			**725.33**		683.60
Exceptional Item	41		**10.82**		—
Profit Before Tax			**714.51**		683.60
Tax Expense					
Current Tax	19	**180.18**		166.33	
Deferred Tax	19	**3.34**		(18.13)	
Total Tax Expense			**183.52**		148.20
Profit for the Year			**530.99**		535.40
Other Comprehensive Income					
(i) Items that will not be reclassified to Standalone Statement of Profit and Loss					
(a) Remeasurement of Defined Benefit Liability		**0.26**		(1.37)	
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		**(0.07)**		0.35	
Total Other Comprehensive Income (net of taxes)			**0.19**		(1.02)
Total Comprehensive Income for the Year			**531.18**		534.38
Earnings per Share (Face Value of ₹ 1 each):					
Basic and Diluted (in ₹)			**9.85**		9.94
Significant Accounting Policies	1				
The notes referred to above form an integral part of Standalone Financial Statements					

As per our attached report of even date
For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Standalone Statement of Changes in Equity

for the year ended 31st March, 2021

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2019	**53.89**
Changes in Equity Share Capital during 2019-2020	—
Balance as at the 31st March, 2020	**53.89**
Changes in Equity Share Capital during 2020-2021	—
Balance as at the 31st March, 2021	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2020	**0.30**	**12.56**	**487.67**	**3232.45**	**3732.98**
Profit for the Year	**—**	**—**	**—**	**530.99**	**530.99**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.26	0.26
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	(0.07)
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**0.19**	**0.19**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**531.18**	**531.18**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(237.12)	(237.12)
	—	**—**	**—**	**(237.12)**	**(237.12)**
Balance as at 31st March, 2021	**0.30**	**12.56**	**487.67**	**3526.51**	**4027.04**

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2019	0.30	12.56	487.67	2870.05	3370.58
Impact on account of adoption of Ind AS 116 (Refer Note 40)	—	—	—	(4.71)	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer Note 40)	—	—	—	1.65	1.65
Profit for the Year	—	—	—	535.40	535.40
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.37)	(1.37)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.35	0.35
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(1.02)	(1.02)
Total Comprehensive Income for the Year	—	—	—	534.38	534.38
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	—	—	(168.92)	(168.92)
Balance as at 31st March, 2020	0.30	12.56	487.67	3232.45	3732.98

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

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ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Standalone Statement of Cash Flows

for the year ended 31st March, 2021

₹ in Crores

Particulars	Year ended 31st March, 2021		Year ended 31st March, 2020	
Cash Flow from Operating Activities				
Profit Before Tax		**714.51**		683.60
Adjustments for:				
Depreciation and Amortisation Expenses	**138.97**		119.88	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(4.24)**		(10.51)	
Unrealised Foreign Exchange (Gain)/Loss (Net)	**(0.28)**		1.95	
Profit on Sale of Current Investments (Net)	**(10.12)**		(8.90)	
Interest Income	**(5.10)**		(1.89)	
Dividend Income	**(2.24)**		(2.21)	
Profit on Sale of Property, Plant and Equipment (Net)	**(2.36)**		(0.14)	
Finance Cost	**7.49**		5.00	
Impairment loss allowance on trade receivables	**8.75**		4.57	
Provisions no longer required, written back	**(8.23)**		(0.10)	
Impairment of non-current investment (Refer Note 41)	**10.82**		—	
		133.46		107.65
Operating Profit Before Working Capital Changes		**847.97**		791.25
(Increase) in Trade and Other Receivables	**(202.23)**		(34.59)	
(Increase)/Decrease in Inventories	**(160.07)**		122.63	
Increase/(Decrease) in Trade Payables, Other Financial Liabilities and Provisions	**299.25**		(102.70)	
		(63.05)		(14.66)
Cash Generated from Operations		**784.92**		776.59
Direct Taxes Paid (Net of Refunds)		**(146.26)**		(155.98)
Net Cash Flows generated from Operating Activities		**638.66**		620.61
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)	**(96.45)**		(216.99)	
Proceeds from Sale of Property, Plant and Equipment	**2.81**		0.16	
Purchase of Investments in Subsidiaries	**(26.34)**		(41.10)	
Purchase of non-current Investments	**0.11**		(0.13)	
Purchase of Current Investments	**(3277.00)**		(14628.50)	
Proceeds from Sale/Redemption of Current Investments	**2928.30**		14538.61	
Interest Received	**5.10**		1.89	
Dividend Received	**2.24**		2.21	
Investments in fixed deposits	**(0.05)**		(0.06)	
Net Cash Flows used in Investing Activities		**(461.28)**		(343.91)

Standalone Statement of Cash Flows

for the year ended 31st March, 2021

₹ in Crores

Particulars	Year ended 31st March, 2021		Year ended 31st March, 2020	
Cash Flows from Financing Activities				
Repayment of long-term Borrowings	**(3.40)**		(6.31)	
Payment of Lease Liabilities	**(28.19)**		(16.74)	
Dividend Paid	**(237.12)**		(140.12)	
Dividend Distribution Tax Paid	**—**		(28.80)	
Net Cash Flows used in Financing Activities		**(268.71)**		(191.97)
Net (Decrease)/ Increase in Cash and Cash Equivalents		**(91.33)**		84.73
Cash and Cash Equivalents at beginning of the year, the components being (Refer Note 11) :				
Cash on hand	**0.10**		0.12	
Cheques on hand	**3.55**		25.03	
Balances with Banks Cheques on hand	**33.99**		52.89	
Deposit with Banks with less than 3 months maturity	**125.13**		—	
Effect of exchange rate fluctuation	**0.84**		0.84	
		163.61		78.88
Cash and Cash Equivalents at end of the year, the components being:				
Cash on hand	**0.07**		0.10	
Cheques on hand	**16.78**		3.55	
Balances with Banks	**54.45**		33.99	
Deposit with Banks with less than 3 months maturity	**—**		125.13	
Effect of exchange rate fluctuation	**0.98**		0.84	
		72.28		163.61
Net (Decrease)/Increase as disclosed above		**(91.33)**		84.73

Debt Reconciliation Statement in accordance with Ind AS 7

₹ in Crores

	31st March, 2021	31st March, 2020
Opening Balances		
Non-current Borrowings	**3.40**	9.71
Movements		
Non-current Borrowings	**3.40**	6.31
Closing Balances		
Non-current Borrowings	**—**	3.40

Notes:

(i) Figures in brackets are outflows/deductions.

(ii) The above Cash Flow Statement is prepared under the "Indirect Method" as set out in the Indian Accounting Standards (Ind AS-7) – Statement of Cash Flows.

As per our attached report of even date
For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
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Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

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 Standalone Financial Statements for the year ended 31st March, 2021 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 7th May, 2021.

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 as amended from time to time.

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, which are measured at fair values at the end of each reporting period.

4. Use of estimates and judgements

Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures as at date of the financial statements and the reported amounts of the revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amount recognised in the financial statements.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation.

In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

Contingences and Commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Company. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

(ii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful Lives of Property, Plant and Equipment

As described in Note 1(3)(c), the Company reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. During the current financial year, the management determined that there were no changes to the useful lives and residual values of the property, plant and equipment.

Impairment loss allowance on trade receivables

The Company makes loss allowances for credit impaired debts based on an assessment of the recoverability of trade and other receivables. The identification of credit impaired debts enquires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and credit impaired debts expenses in the period in which such estimate has been changed.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

B. Basis of Preparation (contd.)

4. Use of estimates and judgements (contd.)

Allowances for Inventories

Management reviews the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements.

Impairment of Investments in Subsidiaries

The carrying amount of the Company's investments in subsidiaries including corporate guarantees provided by the Company to the lenders of its subsidiaries are assessed at the end of each reporting date to determine whether there are any potential indicators of impairment. If any such indication exists, then the Company estimates the recoverable amount of such investments. The determination of recoverable amounts of the Company's investments in subsidiaries involves significant judgements. Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount includes projected sales volume, estimated long-term growth rates, weighted average cost of capital, estimated operating margins, etc.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model, which involve various judgements and assumptions.

Defined Benefit Plans

The costs and present value of the defined benefit gratuity plan and other long-term employee benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in future. These include the determination of appropriate discount rate, salary escalation rate, expected rate of return on assets and mortality rates. Due to the complexities involved in the valuation and its long-term nature, defined benefit plans are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and the same are disclosed in Note 35, 'Employee benefits'.

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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(a) Recognition and Measurement (contd.)

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. Item of Capital Work-in-progress is carried at cost using the principles of valuation of item of property, plant and equipment till it is ready for use, the manner in which intended by management.

(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 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	10-25
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 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.

(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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

4. Investment Property (contd.)

(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) – as per Companies Act, 2013	Useful Lives (in years) – 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 amortisation 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 feasibile 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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

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

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 remeasurement are recognised in Standalone Statement of Profit and Loss.

Once assets classified as held-for-sale, then Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer required to be 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 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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

7. Employee 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 to one month salary payable for each completed year of service or part thereof in excess of six months depending upon category of employee. 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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

8. Inventories (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. Amounts such reversed shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which reversal occurs.

(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. For the purpose of Cash Flow Statement cash and cash equivalent includes bank overdrafts which are repayable on demand.

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

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch / delivery.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

12. Revenue Recognition (contd.)**:**

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Company has adopted Ind AS – 115 Revenue from contracts with customers, with effect from 1st April, 2018. Ind AS – 115 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts.

The Company has adopted Ind AS – 115 using the cumulative effect method whereby the effect of applying this standard is recognised at the date of initial application (i.e. 1st April, 2018). Accordingly, the comparative information in the Standalone Statement of Profit and Loss is not restated. Impact on adoption of Ind AS – 115 is not material.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 109 – 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 thecurrency 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 tax and deferred tax expense. 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:

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

14. Taxation (contd.)

Deferred tax (contd.)

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.

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. Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets (ROU Assets)

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	90 to 99 years
Buildings	2 to 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 19 Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

15. Lease (contd.)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 terms 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 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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (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 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 Statementof 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.

(e) Derivative Financial Instruments

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently re-measured at fair value. Any changes therein are recognised in the statement of profit and loss.

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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

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 Accounting Standards.

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.

21. Investment in Subsidiaries

A subsidiary is an entity that is controlled by the Company.

The Company accounts for the investments in equity shares of subsidiaries at cost in accordance with Ind AS 27 – Separate Financial Statements.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block					Accumulated Depreciation					Net Block
	As at 1st April, 2020	Additions	Reclassified on account of adoption of Ind AS 116	Deductions	As at 31st March, 2021	As at 1st April, 2020	Additions	Reclassified on account of adoption of Ind AS 116	Deductions	As at 31st March, 2021	As at 31st March, 2021
Freehold Land	90.06	—	—	—	**90.06**	—	—	—	—	**—**	**90.06**
	(68.71)	(21.35)	(—)	(—)	(90.06)	(—)	(—)	(—)	(—)	(—)	(90.06)
Leasehold Land	—	—	—	—	**—**	—	—	—	—	**—**	**—**
	(49.11)	(—)	(49.11)	(—)	(—)	(3.60)	(—)	(3.60)	(—)	(—)	(—)
Buildings	720.25	19.69	—	0.53	**739.41**	141.85	21.58	—	0.13	**163.30**	**576.11**
	(586.39)	(133.86)	(—)	(—)	(720.25)	(122.53)	(19.32)	(—)	(—)	(141.85)	(578.40)
Plant and Equipments	1160.85	56.16	—	5.82	**1211.19**	385.15	53.55	—	5.77	**432.93**	**778.26**
	(923.99)	(237.39)	(—)	(0.53)	(1160.85)	(339.02)	(46.66)	(—)	(0.53)	(385.15)	(775.70)
Furniture and Fixtures	19.82	1.36	—	0.18	**21.00**	15.14	0.82	—	0.18	**15.78**	**5.22**
	(18.83)	(0.99)	(—)	(—)	(19.82)	(14.35)	(0.79)	(—)	(—)	(15.14)	(4.68)
Vehicles	0.62	0.07	—	—	**0.69**	0.47	0.04	—	—	**0.51**	**0.18**
	(0.62)	(—)	(—)	(—)	(0.62)	(0.43)	(0.04)	(—)	(—)	(0.47)	(0.15)
Office Equipments	13.09	0.29	—	0.14	**13.24**	10.47	0.87	—	0.14	**11.20**	**2.04**
	(11.85)	(1.24)	(—)	(—)	(13.09)	(9.73)	(0.74)	(—)	(—)	(10.47)	(2.62)
Computers	48.55	1.83	—	0.25	**50.13**	39.08	3.97	—	0.25	**42.80**	**7.33**
	(43.44)	(5.11)	(—)	(—)	(48.55)	(34.71)	(4.37)	(—)	(—)	(39.08)	(9.47)
Assets for Scientific Research*	76.35	1.92	—	—	**78.27**	17.48	3.05	—	—	**20.53**	**57.74**
	(72.91)	(3.44)	(—)	(—)	(76.35)	(14.53)	(2.95)	(—)	(—)	(17.48)	(58.87)
Assets given on Operating Lease (Refer Note 2.5)....	337.65	24.31	—	10.17	**351.79**	262.99	28.73	—	10.17	**281.55**	**70.24**
	(309.55)	(28.56)	(—)	(0.46)	(337.65)	(234.31)	(29.12)	(—)	(0.44)	(262.99)	(74.66)
Total Tangible Assets	2467.24	105.63	—	17.09	**2555.78**	872.63	112.61	—	16.64	**968.60**	**1587.18**
	(2085.40)	(431.94)	(49.11)	(0.99)	(2467.24)	(773.21)	(103.99)	(3.60)	(0.97)	(872.63)	(1594.61)

* Net block includes Buildings ₹ 25.01 Crores (2019-2020 ₹ 25.45 Crores), Plant and Equipment ₹ 28.37 Crores (2019-2020 ₹ 28.39 Crores) and Furniture and Fixtures ₹ 4.36 Crores (2019-2020 ₹ 5.03 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 period.

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

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

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 ₹ 351.79 Crores (2019-2020 ₹ 337.65 Crores) and ₹ 281.55 Crores (2019-2020 ₹ 262.99 Crores) respectively.

(ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 28.73 Crores (2019-2020 ₹ 29.12 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.

2A. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 31st March, 2021
Leasehold Land*	61.82	—	—	**61.82**	4.18	0.63	—	**4.81**	**57.01**
	(49.11)	(12.71)	(—)	(61.82)	(3.60)	(0.58)	(—)	(4.18)	(57.64)
Buildings	67.03	54.89	13.42	**108.50**	13.61	24.12	9.79	**27.94**	**80.56**
	(56.87)	(10.16)	(—)	(67.03)	(—)	(13.61)	(—)	(13.61)	(53.42)
Total Right of Use Assets (ROU)	128.85	54.89	13.42	**170.32**	17.79	24.75	9.79	**32.75**	**137.57**
	(105.98)	(22.87)	(—)	(128.85)	(3.60)	(14.19)	(—)	(17.79)	(111.06)

2A.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2A.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

2A.3. Nil amount of impairment loss is recognised during the current and comparative periods.

* Opening balance as on 1st April, 2019 Reclassified on account of adoption of Ind AS 116

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

3. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 31st March, 2021
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 ₹ 0.25 Crores (2019-2020 ₹ 0.19 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1400.29 Crores (2019-2020 ₹ 1400.29 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. 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.

4. Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 1st April, 2020	Additions	Deductions	As at 31st March, 2021	As at 31st March, 2021
Software	18.84 (17.89)	— (0.95)	— (—)	**18.84** (18.84)	16.05 (14.35)	1.61 (1.70)	— (—)	**17.66** (16.05)	**1.18** (2.79)
Total Other Intangible Assets	18.84 (17.89)	— (0.95)	— (—)	**18.84** (18.84)	16.05 (14.35)	1.61 (1.70)	— (—)	**17.66** (16.05)	**1.18** (2.79)

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

5. Non-current Investments

₹ in Crores

		As at 31st March, 2021	As at 31st March, 2020
Investments in Equity Instruments:			
i. Subsidiary Companies at Cost (Unquoted)			
1. KNP Japan Private Limited 8,84,000 Equity Shares of NPR 100 each fully paid up (8,84,000 Equity Shares of NPR 100 each fully paid up)		**7.87**	7.87
2. Kansai Paints Lanka (Private) Limited 10,39,99,998 Equity Shares of LKR 10 each fully paid up (5,40,00,000 Equity Shares of LKR 10 each fully paid up)	**35.61**		
Less: Impairment loss (Refer Note 41)	**(10.82)**		
		24.79	23.61
3. Marpol Private Limited 29,95,200 Equity Shares of ₹ 10 each fully paid up (29,95,200 Equity Shares of ₹ 10 each fully paid up)		**34.32**	34.32
4. Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) 5,06,00,000 Equity Shares of BDT 10 each fully paid up (3,41,00,000 Equity Shares of BDT 10 each fully paid up)		**56.51**	42.17
5. Perma Constructions Aids Private Limited 9,90,000 Equity Shares of ₹ 10 each fully paid up (9,90,000 Equity Shares of ₹ 10 each fully paid up)		**29.10**	29.10
6. Nerofix Private Limited 120,00,000 Equity Shares of ₹ 10 each fully paid up (120,00,000 Equity Shares of ₹ 10 each fully paid up)		**12.00**	12.00
ii. Others at FVTPL			
1. National Thermal Power Corporation Ltd. (Quoted) 48,628 Equity Shares of ₹ 10 each fully paid up (48,628 Equity Shares of ₹ 10 each fully paid up)		**0.52**	0.42
2. Paints and Coatings Skill Council (Unquoted) 10 Equity Shares of ₹ 25,000 each fully paid up (10 Equity Shares of ₹ 25,000 each fully paid up)		**0.02**	0.02
3. Beta Wind Farm Pvt Ltd. (Unquoted) 1,90,741 Equity Shares of ₹ 10 each fully paid up (1,90,741 Equity Shares of ₹ 10 each fully paid up)		**0.36**	0.36
Investments in Debenture:			
1. 8.49% National Thermal Power Corporation (NTPC) (Quoted). 40,524 Non Convertible Debenture of ₹ 10 each fully paid up (40,524 Non Convertible Debenture of ₹ 10 each fully paid up)		**0.05**	0.05
Total Non-current Investments		**165.54**	149.92
Aggregate book value of quoted investments		**0.57**	0.47
Aggregate market value of quoted investments		**0.57**	0.47
Aggregate amount of unquoted investments		**175.79**	149.45
Aggregate amount of impairment in value of investments		**10.82**	Nil

6. Loans

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Security Deposits	**14.59**	14.88
	14.59	14.88

7. Other Non-current Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Capital Advances	**64.93**	116.04
Prepaid Expenses	**2.85**	7.70
Balances with Indirect Tax Authorities	**22.39**	22.13
	90.17	145.87

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

8. Inventories

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Raw Materials	**334.09**	277.82
Packing Materials	**13.34**	8.94
Work-in-progress	**97.48**	86.40
Finished Goods	**580.19**	488.70
Stock-in-trade	**58.04**	62.12
Stores and Spares	**7.06**	6.16
	1090.20	930.14

No inventories were pledged as security for liabilities during the current and comparable period.

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of inventory recognised as an expense during the year as per note 27 to 28.

9. Current Investments

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
(A) Investments in Bonds at FVTPL (Quoted)	**16.23**	16.26
(B) Mutual Funds at FVTPL (Unquoted)	**651.83**	288.84
Total Current Investment (A + B)	**668.06**	305.10
Aggregate book value of quoted investments	**16.23**	16.26
Aggregate market value of quoted investments	**16.23**	16.26
Aggregate amount of unquoted investments	**651.83**	288.84
Aggregate amount of impairment in value of investments	**Nil**	Nil

10. Trade Receivables

₹ in Crores

	As at 31st March, 2021		As at 31st March, 2020	
Secured, Considered Good		**—**		—
Unsecured, Considered Good*		**836.16**		674.50
Significant increase in Credit Risk		**—**		—
Credit Impaired	**30.15**		21.40	
Loss Allowance	**(30.15)**		(21.40)	
		—		—
		836.16		674.50
* Receivable from subsidiary company, in which director of the Company is a director				
KNP Japan Private Limited		**0.86**		2.71
Kansai Paints Lanka (Private) Limited		**1.49**		1.21
Marpol Private Limited		**10.90**		5.70
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)		**3.67**		1.61
Nerofix Private Limited		**0.24**		0.41

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

11. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Cash on hand	**0.07**	0.10
Cheques on hand	**16.78**	3.55
Banks balances	**55.43**	34.83
Fixed Deposit with Bank with less than 3 month maturity	**—**	125.13
	72.28	163.61

12. Bank Balance other than Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unpaid Dividend Accounts	**2.37**	2.09
Fixed Deposit with Bank with more than 3 months but less than 12 month maturity	**0.64**	0.58
	3.01	2.67

13. Loans

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Security Deposits	**6.23**	4.30
	6.23	4.30

14. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Other Receivable* [Includes receivable from mutual fund ₹ 48.00 Crores (2019-2020 ₹ Nil)]	**55.51**	6.09
	55.51	6.09

* Includes ₹ 2.10 Crores (2019-2020 ₹ 2.21 Crores) receivable from subsidiary company – KNP Japan Private Limited, private company in which director of the Company is a director

15. Other Current Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**94.35**	91.94
Trade Advances	**48.83**	62.13
Prepaid Expenses	**15.98**	18.75
Other Receivable	**3.18**	4.14
	162.34	176.96

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

16. Share Capital

	As at 31st March, 2021		As at 31st March, 2020	
1. Authorised Share Capital (₹ in Crores)		**60.00**		60.00
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**60,00,00,000**		60,00,00,000
2. Issued, Subscribed and Fully Paid up (₹ in Crores)		**53.89**		53.89
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**53,89,19,720**		53,89,19,720
3. Details of Shareholders holding more than 5% of shares:				
	%	**No. of Shares**	%	No. of Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898
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**		Nil
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
Issued during the year		**—**		—
Number of shares at the end of the year		**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.				

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

17. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2020	**0.30**	**12.56**	**487.67**	**3232.45**	**3732.98**
Profit for the Year	**—**	**—**	**—**	**530.99**	**530.99**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.26	0.26
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	(0.07)
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**0.19**	**0.19**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**531.18**	**531.18**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(237.12)	(237.12)
	—	**—**	**—**	**(237.12)**	**(237.12)**
Balance as at 31st March, 2021	**0.30**	**12.56**	**487.67**	**3526.51**	**4027.04**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2019	0.30	12.56	487.67	2870.05	3370.58
Impact on account of adoption of Ind AS 116 (Refer Note 40)	—	—	—	(4.71)	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer Note 40)	—	—	—	1.65	1.65
Profit for the Year	—	—	—	535.40	535.40
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.37)	(1.37)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.35	0.35
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(1.02)	(1.02)
Total Comprehensive Income for the Year	—	—	—	534.38	534.38
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	—	—	(168.92)	(168.92)
Balance as at 31st March, 2020	0.30	12.56	487.67	3232.45	3732.98

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Defined Benefit Liability	**As at 31st March, 2021**	As at 31st March, 2020
Opening Balance	**(10.85)**	(9.83)
Remeasurement of Employee Defined Benefit Liability, net of tax	**0.19**	(1.02)
Closing Balance	**(10.66)**	(10.85)

Capital Reserve

Capital reserve includes profit on re-issue of forfeited shares.

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.

General Reserve

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.

Dividend

For the year 2019-2020, the Directors had recommended and Shareholders had approved a normal dividend of 315% (₹ 3.15 per share), which has been accounted in current year.

The Board has recommended a final dividend of 400% (₹ 4.00 per share) which includes special dividend of 200% (₹ 2.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on November 27, 2020. Accordingly, the total dividend is 525% (₹ 5.25 per share) for the financial year ended March 31, 2021 as compared to total dividend of 315% (₹ 3.15 per share) declared last year.

The dividend proposed by the Directors is subject to approval of Shareholders at the annual general meeting. The proposed dividend of ₹ 215.56 Crores (2019-2020 ₹ 169.76 Crores) have not been recognised as liabilities.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

18. Lease Liabilities

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Non-current Lease Liabilities	**72.69**	49.04
Current Lease Liabilities	**17.41**	10.97
	90.10	60.01

The maturity analysis of lease liabilities is disclosed in Note 40.

19. Income Taxes

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
A. The major components of income tax expense for the year are as under:		
(i) Income tax recognised in the Standalone Statement of Profit and Loss		
Current tax:		
In respect of current year	**180.18**	166.33
Deferred tax:		
In respect of current year	**3.34**	(18.13)
Income tax expense recognised in the Standalone Statement of Profit and Loss	**183.52**	148.20
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**(0.07)**	0.35
Income tax expense recognised in OCI	**(0.07)**	0.35
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**714.51**	683.60
Income tax expense calculated at 25.17% (2019-2020 @ 25.17%)	**179.84**	172.06
Tax effect on non-deductible expenses	**5.71**	9.30
Incentive tax credits	**—**	—
Effect of Income that is exempted from tax	**(0.25)**	(0.25)
Reversal of opening deferred tax due to change in tax rate	**—**	(34.43)
Others	**(1.78)**	1.52
Total	**183.52**	148.20
Tax expense as per Standalone Statement of Profit and Loss	**183.52**	148.20

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2019-2020 25.17%) 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:

₹ in Crores

Particulars	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2020	2020-2021	2020-2021	31.03.2021	01.04.2019	2019-2020	2019-2020	31.03.2020
Difference between written down value / capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961	(113.36)	(8.95)	—	(122.31)	(136.64)	23.28	—	(113.36)
Tax adjustment on account on indexation of freehold land	15.79	1.65	—	17.44	15.18	0.61	—	15.79
Expense claimed for tax purpose on payment basis	4.40	1.10	—	5.50	7.65	(3.25)	—	4.40
Provision for doubtful debts and Advances	5.38	2.30	—	7.68	5.89	(0.51)	—	5.38
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	—	—	—	—	0.03	(0.03)	—	—
Remeasurement benefit of the defined benefit plans through OCI	2.94	—	(0.07)	2.87	2.59	—	0.35	2.94
Net fair value loss on investment through FVTPL	(1.45)	(0.30)	—	(1.75)	0.20	(1.65)	—	(1.45)
Lease Rentals	1.33	0.86	—	2.19	1.65	(0.32)	—	1.33
Deferred tax (expense)/income Net Deferred tax liabilities	**(84.97)**	**(3.34)**	**(0.07)**	**(88.38)**	**(103.45)**	**18.13**	**0.35**	**(84.97)**

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

20. Trade Payables

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Trade Payables:		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 39)	**89.09**	32.51
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**719.94**	487.00
	809.03	519.51

21. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Current Maturities of Long-term Borrowings	**—**	3.40
(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 repaid during the year. Unsecured Sales Tax Deferral Loan was interest-free.)		
Unclaimed/Unpaid Dividends*	**2.37**	2.09
Trade Deposits	**78.94**	79.85
Creditors for Capital Goods@ (Refer Note 39)	**13.24**	13.76
	94.55	99.10

* There are no amounts due and outstanding to be transfered to Investor Education and Protection Fund.

@ Includes Outstanding dues of Micro Enterprises and Small Enterprises ₹ 4.59 Crores (2019-2020 ₹ 2.51 Crores)

22. Other Current Liabilities

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Statutory Obligations*	**8.48**	5.05
Trade Receivables with Credit Balance	**13.65**	17.97
	22.13	23.02

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

23. Provisions

₹ in Crores

	As at 31st March, 2021		As at 31st March, 2020	
Provision for Compensated Absences (Refer Note 35)		**13.35**		11.85
Provision for Gratuity (Refer Note 35)		**3.37**		1.55
Provision for Indirect Taxes:				
Opening Balance	**2.25**		2.27	
Add: Provision during the year	**0.04**		0.08	
Less: Utilisation / reversal during the year	**—**		0.10	
		2.29		2.25
		19.01		15.65

24. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Current Tax Liabilities (Net)	**4.99**	3.31
	4.99	3.31

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

25. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Sale of Products				
Sales	5238.75		5459.46	
Less: Discounts and Rebates	583.06		544.26	
Total Sale of Products		4655.69		4915.20
Other Operating Revenues				
Sale of Scrap	15.48		15.50	
Others	18.83		12.47	
		34.31		27.97
Revenue from Operations		4690.00		4943.17

25.1. Disaggregation of revenue from contracts with customers

The Company derives revenue from sale of products from following major segments:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	4247.69	4527.20
Export	9.39	9.60
(A)	4257.08	4536.80
Trading		
India	398.61	378.40
(B)	398.61	378.40
(C) = (A) + (B)	4655.69	4915.20
2) Other operating revenue:		
Sale of Scrap	15.48	15.50
Others	18.83	12.47
(D)	34.31	27.97
Total Revenue (C) + (D)	4690.00	4943.17
Major Product lines		
Paint	4655.69	4915.20
	4655.69	4915.20
Sales by performance obligations		
Upon delivery	4655.69	4915.20
	4655.69	4915.20
Reconciliation of revenue from contract with customer:		
Revenue from contracts with customer as per the contract price	5238.75	5459.46
Adjustments made to contract price on account of:		
a) Discounts/Rebates/Incentives	(583.06)	(544.26)
b) Other Operating Revenue	34.31	27.97
Revenue from contracts with customer as per the Standalone Statement of Profit and Loss	4690.00	4943.17

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

26. Other Income

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Dividend Income				
Dividend from Investment in Equity Shares	**2.24**		2.21	
		2.24		2.21
Interest Income				
Interest on Loans and Deposit at amortised cost	**4.11**		0.89	
Interest on Bonds recognised through FVTPL	**0.99**		1.00	
		5.10		1.89
Profit on Sale of Current Investments (Net)		**10.12**		8.90
Fair Value Gain on Financial Instruments recognised through FVTPL		**4.24**		10.51
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	**2.36**		0.14	
Foreign Exchange Gain (Net)	**8.50**		0.56	
Insurance Claims Received	**4.19**		1.34	
Miscellaneous Income	**1.96**		1.31	
		17.01		3.35
		38.71		26.86

27. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Raw Material Consumed				
Opening Stock	**277.82**		347.24	
Add: Purchase	**2420.94**		2335.03	
Less: Sales	**17.52**		11.58	
Less: Closing Stock	**334.09**		277.82	
		2347.15		2392.87
Packing Material Consumed				
Opening Stock	**8.94**		11.94	
Add: Purchase	**351.84**		326.31	
Less: Closing Stock	**13.34**		8.94	
		347.44		329.31
		2694.59*		2722.18*

* Includes ₹ 1.88 Crores (2019-2020 ₹ 1.77 Crores) expenditure incurred on Research and Developments

28. Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Opening Stock				
Finished Goods	**488.70**		546.62	
Work-in-progress	**86.40**		92.67	
Stock-in-trade (in respect of goods acquired for trading)	**62.12**		49.14	
		637.22		688.43
Less: Closing Stock				
Finished Goods	**580.19**		488.70	
Work-in-progress	**97.48**		86.40	
Stock-in-trade (in respect of goods acquired for trading)	**58.04**		62.12	
		735.71		637.22
		(98.49)		51.21

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

29. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Salaries and Wages	**226.74**	235.90
Contribution to Provident and Other Funds (Refer Note 35)	**20.63**	20.16
Staff Welfare Expense	**11.21**	13.32
	258.58*	269.38*

* Includes ₹ 18.93 Crores (2019-2020 ₹ 18.89 Crores) expenditure incurred on Research and Developments

30. Depreciation and Amortisation Expenses

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Depreciation on Property, Plant and Equipment (Refer Note 2)	**112.61**	103.99
Amortisation on Other Intangible Assets (Refer Note 4)	**1.61**	1.70
Amortisation on Right of use assets (ROU) (Refer Note 2A)	**24.75**	14.19
	138.97*	119.88*

* Includes ₹ 3.05 Crores (2019-2020 ₹ 2.95 Crores) depreciation and amortisation expenses on Research and Developments

31. Other Expenses

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Consumption of Stores and Spare Parts	**22.09**	27.74
Power and Fuel	**60.41**	69.78
Repairs to Buildings	**0.47**	0.07
Repairs to Machinery	**11.09**	14.50
Freight and Forwarding Charges	**274.21**	265.23
Advertisement and Sales Promotion	**147.03**	245.99
Rent	**15.04**	28.61
Rates and Taxes	**2.03**	2.01
Insurance	**10.59**	9.06
Miscellaneous Expenses	**143.95**	171.56
	686.91*	834.55*

* Includes ₹ 4.82 Crores (2019-2020 ₹ 6.86 Crores) expenditure incurred on Research and Developments

31.1. Payments to Auditors'

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 31)		
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	**0.18**	0.18
In other capacity		
Certification	**0.09**	0.09
Other Matters	**0.10**	0.04
Reimbursements of Expenses	**0.02**	0.01
	0.68	0.61

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

31.2. Research and Development Expenses

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss is	**28.68**	30.47

32. Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
a. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	**7.15**	7.30
Sales Tax	**17.55**	13.97
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 ₹ 7.15 Crores (2019-2020 ₹ 7.30 Crores) from the Excise/Service Tax Authorities, in respect of disallowance of Excise/ 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.		
b. Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	**62.17**	88.32
Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**—**	2.55
Stand by Letter of Credit (SBLC) given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company	**25.45**	25.80
Corporate guarantee given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company	**79.82**	20.63
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	**12.75**	—
	204.89	158.57
c) Contribution to Provident Fund There are numerous interpretative issues relating to the Supreme Court (SC) judgment dated February 28, 2019 on Provident Fund (PF) on the inclusion of allowances for the purpose of PF contribution as well as its applicability of effective date. The impact is not expected to be material as per the assessment made by the Company.		

33. Earnings Per Share

	Year ended 31st March, 2021	Year ended 31st March, 2020
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	**530.99**	535.40
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 ₹)	**9.85**	9.94

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

34. 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
	2020-2021	2019-2020			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing paints and other related materials	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
	2020-2021	2019-2020			
KNP Japan Private Limited	**68**	68	Subsidiary	Manufacturing paints and other related materials	Nepal
Kansai Paints Lanka (Private) Limited	**60**	60	Subsidiary	Manufacturing paints and other related materials	Srilanka
Marpol Private Limited	**100**	100	Subsidiary	Manufacturing Paints	India
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)	**55**	55	Subsidiary	Manufacturing paints and other related materials	Bangladesh
Perma Construction Aids Pvt. Ltd	**100**	100	Subsidiary	Manufacturing paints and other related materials	India
Nerofix Private Limited	**60**	60	Subsidiary	Manufacturing paints and other related materials	India

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

34. Related Party Disclosures (contd.)

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing paints and other related materials	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing paints and other related materials	Malaysia
Kansai Plascon Kenya Ltd.	Fellow Subsidiary	Manufacturing paints and other related materials	Kenya

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. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mr. Anuj Jain, Wholetime Director, (5) Mrs. Sonia Singh, Director (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

Other entities where significant influence exist

— Kansai Nerolac Paints Limited Provident Fund

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations

₹ in Crores

Transaction Type	Relation	2020-2021	2019-2020
Sale of finished goods/Intermediates			
— Marpol Private Limited	Subsidiary	**6.31**	8.40
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**2.64**	1.07
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.81**	2.36
— Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**1.49**	1.66
Purchase of Goods			
— Marpol Private Limited	Subsidiary	**8.58**	2.55
— Nerofix Private Limited	Subsidiary	**8.10**	4.26
— Perma Construction Aids Private Limited	Subsidiary	**2.06**	0.42
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**177.82**	105.08
Dividend Income			
— KNP Japan Private Limited	Subsidiary	**2.21**	2.21
Transfer under license agreements **Royalty Expense**			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**12.10**	11.91
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.27**	0.76
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**—**	0.05

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

34. Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations (contd.)

₹ in Crores

Transaction Type	Relation	2020-2021	2019-2020
Royalty Income			
— KNP Japan Private Limited	Subsidiary	**0.71**	0.86
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.16**	0.12
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**1.61**	1.20
— Nerofix Private Limited	Subsidiary	**0.56**	0.23
Corporate guarantee given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**79.82**	20.63
— Kansai Paints Lanka (Private) Limited	Subsidiary	**12.75**	—
Stand by Letter of Credit (SBLC) given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**25.45**	25.80
Income from Corporate guarantee issued			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.01**	0.01
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**0.03**	0.03
Equity Investment			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**12.00**	—
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**14.34**	—
— Perma Construction Aids Pvt. Ltd	Subsidiary	**—**	29.10
— Nerofix Private Limited	Subsidiary	**—**	12.00
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	**0.31**	0.64
— KNP Japan Private Limited (Included in Note 29)	Subsidiary	**0.69**	0.70
— Kansai Paints Lanka (Private) Limited (Included in Note 29)	Subsidiary	**0.18**	0.21
— Nerofix Private Limited (Included in Note 29 and 31)	Subsidiary	**0.19**	0.18
Contributions during the year (includes Employees' share and contribution)			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**1.41**	2.11
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.31**	0.64
— KNP Japan Private Limited	Subsidiary	**2.96**	4.92
— Kansai Paints Lanka (Private) Limited	Subsidiary	**1.49**	1.21
— Marpol Priavate Limited	Subsidiary	**10.90**	5.70
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**3.67**	1.61
— Nerofix Private Limited	Subsidiary	**0.24**	0.41
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**—**	0.56
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**—**	0.30
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.06**	0.21
— Marpol Private Limited	Subsidiary	**3.02**	0.13
— Perma Construction Aids Private Limited	Subsidiary	**—**	0.32
— Nerofix Private Limited.	Subsidiary	**1.68**	1.43

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

34. Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations (contd.)

₹ in Crores

Transaction Type	Relation	2020-2021	2019-2020
Corporate guarantee given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**79.82**	20.63
— Kansai Paints Lanka (Private) Limited	Subsidiary	**12.75**	—
Stand by Letter of Credit (SBLC) given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**25.45**	25.80
Key Management Personnel			
— Employee benefits		**10.91**	11.96
— Commission to Independent Directors		**0.95**	1.05
— Fee for attending Board / Committee Meetings to Independent Directors		**0.10**	0.10

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

Outstanding balances at the year-end are unsecured, interest free and will be settled in cash.

35. 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:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Employer's contribution to Regional Provident Fund Commissioner	**3.05**	3.13
Employer's contribution to Family Pension Fund	**4.39**	4.37
Employer's contribution to Superannuation Fund	**7.33**	6.57

B. Defined Benefit Plans:

a. Gratuity

The following tables setout the funded status of the gratuity plans and the amounts recognised in the Company's Financial Statements as at 31st March, 2021 and 31st March, 2020:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**42.52**	36.86
Current Service Cost	**3.62**	3.55
Interest Expense	**2.79**	2.78
Benefit Payments from Plan Assets	**(2.88)**	(1.68)
Remeasurements - Actuarial (gains) / losses	**(1.04)**	1.01
Defined Benefit Obligation at the end	**45.01**	42.52
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**40.97**	36.08
Interest Income	**2.78**	2.87
Employer Contributions	**1.55**	4.06
Benefit Payments from Plan Assets	**(2.88)**	(1.68)
Remeasurements – Return on plan assets excluding amounts included in interest income	**(0.78)**	(0.36)
Fair Value of Plan Assets at the end	**41.64**	40.97
Net liability	**(3.37)**	(1.55)

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

35. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

Components of Defined Benefit Cost recognized in the Standalone Statement of Profit and Loss under Employee Benefit Expenses:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Current Service Cost	**3.62**	3.55
Net Interest Cost	**0.01**	(0.09)
Defined Benefit Cost recognised in the Statement of Profit and Loss	**3.63**	3.46

Components of Defined Benefit Cost recognized in the Statement of Other Comprehensive Income:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Actuarial (gains) / losses on Defined Benefit Obligation	**(1.04)**	1.01
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**0.78**	0.36
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**(0.26)**	1.37

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31st March, 2021	31st March, 2020
Discount Rate	**6.91%**	6.80%
Salary Escalation	**3% and 5% in next 1st and 2nd Year resp. and 7.5% thereafter**	0, 3%, 5% in next 1st, 2nd and 3rd Year resp. and 7.5% thereafter
Weighted average duration of the defined benefit obligation (years)	**11.75**	11.03

Sensitivity Analysis:

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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:

₹ in Crores

Scenario	31st March, 2021	31st March, 2020
Under Base Scenario	**45.00**	42.52
Salary Escalation - Up by 1%	**48.63**	45.90
Salary Escalation - Down by 1%	**41.79**	39.51
Withdrawal Rates - Up by 1%	**44.77**	42.51
Withdrawal Rates - Down by 1%	**45.27**	42.51
Discount Rates - Up by 1%	**41.93**	39.63
Discount Rates - Down by 1%	**48.54**	45.83

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

35. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2021		31st March, 2020	
Attained Age	Male	Female	Male	Female
20	0.09%	0.09%	0.09%	0.09%
25	0.09%	0.09%	0.09%	0.09%
30	0.10%	0.10%	0.10%	0.10%
35	0.12%	0.12%	0.12%	0.12%
40	0.17%	0.17%	0.17%	0.17%
45	0.26%	0.26%	0.26%	0.26%
50	0.44%	0.44%	0.44%	0.44%
55	0.75%	0.75%	0.75%	0.75%
60	1.12%	1.12%	1.12%	1.12%

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 ₹ 3.37 Crores (2019-2020 ₹ 1.55 Crores) to the fund during the subsequent accounting year.

b. Provident fund (Managed by the Trust set up by the Company)

The Company has contributed ₹ 1.41 Crores (2019-2020 ₹ 2.11 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.

The details of fund and plan asset position are given below:

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2020
Plan assets at period end, at fair value	68.88	71.32
Present value of benefit obligation at period end	64.58	71.29
Asset recognised in balance sheet	Nil	Nil

The plan assets have been primarily invested in Government Securities which comprises of Special Deposit Schemes (SDS), State Development Loans (SDLs) and Government Bonds.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2020
Discount Rate (%)	6.40	6.80
Guranteed Interest Rate (%)	8.50	8.50
Expected Average Remaining Working Lives of Employees (Years)	10.30	7.57

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 1.50 Crores (2019-2020 ₹ 0.49 Crores).

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

36. 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 paints and other related products of the Company. As the Management Committee monitors the business activity as 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".

37. Corporate Social Responsibilities

During the year, the Company has spent ₹ 14.32 Crores (2019-2020 ₹ 16.91 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year ₹ 14.30 Crores (2019-2020 ₹ 14.48 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	**14.32**	**—**	**14.32**
	(16.91)	—	(16.91)

(previous year figures are in brackets)

Pursuant to appeal dated 30th March, 2020 by the Secretary of Ministry of Corporate Affairs for contribution to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES fund) and based on the legal opinion, in respect of recent amendments by MCA to CSR rules, the Company has set-off excess amount expensed towards CSR in FY 2019-2020 of ₹ 2.43 Crores against FY 2020-2021 CSR obligations.

38. 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.

₹ in Crores

	Year	At FVTPL	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value						
Non-current Assets: Investments (Note 5)...........	**2021**	**0.95**	**0.59**	**—**	**0.36**	**0.95**
	2020	0.85	0.49	—	0.36	0.85
Current Assets: Investments (Note 9)..................	**2021**	**668.06**	**—**	**668.06**	**—**	**668.06**
	2020	305.10	—	305.10	—	305.10

There have been no transfers between Level 1 and Level 2 during the year and previous year.

(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 thatadvises 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.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

38. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(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:

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.

The concentration of credit risk is limited due to the fact that the customer base is large. There is no customer representing more than 5% of the total balance of trade receivables. For trade receivables, as a practical expedient, the Company computes credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates.

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2021	31st March, 2020
Balance at the beginning of the year	**21.40**	16.83
Loss allowance measured at lifetime expected credit losses	**8.75**	4.57
Balance at the end of the year	**30.15**	21.40

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 is 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 3 years	3 years and above	Total
Borrowings	**31-3-2021**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	31-3-2020	—	—	—	3.40	—	—	3.40
Trade Payables	**31-3-2021**	**—**	**809.03**	**—**	**—**	**—**	**—**	**809.03**
	31-3-2020	—	519.51	—	—	—	—	519.51
Other Financial Liabilities	**31-3-2021**	**81.31**	**13.24**	**—**	**—**	**—**	**—**	**94.55**
	31-3-2020	81.94	13.76	—	—	—	—	95.70

For maturity profile of lease liabilities, Refer Note 40.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

38. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial 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 Company's policy is to ensure that its net exposure is kept to an acceptable level.

Since the Company does not have any interest bearing borrowings, the exposure to risk of changes in market interest rates is not applicable. Other price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. Other price risk arises from financial assets such as investments in equity instruments, debentures and bonds. Since the investments in equity instruments and debentures is not material and bonds being debt instruments, the exposure to risk of changes in market rates is minimal. The details of such investments in equity instrument and debentures is given in Note 5 and details of investments in bonds is given in Note 9.

Exposure to Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company enters into forward exchange contracts to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Company's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due on timely basis. The Company does not enter into any derivative instruments for trading or speculative purposes. The carrying amounts of the Company's foreign currency denominated monetary items are as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	USD	Total
Trade Receivables..................	**31/3/2021**	**—**	**—**	**—**	**—**	**—**	**2.74**	**2.74**
	31/3/2020	—	—	—	—	—	1.46	1.46
Financial Liabilities								
Trade Payables (Net of Hedge)...................................	**31/3/2021**	**—**	**0.58**	**6.62**	**—**	**—**	**75.65**	**82.85**
	31/3/2020	—	(1.44)	(8.97)	(0.06)	(0.01)	(35.05)	(45.53)
Net exposure to Foreign Currency Risk (Liabilities)........	**31/3/2021**	**—**	**0.58**	**6.62**	**—**	**—**	**72.91**	**80.11**
	31/3/2020	—	(1.44)	(8.97)	(0.06)	(0.01)	(33.59)	(44.07)

(v) Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY, SGD, GBP 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, 2021				
CHF (5% movement).......................................	**—**	**—**	**—**	**—**
EURO (5% movement)....................................	**(0.01)**	**0.01**	**(0.00)**	**0.00**
JPY (5% movement)..	**(0.07)**	**0.07**	**(0.05)**	**0.05**
SGD (5% movement)	**—**	**—**	**—**	**—**
GBP (5% movement)..	**—**	**—**	**—**	**—**
USD (5% movement)..	**(0.77)**	**0.77**	**(0.57)**	**0.57**
31st March, 2020				
CHF (5% movement).......................................	—	—	—	—
EURO (5% movement)....................................	(0.07)	0.07	(0.05)	0.05
JPY (5% movement)..	(0.45)	0.45	(0.34)	0.34
SGD (5% movement)	(0.00)	0.00	(0.00)	0.00
GBP (5% movement)..	(0.00)	0.00	(0.00)	0.00
USD (5% movement)..	(1.68)	1.68	(1.26)	1.26

(vi) Following are the outstanding Forward Foreign Exchange Contracts entered into by the Company

	Currency	Amount in Foreign Currency in Crores	Buy / Sell	Cross Currency
As on 31st March, 2021:..................................	**—**	**—**	**—**	**—**
As on 31st March, 2020:....................................	USD	0.35	Buy	INR

These Forward Foreign Exchange Contracts are entered into for hedging purposes and not for speculation purposes.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2021

38. Financial Instruments: Fair Values and Risk Management (contd.)

(C) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other Non-current assets: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	– Forecast Annual revenue growth – Forecast EBITDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBITDA margin.
Current investments – in mutual funds	The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.	Not applicable	Not applicable

Carrying amounts of cash and cash equivalents, trade receivables, loans, trade payables and other financial liabilities as at 31st March 2021 and 31st March 2020 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

39. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2020-2021 and 2019-2020, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
(i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)		
Principal amount due to micro and small enterprise (Refer Note 20 and 21).....	**93.68**	35.02
Interest due on above..........	—	—
(ii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	—	—
(iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	—	—
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year..........	—	—
(v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.........	—	—

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

40. Disclosure of Lease as per Ind AS 116

The following is the summary of practical expedients elected on application:

(i) Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.

(ii) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.

(iii) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(iv) Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The weighted average incremental borrowing rate applied to lease liabilities as at 31st March 2021 is 8.50% (2019-2020 8.50%)

The changes in the carrying value of right of use (ROU) assets for the year ended 31st March 2021 and 31 March 2020 are disclosed in Note 2A.

₹ in Crores

Particulars	**As at 31st March, 2021**	As at 31st March, 2020
ROU Balance at the beginning of the year	**111.06**	56.87
Opening balance Reclassified on account of adoption of Ind AS 116 (Refer Note 2A)	—	45.51
Additions (Refer Note 2A)	54.89	22.87
Amortisation cost accrued during the year (Refer Note 2A)	(24.75)	(14.19)
Deletions (Net off accumalated amortisation) (Refer Note 2A)	(3.63)	—
ROU Balance at the end of the year	**137.57**	111.06
Lease Liabilities at the beginning of the year	**60.01**	61.59
Additions	54.90	10.16
Interest cost accrued during the year	7.49	5.00
Payment of lease liabilities	(28.19)	(16.74)
Deletion	(4.11)	—
Lease Liabilities at the end of the year	**90.10**	60.01
Non-current Lease Liabilities	**72.69**	49.04
Current Lease Liabilities	**17.41**	10.97
Total Lease Liabilities	**90.10**	60.01

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases or cancelable in nature was ₹ 15.04 Crores (2019-2020 ₹ 28.61 Crores)

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

₹ in Crores

Particulars	**As at 31st March, 2021**	As at 31st March, 2020
Not later than one year	**24.11**	16.28
Later than one year and not later than five years	**67.72**	47.41
Later than five years	**22.45**	13.71

41. Exceptional Item

The Company has made an assessment of the recoverable amount for its long-term investment in Kansai Paints Lanka (Private) Limited after taking in to account its past performance, current change in economic and market conditions consequent to the ongoing disruption from COVID-19 pandemic. Accordingly, the Company determined the recoverable amount for this investment in subsidiary and recorded a provision for impairment of ₹ 10.82 Crores.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2021

42. Disclosure as per Section 186 of the Companies Act, 2013

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

(i) Details of Investments made are given in Note 5.

(ii) There are no Loans given by the Company in accordance with section 186 of the Companies Act, 2013 read with rules issued thereunder.

(iii) Details of guarantees/standby letter of credits (SBCL) issued by the Company in accordance with Section 186 of the Companies Act, 2013 read with rules issued thereunder.

₹ in Crores

Name of the party	Transaction	Relationship	Amount as at 31st March, 2021	Amount as at 31st March, 2020
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limted) (in respect of loan taken from bank)	SBLC	Subsidiary Company	**25.45**	25.80
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limted) (in respect of loan taken from bank)............	Guarantees	Subsidiary Company	**79.82**	20.63
Kansai Paints Lanka (Private) Limited (in respect of loan taken from bank)	Guarantee	Subsidiary Company	**12.75**	—

43. COVID-19 Assessment

The Company has considered the impact of COVID-19 pandemic on its business operations and financial statement based on its review of current indicators of future economic conditions and expects that the carrying amount of the assets will be recovered. However, the impact assessment of this pandemic is a continuing process given the uncertainties associated with its nature and duration. Accordingly, the Company will continue to monitor any material changes to future economic conditions. There is no significant impact on its financial statements as at 31st March 2021

44. The figures for the previous year have been regrouped/reclassified wherever necessary to confirm with the current year's classification.

As per our attached report of even date
For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

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 Subsidiary	Period	The date since when subsidiary was acquired	Reporting Currency	Share Capital	Reserves and Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend	Extent of Shareholding (in percentage)
KNP Japan Private Limited	**2020-21**	1st October, 2012	NPR	**8.17**	**42.65**	**93.25**	**42.37**	**Nil**	**69.58**	**13.18**	**2.94**	**10.24**	**3.22**	**68%**
	2019-20			8.17	35.12	70.85	27.49	Nil	85.43	13.80	3.47	10.34	3.17	68%
Kansai Lanka Paints (Private) Limited	**2020-21**	30th July, 2015	LKR	**59.36**	**(40.24)**	**40.74**	**21.63**	**Nil**	**15.17**	**(7.68)**	**Nil**	**(7.68)**	**Nil**	**60%**
	2019-20			39.36	(31.34)	42.57	34.55	Nil	12.19	(10.01)	Nil	(10.01)	Nil	60%
Marpol Private Limited	**2020-21**	7th April, 2018	INR	**3.00**	**11.79**	**50.10**	**35.32**	**Nil**	**58.01**	**3.47**	**0.85**	**2.63**	**Nil**	**100%**
	2019-20			3.00	9.16	39.56	27.40	Nil	59.03	3.49	0.60	2.90	Nil	100%
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Ltd.)	**2020-21**	17th July, 2018	BDT	**77.93**	**(95.75)**	**145.06**	**162.88**	**Nil**	**163.95**	**(4.89)**	**1.21**	**(6.09)**	**Nil**	**55%**
	2019-20			51.87	(90.00)	113.59	151.72	Nil	135.78	(8.27)	1.00	(9.27)	Nil	55%
Perma Construction Aids Private Limited	**2020-21**	8th April, 2019	INR	**0.99**	**16.23**	**21.17**	**3.95**	**Nil**	**36.07**	**4.62**	**1.10**	**3.52**	**Nil**	**100%**
	2019-20			0.99	12.63	17.02	3.40	Nil	34.55	3.08	0.81	2.28	Nil	100%
Nerofix Private Limited	**2020-21**	17th July, 2019	INR	**20.00**	**(4.58)**	**71.55**	**56.12**	**Nil**	**70.00**	**(3.71)**	**Nil**	**(3.71)**	**Nil**	**60%**
	2019-20			20.00	(0.86)	63.54	44.40	Nil	22.91	(0.86)	Nil	(0.86)	Nil	60%

Notes:

1. 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.
2. The reporting period of KNP Japan Pvt. Ltd, Kansai Lanka Paints (Private) Ltd., Marpol Pvt. Ltd., Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Ltd.) and Perma Construction Aids Pvt. Ltd. are same as that of holding company i.e.1st April, 2020 to 31st March, 2021. (P.Y.: Nerofix Pvt. Ltd. reporting period is from 17th July, 2019 to 31st March, 2020)
3. Names of subsidiaries which are yet to commence operations as at 31st March, 2021 - Nil
4. 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 of **Kansai Nerolac Paints Limited**

P.P. SHAH
Chairman
DIN 00066242

H.M. BHARUKA
Vice Chairman and Managing Director
DIN 00306084

N.N. TATA
Director
DIN 00024713

ANUJ JAIN
Wholetime Director
DIN 08091524

SONIA SINGH
Director
DIN 07108778

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

Mumbai, 7th May, 2021

Independent Auditor's Report

To The Members of
Kansai Nerolac Paints Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kansai Nerolac Paints Limited (hereinafter referred to as "the Holding Company"), and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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 on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matter described below to be the key audit matter to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matter**
Revenue recognition on sale of goods (as described in note 27 of the consolidated financial statements)	
Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives and returns, if any, ('variable consideration') as specified in the contracts with the customers.	Our audit procedures included, amongst others: • We read and evaluated the Group's policies for revenue recognition and assessed its compliance with Ind AS 115 'Revenue from contracts with customers'; • We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls related to sales including variable consideration;

Independent Auditor's Report (Continued)

Key audit matters	How our audit addressed the key audit matter
An estimate of variable consideration payable to the customers is recorded as at the year-end. Such estimation is done based on the terms of contracts, rebates and discounts schemes and historical experience. We identified estimation of variable consideration as a key audit matter because the Group's management exercises judgment in calculating the said variable consideration.	• We performed the following tests for a sample of transactions relating to variable consideration: • Read the terms of contract including rebates and discounts schemes as approved by authorized personnel. • Assessed computation of variable consideration by comparing it with the budget, schemes, past trends and evaluated the reasons for deviation, if any. • We read and assessed the relevant disclosures made within the consolidated financial statements.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 of 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 the 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 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 financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report (Continued)

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of 5 subsidiaries whose financial statements include total assets of Rs. 350.32 Crores as at March 31, 2021, and total revenues of Rs. 341.10 Crores and net cash inflows of Rs. 11.55 Crores for the year ended on that date. These financial statements and other financial information have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report(s) of such other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon 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 financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in "Annexure 1" to this report;

Independent Auditor's Report (Continued)

(g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, incorporated in India the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Holding Company and its subsidiaries, incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, 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 on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer note 35 to the consolidated financial statements;

ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2021;

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 its subsidiaries incorporated in India during the year ended March 31, 2021.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 21110759AAAACA8937

Place of Signature: Mumbai
Date: 07 May 2021

Annexure 1 to the Independent Auditor's Report

Annexure 1 to the Independent Auditor's Report of even date on the consolidated financial statements of Kansai Nerolac Paints Limited

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 financial statements of Kansai Nerolac Paints Limited (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are 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 the respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to these consolidated financial statements 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, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by 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 with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated financial statements 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, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 with reference to these consolidated financial statements 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 with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to these consolidated financial statements, 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to these consolidated financial statements.

Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements 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 with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records

Annexure 1 to the Independent Auditor's Report (Contd.)

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 with Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements 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 Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to these consolidated financial statements and such internal financial controls with reference to these consolidated financial statements were operating effectively as at March 31,2021, 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 issued by the ICAI.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to these consolidated financial statements of the Holding Company, in so far as it relates to these 2 subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 21110759AAAACA8937

Place of Signature: Mumbai
Date: 07 May 2021

Consolidated Balance Sheet as at 31st March, 2021

₹ in Crores

	Note	As at 31st March, 2021		As at 31st March, 2020	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1691.50**		1698.33	
Capital Work-in-progress		**206.85**		169.10	
Right of Use Assets (ROU)	2A	**160.71**		132.54	
Investment Property	3	**0.18**		0.18	
Goodwill on Consolidation	4A	**19.78**		19.78	
Other Intangible Assets	4B	**40.02**		55.56	
			2119.04		2075.49
Financial Assets:					
Investments	5	**0.95**		0.85	
Loans	6	**14.84**		15.12	
			15.79		15.97
Non-Current Tax Assets (Net)			**130.47**		157.74
Other Non-current Assets	7		**90.19**		145.88
Total Non-current Assets			**2355.49**		2395.08
Current Assets					
Inventories	8		**1197.93**		1008.35
Financial Assets:					
Investments	9	**668.06**		305.10	
Trade Receivables	10	**956.35**		786.98	
Cash and Cash Equivalents	11	**102.94**		180.21	
Bank Balances other than Cash and Cash Equivalents	12	**21.59**		11.82	
Loans	13	**6.78**		4.87	
Other Financial Assets	14	**53.41**		3.58	
			1809.13		1292.56
Other Current Assets	15		**170.80**		187.63
Total Current Assets			**3177.86**		2488.54
Total Assets			**5533.35**		4883.62
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**3999.01**		3706.41	
Equity attributable to owners of the company			**4052.90**		3760.30
Non-controlling Interests	17		**36.28**		21.68
Total Equity			**4089.18**		3781.98
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**17.19**		23.44	
Lease Liabilities	45	**77.12**		52.78	
Provisions	19	**0.45**		0.07	
Deferred Tax Liabilities (Net)	20	**108.89**		108.11	
Total Non-current Liabilities			**203.65**		184.40
Current Liabilities					
Financial Liabilities:					
Borrowings	21	**149.66**		149.82	
Lease Liabilities	45	**18.78**		10.97	
Trade Payables	22				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**93.64**		40.69	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**813.18**		554.70	
		906.82		595.39	
Other Financial Liabilities	23	**100.45**		100.72	
		1175.71		856.90	
Other Current Liabilities	24	**37.69**		38.53	
Provisions	25	**22.21**		18.44	
Current Tax Liabilities (Net)	26	**4.91**		3.37	
Total Current Liabilities			**1240.52**		917.24
Total Liabilities			**1444.17**		1101.64
Total Equity and Liabilities			**5533.35**		4883.62
Significant Accounting Policies	1				

The notes referred to above form an integral part of Consolidated Financial Statements

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Consolidated Statement of Profit and Loss for the year ended 31st March, 2021

₹ in Crores

	Note	Year ended 31st March, 2021		Year ended 31st March, 2020	
Income					
Revenue from Operations	27		**5074.25**		5279.97
Other Income	28		**38.21**		25.53
Total Income			**5112.46**		5305.50
Expenses					
Cost of Materials Consumed	29	**2935.79**		2921.96	
Purchases of Stock-in-trade		**317.21**		287.73	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	30	**(106.47)**		48.92	
Employee Benefits Expense	31	**304.68**		310.37	
Finance Costs	32	**23.74**		20.91	
Depreciation and Amortisation Expenses	33	**165.30**		142.12	
Other Expenses	34	**759.76**		906.53	
Total Expenses			**4400.01**		4638.54
Profit Before Tax			**712.45**		666.96
Tax Expense					
Current Tax	20	**186.02**		172.07	
Deferred Tax	20	**0.71**		(20.89)	
Total Tax Expense			**186.73**		151.18
Profit for the Year			**525.72**		515.78
Other Comprehensive Income					
(i) Items that will not be reclassified to Consolidated Statement of Profit and Loss					
(a) Remeasurement of Employee Defined Benefit Liability		**0.20**		(1.78)	
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss		**(0.07)**		0.35	
Net Other Comprehensive income not to be reclassified subsequently to Consolidated Statement of Profit and Loss			**0.13**		(1.43)
(ii) Items that will be subsequently reclassified to Consolidated Statement of Profit and Loss					
(a) Exchange Differences on translation of financial statements of foreign subsidiaries		**(0.22)**		(3.80)	
(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			**(0.22)**		(3.80)
Other Comprehensive Income (net of taxes)			**(0.09)**		(5.23)
Total Comprehensive Income for the year			**525.63**		510.55
Profit Attributable to:					
Owners of the Company		**529.74**		521.01	
Non-controlling Interests		**(4.02)**		(5.23)	
Profit for the year			**525.72**		515.78
Other Comprehensive Income attributable to:					
Owners of the Company		**(0.02)**		(5.04)	
Non-controlling Interests		**(0.07)**		(0.19)	
Other Comprehensive Income for the year			**(0.09)**		(5.23)
Total Comprehensive Income attributable to:					
Owners of the Company		**529.72**		515.97	
Non-controlling Interests		**(4.09)**		(5.42)	
Total Comprehensive Income for the year			**525.63**		510.55
Earnings per Share (Face Value of ₹ 1 each):					
Basic and Diluted (in ₹)	36		**9.83**		9.67
Significant Accounting Policies	1				

The notes referred to above form an integral part of Consolidated Financial Statements

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Consolidated Statement of Changes in Equity

for the year ended 31st March, 2021

A. Equity Share Capital

₹ in Crores

Balance as at 1st April, 2019	**53.89**
Changes in Equity Share Capital during 2019-2020	—
Balance as at the 31st March, 2020	**53.89**
Changes in Equity Share Capital during 2020-2021	—
Balance as at the 31st March, 2021	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2020	**0.30**	**12.56**	**488.51**	**3,211.36**	**(6.32)**	**3,706.41**	**21.68**	**3,728.09**
Profit for the year	—	—	—	**529.74**	—	**529.74**	**(4.02)**	**525.72**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.27	—	0.27	(0.07)	**0.20**
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	—	(0.07)	—	**(0.07)**
Exchange differences on translation of foreign operations	—	—	—	—	(0.22)	(0.22)	—	**(0.22)**
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**0.20**	**(0.22)**	**(0.02)**	**(0.07)**	**(0.09)**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**529.94**	**(0.22)**	**529.72**	**(4.09)**	**525.63**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	19.73	**19.73**
Dividends	—	—	—	(237.12)	—	(237.12)	(1.03)	**(238.15)**
	—	**—**	**—**	**(237.12)**	**—**	**(237.12)**	**18.70**	**(218.42)**
Balance as at 31st March, 2021	**0.30**	**12.56**	**488.51**	**3504.18**	**(6.54)**	**3999.01**	**36.28**	**4035.30**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2019	0.30	12.56	487.67	2863.38	(1.47)	3362.44	20.09	3382.53
Impact on account of adoption of Ind AS 116 (Refer Note 45)	—	—	—	(4.71)	—	(4.71)	—	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer Note 45)	—	—	—	1.65	—	1.65	—	1.65
Profit for the year	—	—	—	521.01	—	521.01	(5.23)	515.78
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.54)	—	(1.54)	(0.24)	(1.78)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.30	—	0.30	0.05	0.35
Exchange differences on translation of foreign operations	—	—	—	—	(3.80)	(3.80)	—	(3.80)
Other Comprehensive Income, (net of tax)	—	—	—	(1.24)	(3.80)	(5.04)	(0.19)	(5.23)
Total Comprehensive Income for the Year	—	—	—	519.77	(3.80)	515.97	(5.42)	510.55
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	8.00	8.00
Dividends	—	—	—	(140.12)	—	(140.12)	(0.99)	(141.11)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	—	—
Other Adjustments	—	—	0.84	0.19	(1.05)	(0.02)	—	(0.02)
	—	—	0.84	(168.73)	(1.05)	(168.94)	7.01	(161.93)
Balance as at 31st March, 2020	0.30	12.56	488.51	3211.36	(6.32)	3706.41	21.68	3728.09

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Consolidated Statement of Cash Flows

for the year ended 31st March, 2021

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Cash Flow from Operating Activities				
Net Profit before tax		**712.45**		666.96
Adjustments for:				
Depreciation and Amortization Expenses	**165.30**		142.12	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(4.24)**		(10.51)	
Unrealised Foreign Exchange (Gain)/ Loss (net)	**(0.28)**		1.95	
Profit on Sale of Current Investments (Net)	**(10.12)**		(8.90)	
Interest Income	**(6.20)**		(2.57)	
Dividend Income	**(0.03)**		—	
Finance Cost	**23.74**		20.91	
(Profit) on Sale of Property, Plant and Equipment (Net)	**(2.46)**		(0.09)	
Impairment loss allowance on trade receivables	**11.92**		7.87	
Provisions no longer required, written back	**(8.23)**		(0.10)	
		169.40		150.68
Operating Profit before Working Capital Changes		**881.85**		817.64
(Increase) in Trade And Other Receivables	**(211.35)**		(73.36)	
(Increase)/ Decrease in Inventories	**(189.58)**		102.70	
Increase/ (Decrease) in Trade Payables, Other Financial Liabilities and Provisions	**322.09**		(86.38)	
		(78.84)		(57.04)
Cash Generated from Operations		**803.01**		760.61
Direct Taxes Paid (Net of Refunds)		**(157.14)**		(165.53)
Net Cash Flows generated from Operating Activities		**645.87**		595.07
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)	**(103.79)**		(242.12)	
Proceeds from Sale of Property, Plant and Equipment	**2.92**		3.33	
Purchase of Non-current Investments	**(0.11)**		(0.13)	
Purchase of Current Investments	**(3276.89)**		(14628.50)	
Proceeds from Sale/ Redemption of Investments	**2928.29**		14538.61	
Payments for Acquisition of Subsidiaries	**—**		(41.10)	
Interest Received	**6.20**		2.57	
Dividend Received	**0.03**		—	
Investments in fixed deposits	**(9.49)**		(8.88)	
Net Cash Flows used in Investing Activities		**(452.84)**		(376.22)
Cash Flow from Financing Activities				
Issue of Equity Share Capital	**19.73**		—	
Repayment of Long-term Borrowings	**(4.96)**		(5.53)	
Repayment of Current Borrowings	**(3.90)**		—	
Proceeds from Non-current and Current Borrowings	**—**		67.11	
Payment of Lease Liabilities	**(29.91)**		(16.74)	
Finance Costs	**(15.95)**		(15.65)	
Dividend Paid	**(239.17)**		(141.08)	
Dividend Distribution Tax Paid	**—**		(28.80)	
Net Cash Flows used in Financing Activities		**(274.16)**		(140.69)
Net (Decrease)/ Increase in Cash and Cash Equivalents		**(81.13)**		78.16

Consolidated Statement of Cash Flows

for the year ended 31st March, 2021

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Cash and Cash Equivalents at Beginning of the year the components being: (Refer note 11)				
Cash on Hand	**1.03**		2.28	
Cheques on hand	**3.55**		25.03	
Balances with Banks	**49.67**		65.22	
Deposit with Banks with less than 3 months maturity	**125.13**		—	
Bank overdrafts and Cash Credit (Refer Note 21)	**(75.26)**		(66.57)	
Effect of exchange rate fluctuation	**0.84**		0.84	
		104.96		26.80
Cash and Cash Equivalents at end of the year the components being: (Refer note 11)				
Cash on Hand	**0.30**		1.03	
Cheques on hand	**16.78**		3.55	
Balances with Banks	**85.86**		49.67	
Deposit with Banks with less than 3 months maturity	**—**		125.13	
Bank overdrafts and Cash Credit (Refer Note 21)	**(79.00)**		(75.26)	
Effect of exchange rate fluctuation	**(0.11)**		0.84	
		23.83		104.96
Net (Decrease)/ Increase as disclosed above		**(81.13)**		78.16

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2021	31st March, 2020
Opening Balances		
Non-current Borrowings	**23.44**	11.44
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**79.52**	29.94
Movements		
Non-current Borrowings	**(6.25)**	12.00
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**(7.43)**	49.58
Closing Balances		
Non-current Borrowings	**17.19**	23.44
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**72.09**	79.52

Notes:

i) Figures in brackets are outflows/ deductions.

ii) The above cash flow statement is prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - Statement of Cash Flows.

iii) The movement of Non-current Borrowing includes Borrowings acquired of Nil (2019-2020 ₹ 0.13 Crore) during the year.

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
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DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

A. Corporate Information

Kansai Nerolac Paints Limited (the "Holding Company") is a public limited company domiciled in India and incorporated under the provisions of the Companies Act. 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 Holding 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 "Holding Company") and its Subsidiary Companies, KNP Japan Private Limited, a company incorporated in Nepal in which the Holding Company has 68% equity holding, Kansai Paints Lanka (Private) Limited, a company incorporated in Sri Lanka in which the Holding Company has 60% equity holding, Marpol Private Limited, a company incorporated in India in which the Holding Company has 100% equity holding (w.e.f. 7th April, 2018), Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited), a company incorporated in Bangladesh in which the Holding Company has 55% equity holding (w.e.f. 17th July, 2018), Perma Construction Aids Private Limited, a company incorporated in India in which the Holding Company has 100% equity holding (w.e.f. 8th April, 2019) and Nerofix Private Limited, a company incorporated in India in which the Holding Company has 60% equity holding (w.e.f. 17th July, 2019), hereinafter referred to as the "Group".

The Consolidated Financial Statements for the year ended 31st March, 2021 have been reviewed by the Audit Committee and approved by the Board of Directors of the Holding Company at their meetings held on 7th May, 2021.

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, (there 'Act') and other relevant provisions of the Act.

Details of 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 employee defined benefit plans, which are measured at fair values at the end of each reporting period.

4. Use of Estimates and Judgements

Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the Consolidated financial statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures as at date of the Consolidated financial statements and the reported amounts of the revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

i) Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash generating unit or groups of cash-generating units which are benefitting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management's best estimate about future developments.

ii) Critical Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amount recognised in the financial statements.

Discount rate used to determine the carrying amount of the Groups's employees defined benefit obligation.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

B. Basis of Preparation (contd.)

4. Use of estimates and judgements (contd.)

In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

Contingences and Commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Group. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the consolidated financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

iii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful Lives of Property, Plant and Equipment

As described in Note 1(3)(c), the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. During the current financial year, the management determined that there were no changes to the useful lives and residual values of the property, plant and equipment.

Impairment loss allowance on trade receivables

The Group makes loss allowances for credit impaired debts based on an assessment of the recoverability of trade and other receivables. The identification of credit impaired debts requires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and credit impaired debts expenses in the period in which such estimate has been changed.

Allowances for Inventories

Management reviews the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model, which involve various judgements and assumptions.

Defined Benefit Plans

The costs and present value of the defined benefit gratuity plan and other long-term employee benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in future. These include the determination of appropriate discount rate, salary escalation rate, expected rate of return on assets and mortality rates. Due to the complexities involved in the valuation and its long-term nature, defined benefit plans are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and the same are disclosed in Note 38, 'Employee benefits'.

C. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Holding Company and its subsidiaries as at 31st March, 2021. Subsidiaries are entities controlled by the Holding Company. The Holding 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 Statements from the date on which control commences until the date on which control ceases.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Non-controlling Interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in non-controlling interests having a deficit balance. Non-controlling interests (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 or expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the Investments to the extent of the Holding 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

C. Basis of Consolidation (contd.)

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.

(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 Group'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 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. Item of Capital Work-in-progress is carried at cost using the principles of valuation of item of property, plant and equipment till it is ready for use, the manner in which intended by management.

(b) Subsequent Measurement

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. 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(c) Depreciation (contd.)

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 comparable 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	20-60
Plant and Equipments	10-20	10-25
Furniture and Fixtures	10	10-15
Vehicles	10	5-10
Office Equipments	5	5-10
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets on Operating lease	NA	5
Tools and Appliances	10	4

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.

(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 chooses the cost model and carries the investment properties at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

After initial recognition, the Group measures all of its investment properties in accordance with Ind AS 16's 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. 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 comparable 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 properties 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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

4. **Investment Property** (contd.)

   (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 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 feasibile 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.

   (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 Other 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 each financial year-end and, if there has been any 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 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 Group**
Software	3-5
Non-compete	5
Brand and Technical Know-how	5-10
Customer Relationships	5

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

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

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, then Property, Plant & Equipment, Investment Property and Other Intangible Assets are no longer required to be amortised or depreciated.

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 Group, 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.

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.

(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.

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 OCI. 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 or Loss.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

(b) Post-Employment Benefits (contd.)**:**
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 Consolidated 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.

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. For the purpose of Cash Flow Statement, Cash and Cash Equivalents includes Bank overdrafts which are repayable on demand.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

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 be 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 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 is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch/delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances,price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Group has adopted Ind AS 115 Revenue from contracts with customers, with effect from April 1, 2018. Ind AS 115 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts.

The Group has adopted Ind AS 115 using the cumulative effect method whereby the effect of applying this standard is recognised at the date of initial application (i.e. 1 April, 2018). Accordingly, the comparative information in the Consolidated Statement of Profit and Loss is not restated.

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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

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.

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 Consolidated 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 Consolidated 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.

15. Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

15. Lease (contd.)

Group as a lessee (contd.)

(i) Right-of-use Assets (ROU Assets)

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	90 to 99 years
Buildings	2 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 19 Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and subsequent measurement (contd.)

Financial assets (contd.)

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 profit or 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(c) Derecognition (contd.)

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.

(e) Derivative Financial Instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently re-measured at fair value. Any changes therein are recognised in the Consolidated Statement of profit and loss.

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.

19. Measurement of Fair Values

A number of the Group's 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).

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

19. Measurement of Fair Values (contd.)

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.

20. 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, 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 liftime 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.

21. Business Combinations

Business combinations (other than common control business combinations)

In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in the consolidated statement of profit and loss. 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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

Note 1: Significant Accounting Policies (contd.)

21. Business Combinations (contd.)

Business combinations (other than common control business combinations) (contd.)

If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of profit and loss or OCI, as appropriate.

Common control transactions

Business combinations involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts.

(ii) No adjustments are made to reflect fair values, or recognise any new assets and liabilities. Adjustments are only made to harmonise accounting policies.

(iii) The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.

(iv) The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

(v) The identity of the reserves are preserved and the reserves of the transferor become reserves of the transferee.

(vi) The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block							Accumulated Depreciation							Net Block
	As at 1st April, 2020	Additions on Acquisition of Subsidiaries	Additions/ Adjust-ments	Deduc-tions/Ad-justments	Translation Difference	Reclassified on account of adoption of Ind AS 116	**As at 31st March, 2021**	As at 1st April, 2020	Additions on Acquisition of Subsidiaries	Additions/ Adjust-ments	Deductions/ Adjust-ments	Translation Difference	Reclassified on account of adoption of Ind AS 116	**As at 31st March, 2021**	**As at 31st March, 2021**
Freehold Land	120.73	—	—	—	(0.01)	—	**120.72**	—	—	—	—	—	—	**—**	**120.72**
	(90.69)	(8.62)	(21.35)	(—)	(0.07)	—	(120.73)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(120.73)
Leasehold Land	0.00	—	—	—	—	—	**0.00**	0.00	—	—	—	—	—	**—**	**0.00**
	(59.58)	(—)	(—)	(—)	(—)	(59.58)	0.00	(3.87)	(—)	0.00	(—)	(—)	(3.87)	0.00	0.00
Buildings	772.62	—	23.71	0.53	(0.52)	—	**795.28**	153.64	—	23.93	0.13	(0.16)	—	**177.28**	**618.00**
	(628.31)	(9.31)	(134.20)	(—)	(0.80)	(—)	(772.62)	(131.61)	(—)	(21.87)	(—)	(0.16)	(—)	(153.64)	(618.98)
Plant and Equipments	1225.39	—	63.22	5.82	(1.65)	—	**1281.14**	422.37	—	60.20	5.77	(0.24)	—	**476.56**	**804.58**
	(975.40)	(8.23)	(240.05)	(0.53)	(2.24)	(—)	(1225.39)	(369.84)	(—)	(50.49)	(0.53)	(2.57)	(—)	(422.37)	(803.02)
Furniture and Fixtures	22.49	—	1.54	0.18	(0.01)	—	**23.84**	16.59	—	1.01	0.18	0.00	—	**17.42**	**6.42**
	(20.89)	(0.39)	(1.61)	(0.44)	(0.04)	(—)	(22.49)	(15.64)	(—)	(1.17)	(0.23)	(0.01)	(—)	(16.59)	(5.90)
Vehicles	7.38	—	0.41	—	(0.06)	—	**7.73**	5.29	—	0.64	—	(0.04)	—	**5.89**	**1.84**
	(8.22)	(0.44)	(0.51)	(1.96)	(0.17)	(—)	(7.38)	(4.65)	(—)	(0.76)	(0.21)	(0.09)	(—)	(5.29)	(2.09)
Office Equipments	16.99	—	0.65	0.14	(0.03)	—	**17.47**	12.85	—	1.17	0.14	0.00	—	**13.88**	**3.59**
	(14.67)	(0.35)	(1.66)	(0.05)	(0.36)	(—)	(16.99)	(11.35)	(—)	(1.35)	(0.03)	(0.18)	(—)	(12.85)	(4.14)
Computers	50.63	—	2.20	0.25	(0.13)	—	**52.45**	40.89	—	4.20	0.25	(0.07)	—	**44.77**	**7.68**
	(45.32)	(0.47)	(5.17)	0.00	0.33	(—)	(50.63)	(36.10)	(—)	(5.04)	(—)	0.25	(—)	(40.89)	(9.74)
Assets for Scientific Research*	76.36	—	1.92	—	—	—	**78.28**	17.61	—	3.07	—	—	—	**20.68**	**57.60**
	(72.92)	(—)	(3.44)	(—)	(—)	(—)	(76.36)	(14.53)	(—)	(3.08)	(—)	(—)	(—)	(17.61)	(58.75)
Assets on Operating Lease (Refer Note 2.6)	337.65	—	24.32	10.17	(0.01)	—	**351.79**	263.33	—	28.73	10.16	—	—	**281.90**	**69.89**
	(309.55)	(—)	(28.56)	(0.46)	(—)	(—)	(337.65)	(234.33)	(—)	(29.44)	(0.44)	(—)	(—)	(263.33)	(74.32)
Colourant Machine	0.40	—	0.49	—	(0.18)	—	**0.71**	—	—	—	—	—	—	**—**	**0.71**
	(0.53)	(—)	(1.07)	(1.18)	0.02	(—)	(0.40)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(0.40)
Tools and Appliances	0.58	—	0.37	—	(0.01)	—	**0.94**	0.32	—	0.16	—	—	—	**0.47**	**0.47**
	(0.47)	(0.15)	(0.05)	(0.11)	(0.02)	(—)	(0.58)	(0.11)	(—)	(0.25)	(0.05)	(0.01)	(—)	(0.32)	(0.26)
Total Tangible Assets	2631.22	—	118.83	17.09	(2.61)	0.00	**2730.35**	932.89	—	123.11	16.63	(0.51)	0.00	**1038.85**	**1691.50**
	(2226.55)	(27.96)	(437.67)	(4.73)	(3.35)	(59.58)	(2631.22)	(822.03)	(—)	(113.45)	(1.49)	(2.77)	(3.87)	(932.89)	(1698.33)

* Net block includes Buildings ₹ 24.99 Crores (2019-2020 ₹ 25.33 Crores), Plant and Equipment ₹ 28.25 Crores (2019-2020 ₹ 28.39 Crores) and Furniture and Fixtures ₹ 4.36 Crores (2019-2020 ₹ 5.03 Crores).

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

2.2. In above assets, net block for Plant and Machinery - ₹ 4.61 Crores (2019-2020 ₹ 5.64 Crores) are being secured against the term loans from banks (Refer Note 18).

2.3. In above assets, net block for Freehold Land - ₹ 1.99 Crores (2019-2020 ₹ 1.99 Crores), Buildings - ₹ 5.91 Crores (2019-2020 ₹ 6.57 Crores) are being secured against the term loans from banks (Refer Note 21).

2.4. Nil amount of borrowing costs is capitalised during the financial year.

2.5. Nil amount of impairment loss is recognised during the financial year.

2.6. The Group 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 ₹ 351.79 Crores (2019-2020 ₹ 337.65 Crores) and ₹ 281.90 Crores (2019-2020 ₹ 263.33 Crores) respectively.

(ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 28.73 Crores (2019-2020 ₹ 29.44 Crores).

(b) The Group 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.

2A. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block						Accumulated Amortisation					Net Block
	As at 1st April, 2020	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2021**	As at 1st April, 2020	Additions	Deductions	Translation Difference	**As at 31st March, 2021**	**As at 31st March, 2021**
Leasehold Land*............................	83.73	—	—	0.25	—	**83.48**	4.61	0.84	0.07	0.39	**5.77**	**77.71**
	(59.58)	(6.96)	(12.71)	(—)	(4.48)	(83.73)	(3.87)	(0.65)	(—)	(0.09)	(4.61)	(79.12)
Buildings..	67.03	—	58.95	13.42	—	**112.56**	13.61	25.74	9.79	—	**29.56**	**83.00**
	(56.87)	(—)	(10.16)	(—)	(—)	(67.03)	(—)	(13.61)	(—)	(—)	(13.61)	(53.42)
Total Right of Use Assets (ROU)	150.76	—	58.95	13.67	—	**196.04**	18.22	26.58	9.86	0.39	**35.33**	**160.71**
	(116.45)	(6.96)	(22.87)	(—)	(4.48)	(150.76)	(3.87)	(14.26)	(—)	(0.09)	(18.22)	(132.54)

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

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

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

*Opening balance as on 1st April, 2019 has been Reclassified on account of adoption of Ind AS 116

3. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2020	Additions	Deductions	**As at 31st March, 2021**	As at 1st April, 2020	Additions	Deductions	**As at 31st March, 2021**	**As at 31st March, 2021**
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**	3.29	—	—	**3.29**	**0.10**
	(3.39)	(—)	(—)	(3.39)	(3.29)	(—)	(—)	(3.29)	(0.10)
Total Investment Property	3.47	—	—	**3.47**	3.29	—	—	**3.29**	**0.18**
	(3.47)	(—)	(—)	(3.47)	(3.29)	(—)	(—)	(3.29)	(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 ₹ 0.25 Crores (2019-2020 ₹ 0.19 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1400.29 Crores (2019-2020 ₹ 1400.29 Crores).

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

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. 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.

4. Goodwill and Other Intangible Assets

4A. Goodwill on Consolidation

₹ in Crores

Description	Gross Block					Accumulated Amortisation					Net Block
	As at 1st April, 2020	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2021	As at 1st April, 2020	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2021	As at 31st March, 2021
For KNP Japan Pvt Ltd.	2.27	—	—	—	**2.27**	—	—	—	—	**—**	**2.27**
	(2.27)	(—)	(—)	(—)	(2.27)	(—)	(—)	(—)	(—)	(—)	(2.27)
For Kansai Nerolac Paints (Bangladesh) Limited (Formerly known as RAK Paints Ltd)	17.31	—	—	—	**17.31**	—	—	—	—	**—**	**17.31**
	(17.31)	(—)	(—)	(—)	(17.31)	(—)	(—)	(—)	(—)	(—)	(17.31)
For Perma Construction Aids Private Limited	0.20	—	—	—	**0.20**	—	—	—	—	**—**	**0.20**
	(—)	(0.20)	(—)	(—)	(0.20)	(—)	(—)	(—)	(—)	(—)	(0.20)
Total Goodwill on consolidation	19.78	—	—	—	**19.78**	—	—	—	—	—	**19.78**
	(19.58)	(0.20)	(—)	(—)	(19.78)	(—)	(—)	(—)	(—)	(—)	(19.78)

4B. Other Intangible Assets

₹ in Crores

Description	Gross Block						Accumulated Amortisation						Net Block
	As at 1st April, 2020	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	Translation Difference	As at 31st March, 2021	As at 1st April, 2020	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	Translation Difference	As at 31st March, 2021	As at 31st March, 2021
Software	19.66	—	0.05	—	(0.02)	**19.69**	16.67	—	1.73	—	(0.02)	**18.38**	**1.31**
	(18.70)	(0.00)	(0.95)	(0.00)	(0.01)	(19.66)	(14.82)	(—)	(1.85)	(—)	(—)	(16.67)	(2.99)
Customer Relationship	29.33	—	—	—	—	**29.33**	8.37	—	5.68	—	0.00	**14.05**	**15.28**
	(20.12)	(9.21)	(—)	(—)	(—)	(29.33)	(3.02)	(—)	(5.35)	(—)	(—)	(8.37)	(20.96)
Brand and Technical Knowhow	20.29	—	—	—	—	**20.29**	4.64	—	3.47	—	0.00	**8.11**	**12.18**
	(7.88)	(12.42)	(—)	(—)	(0.01)	(20.29)	(1.58)	(—)	(3.06)	(—)	(—)	(4.64)	(15.65)
Non-Compete	22.64	—	—	—	—	**22.64**	6.68	—	4.73	—	(0.02)	**11.39**	**11.25**
	(16.04)	(6.60)	(—)	(—)	(—)	(22.64)	(2.53)	(—)	(4.15)	(—)	(—)	(6.68)	(15.96)
Total Other Intangible Assets	91.92	—	0.05	—	(0.02)	**91.95**	36.36	—	15.61	—	(0.04)	**51.93**	**40.02**
	(62.74)	(28.23)	(0.95)	(0.00)	(0.00)	(91.92)	(21.95)	(—)	(14.41)	(—)	(—)	(36.36)	(55.56)

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 period.

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

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

5. Non-current Investments

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Investments in Equity Instruments:		
Others at Fair value through profit or loss		
Quoted	**0.52**	0.42
Unquoted	**0.38**	0.38
Investments in Debentures:		
Quoted	**0.05**	0.05
Total Non-current Investments	**0.95**	0.85
Aggregate book value of quoted investments	**0.57**	0.47
Aggregate market value of quoted investments	**0.57**	0.47
Aggregate amount of unquoted investments	**0.38**	0.38
Aggregate amount of impairment in value of investments	**Nil**	Nil

6. Loans

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Security Deposits	**14.84**	15.12
	14.84	15.12

7. Other Non-current Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Capital Advances	**64.93**	116.04
Prepaid Expenses	**2.87**	7.71
Balances with Indirect Tax Authorities	**22.39**	22.13
	90.19	145.88

8. Inventories

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Raw Materials	**394.19**	317.51
Packing Materials	**18.85**	13.60
Work-in-progress	**100.55**	88.56
Finished Goods	**615.06**	516.50
Stock-in-trade	**58.04**	62.12
Stores and Spares	**11.24**	10.06
	1197.93	1008.35

Inventories amounting to ₹ 83.93 Crores (2019-2020 ₹ 54.37 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21)

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of Inventory recognised as an expense during the year as per note 29 and 30.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

9. Current Investments

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
(A) Investments in Bonds at FVTPL (Quoted)	**16.23**	16.26
(B) Mutual Funds at FVTPL (Unquoted)	**651.83**	288.84
Total Current Investment (A + B)	**668.06**	305.10
Aggregate book value of quoted investments	**16.23**	16.26
Aggregate market value of quoted investments	**16.23**	16.26
Aggregate amount of unquoted investments	**651.83**	288.84
Aggregate amount of impairment in value of investments	**Nil**	Nil

10. Trade Receivables

₹ in Crores

	As at 31st March, 2021		As at 31st March, 2020	
Secured, Considered Good		**—**		—
Unsecured, Considered Good		**956.35**		786.98
Significant Increase in Credit Risk		**—**		—
Credit Impaired	**46.59**		34.67	
Loss Allowance	**(46.59)**		(34.67)	
		—		—
		956.35		786.98

Trade Receivables amounting to ₹ 106.49 Crores (2019-2020 ₹ 66.32 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21)

11. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Cash on hand	**0.30**	1.03
Cheques on hand	**16.78**	3.55
Banks balances	**85.86**	50.50
Fixed Deposit with Bank with less than 3 month maturity	**—**	125.13
	102.94	180.21

12. Bank Balance other than Cash and cash equivalents

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unpaid Dividend Accounts	**2.37**	2.09
Fixed Deposit with Bank with more than 3 months but less than 12 months maturity	**19.22**	9.73
	21.59	11.82

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

13. Loans

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Security Deposits	**6.78**	4.87
	6.78	4.87

14. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Other Receivable [Includes receivable from mutual fund ₹ 48.00 Crores (2019-2020 ₹ Nil)]	**53.41**	3.58
	53.41	3.58

15. Other Current Assets

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**96.41**	93.86
Trade Advances	**51.61**	68.59
Prepaid Expenses	**17.75**	19.75
Other Receivable	**5.03**	5.43
	170.80	187.63

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

16. Share Capital

	As at 31st March, 2021		As at 31st March, 2020	
1. Authorised Share Capital (₹ in Crores)		**60.00**		60.00
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**60,00,00,000**		60,00,00,000
2. Issued, Subscribed and Fully Paid up (₹ in Crores)		**53.89**		53.89
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**53,89,19,720**		53,89,19,720
3. Details of Shareholders holding more than 5% of shares:				
	%	**No. of Shares**	%	No. of Shares
Ultimate Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898
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**		Nil
5. The Holding 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
Issued during the year		**—**		—
Number of shares at the end of the year		**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.				
As at March 31, 2021, the Group has only one class of equity shares. In order to maintain or achieve an optimal structure, the Group allocates its capital for distribution as dividend or re-investment into business based on its long term financial plans.				
The Group monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.				
Non-current Borrowings (₹ in Crores)		**17.19**		23.44
Current Borrowings (₹ in Crores)		**149.66**		149.82
Current Maturity of Non-current Borrowings (₹ in Crores)		**6.25**		4.96
Gross Debt		**173.10**		178.22
Less : Cash and Cash Equivalent (₹ in Crores)		**102.94**		180.21
Less : Other Bank Deposits (₹ in Crores)		**19.22**		9.73
Adjusted Net Debt		**50.94**		(11.72)
Total Equity (₹ in Crores)		**4089.18**		3781.98
Adjusted Net Debt-Equity Ratio		**0.012**		(0.003)

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

17. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attribut-able to NCI	Total
Balance as at 1st April, 2020	**0.30**	**12.56**	**488.51**	**3211.36**	**(6.32)**	**3706.41**	**21.68**	**3728.09**
Profit for the year	**—**	**—**	**—**	**529.74**	**—**	**529.74**	**(4.02)**	**525.72**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.27	—	0.27	(0.07)	0.20
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	—	(0.07)	—	(0.07)
Exchange differences on translation of foreign operations	—	—	—	—	(0.22)	(0.22)	—	(0.22)
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**0.20**	**(0.22)**	**(0.02)**	**(0.07)**	**(0.09)**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**529.94**	**(0.22)**	**529.72**	**(4.09)**	**525.63**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	19.73	19.73
Dividends	—	—	—	(237.12)	—	(237.12)	(1.03)	(238.15)
Other Adjustments	—	—	—	—	—	—	—	—
	—	**—**	**—**	**(237.12)**	**—**	**(237.12)**	**18.70**	**(218.42)**
Balance as at 31st March, 2021	**0.30**	**12.56**	**488.51**	**3504.18**	**(6.54)**	**3999.01**	**36.28**	**4035.29**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attribut-able to NCI	Total
Balance as at 1st April, 2019	0.30	12.56	487.67	2863.38	(1.47)	3362.44	20.09	3382.53
Impact on account of adoption of Ind AS 116 (Refer note 45)	—	—	—	(4.71)	—	—	—	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer note 45)	—	—	—	1.65	—	1.65	—	1.65
Profit for the year	—	—	—	521.01	—	521.01	(5.23)	515.78
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.54)	—	(1.54)	(0.24)	(1.78)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.30	—	0.30	0.05	0.35
Exchange differences on translation of foreign operations	—	—	—	—	(3.80)	(3.80)	—	(3.80)
Other Comprehensive Income, (net of tax)	—	—	—	(1.24)	(3.80)	(5.04)	(0.19)	(5.23)
Total Comprehensive Income for the Year	—	—	—	519.77	(3.80)	515.97	(5.42)	510.55
Transaction with Owners in their Capacity as Owners:								
Issue of share capital	—	—	—	—	—	—	8.00	8.00
Dividends	—	—	—	(140.12)	—	(140.12)	(0.99)	(141.11)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	—	—
Other Adjustments	—	—	0.84	0.19	(1.05)	(0.02)	—	(0.02)
	—	—	0.84	(168.73)	(1.05)	(168.94)	7.01	(161.93)
Balance as at 31st March, 2020	0.30	12.56	488.51	3211.36	(6.32)	3706.41	21.68	3728.09

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

17. Other Equity (contd.)

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Employee Defined Benefit Liability	As at 31st March, 2021	As at 31st March, 2020
Opening Balance	(11.06)	(9.63)
Remeasurement of Employee Defined Benefit Liability, net of tax	0.13	(1.43)
Closing Balance	(10.93)	(11.06)

₹ in Crores

Exchange differences on translation of foreign operations	As at 31st March, 2021	As at 31st March, 2020
Opening Balance	(6.32)	(1.47)
Exchange Difference on translation of foreign operations	(0.22)	(3.80)
Other Adjustment	—	(1.05)
Closing Balance	(6.54)	(6.32)

Capital Reserve

Capital reserve includes profit on re-issue of forfeited shares.

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.

General Reserve

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Group for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.

Foreign Currency Transaction Reserve

These comprise of all exchange differences arising from translation of financial statements of foreign subsidiaries.

Dividend

For the year 2019-2020, the Directors had recommended and Shareholders had approved a normal dividend of 315% (₹ 3.15 per share), which has been accounted in current year.

The Board has recommended a final dividend of 400% (₹ 4.00 per share) which includes special dividend of 200% (₹ 2.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on 27th November, 2020. Accordingly, the total dividend is 525% (₹ 5.25 per share) for the financial year ended 31st March, 2021 as compared to total dividend of 315% (₹ 3.15 per share) declared last year.

The dividend proposed by the Directors is subject to approval of Shareholders at the annual general meeting. The proposed dividend of ₹ 215.56 Crores (2019-2020 ₹ 169.76 Crores) have not been recognised as liabilities.

18. Non-current Borrowings

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
a. Term loans from Banks* * Secured Loans from Bank at average interest rate of 8.60% (2019-2020 9.25%) secured by first charge of Plant and Equipments at the units for the purpose of acquisition of assets under business combination repayable by quarterly instalment from February 2021, where the last instalment is payable in November 2024. Current Maturities of these Term Loans is provided separately in Note 23.	17.19	23.44
	17.19	23.44

19. Provisions

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Provision for Compensated Absences (Refer Note 38)	0.41	—
Provision for Gratuity (Refer Note 38)	0.04	0.07
	0.45	0.07

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

20. Income Taxes

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
A. The major components of income tax expense for the year are as under:		
(i) Income tax recognised in the Consolidated Statement of Profit and Loss		
Current tax:		
In respect of current year	**186.02**	172.07
Deferred tax:		
In respect of current year	**0.71**	(20.89)
Income tax expense recognised in the Consolidated Statement of Profit and Loss	**186.73**	151.18
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**(0.07)**	0.35
Income tax expense recognised in OCI	**(0.07)**	0.35
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**712.45**	666.96
Income tax expense calculated at 25.17% (2019-2020: 25.17%)	**179.32**	167.87
Tax effect on non-deductible expenses	**2.82**	6.40
Effect of Income that is exempted from tax	**(0.25)**	(0.25)
Impact of Tax on different rates on components	**1.33**	4.25
Impact of Tax due to loss in components	**5.31**	5.82
Reversal of opening deferred tax due to change in tax rate	—	(34.43)
Others	**(1.80)**	1.52
Total	**186.73**	151.18
Tax expense as per Consolidated Statement of Profit and Loss	**186.73**	151.18

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2019-2020 25.17%) 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:

₹ in Crores

Particulars	Balance Sheet	Deferred Tax on Acquisition	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2020	2020-2021	2020-2021	2020-2021	31.03.2021
Difference between written down value / capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961	(113.76)	—	(9.34)	—	(123.10)
Tax adjustment on account on indexation of freehold land	15.79	—	1.65	—	17.44
Expense claimed for tax purpose on payment basis	4.40	—	1.10	—	5.50
Provision for doubtful debts and Advances	5.38	—	2.39	—	7.77
Remeasurement benefit of the employee defined benefit plans through OCI	2.95	—	0.04	(0.07)	2.92
Deferred Tax on Distributable Accumulated Reserves of Subsidiaries	(2.94)	—	0.23	—	(2.71)
Deferred tax Liability due to Purchase Price Allocation Adjustment	(19.81)	—	2.66	—	(17.15)
Lease Rentals	1.33	—	0.86	—	2.19
Net fair value loss on investment through FVTPL	(1.45)	—	(0.30)	—	(1.75)
Deferred tax (expense)/income Net Deferred tax liabilities	**(108.11)**	**—**	**(0.71)**	**(0.07)**	**(108.89)**

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

20. Income Taxes (contd.)

C. The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows: (contd.)

₹ in Crores

Particulars	Balance Sheet	Deferred Tax on Acquisition	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2019	2019-2020	2019-2020	2019-2020	31.03.2020
Difference between written down value / capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961....	(136.86)	—	23.10	—	(113.76)
Tax adjustment on account on indexation of freehold land..	15.18	—	0.61	—	15.79
Expense claimed for tax purpose on payment basis...	7.59	—	(3.19)	—	4.40
Provision for doubtful debts and Advances	5.89	—	(0.51)	—	5.38
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)....	0.03	—	(0.03)	—	—
Remeasurement benefit of the employee defined benefit plans through OCI....................................	2.60	—	—	0.35	2.95
Deferred Tax on Distributable Accumulated Reserves of Subsidiaries.....................................	(2.13)	—	(0.81)	—	(2.94)
Deferred tax Liability due to Purchase Price Allocation Adjustment	(19.17)	(4.33)	3.69	—	(19.81)
Lease Rentals	1.65	—	(0.32)	—	1.33
Net fair value loss on investment through FVTPL.....	0.20		(1.65)	—	(1.45)
Deferred tax (expense) / income Net Deferred tax liabilities....................................	(125.02)	(4.33)	20.89	0.35	(108.11)

21. Borrowings

₹ in Crores

	As at 31st March, 2021		As at 31st March, 2020	
From Banks				
Term Loans*...	**65.79**		62.04	
Overdraft #..	**83.82**		75.26	
		149.61		137.30
* The Group has obtained at 4.50% - 9.25% (2019-2020 9.25% - 13.00%) term loans from bank to fund short-term fund requirement, secured by personal guarantee of local directors incase of foreign subsidiaries and hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8). These term loans are repayable within 180 days from date of issue of such term loans.				
# The Group has obtained at 6.75% - 9.25% (2019-2020 9.00% - 12.00%) overdrafts and cash credit facilities from bank to fund working capital requirements, secured by personal guarantee of local directors incase of foreign subsidiaries, corporate guarantee by the Holding Company (Refer Note 35), hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8), pledging of Freehold Land and Building (Refer Note 2.3). These facilities are repayable on demand.				
From Other Body Corporate..		**0.05**		12.52
To support the working capital requirement, the Group had obtained short term loan carrying interest at 9.00% (2019-20 - 10.74% - 12.50%). These loans are repayable on demand.				
		149.66		149.82

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

22. Trade Payables

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Trade Payables		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 41)	**93.64**	40.69
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**813.18**	554.70
	906.82	595.39

23. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Current Maturities of Long-term Borrowings (Refer Note 18)	**6.25**	4.96
Unclaimed/ Unpaid Dividends*	**0.16**	2.09
Trade Deposits	**80.54**	79.89
Creditors for Capital Goods @ (Refer Note 41)	**13.28**	13.78
Other Current Liabilities	**0.22**	—
	100.45	100.72

* There are no amounts due and outstanding to be transferred to Investor Education and Protection Fund.
@ Includes Outstanding dues of Micro Enterprises and Small Enterprises ₹ 4.59 Crores (2019-2020 ₹ 2.51 Crores)

24. Other Current Liabilities

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Statutory Obligations*	**22.19**	18.84
Trade Receivables with Credit Balance	**15.50**	19.69
	37.69	38.53

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

25. Provisions

₹ in Crores

	As at 31st March, 2021		As at 31st March, 2020	
Provision for Compensated Absences (Refer Note 38)		**14.68**		12.72
Provision for Gratuity (Refer Note 38)		**3.66**		3.47
Provision for Indirect Taxes:				
Opening Balance	**2.25**		2.27	
Add: Provision during the year	**1.62**		0.08	
Less: Utilisation / reversal during the year	**—**		0.10	
		3.87		2.25
		22.21		18.44

26. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Current Tax Liabilities (Net)	**4.91**	3.37
	4.91	3.37

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

27. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Sale of Products				
Sales	**5722.66**		5862.87	
Less: Discounts and Rebates	**681.27**		612.47	
Total Sale of Products		**5041.39**		5250.40
Other Operating Revenues				
Sale of Scrap	**16.69**		16.16	
Others	**16.17**		13.41	
		32.86		29.57
Revenue from Operations		**5074.25**		5279.97

27.1. Disaggregation of revenue from contracts with customers

The Group derives revenue from sales of products from following major segments:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**4387.30**	4654.89
Asia (Other than India)	**252.70**	208.46
(A)	**4640.00**	4863.35
Trading		
India	**398.61**	378.40
Asia (Other than India)	**2.78**	8.65
(B)	**401.39**	387.05
(C) = (A) + (B)	**5041.39**	5250.40
2) Other Operating Revenue		
Sale of scrap and empties	**16.69**	16.16
Others	**16.17**	13.41
(D)	**32.86**	29.57
Total Revenue (C) + (D)	**5074.25**	5279.97
Major Product lines		
Paints	**4640.00**	5250.40
	4640.00	5250.40
Sales by performance obligations		
Upon delivery	**5041.39**	5250.40
	5041.39	5250.40
Reconciliation of revenue from contract with customer		
Revenue from contract with customer as per the contract price	**5722.66**	5862.87
Adjustments made to contract price on account of :-		
a) Discounts/ Rebates/ Incentives	**(681.27)**	(612.47)
b) Other Operating Revenue	**32.86**	29.57
Revenue from contract with customer as per the Consolidated Statement of Profit and Loss	**5074.25**	5279.97

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

28. Other Income

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Dividend Income				
Dividend from Equity Shares recognised through FVTPL		0.03		—
Interest Income				
Interest on Loans and Deposit at amortised cost	5.21		1.56	
Interest on Bonds recognised through FVTPL	0.99		1.00	
Interest on Income Tax Refund	—		0.01	
		6.20		2.57
Profit on Sale of Current Investments (Net)		10.12		8.90
Fair Value Gain on Financial Instruments recognised through FVTPL		4.24		10.51
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	2.46		0.09	
Foreign Exchange Gain (Net)	8.51		0.56	
Insurance Claims Received	4.27		1.34	
Miscellaneous Income	2.38		1.56	
		17.62		3.55
		38.21		25.53

29. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Raw Material Consumed				
Opening Stock	317.51		374.38	
Add: Purchase	2645.71		2512.36	
Add: Adjustments due to Acquisition of Subsidiaries	—		5.68	
Less: Sales	17.38		9.28	
Less: Closing Stock	394.19		317.51	
		2551.65		2565.63
Packing Material Consumed				
Opening Stock	13.60		14.17	
Add: Purchase	389.39		352.91	
Add: Adjustments due to Acquisition of Subsidiaries	—		2.85	
Less: Closing Stock	18.85		13.60	
		384.14		356.33
		2935.79		2921.96

30. Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

₹ in Crores

	Year ended 31st March, 2021		Year ended 31st March, 2020	
Opening Stock				
Finished Goods	516.50		570.39	
Work-in-progress	88.56		94.22	
Stock-in-trade (in respect of goods acquired for trading)	62.12		49.14	
		667.18		713.75
Less: Closing Stock				
Finished Goods	615.06		516.50	
Work-in-progress	100.55		88.56	
Stock-in-trade (in respect of goods acquired for trading)	58.04		62.12	
		773.65		667.18
Add: Adjustment due to Acquisition of subsidiaries		—		2.35
		(106.47)		48.92

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

31. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Salaries and Wages	**268.85**	273.50
Contribution to Provident and Other Funds (Refer Note 38)	**22.82**	22.10
Staff Welfare Expense	**13.01**	14.77
	304.68	310.37

32. Finance Cost

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Interest on Bank Borrowings	**15.54**	15.39
Net Foreign Exchange Loss on borrowings (considered as finance cost)	**0.13**	0.22
Interest on Lease Liability (Refer Note 45)	**8.07**	5.30
	23.74	20.91

33. Depreciation and Amortisation

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Depreciation on Property, Plant and Equipment	**123.11**	113.45
Amortisation on Other Intangible Assets	**15.58**	14.41
Amortisation on Right of use assets (ROU) (Refer Note 45)	**26.61**	14.26
	165.30	142.12

34. Other Expenses

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Consumption of Stores and Spare Parts	**23.78**	29.18
Power and Fuel	**64.41**	73.63
Repairs to Buildings	**0.77**	0.48
Repairs to Machinery	**12.01**	15.28
Freight and Forwarding Charges	**289.32**	276.76
Advertisement and Sales Promotion	**171.10**	273.32
Rent	**17.33**	32.06
Rates and Taxes	**2.25**	2.60
Insurance	**11.85**	10.18
Miscellaneous Expenses	**166.94**	193.04
	759.76	906.53

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

34.1. Payments to Auditors'

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 34)		
As Auditor		
Statutory Audit	**0.46**	0.44
Report under Section 44AB of the Income-tax Act, 1961	**0.06**	0.05
Limited Review of Quarterly Results	**0.21**	0.21
In other capacity		
Certification	**0.09**	0.09
Other Matters	**0.11**	0.10
Reimbursements of Expenses	**0.02**	0.01
	0.95	0.90

35. Contingent Liabilities and commitments (to the extent not provided for)

₹ in Crores

	Year ended 31st March, 2021	Year ended 31st March, 2020
A. Claims against the Group not acknowledged as debt:		
Excise and Service Tax	**7.64**	7.79
Sales Tax	**17.64**	14.65
Income Tax	**3.05**	2.69
Customs Duty	**1.62**	1.53
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, totaling to ₹ 7.64 Crores (2019-2020 ₹ 7.79 Crores) from the Excise / Service Tax Authorities, in respect of disallowance of Excise / 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 Group's operation and financial position.		
B. Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	**62.17**	88.40
Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**—**	2.55
Stand by Letter of Credit (SBLC) given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company	**25.45**	25.80
Corporate guarantee given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company	**79.82**	20.63
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	**12.75**	—
Counter guarantee to bank in respect of Bank guarantees issued to Government authorities and others	**0.35**	0.35
Others Commitment		
Unexpired Letter of Credit	**44.78**	16.29
Bank Guarantee	**0.52**	0.09
	255.79	180.77
C. Contribution to Provident Fund as per Supreme Court Judgment There are numerous interpretative issues relating to the Supreme Court (SC) judgment dated February 28, 2019 on Provident Fund (PF) on the inclusion of allowances for the purpose of PF contribution as well as its applicability of effective date. The impact is not expected to be material as per the assessment made by the Group.		

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for the year ended 31st March, 2021

36. Earnings Per Share

	Year ended 31st March, 2021	Year ended 31st March, 2020
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)..	**529.74**	521.01
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 ₹)...	**9.83**	9.67

37. 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
	2021	2020			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing Paints	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Limited

Fellow Subsidiary Companies

Name	Type	Principal Activities	Principal Activities
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints and other related products	Philippines
Kansai Paint Asia Pacific SDN.BHD..........	Fellow Subsidiary	Manufacturing Paints and other related products	Malaysia
Kansai Plascon Kenya Ltd........................	Fellow Subsidiary	Manufacturing Paints and other related products	Kenya

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

37. Related Party Disclosures (contd.)

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. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mr. Anuj Jain, Wholetime Director, (5) Mrs. Sonia Singh, Director (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

Other entities where significant influence exist

— Kansai Nerolac Paints Limited Provident Fund

Transaction with Related Party:

₹ in Crores

Transaction Type	Relation	2021	2020
Sale of finished goods/Intermediates			
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.81**	2.36
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**1.49**	1.66
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**177.82**	105.08
Transfer under license agreements Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**12.10**	11.91
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.27**	0.76
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**—**	0.05
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	**0.31**	0.64
Contributions during the year (includes Employees' share and contribution)			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**1.41**	2.11
Amount of outstanding balances, including commitmentsin settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.31**	0.64
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**—**	0.56
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**—**	0.30
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.06**	0.21
Key Management Personnel			
— Employee benefits		**10.91**	11.96
— Commission to Independent Directors		**0.95**	1.05
— Fee for attending Board/ Committee Meetings to Independent Directors		**0.10**	0.10

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and will be settled in cash.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

38. Employee Benefits

A. Defined Contribution Plans:

Contribution to defined contribution plan, recognised in the Consolidated Statement of Profit and Loss under Groups Contribution to Provident Fund and Other Funds in Employee Benefits Expenses for the year are as under:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Employer's contribution to Regional Provident Fund Commissioner.................	**4.22**	4.18
Employer's contribution to Family Pension Fund	**4.39**	4.49
Employer's contribution to Superannuation Fund...	**7.33**	6.57

B. Defined Benefit Plans:

a. Gratuity

The following tables setout the funded status of the gratuity plans and the amounts recognised in the Group's Financial Statements as at 31st March, 2021 and 31st March, 2020:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**45.62**	39.24
Current Service Cost	**4.26**	4.35
Interest Expense..	**3.02**	2.96
Benefit Payments from Plan Assets	**(3.17)**	(2.06)
Remeasurements - Actuarial (gains)/ losses..	**(0.96)**	1.13
Defined Benefit Obligation at the end...	**48.76**	45.62
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**42.08**	37.08
Interest Income..	**2.83**	2.95
Employer Contributions	**2.04**	4.48
Benefit Payments from Plan Assets	**(3.17)**	(2.06)
Increase / (Decrease) due to Plan combination	**1.92**	—
Remeasurements – Return on plan assets excluding amounts included in interest income..	**(0.64)**	(0.37)
	45.06	42.08
Net (liability)..	**(3.70)**	(3.54)

Components of Defined Benefit Cost recognized in the Consolidated Statement of Profit and Loss under Employee Benefit Expenses:

₹ in Crores

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Current Service Cost	**4.26**	4.00
Net Interest Cost..	**0.24**	(0.00)
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	**4.50**	4.00

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

38. 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 31st March, 2021	Year ended 31st March, 2020
Actuarial (gains) / losses on Defined Benefit Obligation	**(0.93)**	1.43
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**0.72**	0.35
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**(0.20)**	1.78

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31st March, 2021	31st March, 2020
Discount Rate	**6.30% to 9.41%**	6.20% to 10.50%
Salary Escalation	**3.00% to 10.00%**	0.00% to 12.00%
Weighted average duration of the defined benefit obligation (years)	**11.75**	11.03

Sensitivity Analysis:

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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:

₹ in Crores

Scenario	31st March, 2021	31st March, 2020
Under Base Scenario	**45.51**	42.57
Salary Escalation - Up by 1%	**51.10**	45.96
Salary Escalation - Down by 1%	**43.57**	39.56
Withdrawal Rates - Up by 1%	**46.80**	42.54
Withdrawal Rates - Down by 1%	**47.32**	42.54
Discount Rates - Up by 1%	**43.72**	39.68
Discount Rates - Down by 1%	**51.02**	45.89

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2021		31st March, 2020	
Attained Age	Male	Female	Male	Female
20	**0.09%**	**0.09%**	0.09%	0.09%
25	**0.09%**	**0.09%**	0.09%	0.09%
30	**0.10%**	**0.10%**	0.10%	0.10%
35	**0.12%**	**0.12%**	0.12%	0.12%
40	**0.17%**	**0.17%**	0.17%	0.17%
45	**0.26%**	**0.26%**	0.26%	0.26%
50	**0.44%**	**0.44%**	0.44%	0.44%
55	**0.75%**	**0.75%**	0.75%	0.75%
60	**1.12%**	**1.12%**	1.12%	1.12%

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

38. 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 Holding Company contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India. Other companies in the Group have not funded their liabilities.

The Group expects to contribute ₹ 3.37 Crores (2019-2020 ₹ 3.54 Crores) to the fund during the subsequent accounting year.

b. Provident fund (Managed by the Trust set up by the Company)

The Holding Company has contributed ₹ 1.41 Crores (2019-2020 ₹ 2.11 Crores) to the Provident Fund Trust. The Holding 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 Holding 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:

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2020
Plan assets at period end, at fair value	**68.88**	71.32
Present value of benefit obligation at period end	**64.58**	71.29
Asset recognised in balance sheet	**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:

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2021
Discount Rate (%)	**6.40**	6.80
Guranteed Interest Rate (%)	**8.50**	8.50
Expected Average Remaining Working Lives of Employees (Years)	**10.30**	7.57

The Group other than the Holding Company in India contributes all ascertained liabilities towards provident fund as per rules and regulations inforce in respective countries amounting to ₹ 2.07 Crores (2019-2020 ₹ 2.07 Crores) to respective provident authority.

C. Compensated Absences:

Amount of ₹ 2.37 Crores (2019-2020 ₹ 0.93 Crores) has been recognised in the Consolidated Statement of Profit and Loss as an expense for compensated absences.

39. Segment Reporting

The Management Committee of the Group, 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 paints and other related products of the Group. As the Management Committee monitors the business activity as 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".

As the Group mainly caters to the domestic market in India, the total overseas turnover is 5.07% (2019-2020 4.11%) of the total turnover of the group, which is insignificant and hence is not seperately monitored by the Management Committee.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

40. 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.

₹ in Crores

	Year	At FVTPL	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value						
Non-current Assets: Investments (Note 5)...........	**2021**	**0.95**	**0.57**	**—**	**0.38**	**0.95**
	2020	0.85	0.47	—	0.38	0.85
Current Assets: Investments (Note 9)..................	**2021**	**668.06**	**—**	**668.06**	**—**	**668.06**
	2020	305.10	—	305.10	—	305.10

There have been no transfers between Level 1 and Level 2 during the year and previous year.

(B) Financial Risk Management

The Group 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:

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.

The concentration of credit risk is limited due to the fact that the customer base is large. There is no customer representing more than 5% of the total balance of trade receivables. For trade receivables, as a practical expedient, the Group computes credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates.

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2021	31st March, 2020
Balance as beginning of the year	**34.67**	26.80
Loss allowance measured at lifetime expected credit losses.....................	**11.92**	7.87
Balance at the end of the year...	**46.59**	34.67

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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(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 Group'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 3 years	3 years and above	Total
Borrowings (Current and Non-current)	**31-03-2021**	**78.96**	**28.45**	**40.57**		**14.18**	**4.69**	**166.85**
	31-03-2020	87.77	6.96	55.09		12.50	10.94	173.26
Trade Payables ...	**31-03-2021**	**—**	**906.82**	**—**	**—**	**—**	**—**	**906.82**
	31-03-2020	—	595.39	—	—	—	—	595.39
Other Financial Liabilities.............	**31-03-2021**	**80.92**	**13.28**	**1.56**	**4.69**	**—**	**—**	**100.45**
	31-03-2020	81.26	17.88	—	1.58	—	—	100.72

For maturity profile of lease liabilities, Refer Note 45

(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.

Other price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. Other price risk arises from financial assets such as investments in equity instruments, debentures and bonds. Since the investments in equity instruments and debentures is not material and bonds being debt instruments, the exposure to risk of changes in market rates is minimal. The details of such investments in equity instrument and debentures is given in Note 5 and details of investments in bonds is given in Note 9.

Exposure to Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group enters into forward exchange contracts to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Group's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due on timely basis. The Group does not enter into any derivative instruments for trading or speculative purposes. The carrying amounts of the Group's foreign currency denominated monetary items are as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	USD	Total
Trade Receivables..................	**31-03-2021**	**—**	**—**	**—**	**—**	**—**	**2.02**	**2.02**
	31-03-2020	—	0.00	—	—	—	1.46	1.46
Financial Liabilities								
Trade Payables (Net of Hedge)........................	**31-03-2021**	**—**	**(0.58)**	**—**	**—**	**(6.62)**	**(97.98)**	**(105.18)**
	31-03-2020	(0.00)	(1.44)	(8.97)	(0.06)	(0.01)	(40.60)	(51.08)
Net exposure to Foreign Currency Risk (Liabilities)........	**31-03-2021**	**—**	**(0.58)**	**—**	**—**	**(6.62)**	**(95.96)**	**(103.16)**
	31-03-2020	(0.00)	(1.44)	(8.97)	(0.06)	(0.01)	(39.14)	(49.62)

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY, SGD, GBP and USD exchange rates, with all other variable held constant.

₹ in Crores

	Profit or Loss		Equity Net of Tax	
	Strenghtening	**Weakening**	**Strenghtening**	**Weakening**
31st March, 2021				
CHF(5% movement)..	**—**	**—**	**—**	**—**
EURO(5% movement).....................................	**(0.03)**	**0.03**	**(0.02)**	**0.02**
JPY(5% movement)...	**—**	**—**	**—**	**—**
SGD(5% movement)	**—**	**—**	**—**	**—**
GBP(5% movement)..	**(0.33)**	**0.33**	**(0.25)**	**0.25**
USD(5% movement)..	**(4.80)**	**4.80**	**(3.59)**	**3.59**
31st March, 2020				
CHF(5% movement)..	(0.00)	0.00	(0.00)	0.00
EURO(5% movement).....................................	(0.07)	0.07	(0.05)	0.05
JPY(5% movement)...	(0.45)	0.45	(0.33)	0.33
SGD(5% movement)	(0.00)	0.00	(0.00)	0.00
GBP(5% movement)..	(0.00)	0.00	(0.00)	0.00
USD(5% movement)..	(1.96)	1.96	(1.45)	1.45

(v) Following are the outstanding Forward Foreign Exchange Contracts entered into by the Group:

	Currency	Amount in Foreign Currency (in Crores)	Buy / Sell	Cross Currency
As on 31st March, 2021:	**—**	**—**	**—**	**—**
As on 31st March, 2020:	USD	0.35	Buy	INR

These Forward Foreign Exchange Contracts are entered into for hedging purposes and not for speculation purposes.

(vi) Interest Rate Risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

Exposure to interest rate risk

Group's interest rate risk arises from borrowings and finance lease obligations. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
Fixed-Rate Instruments		
Financial Assets...	**19.22**	134.86
Financial Liabilities	**161.59**	150.66
Net Liabilities/ (Assets)...	**142.37**	15.80
Variable-Rate Instruments		
Financial Liabilities	**11.50**	22.60
	11.50	22.60

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(vi) Interest Rate Risk (contd.)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	100 bps increase	100 bps decrease
31st March 2021		
Variable-Rate Instruments	**0.30**	**0.30**
Cash Flow Sensitivity (net)	**0.30**	**0.30**
31st March 2020		
Variable-Rate Instruments	0.25	(0.25)
Cash Flow Sensitivity (net)	0.25	(0.25)

(C) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other Non-current assets: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/ payment discounted using appropriate discounting rates.	– Forecast Annual revenue growth – Forecast EBITDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBITDA margin.
Current investments – in mutual funds	The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors	Not applicable	Not applicable

The Group determined the fair value measurements of investments – unquoted categorised in Level 2 based on price agreed in a sale transaction between unrelated parties.

Carrying amounts of cash and cash equivalents, trade receivables, loans and trade payables as at 31st March, 2021 and 31st March, 2020 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

41. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2020-2021, to the extent the Group has received intimation from the “Suppliers” regarding their status under the Act.

₹ in Crores

	As at 31st March, 2021	As at 31st March, 2020
(i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)		
Principal amount due to micro and small enterprise (Refer Note 22 and 23)....	**98.23**	43.20
Interest due on above........	**—**	0.04
(ii) Interest paid by the Group in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	**—**	—
(iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006.... .	**—**	—
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year........	**—**	—
(v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	**—**	—

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

42. Impairment of Goodwill (Refer with Note 4A)

(a) Perma Construction Aids Private Limited

The business was taken over by Kansai Nerolac Paints Limited on 8th April 2019. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	Year ended 31st March, 2021	As at 31st March, 2020
Discount Rate........	**11.64%**	**11.64%**
Terminal Value Growth Rate........	**4.50%**	**4.50%**
Sales Growth Rate........	**15.00%**	**15.00%**

The discount rate for 2020-2021 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 20% at a market interest rate of 7.40%.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management’s estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

42. Impairment of Goodwill (Refer with Note 4A) (contd.)

(b) Kansai Nerolac Paints (Bangladesh) Limited, Bangladesh (Formerly known as RAK Paints Limited)

The business was taken over by Kansai Nerolac Paints Limited on 17th July 2018. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Discount Rate	**12.44%**	12.66%
Terminal Value Growth Rate	**3.00%**	3.00%
Sales Growth Rate	**15.00 - 12.00%**	15.00%

The discount rate for 2020-2021 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 50.00% (2019-2020 - 67.00%) at a market interest rate of 6.65% (2019-2020 - 8.25%).

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management’s estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

(c) KNP Japan Private Limited, Nepal

The business was taken over by Kansai Nerolac Paints Limited on 1st October 2012. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Discount Rate	**12.29%**	12.29%
Terminal Value Growth Rate	**5.00%**	5.00%
Sales Growth Rate	**12.00%**	12.00%

The discount rate for 2020-2021 was post tax measure estimated based on the weighted-average cost of capital. with the no debt leveraging as the company is debt-free.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management’s estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

43. Disclosures as required under Schedule III to the Companies Act 2013 with respect to Consolidated Financial Statements

(a) As at and for the year ended 31 March, 2021

Name of the entity in the Group	As at 31 March, 2021		For the year ended 31 March, 2021		For the year ended 31 March, 2021		For the year ended 31 March, 2021	
	Net assets*		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ in Crores	As % of consolidated profit or loss	₹ in Crores	As % of consolidated other comprehensive income	₹ in Crores	As % of consolidated total comprehensive income	₹ in Crores
Holding Company								
Kansai Nerolac Paints Limited	**99.80%**	**4080.92**	**101.00%**	**530.98**	**(222.22%)**	**0.20**	**101.06%**	**531.18**
Subsidiaries (Group's share) Indian								
Marpol Private Limited............	**0.36%**	**14.79**	**0.50%**	**2.63**	**—**	**—**	**0.50%**	**2.63**
Perma Construction Aids Private Limited.........................	**0.42%**	**17.22**	**0.67%**	**3.52**	**(88.89%)**	**0.08**	**0.68%**	**3.60**
Nerofix Private Limited	**0.38%**	**15.42**	**(0.71%)**	**(3.71)**	**—**	**—**	**(0.71%)**	**(3.71)**
Foreign								
KNP Japan Private Limited	**1.24%**	**50.89**	**1.95%**	**10.24**	**—**	**—**	**1.95%**	**10.24**
Kansai Paints Lanka (Private) Limited	**0.47%**	**19.11**	**(1.46%)**	**(7.68)**	**(55.56%)**	**0.05**	**(1.45%)**	**(7.63)**
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)	**(0.44%)**	**(17.82)**	**(1.16%)**	**(6.09)**	**222.22%**	**(0.20)**	**(1.20%)**	**(6.29)**
Total Eliminations/ Adjustments...........................	**(2.23%)**	**(91.35)**	**(0.79%)**	**(4.17)**	**—**	**—**	**(0.79%)**	**(4.17)**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**244.44%**	**(0.22)**	**(0.04%)**	**(0.22)**
Total	**100.00%**	**4089.18**	**100.00%**	**525.72**	**100.00%**	**(0.09)**	**100.00%**	**525.63**

(b) As at and for the year ended 31 March, 2020

Name of the entity in the Group	As at 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020	
	Net assets*		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ in Crores	As % of consolidated profit or loss	₹ in Crores	As % of consolidated other comprehensive income	₹ in Crores	As % of consolidated total comprehensive income	₹ in Crores
Holding Company								
Kansai Nerolac Paints Limited	100.13%	3786.87	103.80%	535.40	19.50%	(1.02)	104.67%	534.38
Subsidiaries (Group's share) Indian								
Marpol Private Limited...........	0.32%	12.16	0.56%	2.90	—	—	0.57%	2.90
Perma Construction Aids Private Limited......................	0.36%	13.62	0.44%	2.28	—	—	0.45%	2.28
Nerofix Private Limited	0.51%	19.14	(0.17%)	(0.86)	—	—	(0.17%)	(0.86)
Foreign								
KNP Japan Private Limited.....	1.15%	43.36	2.00%	10.34	—	—	2.03%	10.34
Kansai Paints Lanka (Private) Limited..................................	0.21%	8.02	(1.94%)	(10.01)	—	—	(1.96%)	(10.01)

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2021

43. Disclosures as required under Schedule III to the Companies Act 2013 with respect to Consolidated Financial Statements (contd.)

(b) As at and for the year ended 31 March, 2020 **(contd.)**

Name of the entity in the Group	As at 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020	
	Net assets*		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ in Crores	As % of consolidated profit or loss	₹ in Crores	As % of consolidated other comprehensive income	₹ in Crores	As % of consolidated total comprehensive income	₹ in Crores
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)	(1.01%)	(38.14)	(1.80%)	(9.27)	7.84%	(0.41)	(1.90%)	(9.68)
Total Eliminations/ Adjustments	(1.67%)	(63.05)	(2.91%)	(15.00)	—	—	(2.94%)	(15.00)
Exchange differences on translation of foreign operations	—	—	—	—	72.66%	(3.80)	(0.74%)	(3.80)
Total	100.00%	3781.98	100.00%	515.78	100.00%	(5.23)	100.00%	510.55

** Net assets = total assets minus total liabilities*

44. COVID -19 Assessment

The Group has considered the impact of COVID-19 pandemic on its business operations and financial statement based on its review of current indicators of future economic conditions and expects that the carrying amount of the assets will be recovered. However, the impact assessment of this pandemic is a continuing process given the uncertainties associated with its nature and duration. Accordingly, the Group will continue to monitor any material changes to future economic conditions. There is no significant impact on its financial statements as at 31st March 2021.

45. Disclosure of Lease as per Ind AS 116

The following is the summary of practical expedients elected on application:

(i) Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.

(ii) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.

(iii) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(iv) Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The weighted average incremental borrowing rate applied to lease liabilities as at 31st March, 2021 is 8.50% (31st March, 2020: 8.50%)

The changes in the carrying value of right of use (ROU) assets for the year ended 31st March, 2021 and 31st March, 2020 are disclosed in Note 2A.

₹ in Crores

Particulars	**As at 31st March, 2021**	As at 31st March, 2020
ROU Balance at the beginning of the year	**132.54**	**56.87**
Opening balance Reclassified on account of adoption of Ind AS 116 (Refer Note 2A)	—	55.71
Additions on Acquisition of Subsidiaries (Refer Note 2A)	—	6.96
Additions (Refer Note 2A)	58.95	22.87
Deletions (Net off accumulated amortisation) (Refer Note 2A)	(3.81)	—
Amortisation cost accrued during the year (Refer Note 2A)	(26.58)	(14.26)
Translation difference	(0.39)	4.39
ROU Balance at the end of the year	**160.71**	**132.54**

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2021

45. Disclosure of Lease as per Ind AS 116 (contd.)

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2020
Lease Liabilities at the beginning of the year	**63.75**	65.03
Additions	58.95	10.16
Interest cost accrued during the year	8.07	5.30
Payment of lease liabilities	(29.91)	(16.74)
Deletion	(4.96)	—
Lease Liabilities at the end of the year	**95.90**	**63.75**
Non-current Lease Liabilities	**77.12**	52.78
Current Lease Liabilities	**18.78**	10.97
Total Lease Liabilities	**95.90**	**63.75**

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases or cancelable in nature was ₹ 17.33 Crores (2019-2020 ₹ 32.06 Crores)

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

₹ in Crores

Particulars	As at 31st March, 2021	As at 31st March, 2020
Not later than one year	26.30	16.59
Later than one year and not later than five years	68.66	48.12
Later than five years	22.45	29.51

46.

The figures for the previous year have been regrouped/ reclassified wherever necessary to confirm with the current year's classification.

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 7th May, 2021

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 7th May, 2021

Summarised Standalone Statement of Profit and Loss of 15 Years

₹ in Crores

Year	Total Revenue #	Cost of Materials/ Products	Employee Benefits Expenses	Other Expenses	Finance Costs	Depreciation and Amortisation Expenses	Exceptional Item	Tax Expense	Profit after Tax	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2006-2007	1246.43	778.33	59.57	213.05	0.96	33.56	—	53.31	107.65	30.99	11.50	39.95	189.91 @
2007-2008	1344.60	837.32	69.13	226.75	1.41	39.60	—	50.60	119.79	32.34	12.00	44.46	220.33
2008-2009	1396.71	899.58	73.30	244.20	1.84	37.61	—	41.60	98.58	32.34	12.00	36.59	242.87
2009-2010	1726.77	1071.82	75.05	295.83	1.20	44.26	—	73.11	165.50	40.42	15.00	30.71 ^	286.80
2010-2011	2187.56	1400.25	91.64	356.34	0.84	49.36	—	83.15	205.98	53.89	10.00 **	38.22	170.00 +
2011-2012	2624.84	1740.41	106.94	415.91	0.09	56.35	—	89.24	215.90	59.28	11.00	40.06	197.28
2012-2013	2872.94	1942.62	118.14	459.76	0.02	47.11	—	90.80 &	214.49 &	59.28	11.00	39.80 &	224.21 &
2013-2014	3174.35	2133.95	135.88	532.10	0.45	64.98	—	100.42	206.57	59.28	1.10 ~	3.83 $	26.41 $
2014-2015	3570.85	2364.44	143.30	596.50	0.02	67.69	—	127.23	271.67	75.45	1.40 ~	5.04 $	29.63 $
2015-2016	3765.88	2348.36	170.11	640.08	—	67.72	—	176.10	363.51 &	164.37	3.05 ^^	6.65 &	46.44
2016-2017	4097.29	2342.95	198.12	727.31	—	69.49	—	253.48	505.94	161.67 €	3.00 €	9.39	52.06
2017-2018	4658.99	2774.07	226.56	796.17	—	75.79	—	270.00	516.40	140.11 €	2.60 €	9.58	57.99
2018-2019	5235.50	3302.53	255.38	873.71	—	90.47	—	246.06	467.35	140.11 €	2.60 €	8.67	63.55
2019-2020	4970.03	3057.62	269.38	834.55	5.00	119.88	—	148.20	535.40	169.76 €	3.15 €	9.94	70.00
2020-2021	**4728.71**	**2911.43**	**258.58**	**686.91**	**7.49**	**138.97**	**10.82**	**183.52**	**530.99**	**282.93 ***	**5.25 *€**	**9.85**	**76.00**

Net of Rebates & Excise Duty upto 2014-2015, From 2015-2016, net of Rebates and Discounts.

@ 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 have not been recognised as liabilities.

* Includes Interim Dividend ₹ 1.25 per share paid on 27th November 2020 and Special Dividend of ₹ 2.00 per share and Figures from financial year 2015-2016 are Ind AS compliant

NOTES

NOTES

NEROLAC

KANSAI NEROLAC PAINTS LIMITED

A SUBSIDIARY OF KANSAI PAINT CO. LTD., JAPAN

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