KANSAI PAINT

NERO LAC

Colours that Care

Broadening horizons for a

Sustainable future

102nd Annual Report 2022 | KANSAI NEROLAC PAINTS LIMITED

Broadening horizons for a

Sustainable future

AT KANSAI NEROLAC PAINTS LIMITED (KNPL), WE AIM TO BUILD "A FUTURE WITH A FUTURE".

A sustainable future for an organisation is one in which it can achieve the best possible balance between The 3 P's **People, Planet and Profit.** Here at KNPL, we focus on protecting and nurturing this triple bottomline.

As we enter the second century of our journey, we have increased our efforts to promote a people-centric culture by expanding the horizons of collaboration, innovation and empowerment in the organisation.

In addition to the above, another horizon that we are committed to consistently contribute to the society through our CSR initiatives. We believe by doing so, we make significant contribution to the United Nations Sustainable Development Goals (UN SDGs).

We continue to instil an advanced sustainability culture in the organisation. We have been persistently stretching the limits of sustainability in the industry and have been a front-runner in reporting its ESG disclosures on global platforms. In order to further our sustainable development strategy, we majorly focus on water positivity, increase contribution of energy from renewable sources, reduction in carbon footprints, reduction in hazardous waste generation and sustainable sourcing of raw materials.

Over the years, we have built an innovation-driven organisation and have created several technology differentiators to offer unique and environment-friendly products and solution to our customers. We have broadened our product portfolio and expanded our service network to meet the evolving needs and preferences of our customers.

Our progressive paradigm of innovation and sustainability has always led to:

- Better profits for our investors
- Nurturing and progressive culture for our internal stakeholders
- Planet-friendly process and products for environment sustainability

Corporate Information

BOARD OF DIRECTORS

Mr. Pradip Panalal Shah
Chairman (Independent Director)

Mr. Harishchandra Meghraj Bharuka
Vice Chairman and Managing Director
(Up to 31st March, 2022)

Mr. Noel Naval Tata
Non-Executive Director
(Independent Director)

Mr. Anuj Jain
Managing Director
(From 01st April, 2022)
Executive Director
(Up to 31st March, 2022)

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

CHIEF FINANCIAL OFFICER

Mr. P. D. Pai

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

NEROLAC HOUSE
Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013,
Maharashtra.
Tel: +91-22-24934001
Fax: +91-22-24936296
Website: www.nerolac.com

INVESTORS RELATIONS

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

About the Report

REPORTING PERIOD, SCOPE AND BOUNDARY

This Report contains the financial and non-financial information of Kansai Nerolac Paints Limited (hereafter referred to as ‘KNPL’ or the ‘Company’) and its subsidiaries for the period 1st April, 2021 to 31st March, 2022, or the ‘reporting period’.

APPROACH TO REPORTING

The Report takes a broader approach of integrated reporting by covering information beyond financial capital to five other capitals – natural, intellectual, manufacturing, social & relationship and human capital.

Through this Report, we demonstrate the inter-linkage of these capitals and how the Company uses them in its business model 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.

The Report further provides insights into the Company’s operating context, the strategies along with risks associated in achieving them and expectation of prospects and performance. Governance-related inputs have been covered to provide insights on how the Company protects value and interests of stakeholders.

To make the Report inclusive and enable stakeholder better evaluate our performance and prospects, both qualitative and quantitative data have been captured. This will help them make informed decision regarding their engagement with the Company.

REPORTING PRINCIPLE

The financial and statutory information presented in this Report complies with the 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 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 succinct and comparable manner to enhance the Report’s value for all stakeholders. The assumptions, exclusions and restatements have been included wherever applicable. Further, the Report also follows the content and guiding principles guidelines of Integrated Reporting framework by the International Integrated Reporting Council (IIRC).

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.

ASSURANCE

Assurance on selective non-financial disclosures of KNPL have been assured by M/s Aneja Associates. The assurance has been given against the disclosures’ adherence to the GRI’s Sustainability Reporting Standards.

Contents

For more details, please visit:
www.nerolac.com

Farewell note from Mr. H. M. Bharuka

Dear Shareholders,

After 36 years of service, which include 21 years as Managing Director of KNPL, I have superannuated from the position of Vice Chairman and Managing Director on 31st March, 2022.

In the last 21 years, the Company has grown in leaps and bounds year after year winning admiration across stakeholders.

We have created a resilient organisation, and in the process made Nerolac a brand to reckon with. We have strategically invested in building state-of-the-art manufacturing plants, superior IT and digital platforms, strong corporate governance culture along with a caring value system for employees and society.

I now pass the baton to our Executive Director Mr. Anuj Jain. Anuj has been with KNPL for the past three decades having joined as a Management Trainee.

Do join me in wishing him good luck

H. M. Bharuka

Message from Managing Director
Mr. Anuj Jain

Dear Shareholders,

I humbly assume the august office of the Managing Director of this great organisation. I am honoured and excited to be given this opportunity to lead and serve Kansai Nerolac Paints Limited and I am committed to raise our core strengths of resilience and excellence.

I want to share my sincere thanks to Mr. Bharuka for creating an extremely strong and vibrant organisation.

With great pleasure, I deliver our 102nd Annual Report to you.

Organisation Philosophy

The Company aspires to make its human capital the core of the business strategy. It endeavours to develop a culture of collaboration and partnerships. The aim is to focus on the integrated potential by creating an organisation built on openness, collaboration, innovation, and empowerment. The Company will continue to invest in a variety of initiatives towards empowering people at all levels to create a committed organisation, and in the process, create great value for all stakeholders.

Economic & Business Scenario

In the year under review, the economic scenario witnessed a roller coaster ride. In the first quarter towards the end of April and throughout May, the industry saw muted volumes due to curbs imposed on account of the second wave of COVID - 19 infections. The second and third quarter witnessed good demand momentum in the decorative segment. However, the automotive paint demand was affected by shortage of semiconductor chips. Material costs continued to increase due to rising crude oil and chemical prices which resulted in an unprecedented inflation. As a result, finished goods costs rose significantly during the year. In the fourth quarter, the world witnessed another crisis in the form of war between Russian and Ukraine. This led to crude oil prices reaching record highs, thus impacting prices of chemicals and petrochemicals. Overall, the business environment was extremely uncertain and volatile.

Performance Overview

Amidst the challenges, KNPL continued to expand its horizons by offering new products and solutions, expand its distribution network and enter new business segments, resulting in top line growth of 24.7%. Due to steep inflation in material prices, the Company's EBITDA is down by 23.3%. Hence, we sought price increases across all product segments. In the Decorative segment, the price increase has been sufficient to offset the inflation. However, in the Industrial segment, the price increases have been insufficient and short of countering the inflation.

The Board had declared and paid an interim dividend of 125% and proposed final dividend of 100%, aggregating to 225% for the FY 2021-22.

Brand Proposition

In March this year, KNPL launched its new brand expression "PAINT+". The "+" here stands for our commitment to provide our consumers with unique and additional product features. The features built into our products offer benefits that resonate with emerging consumer needs and preferences. We have also brought back the classic Nerolac jingle to revive the soul of KNPL's advertisements and media campaigns. Both these initiatives will strengthen the Company's market position in the decorative segment in the coming year.

Technology & Innovation

KNPL has a strong R&D set-up with cutting-edge technologies in diverse business segments and coating applications. Our parent company, Kansai Paint Co., Ltd., Japan and the entire Kansai group of companies is a rich source of knowledge to upgrade our technical know-how. Our collaborations and tie-ups with our overseas partners add to our intellectual capital and assets. We work closely with our customers to develop customised solutions. Development of sustainable and environment-friendly products and solutions is a key focus area for the R&D team.

New Thrust Areas

KNPL has ventured into new business segments in the recent years including construction chemicals, wood-finish, adhesives, rebar coatings, pipe coating, coil coatings to name a few. The Company witnessed strong growth in these segments. The Company has expanded the product portfolio, distribution reach, dealer network and enhanced influencer programmes. Various international product certifications like REACH and WRAS helped us in business proliferations.

Capacity Expansion and our Spread

We have invested in our manufacturing capabilities with backward-integrated plants across the country. These plants have in-house resin and emulsion manufacturing capabilities. During the year, we added resin facility in Sayakha and emulsion manufacturing facility in Amritsar (Goindwal Sahib). Both these investments will bring in operational efficiency and cut down logistics cost. KNPL has a manufacturing footprint that is spread across the country and provides next-door services to its institutional clients. We have created a distribution network of 99 depots and 7 distribution centres to cater to our dealer network in the decorative business.

Supply Chain Resilience

From raw material supplies to demand fulfilment, we have a robust and responsive supply chain that is built on a strong IT backbone. The team has done a phenomenal job in ensuring continuity of supplies and ensured business continuity for its customers despite numerous supply and logistics challenges. KNPL focussed on ensuring higher OTIF (On Time in Full) for our industrial customers and commissioned new distribution centres for higher reach and service.

Digitalisation & Information Technology

With the launch of multiple digital platforms, the organisation has made rapid progress in the digital arena. It has launched several digital applications for both internal stakeholder i.e. Employees and external stakeholders i.e. Dealer, Influencer and Customers. These initiatives were deployed across the organisation to enhance agility, operational efficiencies, visibility and real-time information.

During the year, KNPL upgraded its IT infrastructure with enhanced disaster recovery capabilities. We focussed on governance and built sensitivity on cyber security amongst employees. We also conducted the external verification and Vulnerability Analysis during the year.

Care

I would like to offer my sincere condolences to all who have suffered untimely bereavements because of the COVID-19 pandemic. This year, the second wave's health consequences were far more severe. Despite this, we did our best to contain the spread of virus by providing our workers and employees with vaccination drives and distribution of safety equipment.

People

As a testimony to the initiatives taken towards making KNPL a congenial workplace, we were recognised as a "Great Place to Work" by the Great Place to Work institute for the 2nd time. The first certification was given in the year 2019, and the second was given in the relevant year 2021.

Integration

We have successfully integrated our subsidiaries, Marpol Private Limited ("Marpol") and Perma Construction Aids Private Limited ("Perma"), allowing us to derive significant benefits from synergies that have resulted in better operational efficiencies, market penetration, and product mix for the Powder Coating and Construction Chemicals business.

Sustainability

Strategy & Materiality

Sustainability has been one of the key focus areas for KNPL. This year has seen furthering of these efforts to ensure KNPL is topnotch in this area. KNPL practices sustainable growth with a focus on protecting and nurturing our triple bottomline – People, Planet and Profit. As part of this strategy, we are focussed on de-carbonisation, resource use, Quality of life, Diversity and Governance as key materiality areas. We are on track to become water positive by FY 2024-25.

Climate Change

We have reduced our carbon footprint in terms of energy usage and increasing the share of renewable energy. We have created a framework for climate change management with Board oversight. As part of this initiative, we are working on inventorisation of Scope 3 emissions, Task Force on Climate-related Financial Disclosures (TCFD) and adopting Science Based Targets. We have also undertaken third-party assurance for our sustainability initiatives in this year.

Community

Community service and giving back to the society is an integral part of KNPL's growth strategy. CSR initiatives promote social growth with a focus on the vulnerable and disadvantaged section of the community. We encourage and promote employee participation in CSR initiatives which inculcates an individual feeling of social responsibility while also strengthening the Company's community focus.

We are on track to become water positive by FY 2024-25

International Subsidiaries

In the international business too, there were similar challenges as seen in the domestic side with unprecedented material price inflation coupled with supply challenges. Price increases were targeted to offset the inflation. Focussed cost reduction initiatives were undertaken to sustain margins. New product launches, marketing campaign, distribution expansion, CCD penetration and influencer programs initiatives too were undertaken during the year. Best practices in areas of productivity and sustainability were driven across all the subsidiaries.

Our international subsidiaries Bangladesh, Nepal and Sri Lanka have shown true resilience and have posted strong topline growths. However, Sri Lanka is facing an economic crisis, which has impacted business activity and peoples' day-to-day lives. Under these circumstances, the Company has taken measures to safeguard its business interest and its employees.

Into the Future & Way Forward

We have embarked on a journey to place its people at centre of our strategy. We believe that by taking the "people first" approach, we can create a positive and transparent workplace culture. A positive workplace culture leads to high performance, both individually and organisation-wide. KNPL will foster a culture of collaboration, innovation and empowerment to create value for the organisation and its stakeholders.

In conclusion

Moving forward, the global economic scenario is changing with a more hopeful future ahead. We continue to strengthen our core and broaden our horizons into the multiple facets of the organisation. We are marching forward with our People, Planet and Profit approach to create a sustainable tomorrow.

Anuj Jain

Managing Director

Key Highlights

BRANDING

This year, KNPL envisioned its new brand expression of “PAINT+”.

PAINT+ is a testament to our commitment to offer world-class products with added features. The “+” represents our promise to provide products that go beyond standard market offerings. It exemplifies our dedication to leverage our Japanese expertise and legacy of over 100 years in becoming the brand that goes beyond colour and finish.

NEROLAC PAINT+

ESG

KNPL has put environmental, social, and governance (ESG) at the forefront of its strategy. It has been a front-runner in ESG disclosures. Global ESG Indices such S&P Gobal and FTSE have assessed the ESG performance of KNPL.

In 2021, Corporate Sustainability Assessment (CSA) has ranked KNPL in the top quartile of the S&P ESG Index in the chemical space. KNPL was also ranked No. 1 in the paint industry and in top quartile in manufacturing space in the CRISIL ESG Compendium launched in 2021.

DIGITAL

Developed Pragati app for Influencers. Painters use this for redemption of loyalty points and receive payments in real time. The application also has useful tools such as colour picker, estimator, tool tips & knowledge bank comprising of tutorial videos.

INNOVATION & PRODUCT CERTIFICATIONS

In pipe coatings, amongst the new products developed this year was “Neropoxy Solvent Free Coating” for Water Pipeline Internal coatings, which has been certified by Water Regulations Approval Scheme Ltd, UK.

Also, our NC range in wood finish segment was awarded REACH certification.

Introduction of coating technologies for new substrates like Plastic, Aluminium Die Castings in Auto Segment.

Developed a range of products like the C5 Fluoro Polymer Coatings, IPNet, Polysiloxane and anti-carbonation systems under High performance coatings.

RECOGNITION

KNPL was certified as a Great Place to Work for the second time by the Great Place to Work Institute.

Great Place To Work®
Certified
JUL 2021-JUL 2022
INDIA

MANUFACTURING FOOTPRINT

The Company successfully completed merger of Marpol Private Limited and Perma Construction Aids Private Limited (previously Indian subsidiaries of KNPL). The manufacturing footprint now comprises 8 plants across different parts of India.

Also, new emulsion manufacturing facility was commissioned in Goindwal Sahib plant and new resin manufacturing facility commissioned at Sayakha plant. Both this will render operational and logistic efficiency.

Performance Highlights

FINANCIAL HIGHLIGHTS

NET TURNOVER

₹5,948.9 Crores	₹4,770.9 Crores	24.7% ▲

EBITDA MARGIN

10.9%	17.7%	-680 ▼ Change Base Points

PAT

₹374.3 Crores	₹530.6 Crores	-29.5% ▼

NON-FINANCIAL HIGHLIGHTS

Metric	FY 2021-22	FY 2020-21	Change
CAPACITY IN MILLION LITRES	583	547	6.6% ▲
R&D EXPENSE	₹33.0 Crores	₹30.6 Crores	7.8% ▲
CSR SPEND	₹14.06 Crores	₹14.3 Crores	-1.7% ▼
TOTAL EMISSIONS (SCOPE 1+ SCOPE 2) (MT OF CO_2) (ORGANISATION-WIDE)	39,410*	33,056	19.2% ▲
SPECIFIC WATER CONSUMPTION (KL/KL OF FG) (MANUFACTURING FACILITIES)	1.16	1.25	-7.2% ▼
ELECTRICITY CONSUMPTION THROUGH RENEWABLE SOURCES IN % (MANUFACTURING FACILITIES)	31	30	100 ▲ Change Base Points
ENERGY CONSUMPTION THROUGH RENEWABLE SOURCES IN % (ORGANISATION-WIDE)	52	46	600 ▲ Change Base Points

(* Increase in absolute emissions is due to the merger of Marpol Private Limited and Perma Construction Aids Private Limited with the Company.)

FY 2021-22 FY 2020-21 ▲ Change

Note: Performance Highlights are based on standalone performance.

Corporate Profile

A subsidiary of Kansai Paint 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 BRAND PROMISE

Renew Life

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 BRAND EXPRESSION

PAINT+

OUR PURPOSE

Create Environments for a Healthy and Beautiful future

ORGANISATIONAL VALUES

Core Values

icare!

Customer Focus

We continuously strive to understand and exceed Customer expectations.

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.

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.

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.

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.

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.

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 LAUNCHES)

Excel Mica Marble Stretch & Sheen | Beauty Ceiling Emulsion | Nerolac AquaSmart | Perma Rapid Set | Nerolac Zinc Yellow Primer | Nerolac PU Enamel 10 in 1

DECORATIVE

Interior Range

Impressions UHD | Impressions HD | Impressions Ultra Fresh

Beauty Gold Washable | Beauty Gold | Beauty Sheen

Beauty Smooth | Beauty Little Master

Exterior Range

Excel Top Guard (Topcoat) | Excel Top Guard (Basecoat) | Excel Total

Excel Mica Marble | Excel Anti Peel | Suraksha Dust Resist

Suraksha Sheen | Suraksha Plus | Suraksha Acrylic

Designer Range

Ideaz

Glitter

Metallics

Primers

Excel Alkali Primer

Exterior Primer

Ready Mix

Enamel

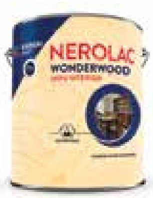
Synthetic

Satin

Premium Primer WB

Popular Primer WB

Wood Finish



Gloria 2K PU

Italian 2K PU

ICRO Range

Waterproofing

Nerolac Perma Nodamp

Nerolac Perma Damp Protect Exterior

Nerolac Perma Damp Protect Interior

Adhesives

Nerofix

Nerofix Gold

Nerofix Super

Nerofix Smart

Nerolac Perma Super 2K

Nerolac Perma Waterproof Putty

Nerolac Perma Waterproof Putty

Solider

Soldier Emulsion Range

Our Product Portfolio

INDUSTRIAL-NEW ADDITIONS

Automotive:

4-Wheeler	2-Wheeler	Commercial Vehicle
Developed high solid anti-chip primer with reduction in VOC	Matt Lacquer for Petrol tank of Motorcycle with superior mar & scrub resistance	High Weatherable Topcoat for Three-Wheeler was launched with Superior Gloss & Finish product
Metallic colours process from existing 4C-1B converted to 3C-1B Technology which offers lean process, energy conservation and high productivity have been introduced	Coating for Rotamould Nylon Petrol tank	High performance Solid Monocoat technology with High durability and Chemical Resistance

Performance Coating:

General Industrial (GI)	High Performance (HPC)	Powder Coating (PC)
Neropoxy Solvent Free Coating" for Water Pipeline Internal Coating and approved by Water Regulations Approval Scheme Ltd, U.K. (WRAS)	Five coat anticorrosive system developed and commercialised for Mumbai Trans Harbour Bridge. Its top coat is Fluoro polymer based which has Superior exterior durability	Bonded metallic for appliance which is alternate to chrome plating which has helped to reduce the toxicity

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, Thermo Setting Acrylic (TSA), Polyester Amino
- 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 Equipment.

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
- Fluoropolymer Coatings
- IPNet Coatings
- DTM Coatings
- Monocoat Metallic Coatings

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
- High Performance Anti-Corrosion Powder System

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.

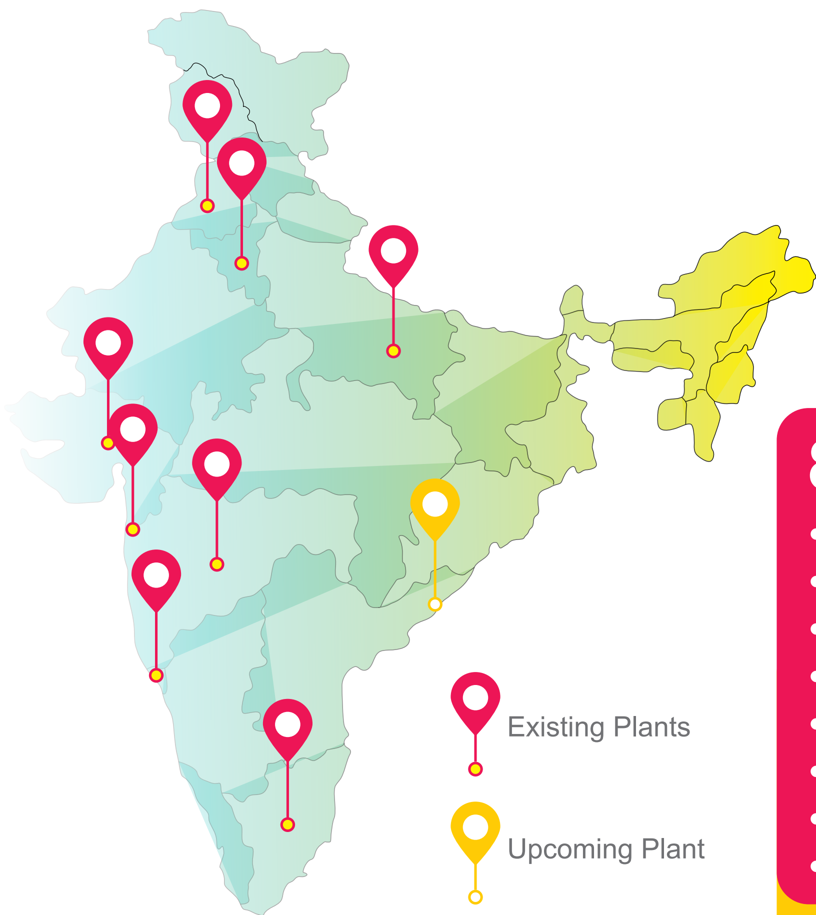
Key Products

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

Our Operational Footprint

Our operational footprint spread across the length and breadth of the country. All manufacturing units provide a strategic and geographical advantage in serving our OEM clients and customers. It provides the Company with a strong competitive edge. This year, Marpol Pvt. Ltd. and Perma Construction Aids Private Limited was merged with KNPL.

Sayakha Plant, Gujarat



Map not to scale. For illustrative purposes only.

8 PLANTS

- Jainpur, Uttar Pradesh
- Lote, Maharashtra
- Bawal, Haryana
- Hosur, Tamil Nadu
- Sayakha, Gujarat
- Goindwal Sahib, Punjab
- Kakoda, Goa (Marpol)
- Sarigam, Gujarat (Perma)

1 UPCOMING PLANT

Visakhapatnam, Andhra Pradesh

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 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

#1

Strategic priority

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.

#2

Strategic priority

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.

#3

Strategic priority

Building organisational capabilities

Cognizant 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.

#4

Strategic priority

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 IN ACTION

Strengthening the core

Strategic priority #1

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 need-based unique solutions for customers. Given below are some of them:

BUSINESS	Product
Commercial Vehicle	• High Weatherable Topcoat
Performance Coating	• "Neropoxy Solvent Free Coating" for Water Pipeline • Five-coat anticorrosive system for marine environment • Bonded metallic (chrome finish) for appliances
Decorative	• Excel Mica marble stretch and sheen • Nerolac zinc yellow primer (chrome free) • Beauty ceiling emulsion • Nerolac PU Enamel 10 in 1
Construction Equipment	• Damp Protect Exterior • Damp Protect Interior • Rapid Set
Adhesive	• Nerofix Super • Nerofix Smart • Nerofix AquaSmart
Wood Coating	• Nerolac Wonderwood-2K PU interior

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

Several Product/Solution created for automotive customers in close collaboration with Kansai Paint Co., Ltd., Japan

Segment	Product / Solution
4-Wheeler	• Developed high solid anti-chip primer with reduction in VOC • Metallic colours with 3C-1B Technology which offers lean process, energy conservation and high productivity have been introduced
2-Wheeler	• Matt Lacquer for Petrol tank of Motorcycle with superior mar & scrub resistance • Coating for Rotamould Nylon Petrol tank
3-Wheeler	• High Weather endurance topcoat

- *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	Products Pyrosin STACK F150, Pyrosin PX 3103 & STACK ACT 250 are taken from M/s Oshima & supplied to prestigious company for Chimneys which are exposed to high heat temperatures & chemical atmosphere internally.

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 (HM & MM)

	Cost Saving	Reduced Environmental Impact	Improved Productivity
No. of Product systems developed with impact on	6	12	5

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

Dealer	Painter / Influencer
ML Saathi App Database Migrated to version 2.0, which will help to increase Visibility and strategy alignment, along with better Digital Connect with deco dealers.	Upgraded "THE PRAGATI APP", which will help the painter to get the visibility about reward points, redemption, customised offers, real-time notification, painter profile and painter dashboard.
	Initiatives like enhanced loyalty programs, training workshops and painter meets.

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.

- *In the decorative industry, Augmentation of our environment-conscious "Healthy Home Paints" positioning with a complete line of 100% Heavy Metal Free by Design and Low VOC products that provide holistic painting solutions to consumers across a variety of pricing range, through introduction of innovative technology-based, cost-effective items.*

a) **Nerolac Excel Mica Marble Stretch and Sheen** is a highly durable water-based high-performance exterior paint designed with a unique flexible film technology that allows it to stretch up to 0.5mm to cover hairline paint cracks. It also comes with a 6-year-long warranty.

b) **Nerolac Beauty Ceiling Emulsion** is made with a specifically modified silicon acrylic binder that provides outstanding whiteness and resistance to splatter. This white ceiling paint's excellent concealing power and smooth texture assist to conceal small surface flaws. It dries rapidly to a matte sheen that is pleasing to the eye.

Multiple Teams

- *Alignment of organisational teams and skills across the value creation process to sharpen emphasis on varied client groups in order to seamlessly serve their individual demands and ensure that the business model is tailored to the transforming market dynamics.*

KNPL expanded into multiple niche segments and strengthening its market position in recent years. As a result, various teams were created to focus on each of these segments. With the addition of new products, the team ensured that the product portfolio was strengthened. These teams successfully developed full product range, expand distribution network, increase reach, and establish KNPL's presence in new markets.

Backward Integrated Manufacturing Facilities

- *8 (including Marpol & Perma) well-equipped 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*

Capacity Expansion

During the year, capacity expansions at our plants were completed.

1. Sayakha - Resin Manufacturing facility
2. Goindwal Sahib - Emulsion manufacturing capacity

Well-established Distribution Network

Pan-India presence through 99 sales locations and 30,500+ customers to reach out effectively to customers across regions.

Powerful Brand Focus

Nerolac PAINT+

Our new brand expression of PAINT+ is a testament to our commitment of providing world-class products that do more. The "+" represents our promise of offerings products and services that go beyond colour and meets evolving needs of customers.

Expanding the horizons

Strategic priority

#2

New Market Segments

For Adhesives, the company Nerofix set up in JV with Polygel undertook many initiatives around strengthening and augmenting its product range, securing various OEM approvals, developing connect with carpenters and strengthening distribution. Investment in expanding portfolio in PVA-based adhesives and masking tape has also been made this year.

For Construction Chemicals, integration of channel partners of Perma and the KNPL team has been completed. Further the emulsion-based waterproof coating has yielded a great response and continues to be a growth driver.

Increased focus on promising opportunities of coil / rebar / floor / pipe coatings and other specialty coatings in Industrial business, to deepen presence

The Company has witnessed significant growth in rebar coatings & powder coatings. We have also expanded our portfolio in pipe coatings through launching products for Water Pipeline Internal coatings, which has been certified by Water Regulations Approval Scheme Ltd, UK. This development places KNPL on a strong footing to enter this segment.

In coil coatings, KNPL has introduced a unique collection of products that provide clients with unique value. Despite the fact that the Company only entered this market a few years ago, its products have gained widespread acceptance. Our coil appliances were commercialised this year and have gained momentum in the market quite well.

Tie-up with ICRO for high-end Wood Coating products

For High-end Wood Coatings, KNPL further strengthened its tie-up with the Italian company ICRO Coatings. Focus on premium product range has increased significantly during the year. To ensure a strong presence in wood coatings, the Company is augmenting its PU category wood-coatings range.

We entered new market areas with the goal of expanding the product line and strengthening the Company's reach and presence in other markets. The Company's range of health and hygiene divisions was also broadened this year. (For further information, refer to the marketing section of the Management Discussion and Analysis Report (MDAR) of the Board's Report)

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.

Building organisational capabilities

Strategic priority #3

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 Capital 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*

Comprehensive cost management initiatives are undertaken at organisation level through cross-functional teams. Also, collaborative projects are undertaken with value chain partners for cost reduction and efficiency across the chain.

Delivering long-term sustainable value

Strategic priority #4

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 for with respect to requirements and implementation.

The Company tracks all regulatory compliances online, through the Legatrix system. The system is constantly updated regularly with all the changes in the compliances as they change. 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.

While ensuring compliance with the legislations and regulations of the paint industry, KNPL continues to broaden its sustainable horizons.

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 Materiality chapter, Our ESG Approach and Natural Capital of the Capital Section.

Our Value Creation Model

INPUT

Financial Capital

- Total borrowings **NIL**
- Total equity ₹**53.89** Crores
- Retained earnings ₹**4,117.04** Crores
- Capital expenditure ₹**229.00** Crores

Manufacturing Capital

- Number of Plants (Nos.) **8**
- Property, plant and equipment ₹**1,701.27** Crores
- Material Cost ₹**4,129.26** Crores

Intellectual Capital

- Spend on R&D (including capex) ₹**33.00** Crores
- Innovation and technical sessions held in different forums **126** Nos.
- Royalty ₹**16.87** Crores

Natural Capital

- Total Energy Consumption **444907** GJ (Within Organisation)
- Renewable Energy **231112** GJ
- Specific Water Consumption **1.16** KL/KL of (FG)
- Rainwater used in Process **8659** KL
- Green Belt **33%**

Human Capital

- Permanent Employees **3,105**
- Employee Training **4.2** (including safety) in mandays / employee / year

Social and Relationship Capital

- Raw Material Supplier Base **500+** Nos.
- Total Suppliers audited **13** Nos.
- CSR Spend ₹**14.06** Crores

VALUE CREATION PROCESS

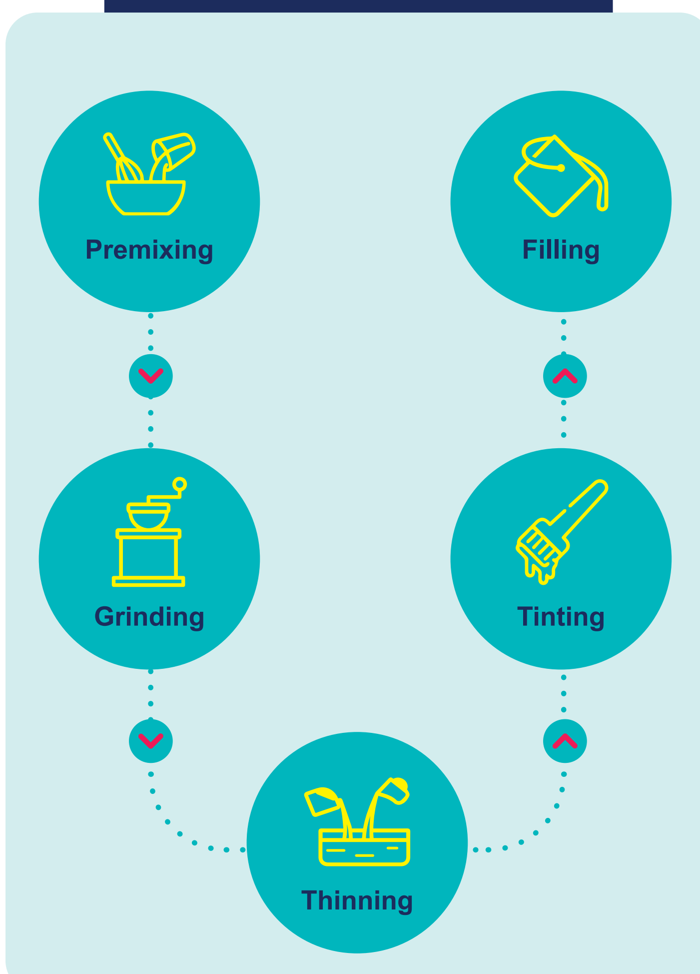
OUR PURPOSE

Create Environment for a healthy and beautiful future

OUR VISION

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

OUR MANUFACTURING PROCESS



OUTPUT AND OUTCOMES

OUR VALUES

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

BRAND PROMISE
Renew Life

BRAND EXPRESSION
PAINT+

Financial Capital

- Market Capitalisation ₹**25,178** Crores (As on 31st March, 2022)
- Revenue generated from Operations ₹**5,948.90** Crores
- EBITDA ₹**647.34** Crores
- PAT ₹**374.33** Crores
- Dividend paid including dividend distribution tax ₹**282.93** Crores (Paid during FY 2021-22)

Manufacturing Capital

- Increase in plant capacity **36** Million Litres

Intellectual Capital

- No. of Patents Filed **3**
- New Products Launched **46**

Natural Capital

- GHG emissions **39,410** MT of CO_2 Eq. (Scope 1+Scope 2)
- Hazardous Waste generated **0.23%** of Finished Goods
- Liquid Discharged **817*** KL
- GHG emission avoided **41%**
- Recycled / reused water **22.7%**

* (Including Marpol and Perma)

Human Capital

- Revenue per Permanent Employee ₹**1.92** Crores
- *GPTW Trust index **73%**

*Once in 2 years

Social and Relationship Capital

- New Raw Material Suppliers Added **7** Nos.
- Local sourcing **65%**
- Lives touched through CSR initiatives **95,065**
- Tax Paid ₹**490.41** Crores

Staying Engaged with the Stakeholders

Internal Stakeholders

Stakeholder Group	Business Partner	Shareholders & Investors	Employees
Stakeholder Importance	Our parent company 'Kansai Paint Co., Ltd., Japan' gives us technology know-how and support product development for automotive business	They provide financial capital for business growth and help improve business image	Employee skills, knowledge, experience and commitment guide our continued success
Channels of communication	• 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	• Review Meetings • Emails • Appraisals (Contest - Nerolac Premier League) • Employee Engagement Surveys • Work Line Portal, Training Programmes, Idea Management • Monthly Newsletter 'Impressions' • Town Hall Meetings • 'Coffee with HR' • Suggestion Schemes and Quality Circles • Advanced Business Skills Modules • Great Place to Work Survey • I am Nerolac App • Idea Management Portal
Purpose and scope of engagement	• Business Growth & Strategy • Risk Management • Corporate Governance • Financial Performance • Operational Performance • Technology Assistance	• Business Growth & Strategy • Risk Management • Corporate Governance • Financial Performance • Operational Performance	• Training and Skill Development • Employee Well-being • Employee Experience • Career Progression • Occupational Health and Safety
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	• Human Capital

External Stakeholders

Stakeholder Group	Customers	Suppliers	Community
Stakeholder Importance	Our success and sustained business growth are defined by meeting customer expectations in the given business climate	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
Channels of communication	• Emails • Meetings • Customer Satisfaction Survey • Multi-Stakeholder Platforms (Conferences, Knowledge-sharing Conclaves) • Grievance Redressal	• Emails • Meetings • Supplier Portal • Supplier Audits • Vendor Development Programmes • Vendor Performance /Rating • Multi-stakeholder Platforms (Conferences, Knowledge Sharing Conclaves) • Joint Value Creation Programme for Cost Competitiveness • Supplier Surveys	• Community Welfare Programmes • Community Visits / Meeting • Local Authority and Town Council Meetings
Purpose and scope of engagement	• Customer Satisfaction • Timely Delivery • Quality • Product Performance • Product Innovation • Technology Advancement • Long-Term Value Creation & Innovation	• Transparency • Sustainable Supply Chain • Procurement Practices • Capacity Building • Timely Payment • Innovation • Cost Reduction	• Improvements in Social Infrastructure • Skill Development Programmes • Health & Environment • Promoting Education • Sanitation and Safe Water Supply • Local Employment • Grievance Redressal
KNPL's response discussed in	• Social and Relationship Capital • Intellectual Capital	• Social and Relationship Capital	• Social and Relationship Capital

Materiality Assessment

Materiality is an important tool to identify key topics that are critical to our business performance and also interests our stakeholders. Analysis of these material topics helps us define our strategic goals and ambitions, and thereby institute an effective sustainability framework. Our materiality processes are in line with the Global Reporting Initiative (GRI) Standards Guidance.

MATERIALITY DETERMINATION PROCESS

- Identification & Assessment of Material Topics
- Prioritisation of Material Topics
- Set Strategic Goals and Targets
- Develop Action Plan
- Review of Performance

We conduct sectoral analysis, study industry peers, seek guidance from sustainability standards and frameworks, and based on our learnings from previous experiences, we identify a comprehensive list of material topics. The identified material topics are then prioritised based on our engagements with key internal and external stakeholders; and through senior management interactions. A suitable action plan is then instituted along with mapping of strategic goals and targets. The performances against the set targets are monitored and action plan is revisited as required.

MATERIALITY

During the reporting period, we have categorised our material topics under 5 broad areas: Decarbonisation, Resource Use, Quality of Life, Diversity and Governance

Decarbonisation

- Energy Management
- Emission Management
- Climate Change

Resource Use

- Water Management
- Waste Management
- Product Stewardship
- Responsible Product
- Sustainable Supply Chain

Quality of Life

- Human Rights
- Occupational Health and Safety
- Employee Engagement and Well-being
- Community development
- Customer Satisfaction

Diversity

- Gender Diversity
- Inclusivity

Governance

- Corporate Governance
- Risk Management
- Compliances
- Innovation / IP Management

Materiality Assessment

MATERIAL TOPICS

Materiality	Material Topic	GRI Topic	Boundary	Capitals Impacted
Decarbonisation	Energy Management	• GRI 302: Energy	Internal and External	• Natural Capital
	Emissions Management	• GRI 305: Emissions	Internal and External	• Natural Capital
	Climate Change	• Non-GRI	Internal and External	• Natural Capital
Resource Use	Water Management	• GRI 303: Water and Effluents	Internal and External	• Natural Capital
	Waste Management	• GRI 306: Waste	Internal and External	• Natural Capital
	Product Stewardship	• GRI 416: Customer Health & Safety	Internal and External	• Intellectual Capital • Manufacturing Capital • Social and Relationship Capital
	Responsible Product	• Non-GRI	Internal and External	• Intellectual Capital • Manufacturing Capital • Social and Relationship Capital
	Sustainable Supply Chain	• GRI 308: Supplier Environmental Assessment • GRI 414: Supplier Social Assessment	Internal and External	• Social and Relationship Capital • Natural Capital
Quality of Life	Human Rights	• GRI 412: Human Rights	Internal and External	• Human Capital • Social and Relationship Capital
	Occupational Health and Safety	• GRI 403: Occupational Health and Safety	Internal	• Human Capital
	Employee Engagement and Well-being	• GRI 401: Employment • GRI 404:Training and Education	Internal	• Human Capital
	Community Development	• GRI 413: Communities	External	• Social and Relationship Capital
	Customer Satisfaction	• Non-GRI	External	• Social and Relationship Capital

Materiality	Material Topic	GRI Topic	Boundary	Capitals Impacted
Diversity	Gender Diversity	• GRI 405: Diversity and Equal Opportunity	Internal	• Human Capital
	Inclusivity	• GRI 406: Non-discrimination	Internal	• Human Capital
Governance	Corporate Governance	• GRI 102: General Disclosures	Internal	• Financial Capital • Human Capital • Social and Relationship Capital
	Risk Management	• GRI 102: General Disclosures	Internal	• Financial Capital • Manufacturing Capital • Intellectual Capital • Natural Capital • Human Capital • Social and Relationship Capital
	Compliances	• GRI 307: Environmental Compliance • GRI 419: Socio-economic Compliance	Internal and External	• Financial Capital • Manufacturing Capital • Natural Capital • Social and Relationship • Capital
	Innovation / IP Management	• Non-GRI	Internal and External	• Financial Capital • Manufacturing Capital • Intellectual 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, OHS&E, 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 towards infrastructure growth which will provide great impetus to the economy

Rural Thrust

Budget focussed on increased spending towards agriculture

Increase in income of rural consumer

Environment

Increase in legislation brings more consciousness in saving cost, energy saving and sustainable paint product

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

Growing use of renewable energy

Specialty Niches

Speciality products in the form of Speciality coatings represents an opportunity for the company to leverage its technical strength i.e. Coatings for water pipeline

New Market sectors

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

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 and supply chain challenges

New Competition

New competitors are entering the market

Climate change / Unpredictable Monsoon

- Global warming
- Unpredictability of monsoon in India and change in rainfall pattern

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.

FINANCIAL RISK

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

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, key operational parameters are never compromised and we deliver on the promise that we make to 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 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.

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.

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, talent management and development.

COMMODITY RISK

There are several raw materials which are directly driven by crude oil. These are monitored on regular basis using pricing trends and forecast from internationally reputed news agencies. Appropriate coverage is taken on rising trends and inventory is cut in declining trends. Wherever direct correlation exists, cost sheet is monitored to calculate delta changes and accordingly purchase prices are decided. For metal-related buying, price indices such as 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 commodity risks.

CLIMATE CHANGE

Impact due to Climate change has been identified as an organisation risk and can impact our reputation and growth in the long-term. The company has created an organisational structure and framework with Board oversight to manage the climate change. As part of our mitigation plan to reduce the risk due to climate change, we plan to reduce the environmental impact of our operations through use of renewable energy, reducing our energy consumed per unit of paint produced, develop environment-friendly products, develop products with efficient resource use, collaborate with our supply chain partners and customers for reducing the carbon footprint in the whole value chain.

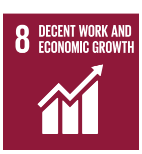
Nurturing our Capitals and ESG approach

We follow a triple bottomline (3P – People, Planet and Profit) approach and judiciously manage the six capitals (Natural, Human, Financial, Manufactured, Intellectual and Social & Relationship) to achieve our strategic objectives. As a responsible corporate citizen, we have mapped our capitals to the relevant United Nations Sustainable Development Goals (UN SDGs).

Natural Capital

Intellectual Capital

Financial Capital



Manufacturing Capital

Social and Relationship Capital

Human Capital


Governance
Manufacturing Capital
Financial Capital
Intellectual Capital
PROFIT
Sustainability
Human Capital
PEOPLE
PLANET
Natural Capital
Social & Relationship Capital
Risk Management Framework

ENVIRONMENTAL

Reducing Our Environmental Impact & Sourcing Sustainably

DECARBONISATION

Approach:

- Increase contribution of energy from renewable sources
- Adopt targets in line with Science-Based Target initiative (SBTi)
- Undertake risk assessment as per Task force on Climate related Financial Disclosures (TCFD) framework
- Reduce Specific Power Consumption (SPC)
- Green Belt Development

Commitment:

- RE 70 (70% Electricity from Renewable source) by 2030
- Carbon Neutrality
- Reduce Specific Power Consumption

RESOURCE USE

Approach:

- Reduce our water footprint by increasing water efficiency, rain water and recycled water consumption within our operations
- Improving water availability in the communities where we operate through watershed development projects
- Co-processing of waste across all plants
- Incremental Specific Water Consumption (SWC) and Specific Hazardous Waste Generation (SHWG) reduction targets
- Leveraging our R&D strength to develop green, sustainable, and responsible products

Commitment:

- Being Water Positive by FY 2024-25
- Divert waste away from landfill
- Increase sustainable product portfolio

SOCIAL

Empowering People & Communities

QUALITY OF LIFE

Approach:

- Community Development
- Promote Equality
- Employee Engagement
- Promote Human Rights
  - Robust Code of Conduct
  - Dedicated Internal Complaints Committee (IC)
- Promote Safe and Healthy Working Conditions

Commitment:

- Zero human rights abuse
- Zero incident-accident
- Foster behavioural-based safety culture

DIVERSITY

Approach:

- Fostering diversity and nurturing inclusivity by promoting advancement for our colleagues, culture, and communities
- Ensured no discrimination on the basis of gender, race, age, religion and ethnicity

Commitment:

- Achieve 2.5% gender diversity by Mar'24
- Achieve 0.25% for differently abled by Mar'24

GOVERNANCE
Empowering People & Communities

GOVERNANCE

Approach:
- Enterprise Risk Management
- Board Oversight
- Statutory Compliances
- Fair Practices across Value-Chain

Commitment:
- Zero non-compliances
- Reduce Enterprise Risk

Recognition

S&P
Featured in the Top Quartile of Global Chemical Industry S&P ESG Index in CSA 2021

CRISIL ESG Gauge
Ranked in Top Quartile in Indian perspective on ESG landscape - Manufacturing space and rated #1 in Paint Sector

NSE 50
Featured in NSE 50 Companies evaluated for ESG footprint

Participation

CDP
Responded to the CDP for Climate Change & Water Security

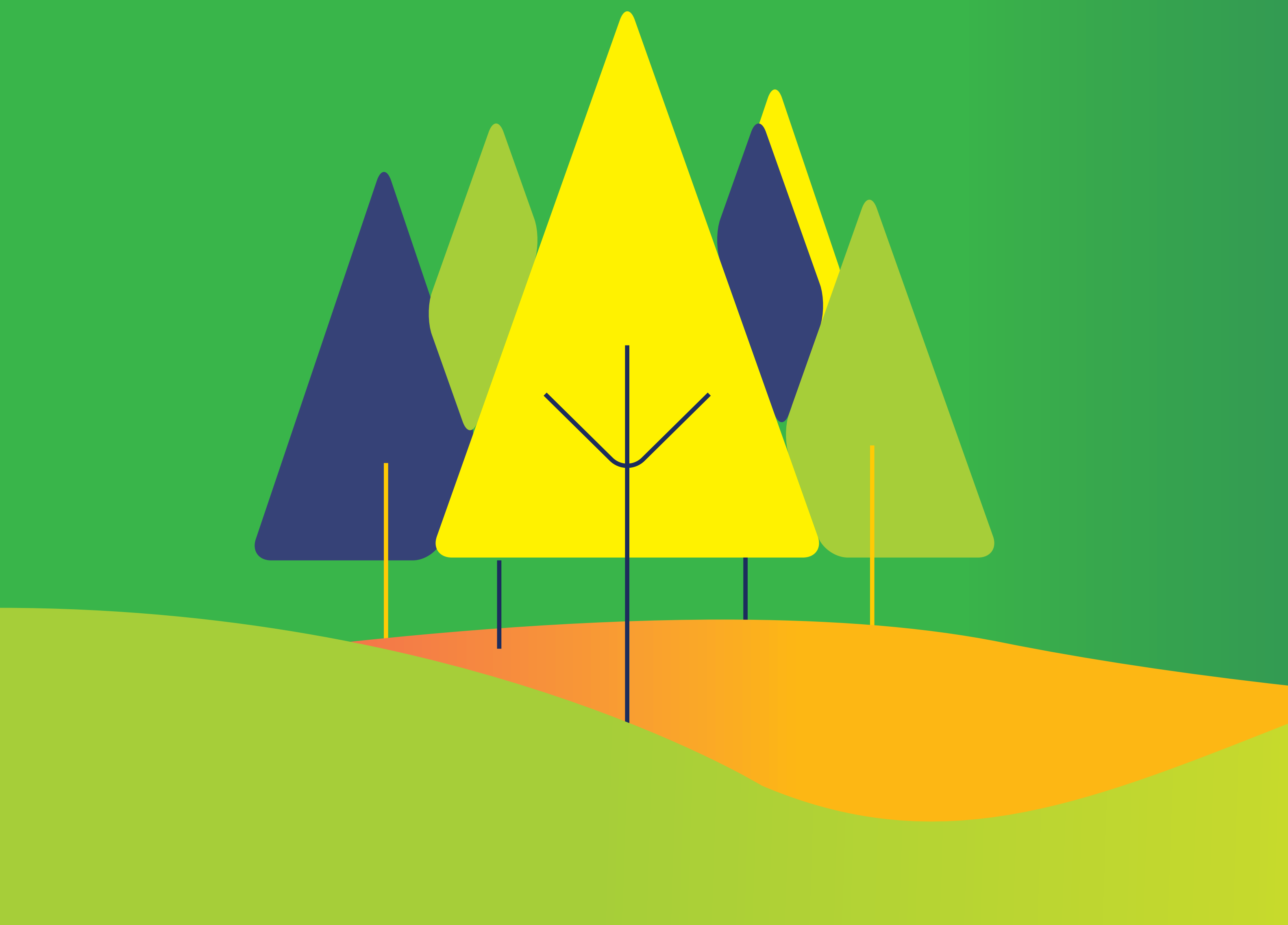
FTSE4Good
Remaining a constituent of the FTSE4Good Index

Assurance

Our disclosures on Key ESG parameters are independently assured by a third-party external agency (M/s Aneja Associates) based on International Standard on Assurance Engagement (ISAE) 3000. Additionally, the assurance has been given against the disclosures' adherence to the GRI's Sustainability Reporting Standards.

The assurance report can be accessed at our sustainability web-link: https://www.nerolac.com/corporate-sustainability/downloads.php

Natural Capital



As one of the most trusted and admired brands, we recognise our role in driving change for better. At KNPL, we have always been a front-runner in adopting newer concepts and manage our natural resources efficiently. With environmental stewardship at the core of our sustainable strategy, we are consistently focussing on the highest priority ESG issues. We are strengthening our long-term resilience by adopting a holistic approach and implementing pioneering initiatives in the areas of resource optimisation, carbon footprint reduction, circular economy, thereby building a sustainable value creation model.

Note:

For FY 21-22

Manufacturing Facilities includes 8 plants (including plants of merged entities - Marpol Private Limited and Perma Construction Aids Private Limited)

Organisation-wide includes 8 plants, R&D centre and Head Office

Natural Capital

Backdrop

These challenging times have made every individual and an enterprise realise the dynamic nature of changing global environmental issues and its impact on the ecosystem, as whole. Resource scarcity, climate change and environmental pollution have become pressing issues not only for livelihood but also for business and the planet at large. The World Economic Forum in their latest global risks perception survey has ranked 4 out of 5 top risks in terms of likelihood as environmental risks. At KNPL, with our strategic commitments we strive to minimise our environmental footprint and incorporate best practices to achieve our set goals and targets.

Response

With robust systems, structured processes and exacting standards in place, we take large strides towards attaining environmental stewardship. We adopt an end-to-end approach and consistently track our performance against the well-established comprehensive KPIs. Addressing the environmental issues has not only enabled us to ensure our compliances but also enhanced our brand reputation and thereby fostered our business growth. Our ESG commitment is reflected through our policies and frameworks; and is driven by our organisational ethos, our leadership's vision as well as our long-term action plans. We have adopted a company-wide OHSE (Occupational Health, Safety and Environment) policy aligning with ISO 14001 and ISO 45001 standards.

IMPACT ON SDGs

FOCUS OF OUR RESPONSE

- **Material Management**
  - Sustainable sourcing
  - Quality raw material procurement
  - Increase resource efficiency
- **Energy Management**
  - Energy-efficient operations across facilities through varied ENCON initiatives
  - Maximising our renewable portfolio in our total energy consumption
- **Emission Management and Climate Change**
  - Reduce GHG Emission Intensity
  - Improved air quality
  - Commitment to Science Based Target initiative (SBTi)
- **Water Management**
  - Reduce Specific Water Consumption (SWC) by reducing freshwater consumption
  - Increase usage of rainwater in process
  - Water replenishment through watershed development projects under CSR in neighbouring areas
- **Waste Management**
  - Reduce Specific Hazardous Waste Generation (SHWG) by reducing process waste generation
  - Divert Waste away from Landfill
  - ZERO Liquid Discharge
  - Reduction of Plastic waste in line with Extended Producer Responsibility
- **Greenbelt Development**
- **Ensuring Environmental Compliances**

Material Management

Being a paint manufacturing industry, our major input raw materials comprise pigments, binders, additives and solvents. We consciously use these materials and embrace resource efficiency. We continuously strive to reduce our material losses and achieve the conversion of raw materials into finished goods to the maximum extent.

Thrust areas

Sustainable Sourcing

- Focus on identification and adoption of materials derived from renewable source
- Engaging suppliers on ESG and procuring quality materials from suppliers who have a sustainability program in place.

Performance

Over 65% of our materials are sourced from suppliers who have a formal sustainability program in place.

Thrust areas

Resource Efficiency

- Process automation for improved accuracy and reduced material loss
- Close-loop manufacturing process
- Robust controls on material additions
- Adoption/promotion of various reuse and recovery initiatives

Performance

Packing Materials

In FY 2021-22, we consumed 32,348 MT of packing material which included metal tins, drums, plastic barrels, containers, plastic bags among others. At present, we have initiated using recycled plastic in our plastic containers for specific products and going forward we intend to increase the content of recycled materials in our packaging and extend to other range of products as well. We are closely working with our value chain partners to meet the common goal and drive sustainable packaging.

During the reporting period, we recovered approximately 17.6 MT of TiO_2 with De-dusting machines across KNPL.

Energy Management

Energy efficiency enhancement is one among the key environmental indicator for us. We continue to remain committed in reducing our energy footprint and are constantly driven to undertake varied energy-saving initiatives; moving to environmental friendly and cost-effective options.

Thrust areas

Energy Efficiency Enhancement

- Adoption of measures to reduce energy consumption and augment per watt productivity
- Reduce Energy intensity - Specific Fuel Consumption (SFC) and Specific Power Consumption (SPC)

Approach:

At KNPL, progress in energy management is measured through key indicators of specific power consumption, specific fuel consumption, Green Power capacity addition, % Green Power, Power factor controls, Fuel mapping and switching to greener options.

Performance

In FY 2021-22, we consumed 4,44,907 GJ of energy within the organisation, while our overall energy intensity was 1.24 GJ/ KL of FG.

Method of Calculation

Energy Intensity is ratio of Total energy (Fuel + Power + Heat and Steam) consumed within factory premises organisation-wide (Manufacturing facilities, R&D centre and Head Office) to Total Production of Finished Goods during specified period.

Specific Power Consumption (SPC) (KWh/KL of FG)

FY 21-22	**171**
FY 20-21	180
FY 19-20	184
FY 18-19	185
FY 17-18	182
FY 16-17	183
FY 15-16	188

Method of Calculation

Specific Power Consumption is ratio of electricity consumed (from all sources) at Plants to Total Production of Finished Goods during specified period. Electricity consumption is sum of electricity received from grid (i.e. state electricity board), electricity generated from DG set and electricity from renewable energy sources at respective manufacturing facility.

Specific Fuel Consumption (SFC) - Manufacturing Facilities (LT/Ton of Resin)

FY 21-22	**49**
FY 20-21	48
FY 19-20	46
FY 18-19	50
FY 17-18	49
FY 16-17	53
FY 15-16	57

Method of Calculation

Specific Fuel Consumption is ratio of fuel consumption in boilers at Plants to Total Resin Production during specified period.

14% reduction

Specific Fuel Consumption (Manufacturing facilities) since FY 2015-16

Focussed approach and consistent work along the lines of "Energy security" theme has helped us reduce our energy cost Y-o-Y; at the same time adopt environment-friendly technologies thereby reducing our Carbon footprint. In the current year, our focus was to improve the efficiency of systems at plants. Replacement of conventional pumps/ motors with energy efficient options, conversion of motors starters to star / delta based on loading pattern, installation of cyclic timers on mixers, descaling of water jackets were undertaken thereby reducing overall power consumption which led to improvement of energy efficiency.

9% reduction

Specific Power Consumption (Manufacturing facilities) since FY 2015-16

Energy is also used in the form of steam and heat in our manufacturing processes. Most of the steam and heat requirements are being met through biofuel and biomass based solid fuel boiler.

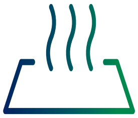
Thrust areas

Diversification of Energy-mix

- Increasing renewable portfolio – Solar and Wind power
- Transitioning to cost-effective and environment-friendly cleaner fuels
- Sustaining our consumption of heat and steam through biofuels and biomass based boiler

Heat & Steam generation through Biomass based Boiler

17,293
Total steam consumption (MT)



1,93,807
Total heat consumption (Lakh Kcal)

Approach:

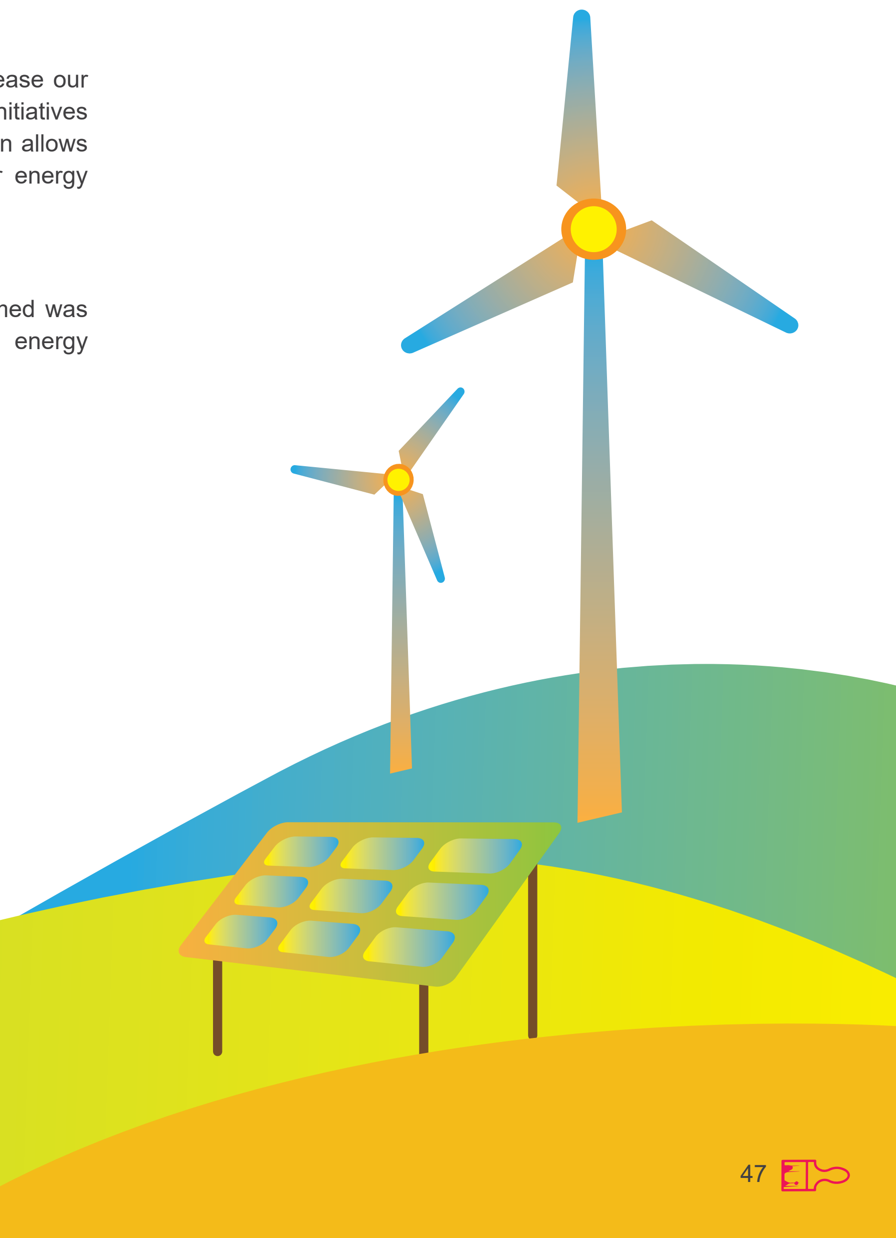
We constantly search for alternate sources to increase our share for green-energy and accordingly plan our initiatives based on the feasibility and applicability. This in turn allows our facilities to be increasingly self-reliant in their energy needs, and thereby reduce the carbon footprint.

Performance

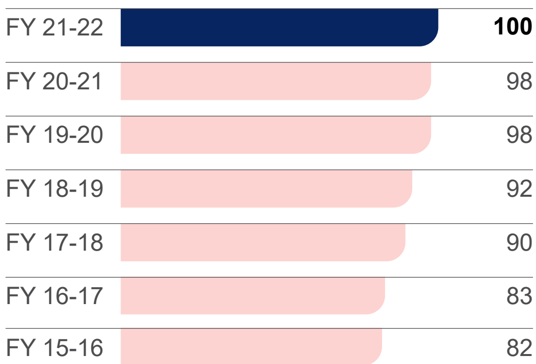
In FY 2021-22, the total renewable energy consumed was 2,31,112 GJ which accounts to 52% of our total energy consumption.

% of Electricity from Renewable sources - Manufacturing Facilities

FY 21-22	**31**
FY 20-21	30
FY 19-20	23
FY 18-19	19
FY 17-18	14
FY 16-17	6
FY 15-16	3



% of Process Heat & Steam - Manufacturing Facilities



During the reporting period, the following Carbon Neutrality projects were commissioned which enabled us to further increase our green footprint in the overall energy mix.

- Increase in green power quantum through 3rd party sourcing at Hosur plant
- Increase in quantum through Group captive wind power at Hosur plant
- Switching to Piped Natural Gas at Bawal which is a clean and environment friendly fuel

Renewable Group Captive at Jainpur

Energy cost is a major contributor in an overall operating cost of a manufacturing plant. “Group captive” offers dual benefits - cost optimisation and increase in green power.

“Group Captive” mode is one of the OPEN ACCESS arrangements, wherein we can purchase power at lower tariff as compared to State Electricity Board tariff.

In order to reap the benefits of the same, we have executed a Power Purchase Agreement (PPA) and a Shareholders Agreement (SHA) with one of the reputed developers. Under this arrangement, we have tied up for 5.75 MW solar power sourcing equivalent to 6.7 Lac units a month. Through this partnership, we aim to achieve a cost savings of ₹190 Lacs.

Way Forward

Energy Efficiency enhancement

Going ahead, we have an action plan in place for Energy efficiency improvement:

- EMS implementation for real-time monitoring of Energy trends and timely corrections for any deviations
- Auto synchronisation of DG sets based on load for better efficiency
- New Technologies - Infinite uptime real-time vibration monitoring system for complete analysis of rotating equipments for energy usage optimisation

Additionally, we have undertaken multi-year plan for Implementation of IoT-based energy management system across KNPL comprising of energy dashboards and trends which will giving meaningful insights.

Diversification of energy-mix

- **Solar Capacity augmentation**

  We have gone with two-pronged approach for solar capacity augmentation wherein we plan to replace hazardous asbestos roof sheets with Galvanised colour coated sheets and subsequently add on solar power panels.
  - Solar rooftop capacity addition of 1.2 MW at Bawal
  - Solar rooftop capacity addition of 0.6 MW at Jainpur

Our current solar power capacity stands at 5.3 MW, and through above implementation we plan to increase the solar power capacity by 7.1 MW.

Captive Wind Power augmentation

- Captive wind turbine at Hosur of 4.2 MW

Alternate power sourcing

- Group Captive Power sourcing capacity of 5.7 MW at Jainpur plant
- Third-party Power sourcing of ~1.25 MW at Lote

By FY 2022-23, we aim to source 41% of our total energy consumption through renewable energy sources.

OUR COMMITMENT

Achieve **70%** of renewable contribution in our overall power mix

Climate Change and Emission Management

Climate change is a global risk with nations and businesses urged to move towards low-carbon economy and meet goals determined under UN SDG 13 – Climate Action. At KNPL, we understand our responsibility of tackling climate change and therefore set over-arching targets to reduce our carbon footprint through our operations, sensitise our value chain on the impact and have Board-level oversight to mitigate the forecasted risks. In addition to GHG emissions, we also track and curb other significant air emissions caused due to our operations.

Thrust area

GHG Emission Reduction

- Increasing renewable portfolio – Solar and Wind Power, Cleaner Fuels
- Consistent tracking and monitoring of our GHG emissions through customised GHG Accounting Tool
- Dedicated EHS and Climate Change Framework
- Detailed Scope 3 inventorisation
- Establish GHG reduction targets in line with Science Based Target initiative

Approach:

At KNPL, we undertake varied energy conservation initiatives and have deployed plans to gradually increase our green energy portfolio. We also have a dedicated EHS and Climate Change framework comprising of EHS & Climate Change Apex Committee and EHS & Climate Change Task force that periodically monitors the progress and performance.

Performance:

GHG Emissions Data – Organisation-wide				
Financial Year	Scope 1	Scope 2	Total Emissions (Scope1+2) (MT of CO_2 eq)	Emission Intensity (MT of CO_2 eq/KL of FG)
2015-16	6886	36532	43418	0.16
2016-17	6449	38273	44722	0.16
2017-18	5461	40228	45689	0.15
2018-19	4111	40672	44783	0.14
2019-20	1419	36721	38140	0.13
2020-21	1087	31969	33056	0.11
2021-22	2777	36633	39410	0.11

Increase in absolute emissions is due to the incorporation of 2 additional Manufacturing facilities – Marpol (Goa) and Perma (Sarigam) in our scope

Method of Calculation

GHG Emission Intensity is the ratio of GHG emissions (Scope 1 + Scope 2) to Total Production of Finished Goods during specified period.

31% reduction

GHG Intensity (Organisation-wide) since FY 2015-16

Types of GHG Emissions accounted	Activities
Scope 1 GHG Emissions: Direct GHG emissions	• Captive power generation from DG • HSD consumption in boilers
Scope 2 GHG Emissions: Indirect GHG emissions	• Power imported from grid

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. Relevant industry standard emission factors and emission factors prescribed by the Intergovernmental Panel on Climate Change (IPCC) have been used appropriately to determine GHG emissions.

Note:

Till FY 2020-21, we published Scope 3 emissions as well including the following categories:

- Category 4: Upstream Transportation and Distribution
- Category 6: Business Travel
- Category 7: Employee Commuting
- Category 9: Downstream Transportation and Distribution

However, this year, we have partnered with subject-matter experts to evaluate our detailed Scope 3 inventorisation to ensure completeness and correctness of the total emissions. We have identified the relevant categories applicable to our organisation:

- Category 1: Purchased Goods and Services
- Category 2: Capital Goods
- Category 3: Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2
- Category 4: Upstream Transportation and Distribution
- Category 5: Waste Generated in Operations
- Category 6: Business Travel
- Category 7: Employee Commuting
- Category 8: Upstream Leased Assets
- Category 9: Downstream Transportation and Distribution
- Category 10: Processing of Sold Products
- Category 11: Use of Sold Products

At present, we are in the process of evaluating our Scope 3 emissions under these categories and would update the same on our web-link post completion. This exercise would also help us establish emission reduction targets in line with Science based Target initiative (SBTi), establish an Internal Carbon Price (ICP) and move closer to the target of becoming Carbon Neutral.

We undertake an incremental target of reducing our GHG emission Intensity by 5% year-on-year.

CDP During the reporting period, we responded to CDP questionnaire for Climate change and secured a rating of C (Awareness: Knowledge of impacts on, and of, climate issues). As a responsible organisation, we aim to improve this rating in coming years.

Thrust areas

Improved Air Quality

- Diligent monitoring – Ambient air quality, stack emissions, VOC levels
- Deployment of advanced air pollution control devices
- Adoption of refrigerant gas with zero ozone depleting potential

Approach:

The emissions and air quality levels are periodically monitored by external agencies. All our manufacturing sites have requisite controls and measures in place to manage these emissions and ensure the levels well within the prescribed limits. We ensure compliance with limits recommended in the National Ambient Air Quality Standards (NAAQS) 2009.

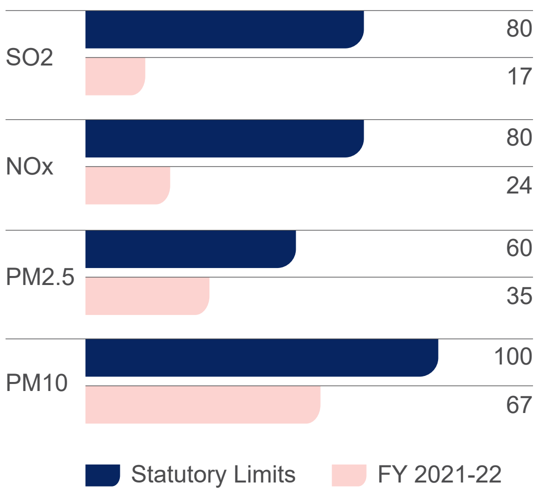
In addition to conventional air pollution control devices like Air Handling Units (AHUs), Dust Collectors, Fume Extractors, and Forced Draft Ventilation systems, we have also installed Scrubbers in the resin area and Cyclone Separator in solid fuel boilers to reduce Suspended Particulate Matter (SPM). Our vents are equipped with Activated carbon filter to filter air emissions before discharge into ambient atmosphere.

For continuous monitoring, provision of online stack monitoring systems are made to ensure compliance with permissible limits.

In regards to ODS emissions, ozone depleting R-22 refrigerant is in use only in limited quantities at old facilities for work-area air conditioning; while R-134a and R-407c, refrigerant gas with zero ozone depleting potential is majorly used organisation-wide.

Performance:

Ambient Air Quality (µg/m3) - Organisation-wide



For the reporting period, our VOC Concentration was 21 ppm.

Way Forward

With an objective of improving our performance in emission reduction and minimising the impact of climate change, we have already initiated multiple actions with a subject-matter expert – detailed scope 3 inventorisation, alignment of disclosures in line with the Task-force on Climate related Financial Disclosures (TCFD) framework and establishing targets for emission reduction in line with Science Based Target initiative (SBTi). This would not only help us in achieving completeness in GHG reporting but also develop a Decarbonisation Roadmap and embrace the concept of Internal Carbon Pricing to shift investments to low-carbon alternatives.

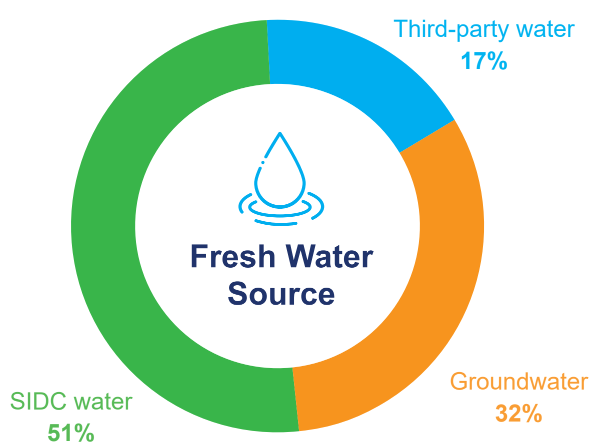
OUR COMMITMENT

Roadmap to Carbon Neutrality

Water and Waste-water Management

Rapid growth in global population, industrialisation, climate change is adding pressure on the most precious resource – water. Water scarcity, access to quality fresh-water and increased water cost has emerged as a global risk in these unprecedented times. At KNPL, we understand our responsibility and set stringent water management goals. Owing to the nature of our industry, we consume water not only for our utilities, cleaning, horticulture and domestic purpose, but it is also a critical raw material for our water-based paints.

Our freshwater requirement is met through - groundwater, State Industrial Development Corporation (SIDC) water supply and third-party water supply.



Thrust areas

Reduce Freshwater Consumption

- Diligent monitoring of freshwater consumed
- Adoption of sustainable water management measures to limit our water footprint
- Increase usage of recycled water and rainwater through water management projects and initiatives within our operational limits
- Periodic review of water-related risks

Approach:

In regards to water management, we continue to adopt water conservation initiatives within our operations and ensure horizontal deployment of same across all our facilities based on the feasibility. We continuously measure and track our fresh water withdrawal and total water consumption through a water accounting tool. This helps us not only to improve our water efficiency but set internal as well as external benchmarks to achieve highest level of water security. We take a continuous target of to reduce our Specific water consumption (freshwater) by 5% per year for gradual improvement.

Key Water Conservation Initiatives

- Drip irrigation system
- Faucet-type and sensor-based taps
- Reuse of Utility RO reject water and AC condensate water in process
- Provision of filter at cooling tower area for recycling of reactor drained water

We also conducted third-party water audits at our Jainpur and Hosur facilities in line with the Central Ground Water Authority (CGWA) guidelines. These audits have helped us identify areas of improvement and shall enable us to improve our water efficiency further.

In FY 2021-22, we continued to use rainwater within our factory premises for process as well as other non-process use at Lote and Sayakha. Aligning to our water management goals, we are in the process of increasing the rainwater usage within our operational bounds at other locations as well.

Our major manufacturing facilities are ZERO Liquid Discharge (ZLD) facilities. For effluent management, we adopt a two-pronged strategy – reduction at source and reuse. We have dedicated treatment facilities for domestic and industrial effluents and in-house laboratory to monitor the quality of effluent across all our major manufacturing facilities. Our ETP treated water is reused for utility make-up while the STP treated water is reused for gardening and toilet flushing.

During the reporting period, we have internally conducted an exhaustive water risk assessment. Through this assessment we have identified and prioritised our key water-related risks and its impact on our stakeholders. Based on the current mitigation and control measures, we have drafted our action plan to reduce the risk levels and ensure water security alongside our business growth.

Performance:

Water Withdrawal

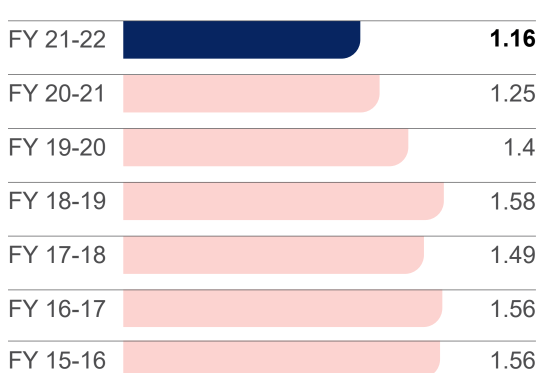
In FY 2021-22, our figure for organisation-wide water withdrawal stood at 4,21,658 KL.

Water Consumption

Our organisation-wide total water consumption for the reporting period was 5,56,369 KL, of which 8,659 KL was rainwater while 1,26,052 KL was recycled water. Our organisation-wide Specific Water Consumption (SWC) was 1.18 KL/KL of FG while our Specific Water Consumption for our manufacturing facilities accounted to 1.16 KL/KL of FG.

Our recycled water consumption increased from 10% to 23% since FY 2015-16.

Specific Water Consumption - Manufacturing Facilities (KL/KL of FG)



Method of Calculation

Manufacturing Facilities - Specific Water Consumption is ratio of fresh water consumed in Plants to Production of Finished Goods during specified period.

Organisation-wide - Specific Water Consumption is ratio of fresh water consumed organisation-wide (Plants + R&D centre + Head Office) to Production of Finished Goods during specified period.

26% reduction

Specific Water Consumption (Manufacturing Facilities) since FY 2015-16

Rainwater usage in process (KL) - Manufacturing Facilities

FY 21-22	**8,659**
FY 20-21	7,800
FY 19-20	10,361
FY 18-19	8,574
FY 17-18	5,834
FY 16-17	6,476
FY 15-16	4,300

Water discharge:

We have ZLD across our major manufacturing facilities; however our newly merged unit at Sarigam collects domestic effluent generated from the facility in a septic tank. The effluent is then transported through a tanker and discharged outside factory premises. Our total waste water discharge for the reporting period was 817 KL.

Zero Liquid Discharge

One of our manufacturing facilities is located at Goindwal Sahib which is identified as water-stressed area.

- Water withdrawal (fresh water) – 37,573 KL
- Water consumption – 41,742 KL
- % water recycled – 10%
- Specific water consumption (SWC) (freshwater) – 0.94 KL/KL of FG
- 13% reduction in SWC
- Ensured ZERO Liquid Discharge

CDP **During the year, we attained a 'B-' rating (Management: Taking coordinated action on water issues) for our response to Carbon Disclosure Project (CDP) – Water Security questionnaire.**

Thrust areas

Water restoration

- Water replenishment through watershed development projects in the areas we operate in under CSR.

Approach:

As a responsible corporate citizen, we have continued our efforts to offset our freshwater consumption and help nearby communities by providing access to quality fresh water. We undertake offsite watershed management projects like pond restoration, deepening and desilting of water bodies among others. These projects help us to stay in tune with our strategic long-term commitment of becoming Water positive organisation.

Performance:

In FY 2021-22, we undertook watershed development projects (4 nos.) at Sayakha and Hosur and provided rain water harvesting facility at Nursing College and DC Office at Goindwal Sahib. Through these projects, we have been able to create a storage capacity of 1.89 Lac KL.

Pond restoration at Vohrasamni and Argama Villages at Sayakha:

Under the Gujarat Government driven 'Sujalam-Sufalam' scheme, we have adopted two village ponds for restoration and increase rainwater recharge. We have carried out deepening and desilting activity to increase the water storage capacity of the water bodies and construction of protection wall, thereby increasing the supply of water to nearby villages for irrigation purpose. Through this, the natural percolation of water would also increase thus raising the groundwater level as well. In addition, we have also planted 800 trees along the periphery of the ponds.

Through these projects, over 4,500 people in nearby villages would be benefited.

Before - Pond Renovation (Argama Village)

After - Pond Renovation (Argama Village)

Lake expansion at Rangopanditha Agraharam and Moranapally Villages at Hosur:

With an objective to expand the existing lake by removing the encroachment around the lake and clearing the bushes, we were successful in not only expanding the waterbody but also restoring it. We have carried out deepening and desilting activity to increase the water storage capacity of the water bodies which would also increase the percolation thereby raising the groundwater level in the village area. To improve the landscaping around the lake, we have also planted around 1,000 trees along the along the periphery of the lakes.

Through these projects, over 20,000 people in nearby villages would be benefited.

Way Forward

We would continue to work in following key areas: reduce freshwater consumption; increase usage of recycled/reused water; increase usage of rainwater in process; and water replenishment in nearby villages through CSR to stay in tune with our commitment and achieve our Water-positive Target.

OUR COMMITMENT

Water Positive by FY 2024-25

Waste Management

Conscious waste management has become pivotal for every business as it not only impacts the ecology but also has a hit on business growth due to its management cost. We realise that our operations generate a significant quantity of waste; both hazardous as well as non-hazardous and therefore we adopt industry best practices and set challenging goals for effective waste management.

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

Thrust areas

Judicious Waste Management

- Dedicated storage for category-wise waste in scrap yard across all plants
- Systematic tracking of the quantity of waste generated and waste disposed
- Ensure proper waste disposal – diverting waste away from landfill
- Imbibing the principle of 3R – Reduce, Reuse and Recycle
- Sensitisation of employees on waste handling methods

Approach:

We believe the best way to reinforce judicious waste management is to reduce waste generation at source, reuse and recycle to the maximum extent. During the reporting period, we undertook several initiatives for waste minimisation and diversion of waste away from landfill.

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
- **Reduce Cleaning Frequency**
  - Product changeover minimisation
  - Same shade scheduling in line through advance planning
- **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
- Drums and barrels
- Take-back mechanism with suppliers supplying raw materials in plastic bags

Recycle

- Barrels/Tins are recycled through authorised vendors
- Plastic waste, corrugated boxes and metal scrap generated within factory premises is recycled through authorised vendors
- Raw materials procured in recyclable packaging material
- E-waste sent through buy back programme

As a sustainability objective, we take an incremental target of 5% reduction of our Specific Hazardous Waste Generation (SHWG) year-on-year.

Scrap Yard - Sayakha

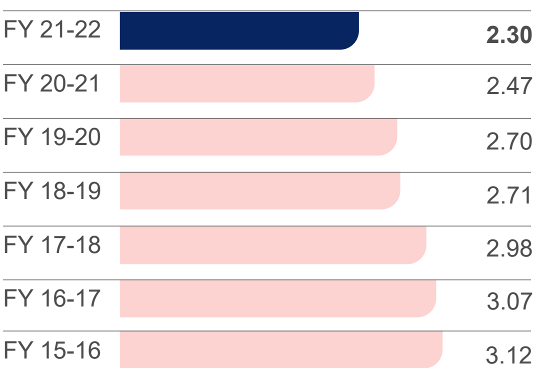
Performance:

Waste Generation:

In FY 2021-22, our organisation-wide total waste generation was 12,579 MT, of which 827 MT was hazardous waste, 21 MT was e-waste, 0.09 MT was bio-medical waste while the rest was non-hazardous waste.

Our organisation-wide Specific Hazardous Waste Generation (SHWG) was 2.31 Kg/KL of FG while our Specific Hazardous Waste Generation for our manufacturing facilities accounted to 2.30 Kg/KL of FG.

Specific Hazardous Waste Generation - Manufacturing Facilities (Kg/KL of FG)



Method of Calculation

Manufacturing Facilities - Specific Hazardous Waste Generation is ratio of hazardous waste generated in Plants to Production of Finished Goods during specified period.

Organisation-wide - Specific Hazardous Waste Generation is ratio of hazardous waste generated in Plants and R&D centre to Production of Finished Goods during specified period.

26% reduction

Specific Hazardous Waste Generation (Manufacturing Facilities) since FY 2015-16

Waste Disposal:

At KNPL, the waste generated is segregated and then disposed as per statutory requirement and applicable norms to authorised Treatment, Storage and Disposal Facilities (TSDFs), who then dispose, reuse or recycle it as applicable. We have been successful in diverting most of our hazardous waste away from landfill through adoption of co-processing of hazardous waste to cement kilns.

35%

of the total waste generated is **recycled or reused** within factory premises.

We have deployed bio-composting machines across our major manufacturing locations. Through these machines, we converted 29 MT of organic canteen/food waste into 14 MT of high quality manure which is used internally in gardens and horticulture purpose.

This has not only helped us to manage organic waste efficiently but also reduce our carbon emissions, minimise methane formation and divert waste away from landfills.

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.

Plastic Waste Management:

At KNPL, we have taken concerted efforts to reduce our plastic waste generation through our manufacturing facilities. Through rigorous due-diligence process and constant communication, we encourage suppliers to substitute plastic with alternate materials or implement a take back mechanism. During the reporting period, we ensured zero procurement and usage of packing material less than the thickness limit in microns set by the regulatory bodies.

Extended Producer Responsibility (EPR)

With the evolving regulatory landscape around plastic waste management, the new rules and obligations under the provision of Extended Producer Responsibility has set over-arching EPR targets for Producers, importers and Brand-owners. We, at KNPL, have initiated our efforts to meet the targets laid under EPR and tackle the challenge of eliminating plastic waste from the ecosystem to the maximum extent. We are currently in the process of our registering ourselves on the newly launched centralised e-portal by Central Pollution Control Board (CPCB). We have also associated with external agency to ensure diligent collection, treatment and disposal of post-consumer plastic waste in line with the EPR target and maximum traceability. Our technical team is also working closely with our packing material suppliers to increase recycled plastic content and optimise the packaging weight, without affecting the performance characteristics of the packaging.

Way Forward

Going ahead, we plan to achieve maximum waste reduction at source and undertake a detailed waste inventorisation study to align our waste-related disclosures with the requirements of varied frameworks. We also plan to associate with other waste to energy plants and cement industries so as to achieve zero waste to landfill through co-processing in coming years.

OUR COMMITMENT

Diversion of waste away from Landfill

Greenbelt Development

We understand the importance of green-cover as it not only helps to improve air quality but also tackles other environmental issues like climate change, soil degradation and wildlife conservation. At KNPL, we undertake various tree plantation drives not only within our operational bounds but also beyond our operational limits. Tree plantation outside factory premises are carried out under CSR activities.

At present, a total of 53,811 trees are planted inside factory premises across all locations of which 6,564 trees were planted in FY 2021-22. Also against the target of planting 5,000 trees outside factory premises, we have planted 6,760 trees.

Compliance with the 33% Greenbelt requirement of CPCB is ensured across all manufacturing facilities.

Going ahead, we have planned tree tagging exercise across all locations to have the traceability and ensure the survival rate of the trees planted within our operational limits. We have also taken a target of planting 5,000 trees outside factory premises in FY 2022-23.

Tree Plantation

Environmental Compliances

At KNPL, adherence to compliances is diligently tracked and monitored on periodic basis. We have stringent systems and controls in place to ensure all 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

For procurement and upgradation of assets for environmental monitoring, effluent treatment, water conservation, energy efficiency, harnessing renewable energy, emergency preparedness and safety equipment at existing plants, a capital expenditure of ₹7.07 Crores was spent. An additional amount of ₹5.32 Crores was spent in the form of revenue expenditure at our existing plants.

Our disclosures for energy management, GHG emissions, water management and waste management have been independently assured by a third-party external agency based on International Standard on Assurance Engagements (ISAE) 3000. Additionally, the assurance has been given against the disclosures' adherence to the GRI's Sustainability Reporting Standards.

Intellectual Capital

Over our 102 years of existence, KNPL has built a repertoire of intangible and knowledge-based assets. Innovation and technology integration are strategic cornerstones for Enhanced Performance and Business Excellence at KNPL. We aim to meaningfully engage with our parent company Kansai Paint Co., Ltd., Japan and Kansai Group companies to provide world-class technology and deliver best-in-class sustainable solutions goods to our consumers. Product innovation, technological advancement, process improvement, and expanding digital capabilities are all part of our innovation management.

Intellectual Capital

Our deep-rooted understanding of Paints & Coatings; our brand, which evoke feelings of Trust & Care in the minds of our consumers is what we accomplish as the most essential aspects of our intellectual capital. This capital supports our objective of discovering growing markets and improving engagement with all stakeholders, as well as our image as a company that achieves greatness through knowledge.

Backdrop

We understand that our potential to adapt to the ever-changing business environment and increasingly competitive market is critical to our long-term success. Customer-centric innovation is critical to a company's success. Customers' needs and preferences is constantly evolving in today's world. Our key obligation is to keep up with these shifts and provide our customers with unique products and solutions. We make a concerted effort to improve our core strengths, innovation and technology while focussing on portfolio expansion.

Response

We meet our customer needs through pioneering innovative and globally best-in-class products and solutions across diverse market segments. We resolve to strengthen our in-house capabilities by leveraging the vast unique knowledge resource of Kansai Paint Co., Ltd., Japan, and its group companies across the world. We would continue to collaborate with our global technology partners Oshima Kogyo Co. Ltd, Japan, Cashew Co. Ltd, Japan, and Protech Chemicals Limited, Canada to develop unique products and solutions for our customers.

IMPACT ON SDGs

FOCUS OF OUR RESPONSE

- Creating a product & service portfolio that are best-in-class, sustainable, and user-friendly
- To be one of the country's most advanced and technology-driven organisations
- To develop advanced solutions in niche segments (adhesives, construction chemicals)

Intellectual parameters of our response

Best-in-class R&D infrastructure, including sophisticated technologies & cutting-edge equipment

Investments in R&D to perform ground-breaking research, facilitate creative product creation, and produce high-quality products for well-being of people and environment

Constant efforts to develop new and value-added products

Augmenting R&D

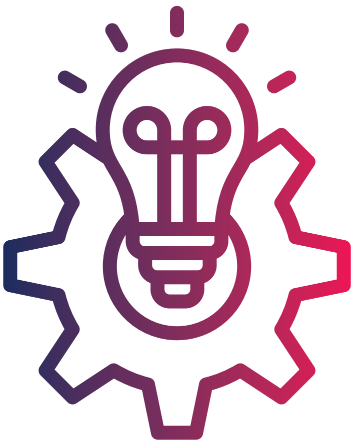
We try to upscale our R&D capabilities by constantly investing in the R&D infrastructure, development of human capital, research and analysis. We use our R&D strengths as a winning strategy in the marketplace through development of unique products and solutions. We are aware of the constantly changing external environment and shape our competencies accordingly to launch new solutions. Advocating the brand's new expression of "Paint+", this year, KNPL has launched products with additional features, thus meeting the constantly evolving needs and preferences of the consumer. Our R&D team has undertaken product developments keeping sustainability at its core. Our products constantly raise the bar of being environmental friendly, resource efficient and sustainable.

Innovating across Business Segments

KNPL R&D team of researchers develop paints and coatings solutions across business segments that are of superior quality and are sustainable. Innovative science-based programmes over the years have culminated in the development of new technologies to reduce VOC, zero inclusion of heavy metals and resource efficiency (low energy requirements) during the application of sold products. Systematic reductions in hazardous substances without compromising on paint performance attributes, guided by deep science-based approaches are being progressively implemented.

Concrete DFT meter- For anti Carbonation

The **PosiTector 200 C** Ultrasonic Coating Thickness Gauge (Standard or Advanced) is ideal for measuring most paint and coatings on concrete applications. With a paint thickness measurement range of 50 to 3,800 μm (2 to 150 mils), this thickness gauge is recommended for customers desiring a single non-destructive measurement solution for most applications. The instrument requires little or no calibration adjustment for most applications.



Decorative

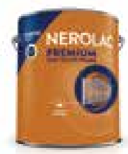
Our edge -

- Trendsetter of Low VOC products in the Indian market and zero heavy metals
- Relentless focus on developing novel and sustainable eco-friendly Green solutions
- Working on megatrends such as enhancing the life and performance of coatings
- Providing unique features in the products to address customer changing needs and preferences

New products launched in FY 2021-22

Nerolac Excel Mica Marble Stretch & Sheen

Nerolac Excel Mica Marble Stretch and Sheen is an extremely durable water-based high performance exterior paint developed with a unique stretchable film technology, which allows it to cover hairline cracks, with a 6-year performance warranty.



Nerolac Metal Zinc Yellow Primer

Nerolac Zinc Yellow Primer provides excellent rust protection to metal surfaces keeping them corrosion-free and beautiful for longer time.

Nerolac Perma Damp Protect Exterior

This is an economy range of waterproofing coating for exterior horizontal & vertical surfaces with fibre reinforcement technology. This product has 3 years warranty.

Nerolac Beauty Ceiling Emulsion

Nerolac Beauty Ceiling Emulsion is formulated with specially modified silicon acrylic binder to give excellent whiteness and spatter resistance. Excellent hiding and smooth finish of this white ceiling paint helps to hide minor surface imperfections. It dries quickly to eye soothing matt finish.

Nerolac PU Enamel 10 in 1

Nerolac PU Enamel 10 in 1 is a PU modified based Special enamel for the protection of Metal, Wood & Masonry substrate with 10 advantages.

Nerolac Perma Damp Protect Interior

This is an acrylic copolymer based, anti-damp and economic undercoat for interior surfaces.

Nerolac Excel Texture (in Pail)

This can be applied on both interior and exterior walls of the house. It has been launched in three popular finishes - rigor, dholpur and roller. The texture design on the wall can be customised by the applicator according to the liking & preference of the customer.

NeroFix Super

Economy product with water resistance. Easy to Spread.

Rapid Set

This is an admixture for fast setting of cement plaster & concrete during winter season.

Automotive

Our edge -

- Best-in-class technical services and value-added solutions that are environment-friendly, energy-efficient and have enhanced finish
- Medium high solids, low VOC products, Direct to Metal Anticorrosive Technologies, and Low Bake Technology are all key industry differentiators
- Partnerships with experts and customers to foster innovation and colour trends

New products launched in FY 2021-22

4-Wheeler

- Developed high solid anti-chip primer with reduction in VOC
- Pearl colours process from existing 4C-1B converted to 3C-1B
- Technology which offers lean process, energy conservation and high productivity have been introduced

2-Wheeler

- Matt Lacquer for Petrol tank of Motorcycle with superior mar & scrub resistance
- Coating for Rotamould Nylon Petrol tank

Commercial Vehicle

- High Weatherable Topcoat for Three-Wheeler was launched with Superior Gloss & Finish product
- High performance Solid Monocoat technology with High durability and Chemical Resistance

Performance Coating (Liquid and Powder)

Our edge -

- Intensified our efforts and commitment to provide environmentally friendly and energy-efficient products
- Cost-effective and customised solution to meet customer's unique requirements
- Powder-coating know-how to shift 2W component industry from liquid paints to zero VOC powder-coating

New products launched in FY 2021-22

General Industrial (GI)

- Neropoxy Solvent Free Coating" for Water Pipeline Internal Coating and approved by Water Regulations Approval Scheme Ltd, U.K. (WRAS)

High Performance (HPC)

- Five-coat anticorrosive system developed and commercialised for Mumbai Trans Harbour Bridge. Its top coat is Fluoro polymer based which has superior exterior durability

Powder Coating (PC)

- Bonded metallic for appliance which is alternate to chrome plating which has helped to reduce the toxicity

Design Philosophy

Our design philosophy has been to provide our customers with sustainable, resource efficient, differentiated features and of high quality products and solutions. The products are designed and developed on this philosophy and are tracked until the applications at the consumer end. Our expertise in polymer chemistry and paint technology and an innovative mindset enable us to design sustainable and unique solutions for customers.

Increasing Digital Capabilities

Here at KNPL, we aim to build our digital capabilities to equip our stakeholders with a digital platform as today we have advanced into a digital society. Throughout the year, we kept our focus on adopting newer digital technologies and using technologies such as Machine Learning, Mobility, Visual Analytics, Internet of Things, Business Process Automation (Robotic process automation), Chat-Bot, and Cloud Platform. Similarly, Artificial Intelligence-based solutions have been applied in the fields of network and data security.

Initiative / Application

Influencers

Pragati App

A loyalty engine for our influencers, first-of-its-kind which enables the painters to convert their points to a monetary value which in turn can be transferred to one's back account in less than 30 seconds. The application is accompanied by useful tools such as colour picker, estimator, tool tips & knowledge bank comprising of tutorial videos.

Dealer

Dealer Saathi Application

All-in-one application for our channel partners, empowering them to manage their daily transactions, bill payments, schemes, orders, Account statement and information related to new products launched. The iOS version of the application was also launched for the users.

Consumer

Colour my space

As the name suggest, Colour my space takes you from visualising to virtual reality of your home in vibrant colours and textures.

Sales Team

ML Saathi Application Upgrade

A salesforce enablement platform for our field sales team to plan & manage their day-to-day activities. Get useful data insights on their mapped channel partners for better decision-making. The app is also equipped with an in-build bot, the purpose of which is to respond to all the data queries with regards to his account.

Technical Service

Technical Service Application

A mobile solution with ready reference to provide quick resolution to customer line issues by referring to the global solution database.

Vendors

Vendor Invoice Management

Digitise the entire vendor invoice process and will facilitate prompt GST credit.

Infrastructure and Security

Initiative	Summary
Cloud Initiative	Implemented cloud infrastructure for our Supply Chain initiative and DSA application
Network Security	VAPT assessment for the KNPL network has been completed
Analytics	BO application was upgraded from the existing version to the latest version 4.3
IT Infrastructure Upgrade	Network and infrastructure required for SAP Implementation have been upgraded at both Marpol Private Limited and Perma Construction Aids Private Limited. SAP was made live for along with key MIS

Industry Knowledge & Collaborations

Our parent company, Kansai Paint Co., Ltd., Japan (KPJ), continued to share best-in-industry practices and technological developments. For specialised product and service offerings, we have strategic and technical partnerships with Oshima Kogyo Co. Ltd., Japan, Cashew Co. Ltd., Japan, and Protech Chemicals Limited, Canada. Industry groups and collaborations, we feel, will give a solid platform for growing the business, sharing information, and gathering fresh ideas for improvements.

Product advancements with our Technology Partners

Products Pyrosin STACK F150, Pyrosin PX 3103 & STACK ACT 250 are launched with support from M/s Oshima & supplied to prestigious company for Chimney installations that are exposed to high heat & chemical atmosphere.

Way Forward – Enhancing products

KNPL will continue to seek chances to establish new value chains in the future, employing R&D insights from a variety of core competencies. We will continue to provide superior quality and unique products and solutions to our customers. We will also use capability building to boost innovation and business excellence, as well as continue to improve product performance with sustainable solutions.

Financial Capital

One of our major competencies is cost leadership, which is critical for establishing operational excellence. We are always on the lookout for profitable growth opportunities that is supported by customer feedback, research and development, sustainable solutions and enhanced customer service. Financial capital is viewed by us as a tool of building wealth for our shareholders via the prudent use of company and community resources.

Financial Capital

Backdrop

FY 2021-22 saw huge challenges because of unprecedented material inflation, which affected company performance.

Response

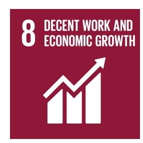
The Company's EBITDA was down to 10.9% for the year as compared with 17.7% in the previous year.

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

At KNPL, the Board of Directors makes all strategic economic decisions, which are then carried out by Managing Director, other management committee members, and department heads as needed for day-to-day business operations.

IMPACT ON SDGs



Net Revenue

₹ **5,949** Crores

Net revenue which recorded a growth of 24.7% over the previous year.

Strategic Capital Investment

₹ **229** Crores

Spent towards capital expenditure related to various projects.

Overheads

The Company's overheads increased from ₹ **678.9** Crores to ₹ **827.9** Crores.

EBITDA

₹ **647.3** Crores

Reduction of 23.3% over the previous year

Way Forward – Budgeting and Control

The agenda and preparations for the coming fiscal year are set at KNPL at the beginning of the year, and include the development of a complete yearly business plan.

A detailed annual budget is prepared by the Management Committee, which includes functional heads, Managing Director, and then approved by the Board of Directors, based on the annual business plan and macro environment, including currency value, raw material costs, and energy costs, among other things.

The Company monitors the budget using several IT platforms and has devised multiple system checks to keep it under control.

The functional heads and the Management Committee review the budget on a regular basis.

Manufacturing Capital

KNPL is one of India's most trusted paint manufacturing companies. With innovation and excellence deeply ingrained in our manufacturing capability, we aim to deliver products that enhance societal development, conserves environment and achieve profitable growth. We implement state-of-the-art technologies, optimise processes and enhance automation to foster our manufacturing capital. Additionally, we put safety at the front and drive green initiatives across all aspects.

Manufacturing Capital

Backdrop

Our manufacturing capability, equipped with latest technologies and robust operational control measures is key imperative to our business and value-added portfolio. We consistently focus on achieving manufacturing excellence and imbibe healthy operational measures. For KNPL, safety, quality, reliability, performance and innovation have been the key drivers of our business reputation. We nurture our capabilities with focussed initiatives to foster improved efficiencies across our manufacturing facilities.

IMPACT ON SDGs

Response

Adapting to the ever-changing business environment and delivering superior products with added advantages have helped us in consistently raising the bar. We are known for industry-leading quality and trusted service commitment. Backed with rich organisation-wide culture, technical know-how, agility and innovation; we aim to showcase responsible manufacturing in the paints sector.

FOCUS OF OUR RESPONSE

- Inculcating Safety-must attitude in every aspect of our business
- Adopting and driving green initiatives
- Improving Product Quality to enhance Customer and Consumer Delight
- Enhancing Automation levels and Embracing Digital Capabilities
- Enhancing Productivity and Operational Efficiency
- Optimising Overhead Costs
- Strengthening Integrated Supply Chain Function
- Sharing, implementing and sustaining KNPL best practices for operational excellence at subsidiaries

Parameters of our response

- Primary operations in India
- 8 strategically located Manufacturing Facilities, 98 Depots and 7 RDCs serving customers PAN India
- 4 subsidiaries - 1 in India, 3 International
- International subsidiaries located in Nepal, Sri Lanka & Bangladesh

Manufacturing Footprint

Our manufacturing facilities are located in areas that offer strategic and locational advantage. These facilities help us not only to cater to our valued customers and OEM vendors, but also establish a country-wide strong network. Our products serve diverse markets in decorative as well as industrial segments.

We continuously focus on strengthening our management systems to deliver operational excellence, ensure safe working environment & provide highest level of service. To reinforce our operations, all our manufacturing plants are equipped with state-of-the-art technologies, advanced processes, detection & protection mechanisms of highest standards. In addition, various initiatives are implemented under the themes of productivity, cost optimisation, process safety and environmental sustainability.

Decorative Segment

- Our Plants located at Hosur, Jainpur, Lote, Goindwal Sahib and Sarigam cater to this segment
- Product offerings: Interior Range, Exterior Range, Designer Range, Enamel, Primers, Wood Finishes, Water-proofing, Adhesives, Construction Chemicals along with niche products and Soldier Paints
- Our decorative paint manufacturing capability is defined by state-of-the-art manufacturing facilities with an ability to cater multiple range of environmental conscious, economically viable and new technology-based products
- All facilities are capable of serving multiple range of product streams
- Quality and manufacturing practices of highest standards are ensured at on shop-floor
- We have advanced systems and resources, cutting-edge technologies and innovative tools and techniques deployed to deliver operational excellence

Industrial Segment

- Our Plants located at Bawal, Sayakha, Lote, Hosur, Jainpur and Marpol cater to this segment
- Product Offerings: Automotive Coatings, Powder Coatings, Performance Coatings Liquid (General Industrial + High Performance Coating) and Auto Refinish
- Our plants are equipped with state-of-the-art Auto paint manufacturing infrastructure and high-end technology to manufacture need-based unique solutions for diversified industries.
- High-end ROBOTIC Bell and paint booths to simulate OEM line conditions
- All facilities ensure safe operations, enhanced operational parameters and highest standard of quality in the products offered
- Through Value Analysis / Value Engineering (VAVE), customers are benefited with 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 bring in high-end, homegrown technology solutions by leveraging the vast unique technical capabilities
- All facilities are capable of serving multiple range of product streams
- Quality and manufacturing practices of highest standards are ensured on shop-floor
- Utilisation of advanced digital enablers and technologies to drive manufacturing excellence

Capacity Additions

To meet the increasing demands from our customers and aligning with our investment plans, we undertook the following capacity additions in the reporting period.

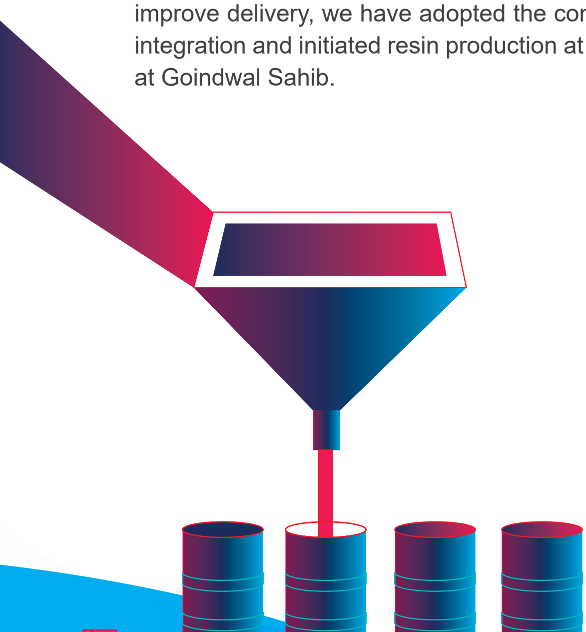
Sayakha	Goindwal Sahib Plant
Resin manufacturing capacity	Emulsion manufacturing capacity

Certifications

	Bawal	Hosur	Jainpur	Lote	Sayakha	Goindwal Sahib	Perma, Sarigam	Marpol, Goa
IATF 16949: 2016	Yes	Yes	Yes	Yes	Yes	Not applicable	Not applicable	Not applicable
ISO 9001:2015	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ISO 14001:2015	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
ISO 45001: 2018	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

Operational Excellence

Our manufacturing capability is reflected through our measures undertaken to deliver operational excellence. We continuously implement Kaizens and projects for productivity enhancement, Batch Cycle Time (BCT) reduction, rework reduction, and throughput improvement. We perform capacity-mapping and debottlenecking exercise at periodic intervals to divert underutilised assets and restore capacity within. Additionally to reduce dependency, optimise cost and improve delivery, we have adopted the concept of backward integration and initiated resin production at Sayakha and IHE at Goindwal Sahib.



We perform benchmarking exercise against the data available on public forums on key parameters to set exacting targets on our key operational parameters. We have adopted the 3-S (System not available, System inadequate and System not followed) approach to enhance mistake-proofing on shop-floor activities and focus on safety, quality and timeliness.

Digitalisation has become imperative for business operations in recent times. We embarked on our digital journey in manufacturing process by setting up a state-of-the-art highly automated factory at Goindwal Sahib in FY 2019-20. Since then, we have been extending our digital initiatives to our existing plants by using advanced technologies. Our manufacturing digitalisation action-plan includes piloting in powder coating section at Hosur and water-base paint section at Goindwal Sahib. Through this, we intend to improve overall operational efficiency with system integration and data-enabled decision-making at shop-floor. Additionally, this would also aid performance management of key parameters and aspects with predictive and prescriptive analytics with AI-ML implementation and thereby gain global competitiveness.

Initiatives to drive excellence

Safety and employee engagement

- Involvement of overseas experts through safety audits to enhance safety measures, practices and emergency preparedness
- Occupational Health and Safety Management System based on ISO 45001
- Robust safety infrastructure and deployment of adequate safety measures
- Infrastructure upgradation to achieve highest level of fire safety
- Dedicated focus on chemical safety
- Safety Committee, hazard identification and risk minimisation structure in place
- Periodic trainings and awareness sessions to build ‘Safety First’ mindset
- Safety training KIOSK and Safety Laboratories across all locations
- Conscious programs which aid employee engagement: horizontal deployment of CAPA, POKAYOKE, Kaizen competitions, Six Sigma and Improvement projects

Quality, productivity and efficiency improvement

- Focussed strategic initiatives
- Consolidation of product streams to improve quality, enhance manpower productivity and reduced waste generation
- Sustained focus on asset utilisation through SAP, process optimisation, high-end technology and internal capacity creation
- Energy Management System implementaion
- Continued OEE (Overall Equipment Effectiveness) improvement of critical equipments
- Use of advanced diagnostic methods to evaluate current assets in terms of useful life & improving utilisation
- Revisiting the Maynard Operations Sequence Technique (MOST) for Manpower efficiency (white and blue collar) improvement and Measure Of Performance (MOP)
- Various thematic projects for Cost optimisation - Power & Fuel, General Works Charges (GWC) and Spares & Consumables
- Quality – Kiken-Yochi Training (Q-KYT), 3S and 4M analysis for quality improvement
- Adoption of innovative tools and techniques

Technological advancement

- Modular-Factory (Mo-Fa) at Goindwal Sahib
- Deployment and usage of cutting-edge technologies and advanced equipments to improve performance
- Implementation of special filtration systems
- Usage of advanced premixing and grinding equipment
- Usage of better VOC control techniques for asset downtime reduction due to vessel entry related work
- SAP-based dashboards for effective utilisation of assets
- Start-up of Tin-free technology in automotive process
- State-of-the-art facility for Inhouse emulsion process
- New product introduction in intermedite category with respect to better quality, performance

Maintenance Strategy

Timely maintenance is a key to ensuring uninterrupted production and reduce unplanned downtimes. Majority of downtimes are a result of improper maintenance practices, non-availability of spares, inadequate strategies, and lack of skill. In order to tackle this, we have developed a multi-pronged maintenance excellence strategy. It focusses on varied areas of maintenance that are critical in ensuring equipment uptime.

Spares inventory management & optimisation

Standardized preventive maintenance and schedule adherence

Develop and document SOPs of critical maintenance processes

Predictive maintenance for critical equipments

Skill development – SMEs for areas of Electrical, Instrumentation etc.

Leveraging SAP for process changes / automation

Our strategy is based on Plan, Do, Check and Act (PDCA) principles. Specific metrics have been developed around these areas to help us monitor the health of maintenance sub processes and make corrections as required. Besides, benchmarking with industry best practices is being done.

To move further towards world-class maintenance excellence, new technologies in the field of maintenance are explored and leveraged.

Project Uday

Our long-term sustained initiative Project UDAY has enabled us to improve throughput, enhance productivity and optimise energy cost. During the reporting period, we revisited our approach in existing sections across all manufacturing locations and horizontally deployed the same at new sections and subsidiary companies through our in-house team.

We achieved shift closure compliance of 86% against planned closure shifts, which resulted in overhead cost reduction and productivity improvement.

We believe in building a culture of continuous development and upgradation through external liaisoning, participation in knowledge-sharing platforms, conferences and competitions. We ensure that our employees across all levels receive exposure to new practices and platform to showcase their ideas and skills. In FY 2021-22, 15 prizes were awarded to our manufacturing teams in external forums like IMEA,CII - 3M, Kaizen, Maintenance Excellence; QCFI, Six Sigma competition.

Strengthening Subsidiary Companies

During the reporting period, we largely focussed on strengthening our operations in subsidiary companies by extending best-practices adopted at KNPL and fostering employee capability through employee engagement activities.

India Manufacturing Excellence Award (IMEA)

In FY 2021-22, Hosur Plant received prestigious "Gold Award" in "India Manufacturing Excellence Award" (IMEA) organised by M/s Frost and Sullivan.

Over 80 Companies participated across various sectors for this prestigious award.

We achieved highest score in 'Customer Focus & Delight' and 'Digitalisation' parameters as compared to other participant companies and industry average.

Key Themes

- **Focussed KPIs**
  Cost, Productivity, Yield, Safety
- **Actionable aligned based on opportunities**
- **Benchmarking with KNPL**
- **Sharing of Best Practices (ENCON – Power factor, Solar power, Project Uday learnings, Safety practices, Water conservation & waste reduction)**
- **Trainings and awareness sessions**
- **Periodic reviews**

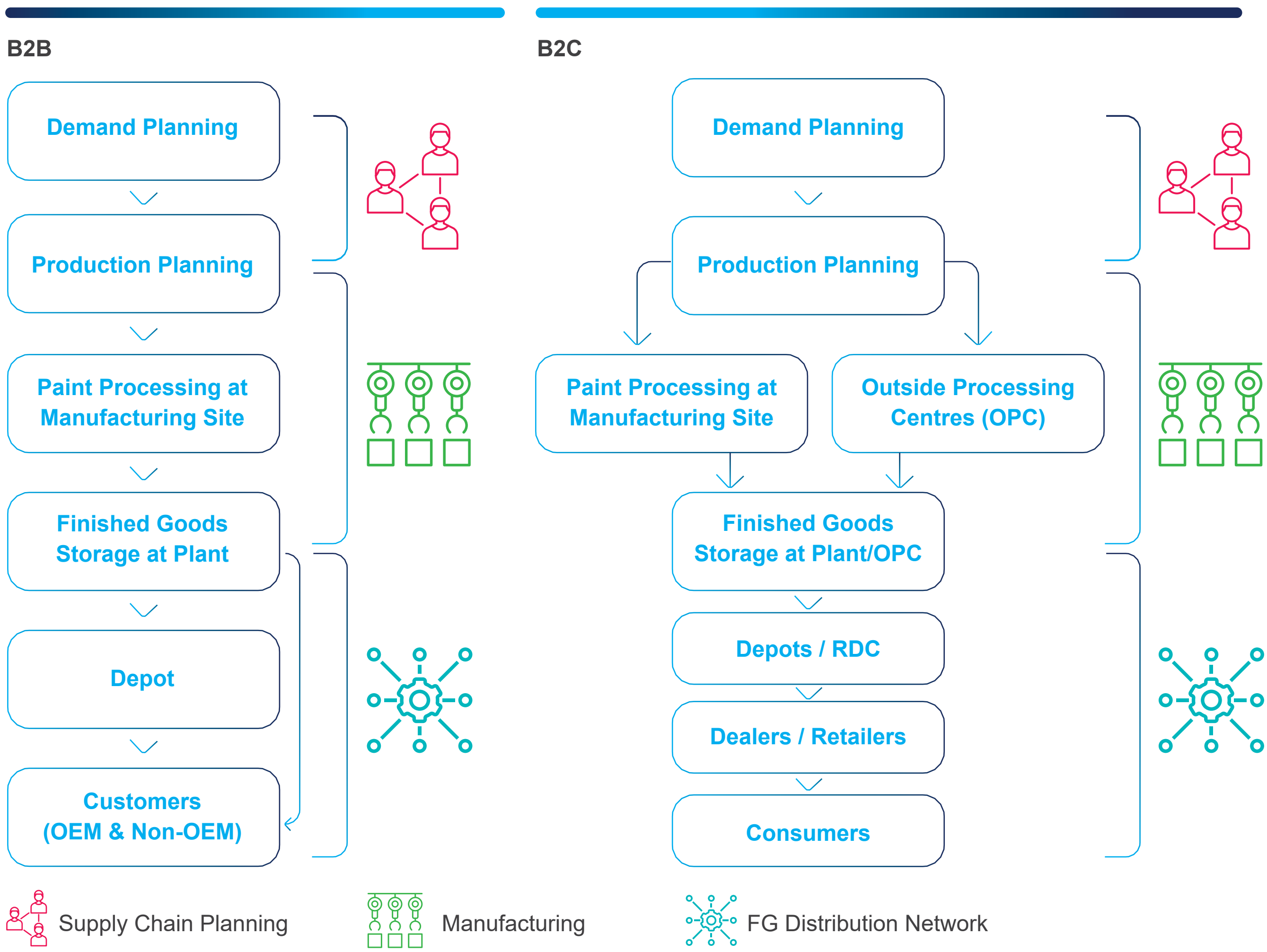
Strengthening the Supply Chain

Our vertically integrated supply chain facilitates us to cater myriad requirements of our varied industrial as well as decorative customers. We have instituted a structured planning and distribution strategy to timely meet the needs of our customers.

- Industrial Customers - Manufacturing as per forecast and despatch as per order
- Decorative Consumers - Make to Stock

How the Supply Chain works

Based on the planning, a production plan is prepared which acts 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).



For B2B, FG service levels are managed at JIT (Just-in-Time) level. Unique strength of having sufficient back-up facilities and flexibility of manufacturing products at multiple locations.

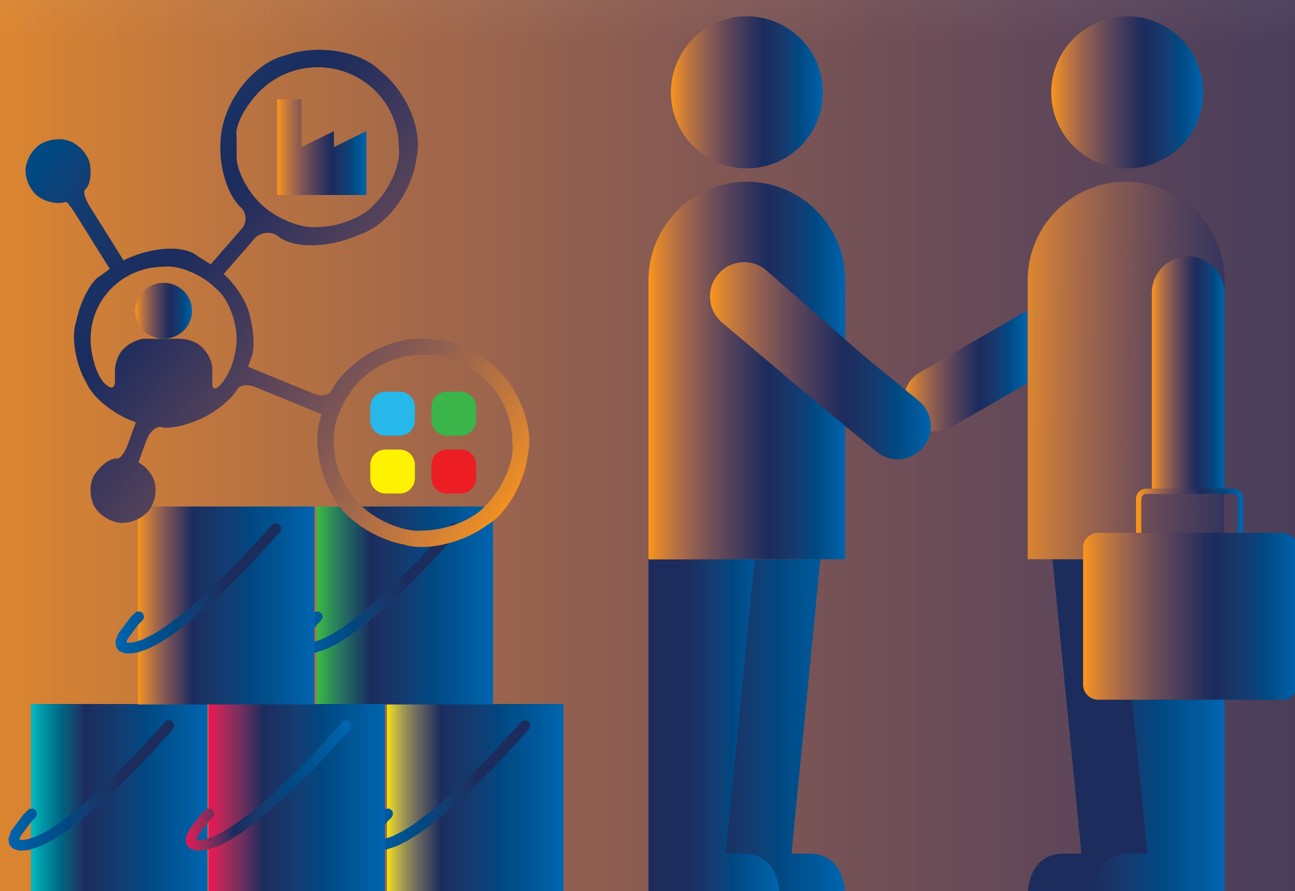
In order to cater our customers in a timely manner during these unprecedented times, we identified single source suppliers and suitable alternatives were deployed.

Way Forward – Holistic improvements

Going forward, our aim is to reinforce our manufacturing capability with digitalisation, process automation and use of latest resources. We plan to institutionalise data analytics at every step extending from product development to manufacturing stage and supply chain. We would continue to raise our bar in delivering superior quality products to meet our customer demands through PQCDSM improvement in our operations and thereby deliver manufacturing excellence.

Powder Coating Unit, Goindwal Sahib

Social and Relationship Capital



We believe that long-term success of organisation is built on long-term relationships with all of our stakeholders and our capacity to deliver value-adding growth for them.

All of our stakeholders, from customers to supply chain partners to the broader community, are a part of our inclusive growth path.

This allows us to establish a reputation as an ethical organisation while also fostering social and relationship capital.

Social and Relationship Capital

DELIVERING A SUPERIOR CUSTOMER EXPERIENCE

Backdrop

At KNPL, we infuse innovation into every element of our product offerings. We recognise shift in customer preferences and we work hard to deliver unique customer value proposition.

Enhancing Customer Relationships

We seek to achieve value accretive growth in this dynamic business environment by offering customised solutions, which are sustainable, cost-effective and efficient.

Response

By virtue of our industry, we have a huge customer base that caters to a diverse spectrum of demographics.

We have built trusting relations with our customers over the years, and it's our mission to provide customer satisfaction by delivering high-quality products and services that meet or exceed their expectations.

FOCUS OF OUR RESPONSE

- Supply quality products On Time
- Reaffirm customer satisfaction
- Deliver products and solutions that are environmentally friendly and safe, and that meet worldwide standards

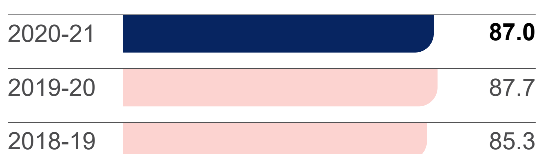
IMPACT ON SDGs

Customer Satisfaction

Customer satisfaction is critical for an organisation like ours. We take the following actions to exceed expectations here:

- Comprehend and assess the needs of our consumer base before meeting those needs
- Evaluate the satisfaction levels of various client groups on a regular basis
- Keep track of client profile attributes based on their goals and expectations
- Develop strategies ahead of time to target critical areas for improvement, retain consumers, and attract new ones

Customer Satisfaction Index



Customer Complaints

Business Division	% of Number of Batches	Complaints Justified (%)
Industrial	1.33	0.70
Decorative	0.44	0.03
Powder	1.05	0.12

Customer-Centricity

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

Decorative

- Provide lead-free, low VOC and sustainable products to our customers. Fulfilling customer needs and preference through additional product features and functionalities in paints. New products and offering broad range of products in new segments like construction chemicals, wood finish, adhesives.

Industrial

- **Environment-friendly, Resource-efficient (Energy-saving)** and Value-adding technologies like low bake technology, high solids low VOC, Monocoats, Direct to Metal.

New Brand Expression: NEROLAC PAINT+

As an organisation, we want to offer products that provide additional features that meet their changing needs and preferences. Products that have more to offer! Leveraging our technical expertise with rich legacy of 100 years, we want to stand for PAINT+ where the "+" denotes the additional benefits and features going beyond offering a wide range of colour choices.

Product Responsibility & Safe Usage

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.

Additionally, KNPL discloses information such as directions for use, environmental parameter relevant to product and instructions on safe disposal also provided on the product packaging to inform and educate consumers about safe and responsible usage of products or services.

Product information is also 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. It includes product description and information on product performance features & benefits, its application and usage and precautions for safe usage along with technical data.

Few of this information such as description, performance features & benefits, application & safe usage instructions are also provided on the product packaging to inform and educate consumers about safe and responsible usage of products or services.

All the required information on our products and services is available & can be accessed at our website: https://www.nerolac.com/

We promote our products and increase the value of our brand on our own merits, without infringing on the rights of others through unscrupulous means. We work with only respectable advertising companies that are members of The Advertising Standard Council of India (ASCI) and willingly adhere to its marketing communications criteria.

Way Forward – Walking with Customers

Going forward, we aim to sustain our leadership position in industrial coatings while increasing our customer-base in decorative segment by increasing visibility and enhancing our overall customer-service level. We shall continue to invest in markets and segments where we have a competitive edge and foray into new markets to achieve inorganic growth, thereby increasing our market share.

STRENGTHENING RELATIONSHIPS WITH SUPPLY CHAIN PARTNERS

Our long-term performance and brand value are dependent on a sustainable supply chain. To be able to achieve the same, we work closely with our supply chain partners to build a trusting and mutually beneficial relationship.

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 large network of suppliers and dealers to maintain the efficiency of our supply chain. We connect with them on a regular basis to improve our understanding and provide value to our partnership for the same.

Investing in Local Growth

The availability of quality raw material is crucial for our business. We currently have more than 500 direct raw material suppliers, with roughly 350 of them being local. We encourage local sourcing with the goal of improving the local economy, streamlining logistics, and reducing transportation and its accompanying environmental impact.

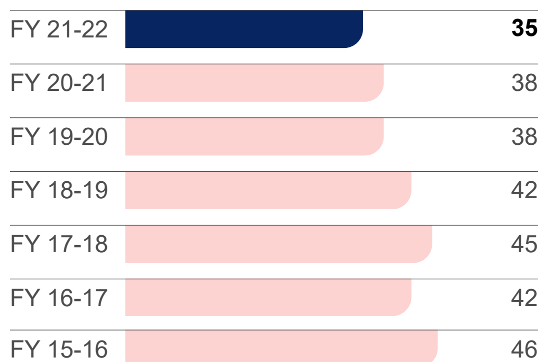
The majority of our packing materials come from sources within a 10-kilometre radius of our manufacturing facilities.

Supply Chain Ethics

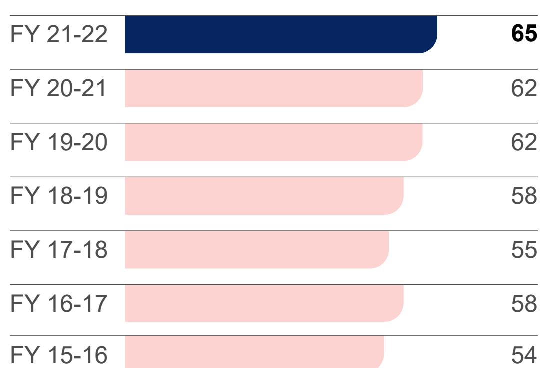
We enlighten all of our supply chain partners about the Supplier Code of Conduct in order to ensure fair and transparent interactions, respect for human rights, adherence to environmental legislation and standards, and compliance with health and safety requirements.

Promoting Local Procurement

Imported Raw Materials (in %)



Indigenous Raw Materials (in %)



IMPACT ON SDGs

FOCUS OF OUR RESPONSE

- Create long-term trustworthy relationships with our supplier network
- Build a supply chain that adheres to the highest ethical, environmental, and working conditions standards

Building a sustainable supply chain

As part of our sustainable supply chain strategy, we regularly engage with our supply chain partners to sensitise them on the KNPL's Code of Conduct for fair and transparent dealings, protection of human rights, appropriate behavioural norms and best ethical practices. In addition, we also conducted virtual training and awareness sessions on ESG which highlighted KNPL's journey and our expectations from our value-chain partners towards achieving ESG excellence.

During the reporting period, we also conducted a survey on Environment, Social and Governance (ESG) for some of our suppliers. The survey covered details on certifications, compliances ensured, human rights assessment, initiatives undertaken for environmental management and product sustainability. Going ahead, we intend to extend the survey to all our suppliers.

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.

In FY 2021-22, we conducted supplier audits for 13 existing packaging material suppliers. Apart from this, joint testing was also carried out for improving quality with 9 vendors. During the year, 7 new vendors were incorporated in our approved manufacturer list, and all of them were assessed and regularised. These included local and international vendors.

Supplier Audit Parameters

- Certification and statutory compliance
- Supplier control and delivery performance
- Sustainability/ Green initiatives
- Complaints management
- Documentation and data control
- Inspection of incoming materials
- Process control
- Training and development
- Inspection of in-process materials
- Inspection of finished goods
- Equipment and standard control
- Shop-floor observations
- Handling, storage and packing
- Maintenance management
- 5S and safety
- Human rights

Way Forward – Stronger & Better

In the future, we will focus not only on developing our connections with our suppliers, but also on building their capability and overall development in order to catalyse long-term success.

TOUCHING LIVES – ACROSS THE COMMUNITY

As a responsible corporate citizen, we firmly believe in societal well-being. Adopting a partnership approach, we undertake meaningful initiatives that foster shared progress and inclusive growth alongside our business proposition of promoting well-being through colours.

Backdrop

We are committed to maintaining harmonious relationships with the local communities and understand our responsibility of uplifting their lives in a responsible manner. Our belief in taking collaborative action has consistently encouraged us to design solutions and initiatives that protect, touch and inspire lives.

Response

Our social outreach programmes and CSR initiatives are not only strategically aligned to goals set under United Nation's Sustainable Development Goals but also promote social stability, empowers local community and reinforces our stakeholder-relationships, thereby creating an increased social value. We put concerted efforts to collaborate effectively with the communities in their overall 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

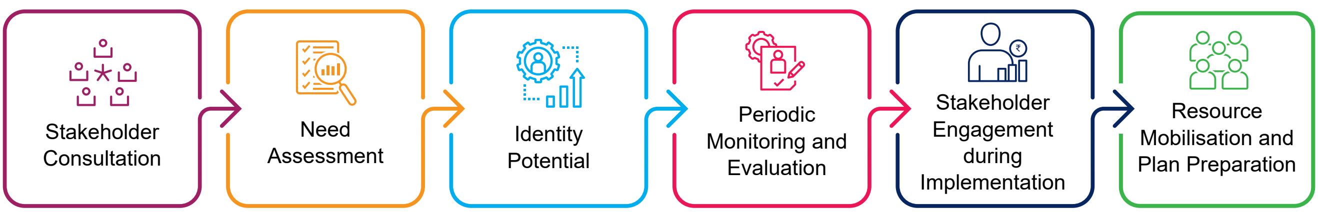
More than **95,000** lives touched through our CSR interventions

Corporate Social Responsibility

At KNPL, our CSR mission is driven by the highest governing body - a dedicated Corporate Social Responsibility ("CSR") Committee which is in line with the terms of the provisions of Section 135 of the Companies Act, 2013. The committee ensures achievement of the company's CSR objectives and effective resource allocation and channelisation. We also have a dedicated CSR Policy in place which serves as a guiding principle for our community stewardship activities. The policy is periodically review and updated whenever necessary.

We undertake CSR initiatives through our own team, NGO partners and government entities. We actively encourage our employees to volunteer in such activities.

We have instituted a structured approach to frame, design and implement suitable developmental program as part of our CSR charter:



Livelihood & Skill Enhancement

- Contribute to the socio-economic development of the nearby communities
- Impart trainings to unemployed youth to enhance their capacity and skill-set

Livelihood and skill enhancement

Rural/Community Development

- Reach out to the grassroot communities by providing basic facilities & amenities in the villages near our plant/ depot locations
- Work to provide basic infrastructure/facilities to the rural community residing in the nearby areas of the plants, in order to improve their basic living standards

Projects driving women empowerment under "Women Entrepreneurship"

Promoting Education

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

Painting of School Building

Preventive Health Care and Sanitation

- Seek to provide basic health care & sanitation facilities to improve 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

Health check-up on wheels

Medical Checkup - Health Camp

Theme Park - Goindwal Sahib

Ensuring Environmental Sustainability

- Strong belief in responsible consumption of resources guides our commitment to preserve natural resources & ensure clean environment
- Key areas of intervention span water conservation, air emissions and use of clean energy
- Implementation of watershed development projects - Pond cleaning, Desilting / deepening of the pond and overall pond restoration
- Focus on sustaining ecological balance through beautification projects, plantation activities etc.

Clean-up drive

Restoration of Buildings & Sites of Historical Importance

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

Beautification of mosque

Way Forward

As we continue to increase our operational footprint, our objective is to create enduring partnerships and touch maximum lives through conscientious sustainability efforts.

Human Capital

An organisation's horizons are as broad as its human capital's horizons. The management of other capitals by the human capital is what adds value to the process. Therefore, here at Nerolac, we focus on the development and strengthening of the employees. We believe in nurturing performance-driven culture and are committed to adopting best-in-class employee welfare practices to build a future-ready organisation.

Human Capital

Backdrop

In line with our vision of the future, KNPL is committed to its employees, aimed at nurturing a superior talent pool that is inspired by the organisation's ethos. Through our performance-driven culture, we encourage people to put in their best and they help us deliver excellence, thereby adding value to our organisational capabilities.

Response

We display our commitment towards our employees through seamless efforts towards a healthy and stimulating work culture. Through perpetual contributions and engagement with the human resource, we acknowledge that they are the core of the organisation as they help us deliver excellence inspired by organisation's vision.

IMPACT ON SDGs

FOCUS OF OUR RESPONSE

- Creating growth-oriented work and structure
- Augmenting learning and development initiatives for further up-skilling employees
- Succession planning
- Creating a differentiated employee experience
- Providing a healthy and safe work environment
- Festive celebrations to bring all the employees closer like family. "The Nerolac family".

Parameters of our Response

We have identified three core areas to nurture our human capital:

Human Resource Management

Occupational Health and Safety

Ethics and Integrity

Human Resource Management

At KNPL, we don't just offer jobs, we offer a learning experience like none other. We persistently aim to accomplish an atmosphere of edification and enlightenment. Through catalyst for development, we endeavour to create a culture of Collaboration, Innovation and Empowerment.

In FY 2021-22: Our total new hires figure (including Perma & Marpol) stood at 842, while the number of employees who left was 626.

	Gender-wise	
	Male	Female
Permanent employees	3,035	70
Contractual employees	4,567	76

Distribution Criterion	Gender-wise		Zone-wise				Age-wise		
	Male	Female	North	South	East	West	<30 years	30-50 years	>50 years
New employee hiring details	806	36	266	93	104	379	374	422	46
Employee turnover details	610	16	212	90	81	243	236	365	25

27%

Rate of new employee hires

20%

Employee turnover

Preparing Nerolites of today for the challenges of tomorrow

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

- **Digital learning DEGREED (a L&D platform for senior personnel of the organisation)**
- **I am Nerolac page (a digital media platform to form a link between the employees and the brand)**
- **UDAAN - virtual assessment centre (identification of potential high achievers in all functions)**
- **Employee engagement survey hosted on HR portal for employee**
- **Managerial assessment centre at (L0-L3 level mapping of potential managers)**
- **Quarterly townhall meetings (addressed by the MD the achievements and concerns of the relevant period)**
- **Webinars addressing health and well-being of our employees in association with our medical insurance partner**
- **Increased employee interaction with the senior management at plant sites and different markets (visits by senior management across plants and depots)**
- **Re-launch of GEMS portal (technical and plants) (appreciation from your fellow colleagues in the form of gems in case of good performance, situation handling or exceptional behaviour)**
- **Vaccination drive (fighting COVID-19 together as one nation, by organising vaccination drive throughout India at plants depot's and offices.)**
- **Celebrating Diversity (MDs address to women employees on International Women's Day)**
- **Employee Participation in CSR Initiatives**
- **NPL (Nerolac Premier League) – Gamification of employee performance assessment**

Our focus on Gender Diversity

KNPL has been working towards increasing the scope of hiring female employees. Through consistent identification of unique positions that can be manned by female employees and tie-up with consultants exclusively handling Diversity Hiring, we intend on continuing increasing our female workforce.

Currently, women employees is 2.3% of our permanent employees as compared to 1.73% in previous year.

Employee Benefits

KNPL offers a range of employee benefits including gratuity and superannuation, medical and life insurance, group accident insurance, maternity leave, pension and other retirement benefits and Provident Fund contributions. These benefits are subject employment terms (vary in case of permanent and contractual employees). In FY 2021-22, a total of 70 female employees were entitled to parental leave. We, as an organisation, foster an equal opportunity culture within the organisation. All recruitments are based on competence, potential and experience of candidate with respect to a job profile.

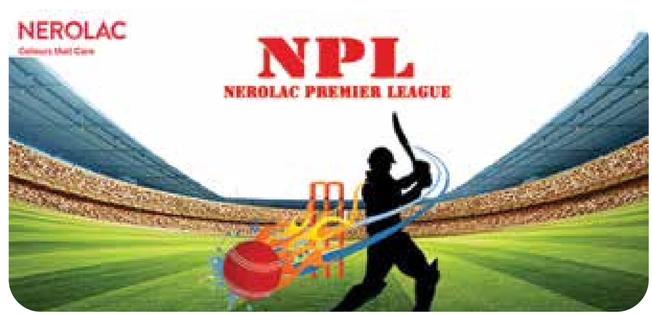
Talent Development

Talent development is directed towards practices that make employees more productive. Regular in-house and external trainings are given to workers with the intent of self development, skill enhancement, an all-rounder understanding and safety awareness at workplace.

Also, high potential performers from the above-mentioned talent inventory are put through extensive training, cross-functional assignments, projects and mentoring.

Performance Management System

A performance evaluation process that symbolises company's fairness, transparency and trust is what we foster here at KNPL. All employees are reviewed based on their performance and the performance appraisal process is conducted annually. In addition to the same, our Contest-Based Framework also partly contributes as a basis for the annual performance evaluation, in terms of both quantitative and qualitative appraisal. The Contest has KPIs that are objectively defined in-line with organisation growth strategy at the beginning of the financial year and are directed towards collaborative achievement of our organisational objectives. This ensures that employees are well-integrated with the performance-driven culture.



Nerolac Premier League

The Contest-Based Framework offers aid in reviewing an individual's performance along with system-generated dashboards. These together enable the employees to review their own performance in a transparent manner.

These dashboards are user-friendly and generate insights through colour coding on a month-to-month performance and cumulative yearly performance basis. Based on such insights, improvement areas are identified and the teams are motivated to perform better. To keep the engagement levels high, we decided to gamify our framework by introducing NPL – Nerolac Premier League. Also every month's top performers are featured in our internal monthly newsletter – "Impressions".

Multifold approach towards capability development -

Functional training
- Advanced Business Skill Modules
- Online Sales Induction Module
- Nominations for functional specific external training

Behavioural training
- Corporate Grooming
- Stress Management
- Communication Skills
- Interpersonal Skills

ESG training
- POSH Training
- Code of Conduct
- Code of Conduct for Affirmative action
- Health Ailment related policy
- Policy on social conduct at workplace
- Supplier code of conduct policy for Purchase function

Recognition

KNPL has been certified as a Great Place to Work by the Great Place to Work Institute for the second time.

DIMENSION OF A GREAT PLACE TO WORK®

TRUST

CREDIBILITY
Communication – Communications are open and accessible
Competence – Competence in coordinating human and material resources
Integrity – Integrity in carrying out vision with consistency

RESPECT
Support – Supporting professional development and showing appreciation
Collaborating – Collaboration with employees in relevant decisions
Caring – Caring for employees as individuals with personal lives

FAIRNESS
Equity – Balanced treatment for all in terms of rewards
Impartiality – Absence of favouritism in hiring and promotions
Justice – Lack of discrimination and process for appeals

PRIDE
Personal Job – In personal job, individual contributions
Team – In work, produced by one's team or work group
Company – In the organisation's product and standing in the community

CAMARADERIE
Intimacy – Ability to be oneself
Hospitality – Socially friendly and welcoming atmosphere
Community – Sense of "family" or "team"

Great Place To Work® Certified JUL 2021–JUL 2022 INDIA™

Being Certified as Great Place to Work indicates happiness of employee, the trust they impose on the organisation being fair and transparent, how proud and empowered they feel in working for Kansai Nerolac Paints. It also indicates Brand value of organisation

Employee Engagement

Credibility
- Visit by Senior Management across States & Plants in Q2 (21-22)
- Town Hall Meets by MD

Respect
- Up-skilling & Talent Development initiatives
- Launch of Digital University
- Connect with families (Webinars on wellbeing)
- Vaccination Drive

Fairness
- Celebrating Diversity (MDs address to women employees on IWD)
- NPL & Appreciation Matrix

Pride
- Idea Portal & Champion initiative
- Re-launch of GEMS portal (Technical & Plants)

Camaraderie
- Annual Learning Conference
- Employee Participation in CSR Initiatives
- Celebrating festivities at HO & Plants

Employee Connect

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

Coffee with HR – A Meet and Greet session with the HR as a part of the induction training of new employees.

HR connects - Understanding the road travelled so far by the high performance employees once a year, on the Nerolac journey.

Townhall meet – Quarterly townhall meets are held to discuss the progress of the organisation

A 3-day Annual Learning Conference (ALC), was held online for all Managers. Theme for the Annual Learning Conference was "Good to Great". The Learning Conference was a notable event as it provided a platform for communication to representatives of all functions about the company's performance as well as the future plans and direction.

Interactive Digital Workshop was held for Decorative Sales & Marketing for improving adoption of ML app (Saathi).

Ethics and Integrity

Establishing appropriate behavioural norms with discipline, professionalism and best ethical practices as fundamental, KNPL has created a code of conduct for its Managerial and Executive Staff. The intent of this code of conduct has always been guiding and regulating administration of its employees. It also strives to engrave company's core values while understanding the best-in-class practices and establishing centers of excellence at KNPL.

Code of Conduct

Designed for managerial employees and executives of KNPL and its subsidiaries to establish boundaries and spread awareness about the Company's Code of Conduct. It states fundamental aspects of appropriate behavioural norms like discipline, self-control, professionalism and best ethical practices.

Whistle Blower

To ensure that employees come forward with their grievances and actively report genuine concerns, KNPL has a Whistle Blower Policy. The organisation continues to stay in compliance with high standards of openness, integrity, probity and reliability in its work. 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.

Occupational Health, Safety and Environment

Safety has always been a cornerstone of our business value system and we constantly endeavour to maintain high standards and build strong culture around the safety and health. Our approach to safety is encapsulated by zero harm and building safety-first mindset and the same is articulated by our robust safety management systems and well-defined Occupational Health, Safety and Environmental Policy.

Coming out of COVID

At KNPL, vaccination drive for both doses of COVID-19 vaccine was conducted for all its employees. In continuation with the last year's set of guidelines on conditional resumption of work from office, KNPL successfully opened offices at 50% capacity since August. Coming out of the 2nd and 3rd wave of COVID-19 with highest safety measures, extra attention to hygiene at workplace, hygiene at canteen and 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.

Taking thorough precautionary measures inside the work premises, the organisation also focussed on educating its employees to take maximum precautionary measures outside work as well. To minimise human and surface contact initiatives like:

- Carpooling with the other employees (with geographical convenience) to avoid public transportation
- Face recognition for attendance purposes (initially thumb recognition was used)

Distribution of COVID relief material

Health and Safety Management System

Policy

Dedicated Company-wide Occupational Health, Safety and Environment (OHS&E) Policy

Outcome

- Delineates Organisational Commitment towards health & safety at every facet of business operations
- Institutionalise safety as a value-led concept
- Embed culture of safety for greater awareness

Committee

Definite Safety Committee with representation from workmen and periodic reviews

Outcome

- Compliance with Factories Act, 1948
- Ensures participation of all to monitor and manage health & safety aspects
- Strengthen safety framework & stakeholder consultation
- Inculcate sense of ownership at all levels

Cross-functional Structure

Comprising trained personnel from Production, Engineering, EHS

Outcome

- Hazard identification and risk mitigation to improve safety preparedness
- Joint assessment of risks in the operations and implementation of mitigation measures

Certification

All plants are ISO 45001 certified and periodic surveillance audits are conducted

Outcome

- Establish robustness and asserts effectiveness of the safety systems

Emergency Resource

Dedicated Occupational Health Centres (OHCs) & Ambulances

Outcome

- Handle emergency medical situations
- Offer preventive and curative health services to its employees
- OHC compliant analysis enables us to determine the cause of complaints and understand the trends

Drills

Mock drills and fire drills are conducted periodically, some in collaboration with NDRF (National Disaster Response Force)

Outcome

- Improve preparedness & responsiveness amongst employees for emergency

Health Check-ups

Conducted half yearly for all employees including contract workmen in line with Factories Act, 1948

Outcome

- Medical counselling by practitioner and identifying specific areas of concern
- Fosters employee well-being

Safety Audit

Internal: Monitoring & review of safety indicators by corporate EHS

External: Periodic audits conducted by approved safety experts and OEMs.

In FY 2021-22, audit conducted at Bawal Plant by Parent Company Kansai Paint Co., Ltd., Japan in line with its exclusively defined Global Safety and Quality (GSQ) standards

Outcome

- Strengthen documentation and record-keeping
- Enhance safety measures & control
- De-risking the operations

PHA & HAZOP

Process Hazard Analysis & Hazard and Operability study

Outcome

- Identification of likely safety risks and hazards
- Institution of mitigation strategy and action plan

HIRA Study

Hazard Identification and Risk Assessment

Outcome

- Track expected hazards and risk analysis to put control measures in place

Fire Safety

Conduct study on Fire load to analyse fire load densities at various sections of the plant, Deployment of adequate measures for Detection, Provision, Activation and Suppression

Outcome

- Determine the adequacy and suitability of the fire-fighting equipment in case of fire

Chemical Safety

100% compliance to storage of raw materials as per Chemical Compatibility

Outcome

- Effective chemical management and enhanced chemical safety
- Reduce inherent hazards by proper segregation, storage and handling of chemicals

Interlock System

Assessment of existing interlock system robustness and identification of new areas

Outcome

- Establish workability & robustness of the interlock system

Internal Safety Procedures

Periodic earthing check at shop floor, Safety walk, safety communication, Toolbox Talk, CFT 5S & safety inspection

Outcome

- Increase robustness and create a sense of awareness about safety

Safety Trainings and Competitions

Safety is our top-most priority. Our constant focus is to maintain high standards of safety in our operations and imbibe the safety-must mindset in every employee. We conduct varied thematic safety trainings and competitions like Kiken Yochi Trainings (KYT), Danger Experience Programme (DEP), Life After Accident (LAA) exercise, trainings on static electricity and human error prevention, online safety tests, safety quiz, and CAPA completion across different levels. In addition, we have instituted 'Self-learning Safety Training Kiosks' with customised training modules to increase the competency and awareness among employees in relation to safety.

A special emphasis is laid on behavioural-based safety as most of the incidents are caused due to behavioural issues like procedural violation, negligence or PPE non-compliance. In order to address this, we have initiated BBS observations across all locations and impart BBS trainings to employees at regular interval.

Road Safety Training

Safety Culture Survey

Safety culture survey is conducted across all manufacturing locations and R&D centre biennially. This year, we extended our boundary and covered the manufacturing facility at Goindwal Sahib as well. The survey covered Management staff as well as operators. Through this survey, we aim to promote open feedback culture and and fulfil the requirements in regards to safety.

The survey is designed to measure the safety culture and identify leading indicators of the safety process. The survey included questions on - Training and supervision, Safe work procedures, Consultation, Reporting safety, Management commitment and Injury management and return to work.

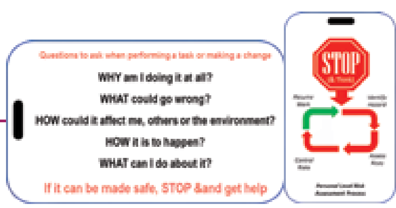
In 2021, the survey covered 843 Management Staff and 687 Operators and was conducted through HR Workline Portal for Management Staff and through physical hard copies in regional languages for Operators. The Overall Safety Culture Score improved by 0.6% i.e. from 88.7% in 2019 to 89.3% in 2021.

Personal Level Risk Assessment

Personal level risk assessment (PLRA) is an initiative to encourage assessment of risks involved in any activity about to be performed on individual level in daily occupational activity as well as routine/general life activity.

It is a process through which an individual would identify hazard, define risks associated with that hazard, and determine the best way to eliminate or control the hazard. It involves taking a thorough inspection of the workplace in order to identify all the situations, processes and equipment that may cause harm and making decisions regarding the measures that can be taken to control the harm.

The goal of PLRA is to either completely remove a hazard or reduce its risk in the workplace.



In FY 2021-22, we achieved 36,222 man-hours of safety trainings across all levels ensuring 92% coverage. Our safety training man-hours per employee has increased from 3 hours to 9 hours since FY 2017-18.

External Trainings, Competitions and Audits

In continuation to previous year, 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.

To drive a culture of constant improvement and learning, our plant teams also actively participate in external competitions. In FY 2021-22, our Bawal Plant was bestowed with “Platinum Award” for outstanding projects in “Safety Excellence in Chemical Category” at Golden Bird National Award 21-22 while our Lote Plant received 2nd level award: Shreshta Suraksha Puraskar at NSCI Safety Awards.

During the reporting period, our Bawal Plant was audited by our Parent Company Kansai Paint Co., Ltd., Japan (KPJ) in line with the KPJ Global Safety and Quality (GSQ) Standards. The plant was audited on the attributes like Management System, Fire prevention, Out-flow prevention, Occupational accident prevention, Disaster measures and chemical safety. The plant secured a score of 98%, which reflected the readiness and measures and controls in place in regards to safety.

Incident Management

- Commitment to achieve ZERO Incident
- Online IT-enabled SAP EHS module to record, track and ensure timely closure of safety incidents
- Root cause assessments for every safety-related events and horizontal deployment of counter-measures to eliminate their recurrence

In FY 2021-22:

Despite of the robust safety measures and regular sensitisation and trainings on safety-related topics, we faced an unfortunate lost time injury at our facility located in Goindwal Sahib. The person was instantly given first aid at the site and was immediately rushed to nearby hospital for further treatment. We conducted a detailed investigation of the incident and have implemented corrective actions to prevent such recurrence.

Lost Time Injury Frequency Rate (Per Million Man-Hours worked) **0.099**	Severity Rate (Per Million Man-Hours worked) **4.99**
Lost Time Injuries (LTI) **1**	Minor Injuries **4**
Million man-hours worked without LTI **1.67**	Occupational Illness **0**

Way Forward

Going ahead, we aim to strengthen our safety management system through implementation of effective safety measures, reviewing robustness and improving overall safety culture based on learnings from other industries. We plan to conduct audits in line with KPJ GSQ standards to improve preparedness across all locations.

KANSAI NEROLAC PAINTS LIMITED

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

Notice

NOTICE is hereby given that the 102nd Annual General Meeting of Kansai Nerolac Paints Limited will be held through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), on Thursday, 23rd June, 2022 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, 2022 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 ₹ 1.00 (100%) per Equity Share of the nominal value of ₹1 each for the year ended 31st March, 2022.

3. To appoint a Director in place of Mr. Shigeki Takahara, Non-Executive Director (holding Director Identification Number 08736626), who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. Takashi Tomioka, Non-Executive Director (holding Director Identification Number 08736654), 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, 2023, 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."

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

   "RESOLVED that pursuant to the provisions of Sections 196, 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V of the said Act (including any statutory amendment or modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby accorded to the appointment of Mr. Anuj Jain (holding Director Identification Number 08091524) as the Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Jain, the material terms of which are as stated in the Explanatory Statement annexed to the Notice convening the Annual General Meeting.

   RESOLVED FURTHER that the Board of Directors and/or Key Managerial Personnel of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Jain, in terms of the aforesaid draft Agreement and 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."

7. To consider and, if thought fit, to pass the following Resolution as a **Special Resolution**:

   "RESOLVED that pursuant to the provisions of Sections 149, 150, 152, Schedule IV and other applicable provisions of the Companies Act, 2013, read with applicable rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory amendment or modification or re-enactment thereof, for the time being in force), Ms. Sonia Singh, Independent Director (holding Director Identification Number 07108778), be and is hereby re-appointed as an Independent Director, to hold office for a second term of 5 (five) years commencing from 29th July, 2022 and ending on 28th July, 2027 (both days inclusive).

   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, 10th May, 2022

NOTES:

1. In view of the COVID-19 pandemic and in compliance with the Circular No. 21/2021 dated 14th December, 2021 read with Circular No. 14/2020 dated 8th April, 2020, Circular No.17/2020 dated 13th April, 2020, Circular No. 20/2020 dated 5th May, 2020, Circular No. 02/2021 dated 13th January, 2021 issued by the Ministry of Corporate Affairs (“MCA Circulars”) and 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 (“SEBI Circulars”) issued by the Securities and Exchange Board of India and relevant provisions of the Companies Act, 2013 (“the Act”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the AGM will be held without the physical presence of Shareholders 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 Act read with the said Circulars and SEBI Listing Regulations, the Company has decided to convene its ensuing 102nd 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 nos. 5, 6 and 7 of the Notice of the 102nd 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 Regulation 36(3) 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 relevant SEBI Circulars, 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 Sections 112 and 113 of the Act read with the relevant 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 hereinbelow, for more information.

4. The Members can join the AGM through the VC/OAVM mode 30 minutes before 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 (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 Friday, 17th June, 2022, through e-mail on agm@nerolac.com. The same will be replied by/on behalf of the Company suitably.

7. In view of the COVID-19 pandemic and in line with the relevant Circulars issued by the MCA and SEBI, the Annual Report including Notice of the 102nd AGM of the Company inter alia indicating the process and manner of e-voting is being sent by e-mail, to all the Shareholders whose e-mail 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 relevant Circulars issued by MCA and SEBI, the Annual Report including Notice of the 102nd 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 National Securities Depository Limited (“NSDL”) i.e. https://www.evoting.nsdl.co.in.

8. **Voting through electronic means**

   Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI Listing Regulations and the relevant Circulars issued by MCA 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 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 Thursday, 16th June, 2022 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. Thursday, 16th June, 2022, 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 at the AGM.

9. 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 A. Zope, 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 Monday, 20th June, 2022 at 9:00 a.m. and ends on Wednesday, 22nd June, 2022 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. Thursday, 16th June, 2022, 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 16th June, 2022. 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) <u>Login method for e-voting and joining virtual meeting for individual Shareholders holding securities in demat mode</u>

In terms of SEBI Circular dated 9th December, 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 Participant(s). Shareholders are advised to update their mobile number and e-mail ID in their demat account(s) in order to access e-voting facility.

<u>Login method for individual Shareholders holding securities in demat mode is given below:</u>

Type of shareholders	**Login Method**
Individual Shareholders holding securities in demat mode with NSDL.	1. Existing **IDeAS** user can visit the e-Services website of NSDL viz. https://eservices.nsdl.com/ either on a personal computer or on a mobile. On the e-Services home page click on the **"Beneficial Owner"** icon under **"Login"** which is available under **'IDeAS'** section, this will prompt you to enter your existing User ID and Password.
	After successful authentication, you will be able to see e-voting services under 'Value added services'. Click on **"Access to e-voting"** under e-voting services and you will be able to see e-voting page. Click on company name or **e-voting service provider i.e. NSDL** and you will be re-directed 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
	2. If you are 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 company name or **e-voting service provider i.e. 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.
	4. Shareholders/Members can also download NSDL Mobile App **"NSDL Speede"** facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on App Store Google Play

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 also be 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 & e-mail as recorded in the demat account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-voting is in progress.
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. Upon logging in, you will be able to see e-voting option. 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 company name or **e-voting service provider i.e. 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.

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

Important note: Members who are unable to retrieve User ID/ Password are advised to use 'Forget User ID' and 'Forget Password' option available at above mentioned website.

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 i.e. Demat (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 119880 then User ID is 119880001***

5. Password details for shareholders other than individual Shareholders are given below:
   a) If you are already registered for e-voting, then you can user 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 e-mail ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the e-mail 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 e-mail ID is not registered, please follow steps mentioned below in **process for those shareholders whose e-mail 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. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on **"Upload Board Resolution / Authority Letter"** displayed under **"e-voting"** tab in their login.

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 Ms. Pallavi Mhatre, Manager - NSDL at evoting@nsdl.co.in.

Process for those shareholders whose e-mail 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 Depository Participant(s) (if shares held in electronic form)/ Company (if shares held in physical form), you may register on or before 13th June, 2022, 5:00 p.m. (IST) to receive the Notice of the AGM along with the Annual Report 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 'Kansai Nerolac Paints Limited' 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 no. and e-mail ID.

   d. System will send One Time Password ('OTP') on mobile no. and e-mail ID.

   e. Enter OTP received on mobile no. and e-mail ID.

   f. Click on submit button.

   g. System will then confirm the recording of the e-mail address for receiving Notice of the AGM along with the Annual Report.

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 e-mail 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 DP ID Client ID (16 digit DP ID + Client ID 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 Shareholders 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 Shareholders holding securities in demat mode**.

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 at 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 a request from their registered e-mail ID mentioning their name, DP ID and Client ID/Folio Number, PAN, mobile number at agm@nerolac.com from Thursday, 16th June, 2022 (from 9.00 a.m.) to Tuesday, 21st June, 2022 (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

Any person holding shares in demat or 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 refer the instructions mentioned in "Step 1: Access to NSDL e-voting system".

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.

10. The Shareholders who are holding shares in dematerialized form and have not yet registered their e-mail IDs with their Depository Participant(s) are requested to register their e-mail 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 e-mail ID to the Registrar and Share Transfer Agents of the Company viz. TSR Consultants Private Limited ("TCPL"), by sending an e-mail at csg-unit@tcplindia.co.in. The support of the Shareholders for the 'Green initiative' is solicited.

11. **Dividend**

    (i) The Board has recommended a final dividend of 100% (₹ 1.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on 22nd November, 2021. Accordingly, the total dividend is 225% (₹ 2.25 per share) for the financial year ended 31st March, 2022 as compared to total dividend of 525% (₹ 5.25 per share) including special dividend of 200% (₹ 2.00 per share) declared last year.

    (ii) The Register of Members and Share Transfer books of the Company will remain closed from Friday, 10th June, 2022 to Thursday, 23rd June, 2022 (both days inclusive), for the purpose of AGM and Dividend. The Dividend, if declared, will be payable on or after Tuesday, 28th June, 2022, to those Shareholders whose names are registered as such in the Register of Members of the Company as on Thursday, 9th June, 2022 and to the beneficiary holders as per the beneficiary list as on Thursday, 9th June, 2022 provided by the Depositories, 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 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 TCPL. Shareholders holding shares in dematerialized form are requested to provide the said details to their respective Depository Participant(s).

        (b) In line with the Circular No. 21/2021 dated 14th December, 2021 read with Circular No. 02/2021 dated 13th January, 2021 and 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/TCPL 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/TCPL (in case of shares held in physical mode) and their respective Depository Participant(s) (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 e-mail to csg-exemptforms2223@tcplindia.co.in by 9th June, 2022. 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 e-mail to csg-exemptforms2223@tcplindia.co.in by 9th June, 2022.

    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 e-mail to csg-exemptforms2223@tcplindia.co.in The aforesaid declarations and documents need to be submitted by the Shareholders by 9th June, 2022.

(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 2013-14, has been transferred by the Company to the IEPF. Those Shareholders who have not encashed their Dividends for the financial year 2014-15 are requested to lodge their claims in that regard with the Company or TCPL.

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 2013-14 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 2013-14 are uploaded on the website of the Company as well as on the website of the Ministry of Corporate Affairs ("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 unclaimed dividend amount and 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.

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 2nd December, 2020 read with Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated 7th September, 2020 had fixed 31st March, 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 Participant(s) with whom they maintain their demat accounts. Shareholders holding shares in physical form should submit their PAN to the Company/ TCPL.

14. Shareholders are requested to intimate changes, if any, pertaining to their name, postal address, e-mail 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 Participant(s) in case the shares are held by them in dematerialized form and to the Company/TCPL 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 TCPL.

16. Shareholders are requested to quote their or DP ID - Client ID, as the case may be, in all correspondence with the Company or TCPL.

17. Since the AGM will be held through Video Conferencing/ Other Audio Visual Means, route map of venue of the AGM 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, 2023. 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 2022-23 on a remuneration of ₹ 3,00,000 plus GST and out of pocket expenses.

D. C. Dave & Co., Cost Accountants has also conveyed its willingness to act as Cost Auditor of the Company for the year ending 31st March, 2023. 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 e-mail.

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., Cost Accountants (Firm Registration No. 000611), 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.

ITEM NO. 6

The Board of Directors of the Company, at its meeting held on 18th February, 2022 ("the said meeting"), pursuant to the recommendation of Nomination and Remuneration Committee of the Board approved the appointment of Mr. Anuj Jain as the Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive). The Board of Directors, at the said meeting, approved the remuneration and perquisites to be paid or granted to Mr. Jain as set out in the draft Agreement between the Company and Mr. Jain referred to in the Resolution at Item no. 6 of the Notice.

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

The appointment of Mr. Jain as the Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Section 196 of the Act. Hence the Resolution at Item no. 6 of the Notice. In accordance with the Articles of Association of the Company, Mr. Jain as the Managing Director will not be liable to retire by rotation.

Mr. Anuj Jain, aged 53 years, is B.Sc. and Master of Management Studies, University of Mumbai. Mr. Jain had joined the Company on 4th June, 1990 and was Director – Decorative and Industrial Sales & Marketing, prior to his appointment on the Board of Directors as a Whole-time Director designated as Executive Director with effect from 1st April, 2018.

The material terms of the draft Agreement referred to in the Resolution at Item no. 6 are as follows:

1. The appointment of Mr. Jain as the Managing Director of the Company shall be for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive).
2. Mr. Jain's position and designation shall be Managing Director.
3. Mr. Jain shall manage the day to day affairs of the Company, subject to the superintendence, control and direction of the Board of Directors and he shall exercise such powers as may from time to time be entrusted to him by the Directors including powers exercisable by the Board under the Articles of Association of the Company and be subject to such restrictions as the Board of Directors may from time to time specify.
4. Mr. Jain shall devote his time, attention, skill and abilities during business hours to the business of the Company and undertake to the best of his skill and ability to use his utmost endeavours to promote the interest and welfare of the Company and to conform to and comply with the directions as may from time to time be given by the Board of Directors of the Company.
5. Mr. Jain shall not have the powers to make calls on shares and to issue debentures.
6. Mr. Jain shall, subject to the prior sanction of the Board of Directors and subject to such restrictions, conditions and limits as may be imposed by the Board or where permitted by a Committee of the Board, have the power to:
    a. Invest the funds of the Company in:
        i. securities of the Government of India or any of the State Government or foreign Governments;

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ii. any municipal bonds and bonds issued by statutory corporations and public authorities, whether Indian or foreign;

iii. debentures, preference shares and equity shares of any private, public and/or Government companies registered in India or elsewhere; and

iv. call deposits or fixed deposits with companies, banks and other institutions.

b. Borrow money otherwise than on debentures for the purpose of the business of the Company;

c. Accept all call deposits and/or fixed deposits;

d. Sell any of the assets or investments of the Company;

e. Purchase assets of the Company;

f. Appoint or engage staff and terminate their employment.

7. Mr. Jain shall be entitled to the following emoluments, benefits, perquisites subject to the limit laid down under Sections 197, 198 and Schedule V of the Act, as the Managing Director:

a) Fixed pay consisting of the following:

1) Salary: ₹ 9,25,000 per month. Increments, subject to the limit laid down under Sections 197, 198 and Schedule V of the Act, will be decided upon from time to time by the Board each year and will be merit based and taking into account the Company's performance.

2) House Rent Allowance: 40% of the Salary. In case Company accommodation is provided, no House Rent Allowance will be paid.

3) Leave Travel Allowance: 10% of the Salary.

4) Other Perquisites and Allowances: 75% of the Salary. This includes Company's contribution to Provident Fund and Superannuation Fund to the extent exempt from time to time under the Income-tax Act and any other perquisites and allowances within the overall limit of 75% of the Salary.

For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

The fixed pay for the first year of the term shall not exceed ₹ 2,50,00,000.

b) <u>Variable pay:</u>

This shall be in the nature of Commission. Subject to the overall ceiling in Section 197 of the Act, the Company shall pay to Mr. Jain remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance. The Commission for the first year of the term shall not exceed ₹ 2,50,00,000.

Other benefits that will be over and above the aforesaid proposed remuneration and in line with the Company policy, would be medical reimbursement as per group medical insurance policy, provision of Company car and its running and maintenance expenses including driver, club membership, telephone/internet reimbursement, Provident fund, Superannuation fund and Gratuity payment at the end of the term of employment, leave encashment at the end of the term of employment, benefit, if any, under Group Life Insurance Policy, and asset purchase as per Company policy.

Minimum Remuneration:

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

8. Mr. Jain shall not be paid any sitting fees for attending the meetings of the Board or of any Committee thereof.

9. Mr. Jain shall be entitled to reimbursement of actual expenses including entertainment and travelling incurred during the course of Company's business.

10. Mr. Jain will be granted Privilege Leave, Sick Leave and Casual Leave in accordance with the rules and regulations of the Company applicable from time to time.

11. Mr. Jain shall not during the term of this Agreement, whether the employment runs through the full period from the date of appointment or is terminated by the Company or Mr. Jain anytime during the term of this Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company or do any deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company. It shall however be permissible for Mr. Jain, with the previous written sanction of the Board to hold any directorship/s of any other company or companies and the holding of such permitted directorships shall not be deemed a contravention of this clause.

12. Mr. Jain shall not during the term of this Agreement and for all times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.

13. Mr. Jain's employment shall be determined herewith if he commits a material breach of any of the terms, provisions or covenants herein contained, disqualifies himself to act as a Director for any reason besides breach of Section 167 of the Act, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a Director of the Company.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

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

The Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Jain as the Managing Director of the Company.

The draft Agreement between the Company and Mr. Jain referred to in the Resolution at Item no. 6 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 e-mail.

Other than Mr. Jain and his relatives, 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, as set out in Item no. 6.

The Board recommends the appointment of Mr. Jain as the Managing Director of the Company, as set out in Item no. 6 of the Notice, for approval of the Shareholders.

ITEM NO. 7

The Shareholders of the Company, at the 100th Annual General Meeting held on 22nd June, 2020, had approved the appointment of Ms. Sonia Singh as an Independent Director of the Company, for a period of 3 (three) years from 29th June, 2019 to 28th July, 2022.

Considering her rich experience and vast knowledge in the field of brand strategy, sales and marketing, the skills, capabilities and proficiency required for the role and performance evaluation based on her contribution to the Board during her tenure and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board approved the re-appointment of Ms. Sonia Singh as an Independent Director of the Company, not being liable to retire by rotation, for a second term of 5 (five) years commencing from 29th July, 2022 and ending on 28th July, 2027 (both days inclusive), subject to the approval of Shareholders of the Company vide a Special Resolution. Also, in the opinion of the Board, Ms. Singh fulfils the conditions specified in the Companies Act, 2013 ("the Act") read with the rules made thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), for being re-appointed as an Independent Director of the Company and she is independent of the management.

The Company has received a notice in writing as per the provisions of Section 160 of the Act, to propose the candidature of Ms. Singh, for the office of Independent Director, to be re-appointed as such under the provisions of Section 149 of the Act and Regulation 17 of SEBI Listing Regulations.

Ms. Singh has provided (a) her consent to act as Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014; (b) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that she is not disqualified under Section 164(2) of the Act; and (c) a declaration to the effect that she meets the criteria of independence as prescribed both under Section 149(6) of the Act and under SEBI Listing Regulations. Accordingly, it is proposed to re-appoint her as an Independent Director of the Company, as per the provisions of Section 149 of the Act and SEBI Listing Regulations and the Special Resolution set out in Item no. 7 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Ms. Singh is provided in the annexure to the Notice.

A copy of the draft letter of appointment setting out the terms and conditions 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 e-mail.

Other than Ms. Singh and her relatives, 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 Special Resolution, as set out in Item no. 7.

The Board recommends the re-appointment of Ms. Sonia Singh as an Independent Director of the Company, as set out in Item no. 7 of the Notice, for approval of the Shareholders.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 10th May, 2022

Annexure to the Notice

Details of the directors seeking appointment / re-appointment in the 102nd Annual General Meeting, as set out in Item nos. 3, 4, 6 and 7 of this Notice, in terms of Regulation 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. Shigeki Takahara	Mr. Takashi Tomioka	Mr. Anuj Jain	Ms. Sonia Singh
Director Identification Number	08736626	08736654	08091524	07108778
Age	63 years	49 years	53 years	57 years
Qualifications and experience	Mr. Shigeki Takahara graduated from Kobe University of Commerce, Faculty of Commerce and Economics. He worked with SSP Co., Ltd., MISUMI Group Inc., Pfizer Japan Inc. before joining Kansai Paint Co., Ltd., Japan in April 2020. He is presently the Representative Director of the board, Vice President Executive Officer, Chief of Corporate Planning, Finance, HR & Administration.	Mr. Takashi Tomioka graduated from Tokyo Gakugei University, Faculty of Education. He has worked in various divisions of Kansai Paint Co., Ltd., Japan and is presently the Executive Officer, General Manager, Corporate Planning division.	Mr. Anuj Jain, aged 53 years, is B.Sc. and Master of Management Studies, University of Bombay (Mumbai). Mr. Jain had joined Kansai Nerolac Paints Limited on 4th June, 1990 and was Director – Decorative and Industrial Sales & Marketing, prior to his appointment on the Board of Directors as a Whole-time Director designated as Executive Director with effect from 1st April, 2018.	Ms. Sonia Singh is B.A. (Economics) from Hindu College, Delhi and is an alumnus of Faculty of Management Studies, Delhi, from where she attained her MBA. She has an experience of over 30 years with rich experience in creating new categories, new brands, and new functions and capabilities. Passionate about brands - crafting, building, sharpening, growing and developing, she brings in a track record of strong delivery, of creating things from scratch, of being a catalyst and of breaking paradigms. She led a variety of roles during her stints in Lakme and Hindustan Unilever Limited. She also has overseas experience with companies like Nokia, Pepsi, Friesland Foods, Heineken etc. She was also a Guest lecturer at the University of Warsaw for the executive MBA program through the University of Illinois USA and the Chartered Institute of Marketing, Warsaw. Ms. Singh has been an Independent Brand Strategist and at present, she is an Independent Director on the Board of Axis Asset Management Company Limited. She was an Independent Director on the Board of Directors of Trent Limited.
Date of First Appointment	7th May, 2020	7th May, 2020	1st April, 2018 (as the Executive Director) 1st April, 2022 (as the Managing Director)	29th July, 2019
Directorships held in other public companies (excluding the Company, foreign companies and Section 8 companies) as on 31st March, 2022	Nil	Nil	Nil	Axis Asset Management Company Limited
Memberships/ Chairmanships of Committees# of public companies as on 31st March, 2022	Nil	Nil	Nil	2
Directorship on listed entities (excluding the Company) as on 31st March, 2022	Nil	Nil	Nil	Nil
Listed entities in which the Director has resigned from directorship in last three years	Nil	Nil	Nil	Nil
Shareholding in the Company as on 31st March, 2022	Nil	Nil	13,560 Equity Shares	Nil

* Mr. Shigeki Takahara and Mr. Takashi Tomioka are nominees of Kansai Paint Co., Ltd., Japan, Promoter Company and they do not hold any Equity Share of the Company in their 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 are considered.

Notes:

None of the directors are related to each other. However, Mr. Shigeki Takahara and Mr. Takashi Tomioka are the nominees of Kansai Paint Co., Ltd., Japan, Promoter Company.

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

Board's Report

Dear Members,

The Directors of your Company are pleased to present the 102nd Annual Report and the Audited Financial Statements (Standalone and Consolidated) for the year ended 31st March, 2022 ("year under review / FY 2021-22"). 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 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 a subsidiary of Kansai Paint Co., Ltd., Japan ("KPJ"). Apart from operations in India, KNPL has subsidiaries in Nepal, Sri Lanka and Bangladesh through acquisitions and joint ventures.

KNPL ("the Company") is one of India's largest Coatings companies with leadership in industrial coatings. It is an acknowledged leader in Automotive Coating and Powder Coatings and has a sizeable presence in General Industrial and High Performance coatings as well. In the Decorative segment, KNPL is a leading player and is amongst the top 3 players in the country. It has steadily grown its presence in new and niche segments that the Company entered, such as High-End Wood finish, Construction chemicals, Auto Refinish, and Coil coatings. These forays have helped KNPL expand its portfolio of products and offerings in the market.

With IT, R&D and Manufacturing Technology as strategic drivers, KNPL has been making rapid progress on driving an organisation-wide agenda to boost customer responsiveness, efficiency, speed and productivity. It has rolled out several IT applications for internal and external stakeholders (channel partners, painters and employees) for deeper connect and engagement. The Company launched a new brand proposition "Paint +" as part of its offering to consumers.

KNPL is one of the most trusted brands in the industry and stands for quality, ingenuity, and excellence. It further plans to advance towards the future with the purpose, vision and brand promise of KNPL. With an intention of winning the hearts of the customers through an expanded product portfolio and through a focus on sustainability, it displays its evolution into a better Company - the Nerolac of tomorrow.

Industry Progress

FY 2021-22 came with a wave of incidents including the effect of COVID-19 pandemic. The year began in a positive manner in April but as we moved ahead through the month, the second wave of COVID-19 hit us. The first quarter was impacted due to the pandemic. In the 4th quarter, the world encountered war between Ukraine and Russia. Due to this, businesses encountered high inflationary pressures on account of crude oil, as well as, high volatility in Forex. The global Chip Shortage in the Auto Industry led to reduced production of cars ultimately impacting the automotive paint industry.

Financials

A summary of the Company's standalone financial results for the year ended 31st March, 2022 (FY 2021-22) vis-à-vis standalone financial results for the previous year FY 2020-21, is as under:

₹ in Crores

	2021-22	2020-21
Revenue from Operations	**5948.90**	4770.90
Profit before Depreciation, Interest, Exceptional item and Tax	**647.34**	843.53
Less: Depreciation and Amortisation	**153.82**	149.01
Profit Before Interest, Exceptional Item and Tax	**493.52**	694.52
Less: Interest	**9.87**	8.48
Add: Other Income	**32.86**	38.85
Profit before Exceptional item and Tax	**516.51**	724.89
Less : Exceptional Item	**11.39**	10.82
Profit Before Tax	**505.12**	714.07
Less : Tax Expenses	**130.79**	183.47
Profit After Tax	**374.33**	530.60
Other Comprehensive Income ...	**2.51**	0.27
Total Comprehensive Income for the year	**376.84**	530.87

Revenue from Operations for the year aggregated to ₹ 5948.90 Crores as compared to ₹ 4770.90 Crores for the previous year, reflecting a growth of 24.7%.

Unprecedented very high inflation was seen in all major categories of raw materials, resulting in substantial increase in material cost. Raw material prices also increased due to global shortages and invoking of force majeure clause by global MNCs. Currency also depreciated during the year which further impacted raw material prices.

Gross margins were severely affected mainly in case of industrial business due to high inflation not compensated by corresponding increase in sales price.

Operating costs were kept under control by various cost reduction initiatives across all functions. Employee Benefits Expense includes provision made towards retirement benefits to Executive Directors of ₹ 24.22 Crores for the year. Overheads as a percentage of net revenue were lower at 13.9% compared to 14.2% of previous year.

PBDIT for the year was lower at ₹ 647.34 Crores compared to ₹ 843.53 Crores reflecting a de-growth by 23.3%.

Depreciation for the year was at ₹ 153.82 Crores, which is slightly higher compared to the previous year.

Other income was lower at ₹ 32.86 Crores as compared to ₹ 38.85 Crores of the previous year.

Exceptional item represents impairment of investment in subsidiary viz. Kansai Paints Lanka (Private) Limited amounting to ₹ 11.39 Crores (Previous Year: ₹ 10.82 Crores) after taking into account its past performance, current change in economic and market conditions consequent to the severe detoriation of political and economic condition, currency devaluation and very high inflation.

PBT for the year before exceptional item was ₹ 516.51 Crores as compared to ₹ 724.89 Crores of the previous year reflecting a de-growth of 28.7% over previous year. PAT is lower at ₹ 374.33 Crores compared to ₹ 530.60 Crores reflecting de-growth of 29.5%.

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 100% (₹ 1.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on 22nd November, 2021. Accordingly, the total dividend is 225% (₹ 2.25 per share) for the financial year ended 31st March, 2022 as compared to total dividend of 525% (₹ 5.25 per share) including Special Dividend of 200% (₹ 2.00 per share) declared last year.

Merger

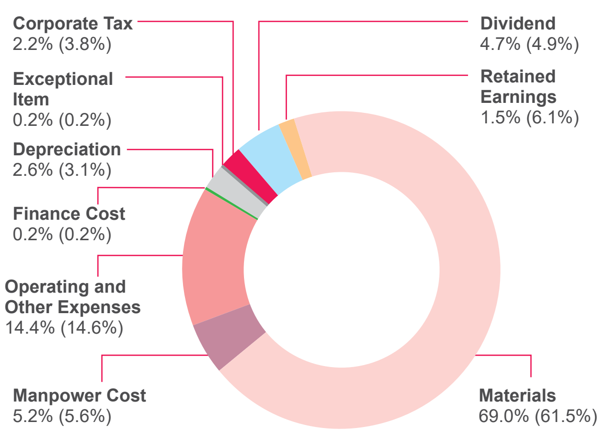
The National Company Law Tribunal, Mumbai Bench and Ahmedabad Bench have approved the Scheme of Amalgamation ("the Scheme") of Marpol Private Limited and Perma Construction Aids Private Limited ('Transferor Companies'), wholly-owned subsidiaries, with the Company ('Transferee Company'). Pursuant to necessary filings with the concerned Registrar of Companies, the Scheme has become effective from 21st October, 2021. The appointed date of the Scheme is 1st July, 2019. Accordingly, the amalgamation has been accounted under the 'pooling of interests' method in accordance with Appendix C of Ind AS 103 'Business Combinations under common control' and comparatives have been restated to give effect of the amalgamation from the beginning of the previous year. The impact of amalgamation is not material to the standalone financial results of the Company.

Key Financial Ratios

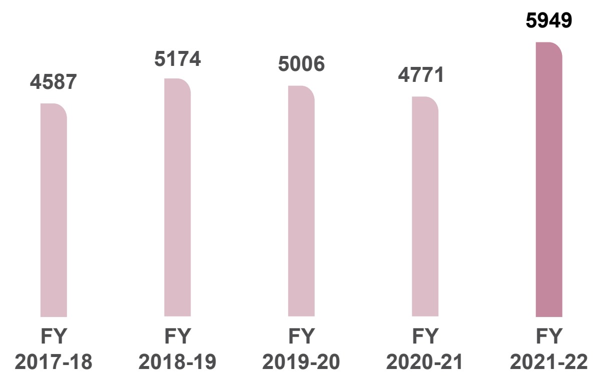
Key Ratios	2021-22	2020-21	Difference	% Change
Debtors Turnover (No. of Days)	**41**	43	-2	-4.7%
Inventory Turnover (No. of Days)	**117**	127	-10	-7.9%
Interest Coverage Ratio	**66**	99	-33	-33.3%*
Current Ratio	**2.91**	2.96	-0.05	-1.65%
Debt Equity Ratio.......	**0.02**	0.02	0.0	8.1%
Operating Profit Margin (%)........	**10.9%**	17.7%	-6.8%	-38.4%*
Net Profit Margin (%).	**6.4%**	11.2%	-4.8%	-43.0%*
Return on Equity	**9.1%**	13.5%	-4.4%	-32.6%*

*Change is mainly due to unprecedented inflation resulting in compression in margins during the financial year.

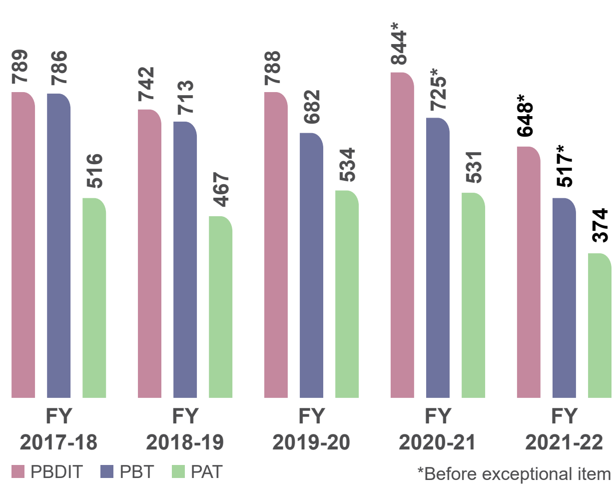
Distribution of Total Income



Revenue from Operations (₹ in Crores)

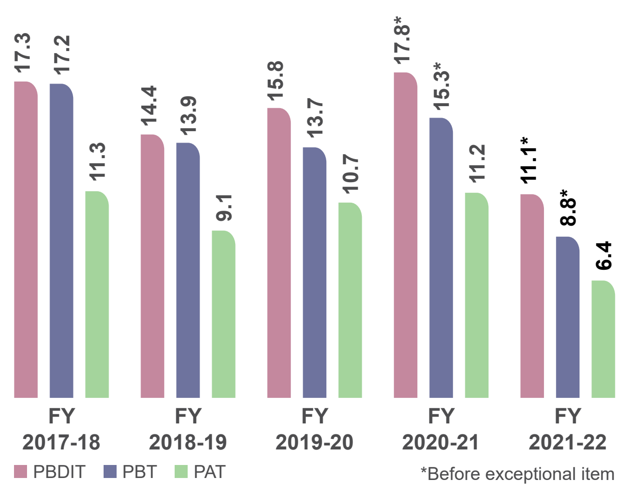


Profit (₹ Crores)

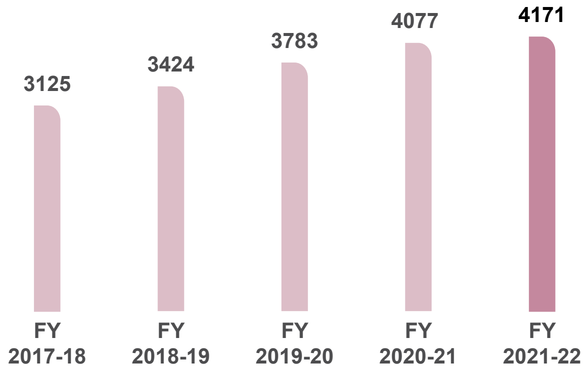


Profitability (%)

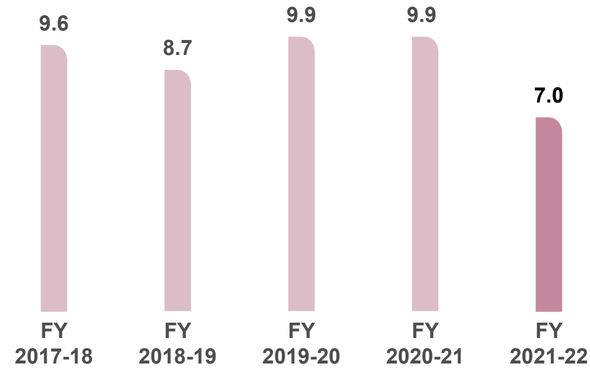
Profitability ratios are based on Net Sales



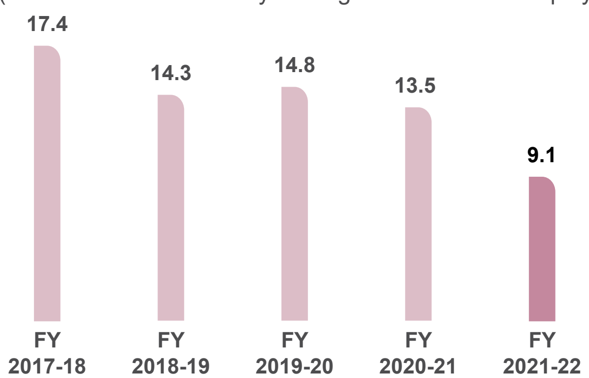
Shareholders' Funds (₹ in Crores)



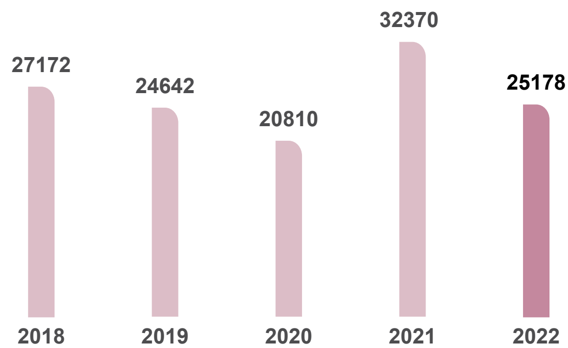
Earnings Per Share (EPS) (₹)



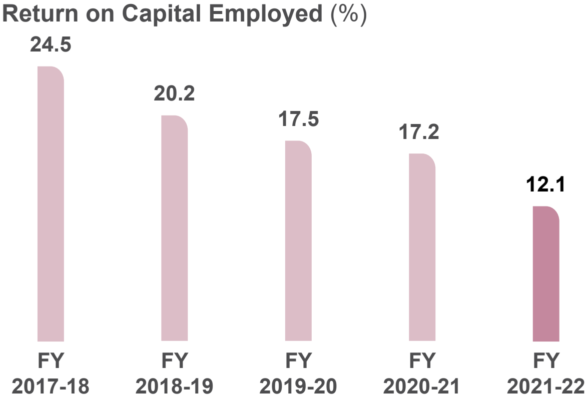
Return on Equity (%)
(Profit after tax divided by Average Shareholder's Equity)



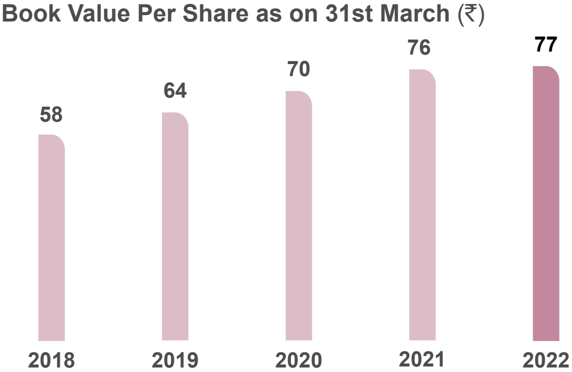
Market Capitalisation as on 31st March (₹ in Crores)



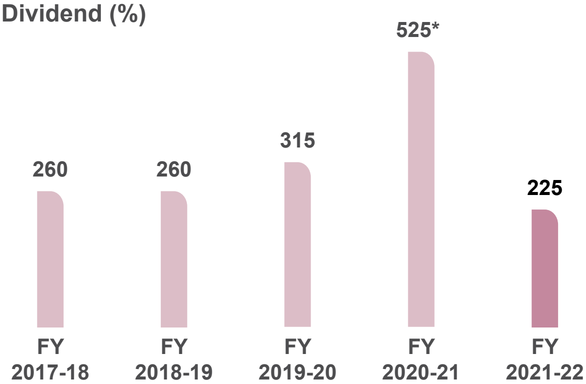
Return on Capital Employed (%)



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



Dividend (%)



*Includes 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

Nerofix Private Limited

The Company’s turnover was at ₹ 110.42 Crores compared to ₹ 69.98 Crores of the previous year. EBDITA for the year de-grew to 1.7% as compared to 3.1% of the previous year. The Company incurred a net loss of ₹ 3.69 Crores as compared to ₹ 3.71 Crores during the previous year. Company has the plans to expand this business and become a noticeable player in this category.

Overseas Subsidiaries:

Operations in Nepal

During the year, the turnover of KNP Japan Private Limited, the subsidiary of our Company in Nepal, was at ₹ 84.00 Crores as compared to ₹ 68.46 Crores of the previous year. EBDITA for the year decreased to 13.6% from 16.1% on Y-o-Y basis. PAT is ₹ 9.08 Crores as compared to ₹ 10.24 Crores in the previous year.

Operations in Sri Lanka

The turnover of our subsidiary in Sri Lanka, Kansai Paints Lanka Private Limited for the year was ₹ 23.71 Crores as compared to ₹ 15.17 Crores during the previous year. The Company’s net loss has been widened to ₹ 17.64 Crores during the year as compared to net loss of ₹ 7.68 Crores during the previous year due to unprecedented inflation and economy crises in Sri Lanka.

Operations in Bangladesh

The turnover of our subsidiary in Bangladesh, Kansai Paints (Bangladesh) Limited (Formerly known as RAK Paints Limited) for the year was ₹ 230.54 Crores as compared to ₹ 163.52 Crores in the previous year. EBDITA for the year de-grew to -1.7% from 2.9% on Y-o-Y basis. The Company incurred a net loss of ₹ 22.41 Crores during the year as compared to net loss of ₹ 6.09 Crores during the previous year.

Consolidated financial statements of the Company as on 31st March, 2022, 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, 2022, 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

The Nerolac Brand focusses on continuing to expand its product portfolio as per the evolving preferences of the consumer. Numerous new, high-end products at premium and economy segments have been launched and promoted through a lot of unique marketing initiatives in the FY 2021-22.

The Company focussed on **increasing its distribution network** with opening of new dealers and also **accelerating the CCD machine (Colorant Dispenser)** installations. In the **rural markets,** the Company introduced distributor model for deeper penetration.

In the **influencer category,** it rolled out initiatives to be a preferred partner through enhanced loyalty programs, training workshops and painter meets. It also rolled out an app for influencers to **digitise the painter journey** including real-time redemption of loyalty points.

Based on consumer insights, the Company's new product strategy centred on evolving consumer needs and preferences and as a result, a new brand expression **"Paint+"** was introduced during the year.

The Company witnessed **high material price inflation** during the year and had to take **series of price increases** to offset the inflation and maintain profitability.

Unique Brand Positioning

This year, the Company has envisioned its **new brand expression as PAINT+.** This expression stands for its sentiment to offer more to its customers i.e. paint with added benefits. Paint+ is KNPL's commitment to provide its consumers with unique products that go beyond offering thousands of colourful options. The features built into the Company's world-class products offer benefits that resonate with emerging consumer needs and preferences.

The Company has positioned the brand with unique products that live up to the Paint+ promise enabled by Japanese technology. It has also brought back the popular and memorable **Nerolac jingle.** The Japanese woman and couple showcase an active role played by the lady - acknowledging the growing role of **women in decision-making** in all aspects around home.

NEROLAC PAINT+

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New Products

Understanding the needs of customers and their unique requirements, the Company launched multiple products with characteristics that are combining the brand promise of **"Healthy Home Paints"** and the new brand expression **"PAINT+"**. KNPL's efforts in R&D and new product development is focussed not just on paint performance, but also the safety and well-being of the consumer and the environment.

As part of KNPL's new product strategy, it launched **"Excel Mica Marble Stretch & Sheen"**, a product that offers a 6-year waterproofing warranty at a compelling price point and solves a very pertinent problem of cracks on exterior walls.

In the Interior space, KNPL launched **Beauty Gold Washable,** which offers unique anti-bacterial and stain resistance properties.

In enamels, KNPL has launched a revolutionary product **"Nerolac PU Enamel 10 in 1"**. The product offers excellent gloss and finish and offers a host of relevant benefits never offered in this category. KNPL is focussing on efforts to adapt to the changing market and ensuring it develops sustainable products. As a result, it has recently launched **Zinc Yellow Metal Primer** (Chrome Free). The product gives long-lasting rust-free performance.

KNPL has introduced a paint for ceilings i.e. **Beauty Ceilings Emulsion**, which imparts a smooth finish and has low spatter thus resulting in reduced wastage during application.

Mica Marble
Stretch & Sheen

Beauty Gold
Washable

Nerolac PU
Enamel 10 in 1

Premium Zinc
Yellow Primer
(Chrome Free)

Beauty Ceiling
Emulsion

Nerolac Beauty
Little Master

Nerolac Beauty
Smooth Orange

Nerolac Beauty
Smooth Green

Nerolac Excel
Glitter Finish

Nerolac Excel
Anti Peel

Nerolac Excel
Mica Marble

Nerolac Suraksha
Dust Resist

Nerolac
Suraksha Plus+

Nerolac Synthetic
Enamel

Strengthening New Business

KNPL has been steadily making investments in the new businesses of Adhesives, Construction Chemicals and High-end Wood Finishes. It has adopted a **multi-pronged approach** to strengthen them and increase market share. The Company focussed on increasing product range, introduce new applications, expand distribution network, enhance influencer programmes and deepen engagement with consumers.

For **Wood Coatings**, KNPL has a complete range of products and are present in **PU, Polyester, Melamine and NC Coatings.** The PU range has been expanded by introducing **2K PU Interior.** Tinting machines were installed at dealer counters for **tintable range** of products. The Company plans to launch more products in **PU range leveraging its collaboration with the Italian company ICRO Coatings.** For its NC range, KNPL developed sustainable and environment-friendly products, which were awarded **REACH certification.** The distribution network was expanded and influencer participation was significantly increased.

For **Construction Chemicals,** KNPL with its acquisition of Perma, is focussed on providing a **holistic product range** to the customers through synergy between its paint and construction chemical portfolio. During the year, KNPL has launched 3 new products under general waterproofing category. With this, it has an entire range of construction chemicals consisting of **General waterproofing, General repairs, Tiling, Admixture, High end waterproofing, sealants, structural repairs, flooring, industrial grouts and Waterproof putty.** During the year, drives were undertaken for increasing channel participation as well as increasing reach through expanded dealer network. Also, initiatives were launched for influencers to increase their participation. Going forward, the brand – Nerolac Perma, will focus on both retail & projects with an enhanced product range, channel expansion and adding newer waterproofing technologies to provide superior solutions to the customers.

For its NC range, KNPL developed sustainable and environment-friendly products, which were awarded REACH certification.

Launch of the carpenter app (Nerofix Super Carpenter App) attracted several carpenters to be on board and resulted in faster disbursements.

For **Adhesives,** KNPL has a complete range of products covering both white-based and rubber-based adhesives. Under white-based, it is present in **premium, mid-tier and economy segments** with distinctive product features such as **heat resistant, water resistant and waterproof.** The brand includes **Nerofix, Gold, Nerofix Super, Smart & Aqua Smart.** Masking tape was also launched during the year. Aggressive penetration in infrastructure projects with focus on new applications for retail and industrial segments helped drive growth. Initiatives were undertaken to increase channel expansion and extraction. Launch of the carpenter app **(Nerofix Super Carpenter App)** attracted several carpenters to be on board and

Nerolac Perma Rapidset

Nerofix Gold

Nerolac Wonderwood Gloria

resulted in faster disbursements. The launch of company website **(www.nerofixindia.com)** enhanced visibility and established better customer connect. **Digital marketing and engagement** on social media drove lead generation. Process optimisation initiatives were undertaken in manufacturing to increase the capacity. Also, packaging artworks were revamped for enhanced visibility and acceptance by customer.

Marketing Campaigns

KNPL took a focussed market approach for this year's marketing plans, ensuring high brand visibility in the key markets which would also act as an enabler for the sales team. Also, the focus this year was to build product offerings and product propositions in the minds of consumers and drive awareness for key products.

Multiple brand-building campaigns were initiated throughout the year for **"Beauty Gold Washable"** and **"Excel Mica Marble Stretch and Sheen"** products.

A high decibel 360 media campaign for **Beauty Gold washable** was initiated to build sustained salience for the brand to build on the key proposition of **"Ab Walls Rahe Saaf aur Safe"** and highlight the importance of stain reduction.

Nerolac also launched a new Television commercial for **Excel Mica Marble Stretch & Sheen.** The key proposition of the brand – **'Chamak pe na aaye Crack, only Nerolac'** highlights the importance of No cracks on walls through the 2X stretch ability feature **backed by Japanese Technology.**

Apart from this, an amplification plan was implemented for highlighting the protection features of exterior products – Excel Mica Marble & Suraksha by the means of strategic associations of weather branding with top news channels in **Hindi, Telugu & Tamil,** thus reinforcing KNPL's product proposition and driving clutter-free on-air presence. KNPL partnered with big ticket properties on television like **IPL, Big Boss** etc., during the brand campaigns to deliver high impact with partners such as **Star Sports,**

Nerolac Excel Mica Marble Stretch & Sheen Campaign

Asianet and other leading channels. In its focus markets, **outdoor advertising, FM radio,** Newspaper and other ambient media were used to drive salience of the products being advertised.

Digital marketing also delivered higher reach and frequency for the campaigns by targeting unique audiences via **YouTube, Facebook, Google** and other content providers. Social media marketing was topical and focussed on building product feature and benefits in sync with the Paint+ approach. **SEO** (Search Engine Optimisation) and **SEM** (Search Engine Marketing) played a crucial role in providing a quantum jump in driving consumer traffic to Nerolac assets and building its product propositions.

Industrial

KNPL is an acknowledged leader in industrial coatings and specialises in providing **unique and sustainable solutions** to its customers. It has a state-of-the-art R&D set up and has multiple technical collaborations, which are leveraged to provide innovative products and solutions to customers.

KNPL has invested in setting up **integrated plants** across the country to service its customers. Strong **intellectual capital** coupled with **multi-locational manufacturing** set up has helped KNPL maintain its leadership position in the industrial paint segment.

During the year, there was **unprecedented inflation** in material prices and the Company had to seek a price increase from its customers. However, the **price increase** realised has been insufficient to offset the inflation for the industrial segment.

Industrial Marketing

This year, KNPL participated in the **Global Chemical Expo Conference** and B2B sessions organised by the Indian Chemical Council (ICC). The exhibition was attended by business heads, technocrats, policy makers, industry associations and trade delegations from India and abroad.

KNPL sponsored the International Automotive Design Conclave 2021, an event organised by CII and participated as a Silver Partner.

KNPL sponsored the **International Automotive Design Conclave 2021,** an event organised by CII and participated as a Silver Partner. The discussion was focussed on "AUTOMOTIVE DESIGN – Creating Self Reliant India".

KNPL participated in **Powdertech** – Organised by Paint India in March 2022. This was a conference for powder coating manufacturers where KNPL presented and discussed on changing trends in powder coating.

Colour Trends & Promotions

KNPL participated in **Colour Promotions** at most of the key accounts and **new colours were launched** for new vehicles introduced in FY 2021-22. While achromatic tints are the most popular, customers are increasingly gravitating toward chromatic colours such as red and blue. Metallic colours are becoming more popular in the PV and 2W segments. In Greens and Blues, the EV category has developed new notions of medium saturation shades.

Automotive

During the year, as the market revived post COVID, KNPL continued to strengthen its position in major key accounts in the Automotive, Ancillary and Alloy Wheels segment.

The organisation continues to work on offering innovative technology and entry into diversified product range in Auto segment to expand horizon. Introduction of coating technologies for **new substrates like Plastic, Aluminium Die Castings** are leading concepts in Auto Segment and KNPL product innovations continue to lead the market.

KNPL continued to set higher benchmarks in various parameters of **Quality, Cost and Delivery** and this resulted in it being considered as the priority supplier across many Automotive OEMs and Ancillaries. KNPL also received **Best Supplier Awards from major OEMs like Honda Motorcycles and Scooters and Isuzu Motors** during the year.

In the **Electric vehicle category**, KNPL is present across all segments i.e. two-wheeler, three-wheeler, passenger vehicle and commercial vehicle. In tractor segment, the penetration of electric vehicle has been low.

In two-wheeler segment, which has witnessed highest growth of EV, KNPL has a formidable presence and has tapped into both existing and new entrants and partnered for paint supplies. Also, in the PV segment, the Company has partnered with major players for paint supplies. KNPL is a strong player in the EV (Electric Vehicle) segment in the country and will continue to focus on this high growth segment with value-added products and solutions.

Performance Coatings

Under Performance Coatings, the Company offers powder coatings for powder segment and liquid coatings for General Industrial segment & High Performance segments. In FY 2021-22, the Company witnessed significant growth in all three segments and gained market share.

In Powder coatings, KNPL is present in **premium, popular and economy segments**. In General Industrial, it caters to customers across all segments viz. **Drums & Barrels, PEB, Electrical appliances, construction equipment and helmets**. Under High performance coatings, it has a range of products like the **C5 Fluoro Polymer Coatings, IPNet, Polysiloxane and anti-carbonation systems** to meet customer needs and requirements.

Niche Business

KNPL has also witnessed significant growth in niche segments that it entered i.e. **rebar coatings, super durable powder** in the powder coatings. It added new customers in rebar coatings and have achieved a significant market share. It achieved good growth in powder coating for **alloy wheel segment** as well. In **pipe coatings**, amongst the new products developed this year was **"Neropoxy Solvent Free Coating"** for Water Pipeline Internal coatings, which has been certified by Water Regulations Approval Scheme Ltd, UK. This development places KNPL on a strong footing to enter this segment.

KNPL has also witnessed significant growth in niche segments that it entered i.e. rebar coatings, super durable powder in the powder coatings.

Auto Refinish

Auto Refinish business was designated as a major thrust area for the Company. It has developed a complete range of products catering to the **Premium, Economy and Retail market.** The key elements include new products launches, OEM approvals and greater reach through the development of the retail distribution network and body shops. The Company has created **state-of-the-art Training Centres** at its plants of Bawal and Hosur and conducted several Skill Improvement and Training Activities for OEMs and Body Shop painters. Also, **Digital colour matching** instrument was installed at R&D.

Coil Coatings

In coil coatings, KNPL has introduced a collection of products that provide clients with unique value. Despite the fact that the Company entered this market a few years ago, its products have gained **widespread acceptance**. In line with its strategy to enter **premium segment** in coil coatings, KNPL introduced coil coating products for **appliance industries.** This has gained good momentum in the market assisted by increased service availability and targeted client base expansion. Also, KNPL now has a dedicated manufacturing facility for coil coating at Sayaka.

Research and Development

Innovation and Sustainable products have been the fundamental endeavours of KNPL's existence. With a devoted facility at Mumbai along with a satellite facility at its plants, R&D is at the core of KNPL's strategy. This facility is directed towards creating innovative solutions catering to the ever-changing needs of its customers along with fulfilling the organisation's sustainability agenda.

KNPL is making progress in this area by continuing to develop sustainable products that have a **lower carbon footprint** during their manufacturing and use phase. It is building a portfolio time and again, that offers new **unique-to-category products** which offer long-term value to its esteemed customers. KNPL has offered a variety of new shades, and health-conscious products offering the best value proposition to its customers. The Company has also pioneered many new concepts and innovations in decorative paints. Its technology-based products are customised for various operating environments which offer protection to many key industries like metals, chemicals and petrochemicals, among others. KNPL has also delivered on the promise to develop healthy home paints – **100% heavy metal free by design and low VOC products**.

Training Centre for Auto Refinish

Colour design studio

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** and **reduce resource use** based on its deep expertise and R&D strength.

Along with its technical prowess, KNPL also has a flair for ever-changing consumer preferences. KNPL's research and development facility has a dedicated **colour design studio** has been designed and built especially for the colour development process. The studio gives easy access to more than **7000 new shades**. The studio space is used for design research and helps in **mind mapping** for a better **trend analysis** and report. Customer presentation and shade selection takes place smoothly in the studio.

Collaboration with Kansai Paint, Japan, Kansai Paint Group Companies and other Partner

KNPL has maintained its technological leadership in industrial coatings by staying ahead of the curve with support and technical guidance from Kansai Paint Co., Ltd., Japan (KPJ), one of the global leaders in the category with decades of experience in designing and developing technology.

KNPL works closely with KPJ in developing paint and resin formulations customised to Indian customers. They also offer insights to customers on emerging shade trends across the globe, with world-class technical support to Indian customers based on experiences across the globe.

KNPL has introduced many technological innovations over the years, which have helped customers improve finish, film thickness, productivity and reduce resource use based on its deep expertise and R&D strength.

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 collaboration with **Oshima Kogyo Co. Ltd., Japan.** This year the product Pyrosin Stack F150, Pyrosin PX 3103 & Stack Act 250 were developed from M/s Oshima. These products offer protection from high heat and enhance the life of the substrate.

The Company has a technical collaboration with **Cashew Co. Ltd., Japan,** to manufacture coating for interior car application and with **M/s Protech Chemicals Limited, Canada,** to manufacture powder-coating products.

Development in Automotive Coatings:

In the Automotive paints sector, KNPL's in-house R&D expertise, paired with support from Kansai Paint Japan, gives it a substantial competitive advantage.

The R&D team focusses on subject expertise and collaborates closely with clients to create long-term product roadmaps and shade designs. When combined with product and line knowledge, it also leads the effort to work closely with customers to develop unique and customised **value-added and value-engineering projects** that have added **significant value to customers** in areas such as finish, consumption reduction, productivity, and energy savings.

The Company has focussed its research efforts on **sealants for passenger automobiles**, which is one of the business segments it has decided to foray into. To that extent, the Company has developed and received approval for sealants for automotive clients.

Passenger Vehicle Segment

KNPL has developed **high solid anti-chip** primer and introduced to one of our Key customer end. This product has given **VOC reduction** as well as it has excellent anti-chip performance.

KNPL has developed high solid anti-chip primer and introduced to one of our Key customer end. This product has given VOC reduction as well as it has excellent anti-chip performance.

KNPL is a lead supplier for Metallic colours in PV Segment and various **new shades** have been introduced in this year. The product range is introduced in **3C-1B Technology** which offers **lean process, energy conservation and high productivity**.

Two-wheeler Segment

In this segment where high-end bikes are on the rise, coatings performance demands are far higher than traditional coatings in terms of durability and scratch resistance. KNPL has introduced **Matt Lacquer** for petrol tanks of motorcycles with **superior mar & scrub resistance** as advancement in the segment. Its characteristics are petrol stain marks resistance, silky finish, suitability for dual tone painting, adhesion in multiple recoat system and Alkali resistance.

KNPL has launched a **Coating for Rotamould Nylon Petrol tank**. It is an adhesion promoter primer with High Crosslink polymeric resin system with **better adhesion, Low VOC system, lower baking temperature,** and excellent surface filling property as it is a porous substrate.

Coating for Rotamould Nylon Petrol tank

Commercial Vehicle Segment

High **Weatherable Topcoat** for three-wheelers was launched with Superior Gloss & Finish, Enhanced light fastness with improved weather ability and Superior Gloss retention and Colour retention.

KNPL has a **High performance Solid Monocoat technology** with high durability and chemical resistance in the CV Segment. This has resulted in better aesthetic performance of the vehicles in the field for a longer time. Further innovation in **Solid monocoat technology**, has reduced curing temperature by 20°C. This has **reduced carbon footprint** by lower energy consumption, productivity improvement and savings to customers without any impact on performance properties. This product technology is appreciated by customers and evolved as a trendsetter in the CV Segment.

High Weatherable Topcoat for three-wheelers

Conventional medium solids PU technology is upgraded to **High Solids PU technology**. This has offered **low consumption, VOC reduction and productivity improvement**. This has helped customers receive superior performance without losing productivity.

Key Developments in Decorative Paints:

The market forces are heavily influenced by the surrounding environment, which is hyper-dynamic in today's world. Customer expectations in the decorative paint category are constantly evolving along with the surroundings. The demand curve has evolved from better to customised, and now from customised to customised & sustainable.

Innovating its way to adopt product standards that match the regulations of the European Union, KNPL has launched **REACH certified products in the Wood Coatings Division**. This certification is intended to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances.

KNPL has introduced products using **heavy metal free and low VOC design technology**. KNPL is working on a new array of products to address the rising trend of functional products and has now developed Chrome free Yellow Metal primer for retail market. This year, the Company also introduced many products in both **construction chemicals, wood finishes and adhesives,** which have gained good acceptance in the market.

Key developments in Performance Coatings:

Performance Coatings are used by a range of OEMs and end-user industries to protect and enhance surfaces. KNPL has exhibited great skills and proficiency in a wide range of end-user sectors.

M/s Water Regulations Approval Scheme Ltd, UK (WRAS) has approved KNPL's product **"Neropoxy Solvent Free Coating"** for Water Pipeline Internal Coating. Its suitability for use on coming in contact with water on the basis of impact on water quality, such that the water could be utilised for household purposes fulfilled the standards of "BS6920-1:2000 and/or 2014." The product also gives thickness of 400 microns in one coat & meets Zero VOC regulations.

To offer to the society its "bit" and "best", KNPL has also had the privilege to coat the **Mumbai trans harbour bridge for which a five coat anticorrosive system** was developed and commercialised. Its top cost is Fluoro polymer based which has exterior durability. Celatect F Series Product demonstrates a strong interatomic bonding power, resulting in superior weatherability that is a step above other resins. In particular, **Celatect F Series** of Product features as its principal chain to provide strong binding energy to prevent degradation caused by ultraviolet light & coatings that offer long-term protection.

Mumbai trans harbour bridge

M/s Water Regulations Approval Scheme Ltd, UK (WRAS) has approved KNPL's product "Neropoxy Solvent Free Coating" for Water Pipeline Internal Coating.

The Company is also 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 continues to convert a range of liquid coatings to powder coatings. KNPL has achieved **chrome finish** on the ceiling fans with powder coatings, successfully removing plating and thereby, reducing the toxicity caused due to the plating process. The Company has also developed a product with **better UV transmission** confirming with REACH requirements for one of its customers. R&D efforts are also focussed on developing various resin backbones for powder coatings for superior performance.

Key developments in Coil Coatings

New technological products such as **Low Bake Coil Coatings, Uni-coats, and Super Durable** Coil Coatings have been developed to create distinctiveness in this segment.

The R&D efforts of the Company are committed to ensuring market-share gain in this space even further.

Key developments in Auto Refinish

The R&D function developed products with superior performance in terms of finish, drying time, coverage and environment-friendly. The R&D team has developed a unique product **Anti-Viral Clear Coat**, High Gloss PU Clear with Anti-Viral Property, a novel product which is first of its kind providing **Health Safety to our Customers.**

Collaboration with Vendors

KNPL views its vendors as partners with whom it works to reach a win-win outcome. It works closely with its key global supplier base, numerous research institutes, and universities to generate new ideas, products, and innovations for the future through a systematic coordinated programme.

A number of **futuristic, collaborative** projects are undertaken with the suppliers to create mutual value. Going forward, KNPL's focus will be to increase range of sustainable products using raw material based on renewable sources.

Instrument analysis and analytical capabilities

KNPL has a robust and high-end instrumentation laboratory for analysing complicated substances and providing systematic solutions. It also has a strong R&D team to analyse such data and add to the intellectual capital of the Company. Such analytical capabilities enables high end product development and aids in providing customer specific solutions.

Supply Chain

The pandemic continues to affect the world. In the midst of the world returning to normalcy, the Russia-Ukraine war has also caused significant disruptions.. In these dynamic, uncertain circumstances, keeping operations running has been a challenge.

The above-mentioned circumstances have led to extremely volatile crude oil prices and exchange rates and major disruption in the global supply chain. KNPL has initiated a series of measures to cope up with the situation.

In line with its strategy of being an integrated player with in-house resin, intermediate & paint manufacturing facility, KNPL has commissioned the **resin facility for Industrial coating segment at Sayakha** plant. An **emulsion manufacturing facility** for Decorative segment was also commissioned at Goindwal plant.

This year, the Company focussed on ensuring high **OTIF** (On Time in Full) for its Industrial customers. In Decorative business, **new RDCs** (Regional Distribution Centre) and efficient logistics resulted in better service standards for the customers. This was achieved while maintaining an overall balanced inventory.

Sayakha Resin Facility

Goindwal Emulsion Facility

On import and logistics side, KNPL received **AEO certification** and also introduced **container tracking** for increased controls.

Even with volatile and uncertain circumstances, KNPL ensured continuity of operations for all its customers. KNPL aims "deliver on time every time" and therefore strongly focusses on offering customers world-class supply-chain capabilities, with a customer-centric approach backed by data-driven planning systems.

Information Technology

Investments in technology have been the hallmark of Nerolac's journey throughout. With the influx of digital technology, KNPL embarked on its digital journey a couple of years back during the pre-COVID times. The organisation was prepared to reap the benefits from use of these technologies when the pandemic accelerated the process of adoption of digital technologies in the organisation.

KNPL has been making rapid progress on pushing "an organisation-wide" digitisation agenda to improve consumer responsiveness, reliability, speed and productivity. Digital initiatives have been introduced during the year across **internal and external stakeholders** like **Dealers, Influences, Customers, Suppliers and Employees.** More details about these initiatives can be referred under the Intellectual Capital section.

KNPL upgraded its IT infrastructure, moved to a **new data centre** and set up disaster recovery capabilities. The Company focussed on governance through enhanced cyber security and mobile security. **Bulletins on IT & cyber security** were shared with employees on best security practices. Also, **External Verification and Vulnerability Analysis** was conducted during the year under review.

People

KNPL continued to cultivate a culture of **trust, confidence and transparency** in which its people can thrive and prepare themselves for the future. Employee well-being has evolved into a key priority. Through the year, the Company adopted a systematic approach and a range of tools and engagement initiatives to ensure the well-being and health of its employees.

As a testimony to the initiatives taken towards making KNPL a congenial workplace, it was recognised as a **"Great Place to Work"** by the Great Place to Work Institute for the 2nd time. The first certification was given in the year 2019, and the second was given in 2021.

Total number of permanent employees as on 31st March, 2022 is 3105.

Pandemic and Employee Well-Being:

From the COVID-induced remote model, KNPL has seamlessly transitioned to on-site model. It has published an advisory guide on travel & work, preparing its employees for the "New normal".

The organisation actively held **vaccination drives** pan-India (at all depots, offices, plants) and allotted reimbursements if vaccinated through private hospitals to accelerate the national vaccination coverage. Employees were prepared for the "New normal" by publishing an advisory guide on the coronavirus and travel to work. As per government regulations, offices were only opened to limited individuals, regular sanitisation of the premises was done and wearing a mask was made mandatory.

Diwali celebrations

It was recognised as a "Great Place to Work" by the Great Place to Work Institute for the 2nd time. The first certification was given in the year 2019, and the second was given in 2021.

Great Place To Work. Certified

Competency and Capability Building:

KNPL commits to training and development of its employees right from inception as it believes in **"building careers"**. It has developed extensive offline and online learning programmes and training modules to help its employees not just upskill and reskill for their roles at KNPL, but also to prepare them for the changing workplace.

To make its people future-ready and purpose-driven, KNPL continues to expand organisational skills with a clear focus on functional learning priorities. Several new training modules were introduced in terms of competency enhancement. Interactive **Digital Workshop** was held for Decorative Sales & Marketing for improving adoption of ML App (Saathi). Learning programmes on **Innovation and Design Thinking**, as well as Business Acumen, were undertaken for identified employees.

For all managers, a three-day Annual Learning Conference (ALC) was held online. "Good to Great" was the theme of the Annual Learning Conference.

Trainings related to **fire-fighting & life after accident** was imparted to manufacturing personnel. Also, **Project Management training** was imparted to employees for cost control and timely delivery.

A **rigorous training system** has been developed and executed for **R&D personnel** to improve their skills and competencies. Various employee groups are also given **leadership training**. KNPL has external interventions in several functional areas where needed, either through external training or through initiatives with best-in-class organisations, to update its personnel knowledge and capability. These initiatives enlighten employees about new ideas and concepts, allowing them to better cope with environmental problems.

Various **assessment tools** were employed as part of the programme to provide a formal opportunity for managers and staff to grow themselves, as well as courses to pursue to improve competency in specified areas.

For all managers, a three-day **Annual Learning Conference** (ALC) was held online. "Good to Great" was the theme of the Annual Learning Conference. The learning conference was important because it provided a forum for representatives from all functions to communicate about the Company's success as well as future plans and direction.

Women's day celebration

KNPL has strengthened the talent management programme by evaluation of critical positions and creating consideration set for **succession planning**.

Communication Platforms:

Transparency in communication has always been a priority for the Company. The management concentrated on building a friendly and inclusive environment in the organisation by ensuring frequent **connect programmes** with employees to discuss various subjects with the aid of digital initiatives and strategies. These were interactive sessions that took place both in person and virtual mode.

Performance Management:

KNPL seeks to attain the highest levels of transparency in goal-setting and objective-setting, as well as constant feedback to our employees. It supports this goal by providing employees with KRAs and performance dashboards that show how their KPIs and performance affect the overall organisation.

Community Development

KNPL as an organisation holds itself to considerable standards when it comes to the responsibility it owes to the community. It believes that taking collaborative action and generating answers to common problems is how it can fulfil its social obligation.

KNPL's CSR efforts are not limited to the locations in which it works, but also extends to society at large. The Company is guided by the philosophy of contributing meaningfully to humanity's progress by acting as a good neighbour, being thoughtful of others, and operating as a responsible corporate citizen with fervour and compassion.

KNPL aspires to be a responsible corporate citizen by proactively contributing to society's social and economic advancement through the use of practices that go beyond traditional industry's bounds.

The Company participates in Corporate Social Responsibility (CSR) activities that promote social advancement, with a focus on events that benefit the underprivileged and disadvantaged. Encouraging employee participation in CSR initiatives across the country also fosters a sense of societal duty on an individual level while also improving the Company's image.

KNPL has linked its CSR programmes to the Sustainability Development Goals defined by United Nation (UNSDG's).

The following are broad definitions for all programmes:

Rural Development / Community Development

The objective is to reach out to people by providing basic services and amenities. To do so, the organisation contributes to the local community by construction and refurbishment of school and other basic infrastructure. During the year, KNPL carried out multiple such activities. The highlight for the same during the year are Community Hall Painting Work, Community Room and construction of Boundary Wall, Pick-up Sheds, Women Empowerment. KNPL carried out a key project of “Women Empowerment in farming through livelihood intervention”, which was initiated three years ago. This project dealt with the development of farming activity amongst small, marginal land holder & landless women farmers which helped them to be financially self-dependent and also to get social recognition.

Pick-up Shed Painting

Preventive Health Care and Sanitation

The purpose of this initiative is to create amenities that improve general health and sanitation. Multiple Good Health & Well-Being camps were held; toilets provided in schools, initiatives to provide clean drinking water were organised. KNPL extended support considering the pandemic scenario, Oxygen Concentrators were distributed. Personal Protective Equipment (PPE kits) were provided to Frontline Health workers (Equipment to Hospitals) at multiple community health centres.

Promoting Education

KNPL runs a range of programmes in schools around its factories and depots to raise educational levels and support education in rural regions. Construction of classrooms and science laboratories, providing computers, solar inverters, clean water etc. are few initiatives carried out under the said programme.

Promoting Education

Ensuring Environmental Sustainability

The Company is dedicated to helping the community conserve natural resources and maintain the environment. It has worked on a number of projects aimed at preserving the environment’s balance. Tree Plantations, Solar Energy Use, Cleanliness drive, and Painting activities were created to contribute to the quality of life on the land. In view of KNPL’s aim to become “Water Positive Organisation” by 2024-25, Pond Rejuvenation projects were carried out near the Plants. The project included pond cleaning, desilting / deepening of the pond, disposal of silt, making protection wall and tree plantation in the surrounding area.

Tree plantation

Environment, Health and Safety

Environment, Health and Safety have always been a corner stone of KNPL's business strategy and value system. As a socially and environmentally responsible organisation, it imbibes practices and encourage programmes that ensure social well-being and promote environmental conservation & protection.

KNPL has been placed in the **top Quartile in Manufacturing Space and Rated No.1 in Paint Sector in the CRISIL** ESG compendium. It has also been recognised by **S&P Global and ranked in Top Quartile** of Global Chemical Industry S&P ESG Index in CSA 2021.

KNPL has been placed in the top Quartile in Manufacturing Space and Rated No.1 in Paint Sector in the CRISIL ESG compendium.

Safety

KNPL believes in building safety-first mindset among employees and consistent efforts are made to sensitise and raise awareness among employees in regards to varied aspects of safety. Robust Environmental and Safety Management System is in place at all KNPL industrial units. All plants have **ISO 45001 certification** and are equipped with adequate requisites for emergency situations. To improve emergency preparedness and foster safety culture; various drills, thematic safety trainings, contests and assessments are undertaken on a regular basis. In order to encourage open-feedback culture, KNPL conducted a Safety Culture Survey for management-level and operator-level employees during the reporting period. Further details are provided in the Occupational Health and Safety section of Human Capital.

Health and Safety pledge

It has also been recognised by S&P Global and ranked in Top Quartile of Global Chemical Industry S&P ESG Index in CSA 2021.

Water Management

KNPL has set an inspiring target of becoming **water positive by FY 2024-25**. To do so, it has set exacting standards and management goals to achieve water stewardship and minimise overall water consumption across the firm. The Company's aim is to reduce freshwater consumption, increase rainwater usage within factory premises, and restore water in operating areas through water replenishment initiatives. **In FY 2021-22, several measures have been launched to reduce freshwater consumption and improve water efficiency within operational boundaries which has helped KNPL to reduce specific water consumption by 7% over the last FY**. Special emphasis was laid on water replenishment in community areas where KNPL operates. Efforts towards water conservation are detailed out in the Water Management section of Natural Capital.

Pond restoration

Waste Management

Judicious waste management has become a major feature and of paramount importance as the regulatory landscape is constantly evolving and new requirements are emerging. All major plants are **Zero Liquid Discharge facilities**. KNPL has set up Recovery units at its plants for solvent recovery and also collect powder dust emitted during charging through dust collector and **powder recovery system**.

KNPL follows the 3R principle for management of all types of wastes: REDUCE, REUSE & RECYCLE. Special precautions are taken to handle, store and dispose of hazardous wastes. Continuous efforts are made to minimise industrial waste through adopting and implementing varied initiatives focussing on reduction of hazardous as well as non-hazardous waste. **During the year, specific hazardous waste generation decreased by 7% from the previous year**.

Plastic Waste Management

In regards to plastic waste management, KNPL is abreast of the changing regulatory requirements. In terms of post-consumer plastic waste, it has initiated efforts under the provision of Extended Producer Responsibility. The Company also taken significant efforts to **limit incoming plastic waste** from suppliers by replacing alternative materials for plastic or utilising a supplier-set take-back system. KNPL has also initiated **use of recycled plastic content** in certain packing materials.

Product packing with recycled plastic content

Further details on efforts to reduce waste generation and disposal are outlined in the Waste Management Section under Natural Capital.

Energy and Emission Management

During the reporting period, KNPL continued its energy-saving goal to reduce its carbon footprint by implementing a variety of energy-saving initiatives and moving to environment-friendly and cost-effective options. KNPL's aim is to, gradually adopt new concepts and technologies which further lead to diversification of energy mix, to reduce carbon emissions and improve air quality. In conclusion, KNPL aims to become more and more energy efficient.

In FY 2021-22, 52% of total energy (power + fuel + heat and steam) consumed is from renewable sources. KNPL was also able to sustain its Scope 1 and Scope 2 GHG emission intensity as a result of energy saving initiatives and increasing the share of green energy. The Company has also on-boarded experts to conduct a detailed Scope 3 inventorisation in order to achieve completeness in GHG reporting and, as a result, construct a carbon reduction action plan.

Climate Change

During the reporting period, KNPL has taken concerted steps to tackle climate change. It has instituted a framework to identify risks and opportunities related to climate change. The Company is working to align and improve its disclosures with growing frameworks such as the **TCFD and set a science-based target**. Going forward, KNPL intends to have a robust strategy and deploy an action plan to mitigate climate change risks.

Other Air Emissions

Ambient air quality, stack emissions, and VOC levels on the shop floor and at other plant sites are evaluated on a regular basis to limit other air emissions.

Additional details on energy and emission reduction are stated in Natural Capital under the section of Energy and Emission Management.

Greenbelt Development

As a responsible organisation, KNPL conducts tree-plantation drives within and outside factory premises on various occasions round the year. **The Company has a total of 53,811 trees planted within factory premises, of which 6,564 trees were planted during the reporting period. In addition, 6,760 trees were planted outside factory premises through CSR initiatives in FY 2021-22**.

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

KNPL expects demand to remain positive for the year. Many favourable factors like demographics, urbanisation, infrastructure thrust and lower per capita paint consumption 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 Branding, Technology, Products, Manufacturing, Distribution, Service, People, Digital and Governance and is confident of meeting the challenges of the emerging tomorrow.

There are challenges expected in the immediate term due to the Russia-Ukraine war scenario. However, the Company's view is that the supply chain challenges and inflation pressures will ease off once the war subsides.

Internal Control Systems and their Adequacy

KNPL's Internal Control Systems are designed to track and report on its day-to-day operations in order to monitor and control them. These systems also effectively monitor compliance to numerous concepts, regulations, and norms, as well as adherence to methodology requirements.

The Company has implemented an Internal Financial Control system in compliance with the provisions of Section 134(5)(e) of The Companies Act, 2013, to improve internal control systems and give the Board of Directors with additional capacity to review internal controls. 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 statutory auditors test the Company's systems using automated techniques.

Control Efficiency Index and Robust Control Index:

The Control Efficiency Index (CEI) and the Robust Control Index (RCI) are still used by the Company to track its internal audit success. KNPL's control measures are benchmarked against the industry standards for effective control mechanisms. The internal audit programme of the Company focusses on determining whether gaps exist as a result of control design, policy design, control or process deviation, IT or regulatory compliances. It also considers which controls are capable of automation. The results of the audit are then used by the Company to improve 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 (FY 2021-22)

Name of Award	Award Description	Category	Awarded By	Company/ Location
Best Supplier Award	Honoured with Best Supplier award from HMSI consecutively for the 4th time in the annual Supplier Conference	Supply chain	HMSI	KNPL
Prestigious Award	Continual efforts on "100% delivery and Zero PPM" for year 2019 & 2020	Quality	M/s Daimler India (Bharat Benz)	Hosur
Gold Award	India Manufacturing Excellence Award 2021	Manufacturing Excellence	Frost & Sullivan	Hosur
Platinum & Gold Award	National Poka-Yoke and Kaizen Competition	Quality	Confederation of Indian Industry (CII)	Hosur, Lote
Platinum and Silver Award	Innovative & Renovate Category in National Kaizen Competition	Innovation		Goindwal Sahib
Platinum Award	Improvement Projects in Operation Category of 15th Six Sigma National Competition	Operations		Bawal
Star Challenger Award	Awarded in the Innovative Category	Innovation		Hosur
Gold Award	Case Study Preparation Competition	Quality		Sayakha
Silver Award	Allied Circle and Quality Circle Concept	Quality		Bawal
Silver Award	National Poka Yoke Competition - The project presented was "Prevention of Hazardous Material Overflow from Seal Tank"	Environment Health & Safety		Bawal
Energy Efficient Unit Award	Energy Efficient Unit Award in 22nd CII National Award for Excellence in Energy Management 2021	Energy Conservation		Bawal
Greenpreneur Award	Exemplary work and best practices in water management to build a sustainable future	Environment	FICCI Amritsar	Goindwal Sahib
Rotary Award	Excellence award in large scale chemicals sector category	EHS Excellence	Rotary Award	Sayakha
Platinum Award	Outstanding projects in "Safety Excellence" in chemical category	Environment Health & Safety	Golden Bird National Award	Bawal
Bronze Award	Best use of Regional entertainment channel	Marketing	Prime Time Awards	KNPL-Marketing

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", 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 at the end of the financial year and of the profit of the Company for that period;

iii. the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of 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

During financial year 2021-22, the Company has commissioned emulsion resin manufacturing facility at Goindwal Sahib, Punjab.

4. Directors

In terms of the provisions of the Act and the Articles of Association of the Company, Mr. Shigeki Takahara (holding Director Identification Number 08736626), Non-Executive Director and Mr. Takashi Tomioka (holding Director Identification Number 08736654), Non-Executive Director are liable to retire by rotation at the ensuing Annual General Meeting ("AGM") of the Company and being eligible offer themselves for re-appointment.

Mr. H. M. Bharuka (holding Director Identification Number 00306084) retired as the Vice Chairman and Managing Director of the Company on completion of his term from the close of business on 31st March, 2022 and also resigned as a member of the Board of Directors of the Company from the same date. The Board placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Mr. Bharuka during his long and fruitful association with the Company including his tenure as Deputy Managing Director, then as the Managing Director and subsequently as the Vice Chairman and Managing Director of the Company.

The Board of Directors of the Company, at its meeting held on 18th February, 2022 pursuant to the recommendation of Nomination and Remuneration Committee of the Board, approved the appointment of Mr. Anuj Jain (holding Director Identification Number 08091524), as the Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement between the Company and Mr. Jain, referred to in the Resolution at Item no. 6 of the Notice of AGM. In accordance with the Articles of Association of the Company, Mr. Jain as the Managing Director will not be liable to retire by rotation.

The Board of Directors of the Company, at its meeting held on 10th May, 2022 pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, approved the re-appointment of Ms. Sonia Singh (holding Director Identification Number 07108778), as an Independent Director of the Company, not being liable to retire by rotation, for a second term of 5 (five) years commencing from 29th July, 2022 and ending on 28th July, 2027 (both days inclusive), subject to the approval of Shareholders of the Company vide a Special Resolution. The Board considered her rich experience and vast knowledge in the field of brand strategy, sales and marketing, the skills, capabilities and proficiency required for the role, performance evaluation and her contribution to the Board during her first term for her re-appointment.

None of the Director is disqualified as on 31st March, 2022 from being appointed as a Director under Section 164 of the Act.

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 integrity, expertise and experience including proficiency required to be Independent Directors of the Company. They fulfill the conditions of independence as specified in the Act and SEBI Listing Regulations, comply with the Code for Independent Directors as prescribed in Schedule IV of the Act and are independent of the Management.

The Company has a Code of Conduct for Directors and Senior Management. All the Directors and Senior Management have confirmed compliance with the 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.

5. Key Managerial Personnel

Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from the close of business on 31st March, 2022.

The Board of Directors of the Company, pursuant to the recommendation of Nomination and Remuneration Committee of the Board, appointed Mr. Anuj Jain as the Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive).

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

6. Meetings of the Board

The Board met 5 (five) times during the financial year ended 31st March, 2022. The meeting details are provided separately in the Annual Report, as a part of the Report on Corporate Governance. 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 the Directors, the Board as a whole and its Committees. The evaluation process has been separately explained in the 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, its Committees and individual Directors. Evaluation results as collated and presented, were noted by the Nomination and Remuneration Committee and 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 the 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. Details of the remuneration paid to S R B C & CO LLP, Chartered Accountants, Statutory Auditors, during financial year 2021-22 are disclosed in the Financial Statements of Company, which are part of the Annual Report.

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 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 the Annual Report, as a part of the Notes to the Financial Statements.

11. Related Party Transactions

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://www.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. Related party transactions have been disclosed in Note no. 37 to the Standalone Financial Statements.

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 the Annual Report. Further, 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 ("Remuneration Policy") which deals with (i) criteria for determining qualifications, positive attributes and independence of Director and (ii) remuneration for Directors, Key Managerial Personnel and other employees.

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 and SEBI Listing Regulations.
- The remuneration paid to Whole-time Directors is subject to the limits laid down under Section 197 and Schedule V to the Act 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 Non-Executive Independent Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 197 of the Act. The commission payable to Non-Executive Independent 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 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://www.nerolac.com/financial/policies.html.

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 constitution of Risk Management Committee as on 31st March, 2022 as follows:

Names of the Members	Designation
Mr. H. M. Bharuka* (Chairman of the Risk Management Committee)	Vice Chairman and Managing Director
Ms. Sonia Singh	Independent Director
Mr. Anuj Jain	Executive Director
Mr. Jason Gonsalves	Non-board member on the Committee
Mr. P. D. Pai	Chief Risk Officer and Non-board member on the Committee

* Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date.

Ms. Sonia Singh, Independent Director, has been appointed as a member of the Risk Management Committee in accordance with SEBI Listing Regulations along with Mr. P. D. Pai appointed as the Chief Risk Officer and member, with effect from 5th May, 2021.

Mr. P. P. Shah, Independent Director, has been appointed as the Chairman of the Risk Management Committee with effect from 1st April, 2022.

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 the Annual Report, as a part of the Report on Corporate Governance. The same is also available on the website of the Company at https://www.nerolac.com/financial/policies.html.

16. Corporate Social Responsibility

In terms of Section 135 of the Act, the constitution of the Corporate Social Responsibility ("CSR") Committee as on 31st March, 2022 is 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

* Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date.

Ms. Sonia Singh, Independent Director, has been appointed as the Chairperson of the CSR Committee with effect from 1st April, 2022.

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 1 (one) meeting of the CSR Committee during the financial year on 17th March, 2022 which was attended by all members of the Committee.

The Board on recommendation of CSR Committee has framed a CSR Policy and the same is available on the website of the Company at https://www.nerolac.com/financial/policies.html.

The Annual Report on CSR activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, 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 Annual Report, as part of the Report on Corporate Governance.

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 Dividend Distribution Policy of the Company is also available on the website of the Company at https://www.nerolac.com/financial/policies.html.

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, manufacturing locations, branches, depots, 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 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 the 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 and Foreign Exchange earnings and outgo

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, 2022 stood at ₹ 53.89 Crores. In terms of the Scheme of Merger by absorption of Marpol Private Limited and Perma Construction Aids Private Limited, both wholly-owned subsidiaries of the Company, with the Company and as directed by the National Company Law Tribunal, Mumbai Bench, the Authorised Share Capital of the Company increased from ₹ 60,00,00,000 (Rupees Sixty Crores) to ₹ 66,50,00,000 (Rupees Sixty Six Crores Fifty Lakhs).

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.

24. Annual Return

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return as on 31st March, 2022 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 provided in the Annual Report, as part of the Report on Corporate Governance.

26. Investor Education and Protection Fund ("IEPF")

Transfer of Unclaimed Dividend to IEPF

During the year under review, dividend amounting to ₹9.64 Lakhs that had not been claimed by the shareholders for the year ended 31st March, 2014, was transferred to the credit of IEPF as required under Sections 124 and 125 of the Act.

Unclaimed dividend as on 31st March, 2022

As on 31st March, 2022, dividend amounting to ₹ 2.46 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 Consultants Private Limited (formerly known as TSR Darashaw Consultants Private Limited), 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, 2021, 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, 61,790 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 2021-22. 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 Secretarial Auditor 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, 2022, 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

The Company has maintained cost records as specified by the Central Government under Section 148(1) of the Act. Further the Company had appointed D. C. Dave & Co., Cost Accountants (Registration No.000611), as the Cost Auditor to conduct an audit of its Cost Accounting Records for the financial year 2020-21, 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 19th October, 2021.

The Company had re-appointed D.C. Dave & Co., Cost Accountants, as the Cost Auditor for the year ended 31st March, 2022, 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 2022-23, to conduct an audit of its cost accounting records pertaining to said products, at a remuneration of ₹ 3,00,000 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., Cost Accountants, vide Item no. 5 of the Notice of the AGM.

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 the 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, 10th May, 2022

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2021-22

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 as on 31st March, 2022:**

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

* Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date.

Ms. Sonia Singh, an Independent Director, has been appointed as the Chairperson of the Corporate Social Responsibility Committee with effect from 1st April, 2022.

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

CSR Policy - https://www.nerolac.com/financial/policies.html

CSR Projects - https://www.nerolac.com/financial/csr-projects-approved.html

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).**

The Company has carried out impact assessment in terms of Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, through an independent agency for three projects, each having outlay of Rs.1 Crore or more and that have completed not less than one year before undertaking the impact study. The CSR Impact Assessment Study Report is attached.

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	0.02 Crores	Nil
2.	—	—	—
3.	—	—	—
	Total	**0.02 Crores**	**Nil**

6. **Average net profit of the Company as per Section 135(5) -** ₹ 700.32 Crores

7. (a) **Two percent of average net profit of the Company as per Section 135(5) -** ₹ 14.01 Crores
   (b) **Surplus arising out of the CSR projects or programmes or activities of the previous financial years:** Nil
   (c) **Amount required to be set off for the financial year, if any :** Nil
   (d) **Total CSR obligation for the financial year (7a+7b-7c) :** ₹ 14.01 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
14.06 Crores	NIL	–	–	NA	–

(b) **Details of CSR amount spent against ongoing projects for the financial year :** There are no pending ongoing projects under CSR as at 31st March, 2022.

(c) **Details of CSR amount spent against other than ongoing projects for the financial year :** ₹ 14.06 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) :** ₹ 14.06 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)	14.01 Crores
(ii)	Total amount spent for the financial year	14.06 Crores
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.05 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)]	0.05 Crores

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.	–	NIL	–	–	NIL	–	–
3.	–	NIL	–	–	NIL	–	–

(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

Anuj Jain
Managing Director

Sonia Singh
Independent Director
Chairperson of the CSR Committee

Mumbai, 10th May, 2022

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 2021-22

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/ Programs (in ₹ Lakhs)	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, Gujrat, Rajasthan, Andhra Pradesh, Delhi, Goa, Puducherry, Tamilnadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himanchal Pradesh, Chhatisgarh, J&K, Jharkhand, M.P., West Bengal	ALL	508.09	NO	Kasturi Mrig Vidhya Vihar Samiti, Indore	CSR00011046
	2	Mobile Training Academy	**Livelihood & Skill Enhancement Program**	YES	Maharashtra, Bihar, West Bengal, Rajasthan, Gujarat	ALL	157.05	NO	1. Kasturi Mrig Vidhya Vihar Samiti, Indore	CSR00011046
									2. Karmdeep Foundation, Ahmedabad	CSR00018568
						Sub Total	**665.14**			
B.	1	Health Camp for villagers near Bawal Plant	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	3.23	YES		
	2	Awareness sessions for Teenage Girl Students from various Govt. schools at Bawal and Rewari	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	1.13	YES		
	3	Construction of Toilets, Urinals and providing Benches in Govt. School at Harsauli	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	7.47	YES		
	4	Providing Dustbins under Swachh Bharat Abhiyaan in Bawal	**Preventive Health Care & Sanitation**	YES	HARYANA	REWARI	1.06	YES		
	5	Construction of Toilet blocks and painting at Govt. High school, Hosur	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	10.03	YES		
	6	Support in Covid-19 Vaccination drive for poor citizens at Moranapalli	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	6.40	YES		
	7	Providing Oxygen Concentrators to 7 Govt Primary Health Centers at Kelamangalam & Soolagiri Blocks, Hosur	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	5.10	YES		
	8	Health camps for villagers near Hosur Plant	**Preventive Health Care & Sanitation**	YES	TAMIL NADU	KRISHNAGIRI	0.78	YES		
	9	Health Camps for villagers near Lote Plant	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	RATNAGIRI	3.68	YES		
	10	Installation of Fire Safety System in Sevashram Hospital, Bharuch	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	9.00	NO	Sevashram Hospital Trust, Bharuch	CSR00007888
	11	Providing Garbage collection facility (Dust Bins, Tricycles, Safety shoes, Masks, Gloves etc) for door to door collection of garbage in Argama village	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	0.70	YES		
	12	Medical Camps for villagers at Ankot and Sayakha	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	1.63	YES		
	13	Financial Support to Masi Mai foundation for Prosthetic limb transplant at Bharuch	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	3.00	NO	Masi Mai Foundation, Bharuch	CSR00017924

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR Registration Number
14	Donation to Rotary Welfare Trust, Bharuch for COVID-19 dispensary at Bharuch	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	0.90	NO	Rotary Welfare Trust, Bharuch	CSR00004051
15	Distribution of Masks, Sanitisers, Temperature Gun, Oxymeters etc. to Public Health Centres at Vagra, Derol, Argama, Saladara, Vorasamni and Ankot	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	0.37	YES		
16	Support to Medical Project by Rotary Welfare Trust at Nikora	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	0.50	NO	Rotary Welfare Trust, Bharuch	CSR00004051
17	Providing Medical Beds during COVID-19 at Saladara, Ankot and Aragama villages	**Preventive Health Care & Sanitation**	YES	GUJARAT	BHARUCH	0.27	YES		
18	Distribution of 10 Nos Oxygen Concentrators, Jainpur	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	6.20	YES		
19	Construction of 2 Nos Toilets for visiting public at DM Office, Kanpur Dehat	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	9.45	YES		
20	Construction of 2 Nos Toilets for visiting public at ADM Office, Kanpur Dehat	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	9.45	YES		
21	Construction of 4 Nos Toilets for visiting public near Vikas Bhawan, Kanpur Dehat.	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	18.90	YES		
22	Health camps for villagers near Jainpur Plant	**Preventive Health Care & Sanitation**	YES	UTTAR PRADESH	KANPUR DEHAT	9.70	YES		
23	Construction of 2 Nos toilets and Washing area in Govt. Primary School, Khakh village	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	1.35	YES		
24	Renovation of Students' Dinning Hall in Navodaya Boarding School, Goindwal Sahib	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	1.40	YES		
25	Eye Check-up Camp with 250 Cataract Surgeries for poor local villagers, Goindwal Sahib	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	17.50	YES		
26	Medical camp for villagers near Goindwal Sahib Plant	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	3.02	YES		
27	DG Set to COVID -19 Hospital at Goindwal	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	21.37	YES		
28	Construction of Toilets at Civil Hospital, Goindwal Sahib	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	5.79	YES		
29	Providing hospital equipment (Wheel chairs, visitor chairs, Stretchers etc) at Civil Hospital, Khadur Sahib	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	4.40	YES		
30	Human Dummy for Red Cross Society, Tarn Taran	**Preventive Health Care & Sanitation**	YES	PUNJAB	TARN TARAN	0.31	YES		

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	31	Support to Andhra Pradesh Govt. under COVID-19 related "Connect to Andhra" Project	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	10.00	NO	Connect to Andhra, Vijaywada	CSR00008366
	32	Providing PPEs to Mathadi Hospital, Kopar Khairane near R&D	**Preventive Health Care & Sanitation**	YES	MAHARASHTRA	MUMBAI	1.75	YES		
						Sub Total	**175.84**			
C.	1	Providing drinking Water Cooler facility with RO in Govt. school at Chirhara, Rewari	**Rural Development / Community Development**	YES	HARYANA	REWARI	3.95	YES		
	2	Installation of Street Lights in Civil Hospital, Bawal	**Rural Development / Community Development**	YES	HARYANA	REWARI	1.91	YES		
	3	Construction of Bore well in Melawas	**Rural Development / Community Development**	YES	HARYANA	REWARI	3.70	YES		
	4	Providing Shed and seating arrangement for Patients at Health Centre, Sangwari	**Rural Development / Community Development**	YES	HARYANA	REWARI	7.44	YES		
	5	Providing PCR Vehicle to S. P. Office, Rewari	**Rural Development / Community Development**	YES	HARYANA	REWARI	11.00	YES		
	6	Providing water pipeline & Pump at Tisangi	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	0.21	YES		
	7	Construction of RCC Protection wall at Asagani	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	5.75	YES		
	8	Providing water Pipe Line at Boraj	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.09	YES		
	9	Providing water Pipe Line at Ambdas	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.85	YES		
	10	Providing Water storage Tank & Pipe Line at Dhulapwadi, Hedali	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	2.06	YES		
	11	Help to flood affected people from Chiplun area	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	11.82	YES		
	12	Water cooler, Computers and printer to S. T. Stand, Chiplun	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	3.51	YES		
	13	Women Empowerment project with NGO Dishantar at Mandavkhari, Chiplun	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	5.00	NO	Dishantar Sanstha, Chiplun	CSR00003091
	14	Bus Pickup shed at Shinde wadi, Mani	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.60	YES		
	15	Bus Pickup shed at Deulwadi, Gunade	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.60	YES		
	16	Photo Copy Machine and printer to Lokmanya Tilak Library, Chiplun	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.99	YES		
	17	Gym equipment to Khed Nagar Parishad, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	2.10	YES		

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR Registration Number
18	Construction of Bore well, Ghanekhunt, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.22	YES		
19	Construction of Bore well, Dhamnavane, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	0.19	YES		
20	Construction of Bore well, Shresh Nagar, Ghanekhunt, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.58	YES		
21	Construction of Bore well, Udhale, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	0.99	YES		
22	Bus Pickup shed at Kelane, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.60	YES		
23	Construction of Bore well at village Nandivali, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	0.59	YES		
24	Construction of Bore well at village Vihali, Khed	**Rural Development / Community Development**	YES	MAHARASHTRA	CHIPLUN	1.07	YES		
25	Painting of Compound Wall of DM Office, Kanpur Dehat	**Rural Development / Community Development**	YES	UTTAR PRADESH	KANPUR DEHAT	4.04	YES		
26	Providing Water Cooler for public use at various Government offices, Jainpur	**Rural Development / Community Development**	YES	UTTAR PRADESH	KANPUR DEHAT	2.66	YES		
27	Renovation of Rural Women Employment Training center, Sericulture Department, Hosur	**Rural Development / Community Development**	YES	TAMIL NADU	KRISHNAGIRI	8.15	YES		
28	Renovation of "Rehabilitation Home for women", Hosur	**Rural Development / Community Development**	YES	TAMIL NADU	KRISHNAGIRI	9.42	YES		
29	Providing Drinking water facility with RO facility at Rahad	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	2.09	YES		
30	Paver block work in Navi Vasahat, Argama village	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	4.61	YES		
31	Financial Assistance to DM for the welfare of armed forces veterans, war widows and their dependants	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	2.50	YES		
32	Paver block work for public walkways in Vorasamni	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	5.55	YES		
33	Conducting “Assistant Beauty Therapy” Course under NSDC for Ankot village women under "Women Empowerment" project	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	1.87	YES		
34	OSR programme for soft skill improvement & Promotion of Yoga in 11 villages near Plant	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	2.00	NO	Brahmakumaris Educational Society, Mumbai	CSR00000880
35	Providing COVID-19 related medicines at Vagra	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	0.80	YES		
36	Sprinkler system for solar panel at Kalrav	**Rural Development / Community Development**	YES	GUJARAT	BHARUCH	0.32	YES		
37	Installation of Solar Lights in Goindwal Sahib village and Solar Panel at Home for Mentally affected Persons, Pinglewara	**Rural Development / Community Development**	YES	PUNJAB	TARN TARAN	6.44	YES		

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
					State	District			Name	CSR Registration Number
	38	Visiting room and boundary wall to Local Police Administration office, Goindwal Sahib	**Rural Development / Community Development**	YES	PUNJAB	TARN TARAN	7.98	YES		
	39	Traffic Barricades to Local Police Administration office, Goindwal Sahib	**Rural Development / Community Development**	YES	PUNJAB	TARN TARAN	3.42	YES		
	40	Providing Water Tank at Dadar Station, Mumbai	**Rural Development / Community Development**	YES	MAHARASHTRA	MUMBAI	0.60	YES		
	41	Thermoplastic Road Marking Work for Road Safety in Worli near HO	**Rural Development / Community Development**	YES	MAHARASHTRA	MUMBAI	16.24	YES		
						Sub Total	**152.51**			
D.	1	Pace setting Activity (Educational Training and Guidance) to poor Students, Raliyawas	**Promoting Education**	YES	HARYANA	REWARI	5.20	YES		
	2	Providing Computers, Books, Tables etc. to Library at School in Jaitrawas, Rewari	**Promoting Education**	YES	HARYANA	REWARI	3.70	YES		
	3	Providing uniforms and educational material to the Primary students at Sarvan Khera, Kanpur Dehat	**Promoting Education**	YES	UTTAR PRADESH	KANPUR DEHAT	5.17	YES		
	4	Renovation of Class rooms at Z.P. School, Kulwandi	**Promoting Education**	YES	MAHARASHTRA	RATNAGIRI	2.13	YES		
	5	Construction of Boundary wall in MM Patel school, Vagara	**Promoting Education**	YES	GUJARAT	BHARUCH	4.97	YES		
	6	Construction of terrace shed in School in Derol	**Promoting Education**	YES	GUJARAT	BHARUCH	4.84	YES		
	7	Installation of PA system in Jujera High school, Vagra	**Promoting Education**	YES	GUJARAT	BHARUCH	0.57	YES		
	8	Providing Dining facility to school for children with special needs, Kalrav	**Promoting Education**	YES	GUJARAT	BHARUCH	1.00	YES		
	9	Pavor blocks and barricades for school children at Kolavana	**Promoting Education**	YES	GUJARAT	BHARUCH	2.58	YES		
	10	Providing Fans, Lights, furniture at Govt Higher Secondary School, Vagra	**Promoting Education**	YES	GUJARAT	BHARUCH	1.77	YES		
	11	Installation of paver block in school at Saladara village	**Promoting Education**	YES	GUJARAT	BHARUCH	4.79	YES		
	12	Construction of shed in LG Vidhyalaya in Haldar	**Promoting Education**	YES	GUJARAT	BHARUCH	7.01	YES		
	13	Construction of Compound wall in Primary School at Ankot	**Promoting Education**	YES	GUJARAT	BHARUCH	5.25	YES		
	14	Construction of 2 Class rooms in Govt. Primary School at Khakh village	**Promoting Education**	YES	PUNJAB	TARN TARAN	15.12	YES		
	15	Construction of Bondary Wall and School Gate in Govt. Primary School, Khakh village	**Promoting Education**	YES	PUNJAB	TARN TARAN	12.48	YES		

PROGRAM WISE CSR DETAILS 2021-22 (contd.)

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					State	District			Name	CSR Registration Number
	16	Providing benches in Govt. Primary School, Khakh village	**Promoting Education**	YES	PUNJAB	TARN TARAN	1.25	YES		
	17	Construction of New Class Room in Navodaya Boarding School, Goindwal Sahib	**Promoting Education**	YES	PUNJAB	TARN TARAN	8.25	YES		
	18	Construction of Bondary Wall in Navodaya Boarding School, Goindwal Sahib	**Promoting Education**	YES	PUNJAB	TARN TARAN	6.85	YES		
						Sub Total	**92.93**			
E.	1	Maintenance of Park & Plantation at Chirhara, Bawal	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	2.50	YES		
	2	Painting of Govt. Hospital at Bawal	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	6.37	YES		
	3	Painting of Govt. School Building at Nandrampurbas	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	6.05	YES		
	4	Painting of School Building at Govt. school, Sihali Khurd, Mundawar	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	2.60	YES		
	5	Tree Plantation in area near Bawal Plant	**Ensuring Environmental Sustainability**	YES	HARYANA	REWARI	4.80	YES		
	6	Lake Rejuvanation Projects (2nos) at Moranapalli and at Rangopanditam, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	29.05	YES		
	7	Painting and Civil repair work at Govt Urdu Hr secondary School, Seetharam Nagar, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	5.85	YES		
	8	Painting and Civil repair work at Govt Boys Hr secondary School, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	6.99	YES		
	9	Painting and Civil repair work at Govt allied John Bosco School, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	5.98	YES		
	10	Maintenance of Plants in Industrial park near Plant, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	1.78	YES		
	11	Tree plantation in and around Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	3.00	YES		
	12	Painting of Eye Hospital, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	14.16	YES		
	13	Painting for John Britto Govt aided Higher secondary school, Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	10.03	YES		
	14	Painting of Special children-Day care centre at Moranapalli	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	1.04	YES		
	15	Distribution of Cloth bags, Caps for Environment and cleaniliness drive (in coordination with TNPCB) in Hosur	**Ensuring Environmental Sustainability**	YES	TAMIL NADU	KRISHNAGIRI	0.87	YES		
	16	Solar panel Invertors at Chinktewadi, Hedali	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	CHIPLUN	2.54	YES		
	17	Tree Plantation in area near Lote Plant	**Ensuring Environmental Sustainability**	YES	MAHARASHTRA	CHIPLUN	2.37	YES		

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implemen-tation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR Registration Number
18	Plants maintenance and plantation in Sane Guruji Udyan, Chiplun	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	2.34	YES		
19	Providing Paint at Ganwal Wadi, Gunde	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	1.02	YES		
20	Providing Paint at Z. P. School, Kulvandi	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	0.52	YES		
21	Providing Paint at Z.P. School, Awashi	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	1.69	YES		
22	Garden Development & Maintenance near and around the Plant	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	3.00	YES		
23	Supply of Paint to various Educational Institutes, Hospitals etc.	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	12.09	YES		
24	Providing Paint at Z.P.School, Wadachi Wadi, Kulwandi	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	0.40	YES		
25	Providing Paint to Grampanchayat Office, Adre	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	0.06	YES		
26	Providing Paint to Z.P. Primary school, Adre	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	0.21	YES		
27	Providing Paint to Lote Industries Office	Ensuring Environmental Sustainability	YES	MAHARASHTRA	CHIPLUN	0.85	YES		
28	Plantation Drive near Plant in Jainpur	Ensuring Environmental Sustainability	YES	UTTAR PRADESH	KANPUR DEHAT	1.35	YES		
29	Providing Solar Panel in Old Age Home at Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	7.72	YES		
30	Tree Plantation and Green belt development near Mamlatdar Office, Vagara	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	3.58	YES		
31	Painting of Govt School at Vorasamni	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	3.99	YES		
32	Painting of Taluka Police Station, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	4.93	YES		
33	Painting of Sardar Patel Trust Hospital at Ankaleshwar	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	7.35	YES		
34	Painting of Village Community Center at Bhersam	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	1.30	YES		
35	Pond Rejuvenation Project at Vorasamni	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	9.75	YES		
36	Pond Rejuvenation Project at Argama	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	23.12	YES		
37	Tree Plantation at various locations near Plant	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	2.40	YES		
38	Beautification and Plantation in Ankot, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	5.00	YES		
39	Painting of schools in Narmada Nagri, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	13.86	YES		
40	Painting of Slum Area - Furja Bharuch in collaboration with Masi Mai Foundation, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	5.00	NO	Masi Mai Foundation, Bharuch	CSR00017924

PROGRAM WISE CSR DETAILS 2021-22 (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/ Programs (in ₹ Lakhs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR Registration Number
41	Painting of Police station society building, Vagara	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	8.10	YES		
42	Painting of Primary school building, Vasti Khandali	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	4.49	YES		
43	Greenbelt development in Rahad & Argama villages	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	6.56	YES		
44	Garden and Green belt development at Vagra	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	1.35	YES		
45	Painting of School at Bholav Misrshala, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	5.10	YES		
46	Painting of School at Makhtampur, Bharuch	Ensuring Environmental Sustainability	YES	GUJARAT	BHARUCH	4.96	YES		
47	Providing Paint to Sarvodaya Kanya Vidyalaya, Delhi	Ensuring Environmental Sustainability	YES	MAHARASHTRA	MUMBAI	0.38	YES		
48	Painting of UNESCO School, Jaipur	Ensuring Environmental Sustainability	YES	MAHARASHTRA	MUMBAI	0.12	YES		
49	Providing Paint to Maharashtra School, Chiplun	Ensuring Environmental Sustainability	YES	MAHARASHTRA	MUMBAI	0.65	YES		
50	Providing Paint to Somaiyya College, Mumbai	Ensuring Environmental Sustainability	YES	MAHARASHTRA	MUMBAI	0.07	YES		
51	Providing Paint to BMC for Beautification at Worli, Mumbai	Ensuring Environmental Sustainability	YES	MAHARASHTRA	MUMBAI	1.17	YES		
52	Painting in Govt. Primary School, Khakh village	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	3.31	YES		
53	Painting & Kids drawing on wall in Navodaya Boarding School, Goindwal Sahib	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	1.08	YES		
54	2 Nos. Rain Water Harvesting projects at DC Office, Tarn Taran & Camp office, Goindwal Sahib	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	25.00	YES		
55	Maintenance of Parks at Goindwal Sahib and Dhunda villages	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	4.00	YES		
56	Theme Park Painting, Civil work and plantation at Goindwal Sahib	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	4.56	YES		
57	Tree Plantation activity at Goindwal Sahib near Plant	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	4.05	YES		
58	Development of theme park in Residential area near Goindwal Sahib Plant	Ensuring Environmental Sustainability	YES	PUNJAB	TARN TARAN	26.69	YES		
					Sub Total	**319.15**			
					GRAND TOTAL	**1405.57**			

Implementing Agencies for CSR Activities -

1 Kasturi Mrig Vidya Vuhar Samiti, Indore
2 Karmdeep Foundation, Ahmedabad
3 Rotary Welfare Trust, Bharuch
4 Masi Mai Foundation, Bharuch
5 Sevashram Hospital Trust, Bharuch
6 Dishantar Sanstha, Chiplun
7 Bramhakumaris Educational Society, Mumbai
8 Connect to Andhra, Vijaywada

Date: 5th May 2022

To

Kansai Nerolac Paints Ltd.
Nerolac House,
G. K. Marg,
Lower Parel,
Mumbai- 400013

Subject – CSR Impact Assessment Study Report

Dear Sirs,

We have reviewed the CSR projects carried out by Kansai Nerolac Paints Ltd. The three projects, Advanced Open Training in Painting; Mobile Training Academy & Fumigation Training fall under the purview of impact assessment study. The projects have been selected as per CSR regulations as all three projects has the spent of more than INR 1 Crore.

- Advanced Open Training in Painting – INR 238.51 Lakhs
- Mobile Training Academy – INR 108.27 Lakhs
- Fumigation Training – INR 119.17 Lakhs

The regulation clearly stated that impact assessment is mandatory for companies with all projects with outlays of INR 1 Crore or more. These impact assessments must be undertaken by an independent agency.

The impact assessment report is attached.

For SoulAce Consulting (P) Ltd

Rajib Nath

Manager - Admin

CSR Impact Assessment Study Report of

Premium Painter Pragati Project

Prepared For

KANSAI PAINT
NEROLAC

KANSAI NEROLAC PAINTS LIMITED

Submitted By

SoulAce
Path to Sustainability

SOULACE CONSULTING PVT LTD
ISO 27001:2013 Certified
DELHI NCR | MUMBAI | KOLKATA
Website: www.soulace.in; Email: enquiry@soulace.in

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Acknowledgement

This report is the result of the Impact Assessment Study conducted by SoulAce Social Venture for the " Nerolac Premium Painter Pragati Project" by Kansai Nerolac.

The project was implemented Pan India, The training program had three different approaches Advanced Open Training for Painters, Mobile Training Vans for Skill Enhancement and Fumigation Training for Alternate Employment

The research team would like to express its sincere gratitude to Kansai Nerolac for reposing their faith in SoulAce to conduct this study. The team would like to thank the management of implementing partner Preksha Foundation for sharing the required data, information and support for conducting this study.

Finally, SoulAce is grateful to the Board of Advisors for their insightful suggestions, encouragement, and guidance.

Chapter 1: Introduction

1.1 About Kansai Nerolac Paints Limited

Kansai Nerolac Paints Limited is the largest industrial paint and third largest decorative paint company of India based in Mumbai. It is a subsidiary of Kansai Paint Co., Ltd, Japan. It is engaged in the industrial, automotive and powder coating business. It develops and supplies paint systems used on the finishing lines of electrical components, cycle, material handling equipment, bus bodies, containers and furniture industries.

Kansai Nerolac Paints has 8 paint manufacturing plants and about 6 – 7 contract manufacturers. The Nerolac owned plants are at 1. Jainpur, Kanpur Dehat (Uttar Pradesh) 2. Bawal (Haryana) 3. Lote, Chiplun (Maharashtra) 4. Hosur (Tamil Nadu) 5. Sayakha (Gujarat) 6 . Goindwal Sahib (Punjab) 7. Kakoda (Goa) 8. Sarigam (Gujarat).

Kansai Nerolac Paints Ltd. has entered into many technical collaborations with other industry leaders such as E.I. Du-products.
The Mumbai- based company is the leader in the industrial paints segment. Technologically innovative products are the company's hallmark.

Kansai Nerolac Paint offers differentiated products with a focus on being eco- friendly and healthy. Kansai Nerolac Paint' s key products and brands include the following:

- **Decorative Paints:** Interior wall paints, exterior wall paints, Wood surface paints, and Metals surface paints.
- **Automotive Coatings:** Pre- Treatment Chemicals, Electrodeposition. Intermediate Coats/ Primer Surfacers, Topcoats, Clear Coats, Touch Up Paints, Auto Refinishing Products, Heat Resistant Paints, Underbody Paints & PVC Sealants & Rapgard Transit Protection Films.
- **Performance Coatings:** Performance Coating is available for a wide range of products. For household appliances and metal fittings in factories, there is a comprehensive range of general industrial coating systems like P. T. chemicals, and, Coil Coat, Heat Resistant Paints & Metal Decoration Coatings. Powder Coating is now increasing in popularity because of its high quality, resistance to corrosion, the apparent ease of application and the environmental friendliness of the technology.

1.2 Skill Gap in India and Rising Unemployment

Employability and Employment Challenges

According to India Skills Report 2022 by Wheebox, only 48.7% of total youth in India are employable. This means almost 1 out 2 Indian youths are not employable. The study also says that about 75% of all the companies surveyed reported a skill gap in the industry.

Mahesh Vyas, the Managing Director and CEO of Centre for Monitoring Indian Economy tells "Companies will pay very high wages to get skilled labour, **demand for lesser skilled people is very low in the economy**."

Source:
https://www.timesnownews.com/business-economy/industry/article/decoding-india-s-skill-gap-experts-think-the-country-is-facing-skill-deficit/839660

a. Poor education: The education status in rural areas of India is quite low and especially this is a major concern area among males and females both. Poor educational status results in loosing opportunities for employment. Also lack of awareness on importance of education is concern among the parents and community as a whole is one of the key reasons for low education rate.

This is also followed by lack of financial resources which becomes crucial when technical and professional courses and education is concerned.

b.Lack of technical skills among the youths and working groups: One of the major reasons for unemployment or casual employment is lack of technical and market based skills among the potential working group of people and youths. These courses are quite cost intensive and families from rural areas do not have capacity to afford the courses. Most of the industries require skilled workers in the required trades. Thus, it becomes very difficult for the youths to find a good job in industries with existing skill set and knowledge. Also there is growing market demand of technical services but this too requires technical skills for self-entrepreneurship.

c. Lack of interest among the youths: Another crucial reason for youths with low employable skills is lack of interest level in them. The main root cause for this is poor sensitization towards building the awareness and interest level. Very minimal efforts have been made by Civil Societies towards motivating the youths to take up vocational and job oriented skills.

d. Lack of opportunity: Also it is visible that there are not many opportunities for jobs for the unskilled and semi skilled workers in the industrial sector. Thus, opportunity availability for such type of work force is very less as compared to the skilled ones. However, there are ample opportunities available for entrepreneurship as the customer base for such services like painter, electrician, plumber, carpentry, mobile repairing, inverter and battery repairing, etc are growing day by day.

e.Gaps in subjects taught in technical institutes and practical application: The courses taught in technical institutes like Diplomas, etc are more of theoretical and unaffordable for rural or semi urban youth with limited educational qualifications. Thus most youth remain jobless before they get frustrated and start exploring menial jobs.

1.3 Kansai Nerolac Premium Painter Pragati Project

Staying updated with the latest tools and new product development helps a painter instill confidence in the minds of its customer. Prashikshan under NPP Pragati, educates budding painters with the new developments, paint techniques, usage of latest tools, government certification, etc. Thereby enabling him to be in sync with the ever changing market scenario.

Some of the key features of the training program are: Technical Training, Automated Painting Tools Training, Wood Coating, Adhesive, Texture Training, Certified Skill Training.

Objectives

- To improve upon Painting skills knowledge of Painters and Youth
- To make them self employed by empowering them with modernised skills and equipment knowledge

1. Advanced Open Training Program for Painters

SN	Training Areas
A	Designer Training
B	Product Upgradation
C	Wood Finish Training
D	Construction Chemicals

2. Mobile Training Van for Skill Enhancement

3. Fumigation Training for Alternate Employment

NPP programme by Kansai Nerolac Paints Limited is an exclusive platform that offers a holistic development for its registered painters under 'Nerolac Premium Painter Pragati'. Through NPP Pragati, it strives to improve all aspects of their life like skill training, career guidelines for their children, business generation, personal accidental insurance etc.

The NPP aims progress in all aspects of budding Painters life with Prashikshan, Rozgaar, Parivaar and Uphaar.

Prashikshan

Rozgaar

Parivaar

Uphaar

Under the Rozgaar programme, NPP helps to connect with prospective customers who are looking out for quality painting services within certain operational area, through various mediums and resources.

One such medium for lead generation is www.nerolacmasterpainter.in the online platform which connects prospective customer and painter from the same area.

The special bond of mutual respect, trust and loyalty along with a beneficial association through NPP is also to establish a bond with the family of registered painters in - Nerolac Premium Painter Pragati Parivaar. Here, apart from the professional benefits, other benefits are like accidental insurance, scholarships for children etc.

- Accidental insurance up to Rs.5 lac
- Children scholarship up to Rs.10000
- Career guidance support for children, Tollfree-1800-102-2424
- Health Insurance upto Rs.1 lac only*

Appreciating painter efforts, NPP Pragati through Uphaar ensures to bring enough opportunities in regular intervals for all registered painters to win exciting rewards and surprises. Thus buying Nerolac products helps them win exciting prizes.

Loyalty scheme: Annual point based loyalty programme for painter

Monthly Scheme: Provided to painter on regular intervals.

1.4 About Preksha Foundation

Preksha Foundation is an NGO based in Mumbai, Mr. Santosh Dehspnade is the Director of the NGO. It is operational since 2016 and has been providing skill development training major thematic areas of Preksha Foundation work are Vocational Training, Literacy & Skill Development.

Chapter 2: Research Methodology

Research can be defined as a logical and systematic search for new and useful information on a particular subject matter. Social Science Research refers to the systematic activity of gaining new knowledge by following scientific principles and methods in order to minimize bias and subjectivity. It is opposed to writing something based on assumptions or speculation. Though information about certain facts can also be gained through common sense and based on general observation and hearsay, those facts won't be considered valid until they have been obtained in a methodical manner, that can stand the test of time. The defining characteristics of scientific research are objectivity, ethical neutrality, reliability, testability, and transparency.

Identification of the research problem provides the starting point of research, which is then defined and redefined through a proper review of literature on the problem or deliberations with research guides and knowledgeable others in the area of interest. Each research problem has a multitude of perspectives and dimensions. Research cannot go on covering all those in one study.

Thus, we need to delimit the research problem into a measurable problem and formulate objectives, make decisions on the research design, sample design, type of research Instruments for collecting the data, and how these data can be edited, coded, classified, tabulated, and interpreted so that findings and conclusions can be reached.

Every research needs to have a proper methodology so as to foresee problems that could arise in the course of research and also to steer through the research process in the proper direction without losing focus.

Use of Mixed Methodology for Maximum Insights

The research problem consisted of understanding the extent of impact created by Kansai Nerolac Paints Limited supported initiatives of improving economic condition of the Painter in various states of India by providing skill development trainings Implemented through Preksha foundation, to gain maximal insight, both Quantitative and Qualitative techniques are used.

Application of Quantitative Techniques

A quantitative study will be needed if the focus is on presenting the study problem in terms of numbers, frequencies, percentages, etc., A quantitative study always uses structured tools like questionnaires and interview schedules, in which questions are planned well in advance by the researcher before entering the field.

Though the information that is obtained is easily amenable to various statistical measures and tests, quantitative information has its own limitations. It can uncover only the surface phenomena. It is unable to penetrate beneath the surface and identify what is hidden deep beneath. In this study, to assess the impact of structured tools like the interview schedule administered was used. This helped in getting quantifiable information.

Application of Qualitative Techniques

Qualitative Research can only unravel enriched and hidden information that may not be evident on the face of it. The qualitative approach is distinguished by deeper probing and flexibility, and it can yield massive amounts of data that were not anticipated when the research was initiated. For better accuracy, ensuring anonymity and at the same time, to cover a larger sample population, quantitative techniques were used.

Qualitative techniques of interviews with key stakeholders and interviews with community people were adopted for a better understanding of the problem alongside Quantitative Research.

Ensuring Triangulation

Triangulation is needed to increase the credibility and validity of the research findings. It is also a measure taken to ensure the trustworthiness of the research process. The findings of the quantitative research have been verified with the insights from qualitative research and the report has also been structured to reflect this point.

Objectives of the Study

1.To assess the direct / indirect impact of Kansai Nerolac Paints CSR projects on the lives of targeted beneficiaries.
2.To assess the consistency in the process of project implemented together with fulfilment of stated objectives.

Ensuring Commitment to Research Ethics

1. Anonymity

Anonymity refers to not revealing the identity of the respondents. This research study strictly sticks to not revealing the identity of respondents unless the same is warranted for illustration of success stories or case studies. After the research is completed, the research should not reveal which individual respondents answered which question in what manner. The results will be revealed only as an aggregate, so no one will not be able to single out the identity of a particular respondent. This is required for not breaking the trust of the respondent of not revealing the individual identity.

2. Confidentiality

Research subjects participate in the process only on the basis of the trust that confidentiality will be maintained. Hence, the research will not reveal any data regarding the respondents for purposes other than the research study.

3. Non Maleficence

Research should not lead to harm to the research subjects. This study ensures that the respondents are not harmed in any way.

4. Beneficence

Any research study should lead to some benefits for the respondent. This research study ensures that individuals, groups, and communities benefit and their well- being is enhanced.

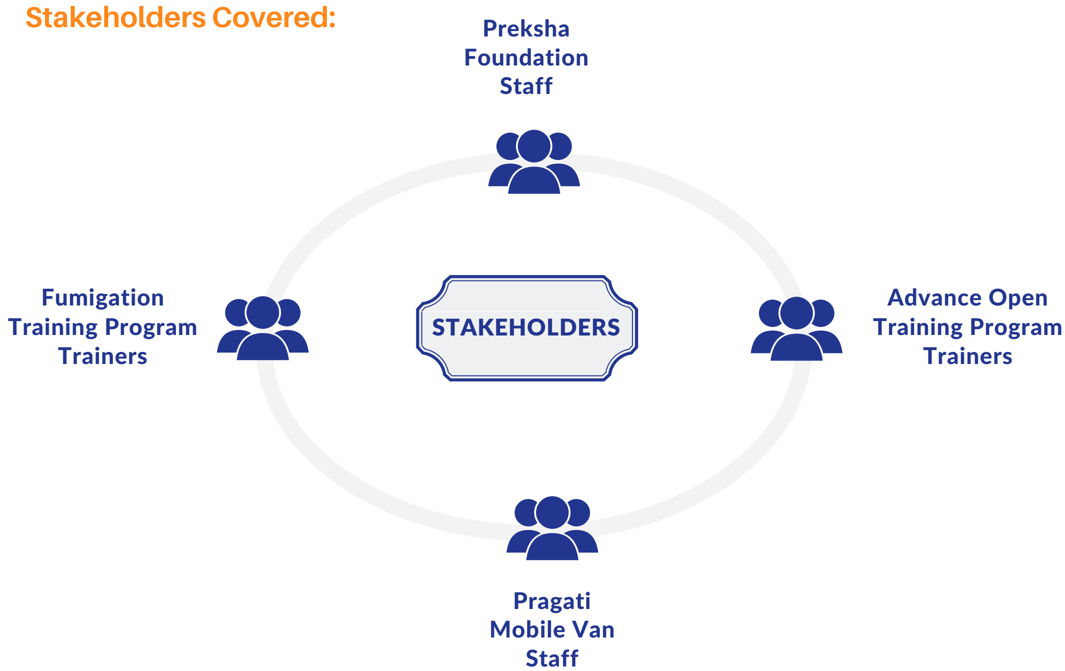
5. Justice

Justice refers to being fair to all. This research study ensures equal treatment of all its research subjects and no biases or prejudices towards any group based on social stereotypes or stigma associated with being a member of a certain group or class.

Research Design

- **Name of the project** : Kansai Nerolac Premium Painter Pragati Project
- **Project Partner** : Preksha Foundation
- **Research Design used** : Descriptive Research Design
- **Sampling Technique** : Purposive Sampling
- **Geographies Covered** : Assam, Bihar, Chattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Punjab, Orissa, Uttar Pradesh, West Bengal.
- **Sample Size of Advanced Open Training** : 250 Trainees
- **Sample Size of Mobile Training Vans** : 250 Trainees
- **Sample Size of Fumigation Training** : 150 Trainees

Stakeholders Covered:



Chapter 3: Major Findings of the Study

3.1 Advanced Open Training in Painting

The objective of the Study :

To conduct an impact assessment of the Nerolac Premium Painter Pragati Program (Advanced Open Training Project)

Key findings of the study :

SoulAce Survey Team interviewed a total of 250 trainees of the Advance Open Training Programme were interviewed.

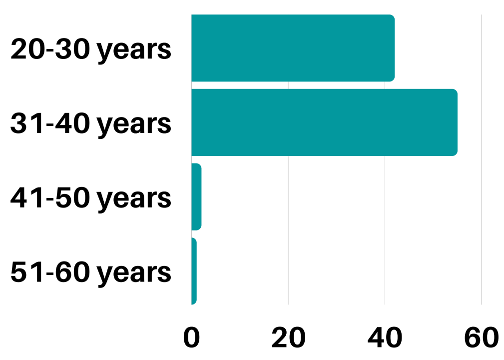
The survey approach is comprised of collecting qualitative and quantitative information. The qualitative information was collected from different stakeholders (NGO Staff, trainers, trainees) through one -to -one meetings and interviews. The team also conducted focus group discussions with trainees to understand the collective opinion on the programs conducted under the Nerolac Premium Painter Pragati Program.

The Survey was conducted across 10 States i.e., Bihar, Chattisgarh, Delhi, Goa, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, and Uttar Pradesh.

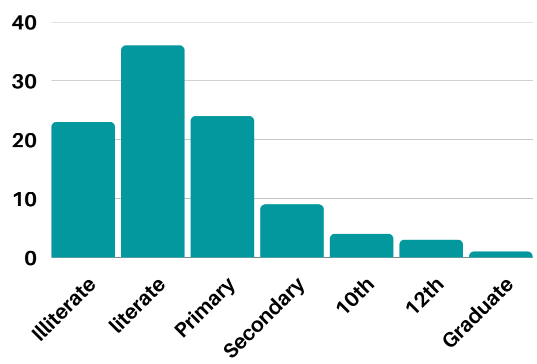
The key findings and observations from the study are presented below:

Percentage distribution of trainees by age-group

The Chart shows that more than half of the respondent Trainees belong to the age group of 31-40 years, followed by trainees in the age group of 20 to 30 years. Most of the trainees are married youth who have migrated from their native places in search of daily wage and have taken up painting as an occupation.



Percentage distribution of trainees by Educational Status

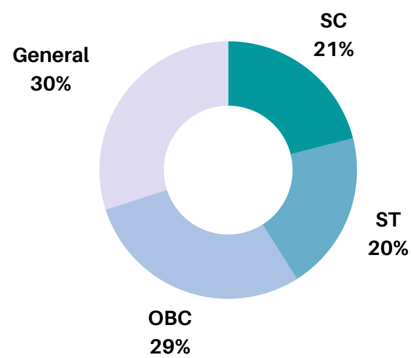


The chart shows that the majority i.e., 36 percent of trainees are literate. Around 23 percent are illiterate and 24 percent have studied till the primary section. The educational status shows that receiving training in Painting is a welcoming opportunity for the trainees as their qualification does not promise skilled job opportunities. Advanced training in Painting can tat least assure the candidates that they will receive better wages and they may enhance their earning potential.

Mr. Nitin Gope is a resident of Dhanbad in Jharkhand. He has completed his secondary education and started working on a daily wage. He likes painting and has taken part in the advanced open training conducted by Nerolac. He learnt about Designer Training. Earlier before the training he used to earn Rs 16,000 per month but now thanks to the training and guidance provided under Nerolac Premium Painter Pragati Project, he is now able to earn Rs 20,000 a month.

Nitin Gope , Painter, 41 Years
Advanced Open Training, Jharkhand

Percentage distribution of trainees by Social Category

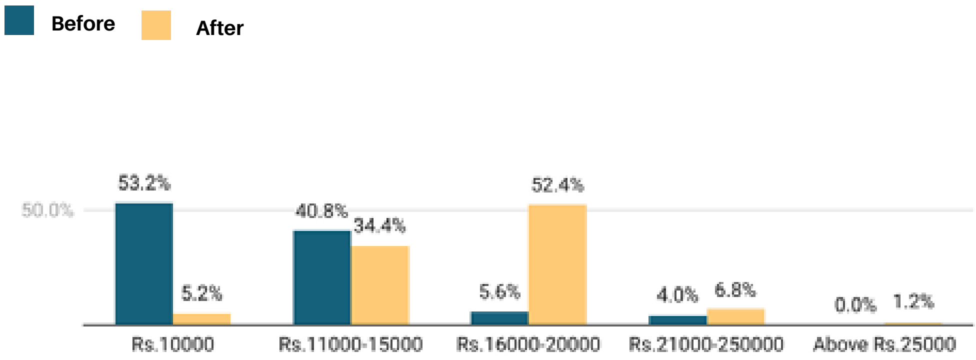


The chart shows that around 30 percent are from General Caste, 29 percent are from Other Backward Caste, 21 Percent from Scheduled Caste, and 20 Percent from Scheduled Tribes. People irrespective of caste or credentials are desperately looking for opportunities. Thus, the Nerolac Premium Painter Pragati program has given hope for a better future and provided the candidates with add -on painting skills.

Mr. Sukhsagar Sharma is a resident of Chattisgarh. He had no formal education and started working on a daily wage. He comes from Other Backward Caste (OBC) section of society. He likes painting and has taken part in the advanced open training conducted by Nerolac. He learnt about product upgradation during the training.He says that the timings of the training were convenient. Earlier, before the training he used to earn Rs 10,000 per month but now thanks to the training and guidance provided under Nerolac Premium Painter Pragati Project, he is now able to earn Rs 16,000 a month.

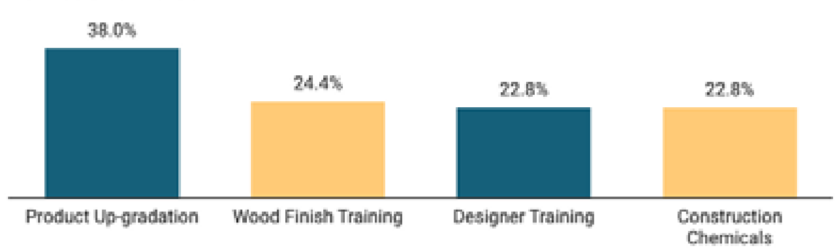
Sukhsagar Sharma, Painter, 29 Years
Advanced Open Training, Chattisgarh

Percentage distribution of trainees by Monthly Income before and after completing the training program



The Chart shows that around 52 percent of trainees now earn between Rs 16,000 to Rs 20,000. The majority of them (53%) were earning around Rs. 10,000 before receiving training from Nerolac. Thus, the value has been added for the candidates through the Advance Open Training Program is quite evident.

Percentage distribution of trainees by types of training they are trained under



The Chart shows that 38 percent of candidates received training in Product Upgradation, 24 Percent received training in Wood Finish Training, 22 Percent in Designer Training, and around 22 percent in Construction Chemicals.

Surya Prakash, Trainer
Advance Open Training

Mr. Surya Prakash is trainer at Nerolac Painter Pragati Program and takes Advance open training classes for participating Painters. During an interview with him, we asked him about the process of implementation of the program. He mentioned that at initial level the Area Sales Manager shares the monthly meeting plan at Depo level. Around 4-5 days prior to the training the recce team visits and finalizes the training venue based on certain pre decided guidelines. Then we call and invite painters for the Advance Open Training Program. The Painters undergo a registration process. At the beginning of the training Nerolac Company Information, vision and product details are communicated. Skill upgradation training (Product demo, Tools & New Designs) is provided. The participants are explained about the NPP Program and its benefits for Painters. They also receive Gifts to keep them motivated.

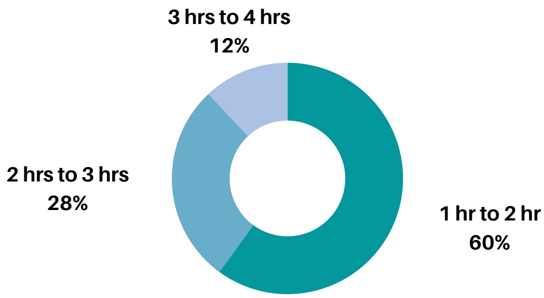
Surya Prakash also told us about the Course Syllabus, which consists of the following:

a. *Nerolac Company Intro / vision for painters / Benefit scheme for painters and their family*
b. *Product Demo / training on new designs (Skill Upgradation), sharing entire product knowledge and the utility*
c. *Training on impactful Consumer interaction*
d. *NPP Program*
e. *Problem Solving Sessions / Feedback Sessions*
f. *Painter's training was done basis below details*
- *Nerolac Loyal Painters (npp)*
- *Nerolac Dealers*
- *Competition Dealers*

We also asked Surya Prakash about the strength of the program and the learnings from it. He said that the project enhances confidence and improves the presentation skills. The painters understand about the calculation after the training. The painters have in depth knowledge on company details and the benefits to his family. The painter understands about product effectiveness through live demo application. The participants told that the per site income had increased by learning new skills in training. They also got to know the benefits compared to other products in the market.

Surya Prakash also told that the challenge of the program was in identifying accessible venue. The other challenge was to transport gifts and marketing collaterals. The program needs improvement in bringing more focus in providing opportunities to painters undergoing the training program.

Percentage distribution of trainees by duration of their training classes



The chart shows that around 60 percent of candidates reported that they are receiving training for 1 to 2 hours. 28 Percent of candidates reported that they are receiving training for around 2 hours to 3 hours and 12 percent mentioned that they received training for 3 to 4 hours.

Percentage of Trainees reported about convenience in training time

The chart shows that around 88 percent of candidates were satisfied with the training timings and they could learn it properly. They further added that the trainers were also supportive and encouraging.

Mr. Sanjay Gupta is a resident of Haryana. He had no formal education and started working on a daily wage. He likes painting and has taken part in the advanced open training conducted by Nerolac. He learnt about wood finishing during the training. He says that the timings of the training were convenient. Earlier, before the training he used to earn Rs 10,000 per month but now thanks to the training and guidance provided under Nerolac Premium Painter Pragati Project, he is now able to earn Rs 15,000 a month.

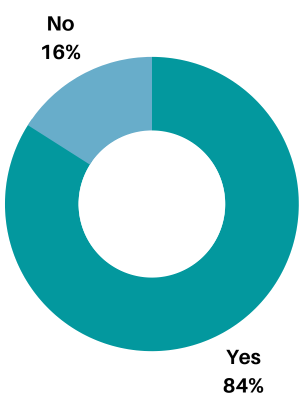
Sanjay Gupta , Painter, 33 Years
Advanced Open Training, Haryana

Percentage of Trainees reported about syllabus of training being in line with the demands of the Market

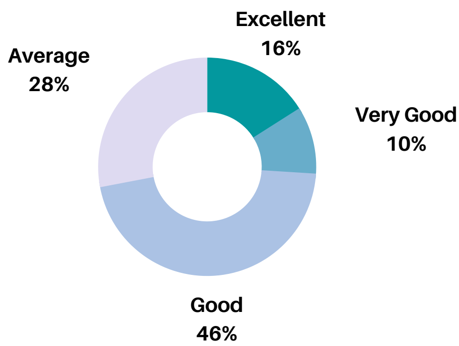
The chart shows that candidates had mixed reviews on the question of the syllabus of training being in line with the demands of the market. Around 46 percent are in agreement and around 54 percent are in disagreement. It is suggested that for future initatives Preksha Foundation can conduct pre training consultation with relevant stakeholders (Nerolac's R&D team,Dealers/Vendors & potential trainess) for understanding the market needs & streamline the syllabus.

Percentage of Trainees reported about getting assistance from the training organization in getting jobs/contracts

The chart shows that 84 percent of trainees mentioned that they are not receiving any kind of support for getting jobs or contractual work. Around 16 percent of candidates mentioned that they are receiving assistance in looking for job opportunities.



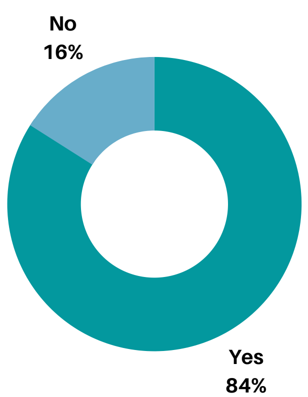
Percentage distribution of Trainees by their rating on the training program



The chart shows that around 46 percent of candidates mentioned, the training program to be good. Around 28 percent mention it to be average and around 16 percent say it to be excellent. Overall, the rating of the program by more than half of the candidates was good and they were satisfied.

Percentage distribution of Trainees having Awareness about organization who supported the training program

The chart shows that around 84 percent of candidates are aware of the training organization. Around 16 percent of respondents mentioned having that they have no idea of the training organization’s name.



Brand Visibility

Most of the trainees and stakeholders are aware of Nerolac company and are grateful for the training opportunity provided to them.

Banners with Nerolac logo at the registration desk

3.2 Mobile Training Academy

The objective of the Study :

To conduct impact assessment of the Nerolac Premium Painter Pragati Program (Mobile Training Van for Skill Development Project)

Key findings of the study :

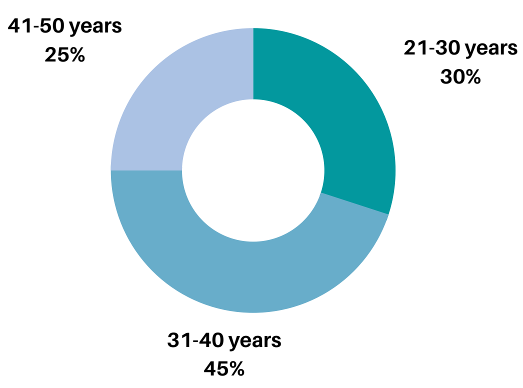
SoulAce Survey Team interviewed total 250 trainees of the Mobile Training Van for Skill Development Programme.

The survey approach comprised of collecting qualitative and quantitative information. The Qualitative information was collected from different stakeholders (NGO staff,staff of van, trainees) through one -to -one meetings and interviews. The team also conducted focus group discussions with trainees to understand the collective opinion on the programs conducted under the Nerolac Premium Painter Pragati Program.

The Survey was conducted across 10 States i.e Assam, Bihar, Chattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Punjab, Orissa, Uttar Pradesh, West Bengal.

Percentage distribution of respondent by age group

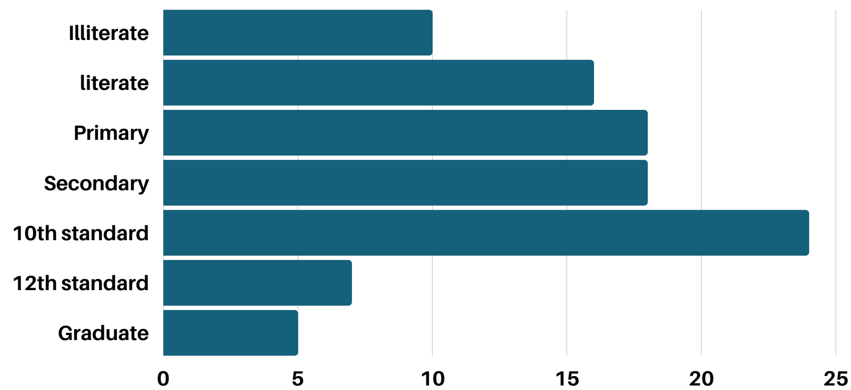
The chart shows that majority of the respondents belong to age group of 31 to 40 Years. Around 30 percent belong to e age group of 21 to 30 Years. And 25 percent belong to age group of 41 to 50 years. This shows that men from age group of 21 to 50 are involved in Painting or similar daily wage activity. This age group is also the breadwinner of the family and have responsibilities. Therefore, the initiative by Nerolac is of great support to ensure better employability and employment opportunity for the youth.



Demo of tool kit by Van Trainers

Participants Scan QR for Nerolac Product Information

Percentage distribution of respondent by educational qualification

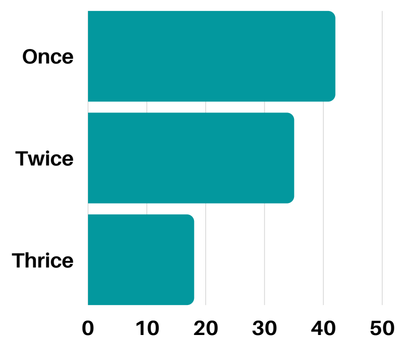


The chart shows that majority of the respondents have completed matriculation. 24 percent have completed secondary education and 13 percent have completed primary education. It can be seen that with basic education it is difficult to find job opportunities in the formal employment sector. with basic education. So, to make both ends meet it is important to enter into some forms of engagement which can help to run the family. Nerolac Mobile Training Van for Painters is a welcome an open opportunity for youth filled with aspirations but lacking viable opportunities.

Mr. Surender is a resident of Bhagalpur in Bihar. He has completed his secondary education and started working as a painter. He likes painting and has taken part in the Mobile training van program conducted by Nerolac. He learnt about new painting technology and the demo tools. He also learnt about Nerolac Products during the sessions. He is quite satisfied with the training program and understands it to be helpful in enhancing his earnings. He now earns Rs 15,000 per month due to the additional knowledge and skills he picked up during the training sessions run by Nerolac.

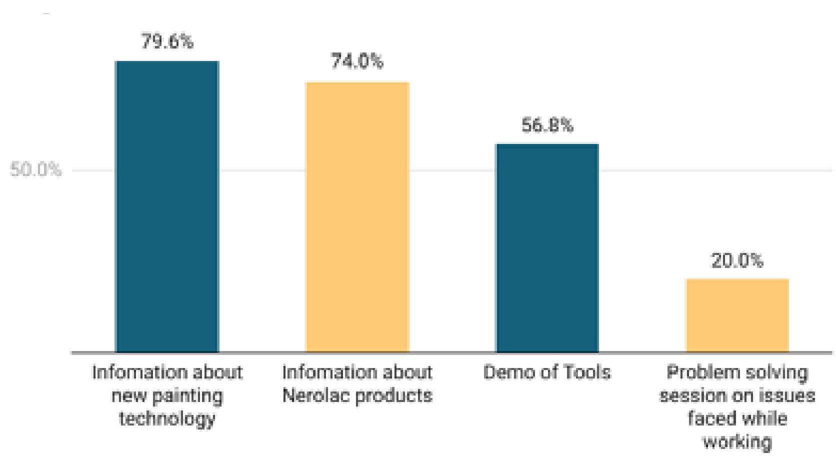
Mr. Surender Jha, Painter, 35 Years
Mobile Training Van, Bihar

Percentage distribution of respondents by Frequency of visit of Pragati Mobile Van



The Chart shows that respondents had mixed views on the frequency of visit of Pragati Mobile Van. Around 42 percent mentioned seeing it once, around 37 percent said it to be coming twice and around 19 percent said it to be thrice.

Percentage of respondents reported about various topics covered in the sessions

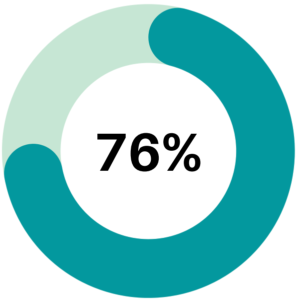


The Chart shows that during the training sessions around 79 percent respondents mentioned receiving information about new painting technology. It is important to keep abreast with newer development in the painting field, this helps them be relevant and negotiate a better wage. Very limited people get this opportunity at no cost. The respondents were grateful to receive the opportunity and to be the part of the Mobile Training Van skill development program. The trainer also provided information on Nerolac products, demo of tools and answered on challenges faced by workers.

Session conducted by Van trainer

Training session for Van Trainer

Percentage of respondents reported about Gifts received during the session



The Chart shows that around 76 percent people reported receiving gifts during the training program. Around 24 percent people mentioned not receiving any gifts. The implementing organization should cross check on the beneficiaries of the program to sort out the discrepancy.

Listed below are the benefits received by the trainees post the implementation of Pragati Mobile Training Van Program.

- Knowledge about new Nerolac products
- Knowledge about new painting techniques
- Improvement in business
- Economical support
- Getting new work
- Improvement in work quality
- Knowledge about usage of painting machinery
- Gained knowledge about new design and textures
- Overall skill development
- Helped in convincing customers

Mr.Deepak Sharma, Trainer (Ahmedabad)
Mobile Training Van

Mr. Deepak is trainer at Nerolac Painter Pragati Program and takes Mobile training Van classes for participating Painters. During an interview with him, we asked him about the process of implementation of the program. He mentioned that at initial level they chart out a dealer wise route plan and hand over to the team for activity execution. Two days prior to the training the sales team and Dealer are informed about the Van schedule and timing for their respective outlet. The painters are called for the training. In one day three trainings are done. The van reaches the dealer point at a given time. The training is done on enhancing the skills of painters through providing sessions on Nerolac company, the Overall Vision and Benefits to painters, Product Communication,

Product Demo (how it will help the painters to save cost by using less paint and getting more coverage), Live Demo – Helping them to make special designs through which they can upgrade their skills and look professional and earn more per site, Painters Problem Solving / Feedback Session. Then Lucky Draw / Order Booking is done. Finally training closure and reporting.

Mr. Deepak also told us about the Course Syllabus, which consists of the following:

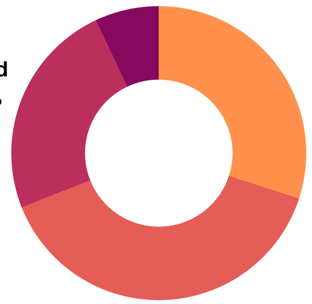
a. Nerolac Company Intro / vision for painters / Benefit scheme for painters and their family
b. Nerolac Product Details and its benefits to Painters
c. Precaution to be taken during the work
d. Product Demo / designs (Skill Upgradation)
e. Problem Solving Sessions / Feedback Sessions
f. Order Booking / Lucky Draw
g. Painter's training was done basis below details

- *Nerolac Loyal Painters (npp)*
- *Nerolac Dealers*
- *Competition Dealers*

We also asked Mr. Deepak about the strength of the program and the learnings from it. He said that the project helped the participants to know more about Nerolac and the extended benefits to their family. They got to know more about product effectiveness through live demo application. Per Site remuneration amplified by learning new skills in training. Now they have better idea about benefits compared to competition products.

The challenges faced during implementation of the programme was of taking van permissions during COVID was difficult. There was limited space at Dealer Counter for Van. The Improvements which can be bought about in the program is that the duration of Van could be increased which could help to save fixed cost.

Percentage distribution of respondents by their ratings of the session

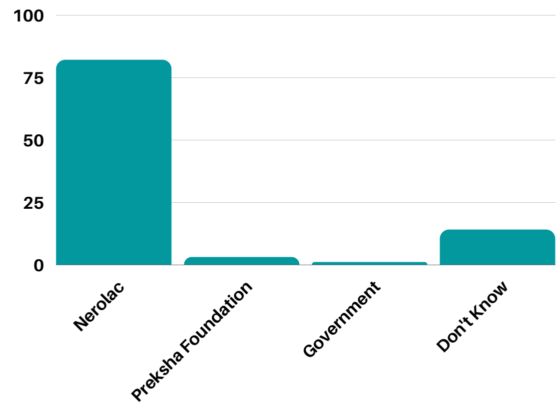


The Chart shows that around 30 percent respondents rated the Pragati Mobile Training Van program as Excellent. Around 39 percent mentioned it to be very good. Around 24 percent reported it to be good. Overall, it can be seen that the participants were satisfied with the program and would like to recommend it to other youths as well to be a part of thethis training program.

Mr. Monu is a resident of Gujarat. He has completed his secondary education and started working on daily wage. He has taken part in the Mobile training van program conducted by Nerolac. During the sessions he received knowledge on Demo Tools, different products of Nerolac. He has learnt about new technology being used in the paint industry. He now earns Rs 12,000 per month due to the additional knowledge and skills he picked up during the training sessions run by Nerolac. He thanks Preksha Foundation and Nerolac both for bringing the program to them through the innovative method of Mobile Van.

Mr. Monu Yadav, Painter, 23 Years
Mobile Training Van, Gujarat

Percentage distribution of respondents by their Knowledge of the organization who has supported the program



The Chart shows that 82 percent respondent were aware of the training program being organized by Nerolac Paints. There is scope of keeping the communication and branding clear that the participants understand about the sponsoring organization. The implementing organization can take responsibility of proper branding and communication messages, so that there is recall factor with the participants.

Mr. Pramjit is a resident of Mansa in Punjab. He has completed his secondary education and started working as a painter. He has taken part in the Mobile training van program conducted by Nerolac. He learnt about new painting technology and the demo tools. He also learnt about Nerolac Products during the sessions. He is grateful to the company for providing a door step opportunity to enhance ones skills and be capable of charging a fair wage for his work. With the help of the training program he is now able to earn Rs 12,000 per month due to the additional knowledge and skills he picked up during the training sessions run by Nerolac.

Mr. Paramjit Singh, Painter, 42 Years
Mobile Training Van, Punjab

3.3 Fumigation Training

The objective of the Study :

To conduct impact assessment of the Nerolac Premium Painter Pragati Program (Fumigation Training for Alternate Employment)

Key findings of the study :

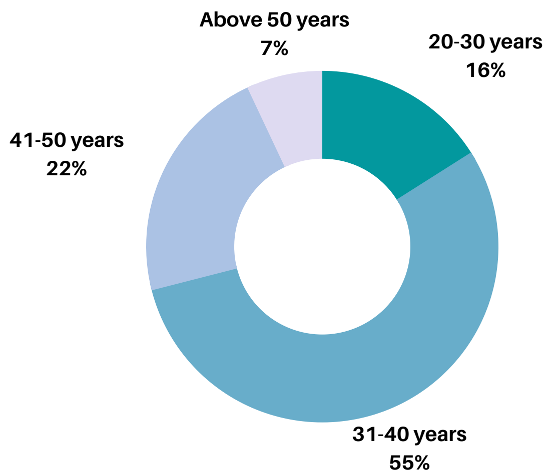
SoulAce Survey Team interviewed total 150 trainees of the Fumigation Training for Alternate Employment.

The survey approach comprised of collecting qualitative and quantitative information. The Qualitative information was collected from different stakeholders (NGO Staff, Trainers, Trainees) through one -to -one meeting and interviews. The team also conducted focus group discussion with trainees to understand the collective opinion on the programs conducted under the Nerolac Premium Painter Pragati Program.

The Survey was conducted across 6 States i.e Delhi, Gujarat, Jharkhand, Maharashtra, Madhya Pradesh and Punjab.

Percentage distribution of respondent by age group

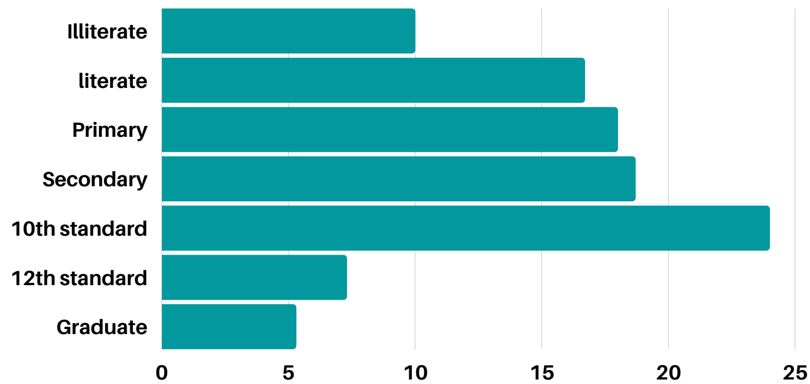
The Chart shows that majority of the respondents (55%) were in the age group of 31 to 40 years. 22 percent were in the age group of 41 to 50 years. Thus, it can be seen that respondents receiving training were majorly, married youths who were out in search of working opportunity in form of daily wages. Thus, getting an opportunity to be a part of Fumigation training as part of alternate employment.



Demo of Fumigation Machine

Fumigation Machiner Handover to Trainees

Percentage distribution of trainees by Educational Level

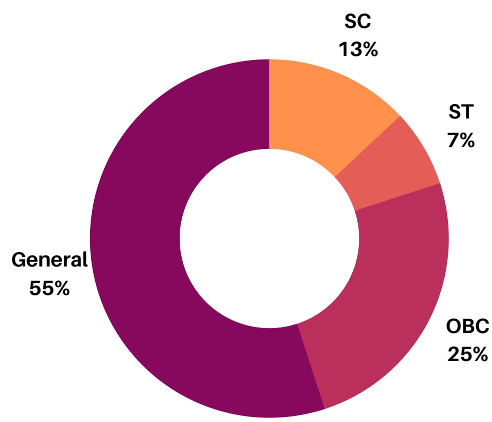


The Chart shows that the participants were of mixed educational background. 24 percent completed matriculation, around 18 percent completed secondary and 18 percent received primary education. With such basic education entry into formal jobs is difficult, thus getting an opportunity to receive training in Fumigation does help learn an employable skill which may open a window of opportunity.

Mr. Varun Kumar is a resident of Mandoli in Delhi. He has completed his secondary education and started working as a painter. He has taken part in the Fumigation training program conducted by Nerolac. He learnt about new painting technology and the demo tools. He also learnt about Nerolac Products during the sessions. He is grateful to the company for providing additional skills and be capable of charging a fair wage for his work. With the help of the training program he is now able to earn Rs 25,000 per month.

Varun Kumar, Painter, 30 Years
Fumigation Training Programme, Delhi

Percentage distribution of trainees by Social Category

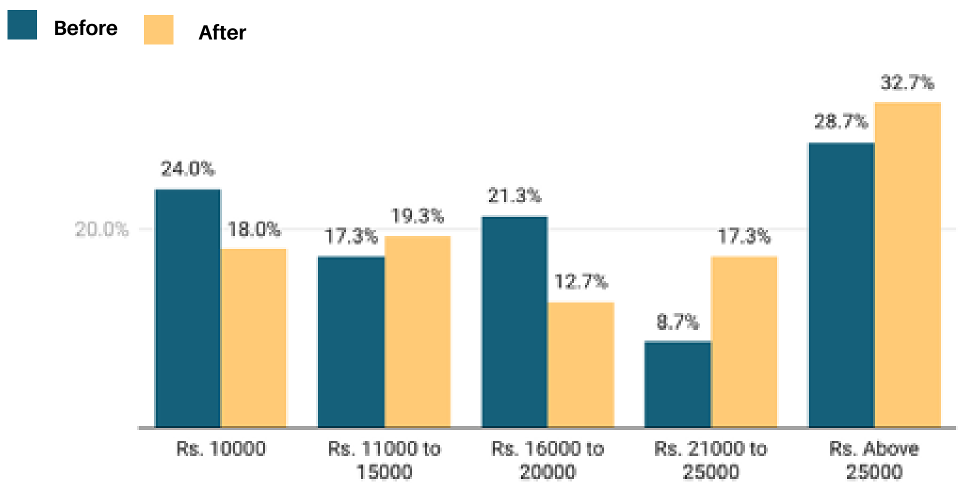


The above chart shows that majority of the respondents were from General Caste, followed by 25 percent as Other Backward Caste.

Mr. Mukesh Ramesh Boriya is a resident of Baroda in Gujarat. He has completed his Primary education and started working as a painter. He is from Other Backward Caste section of the society. He has taken part in the Fumigation training program conducted by Nerolac. He learnt about new painting technology and the demo tools. He also learnt about Nerolac Products during the sessions. He got to know about the program through Newspaper Advertisement. He is grateful to the company for providing additional skills and be capable of charging a fair wage for his work. With the help of the training program he is now able to earn Rs 25,000 per month.

Mukesh Ramesh Boriya, Painter, 36 Years
Fumigation Training Programme, Gujarat

Percentage of trainees reported about their monthly Income before and after completion of the training program



The above Chart shows that there is a major shift of respondent trainees rise in income from the bracket of (Rs 10,000- Rs 15,000) to (Rs 20,000 to 25,000) because of knowledge of using Fumigation Machine.There is severe crunch in job openings in formal sector. Candidates are able to make at an average Rs 20,000 because of painter, fumigation training. The program goes a long way in providing alternate employment opportunities and creating happy families.

Practicals of Fumigation

Mr.Suraj Chaudary, Head Trainer (Delhi)
Fumigation training & machinery

Mr. Suraj is trainer at Nerolac Painter Pragati Program and takes Fumigation training classes for participating Painters. During an interview with him, we asked him about the process of implementation of the program. He mentioned that at initial level they collect the Training Plan from Nerolac with regards to the area / location to be targeted for Fumigation training. Then the Venue recee is done. Venue is confirmed according to the guidelines provided by Nerolac. Then they call and inform the participants about the training place and time. Machines and other demo material are arranged before the training day. Practical and theory Training is given on training day and Fumigation Machine distributed.

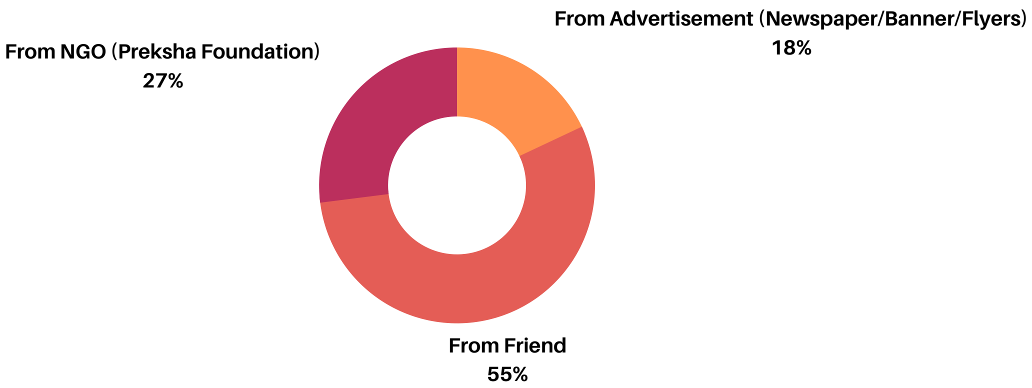
Mr. Suraj also told us about the Course Syllabus, which consists of the following:

a. *Giving complete Sanitization Training and telling how its beneficial*
b. *Showing how to assemble fumigation machine and how to use it properly by showing practical demonstration at the venue*
c. *Showing calculation on how to calculate the charged vs How much will be expenses vs Profit per home participant can earn*
d. *Showing to participants how Fumigation is a new way of doing business / Earning Livelihood during Covid times*
e. *Painter's training has done on following points*
- *Nerolac Loyal Painters (npp)*
- *Painters looking out for new way of Income generation during Covid time when paint business was totally closed*
- *Painters from Nerolac Loyal Dealer points*

We also asked Mr. Suraj about the strength of the program and the learnings from it. He said that the project helped the participants to learn new skills in their Life and earn additional source of income. The Project helped participants / painters to start their own business and improve their Livelihood. It improved participants respect and dignity in their Society and made him Independent.

On the challenges faced during the implementation of the programme, Mr. Suraj mentioned that during the Covid time Venue selection / permission was a big problem. The program was conducted under the government guideline. The Transportation of Machines was difficult. Mr. Suraj also mentioned that for the effectiveness of the program, on site training can be planned post practical training.

Percentage of trainees reported about the Source of information of the training program

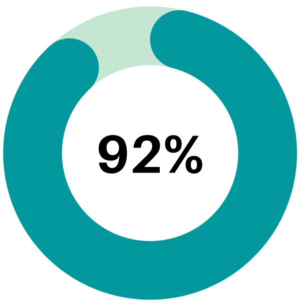


The Chart shows that around 55 percent respondents got to know about the program through their friends. 27 percent got to know from Preksha Foundation and 18 percent got to know about it from Advertisements. Preksha Foundation could focus more on reaching out to potential candidates for training program.

Percentage of trainees reported about Awareness of Fumigation Technology prior training program

The Chart shows that 90 percent respondents were aware of the Fumigation technology even before being a part of the training program. This is a good sign which shows the awareness and exposure of todays' youth. They want to learn new technology and tools but cannot afford the training charges. Therefore, Nerolac has taken a thoughtful initiative and provided training under CSR for underprivileged and disadvantaged youthdeprived youths.

Percentage of trainees reported about Convinience of the timing of the training



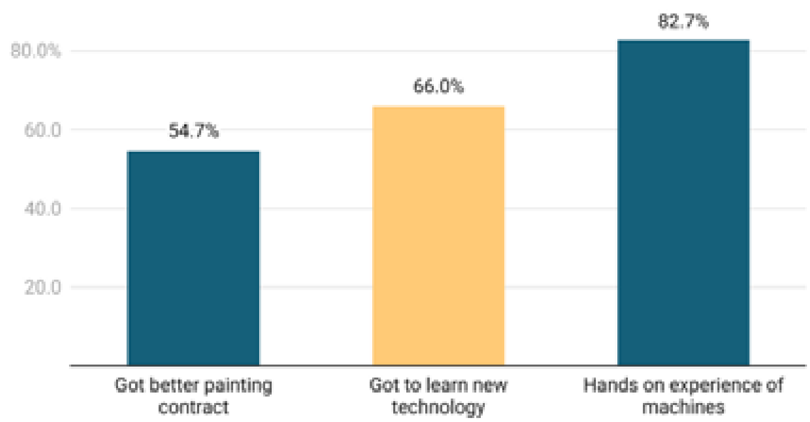
The Chart shows that 92 percent respondents were satisfied with the timings of the training program. It is also important for the fact that most of the youths are out working on a daily wage basis and can notcannot spoil their days earning to participate in the training.

Percentage of trainees reported whether any help received from the training organization to get jobs/contracts

The chart shows that 90 percent respondents mentioned receiving support from Preksha Foundation to get jobs or contracts. This is an important step in achieving the ultimate goal of training program.

Participants with Fumigation Machines

Percentage of trainees reported about Benefits received due to Fumigation training

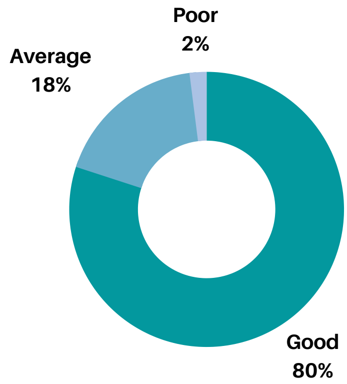


The Chart shows that around 82 percent respondents were happy with the hands -on experience they received in using the machine. 66 percent were happy with the fact that they got to learn a new technology. Around 54 percent respondents were happy to get better painting contract because of the Fumigation Training Program they attended. Overall, the training program was successful as the candidates see the value addition to their lives and to future career prospects.

Mr. Gajanan Ramchandra Salunkhe is a resident of Pune in Maharashtra . He has completed his Higher Secondary education and started working as a painter. He has taken part in the Fumigation training program conducted by Nerolac. He learnt about new painting technology and the demo tools. He also learnt about Nerolac Products during the sessions. He is grateful to the company for providing additional skills and be capable of charging a fair wage for his work. He got to know about the program through a friend. He had some idea about Fumigation Machines earlier as well, therefore he was excited to be a part of the program. With the help of the training program he is now able to earn Rs 15,000 per month.

Gajanan Ramchandra Salunkhe, Painter, 46 Years
Fumigation Training Programme, Maharashtra

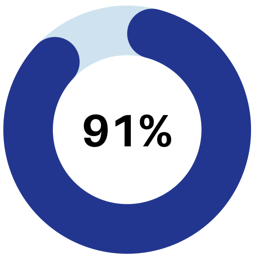
Percentage of trainees reported about the Quality of Fumigation machine received



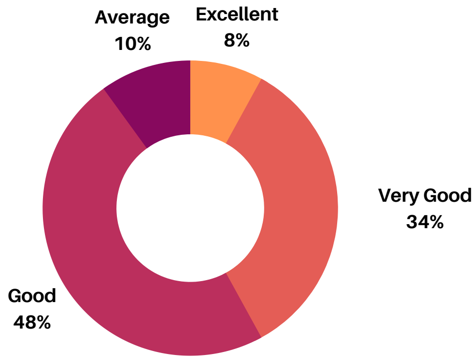
The Chart shows that the quality of the fumigation machine was good. Only 18 percent reported it to be of average quality. Preksha Foundation could enquire as to why respondents felt it to be of average quality.

Percentage of trainees reported Whether any operational training of machine provided by NGO

The Chart shows that 91 percent respondents agreed on receiving training on how to use the fumigation machine.



Percentage of trainees rated the overall support received by the NGO



The Chart shows that the respondents were happy with the support received from the NGO Preksha Foundation.

Chapter 4 : OECD Framework

Criteria	Justification/ Arguments supporting or against the Criteria	Ratings
Relevance Has the program met its objectives? Is the CSR Project meeting the needs of the beneficiaries?	The majority of the beneficiaries have a secondary level of education which is insufficient to get the opportunities for formal employment. Therefore the Advanced Open Training, Mobile Training Van, and Fumigation Training for alternate employment have given them new scope and push to get work in the Painting Industry. The knowledge of Nerolac Products, demo, designs, usage of machines, as well as support in getting a contract and hence the project is relevant.	●●●●○
Coherence Is the project aligned with any Government program / SDG?	The project is in line with the below mentioned Government program - National Skill Development Program. The project is in line with the below Sustainable Development Goals (SDGs) Goal 1: No Poverty Goal 4 : Quality Education Goal 8: Decent Work & Economic Growth   	●●●●●
Effectiveness Has the Program met its objectives? To What extent the expected results have been achieved? Has it reached the Right Target Groups?	During COVID 19 epidemic many people migrated to their native places. They had to leave jobs and return home with nothing, there were no opportunities available locally. In this background painting training through Nerolac Painter Pragati Program was a welcome opportunity for painters to learn the new tools and upgrade themselves. This helped them charge a fair wage as per their knowledge. There earnings have gone up by 25 to 30 percent after participating in the training program. Therefore we can fairly say that the program has met its objective, the expected results have been met and the program has reached the right target groups.	●●●●○

Index : 5 Points - Very High ; 4 Points - High ; 3 Points - Moderate ; 2 Points - Low ; 1 Point - Very Low

OECD Framework

Criteria	Justification/ Arguments supporting or against the Criteria	Ratings
Efficiency The extent to which the CSR Project delivers, or is likely to deliver, results in an economic and timely way.	There were challenges in implementation during COVID 19 times the program was much needed as it was directly connected to the earnings of the participants. Gathering of participants for Mobile Training etc was a bit of a challenge, in some places space was a problem at dealer's place but the program overall was effectively delivered.	●●●○○
Impact The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.	Nerolac Painter Pragati Program has created a large-scale impact in the lives of disadvantaged sections of society. Daily wage workers who look for some sort of security in terms of daily earnings to make both ends meet were the targets of this program. Most of the painters knew basic level and were making Rs 10,000 to Rs 15,000 per month, but post the training now they make between Rs 20,000 to Rs 25,000. Being a part of the program has also given the knowledge of Life insurance and health insurance.	●●●●○
Sustainability The extent to which the net benefits of the intervention continue or are likely to continue.	The painters have upgraded their learnings through the Nerolac Painter Pragati Program. They are able to charge an increased fee for their service. So the impact is sustainable.	●●●●○

Index : 5 Points - Very High ; 4 Points - High ; 3 Points - Moderate ; 2 Points - Low ; 1 Point - Very Low

Chapter 5: Conclusion & Recommendations

The unemployment rate has increased in recent times. The last 2 years, starting from 2020 were completely marred by lockdowns and shutdowns in the country and prolonged inactivity across sectors pushed millions of Indians out of jobs and migrated to rural areas or native places in the absence of work and regular income.

Most of the trainees have basic or no education to help them avail employment in the formal sector. Upskilling them in their existing occupation at no cost is the best remedy to this problem.

Against this backdrop, the Premium Painter Pragati Program has turned out to be a blessing for the painter community.

Recommendations

There were certain suggestions and requests provided by trainees and teaching staff during the impact assessment study. The requirements are stated below:

1. Advance Open Training Program

- It is recommended to conduct pre-training consultations with relevant stakeholders by the implementing partner and align the course syllabus with the current market trends.
- Refreshment courses can be explored and introduced during periodic intervals of the program. It would be beneficial to get the desired jobs by the beneficiaries.
- Currently, the training program is enhancing the skills of the painters by which they have become self-reliant and helping them to get a job.

2. Mobile Training Van Program

- A module of Follow-up can be aligned with the program to check and monitor the absorption of the provided information at the beneficiaries' level.
- More topics can be introduced in consultation with the implementing partner at the initial stage of the program.
- A prior timetable can be provided to the beneficiaries so they can plan to attend the sessions accordingly.

3. Fumigation Training Program

- While interacting with the beneficiaries it was noted that very few of them were aware of the fumigation technology. Different engagement sessions can be explored to create more awareness about the technology.

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 2021-22.

(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 2021-22^ (₹ in Lakhs)	Percentage increase in remuneration for the Financial Year 2021-22	Ratio of Remuneration of each Director/ KMP to the median remuneration of employees
1	Mr. P. P. Shah Chairman Non-Executive and Independent Director	43.50	1.16	5.76
2	Mr. H. M. Bharuka Vice Chairman and Managing Director - upto 31st March, 2022	861.46#	18.48	114.03
3	Mr. N. N. Tata Non-Executive and Independent Director	39.00	1.96	5.17
4	Mr. Anuj Jain Executive Director - upto 31st March, 2022 Managing Director - w.e.f. 1st April, 2022	228.61	26.93	30.26
5	Mr. H. Nishibayashi* Non-Executive Director	–	–	–
6	Ms. Sonia Singh Non-Executive and Independent Director	34.50	48.39	4.57
7	Mr. S. Takahara* Non-Executive Director	–	–	–
8	Mr. T. Tomioka* Non-Executive Director	–	–	–
9	Mr. P. D. Pai Chief Financial Officer	130.82	33.36	17.32
10	Mr. G. T. Govindarajan Company Secretary	65.33	14.36	8.65

^ Remuneration mentioned above in the case of Vice Chairman and Managing Director, Executive Director and other KMP is the income earned during the financial year 2021-22 as reflected in the Income-tax Computation Sheet as "Gross Income" (inclusive of perquisites). It excludes the Company's contribution to Provident Fund and Superannuation Fund. As the future liabilities for gratuity, leave encashment and Director pension along with medical benefits are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to each individual is not ascertainable and therefore not included above.

\# Remuneration to Mr. H. M. Bharuka excludes retirement benefits of ₹ 824.40 Lakhs towards Gratuity, Leave Encashment and Ex-gratia.

* Mr. H. Nishibayashi, Mr. S. Takahara and Mr. T. Tomioka did not receive any sitting fees for attending Board Meetings nor were they paid any commission.

(c) The median remuneration of employees of the Company for the year increased by 6.1% compared to the previous financial year.

(d) The number of permanent employees on the rolls of the Company is 3105 as on 31st March, 2022.

(e) Average percentage increase made in the salaries of employees other than KMP in the last financial year was 7.1%. The percentage increase in remuneration of KMP was 21.1%.

(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 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 Annual Report is 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.

(h) None of the employee listed in the said Annexure is a relative of any Director in the Company.

(i) 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 and 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, 10th May, 2022

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 continue to accord utmost importance on saving and efficient usage of energy. Efficient and judicious use of energy sources has been our prime objective. In line with the energy saving goal, considerable investments have been made across organisation to improve the overall energy consumption.

We aim to gradually adopt new concepts and technologies which further lead to diversification of energy mix to reduce dependence on fossil fuels and to cut emissions. We have made considerable investments across organisation to enhance the Green footprint thereby reduce dependency on Grid Power and fossil fuels. 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, power losses etc.

We also track quantum of renewable power generated through self-owned power plants as well as through open access mechanism where in power is sourced through developers/Independent power producers via suitable power purchase agreements as well as shareholding agreements. Renewable power as a percentage of total power is tracked month on month and initiatives are consistently explored for increasing this quantum in line with Corporate RE 70 vision.

(i) Steps taken or impact on conservation of energy:

At Kansai Nerolac Paints Limited, 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 energy efficient lighting.

b) Replacement of old motors and compressors with new and energy efficient ones.

c) Implementation of energy management system for real time tracking and insights.

d) Installation of timing controller for auto on/off of lighting system.

e) Optimizing compressed air network based on loading and utilization, regular leak tests, pump up tests to ensure efficient operations of compressed air network.

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 financial year 2021-22:

1. Increase in quantum of green power through third party at Hosur plant
2. Fuel switch to PNG from diesel in Bawal plant
3. Increase in power quantum through Group Captive wind power at Hosur plant

With above projects, our renewable power green footprint for all 6 plants stands at 32%

(iii) Capital investment on energy conservation equipment: ₹ 192 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 segments

— 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, Sustainable product development

— 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 and 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 Mica Marble Stretch & Sheen Exterior Emulsion
— Nerolac Impression Kashmir
— Nerolac 10 in 1 PU Enamel
— Nerolac Synthetic Enamel Gold & Silver
— Nerolac Perma damp protect Interior
— Nerolac Zinc Yellow Primer
— Nerolac Beauty Ceiling Emulsion
— Nerolac Perma Rapid set
— High Solids, High Aesthetic Bumper Clear System for 4 Wheeler OEM plastic parts
— White Pearl in 3 Coat 1 Bake lean compact processes
— Non Chrome Primer for 2 Wheeler industries
— Silky Matt Clear for 2 wheeler Industries
— High Solids Superior Anti Chip Primer for 4 wheeler Industries
— New Product for Rotamould Petrol Tank
— Mar Resistance clear meeting Flexi Fuel requirement
— Hard coat Clear coat for 2 wheeler head Lamp
— Coating for Alloy wheel
— Travel Colors shades for 2 Wheelers
— Perfect Match Popular Clear
— Low Bake ACED LB66
— Eco Black CED High Gloss / Circulation free Holiday
— Nerolac Anticarbonation Paint
— Nerolac Acrylic Alkali Primer
— Neropoxy Solvent Free Coating WRAS Approved
— Nerolac Anti-dust Lacquer
— Bonded Metallic Powder
— Fusion Bonded Epoxy Powder for Valves & Fittings
— High Dielectric Jet Black Powder for EV

(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
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

Particulars	Year of Import
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
Localization for PU metallic Monocoat	2021-22
High Solids Bumper Clear Coat	2021-22
Cardea Crystal clear for Refinish	2021-22
Low Bake ACED LB66	2021-22
Eco Black CED High Gloss / Circulation free Holiday	2021-22
EU 577 Paint	2021-22

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 2021-2022	FY 2020-2021
a.	Capital	**0.59**	1.92
b.	Recurring	**32.41**	28.68
Total		**33.00**	30.60

C. Foreign Exchange earnings and outgo

Foreign Exchange earnings during the year: ₹ 11.60 Crores (2020-2021: ₹ 9.39 Crores)

Foreign Exchange outgo during the year: ₹ 1106.38 Crores (2020-2021: ₹ 763.12 Crores)

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 10th May, 2022

Annexure 4 to the Board's Report

FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2022
[PURSUANT TO SECTION 204(1) OF THE COMPANIES ACT, 2013 AND RULE NO. 9 OF THE COMPANIES (APPOINTMENT AND REMUNERATION 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 2022, 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, 2022 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 / Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 **(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 / Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 **(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 complied with the provisions of the Act, Rules, Regulations and Guidelines, 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.

As per minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous with views of the Board members recorded in the same.

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 Scheme of Amalgamation of Marpol Private Limited and Perma Construction Aids Private Limited (both being wholly owned subsidiaries) with the Company has come into effect.

Place: Thane
Date: 09th May 2022

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)
FCS: 4317, CP: 2520

UDIN: F004317D000291681

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 records 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. Wherever 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: 09th May 2022

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, 2022 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, 2022, 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 were 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 composition of the Board is in conformity with the requirements of Regulation 17(1) of SEBI Listing Regulations and the Companies Act, 2013 ("the Act"). The three Non-Executive Non-Independent Directors on the Board as on 31st March, 2022, namely, Mr. H. Nishibayashi, Mr. S. Takahara and Mr. T. Tomioka are nominees of Kansai Paint Co., Ltd., Japan, Promoter Company.

Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date.

Mr. Anuj Jain was appointed as the Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2022 and ending on 31st March, 2027 (both days inclusive).

(b) In view of the COVID-19 pandemic, all meetings during the year ended 31st March, 2022 were held through Video Conferencing / Other Audio Visual Means without the physical presence of the Directors / Members. During the year ended 31st March, 2022, 5 (five) Board Meetings were held i.e. on 7th May, 2021, 30th July, 2021, 25th October, 2021, 1st February, 2022 and 18th February, 2022. The last Annual General Meeting of the Company was held on 25th June, 2021 by Video Conferencing / Other Audio Visual Means.

Details of the Directors of the Company and their attendance at the Board Meetings held during the financial year 2021-22 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)	5	Yes
Mr. H. M. Bharuka*	Vice-Chairman and Managing Director	5	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	5	Yes
Mr. Anuj Jain@	Whole-time Director	5	Yes
Mr. H. Nishibayashi	Non-Executive Director	5	Yes
Ms. Sonia Singh	Non-Executive and Independent Director	5	Yes
Mr. S. Takahara	Non-Executive Director	5	Yes
Mr. T. Tomioka	Non-Executive Director	5	Yes

* Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date.

@ Mr. Anuj Jain was appointed as the Managing Director of the Company with effect from 1st April, 2022 for a period of 5 (five) years.

All Independent Directors of the Company have certified and confirmed their independence in accordance with Section 149 of the Act read with Regulations 16(1)(b) and 25(8) of the SEBI Listing Regulations.

(c) Number of Directorships (other than the Company) and Committees in which the Director is a Chairperson / Member as on 31st March, 2022, is as follows:

Name of the Director	No. of Directorships in other public limited companies	No. of Committees in which Chairperson / Member (including the Company)*	
		Chairperson	Member
Mr. P. P. Shah	7	3	6
Mr. H. M. Bharuka (retired on 31st March, 2022)	Nil	Nil	Nil
Mr. N. N. Tata	6	1	3
Mr. Anuj Jain	Nil	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil	Nil
Ms. Sonia Singh	1	1	2
Mr. S. Takahara	Nil	Nil	Nil
Mr. T. Tomioka	Nil	Nil	Nil

* In terms of the provisions of Regulation 26(1) of the SEBI Listing Regulations,

- Committee memberships / chairpersonship in Committees of the Board(s) of all public companies, whether listed or not, have been taken into consideration excluding private limited companies, foreign companies, high value debt listed entities and companies registered under Section 8 of the Act.
- Chairpersonship and memberships of Audit and Stakeholders' Relationship Committees have been considered. Also, the number of membership of Committees includes chairmanship.

Details of their directorships in listed entities other than the Company and their category of directorship as on 31st March, 2022, 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.	Non-Executive - Independent Director
	Pfizer Ltd.	Non-Executive - Independent Director - Chairperson
	Sonata Software Ltd.	Non-Executive - Independent Director - Chairperson
	Bajaj Auto Ltd.	Non-Executive - Independent Director
	Bajaj Holdings & Investment Ltd.	Non-Executive - Independent Director
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
	Tata Steel Ltd.	Non-Executive - Non Independent Director

As on 31st March, 2022, Mr. H. M. Bharuka, Mr. Anuj Jain, Mr. H. Nishibayashi, Ms. Sonia Singh, Mr. S. Takahara and Mr. T. Tomioka are not directors in any listed entity other than the Company.

The number of directorships and the positions held by Directors on Board Committees are in conformity with the limits laid down in the Act and SEBI Listing Regulations, as on 31st March, 2022.

(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	**Number of Equity Shares held as on 31st March, 2022 (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, 2022, 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 and 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, 2022. 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 and available with the Board, 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, 2022, are as follows:

Name	Age	Qualifications	Industry Experience	Expertise
Mr. P. P. Shah	69	B.Com., Chartered Accountant and Cost Accountant, MBA (Harvard Business School)	Finance, Investments, Projects and Consultancy	Business Strategy, Financial Analyst
Mr. H. M. Bharuka (retired on 31st March, 2022)	61	B.Com., Cost Accountant	Engineering, Paint	Business Strategy
Mr. N. N. Tata	65	Graduate of University of Sussex, International Executive Programme at INSEAD Business School	Marketing, Administration and Investments	Business Strategy
Mr. Anuj Jain	53	BSc, MMS	Paint	Sales, Marketing
Mr. H. Nishibayashi	58	Graduated from Osaka University of Foreign Studies, faculty of English studies	Paint	Sales, Marketing, International business
Ms. Sonia Singh	57	BA (Economics), MBA	Consumer goods and services	Brand Strategy, Sales and Marketing
Mr. S. Takahara	63	BS of Accounting (Kobe University of Commerce), US-CPA	High Technology, Pharmaceutical, Paint	Finance, Business Strategy
Mr. T. Tomioka	49	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 from the Company, before the expiry of his/her tenure.

3. Audit Committee

The terms of reference of the Audit Committee, in accordance with the SEBI Listing Regulations, are:

(i) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(ii) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;

(iii) approval of payment to statutory auditors for any other services rendered by the statutory auditors;

(iv) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

- (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
- (b) changes, if any, in accounting policies and practices and reasons for the same;
- (c) major accounting entries involving estimates based on the exercise of judgment by management;
- (d) significant adjustments made in the financial statements arising out of audit findings;
- (e) compliance with listing and other legal requirements relating to financial statements;
- (f) disclosure of any related party transactions;
- (g) modified opinion(s) in the draft audit report;

(v) reviewing, with the management, the quarterly financial statements before submission to the board for approval;

(vi) reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;

(vii) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

(viii) approval or any subsequent modification of transactions of the listed entity with related parties;

(ix) scrutiny of inter-corporate loans and investments;

(x) valuation of undertakings or assets of the listed entity, wherever it is necessary;

(xi) evaluation of internal financial controls and risk management systems;

(xii) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(xiii) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(xiv) discussion with internal auditors of any significant findings and follow up there on;

(xv) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

(xvi) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

(xvii) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

(xviii) to review the functioning of the whistle blower mechanism;

(xix) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

(xx) carrying out any other function as is mentioned in the terms of reference of the audit committee;

(xxi) reviewing the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/investments existing as on the date of coming into force of this provision;

(xxii) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

In addition to the above, the Audit Committee reviews information mandatorily required to be reviewed as per the SEBI Listing Regulations.

As at 31st March, 2022, 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 Auditors, 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 25th June, 2021 by Video Conferencing / Other Audio Visual Means.

During the year ended 31st March, 2022, 4 (four) meetings of the Audit Committee were held i.e. on 7th May, 2021, 30th July, 2021, 25th October, 2021 and 1st February, 2022.

Name of the Member	Number of Audit Committee Meetings attended during the year ended 31st March, 2022
Mr. P. P. Shah	3
Mr. N. N. Tata	4
Ms. Sonia Singh	4

After 31st March, 2022, an Audit Committee meeting was held on 10th May, 2022, whereat the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2022, 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, in accordance with the SEBI Listing Regulations, 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, 2022, 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. H. Nishibayashi has been appointed as a member of the Committee with effect from 1st April, 2022.

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 25th June, 2021 by Video Conferencing/ Other Audio Visual Means.

During the year ended 31st March, 2022, 4 (four) meetings of the Nomination and Remuneration Committee were held i.e. on 7th May, 2021, 25th October, 2021, 26th January, 2022 and 18th February, 2022.

Name of the Director	Number of Nomination and Remuneration Committee Meetings attended during the year ended 31st March, 2022
Mr. N. N. Tata	4
Mr. P. P. Shah	4
Ms. Sonia Singh	4

After 31st March, 2022, a Nomination and Remuneration Committee meeting was held on 10th May, 2022, 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. Stakeholders' Relationship Committee

The terms of reference of the Stakeholders' Relationship Committee, in accordance with the SEBI Listing Regulations, are:

(i) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.

(ii) Review of measures taken for effective exercise of voting rights by shareholders.

(iii) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.

(iv) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

As at 31st March, 2022, Ms. Sonia Singh, Mr. H. M. Bharuka and Mr. Anuj Jain were the members of the Stakeholders' Relationship Committee. Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date. Mr. P. P. Shah has been appointed as the member of the Committee with effect from 1st April, 2022.

Ms. Sonia Singh, Non-Executive and 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 25th June, 2021 by Video Conferencing / Other Audio Visual Means.

Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.

During the year ended 31st March, 2022, 1 (one) meeting of the Stakeholders' Relationship Committee was held on 22nd March, 2022, which was attended by all its members.

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	2	2	0
Miscellaneous	0	0	0
Total	**2**	**2**	**0**

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

6. Risk Management Committee

The terms of reference of the Risk Management Committee, in accordance with SEBI Listing Regulations, are:

(1) To formulate a detailed risk management policy which shall include:

I. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

II. Measures for risk mitigation including systems and processes for internal control of identified risks.

III. Business continuity plan.

(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

As at 31st March, 2022, Mr. H. M. Bharuka, Mr. Anuj Jain, Ms. Sonia Singh, Mr. P. D. Pai and Mr. Jason Gonsalves, were the members of the Risk Management Committee. Mr. P. D. Pai, Chief Risk Officer and Mr. Jason Gonsalves are non-board members of the Risk Management Committee.

Ms. Sonia Singh, Independent Director, has been appointed as a member of the Risk Management Committee with effect from 5th May, 2021 in accordance with the SEBI Listing Regulations. Mr. P. D. Pai was appointed as a Chief Risk Officer and member with effect from 5th May, 2021.

Mr. H. M. Bharuka retired as the Vice Chairman and Managing Director of the Company on completion of his term from close of business on 31st March, 2022 and resigned as a member of the Board of Directors of the Company from the same date. Mr. P. P. Shah, an Independent Director, has been appointed as the Chairman of the Risk Management Committee with effect from 1st April, 2022.

Mr. H. M. Bharuka, was the Chairman of the Risk Management Committee till 31st March, 2022 and he was present at the last Annual General Meeting of the Company held on 25th June, 2021 by Video Conferencing/Other Audio Visual Means.

During the year ended 31st March, 2022, 2 (two) meetings of the Risk Management Committee were held i.e. on 27th September, 2021 and 22nd March, 2022.

Name of the Director	**Number of Risk Management Committee Meetings attended during the year ended 31st March, 2022**
Ms. Sonia Singh	2
Mr. H. M. Bharuka	2
Mr. Anuj Jain	2
Mr. P. D. Pai	2
Mr. Jason Gonsalves	2

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

The Nomination and Remuneration Committee decides the remuneration of 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 of the Act 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 5 (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 Act.
- 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 2021-22, 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	509.86*	118.21
	b.	Value of Perquisites u/s 17(2) of Income-Tax Act, 1961	0.40	0.40
			510.26	118.61
2	Variable component (performance linked)			
	Commission		351.20	110.00
		Total	**861.46**	**228.61**

\# Excludes Company's Contribution to Provident Fund and Superannuation Fund. As the future liabilities for gratuity, leave encashment and Director pension along with medical benefits are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to individual is not ascertainable and therefore not included above.

* Remuneration to Mr. H. M. Bharuka excludes retirement benefits of ₹ 824.40 Lakhs towards Gratuity, Leave Encashment and Ex-gratia.

B. *Remuneration to Non-Executive Directors*

The Non-Executive Independent Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 197 of the Act. The commission payable to Non-Executive Independent 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 Independent Directors are also paid sitting fees for attending the meetings of the Board or Committee thereof within the limits prescribed under the Act.

Apart from the commission and sitting fees paid by the Company, the Non-Executive Independent Directors, in their individual capacity, did not have any pecuniary relationship or transactions with the Company during the financial year 2021-22.

The details of payments made to Non-Executive Independent Directors during the year ended 31st March, 2022 are as under:

(₹ in Lakhs)

Name of the Director	Sitting Fees							Commission$	Total
	Board Meeting	AC% Meeting	NRC* Meeting	CSRC# Meeting	ID^ Meeting	SRC@ Meeting	RMC& Meeting		
Mr. P. P. Shah	1.25	0.75	1.00	–	0.50	–	–	40.00	43.50
Mr. N. N. Tata	1.25	1.00	1.00	0.25	0.50	–	–	35.00	39.00
Ms. Sonia Singh	1.25	1.00	1.00	–	0.50	0.25	0.50	30.00	34.50

% AC: Audit Committee.

* NRC: Nomination and Remuneration Committee.

CSRC: Corporate Social Responsibility Committee.

^ ID: Independent Director.

@ SRC: Stakeholders' Relationship Committee.

& RMC: Risk Management Committee.

$ Commission paid during the year 2021-22 was for the year ended 31st March, 2021.

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.

8. Independent Directors:

The Independent Directors of the Company have been appointed in accordance with the provisions of Section 149 of the Act and applicable provisions of the SEBI Listing Regulations.

Pursuant to Schedule IV of the Act, every Independent Director has been issued a letter of appointment containing the terms and conditions of his/her appointment. The terms and conditions of appointment have been posted on the website of the Company at 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 Act and Regulation 25 of SEBI Listing Regulations, 2 (two) separate meetings of the Independent Directors were held during the year i.e. on 7th May, 2021 and 25th October, 2021, 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.

Name of the Director	Number of meetings of the Independent Directors attended during the year ended 31st March, 2022
Mr. P. P. Shah	2
Mr. N. N. Tata	2
Ms. Sonia Singh	2

After 31st March, 2022, a meeting of the Independent Directors was held on 10th May, 2022 and the Internal Auditors and the Statutory Auditors of the Company were also invited for discussion at this meeting.

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 considered:

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.

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
101st AGM	25th June, 2021 at 11.00 a.m.	By Video Conferencing/Other Audio Visual Means
100th AGM	22nd June, 2020 at 12:00 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

(b) No Special Resolution was passed at the 99th and 101st 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, 2022, 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.

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/investor-presentations.html.

11. General Shareholder Information

(a) Date, Time and Venue of the AGM : The ensuing AGM of the Company will be held on Thursday, 23rd June, 2022 at 11 a.m. through Video Conferencing/Other Audio Visual Means.

(b)

Financial Year	:	April - March
Financial reporting for the quarter ending 30th June, 2022	:	July - August, 2022
Financial reporting for the quarter ending 30th September, 2022	:	October - November, 2022
Financial reporting for the quarter ending 31st December, 2022	:	January - February, 2023
Financial reporting for the year ending 31st March, 2023	:	April - May, 2023
Annual General Meeting for the year ending 31st March, 2023	:	End June, 2023

(c) Dates of Book Closure: Friday, 10th June, 2022 to Thursday, 23rd June, 2022 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

Dividend Payment Date: Dividend, when declared, will be payable on or after Tuesday, 28th June, 2022 to those members whose names are registered as such in the Register of Members of the Company as on Thursday, 9th June, 2022 and to the Beneficiary holders as per the beneficiary list as on Thursday, 9th June, 2022 provided by National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL").

(d) Name and address of Stock Exchanges on which Equity Shares of the Company are listed:

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 2022-23 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:

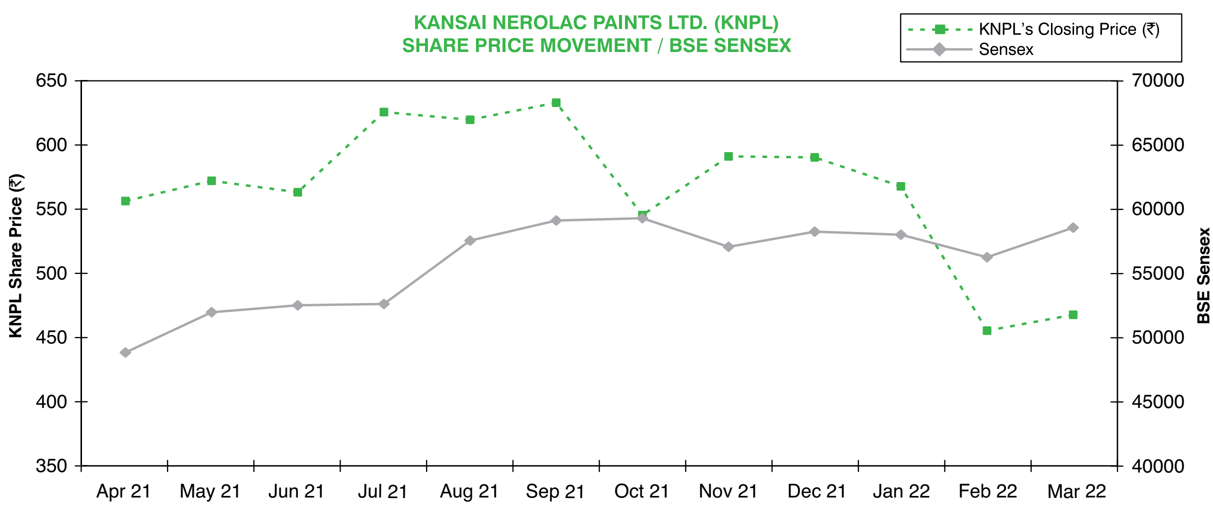
High / Low of market price of the Company's shares traded on the Stock Exchanges during the year ended 31st March, 2022 is furnished below:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2021	604.70	532.00	603.00	531.50
May 2021	599.75	548.70	600.00	547.95
June 2021	604.30	550.10	604.00	546.60
July 2021	649.00	562.75	649.95	561.95
August 2021	649.45	611.25	649.40	611.25
September 2021	639.75	600.95	640.50	600.75
October 2021	674.15	521.75	675.00	523.00
November 2021	629.65	544.95	629.90	545.05
December 2021	604.70	561.85	604.80	561.70
January 2022	628.25	559.00	628.45	558.70
February 2022	573.65	440.60	577.00	440.00
March 2022	483.00	422.05	483.50	421.70

(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 S&P BSE Sensex, was as below:

Month	Company's Closing Price on BSE (₹)	BSE Sensex
April 2021	556.35	48,782.36
May 2021	572.20	51,937.44
June 2021	563.25	52,482.71
July 2021	626.10	52,586.84
August 2021	620.05	57,552.39
September 2021	633.45	59,126.36
October 2021	545.30	59,306.93
November 2021	591.35	57,064.87
December 2021	590.55	58,253.82
January 2022	567.85	58,014.17
February 2022	454.75	56,247.28
March 2022	467.20	58,568.51



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

(i) Registrar and Share Transfer Agents:

TSR Consultants Private Limited
(Formerly known as TSR Darashaw Consultants Private 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 2nd December, 2020 read with Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated 7th September, 2020 had fixed 31st March, 2021 as the cut-off date for re-lodgement of physical shares for transfer and the share 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, 2022:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	72,839	92.79	42,00,591	0.78
501 to 1000	1,835	2.34	14,60,021	0.27
1001 to 2000	1,176	1.50	18,22,951	0.34
2001 to 3000	454	0.58	11,63,689	0.22
3001 to 4000	379	0.48	13,34,282	0.25
4001 to 5000	248	0.32	11,68,424	0.22
5001 to 10000	623	0.79	47,37,380	0.88
10001 to 20000	433	0.55	62,10,534	1.15
20001 and above	510	0.65	51,68,21,848	95.90
Grand Total	**78,497**	**100.00**	**53,89,19,720**	**100.00**

Geographical Distribution of Shareholders as on 31st March, 2022

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.	2,504	3.19	2,07,43,344	3.85
IN INDIA				
Mumbai	15,400	19.62	91,812,113	17.04
New Delhi	4,270	5.44	44,04,993	0.82
Ahmedabad	2,214	2.82	15,29,124	0.28
Bangalore	3,578	4.56	18,07,361	0.34
Pune	3,840	4.89	19,21,812	0.36
Kolkata	1,953	2.49	29,18,959	0.54
Chennai	2,287	2.91	6,64,032	0.12
Hyderabad	1,906	2.43	7,66,402	0.14
Surat	800	1.02	3,77,158	0.07
Vadodara	856	1.09	3,57,324	0.07
Jaipur	750	0.96	4,36,018	0.08
Others	38,138	48.59	70,45,182	1.31
TOTAL	**78,497**	**100.00**	**53,89,19,720**	**100.00**

Categories of Shareholders as on 31st March, 2022

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	3,55,98,641	6.61
b.	Banks, Financial Institutions, Insurance Companies, Alternate Investment Funds (Central/ State Govt. Institutions/ Non-Government Institutions)	3,55,31,842	6.59
c.	Foreign Portfolio Investors	1,91,29,119	3.55
	Sub-Total (i)	**9,02,59,602**	**16.75**
4.	Others		
	Private Corporate Bodies	28,83,047	0.53
	Indian Public	3,92,68,930	7.29
	NBFCs	5,400	0.00
	NRIs/OCBs	16,14,225	0.30
	Any Other (Trusts)	1,83,300	0.03
	Unclaimed Suspense Account	98,110	0.02
	IEPF	4,71,208	0.09
	Sub-Total (ii)	**4,45,24,220**	**8.26**
	Sub-Total (B) = (i) + (ii)	**13,47,83,822**	**25.01**
	Grand Total = (A) + (B)	**53,89,19,720**	**100.00**

(l) Dematerialisation of Shareholding and Liquidity: As at 31st March, 2022, 99.58% of the paid-up share capital of the Company had been dematerialised. Particulars of trading on the Company's shares for the financial year 2021-22:

Stock Exchange	No. of Trades	No. of Shares
BSE	2,90,673	58,09,645
NSE	24,08,988	7,35,09,436

(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 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

Commodity risk is an integral spectrum of the risk framework of the Company and impacts its financial performance upon fluctuations in the prices of the commodities that are out of control of the Company and are primarily driven by external market forces, government policies and international market changes. The Company does not undertake any commodity hedging activities on any exchange but procures raw materials which are derivatives of various commodities. The Company has a robust framework and governance mechanism in place that ensures Company's interests are protected despite volatility in prices and availability.

Foreign Exchange Risk

The Company manages its foreign exchange risks by hedging its net exposure with the use of appropriate hedging instruments based on its foreign exchange risk management policy. The Company does not enter into any derivative instruments for trading or speculative purposes. The details of foreign exchange exposures are disclosed in Notes to the Financial Statements.

(o) Plant Locations:

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

1. Lote Parshuram, Ratnagiri, Maharashtra
2. Jainpur, Kanpur Dehat, Uttar Pradesh
3. Bawal, Haryana
4. Hosur, Tamil Nadu
5. Sayakha, Gujarat
6. Goindwal Sahib, Punjab
7. Kakoda, Goa (Manufacturing unit of merged subsidiary, Marpol Private Limited)
8. Sarigam, Gujarat (Manufacturing unit of merged subsidiary, Perma Construction Aids Private Limited)

(p) Address for correspondence:

TSR Consultants Private Limited
(Formerly known as TSR Darashaw Consultants Private 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 ID: 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 24934001

E-mail ID for Investor Grievances: The Company has created an e-mail ID for redressal of Investor Complaints i.e. 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 Act 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 Act. 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. 37 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://www.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://www.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, have been provided with a separate office at the Head Office and 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:

The Company has complied with all the mandatory requirements of the SEBI Listing Regulations relating to Corporate Governance.

There is no non-compliance of any requirement of the Report on Corporate Governance 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 Report on Corporate Governance. Necessary details as required in terms of clauses (b) to (i) and (t) 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 Report on Corporate Governance.

(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://www.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 Report on Corporate Governance.

(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, 2022, 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 2021-22:

There was no instance during the financial year 2021-22, 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, Chartered Accountants (Statutory Auditors 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, 2022, 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)	0.85
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	**0.85**

(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 2021-22: Nil

b. Number of complaints disposed of during the financial year 2021-22: Nil

c. Number of complaints pending as on end of the financial year 2021-22: Nil

(l) Disclosure by listed entity and its subsidiaries of loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount:

There are no loans and advances in the nature of loans to firms/companies in which directors are interested as on 31st March, 2022.

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 10th May, 2022, to approve the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2022.

14. Compliance certificate obtained from S R B C & CO LLP, Chartered Accountants, 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, 2014 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 IEPF 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 Act 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 IEPF 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 2013-14 transferred to the IEPF, the shares transferred to IEPF and the shares due to be transferred to IEPF.

16. 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, 2021	34	1,22,810 Equity Shares of ₹ 1 each
b)	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year	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	7	24,700 Equity Shares of ₹ 1 each
e)	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2022	27	98,110 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, 10th May, 2022

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, 2022.

For Kansai Nerolac Paints Limited

Anuj Jain
Managing Director

Mumbai, 10th May, 2022

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, 2022 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, 2022 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, 2021 to March 31, 2022:

        (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 process of submitting the secretarial compliance report to stock exchange and the due date for submission of the same is May 30, 2022.

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, 2022, 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: 22110759AISCTJ5978

Place of Signature: Mumbai
Date: May 10, 2022

Business Responsibility Report

In terms of Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, Business Responsibility Report (BRR) in the Annual Report is mandatory for the top 1000 listed companies, based on market capitalisation as on 31st March of every year. The BRR 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, Maharashtra

4. **Website:** www.nerolac.com

5. **Email ID:** investor@nerolac.com

6. **Financial year reported:** 1st April, 2021 to 31st March, 2022

7. **Sector(s) that the Company is engaged in (industrial activity code wise):**

NIC Code of the product	Description
20221	Manufacture of paints and varnishes, enamels or lacquers

8. **Key product that the Company manufactures/ provides (as in balance sheet):** Paints

9. **Total number of locations where business activity is undertaken by the Company:**

   (a) Number of International Locations: 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 in Bangladesh. The Company has one domestic subsidiary, Nerofix Pvt. Ltd.

   (b) Number of National Locations:

   – Manufacturing Facilities: 8 including facilities of the merged entities, Marpol Private Limited and Perma Construction Aids Private Limited.

   – R&D Centre: 1 main R&D centre and 5 local R&D centres (at plant locations)

   – Depot/Sales Locations: 99 (At start of year was 99, Closed & Added during the year: NIL)

   – Distribution Centres: 7 (At start of year was 3, Closed & Added during the year: 1 & 5)

   – 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 Turnover: ₹ 5,948.90 Crores

3. Total Profit after Taxes: ₹ 374.33 Crores

4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%): 3.75%

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

The Company, Kansai Nerolac Paints Limited (KNPL), has 4 subsidiaries (1 Domestic and 3 International). Perma Construction Aids Private Limited and Marpol Private Limited, wholly owned subsidiaries were merged with KNPL during the year. 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 up to 31st March, 2022

Mr. Anuj Jain, Managing Director from 1st April, 2022 has taken over the responsibility of implementation of BR Policy.

(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):

<table>
<tr><th></th><th>Questions</th><th>P1</th><th>P2</th><th>P3</th><th>P4</th><th>P5</th><th>P6</th><th>P7</th><th>P8</th><th>P9</th></tr>
<tr><td>1</td><td>Do you have a policy / policies for...</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td>2</td><td>Has the policy been formulated in consultation with the relevant stakeholders?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">Does the policy conform to any national / international standards? If yes, specify? (50 words)</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td colspan="9">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 the applicable regulatory requirements.</td></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td colspan="9">Policies are prepared and discussed with management committee and approved.</td></tr>
<tr><td>5</td><td>Does the Company have a specific committee of the Board/Director/Official to oversee the implementation of the policy?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td>6</td><td>Indicate the link for the policy to be viewed online</td><td colspan="9">Links for the policies are mentioned in the table below</td></tr>
<tr><td>7</td><td>Has the policy been formally communicated to all relevant internal and external stakeholders?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td>8</td><td>Does the Company have in-house structure to implement the policy / policies?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td>9</td><td>Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
<tr><td>10</td><td>Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td><td>Y</td></tr>
</table>

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
		e) Statutory Compliance 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) Appropriate Social Conduct at Workplace Policy (Including POSH)	Available in Employee Workline Portal
		e) Medi-claim Policy	Available in Employee Workline Portal
		f) Maternity Policy	Available in 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) Corporate Social Responsibility Policy	https://www.nerolac.com/financial/policies.html
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) Appropriate Social Conduct at Workplace Policy (Including POSH)	Available in Employee Workline Portal

Principle		Applicable Policies		Policy link
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 on Advocacy of Public & Regulatory Policy	https://www.nerolac.com/financial/policies.html
Principle 8	Businesses should support inclusive growth and equitable development	a)	Corporate Social Responsibility 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	Available in Employee Workline Portal

(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 the Annual Report of the Company.

The Company has been publishing the Sustainability Report since 2012, in FY 2018-19, the Sustainability Report formed a part of the Annual Report of the Company. From FY 2019-20, the Company started publishing Annual Report in the Integrated Report format. The Annual Report is available on the website of the Company at www.nerolac.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: ETHICS, TRANSPARENCY AND ACCOUNTABILITY

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?

The KNPL Corporate Governance philosophy, which encompasses Directors, Senior Management, and all employees, is guided by a Board-approved policy. Conflicts of interest, corporate opportunities, confidentiality, related-party transactions, insider trading, compliance with laws, rules, and regulations, asset protection and proper usage, fair dealing, and ethical business practises are all addressed. It encourages people to report anything that are illegal or unethical, among other things. The provisions are available on the Company's website.

KNPL has a Code of Conduct (CoC), extended to group companies and covers acts such as deception, bribery, forgery, extortion, corruption. It also mentions that no employee is allowed to accept any form of illegal gratification.

KNPL also has a Whistle Blower Policy which allows employees to bring to the attention of the Management, promptly and directly, any unethical behaviour, suspected fraud or irregularity in the Company practices which is not in line with the Company's CoC. If it is proved that any employee has accepted any illegal gratification, that employee is liable for termination from employment.

Fraud detection is a part of the Audit Committee and the Risk Management Committee. Whistle-Blower complaints are reviewed by the Audit Committee of the Board.

Web-link - https://www.nerolac.com/corporate-sustainability/downloads.php

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. Also, 100% of the employees were covered for awareness programmes on 9 Principles during the reporting period. Compliance training workshop covering policies on Code of Conduct, Code of Conduct for Affirmative Action, Whistle Blower, Appropriate Social Conduct at Workplace, Health-related Ailment Policy was undertaken for all employees in the organisation. The employees were briefed about key aspects of these policies and query related to the policies were addressed. Also, grievance and complaint redressal mechanism was emphasised upon.

Compliance training workshop covering policies on Code of Conduct, Code of Conduct for Affirmative Action, Whistle Blower, Appropriate Social Conduct at Workplace, Health related Ailment Policy was undertaken for all employees in the organisation.

During FY 2021-22, KNPL received 2 shareholder complaints and 4 whistle-blower complaints. All shareholder and whistle-blower complaints have been resolved and none is under investigation.

For the year in consideration, no cases of corruption and conflicts of interest were reported in FY 2021-22, thus no corrective action is taken or underway on issues related to fines/penalties/action taken by regulators/law enforcement agencies/judicial institutions. No staff or employee has been dismissed / disciplined for corruption-related activity.

Principle 2: PRODUCTS LIFECYCLE SUSTAINABILITY

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.

Consumers increasingly prefer responsible brands and businesses. KNPL incorporated responsibility and sustainability into their goal as well as their products and commits to incorporate sustainability principles into various stages of its product life cycle, including:

a) **Product design:** To adhere to relevant sustainability requirements, necessary care is taken as part of the new-product design process at the design stage itself. Our decorative products are designed to be heavy-metal free and low VOC. Our Automotive paints are designed as heavy metal free and less resource use at customer end application. The Company will continue to conduct research and introduce environmentally friendly products and resource efficient solutions for its customers.

b) **Sourcing of raw materials:** KNPL has green procurement guidelines which factors social, ethical and environmental aspects before on-boarding of new suppliers and review of existing suppliers. The Company is focussed on identifying and implementing material processed through the bio-route.

c) **Manufacturing of product:** KNPL has focussed on introducing or expanding technology products that enable waste reduction, VOC reduction, efficient resource use, energy savings, and process time reduction in manufacturing of products.

d) **Disposal by consumers:** On the product packaging, KNPL provides information such as environmental and social parameters relevant to the product, as well as guidelines for its safe and responsible use. It also mentions the product's safe disposal after it has been used.

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 93.8%, Performance Coating 94.6%).

Some of the Offerings in FY 2021-22

High performance Solid Monocoat for CV segment.

KNPL developed product with High Durability and Chemical Resistance. This has resulted in better aesthetic performance of the vehicles for longer periods. Further it has reduced carbon footprint by lower energy consumption.

Neropoxy Solvent Free Coating" for Water Pipeline Internal Coating.

Product developed to meet the social needs of transporting clean water in pipelines. The product suitability for use on coming in contact with water on the basis of impact on water quality, such that the water could be utilised for household purposes.

Coating for Rotamould Nylon Petrol Tank.

Product is developed as an Adhesion promoter primer with High Crosslink polymeric resin system in 2K quality with better adhesion, Low VOC system, low energy usage and excellent surface filling property.

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 reduce its carbon-footprint through reduction in energy usage and through use of energy from renewable source. KNPL has also reduced its water usage per unit of paint production. 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:

High performance Solid Monocoat for CV segment.

The solid monocoat technology eliminated basecoat manufacturing and reduced material consumption. Further, Innovation in Solid monocoat technology, is reduced curing temperature by 20° C. This has reduced carbon footprint.

Neropoxy Solvent Free Coating" for Water Pipeline Internal Coating.

This is a low VOC product and gives thickness of 400 microns in one coat, thereby reducing material consumption.

Coating for Rotamould Nylon Petrol tank.

It is low VOC system with lower baking temperature (80°/30 mins), thereby reducing energy consumption.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

It has been our endeavour to develop products with lesser environmental footprint and efficient resource used at the time of application at customer end. Various technologies that we have introduced like 3 coat 1 Bake, Medium High solids, Monocoats have helped reduce the resource use at consumer's end through use of less energy and less material usage.

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.

The Company has a well laid out policy on Supplier Code of Conduct. The policy focusses on environment protection, human rights, anti-corruption and fair trade practices. It is our endeavour that our suppliers adhere to the procurement guidelines laid out in the policy.

The Company has a well laid out policy on Supplier Code of Conduct. The policy focusses on environment protection, human rights, anti-corruption and fair trade practices.

>65%

sourcing is done from manufacturers who have a formal sustainability programme.

More than 65% sourcing is done from manufacturers who have a formal sustainability programme. The Company is also focussed on identifying and implementing material processed through the renewable source.

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?

KNPL actively encourages and works with local and small producers to improve their capability and capacity through quality programmes, suggestions, feedback on price competitiveness, vendor ratings, and audits at supplier factories by purchase, as well as interaction with senior management.

KNPL has collaborated with suppliers to establish units near its production sites and has worked with a group of suppliers to increase 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.

Most packing material used is sourced from local and/or small suppliers within a 10-kilometre radius of production sites.

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 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 recycled efficiently. KNPL's plants have zero liquid discharge and the same is included in the plant design for all new project expansions. Solvent Recovery Unit (SRU) is installed at plants to distil solvents. SRU removes sludge in the used solvent, thus making it reusable. TiO_2 Dust and Powder flakes are also recovered during the process to reduce the wastage.

Across all plants, a standard recycling process is followed, and the technical team advises recycling of products based on their chemical composition. A tracking mechanism is in place to track the recycling of products on a batch-by-batch basis.

Percentage of recycling of products: **>10%**

Percentage of waste recycled: **>10%**

Principle 3: EMPLOYEES' WELLBEING

Businesses should promote the wellbeing of all employees

S. No.	Particulars		Details	
1.	Please indicate the total number of employees		3,105	
2.	Please indicate the total number of employees hired on temporary/contractual/casual basis		4,643	
3.	Please indicate the number of permanent women employees		70 (2.3%)	
4.	Please indicate the number of permanent employees with disabilities		KNPL have set a target of representation of disabled workforce up to 0.25% of White Collar manpower by March'24.	
5.	Do you have an employee association that is recognised by 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	
6.	What percentages of your permanent employees are members of this recognised employee association?		22.2% of the strength of permanent employees are unionised	
7.	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.		No complaints relating to child labour, forced labour, involuntary labour and sexual harassment are filed and pending as of end of the reporting period FY 2021-22	
8.	What percentage of your under-mentioned employees were given following training in the last year?		Safety Trainings	Skill-Upgrade Trainings
	(a)	Permanent Employees	100%	94%
	(b)	Permanent Women Employees	47%	79%
	(c)	Casual/Temporary/Contractual Employees	100%	90%
	(d)	Employees with Disabilities	NA	NA

KNPL views employees as a key stakeholder. Their wellbeing is a core component of KNPL's philosophy and this is reflected in the approach toward health and safety of employees at the workplace.

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.

No complaints relating to child labour, forced labour, involuntary labour and sexual harassment are filed and pending as of end of the reporting period FY 2021-22

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 medi-claim 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 have been given in Human Capital and Management Discussion and Analysis (People section)

Principle 4: STAKEHOLDER ENGAGEMENT

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 fosters working partnerships, builds trust through productive relationships, and views internal and external stakeholders as integral to its business as effective stakeholder engagement process is necessary to achieve its sustainable goal of inclusive growth.

Internal Stakeholders:

- Business Partner (Kansai Paint Co., Ltd., Japan)
- Shareholders and Investors
- Employees

External Stakeholders:

- Customers
- Suppliers
- Community

The Company's business operations have evolved as a result of regular and extensive stakeholder engagement over many years, balancing business priorities and responsibility towards economic, environmental, and social sustainability.

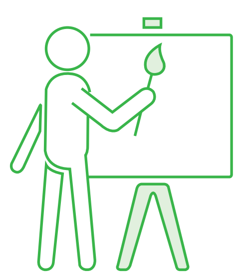
Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

Yes, KNPL 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.

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.

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 borewells and providing pipelines for water are some of the activities that the Company engages in.

The Company conducts training programmes for people engaged in the painting profession to enhance their skills and capabilities. More than 61,000 painters were imparted advanced training in paint application through classroom sessions or by using a Mobile Training Academy (mini-van)



More than 61,000

painters were imparted advanced training in paint application through classroom sessions or by using a Mobile Training Academy

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

Details of the initiatives are listed in CSR section of Annual Report as well as Social and Relationship Capital under Capital section.

Principle 5: HUMAN RIGHTS

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's commitment to human rights, such as no forced labour, no child labour, compliance with minimum wages, no discrimination, gender equality, prevention of sexual or any other form of harassment, occupational safety, employee health and well-being, is covered under Company's Code of Conduct Policy, Policy on Code of Conduct on Affirmative Action, Policy on Health Related Ailments, Appropriate Social Conduct at Workplace Policy (including POSH) and OHS&E Policy. These policies are applicable for the organisation as well as its subsidiaries and group companies. Elements of the human rights have also been included in our policy on Supplier Code of Conduct.

We have an Internal Complaints Committee (IC) consisting of 6 members from different functions including external member. The prime objective of the IC is to ensure effective intervention and timely handling of the matters falling under the Company's Appropriate Social Conduct at Workplace Policy (including POSH). We have aligned our Company Policies in line with UNGC Principle which had been published in last year's Annual Report FY 2020-21.

During the FY 2021-22, the Company did not receive any complaints with regard to human rights.

How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During FY 2021-22, the Company did not receive any complaints with regard to human rights.

Principle 6: ENVIRONMENT

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

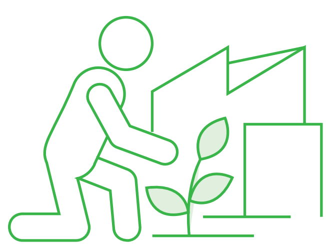
Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/ NGOs/others?

KNPL has a well-defined Occupational, Health & Safety and Environmental Policy (OHS&E) in line with ISO 45001 standards and attaches high priority to this policy. The management ensures that declared policy is extended and made available to all employees and & its subsidiaries / associate companies.

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.

KNPL is a responsible organisation and has taken a number of steps over the years to reduce its carbon footprint. It has increased its renewable energy contribution year-on-year. It has developed products which are sustainable and use less energy. The company has established a framework for climate change management. It is working with experts to address risks due to climate change and also adopt science-based target to address global warming.

In FY 2021-22, we planted 13,324 trees, of which 6,564 were planted within factory premises while 6,760 were planted outside factory premises.



In FY 2021-22, we planted
13,324 trees
of which 6,564 were planted within factory premises while 6,760 were planted outside factory premises.

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/environmentalperformance.html

Does the Company identify and assess potential environmental risks?

Yes, KNPL has a formal mechanism to identify and assess potential environmental risks. KNPL has taken multiple initiatives to mitigate those risks. Risk management frameworks and mitigation plans were created by assessing potential risks related to water security, climate change, and other environmental risks that could impact the business scenario.

Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

Currently no project is registered under Clean Development Mechanism, However, every year the Company is undertaking various initiatives to reduce Green House Gas (GHG) emissions.

Yes, the Company files environment compliance reports as per Pollution Control Board requirements.

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.

The Company continued to undertake initiatives on energy conservation and optimal energy utilisation in all areas of operations. The Company has increased its contribution for power from renewable source such as solar and wind power. Also, several initiatives are taken to reduce energy consumption per unit of paint produced. Details of this is available in Natural Capital section under capitals.

The Company has established a framework for climate change management. It is working with experts to address risks due to climate change and also adopt science-based target to address global warming.

The Company's R&D team has developed several technologies which are environment-friendly and energy-efficient, for example, Low VOC, High solids, Heavy metal free, 3C1B (3 coat 1 bake). More details are available in Intellectual Capital under capitals and under R&D Section of the Management and Discussion Analysis in the Board's Report.

Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

KNPL's emissions/waste are within the CPCB/permissible SPCB's limits for fiscal years 2021-22.

These are continuously monitored by online monitoring systems installed at all of KNPL's manufacturing sites. We are also complying with the National Ambient Air Quality Standards (NAAQS), 2009, to ensure ambient air-quality parameters.

Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

During the reporting period, the Company did not receive any show cause/ legal notices from CPCB/SPCB, which are pending as on end of FY 2021-22.

Principle 7: POLICY ADVOCACY

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:

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Indian Paint Association	National
2	NHRD - Human Resources Development	National
3	Bombay Management Association	National
4	Indian Chemical Council	National
5	Bombay Chamber of Commerce & Industry	National

S. No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
6	Maharashtra Economic Development Council	State
7	National Safety Council	National
8	Confederation of Indian Industry	National
9	The Colour Society	National
10	Advertising Standards Council of India	National
11	The Institute of Cost Accountants of India	National

Have you advocated/lobbied through 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):

Yes. The Company collaborates with regulatory authorities and relevant public bodies to develop public policies that are consistent with the Company's business and societal work, as well as its sustainability and compliance commitments. KNPL also has a defined policy on public advocacy.

Principle 8: INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

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 programmes in place to promote inclusive growth and equitable development. KNPL, guided by its Corporate Social Responsibility Policy, participates in a variety of activities that promote inclusive growth and development for all. The broad areas of work include livelihood and skill development, preventive health care and sanitation, education promotion, and rural and community development.

Details are covered in the Social Capital section under Capitals & Annexure 1 to the Board's Report pertaining to CSR.

More than 8%

of employees were involved in charitable work in this year

Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?

Projects are carried out by in-house expert teams and in collaboration with like-minded expert partner organisations that share our Company's goal of achieving inclusive growth. CSR activities will be carried out either by the Company itself or through a Trust/Section 8 company (under the Companies Act, 2013) that the Company will establish.

CSR activities will be carried out by the Company's management. KNPL takes a variety of steps to engage employees in CSR and charitable work. More than 8% of employees were involved in charitable work in this year.

Have you done any impact assessment of your initiative?

More than 95,000 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, rejuvenating water bodies, etc.

The Company has also carried out impact assessment in terms of Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, through an independent agency for three projects, each having outlay of ₹ 1 Crore or more and that have completed not less than one year before undertaking the impact study.

₹14.06 Crores

was spent towards various CSR projects during FY 2021-22

What is your Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?

An amount of ₹ 14.06 Crores was spent towards various CSR projects during FY 2021-22.

Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

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.

Principle 9: CUSTOMER VALUE

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 on the end of financial year?

All product complaints from customers are recognised and recorded in the IT system. Each complaint is assigned a distinct reference number. They are then tracked to completion at the customer end by the Quality Assurance function in accordance with internally established 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 established a dedicated consumer helpline, 1800-209-2092, where customers can record their concerns. Consumer-related issues are also tracked until they are resolved successfully. Furthermore, dealers can contact KNPL and file any complaints they may have about the company. These are then tracked until they are successfully resolved.

There are 10 consumer-related cases and 11 (1.6%) 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)

Yes, the products of KNPL display all information as mandated by law. Additionally, KNPL discloses information such as directions for use, environmental parameter relevant to product and instructions on safe disposal also provided on the product packaging to inform and educate consumers about safe and responsible usage of products or services.

Product information is also 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. It includes product description and information on product performance features & benefits, its application and usage and precautions for safe usage along with technical data.

Few of this information such as description, performance features & benefits, application & safe usage instructions are also provided on the product packaging to inform and educate consumers about safe and responsible usage of products or services.

All the required information on our products and services is available & can be accessed at our website https://www.nerolac.com/

The information is updated timely on the platform. Apart from this, various digital product posts are also offered on our social media handles such as Facebook, YouTube, Instagram, Twitter and LinkedIn for customer engagement.

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 2021-22.

KNPL regularly engages with customers to get their feedback on products and gauge their satisfaction level.

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. Detailed customer surveys are carried out and based on the feedback received; KNPL undertakes and tracks various initiatives to ensure that the overall satisfaction level of a customer is improved.

For and on behalf of the Board

Anuj Jain
Managing Director

Mumbai, 10th May, 2022

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 2022, 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, 2022, 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, 2022. 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 27 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.	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;

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 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.

Independent Auditor's Report (Continued)

Key audit matters	How our audit addressed the key audit matter
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 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.

Independent Auditor's Report (Continued)

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, 2022 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("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;

Independent Auditor's Report (Continued)

(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, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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, 2022 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 35 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

iv. a) The management has represented that, to the best of its knowledge and belief and as disclosed in the note 48 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The management has represented that, to the best of its knowledge and belief and as disclosed in the note 48 to the standalone financial statements, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. The final dividend paid by the Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

The interim dividend declared and paid by the Company during the year and until the date of this audit report is in accordance with section 123 of the Act.

As stated in note 16 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 22110759AISCNF7123

Place of Signature: Mumbai
Date: May 10, 2022

Annexure 1 Independent Auditor's Report

Annexure '1' referred to in paragraph under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Kansai Nerolac Paints Limited ("the Company")

In terms of the information and explanations sought by us and given by the company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company has maintained proper records showing full particulars of intangibles assets.

(b) All Property, Plant and Equipment have not been physically verified during the year by the management, 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) The title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in note 2 to the financial statements included in property, plant and equipment are held in the name of the Company. Certain title deeds of the immovable Properties, in the nature of leasehold land disclosed in note 2B to the financial statements included in Right of use assets (ROU), as indicated in the below mentioned cases which were acquired pursuant to a Scheme of Amalgamation approved by National Company Law Tribunal (NCLT), are not individually held in the name of the Company.

Description of Property	Gross carrying value (₹ in Crores)	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in the name of Company
Leasehold land at Goa	0.30	Marpol Private Limited	No	Less than 1 year	These properties were acquired pursuant to a scheme of amalgamation and continue to be registered in the name of amalgamating Companies.
Leasehold land at Vapi	0.12	Perma Construction Aids Private Limited	No	Less than 1 year	

(d) The Company has not revalued its Property, Plant and Equipment (including Right of use assets) or intangible assets during the year ended March 31, 2022.

(e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

(ii) (a) The inventory has been physically verified by the management during the year except for inventories lying with third parties and discrepancies of 10% or more in aggregate for each class of inventory were not noticed in respect of such physical verification. In our opinion, the frequency of verification by the management is reasonable and the coverage and procedure for such verification is appropriate. Inventories lying with third parties have been confirmed by them as at March 31, 2022 and discrepancies of 10% or more in aggregate for each class of inventory were not noticed in respect of such confirmations.

(b) The Company has not been sanctioned working capital limits in excess of ₹ five crores in aggregate from banks or financial institutions during any point of time of the year on the basis of security of current assets. Accordingly, the requirement to report on clause 3(ii)(b) of the Order is not applicable to the Company.

(iii) (a) During the year the Company has not provided loans, advances in the nature of loans, stood guarantee or provided security to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(a) of the Order is not applicable to the Company.

(b) During the year the Company has not made investment, provided guarantees, provided security and granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(b) of the Order is not applicable to the Company.

(c) The Company has not granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(c) of the Order is not applicable to the Company.

(d) The Company has not granted loans or advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(d) of the Order is not applicable to the Company.

Annexure 1 Independent Auditor's Report (Continued)

(e) There were no loans or advance in the nature of loan granted to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(e) of the Order is not applicable to the Company.

(f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.

(iv) There are no loans, investments, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable. Guarantees in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 are applicable have been complied with by the Company.

(v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.

(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 Companies Act, 2013, related to the 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 goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) The dues of goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess, and other statutory dues which have not been 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	5.56	1980-81, 1991-92, 2007-08 to 2011-12, 2014-15 and 2017-18	Assistant Commissioner
		45.62	1991-92, 1995-96, 2001-02, 2004-05 to 2006-07, 2009-10 to 2017-18	Deputy Commissioner
		1.50	1996-97, 2004-05, 2008-09, 2009-10, 2011-12	Additional Commissioner
		21.16	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	9.54	2009-10, 2012-13 to 2016-17	CESTAT
		0.38	2016-17 and 2017-18	Commissioner (Appeals)
Goods and Services Tax Act	Tax, Penalty and Interest	0.02	2017-18	Superintendent

* Net off amount paid under protest

(viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.

Annexure 1 Independent Auditor's Report (Continued)

(ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.

(b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

(c) The Company did not have any term loans outstanding during the year hence, the requirement to report on clause (ix)(c) of the Order is not applicable to the Company.

(d) The Company did not raise any funds during the year hence, the requirement to report on clause (ix)(d) of the Order is not applicable to the Company.

(e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

(f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company.

(x) (a) The Company has not raised any money during the year by way of initial public offer/further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.

(b) The Company has not made any preferential allotment or private placement of shares/fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.

(xi) (a) No fraud by the Company or no material fraud on the Company has been noticed or reported during the year.

(b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of audit procedures.

(xii) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a), (b) and (c) of the Order is not applicable to the Company.

(xiii) Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.

(b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.

(xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.

(xvi) (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of the Order is not applicable to the Company.

(b) The Company is not engaged in any Non-Banking Financial or Housing Finance activities. Accordingly, the requirement to report on clause (xvi)(b) of the Order is not applicable to the Company.

(c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.

(d) There is no Core Investment Company as a part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.

(xvii) The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.

Annexure 1 Independent Auditor's Report (Continued)

(xix) On the basis of the financial ratios disclosed in note 49 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act. This matter has been disclosed in note 40(c) to the financial statements.

(b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act. This matter has been disclosed in note 40(d) to the financial statements.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner

Membership Number: 110759
UDIN: 22110759AISCNF7123

Place of Signature: Mumbai
Date: May 10, 2022

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, 2022 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, 2022, 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: 22110759AISCNF7123

Place of Signature: Mumbai
Date: May 10, 2022

Standalone Balance Sheet as at 31st March 2022

₹ in Crores

	Note	As at 31st March, 2022		As at 31st March, 2021	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1701.27**		1611.00	
Capital Work-in-progress	2A	**223.88**		205.83	
Right of Use Assets (ROU)	2B	**165.15**		150.55	
Investment Property	3	**0.18**		0.18	
Goodwill		**0.20**		0.20	
Other Intangible Assets	4	**9.35**		14.81	
			2100.03		1982.57
Financial Assets:					
Investments	5	**90.87**		102.12	
Other Financial Assets	6	**13.70**		14.72	
			104.57		116.84
Non-current Tax Assets (Net)			**132.19**		113.92
Other Non-current Assets	7		**87.62**		90.17
Total Non-current Assets			**2424.41**		2303.50
Current Assets					
Inventories	8		**1531.54**		1111.81
Financial Assets:					
Investments	9	**209.46**		668.06	
Trade Receivables	10	**965.43**		846.50	
Cash and Cash Equivalents	11	**66.44**		80.30	
Bank Balances other than Cash and Cash Equivalents	12	**14.21**		3.01	
Other Financial Assets	13	**29.17**		61.81	
			1284.71		1659.68
Other Current Assets	14		**155.06**		163.19
Total Current Assets			**2971.31**		2934.68
Total Assets			**5395.72**		5238.18
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	15	**53.89**		53.89	
Other Equity	16	**4117.04**		4023.13	
Total Equity			**4170.93**		4077.02
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Lease Liabilities	17	**85.93**		72.69	
Provisions	18	**22.27**		0.41	
Deferred Tax Liabilities (Net)	19	**95.55**		96.27	
Total Non-current Liabilities			**203.75**		169.37
Current Liabilities					
Financial Liabilities:					
Borrowings	20	**—**		8.34	
Lease Liabilities	21	**22.95**		17.41	
Trade Payables	22				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**101.29**		90.95	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**789.11**		731.94	
		890.40		822.89	
Other Financial Liabilities	23	**51.51**		94.92	
		964.86		943.56	
Other Current Liabilities	24	**32.61**		22.49	
Provisions	25	**18.58**		20.75	
Current Tax Liabilities (Net)	26	**4.99**		4.99	
Total Current Liabilities			**1021.04**		991.79
Total Liabilities			**1224.79**		1161.16
Total Equity and Liabilities			**5395.72**		5238.18
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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Standalone Statement of Profit and Loss for the year ended 31st March 2022

₹ in Crores

	Note	Year ended 31st March, 2022		Year ended 31st March, 2021	
Income					
Revenue from Operations	27		**5948.90**		4770.90
Other Income	28		**32.86**		38.85
Total Income			**5981.76**		4809.75
Expenses					
Cost of Materials Consumed	29	**4013.98**		2741.58	
Purchases of Stock-in-trade		**396.22**		315.33	
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	30	**(280.94)**		(99.47)	
Employee Benefits Expense	31	**312.37**		268.62	
Finance Cost	32	**9.87**		8.48	
Depreciation and Amortisation Expenses	33	**153.82**		149.01	
Other Expenses	34	**859.93**		701.31	
Total Expenses			**5465.25**		4084.86
Profit Before Exceptional Items and Tax			**516.51**		724.89
Exceptional Item	44		**11.39**		10.82
Profit Before Tax			**505.12**		714.07
Tax Expense					
Current Tax	19	**132.35**		181.93	
Deferred Tax	19	**(1.56)**		1.54	
Total Tax Expense			**130.79**		183.47
Profit for the Year			**374.33**		530.60
Other Comprehensive Income					
(i) Items that will not be reclassified to Standalone Statement of Profit and Loss					
(a) Remeasurement of Defined Benefit Liability		**3.35**		0.34	
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		**(0.84)**		(0.07)	
Total Other Comprehensive Income (net of taxes)			**2.51**		0.27
Total Comprehensive Income for the Year			**376.84**		530.87
Earnings per Share (Face Value of ₹ 1 each):					
Basic and Diluted (in ₹)			**6.95**		9.85
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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Standalone Statement of Changes in Equity

for the year ended 31st March, 2022

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2020	**53.89**
Changes in Equity Share Capital during 2020-2021	—
Balance as at the 31st March, 2021	**53.89**
Changes in Equity Share Capital during 2021-2022	—
Balance as at the 31st March, 2022	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2021	**0.30**	**12.56**	**487.67**	**3522.60**	**4023.13**
Profit for the Year	**—**	**—**	**—**	**374.33**	**374.33**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	3.35	3.35
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.84)	(0.84)
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**2.51**	**2.51**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**376.84**	**376.84**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(282.93)	(282.93)
	—	**—**	**—**	**(282.93)**	**(282.93)**
Balance as at 31st March, 2022	**0.30**	**12.56**	**487.67**	**3616.51**	**4117.04**

₹ 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
Net Assets/(Reserves) acquired on account of merger of Marpol Private Limited [Refer note 45(a)]	—	—	—	(3.25)	(3.25)
Net Assets/(Reserves) acquired on account of merger of Perma Construction Aids Private Limited [Refer note 45(b)]	—	—	—	(0.35)	(0.35)
Restated balance as at 1st April, 2020	0.30	12.56	487.67	3228.85	3729.38
Profit for the year	—	—	—	530.60	530.60
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.34	0.34
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	(0.07)
Total Other Comprehensive Income for the Year, net of tax	—	—	—	0.27	0.27
Total Comprehensive Income for the Year	—	—	—	530.87	530.87
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	3522.60	4023.13

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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Standalone Statement of Cash Flows

for the year ended 31st March, 2022

₹ in Crores

Particulars	Year ended 31st March, 2022		Year ended 31st March, 2021	
Cash Flow from Operating Activities				
Profit Before Tax		**505.12**		714.07
Adjustments for:				
Depreciation and Amortisation Expenses	**153.82**		149.01	
Fair Value Loss/(Gain) on Financial Instruments recognised through FVTPL	**0.61**		(4.24)	
Unrealised Foreign Exchange Gain (Net)	**(0.95)**		(0.28)	
Profit on Sale of Current Investments (Net)	**(14.29)**		(10.12)	
Interest Income	**(1.45)**		(5.15)	
Dividend Income	**(2.52)**		(2.24)	
Profit on Sale of Property, Plant and Equipment (Net)	**(0.19)**		(2.36)	
Finance Cost	**9.87**		8.48	
Impairment loss allowance on trade receivables	**2.36**		9.48	
Provisions/Liabilities no longer required written back	**(47.44)**		(8.23)	
Impairment of non-current investment (Refer note 44)	**11.39**		10.82	
		111.21		145.17
Operating Profit Before Working Capital Changes		**616.33**		859.24
(Increase) in Trade and Other Receivables	**(85.72)**		(205.05)	
(Increase) in Inventories	**(419.73)**		(164.33)	
Increase in Trade Payables, Other Financial Liabilities and Provisions	**98.83**		313.50	
		(406.62)		(55.88)
Cash Generated from Operations		**209.71**		803.36
Direct Taxes Paid (Net of Refunds)		**(150.62)**		(148.66)
Net Cash Flows generated from Operating Activities		**59.09**		654.70
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)	**(213.78)**		(100.55)	
Proceeds from Sale of Property, Plant and Equipment	**0.24**		2.81	
Purchase of Investments in Subsidiaries	**—**		(26.34)	
Purchase of non-current Investments	**(0.14)**		0.11	
Purchase of Current Investments	**(3014.36)**		(3277.00)	
Proceeds from Sale/Redemption of Current Investments	**3486.64**		2928.30	
Interest Received	**1.45**		5.15	
Dividend Received	**2.52**		2.24	
(Investments) in fixed deposits	**(11.11)**		(0.05)	
Net Cash Flows generated/(used in) Investing Activities		**251.46**		(465.33)

Standalone Statement of Cash Flows

for the year ended 31st March, 2022

₹ in Crores

Particulars	Year ended 31st March, 2022		Year ended 31st March, 2021	
Cash Flows from Financing Activities				
(Repayment) of Current Borrowings	**(8.34)**		(9.26)	
Payment of Lease Liabilities	**(32.76)**		(28.19)	
Interest Paid	**(0.38)**		(0.99)	
Dividend Paid	**(282.93)**		(237.12)	
Net Cash Flows (used in) Financing Activities		**(324.41)**		(275.56)
Net (Decrease) in Cash and Cash Equivalents		**(13.86)**		(86.19)
Cash and Cash Equivalents at beginning of the year, the components being (Refer note 11):				
Cash on hand	**0.08**		0.13	
Cheques on hand	**16.78**		3.55	
Balances with Banks	**62.46**		36.84	
Deposit with Banks with less than 3 months maturity	**—**		125.13	
Effect of exchange rate fluctuation	**0.98**		0.84	
		80.30		166.49
Cash and Cash Equivalents at end of the year, the components being:				
Cash on hand	**0.08**		0.08	
Cheques on hand	**23.34**		16.78	
Balances with Banks	**42.04**		62.46	
Effect of exchange rate fluctuation	**0.98**		0.98	
		66.44		80.30
Net (Decrease) as disclosed above		**(13.86)**		(86.19)

Debt Reconciliation Statement in accordance with Ind AS 7

₹ in Crores

	31st March, 2022	31st March, 2021
Opening Balances		
Current Borrowings	**8.34**	17.60
Movements		
Current Borrowings	**(8.34)**	(9.26)
Closing Balances		
Current Borrowings	**—**	8.34

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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

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

The Standalone Financial Statements for the year ended 31st March, 2022 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 10th May, 2022.

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, 2022

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 38, 'Employee benefits'.

C. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 has notified certain amendments to existing Ind AS via notification dated 23 March 2022. The same shall come into force from annual reporting period beginning on or after *1st April 2022* which the Company has not applied as they are not effective for annual period beginning on or after 1 April 2021.

Key synopsis are as under:

– Ind AS 16 Property, Plant and Equipment - For items produced during testing/trail phase, clarification added that revenue generated out of the same shall not be recognised in statement of profit and loss and considered as part of cost of PPE.

– Ind AS 37 Provisions, Contingent Liabilities & Contingent Assets - Guidance on what constitutes cost of fulfilling contracts (to determine whether the contract is onerous or not) is included.

– Ind AS 101 - First time Adoption of Ind AS - Measurement of Foreign Currency Translation Difference in case of subsidiary/ associate/ JV's date of transition to Ind AS is subsequent to that of Parent - FCTR in the books of subsidiary/associate/JV can be measured based Consolidated Financial Statements.

– Ind AS 103 - Business Combination - Reference to revised Conceptual Framework. For contingent liabilities/ levies, clarification is added on how to apply the principles for recognition of contingent liabilities from Ind AS 37.

Recognition of contingent assets is not allowed.

– Ind AS 109 Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

While preparing the financial statement for the year ended 31 March 2022, the above amendments are not considered for disclosure as standards notified by Ministry of Corporate Affairs, but not yet effective, in accordance with IND AS.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

1. Classification of Assets and Liabilities (contd.)

(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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(d) Disposal

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

(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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

5. Other Intangible Assets (contd.)

(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.

(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
Customer Relationship	5
Brand and Technical Knowhow	5
Non-compete	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 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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

(b) Post-Employment Benefits (contd.)**:**

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.

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 there of equal to or 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 for eligible employees is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(c) Retirement Benefits to Executive Directors

The liability for special retirement benefit to the Executive Directors who became entitled prior to the discontinuation of the policy, is recognised in the balance sheet at its present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by actuaries using the projected united credit method.

The present value of the said obligation is determined by discounting the estimated future cash outflows, using market yields of government bonds that have tenure approximating the tenures of the related liability.

The interest expense is calculated by applying the discount rate to the defined benefit liability. The interest expense on the defined benefit liability is recognised in the Standalone Statement of Profit and Loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Standalone Statement of Changes in Equity and in the Standalone Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

7. **Employee Benefits** (contd.)

(d) **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 Tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

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

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

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

(c) **Net realisable value**

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

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

13. Foreign Currency Transactions (contd.)

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.

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.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

15. Lease (contd.)

(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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and subsequent measurement (contd.)

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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

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.

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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

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. Business Combination

Business combinations arising from transfers or interests in entities that are under the control of the shareholders that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised, The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved and they appear in the standalone financial statements of the Company in the same form in which they appeared in the standalone financial statements of the acquired entity. The difference, if any, between the net assets acquired and cancellation of share capital of the acquired entity is transferred to other equity.

22. 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, 2022

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2021	Additions	Deductions	**As at 31st March, 2022**	As at 1st April, 2021	Additions	Deductions	**As at 31st March, 2022**	**As at 31st March, 2022**
Freehold Land	90.06 (90.06)	— (—)	— (—)	**90.06** (90.06)	— (—)	— (—)	— (—)	**—** (—)	**90.06** (90.06)
Buildings	757.48 (734.31)	109.29 (23.70)	— (0.53)	**866.77** (757.48)	168.06 (145.75)	23.75 (22.44)	— (0.13)	**191.81** (168.06)	**674.96** (589.42)
Plant and Equipments	1249.42 (1194.97)	59.53 (60.27)	0.90 (5.82)	**1308.05** (1249.42)	461.04 (409.72)	58.48 (57.09)	0.83 (5.77)	**518.69** (461.04)	**789.36** (788.38)
Furniture and Fixtures	22.12 (20.81)	0.56 (1.49)	0.01 (0.18)	**22.67** (22.12)	16.75 (16.09)	0.92 (0.84)	0.01 (0.18)	**17.66** (16.75)	**5.01** (5.37)
Vehicles	1.32 (1.17)	0.11 (0.15)	0.37 (—)	**1.06** (1.32)	1.02 (0.93)	0.08 (0.09)	0.34 (—)	**0.76** (1.02)	**0.30** (0.30)
Office Equipments	14.41 (14.21)	0.79 (0.34)	0.01 (0.14)	**15.19** (14.41)	12.29 (11.54)	0.91 (0.89)	0.01 (0.14)	**13.19** (12.29)	**2.00** (2.12)
Computers	51.31 (49.65)	8.05 (1.91)	6.70 (0.25)	**52.66** (51.31)	43.94 (40.13)	3.81 (4.06)	6.70 (0.25)	**41.05** (43.94)	**11.61** (7.37)
Assets for Scientific Research*	78.27 (76.35)	0.59 (1.92)	— (—)	**78.86** (78.27)	20.53 (17.48)	3.06 (3.05)	— (—)	**23.59** (20.53)	**55.27** (57.74)
Assets given on Operating Lease (Refer Note 2.5)	351.79 (337.65)	31.53 (24.31)	7.27 (10.17)	**376.05** (351.79)	281.55 (262.99)	29.07 (28.73)	7.27 (10.17)	**303.35** (281.55)	**72.70** (70.24)
Total Tangible Assets	2616.18 (2519.18)	210.45 (114.09)	15.26 (17.09)	**2811.37** (2616.18)	1005.18 (904.63)	120.08 (117.19)	15.16 (16.64)	**1110.10** (1005.18)	**1701.27** (1611.00)

* Net block includes Buildings ₹ 24.58 Crores (2020-2021 ₹ 25.01 Crores), Plant and Equipment ₹ 26.94 Crores (2020-2021 ₹ 28.37 Crores) and Furniture and Fixtures ₹ 3.75 Crores (2020-2021 ₹ 4.36 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 ₹ 376.05 Crores (2020-2021 ₹ 351.79 Crores) and ₹ 303.35 Crores (2020-2021 ₹ 281.55 Crores) respectively.

(ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 29.07 Crores (2020-2021 ₹ 28.73 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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

2A. Capital work-in-progress Ageing Schedule

As at 31st March, 2022 ₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	78.78	44.00	75.61	17.45	215.84
Projects temporarily suspended*	1.03	4.35	1.66	1.00	8.04
Total	**79.81**	**48.35**	**77.27**	**18.45**	**223.88**

As at 31st March, 2021 ₹ in Crores

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	97.86	84.88	18.66	4.43	205.83
Projects temporarily suspended	—	—	—	—	—
Total	97.86	84.88	18.66	4.43	205.83

Project completion is overdue or has exceeded its cost compared to its original plan : Not Applicable

* Vizag project has been temporarily suspended.

2B. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2021	Additions	Deductions	As at 31st March, 2022	As at 1st April, 2021	Additions	Deductions	As at 31st March, 2022	As at 31st March, 2022
Leasehold Land	75.50 (75.50)	— (—)	— (—)	**75.50** (75.50)	5.53 (4.68)	0.84 (0.85)	— (—)	**6.37** (5.53)	**69.13** (69.97)
Buildings	108.52 (67.03)	43.75 (54.91)	5.83 (13.42)	**146.44** (108.52)	27.94 (13.61)	26.66 (24.12)	4.18 (9.79)	**50.42** (27.94)	**96.02** (80.58)
Total Right of Use Assets (ROU)	184.02 (142.53)	43.75 (54.91)	5.83 (13.42)	**221.94** (184.02)	33.47 (18.29)	27.50 (24.97)	4.18 (9.79)	**56.79** (33.47)	**165.15** (150.55)

2B.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2B.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

2B.3. Nil amount of impairment loss is recognised during the current and comparative periods.

2B.4. The title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) included in Right of use assets (ROU), which are not held in the name of the Company are as indicated below:

Description of Property	Gross carrying value (₹ in Crores)	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in the name of Company
Leasehold land at Goa	0.30	Marpol Private Limited	No	Less than 1 year	These properties were acquired pursuant to a scheme of amalgamation and continue to be registered in the name of amalgamating Companies.
Leasehold land at Vapi	0.12	Perma Construction Aids Private Limited	No	Less than 1 year	

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

3. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2021	Additions	Deductions	**As at 31st March, 2022**	As at 1st April, 2021	Additions	Deductions	**As at 31st March, 2022**	**As at 31st March, 2022**
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 ₹ 0.26 Crores (2020-2021 ₹ 0.27 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1354.98 Crores (2020-2021 ₹ 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, 2021	Additions	Deductions	**As at 31st March, 2022**	As at 1st April, 2021	Additions	Deductions	**As at 31st March, 2022**	**As at 31st March, 2022**
Software	19.15 (19.15)	0.78 (—)	— (—)	**19.93** (19.15)	17.93 (16.30)	1.02 (1.63)	— (—)	**18.95** (17.93)	**0.98** (1.22)
Customer Relationship	5.45 (5.45)	— (—)	— (—)	**5.45** (5.45)	2.18 (1.09)	1.09 (1.09)	— (—)	**3.27** (2.18)	**2.18** (3.27)
Brand and Technical Knowhow	14.38 (14.38)	— (—)	— (—)	**14.38** (14.38)	7.33 (4.45)	2.88 (2.88)	— (—)	**10.21** (7.33)	**4.17** (7.05)
Non-compete	6.28 (6.28)	— (—)	— (—)	**6.28** (6.28)	3.01 (1.76)	1.25 (1.25)	— (—)	**4.26** (3.01)	**2.02** (3.27)
Total Other Intangible Assets	45.26 (45.26)	0.78 (—)	— (—)	**46.04** (45.26)	30.45 (23.60)	6.24 (6.85)	— (—)	**36.69** (30.45)	**9.35** (14.81)

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, 2022

5. Non-current Investments

₹ in Crores

	As at 31st March, 2022		As at 31st March, 2021	
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 (10,39,99,998 Equity Shares of LKR 10 each fully paid up)	**35.61**		35.61	
Less: Impairment loss (Refer Note 44)	**(22.21)**		(10.82)	
		13.40		24.79
3. Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) 5,06,00,000 Equity Shares of BDT 10 each fully paid up (5,06,00,000 Equity Shares of BDT 10 each fully paid up)		**56.51**		56.51
4. Nerofix Private Limited 1,20,00,000 Equity Shares of ₹ 10 each fully paid up (1,20,00,000 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)		**0.66**		0.52
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		**90.87**		102.12
Aggregate book value of quoted investments		**0.71**		0.57
Aggregate market value of quoted investments		**0.71**		0.57
Aggregate amount of unquoted investments		**112.37**		112.37
Aggregate amount of impairment in value of investments		**22.21**		10.82

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

6. Other Financial Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Security Deposits	**13.70**	14.72
	13.70	14.72

7. Other non-current assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Capital Advances	**56.16**	64.93
Prepaid Expenses	**8.25**	2.85
Balances with Indirect Tax Authorities	**23.21**	22.39
	87.62	90.17

8. Inventories

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Raw Materials	**478.50**	345.01
Packing Materials	**18.15**	14.58
Work-in-progress	**141.30**	99.33
Finished Goods	**807.90**	585.54
Stock-in-trade	**74.66**	58.04
Stores and Spares	**11.03**	9.31
	1531.54	1111.81

Inventories of erstwhile Marpol Priavte Limited were hypothecated as security for liabilities during the comparable period for working capital loan taken.

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 to 30.

9. Current Investments

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
(A) Investments in Bonds at FVTPL (Quoted)	**9.52**	16.23
(B) Mutual Funds at FVTPL (Unquoted)	**199.94**	651.83
Total Current Investment (A + B)	**209.46**	668.06
Aggregate book value of quoted investments	**9.52**	16.23
Aggregate market value of quoted investments	**9.52**	16.23
Aggregate amount of unquoted investments	**199.94**	651.83
Aggregate amount of impairment in value of investments	**Nil**	Nil

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

10. Trade Receivables

₹ in Crores

	As at 31st March, 2022		As at 31st March, 2021	
Secured, Considered Good		—		—
Unsecured, Considered Good*		965.43		846.50
Significant increase in Credit Risk		—		—
Credit Impaired	35.22		32.86	
Loss Allowance	(35.22)		(32.86)	
		—		—
		965.43		846.50
* Receivable from subsidiary company, in which director of the Company is a director				
KNP Japan Private Limited		1.97		0.86
Kansai Paints Lanka (Private) Limited		0.62		1.49
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)		5.35		3.67
Nerofix Private Limited		0.56		0.24

Trade receivables of erstwhile Marpol Priavte Limited were hypothecated as security for liabilities during the comparable period for working capital loan taken.

Trade Receivables Ageing Schedule

As at 31 March 2022

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	807.73	135.28	14.01	4.67	1.86	1.89	965.43
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(iii) Undisputed Trade Receivables – credit impaired	—	—	—	—	—	—	—
(iv) Disputed Trade Receivables considered good	—	—	—	—	—	—	—
(v) Disputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(vi) Disputed Trade Receivables – credit impaired	—	—	2.59	6.05	4.56	22.02	35.22

As at 31 March 2021

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	721.88	106.92	6.39	5.14	3.90	2.27	846.50
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(iii) Undisputed Trade Receivables – credit impaired	—	—	—	—	—	—	—
(iv) Disputed Trade Receivables considered good	—	—	—	—	—	—	—
(v) Disputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(vi) Disputed Trade Receivables – credit impaired	—	—	—	6.70	11.10	15.06	32.86

11. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Cash on hand	0.08	0.08
Cheques on hand	23.34	16.78
Banks balances	43.02	63.44
	66.44	80.30

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

12. Bank Balance other than Cash and cash equivalents

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unpaid Dividend Accounts	**2.46**	2.37
Fixed Deposit with Bank with more than 3 months but less than 12 month maturity	**11.75**	0.64
	14.21	3.01

13. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Security Deposits	**7.09**	6.30
GST Incentive Receivable	**9.86**	—
Other Receivable* [Includes receivable from mutual fund ₹ Nil (2020-2021 ₹ 48.00 Crores)]	**12.22**	55.51
	29.17	61.81

* Includes ₹ 2.36 Crores (2020-2021 ₹ 2.10 Crores) receivable from subsidiary company – KNP Japan Private Limited, private company in which director of the Company is a director

14. Other Current Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**80.37**	94.93
Trade Advances	**53.35**	48.89
Prepaid Expenses	**11.40**	16.15
Other Receivable	**9.94**	3.22
	155.06	163.19

15. Share Capital

	As at 31st March, 2022		As at 31st March, 2021	
1. Authorised Share Capital (₹ in Crores)		**66.50**		66.50
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**66,50,00,000**		66,50,00,000
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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

15. Share Capital (contd.)

	As at 31st March, 2022	As at 31st March, 2021
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. Disclosure of Shareholding of Promoters:		
Name of Promotor:		
Kansai Paint Co., Ltd., Japan		
Details of shares held by promoters:		
No. of shares at the beginning of the year	**40,41,35,898**	40,41,35,898
Change during the year	**—**	—
No. of shares at the end of the year	**40,41,35,898**	40,41,35,898
% of Total Shares	**74.99**	74.99
% change during the year	**—**	—
8. 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.		

16. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2021	**0.30**	**12.56**	**487.67**	**3522.60**	**4023.13**
Profit for the period	**—**	**—**	**—**	**374.33**	**374.33**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	3.35	3.35
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.84)	(0.84)
Total Other Comprehensive Income for the period, net of tax	**—**	**—**	**—**	**2.51**	**2.51**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**376.84**	**376.84**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(282.93)	(282.93)
	—	**—**	**—**	**(282.93)**	**(282.93)**
Balance as at 31st March, 2022	**0.30**	**12.56**	**487.67**	**3616.51**	**4117.04**

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

16. Other Equity (contd.)

₹ 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
Net Assets/(Reserves) acquired on account of merger of Marpol Private Limited [Refer note 45(a)]	—	—	—	(3.25)	(3.25)
Net Assets/(Reserves) acquired on account of merger of Perma Construction Aids Private Limited [Refer note 45(b)]	—	—	—	(0.35)	(0.35)
Restated balance as at 1st April, 2020	0.30	12.56	487.67	3228.85	3729.38
Profit for the year				530.60	530.60
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	0.34	0.34
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.07)	(0.07)
Total Other Comprehensive Income for the Year, net of tax	—	—	—	0.27	0.27
Total Comprehensive Income for the Year	—	—	—	530.87	530.87
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	3522.60	4023.13

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Defined Benefit Liability/(Asset)	As at 31st March, 2022	As at 31st March, 2021
Opening Balance	**(10.58)**	(10.85)
Remeasurement of Employee Defined Benefit Liability, net of tax	**2.51**	0.27
Closing Balance	**(8.07)**	(10.58)

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 2020-2021, the Directors had recommended and Shareholders had approved a interim and final dividend of 125% and 400% respectively (₹ 5.25 per share), which has been accounted in current year.

The Board has recommended a final dividend of 100% (₹ 1.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on November 22, 2021. Accordingly, the total dividend is 225% (₹ 2.25 per share) for the financial year ended March 31, 2022 as compared to total dividend of 525% (₹ 5.25 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 ₹ 53.89 Crores (2020-2021 ₹ 215.56 Crores) have not been recognised as liabilities.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

17. Lease Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Non-current Lease Liabilities	**85.93**	72.69
	85.93	72.69

The maturity analysis of lease liabilities is disclosed in Note 43.

18. Provisions

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Provision for Compensated Absences (Refer Note 38)	**—**	0.41
Provision for Retirement Benefits to Executive Directors (Refer Note 38)	**22.27**	—
	22.27	0.41

19. Income Taxes

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
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	**132.35**	181.93
Deferred tax:		
In respect of current year	**(1.56)**	1.54
Income tax expense recognised in the Standalone Statement of Profit and Loss	**130.79**	183.47
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**(0.84)**	(0.07)
Income tax expense recognised in OCI	**(0.84)**	(0.07)
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**505.12**	714.07
Income tax expense calculated at 25.17% (2020-2021 @ 25.17%)	**127.14**	179.73
Tax effect on non-deductible expenses	**9.79**	5.73
Effect of Income that is exempted from tax	**(0.28)**	(0.25)
Others	**(5.86)**	(1.74)
Total	**130.79**	183.47
Tax expense as per Standalone Statement of Profit and Loss	**130.79**	183.47

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2020-2021 25.17%) payable by corporate entities in india on taxable profits under indian tax law.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

19. Income Taxes (contd.)

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
	01.04.2021	2021-2022	2021-2022	31.03.2022	01.04.2020	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..	**(130.52)**	**(3.99)**	**—**	**(134.51)**	(123.05)	(7.47)	—	(130.52)
Tax adjustment on account on indexation of freehold land	**17.44**	**2.03**	**—**	**19.47**	15.79	1.65	—	17.44
Expense claimed for tax purpose on payment basis	**5.64**	**0.37**	**—**	**6.01**	4.40	1.24	—	5.64
Provision for doubtful debts and Advances	**7.86**	**1.03**	**—**	**8.89**	5.38	2.48	—	7.86
Remeasurement benefit of the defined benefit plans through OCI	**2.87**	**—**	**(0.84)**	**2.03**	2.94	—	(0.07)	2.87
Net fair value loss on investment through FVTPL	**(1.75)**	**1.18**	**—**	**(0.57)**	(1.45)	(0.30)	—	(1.75)
Lease Rentals	**2.19**	**0.94**	**—**	**3.13**	1.33	0.86	—	2.19
Deferred tax (expense)/income **Net Deferred tax liabilities**	**(96.27)**	**1.56**	**(0.84)**	**(95.55)**	(94.66)	(1.54)	(0.07)	(96.27)

20. Borrowings

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Working Capital Loan	**—**	8.34
	—	8.34

The Company has obtained at 7.95% - 9.20% (2020-2021 6.75% - 9.25%) overdrafts and cash credit facilities from bank to fund working capital requirements, secured by hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8), These facilities are repayable on demand.

21. Lease Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Lease Liabilities - Current	**22.95**	17.41
	22.95	17.41

22. Trade Payables

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Trade Payables:		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 42)	**101.29**	90.95
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**789.11**	731.94
	890.40	822.89

Trade Payables Ageing Schedule

As at 31st March, 2022

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	**—**	**101.29**	**—**	**—**	**—**	**—**	**101.29**
(ii) Others	**180.43**	**234.90**	**373.31**	**0.28**	**0.16**	**0.03**	**789.11**
(iii) Disputed dues – MSME	**—**	**—**	**—**	**—**	**—**	**—**	**—**
(iv) Disputed dues – Others	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

22. Trade Payables (contd.)

Trade Payables Ageing Schedule (contd.)

As at 31st March, 2021

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	—	90.95	—	—	—	—	90.95
(ii) Others	159.31	419.39	150.89	1.47	0.78	0.10	731.94
(iii) Disputed dues – MSME	—	—	—	—	—	—	—
(iv) Disputed dues – Others	—	—	—	—	—	—	—

23. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unclaimed/Unpaid Dividends*	**2.46**	2.37
Trade Deposits	**29.08**	79.31
Creditors for Capital Goods@ (Refer Note 42)	**19.97**	13.24
	51.51	94.92

* 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 ₹ 3.73 Crores (2020-2021 ₹ 4.59 Crores)

24. Other Current Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Statutory Obligations*	**17.63**	8.74
Trade Receivables with Credit Balance	**14.98**	13.75
	32.61	22.49

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

25. Provisions

₹ in Crores

	As at 31st March, 2022		As at 31st March, 2021	
Provision for Compensated Absences (Refer Note 38)		**12.78**		13.38
Provision for Gratuity (Refer Note 38)		**—**		3.51
Provision for Retirement Benefits to Executive Directors (Refer Note 38)		**1.94**		—
Provision for Indirect Taxes:				
Opening Balance	**3.86**		3.82	
Add: Provision during the year	**—**		0.04	
Less: Utilisation / reversal during the year	**—**		—	
		3.86		3.86
		18.58		20.75

26. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Current Tax Liabilities (Net)	**4.99**	4.99
	4.99	4.99

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

27. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Sale of Products				
Sales	**6563.24**		5319.53	
Less: Discounts and Rebates	**703.77**		583.26	
Total Sale of Products		**5859.47**		4736.27
Other Operating Revenues				
Sale of Scrap	**21.45**		15.67	
GST Incentives	**9.86**		—	
Others*	**58.12**		18.96	
		89.43		34.63
Revenue from Operations		**5948.90**		4770.90

* Include writeback of trade deposits amounting to ₹ 47.44 Crores (2020-2021 ₹ 8.23 Crores)

27.1. 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, 2022	Year ended 31st March, 2021
1) **Revenue from contracts with customers:**		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**5382.62**	4328.27
Export	**11.60**	9.39
(A)	**5394.22**	4337.66
Trading		
India	**465.25**	398.61
(B)	**465.25**	398.61
(C) = (A) + (B)	**5859.47**	4736.27

₹ in Crores

Particulars	Year ended 31st March, 2022	Year ended 31st March, 2021
2) **Other operating revenue:**		
Sale of Scrap	**21.45**	15.67
GST Incentive	**9.86**	—
Others	**58.12**	18.96
(D)	**89.43**	34.63
Total Revenue (C) + (D)	**5948.90**	4770.90
Major Product lines		
Paint	**5859.47**	4736.27
	5859.47	4736.27
Sales by performance obligations		
Upon delivery	**5859.47**	4736.27
	5859.47	4736.27
Reconciliation of revenue from contract with customer:		
Revenue from contracts with customer as per the contract price	**6563.24**	5319.53
Adjustments made to contract price on account of:		
a) Discounts / Rebates / Incentives	**(703.77)**	(583.26)
b) Other Operating Revenue	**89.43**	34.63
Revenue from contracts with customer as per the Standalone Statement of Profit and Loss	**5948.90**	4770.90

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

28. Other Income

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Dividend Income				
Dividend from Investment in Equity Shares	**2.52**		2.24	
		2.52		2.24
Interest Income				
Interest on Loans and Deposit at amortised cost	**0.26**		4.16	
Interest on Bonds recognised through FVTPL	**1.19**		0.99	
		1.45		5.15
Profit on Sale of Current Investments (Net)		**14.29**		10.12
Fair Value Gain on Financial Instruments recognised through FVTPL		**—**		4.24
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	**0.19**		2.36	
Foreign Exchange Gain (Net)	**7.00**		8.51	
Insurance Claims Received	**3.88**		4.27	
Miscellaneous Income	**3.53**		1.96	
		14.60		17.10
		32.86		38.85

29. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Raw Material Consumed				
Opening Stock	**345.01**		285.23	
Add: Purchase	**3677.86**		2462.43	
Less: Sales	**15.75**		13.62	
Less: Closing Stock	**478.50**		345.01	
		3528.62		2389.03
Packing Material Consumed				
Opening Stock	**14.58**		9.90	
Add: Purchase	**488.93**		357.23	
Less: Closing Stock	**18.15**		14.58	
		485.36		352.55
		4013.98*		2741.58*

* Includes ₹ 3.95 Crores (2020-2021 ₹ 1.88 Crores) expenditure incurred on Research and Development

30. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Opening Stock				
Finished Goods	**585.55**		493.75	
Work-in-progress	**99.33**		87.58	
Stock-in-trade (in respect of goods acquired for trading)	**58.04**		62.12	
		742.92		643.45
Less: Closing Stock				
Finished Goods	**807.90**		585.55	
Work-in-progress	**141.30**		99.33	
Stock-in-trade (in respect of goods acquired for trading)	**74.66**		58.04	
		1023.86		742.92
		(280.94)		(99.47)

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

31. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Salaries and Wages	**275.35**	235.97
Contribution to Provident and Other Funds (Refer Note 38)	**22.30**	21.20
Staff Welfare Expense	**14.72**	11.45
	312.37*	268.62*

* Includes ₹ 20.22 Crores (2020-2021 ₹ 18.93 Crores) expenditure incurred on Research and Development

32. Finance Cost

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Interest on Lease Liabilities (Refer Note 43)	**9.49**	7.49
Interest on Working Capital Loan	**0.38**	0.99
	9.87	8.48

33. Depreciation and Amortisation

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Depreciation on Property, Plant and Equipment (Refer Note 2)	**120.08**	117.19
Amortisation on Other Intangible Assets (Refer Note 4)	**6.24**	6.85
Amortisation on Right of use assets (ROU) (Refer Note 2B)	**27.50**	24.97
	153.82*	149.01*

* Includes ₹ 3.06 Crores (2020-2021 ₹ 3.05 Crores) depreciation and amortisation expenses on Research and Development

34. Other Expenses

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Consumption of Stores and Spare Parts	**28.98**	23.35
Power and Fuel	**69.09**	62.98
Repairs to Buildings	**0.40**	0.59
Repairs to Machinery	**14.04**	11.65
Freight and Forwarding Charges	**327.54**	277.87
Advertisement and Sales Promotion	**210.75**	147.52
Rent	**13.16**	15.58
Rates and Taxes	**3.06**	2.03
Insurance	**11.80**	10.91
Miscellaneous Expenses	**181.11**	148.83
	859.93*	701.31*

* Includes ₹ 5.18 Crores (2020-2021 ₹ 4.82 Crores) expenditure incurred on Research and Development

34.1. Payments to Auditors

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 34)		
As Auditor		
Statutory Audit	**0.25**	0.25
Report under Section 44AB of the Income-tax Act, 1961	**0.04**	—
Limited Review of Quarterly Results	**0.18**	0.18
In other capacity		
Certification	**0.08**	0.09
Other Matters	**0.19**	0.14
Reimbursements of Expenses	**0.01**	0.02
	0.75	0.68

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

34.2. Research and Development Expenses

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss is	**32.41**	28.68

35. Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
a. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	**8.38**	7.15
Sales Tax	**18.15**	18.15
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 ₹ 26.53 Crores (2020-2021 ₹ 25.30 Crores) from the Excise / Service Tax / Sales Tax / GST Authorities, in respect of disallowance of Cenvat Credit of Excise / Service Tax and Input Tax Credit of Sales Tax / GST.		
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)	**63.93**	62.17
Company has entered into Share holding agreement (SHA) with M/s Amplus Energy Solutions Private Limited to source green power through Group Captive arrangement	**2.05**	—
Corporate guarantee		
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	**25.83**	25.45
Corporate guarantee given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) - Subsidiary Company	**81.01**	79.82
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	**8.92**	12.75
	208.27	205.49
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.		

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

36. Earnings Per Equity Share

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)..	**374.33**	530.60
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 Equity Share (in ₹)..	**6.95**	9.85

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
	2022	2021			
Kansai Paint Co., Ltd., Japan	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing paints and other related materials	Japan

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

Subsidiaries Companies

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2022	2021			
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
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)...	**55**	55	Subsidiary	Manufacturing paints and other related materials	Bangladesh
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, 2022

37. Related Party Disclosures (contd.)

Fellow Subsidiaries 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 (upto 31st March 2022) (3) Mr. N. N. Tata, Director (4) Mr. Anuj Jain, Wholetime Director (Managing Director w.e.f 1st April 2022), (5) Ms. 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	2021-2022	2020-2021
Sale of finished goods/Intermediates			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**0.77**	2.64
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.93**	0.81
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**1.05**	1.49
Purchase of Goods			
— Nerofix Private Limited	Subsidiary	**23.19**	8.10
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**212.17**	177.82
Dividend Income			
— KNP Japan Private Limited	Subsidiary	**2.48**	2.21
Transfer under license agreements			
Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**15.31**	12.10
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.06**	0.27
Royalty Income			
— KNP Japan Private Limited	Subsidiary	**1.35**	0.71
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.20**	0.16
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**2.24**	1.61
— Nerofix Private Limited	Subsidiary	**0.81**	0.56
Corporate guarantee given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**—**	79.82
— Kansai Paints Lanka (Private) Limited	Subsidiary	**—**	12.75

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

37. 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	2021-2022	2020-2021
Stand by Letter of Credit (SBLC) given for			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	—	25.45
Income from Corporate guarantee issued			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.01**	0.01
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**0.04**	0.03
Equity Investment			
— Kansai Paints Lanka (Private) Limited	Subsidiary	—	12.00
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	—	14.34
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.55**	0.31
— KNP Japan Private Limited	Subsidiary	**0.63**	0.69
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.21**	0.18
— Nerofix Private Limited	Subsidiary	**0.21**	0.19
Contributions during the year (includes Employees' share and contribution)			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**1.37**	1.41
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.55**	0.31
— KNP Japan Private Limited	Subsidiary	**4.33**	2.96
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.62**	1.49
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**5.35**	3.67
— Nerofix Private Limited	Subsidiary	**0.56**	0.24
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.35**	—
— Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**0.40**	—
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.01**	0.06
— Nerofix Private Limited.	Subsidiary	**2.74**	1.68
Corporate guarantee			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**81.01**	79.82
— Kansai Paints Lanka (Private) Limited	Subsidiary	**8.92**	12.75
Stand by Letter of Credit (SBLC)			
— Kansai Nerolac Paints (Bangladesh) Limited	Subsidiary	**25.83**	25.45
Key Management Personnel			
— Employee benefits#		**21.37***	10.91
— Commission to Independent Directors		**1.05**	0.95
— Fee for attending Board / Committee Meetings to Independent Directors		**0.12**	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.

* Employee Benefits to Mr. H. M. Bharuka include retirement benefits of ₹ 8.24 Crores towards Gratuity, Leave Encashment and Ex-gratia.

Includes Company's contribution to Provident Fund and Superannuation Fund. Further, as the future liabilities for gratuity, leave encashment and pension to Executive Director along with medical benefits are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to individual is not ascertainable and therefore not included above.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

38. 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, 2022	Year ended 31st March, 2021
Employer's contribution to Regional Provident Fund Commissioner	**4.12**	3.17
Employer's contribution to Family Pension Fund	**4.58**	4.60
Employer's contribution to Superannuation Fund	**7.55**	7.33

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, 2022 and 31st March, 2021:

₹ in Crores

Particulars	Year ended 31st March, 2022	Year ended 31st March, 2021
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**46.68**	44.16
Current Service Cost	**3.59**	3.75
Interest Expense	**2.85**	2.88
Benefit Payments from Plan Assets*	**(10.79)**	(2.99)
Remeasurements - Actuarial (gains) / losses	**(2.65)**	(1.12)
Defined Benefit Obligation at the end	**39.68**	46.68
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**43.18**	42.54
Interest Income	**2.61**	2.89
Employer Contributions	**3.37**	1.52
Benefit Payments from Plan Assets	**(4.37)**	(2.99)
Remeasurements – Return on plan assets excluding amounts included in interest income	**0.70**	(0.78)
Fair Value of Plan Assets at the end	**45.49**	43.18
Net Asset/(liability)	**5.81**	(3.50)

* Includes direct payment by employer.

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, 2022	Year ended 31st March, 2021
Current Service Cost	**3.59**	3.75
Net Interest Cost	**0.24**	(0.01)
Defined Benefit Cost recognised in the Statement of Profit and Loss	**3.83**	3.74

Components of Defined Benefit Cost recognized in the Statement of Other Comprehensive Income:

₹ in Crores

Particulars	Year ended 31st March, 2022	Year ended 31st March, 2021
Actuarial (gains) / losses on Defined Benefit Obligation	**(2.65)**	(1.12)
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**(0.70)**	0.78
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**(3.35)**	(0.34)

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

38. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31st March, 2022	31st March, 2021
Discount Rate	**7.00%**	6.91%
Salary Escalation	**5% in next 1 year and 7.5% thereafter**	3% and 5% in next 1st and 2nd Year respectively and 7.5% thereafter
Weighted average duration of the defined benefit obligation (years)	**10.59**	10.97

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, 2022	31st March, 2021
Under Base Scenario	**39.68**	45.00
Salary Escalation - Up by 1%	**41.97**	48.63
Salary Escalation - Down by 1%	**37.57**	41.79
Withdrawal Rates - Up by 1%	**39.58**	44.77
Withdrawal Rates - Down by 1%	**39.78**	45.27
Discount Rates - Up by 1%	**37.76**	41.93
Discount Rates - Down by 1%	**41.80**	48.54

Expected Rate of Return on Planned Asset	**7.00%**	6.91%

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2022		31st March, 2021	
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	**1.11%**	**1.11%**	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 ₹ Nil (2020-2021 ₹ 3.50 Crores) to the fund during the subsequent accounting year.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

38. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

b. Provident fund (Managed by the Trust set up by the Company)

The Company has contributed ₹ 1.37 Crores (2020-2021 ₹ 1.41 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, 2022	As at 31st March, 2021
Plan assets at period end, at fair value	**74.11**	68.88
Present value of benefit obligation at period end	**71.65**	64.58
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, 2022	As at 31st March, 2021
Discount Rate (%)	**6.63**	6.40
Guranteed Interest Rate (%)	**8.10**	8.50
Expected Average Remaining Working Lives of Employees (Years)	**11.07**	10.30

c. Retirement Benefits to Executive Directors

₹ in Crores

Particulars	As at 31st March, 2022	As at 31st March, 2021
Opening defined benefit obligation	**—**	—
Current service cost	**0.05**	—
Past Service Cost	**24.46**	—
Remeasurement (gain)/loss	**—**	—
Benefits paid	**0.29**	—
Closing defined benefit obligation	**24.22**	—

d. Compenseted Absenses

In FY 2021-2022 decrease in provision for compensated absences for the year is ₹ 1.01 Crores (2020-2021 ₹ 1.47 Crores).

39. 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".

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

40. Corporate Social Responsibilities

During the year, the Company has spent ₹ 14.06 Crores (2020-2021 ₹ 14.32 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year ₹ 14.01 Crores (2020-2021 ₹ 14.30 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	**14.06**	**—**	**14.06**
	(14.32)	—	(14.32)*

(previous year figures are in brackets)

(c) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act.

(d) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act.

(e) Disclosure for excess CSR spent and carried forward for set-off in next year:

In case of S. 135(5) Excess amount spent

₹ in Crores

Opening Balance	Amount required to be spent during the year	Amount spent during the year	Closing Balance
0.02	14.01	14.06	0.07

* 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.

41. 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)...........	**2022**	**1.09**	**0.73**	**—**	**0.36**	**1.09**
	2021	0.95	0.59	—	0.36	0.95
Current Assets: Investments (Note 9)..................	**2022**	**209.46**	**—**	**209.46**	**—**	**209.46**
	2021	668.06	—	668.06	—	668.06

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, 2022

41. 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, 2022	31st March, 2021
Balance at the beginning of the year	**32.86**	24.11
Loss allowance measured at lifetime expected credit losses	**2.36**	8.75
Balance at the end of the year	**35.22**	32.86

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 2 years	3 years and above	Total
Borrowings	**31-03-2022**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	31-03-2021	8.34	—	—	—	—	—	8.34
Trade Payables	**31-03-2022**	**—**	**890.40**	**—**	**—**	**—**	**—**	**890.40**
	31-03-2021	—	822.89	—	—	—	—	822.89
Other Financial Liabilities	**31-03-2022**	**31.54**	**19.97**	**—**	**—**	**—**	**—**	**51.51**
	31-03-2021	81.68	13.24	—	—	—	—	94.92

For maturity profile of lease liabilities, refer note 43.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

41. 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		EURO	JPY	BDT	USD	Total
Trade Receivables	**31-03-2022**	**—**	**—**	**—**	**2.59**	**2.59**
	31-03-2021	—	—	—	2.74	2.74
Financial Liabilities						
Trade Payables (net-off Hedge)	**31-03-2022**	**1.08**	**10.57**	**0.02**	**53.33**	**65.00**
	31-03-2021	0.58	6.62	—	75.65	82.85
Net exposure to Foreign Currency Risk (Liabilities)	**31-03-2022**	**1.08**	**10.57**	**0.02**	**50.74**	**62.41**
	31-03-2021	0.58	6.62	—	72.91	80.11

(v) Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in EURO, JPY, BDT 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, 2022				
EURO (5% movement)	**(0.05)**	**0.05**	**(0.04)**	**0.04**
JPY (5% movement)	**(0.53)**	**0.53**	**(0.40)**	**0.40**
BDT (5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
USD (5% movement)	**(2.54)**	**2.54**	**(1.90)**	**1.90**
31st March, 2021				
EURO (5% movement)	(0.03)	0.03	(0.02)	0.02
JPY (5% movement)	(0.33)	0.33	(0.25)	0.25
BDT (5% movement)	—	—	—	—
USD (5% movement)	(3.65)	3.65	(2.73)	2.73

(vi) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company during current and previous year.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

41. 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 EBIDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBIDA 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 2022 and 31st March 2021 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.

42. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2021-2022 and 2020-2021, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
(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).....	**105.02**	95.54
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, 2022

43. 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 2022 is 8.50% (2020-2021 8.50%)

The changes in the carrying value of right of use (ROU) assets for the year ended 31st March 2022 and 31st March 2021 are disclosed in Note 2B.

₹ in Crores

Particulars	**Amount as at 31st March, 2022**	Amount as at 31st March, 2021
ROU Balance at the beginning of the year	**150.55**	124.24
Additions (Refer Note 2B)	**43.75**	54.91
Amortisation cost accrued during the year (Refer Note 2B)	**(27.50)**	(24.97)
Deletions (Net off accumalated amortisation)	**(1.65)**	(3.63)
ROU Balance at the end of the year	**165.15**	150.55
Lease Liabilities at the beginning of the year	**90.10**	60.01
Additions	**43.77**	54.90
Interest cost accrued during the year	**9.49**	7.49
Payment of lease liabilities	**(32.76)**	(28.19)
Deletion	**(1.72)**	(4.11)
Lease Liabilities at the end of the year	**108.88**	90.10
Current Lease Liabilities	**22.95**	17.41
Non-current Lease Liabilities	**85.93**	72.69
Total Lease Liabilities	**108.88**	90.10

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 ₹ 13.16 Crores (2020-2021 ₹ 15.58 Crores)

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

₹ in Crores

Particulars	**Amount as at 31st March, 2022**	Amount as at 31st March, 2021
Not later than one year	**31.10**	24.11
Later than one year and not later than five years	**81.61**	67.72
Later than five years	**22.99**	22.45

44. 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 severe detoriation of political and economic conditions, currency devaluation and very high inflation. Accordingly, the Company determined the recoverable amount for this investment in subsidiary and recorded additional provision for impairment of ₹ 11.39 Crores (2020-2021 ₹ 10.82 Crores).

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

45. (a) Merger of Marpol Private Limited with Kansai Nerolac Paints Limited

(i) Pursuant to the scheme of Arrangement ('the Scheme') approved by the National Company Law Tribunal ('the NCLT'), Mumbai Bench vide its order dated on 10th August 2021, Marpol Private Limited (the Merged Undertaking) wholly owned subsidiary of the Company, merged with the Company with effect from 1st July 2019 ('the appointed date'). Pursuant to necessary filings with the concerned Registrar of Companies, the Scheme has become effective from 21st October, 2021. In accordance with Appendix C of Ind AS 103 'Business Combinations under common control' and comparatives have been restated to give effect of the amalgamation from the beginning of the previous year, irrespective of the actual date of the combination. Accordingly, business combination is accounted with effect from 1st April 2020.

(ii) The Merged Undertaking is engaged in the business of manufacturing powder and paint. The acquisition is in-line with the Company's strategy to grow the business and saving in costs of operations.

(iii) **Accounting treatment of the arrangement**

Business combination is accounted for using the 'pooling of interests' method as per Appendix C of Ind AS 103 - Business Combinations as notified under Section 230 to 232 of the Companies Act, 2013 and same is in line with the approved scheme, which involves the following:

(a) The financial information in the financial statements in respect of prior periods is restated as if the business combination had occured from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. Accordingly, business combinations is accounted with effect from 1st April 2020.

(b) The Company has recorded the asset and liabilities of the Merged Undertaking vested in it pursuant to this Scheme at the respective book values appearing in the books of the Merged Undertaking.

(c) The value of investment in the Merged Undertaking in the books of the Company shall be cancelled.

(d) No adjustments are made to reflect fair values, or recognise any new assets or liabilities.

(e) As per clarification in Ind AS Transition Facilitation Group (ITFG) Clarification Bulletin 9, goodwill has been recognised in the books of the Company.

(f) The difference between the net assets of the Merged Undertaking transferred to Company, after making adjustment specified in (c) and (d) shall be adjusted in 'Other Equity' of the Company.

Accordingly, the merger has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

₹ in Crores

Particulars	As at 31st March, 2021	As at 1st April, 2020
ASSETS		
Non-current Assets		
a) Property, Plant and Equipment	**18.57**	14.25
b) Capital Work-in-progress	**—**	4.32
c) Right of Use Assets (ROU)	**9.77**	9.98
d) Investment Property	**—**	—
e) Other Intangible Assets	**4.20**	6.28
f) Financial Assets:		
i) Investments	**—**	—
ii) Loans	**—**	—
iii) Other financial assets	**—**	—
g) Non-current Tax Assets (Net)	**0.62**	0.23
h) Other Non-current Assets	**—**	—
Total Non-current Assets	**33.16**	35.06
Current Assets		
a) Inventories	**18.19**	13.69
b) Financial Assets:		
i) Investments	**—**	—
ii) Trade Receivables	**17.68**	14.96
iii) Cash and Cash Equivalents	**0.12**	0.19
iv) Bank Balances other than Cash and Cash Equivalents		—
v) Other Financial Assets	**0.07**	0.06
c) Other Current Assets	**0.71**	0.56
Total Current Assets	**36.77**	29.46
Total Assets (A)	**69.93**	64.52
EQUITY AND LIABILITIES		
Liabilities		
Non-current Liabilities		
a) Financial Liabilities:		
Lease Liabilities	**—**	—
Other financial liabilities	**—**	—
b) Provisions	**0.41**	—
c) Deferred Tax Liabilities (Net)	**5.12**	6.09
Total Non-current Liabilities	**5.53**	6.09

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

45. (a) Merger of Marpol Private Limited with Kansai Nerolac Paints Limited (contd.)

₹ in Crores

Particulars	As at 31st March, 2021	As at 1st April, 2020
Current Liabilities		
a) Financial Liabilities:		
i) Borrowings	**8.34**	14.20
ii) Lease Liabilities		—
iii) Trade Payables	**24.11**	11.80
iv) Other Financial Liabilities	**0.35**	0.86
b) Other Current Liabilities	**0.08**	0.19
c) Provisions	**1.73**	0.31
d) Current Tax Liabilities (Net)	**—**	—
Total Current Liabilities	**34.61**	27.36
Total Liabilities (B)	**40.14**	33.45
Total Net identifiable Assets acquired C = (A-B)	**29.79**	31.07
Recognition of Goodwill (D)	**—**	—
Cost of Investment in the Merged Undertaking (E)	**34.32**	34.32
Elimination of Inter-company Transactions (F)	**—**	—
Net impact transferred to other Equity G= C+D-E-F	**(4.53)**	(3.25)
Net impact in Retained Earnings	**—**	(3.25)
Total	**—**	(3.25)

iv) Other adjustments/matters arising out of merger

As per Appendix C of Ind AS 103 'Business Combination' for all the business combinations under common controls the financial information in the financial statements in respect of prior period should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of acrual date of the combination. Hence financial statements of the Merged Undertaking are merged with effect from 1 April 2020. Accordingly figures for the year ended 31 March 2021 reinstated are after giving effect to the merger.

45. (b) Merger of Perma Construction Aids Private Limited with Kansai Nerolac Paints Limited

(i) Pursuant to the scheme of Arrangement ('the Scheme') approved by the National Company Law Tribunal ('the NCLT'), Ahemdabad Bench vide its order dated 27th September 2021, Perma Construction Aids Private Limited (the Merged Undertaking) wholly owned subsidiary of the Company, merged with the Company with effect from 1st July 2019 ('the appointed date'). Pursuant to necessary filings with the concerned Registrar of Companies, the Scheme has become effective from 21st October, 2021. In accordance with Appendix C of Ind AS 103 'Business Combinations under common control' and comparatives have been restated to give effect of the amalgamation from the beginning of the previous year, irrespective of the actual date of the combination. Accordingly, business combination is accounted with effect from 1st April 2020.

(ii) The Merged Undertaking is engaged in the business of manufacturing paint. The acquisition is in-line with the Company's strategy to grow the business and saving in costs of operations.

(iii) **Accounting treatment of the arrangement**

Business combination is accounted for using the 'pooling of interests' method as per Appendix C of Ind AS 103 - Business Combinations as notified under Section 230 to 232 of the Companies Act, 2013 and same is in line with the approved scheme, which involves the following:

(a) The financial information in the financial statements in respect of prior periods is restated as if the business combination had occured from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. Accordingly, business combinations is accounted with effect from 1st April 2020.

(b) The Company has recorded the asset and liabilities of the Merged Undertaking vested in it pursuant to this Scheme at the respective book values appearing in the books of the Merged Undertaking.

(c) The value of investment in the Merged Undertaking in the books of the Company shall be cancelled.

(d) No adjustments are made to reflect fair values, or recognise any new assets or liabilities

(e) As per clarification in Ind AS Transition Facilitation Group (ITFG) Clarification Bulletin 9, goodwill has been recognised in the books of the Company

(f) The difference between the net assets of the Merged Undertaking transferred to Company, after making adjustment specified in (c) and (d) shall be adjusted in 'Other Equity' of the Company.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

45. (b) Merger of Perma Construction Aids Private Limited with Kansai Nerolac Paints Limited (contd.)

Accordingly, the merger has resulted in transfer of assets and liabilities in accordance with the terms of the Scheme at the following summarised values:

₹ in Crores

Particulars	As at 31st March, 2021	As at 1st April, 2020
ASSETS		
Non-current assets		
a) Property, Plant and Equipment	**5.25**	5.73
b) Capital Work-in-progress	**—**	—
c) Right of Use Assets (ROU)	**3.21**	3.21
d) Investment Property	**—**	—
e) Other Intangible Assets	**9.44**	12.59
f) Financial Assets		
i) Investments	**—**	—
ii) Loans	**0.13**	0.13
iii) Other Financial Assets	**—**	—
g) Non-current Tax Assets (Net)	**0.21**	—
h) Other Non-current Assets	**—**	—
Total Non-current Assets	**18.24**	21.66
Current Assets		
a) Inventories	**3.42**	3.65
b) Financial Assets		
i) Investments	**—**	—
ii) Trade Receivables	**6.60**	6.74
iii) Cash and Cash Equivalents	**7.90**	2.68
iv) Bank Balances other than Cash and Cash Equivalents		—
v) Other Financial Assets	**—**	—
c) Other Current Assets	**0.14**	0.81
Total Current Assets	**18.06**	13.88
Total Assets (A)	**36.30**	35.54
EQUITY AND LIABILITIES		
Liabilities		
Non-current liabilities		
a) Financial Liabilities		
Lease Liabilities	**—**	—
Other Financial Liabilities	**—**	—
b) Provisions	**—**	—
c) Deferred Tax Liabilities (Net)	**2.77**	3.60
Total Non-current Liabilities	**2.77**	3.60
Current Liabilities		
a) Financial Liabilities		
i) Borrowings	**—**	—
ii) Lease Liabilities		—
iii) Trade Payables	**3.70**	2.58
iv) Other Financial Liabilities	**0.02**	0.16
b) Other Current Liabilities	**0.28**	0.20
c) Provisions	**0.01**	0.41
d) Current Tax Liabilities (Net)	**—**	0.04
Total Current Liabilities	**4.01**	3.39
Total Liabilities (B)	**6.78**	6.99
Total net identifiable assets acquired C = (A-B)	**29.52**	28.55
Recognition of goodwill (D)	**0.20**	0.20
Cost of investment in the Merged Undertaking (E)	**29.10**	29.10
Elimination of inter-company transactions (F)	**—**	—
Net impact transferred to other equity G= C+D-E-F	**0.62**	(0.35)
Net impact in Retained Earnings	**—**	(0.35)
Total	**—**	(0.35)

iv) Other adjustments/matters arising out of merger

As per Appendix C of Ind AS 103 'Business Combination' for all the business combinations under common controls the financial information in the financial statements in respect of prior period should be restated as if the business combination had occurred from the beginning of Ihe preceding period in the financial statements, irrespective of acrual date of the combination. Hence financial statements of the Merged Undertaking are merged with effect from 1st April 2020. Accordingly figures for the year ended 31st March 2021 reinstated are after giving effect to the merger.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2022

46. 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, 2022	Amount as at 31st March, 2021
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limted) (in respect of loan taken from bank)	SBLC	Subsidiary Company	**25.83**	25.45
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limted) (in respect of loan taken from bank)............	Guarantees	Subsidiary Company	**81.01**	79.82
Kansai Paints Lanka (Private) Limited (in respect of loan taken from bank)	Guarantee	Subsidiary Company	**8.92**	12.75

47. COVID-19 Assessment

The Company has considered the impact of COVID-19 pandemic on its business operations and financial results 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. Despite reduced cases of COVID-19 being reported in the country, there have been massive disruptions in supply chain especially from global. Accordingly, the Company will continue to monitor any material changes to future economic conditions.

48. Other Statutory Information

(i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.

(ii) The Company has identified transaction with one struck off company i.e. Chemene Bombay Private Limited as Clearing and Forwarding Agent with whom transaction during the year amounts to ₹ 0.13 Crores (2020-2021 - ₹ 0.12 Crores).

(iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,

(iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

(v) The Company has not advanced or loaned or invested funds to any other person(s) or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

(vi) The Company has not received any fund from any person or entity, including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries,

(vii) The Company has no such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961

Notes to the Standalone Financial Statements
for the year ended 31st March, 2022

49. Ratio Analysis and its Elements

Ratios		Numerator	Denominator	2021-2022	2020-2021	% Variance
Current Ratio	Times	Current Assets	Current Liabilities	**2.91**	2.96	(1.65%)
Debt-Equity Ratio	Times	Total Debt	Shareholder's Equity	**0.02**	0.02	8.12%
Debt Service Coverage ratio	Times	Earnings for debt service = Net profit after taxes + Non-cash operating expenses	Debt service = Interest & Lease Payments + Principal Repayments	**13.06**	18.21	(28.25%)
Return on Equity ratio	%	Net Profits after taxes – Preference Dividend	Average Shareholder's Equity	**9.08%**	13.50%	(32.60%)
Inventory Turnover ratio	Times	Cost of goods sold	Average Inventory	**3.12**	2.87	8.77%
Trade Receivable Turnover Ratio	Times	Net credit sales	Average Trade Receivable	**6.47**	6.16	4.91%
Trade Payable Turnover Ratio	Times	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	**5.33**	4.64	14.77%
Net Capital Turnover Ratio	Times	Net sales = Total sales - sales return	Working capital = Current assets – Current liabilities	**3.01**	2.67	12.72%
Net Profit ratio	%	Net Profit	Net sales = Total sales - sales return	**6.39%**	11.20%	(42.97%)
Return on Capital Employed	%	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability	**12.06%**	17.23%	(30.02%)
Return on Investment	%	Interest (Finance Income)	Investment	**4.12%**	3.94%	4.57%

Reason for variation in ratios of more than 25% change is mainly due to unprecedented inflation resulting in compression in margins during the financial year.

50. Figures pertaining to 31st March, 2021 have been recast to give effect of merger of Marpol Private Limited and Perma Construction Aids Private Limited with Company.

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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

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	**2021-22**	1st October, 2012	NPR	**8.17**	**47.88**	**88.95**	**32.90**	**Nil**	**84.00**	**11.88**	**2.80**	**9.08**	**3.60**	**68%**
	2020-21			8.17	42.65	93.25	42.37	Nil	69.58	13.18	2.94	10.24	3.22	68%
Kansai Lanka Paints (Private) Limited	**2021-22**	30th July, 2015	LKR	**59.36**	**(55.52)**	**34.42**	**30.58**	**Nil**	**23.71**	**(17.64)**	**Nil**	**(17.64)**	**Nil**	**60%**
	2020-21			59.36	(40.24)	40.74	21.63	Nil	15.17	(7.68)	Nil	(7.68)	Nil	60%
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Ltd.)	**2021-22**	17th July, 2018	BDT	**77.93**	**(119.58)**	**169.95**	**211.60**	**Nil**	**230.54**	**(21.04)**	**1.38**	**(22.41)**	**Nil**	**55%**
	2020-21			77.93	(95.75)	145.06	162.88	Nil	163.95	(4.89)	1.21	(6.09)	Nil	55%
Nerofix Private Limited	**2021-22**	17th July, 2019	INR	**20.00**	**(8.27)**	**73.88**	**62.15**	**Nil**	**110.42**	**(3.69)**	**Nil**	**(3.69)**	**Nil**	**60%**
	2020-21			20.00	(4.58)	71.55	56.12	Nil	70.00	(3.71)	Nil	(3.71)	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 Pvt. Ltd., Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Ltd.) and Nerofix Private Limited are same as that of holding company i.e.1st April,2020 to 31st March, 2021.
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

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

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"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2022, 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, 2022, 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, 2022. 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 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 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 matters 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 the following: • 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;

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.

Independent Auditor's Report (Continued)

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.

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.

Independent Auditor's Report (Continued)

- 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, 2022 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.

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of 3 subsidiaries whose financial statements include total assets of Rs. 293.33 Crores as at March 31, 2022, total revenues of Rs. 338.25 Crores and net cash outflows of Rs. 21.14 Crores for the year ended on that date. These financial statement 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 Holding 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 matters 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

1. As required by the Companies (Auditor's Report) Order, 2020 ("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 paragraph 3(xxi) of the Order.
2. 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, 2022 taken on record by the Board of Directors of the Holding Company and the subsidiary company, none of the directors of the Group's companies, incorporated in India, is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;

Independent Auditor's Report (Continued)

(f) With respect to the adequacy of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary company, incorporated in India, 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, 2022 has been paid / provided by the Holding Company and its subsidiary 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, 2022;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2022. There were no amounts which were required to be transferred to Investor Education and Protection Fund by the subsidiary company incorporated in India during the year ended March 31, 2022;

iv. a) The respective managements of the Holding Company and its subsidiary company which is incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, and as disclosed in the note 47 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or such subsidiary company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or such subsidiary company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The respective managements of the Holding Company and its subsidiary company which is incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of its knowledge and belief, and as disclosed in the note 47 to the consolidated financial statements, no funds have been received by the respective Holding Company or such subsidiary company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or such subsidiary company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.

v. The final dividend paid by the Holding Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

The interim dividend declared and paid during the year by the Holding Company and until the date of this audit report is in accordance with section 123 of the Act.

As stated in note 17 to the consolidated financial statements, the Board of Directors of the Holding Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.

No dividend has been declared or paid during the year by the subsidiary company, 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: 22110759AISDCB6465

Place of Signature: Mumbai
Date: May 10, 2022

Annexure 1 to the Independent Auditor's Report

Annexure '1' referred to in paragraph under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Kansai Nerolac Paints Limited ("the Holding Company")

In terms of the information and explanations sought by us and given by the Holding Company its subsidiary company incorporated in India and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

There are no qualifications or adverse remarks in the Companies (Auditors Report) Order (CARO) report of the subsidiary company incorporated in India included in the consolidated financial statements. Accordingly, the requirement to report on clause 3(xxi) of the Order is not applicable to the Holding Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 22110759AISDCB6465

Place of Signature: Mumbai
Date: May 10, 2022

Annexure 2 to the Independent Auditor's Report

Annexure 2 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, 2022, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary (the Holding Company and its subsidiary 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 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 that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets

Annexure 2 to the Independent Auditor's Report (Contd.)

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 company, 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 31,2022, 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.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 22110759AISDCB6465

Place of Signature: Mumbai
Date: May 10, 2022

Consolidated Balance Sheet as at 31st March, 2022

₹ in Crores

	Note	As at 31st March, 2022		As at 31st March, 2021	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1775.38**		1691.50	
Capital Work-in-progress		**224.58**		206.85	
Right of Use Assets (ROU)	3	**174.00**		160.71	
Investment Property	4	**0.18**		0.18	
Goodwill on Consolidation	5A	**19.78**		19.78	
Other Intangible Assets	5B	**26.82**		40.02	
			2220.74		2119.04
Financial Assets:					
Investments	6	**1.08**		0.95	
Other Financial Assets	7	**13.87**		14.84	
			14.95		15.79
Non-Current Tax Assets (Net)			**155.77**		130.47
Other Non-current Assets	8		**87.64**		90.19
Total Non-current Assets			**2479.10**		2355.49
Current Assets					
Inventories	9		**1629.55**		1197.93
Financial Assets:					
Investments	10	**209.46**		668.06	
Trade Receivables	11	**1093.33**		956.35	
Cash and Cash Equivalents	12	**77.04**		102.94	
Bank Balances other than Cash and Cash Equivalents	13	**28.96**		21.59	
Other Financial Assets	14	**26.49**		60.19	
			1435.28		1809.13
Other Current Assets	15		**165.45**		170.80
Total Current Assets			**3230.28**		3177.86
Total Assets			**5709.38**		5533.35
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**4078.33**		3999.01	
Equity attributable to owners of the Company			**4132.22**		4052.90
Non-Controlling Interests	17		**19.29**		36.28
Total Equity			**4151.51**		4089.18
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**10.94**		17.19	
Lease Liabilities	45	**92.11**		77.12	
Provisions	19	**22.27**		0.45	
Deferred Tax Liabilities (Net)	20	**106.49**		108.89	
Total Non-current Liabilities			**231.81**		203.65
Current Liabilities					
Financial Liabilities:					
Borrowings	21	**192.06**		155.91	
Lease Liabilities	45	**23.60**		18.78	
Trade Payables	22				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**102.37**		93.64	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**878.27**		813.18	
		980.64		906.82	
Other Financial Liabilities	23	**52.98**		94.20	
		1249.28		1175.71	
Other Current Liabilities	24	**51.17**		37.69	
Provisions	25	**20.62**		22.21	
Current Tax Liabilities (Net)	26	**4.99**		4.91	
Total Current Liabilities			**1326.06**		1240.52
Total Liabilities			**1557.87**		1444.17
Total Equity and Liabilities			**5709.38**		5533.35
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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Consolidated Statement of Profit and Loss for the year ended 31st March, 2022

₹ in Crores

	Note	Year ended 31st March, 2022		Year ended 31st March, 2021	
Income					
Revenue from Operations	27		**6369.35**		5074.25
Other Income	28		**25.41**		38.21
Total Income			**6394.76**		5112.46
Expenses					
Cost of Materials Consumed	29	**4318.57**		2935.79	
Purchases of Stock-in-trade		**401.54**		317.21	
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	30	**(292.81)**		(106.47)	
Employee Benefits Expense	31	**355.58**		304.68	
Finance Costs	32	**28.59**		23.74	
Depreciation and Amortisation Expenses	33	**169.77**		165.30	
Other Expenses	34	**937.11**		759.76	
Total Expenses			**5918.35**		4400.01
Profit Before Tax			**476.41**		712.45
Tax Expense					
Current Tax	20	**136.46**		186.02	
Deferred Tax	20	**(3.20)**		0.71	
Total Tax Expense			**133.26**		186.73
Profit for the Year			**343.15**		525.72
Other Comprehensive Income					
(i) Items that will not be reclassified to Consolidated Statement of Profit and Loss					
(a) Remeasurement of Employee Defined Benefit Liability		**3.05**		0.20	
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss		**(0.84)**		(0.07)	
Net Other Comprehensive income not to be reclassified subsequently to Consolidated Statement of Profit and Loss			**2.21**		0.13
(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		**1.00**		(0.22)	
(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			**1.00**		(0.22)
Other Comprehensive Income (net of taxes)			**3.21**		(0.09)
Total Comprehensive Income for the year			**346.36**		525.63
Profit Attributable to:					
Owners of the Company		**358.86**		529.74	
Non-Controlling Interests		**(15.71)**		(4.02)	
Profit for the year			**343.15**		525.72
Other Comprehensive Income attributable to:					
Owners of the Company		**3.35**		(0.02)	
Non-Controlling Interests		**(0.14)**		(0.07)	
Other Comprehensive Income for the year			**3.21**		(0.09)
Total Comprehensive Income attributable to:					
Owners of the Company		**362.21**		529.72	
Non-Controlling Interests		**(15.85)**		(4.09)	
Total Comprehensive Income for the year			**346.36**		525.63
Earnings per Share (of ₹ 1 each):					
Basic and Diluted (in ₹)	36		**6.66**		9.83
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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Consolidated Statement of Changes in Equity

for the year ended 31st March, 2022

A. Equity Share Capital

₹ in Crores

Balance as at 1st April, 2020	**53.89**
Changes in Equity Share Capital during 2020-21	—
Balance as at the 31st March, 2021	**53.89**
Changes in Equity Share Capital during 2021-22	—
Balance as at the 31st March, 2022	**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, 2021	**0.30**	**12.56**	**488.51**	**3,504.18**	**(6.54)**	**3,999.01**	**36.28**	**4,035.30**
Profit for the year	**—**	**—**	**—**	**358.86**	**—**	**358.86**	**(15.71)**	**343.15**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	3.18	—	3.18	(0.13)	**3.05**
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.84)	—	(0.84)	—	**(0.84)**
Exchange differences on translation of foreign operations	—	—	—	—	1.00	1.00	—	**1.00**
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**2.34**	**1.00**	**3.34**	**(0.13)**	**3.21**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**361.20**	**1.00**	**362.20**	**(15.84)**	**346.36**
Transaction with Owners in their Capacity as Owners:								
Dividends	—	—	—	(282.89)	—	(282.89)	(1.15)	**(284.04)**
	—	**—**	**—**	**(282.89)**	**—**	**(282.89)**	**(1.15)**	**(284.04)**
Balance as at 31st March, 2022	**0.30**	**12.56**	**488.51**	**3582.49**	**(5.54)**	**4078.33**	**19.29**	**4097.62**

₹ 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	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)
	—	—	—	(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

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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Consolidated Statement of Cash Flows

for the year ended 31st March, 2022

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Cash Flow from Operating Activities				
Net Profit before tax		**476.41**		712.45
Adjustments for:				
Depreciation and Amortization Expenses	**169.77**		165.30	
Fair Value Loss/(Gain) on Financial Instruments recognised through FVTPL	**0.61**		(4.24)	
Unrealised Foreign Exchange (Gain) (net)	**(0.95)**		(0.28)	
Profit on Sale of Current Investments (Net)	**(14.29)**		(10.12)	
Interest Income	**(2.59)**		(6.20)	
Dividend Income	**(0.03)**		(0.03)	
Finance Cost	**28.59**		23.74	
(Profit) on Sale of Property, Plant and Equipment (Net)	**(0.60)**		(2.46)	
Impairment loss allowance on trade receivables	**2.81**		11.92	
Provisions/Liabilities no longer required written back	**(47.44)**		(8.23)	
		135.88		169.40
Operating Profit before Working Capital Changes		**612.29**		881.85
(Increase) in Trade And Other Receivables	**(106.00)**		(211.35)	
(Increase) in Inventories	**(431.61)**		(189.58)	
Increase in Trade Payables, Other Financial Liabilities and Provisions	**111.85**		322.09	
		(425.76)		(78.84)
Cash Generated from Operations		**186.53**		803.01
Direct Taxes Paid (Net of Refunds)		**(161.76)**		(157.14)
Net Cash Flows generated from Operating Activities		**24.77**		645.87
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)	**(219.01)**		(103.79)	
Proceeds from Sale Property, Plant, Equipment	**1.07**		2.92	
Purchase of non current Investments	**(0.14)**		(0.11)	
Purchase of current Investments	**(3,014.36)**		(3,276.89)	
Proceeds from Sale/ Redemption of Investments	**3,486.64**		2,928.29	
Interest Received	**2.59**		6.20	
Dividend Received	**0.03**		0.03	
Investments in fixed deposits	**(7.28)**		(9.49)	
Net Cash Flows generated from / (used in) Investing Activities		**249.54**		(452.84)
Cash Flow from Financing Activities				
Issue of Equity Share Capital	**—**		19.73	
(Repayment of) Long-term Borrowings	**(0.05)**		(4.96)	
Proceeds from / (Repayment of) Current Borrowings	**26.99**		(3.90)	
Payment of Lease Liabilities	**(34.11)**		(29.91)	
Interest Paid	**(18.10)**		(15.95)	
Dividend Paid	**(284.04)**		(239.17)	
Net Cash Flows (used in) Financing Activities		**(309.31)**		(274.16)
Net (Decrease) in Cash and Cash Equivalents		**(35.00)**		(81.13)

Consolidated Statement of Cash Flows

for the year ended 31st March, 2022

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Cash and Cash Equivalents at Beginning 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
Cash and Cash Equivalents at end of the year the components being: (Refer note 11)				
Cash on Hand	**1.11**		0.30	
Cheques on hand	**23.34**		16.78	
Balances with Banks	**51.61**		85.86	
Bank overdrafts and Cash Credit (Refer Note 21)	**(88.21)**		(79.00)	
Effect of exchange rate fluctuation	**0.98**		(0.11)	
		(11.17)		23.83
Net (Decrease) as disclosed above		**(35.00)**		(81.13)

Debt Reconciliation Statement in accordance with Ind AS 7

₹ in Crores

	31st March, 2022	31st March, 2021
Opening Balances		
Long-term Borrowings	**17.19**	23.44
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**72.09**	79.52
Movements		
Long-term Borrowings	**(6.25)**	(6.25)
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**31.76**	(7.43)
Closing Balances		
Long-term Borrowings	**10.94**	17.19
Current Borrowings (Excluding Bank overdrafts and Cash Credit)	**103.85**	72.09

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.

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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

Anuj Jain
Managing Director
DIN: 08091524

N.N. Tata
Director
DIN: 00024713

Sonia Singh
Director
DIN: 07108778

P.D. Pai
CFO

G.T. Govindarajan
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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 Paint Co., Ltd., Japan is immediate and ultimate holding company of Kansai Nerolac Paints Limited and is based and listed in Japan. Financial Statements of Kansai Paint Co., Ltd., Japan 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, 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 and Nerofix Private Limited, a company incorporated in India in which the Holding Company has 60% equity holding, hereinafter referred to as the "Group".

The Consolidated Financial Statements for the year ended 31st March, 2022 have been reviewed by the Audit Committee and approved by the Board of Directors of the Holding Company at their meetings held on 10th May, 2022.

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, as amended from time to time.

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 Group's employees 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.

Contingencies 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

B. Basis of Preparation (contd.)

4. Use of estimates and judgements (contd.)

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, 2022. 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.

D. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs (“MCA”) through Companies (Indian Accounting Standards) Amendment Rules, 2019 has notified certain amendments to existing Ind AS via notification dated 23 March 2022. The same shall come into force from annual reporting period beginning on or after *1st April 2022* which the Group has not applied as they are not effective for annual period beginning on or after 1 April 2021. Key synopsis are as under:

- Ind AS 16 Property, Plant and Equipment - For items produced during testing/trail phase, clarification added that revenue generated out of the same shall not be recognised in statement of profit and loss and considered as part of cost of PPE.
- Ind AS 37 Provisions, Contingent Liabilities & Contingent Assets - Guidance on what constitutes cost of fulfilling contracts (to determine whether the contract is onerous or not) is included.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

D. Recent Accounting Pronouncement (contd.)

- Ind AS 101 - First time Adoption of Ind AS - Measurement of Foreign Currency Translation Difference in case of subsidiary/ associate/ JV's date of transition to Ind AS is subsequent to that of Parent - FCTR in the books of subsidiary/associate/JV can be measured based Consolidated Financial Statements.
- Ind AS 103 - Business Combination - Reference to revised Conceptual Framework. For contingent liabilities/ levies, clarification is added on how to apply the principles for recognition of contingent liabilities from Ind AS 37. Recognition of contingent assets is not allowed.
- Ind AS 109 Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

While preparing the financial statement for the year ended 31 March 2022, the above amendments are not considered for disclosure as standards notified by Ministry of Corporate Affairs, but not yet effective, in accordance with IND AS.

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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(c) Depreciation (contd.)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

4. Investment Property (contd.)

(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.

(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 Knowhow	5-10
Customer Relationships	5

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

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

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

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

Once classified as held-for-sale, 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

7. **Employee Benefits** (contd.)

(b) **Post-Employment Benefits** (contd.):

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 there of equal to or 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.

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 for eligible employees is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(c) **Retirement Benefits to Executive Directors of Holding Company**

The liability for special retirement benefit to the Executive Directors of Holding Company who became entitled prior to the discontinuation of the policy, is recognised in the balance sheet at its present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by actuaries using the projected united credit method.

The present value of the said obligation is determined by discounting the estimated future cash outflows, using market yields of government bonds that have tenure approximating the tenures of the related liability.

The interest expense is calculated by applying the discount rate to the defined benefit liability. The interest expense on the defined benefit liability is recognised in the Consolidated Statement of Profit and Loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(d) **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 tax 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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

8. Inventories (contd.)

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.

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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

12. Revenue Recognition (contd.)

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.

13. Foreign Currency Transactions

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

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

14. Taxation (contd.)

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.

(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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments

(a) Recognition and initial Measurement

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

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

(b) Classification and subsequent measurement

Financial assets

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

— amortised cost;

— Fair Value through Other Comprehensive Income (FVOCI) – debt investment;

— Fair Value through Other Comprehensive Income – equity investment; or

— FVTPL

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

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

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial Assets: Subsequent Measurement and Gains and Losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Consolidated Statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is recognised in Consolidated Statement of Profit and Loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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 Consolidated Statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Consolidated Statement of profit and loss. Any gain or loss on derecognition is also recognised in Consolidated Statement of profit and loss.

(c) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(d) Offsetting

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

(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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

18. Earnings Per Share (contd.)

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)

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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

Note 1: Significant Accounting Policies (contd.)

20. Impairment Loss (contd.)

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.

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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block					Accumulated Depreciation					Net Block
	As at 1st April, 2021	Additions/ Adjustments	Deductions/ Adjustments	Translation Difference	**As at 31st March, 2022**	As at 1st April, 2021	Additions/ Adjustments	Deductions/ Adjustments	Translation Difference	**As at 31st March, 2022**	**As at 31st March, 2022**
Freehold Land	120.72	0.11	—	0.02	**120.85**	—	—	—	—	**—**	**120.85**
	(120.73)	—	—	0.01	(120.72)	—	—	—	—	—	(120.72)
Buildings	795.28	109.74	—	(3.16)	**901.86**	177.28	25.14	—	(0.40)	**202.02**	**699.84**
	(772.62)	(23.71)	(0.53)	0.52	(795.28)	(153.64)	(23.93)	(0.13)	0.16	(177.28)	(618.00)
Plant and Equipments	1281.14	60.20	0.90	(1.85)	**1338.59**	476.56	60.83	0.83	(0.12)	**536.44**	**802.15**
	(1225.39)	(63.22)	(5.82)	1.65	(1281.14)	(422.37)	(60.20)	(5.77)	0.24	(476.56)	(804.58)
Furniture and Fixtures	23.84	1.02	0.01	(0.06)	**24.79**	17.42	1.17	—	(0.08)	**18.51**	**6.28**
	(22.49)	(1.54)	(0.18)	0.01	(23.84)	(16.59)	(1.01)	(0.18)	—	(17.42)	(6.42)
Vehicles	7.73	0.11	1.60	0.13	**6.37**	5.89	0.31	1.17	0.06	**5.09**	**1.28**
	(7.38)	(0.41)	—	0.06	(7.73)	(5.29)	(0.64)	—	0.04	(5.89)	(1.84)
Office Equipments	17.47	1.69	0.01	(0.10)	**19.05**	13.88	1.35	—	(0.06)	**15.17**	**3.88**
	(16.99)	(0.65)	(0.14)	0.03	(17.47)	(12.85)	(1.17)	(0.14)	(0.00)	(13.88)	(3.59)
Computers	52.45	8.13	6.70	(0.21)	**53.67**	44.77	3.93	6.70	(0.22)	**41.78**	**11.89**
	(50.63)	(2.20)	(0.25)	0.13	(52.45)	(40.89)	(4.20)	(0.25)	0.07	(44.77)	(7.68)
Assets for Scientific Research*	78.28	0.59	—	—	**78.87**	20.68	3.10	—	—	**23.78**	**55.09**
	(76.36)	(1.92)	—	—	(78.28)	(17.61)	(3.07)	—	—	(20.68)	(57.60)
Assets on Operating Lease (Refer Note 2.6)	351.79	31.57	7.27	(0.05)	**376.04**	281.90	29.07	7.27	—	**303.70**	**72.34**
	(337.65)	(24.32)	(10.17)	0.01	(351.79)	(263.33)	(28.73)	(10.16)	—	(281.90)	(69.89)
Colourant Machine	0.71	0.59	—	(0.23)	**1.07**	—	—	—	—	—	**1.07**
	(0.40)	(0.49)	—	0.18	(0.71)	—	—	—	—	—	(0.71)
Tools and Appliances	0.94	0.61	0.19	(0.07)	**1.29**	0.47	0.28	—	(0.17)	**0.58**	**0.71**
	(0.58)	(0.37)	—	0.01	(0.94)	(0.32)	(0.16)	—	—	(0.47)	(0.47)
Total Tangible Assets	2730.35	214.36	16.68	(5.58)	**2922.45**	1038.85	125.18	15.97	(0.99)	**1147.07**	**1775.38**
	(2631.22)	(118.83)	(17.09)	(2.61)	(2730.35)	(932.89)	(123.11)	(16.63)	(0.51)	(1038.50)	(1691.50)

* Net block includes Buildings ₹ 24.58 Crores (2020-2021 ₹ 24.99 Crores), Plant and Equipment ₹ 26.76 Crores (2020-2021 ₹ 28.25 Crores) and Furniture and Fixtures ₹ 3.75 Crores (2020-2021 ₹ 4.36 Crores).

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

2.2. In above assets, net block for Plant and Machinery - ₹ 3.77 Crores (2020-2021: ₹ 4.61 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 (2020-2021: ₹ 1.99 Crores), Buildings - ₹ 5.59 Crores (2020-21: ₹ 5.91 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 376.04 Crores (2020-2021 ₹ 351.79 Crores) and ₹ 303.70 Crores (2020-2021 ₹ 281.90 Crores) respectively.

(ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 29.07 Crores (2020-2021 ₹ 28.73 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.

2.7. CWIP ageing schedule is not given as it is not material to the group i.e. it is not more than 10% of the respective balance sheet item in Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

3. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block					Accumulated Amortisation					Net Block
	As at 1st April, 2021	Additions	Deductions	Translation Difference	As at 31st March, 2022	As at 1st April, 2021	Additions	Deductions	Translation Difference	As at 31st March, 2022	As at 31st March, 2022
Leasehold Land	83.48	—	—	(1.27)	**82.21**	5.77	1.14	0.05	(0.19)	**6.67**	**75.54**
	(83.73)	—	(0.25)	—	(83.48)	(4.61)	(0.84)	(0.07)	(0.39)	(5.77)	(77.71)
Buildings	112.56	45.53	5.83	(0.19)	**152.07**	29.56	28.46	4.18	(0.23)	**53.61**	**98.46**
	(67.03)	(58.95)	(13.42)	—	(112.56)	(13.61)	(25.74)	(9.79)	—	(29.56)	(83.00)
Total Right of Use Assets (ROU)	196.04	45.53	5.83	(1.46)	**234.28**	35.33	29.60	4.23	(0.42)	**60.28**	**174.00**
	(150.76)	(58.95)	(13.67)	—	(196.04)	(18.22)	(26.58)	(9.86)	(0.39)	(35.33)	160.71

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.

4. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2021	Additions	Deductions	As at 31st March, 2022	As at 1st April, 2021	Additions	Deductions	As at 31st March, 2022	As at 31st March, 2022
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)

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.

4.4. During the financial year, no rental income was generated from the investment properties whereas direct operating expenses of ₹ 0.26 Crores (2020-2021 ₹ 0.27 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.

4.5. Total fair value of Investment Property is ₹ 1354.98 Crores (2020-2021 ₹ 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 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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

5. Goodwill and Other Intangible Assets

5A. Goodwill on Consolidation

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2021	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2022	As at 1st April, 2021	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2022	As at 31st March, 2022
Goodwill	0.20	—	—	**0.20**	—	—	—	—	**0.20**
	—	—	—	(0.20)	—	—	—	—	(0.20)
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)
Total Goodwill on consolidation	19.78	—	—	**19.78**	—	—	—	—	**19.78**
	(19.78)	—	—	(19.78)	—	—	—	—	(19.78)

5B. Other Intangible Assets

₹ in Crores

Description	Gross Block					Accumulated Amortisation					Net Block
	As at 1st April, 2021	Additions/ Adjust-ments	Deduc-tions/Ad-justments	Trans-lation Difference	As at 31st March, 2022	As at 1st April, 2021	Additions/ Adjust-ments	Deductions/ Adjustments	Trans-lation Difference	As at 31st March, 2022	As at 31st March, 2022
Software	19.69	2.38	—	(0.71)	**21.36**	18.38	1.12	—	0.12	**19.38**	**1.98**
	(19.66)	(0.05)	—	0.02	(19.69)	(16.67)	(1.73)	—	0.02	(18.38)	(1.31)
Customer Relationship	29.33	—	—	—	**29.33**	14.05	5.87	—	—	**19.92**	**9.41**
	(29.33)	—	—	—	(29.33)	(8.37)	(5.68)	—	—	(14.05)	(15.28)
Brand and Technical Knowhow	20.29	—	—	—	**20.29**	8.11	3.47	—	0.01	**11.59**	**8.70**
	(20.29)	—	—	—	(20.29)	(4.64)	(3.47)	—	—	(8.11)	(12.18)
Non-compete	22.64	—	—	—	**22.64**	11.39	4.53	—	(0.01)	**15.91**	**6.73**
	(22.64)	—	—	—	(22.64)	(6.68)	(4.73)	—	(0.02)	(11.39)	(11.25)
Total Other Intangible Assets	91.95	2.38	—	(0.71)	**93.62**	51.93	14.99	—	0.12	**66.80**	**26.82**
	(91.92)	(0.05)	—	0.02	(91.95)	(36.36)	(15.61)	—	(0.04)	(51.93)	(40.02)

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

5.2. Nil amount of borrowing costs is capitalised during the current and comparative period.

5.3. Nil amount of impairment loss is recognised during the current and comparative period.

6. Non-current Investments

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Investments in Equity Instruments:		
i. Others at Fair value through profit or loss		
Quoted	**0.65**	0.52
Unquoted	**0.38**	0.38
Investments in Debentures:		
Quoted	**0.05**	0.05
Total Non-current Investments	**1.08**	0.95
Aggregate book value of quoted investments	**0.70**	0.57
Aggregate market value of quoted investments	**0.70**	0.57
Aggregate amount of unquoted investments	**0.38**	0.38
Aggregate amount of impairment in value of investments	**Nil**	Nil

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

7. Other Financial Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Security Deposits	**13.87**	14.84
	13.87	14.84

8. Other Non-current Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Capital Advances	**56.16**	64.93
Prepaid Expenses	**8.27**	2.87
Balances with Indirect Tax Authorities	**23.21**	22.39
	87.64	90.19

9. Inventories

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Raw Materials	**527.01**	394.19
Packing Materials	**22.94**	18.85
Work-in-progress	**142.74**	100.55
Finished Goods	**849.06**	615.06
Stock-in-trade	**74.66**	58.04
Stores and Spares	**13.14**	11.24
	1629.55	1197.93

Inventories amounting to ₹ 75.93 Crores (2020-2021 ₹ 83.93 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.

10. Current Investments

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
(A) Investments in Bonds at FVTPL (Quoted)	**9.52**	16.23
(B) Mutual Funds at FVTPL (Unquoted)	**199.94**	651.83
Total Current Investment (A + B)	**209.46**	668.06
Aggregate book value of quoted investments	**9.52**	16.23
Aggregate market value of quoted investments	**9.52**	16.23
Aggregate amount of unquoted investments	**199.94**	651.83
Aggregate amount of impairment in value of investments	**Nil**	Nil

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

11. Trade Receivables

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Secured, Considered Good	—	—
Unsecured, Considered Good	1,093.33	956.35
Significant Increase in Credit Risk	—	—
Credit Impaired	49.40	46.59
Loss Allowance	(49.40)	(46.59)
	—	—
	1093.33	956.35

Trade Receivables amounting to ₹ 102.94 Crores (2020-2021 ₹ 106.49 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21)

Trade Receivables Ageing Schedule as at 31 March 2022

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	836.21	209.32	20.13	14.03	11.75	1.89	1,093.33
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(iii) Undisputed Trade Receivables – credit impaired	—	—	—	—	—	—	—
(iv) Disputed Trade Receivables considered good	—	—	—	—	—	—	—
(v) Disputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(vi) Disputed Trade Receivables – credit impaired	—	—	3.12	10.26	9.41	26.61	49.40

Trade Receivables Ageing Schedule as at 31 March 2021

₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good	742.05	180.40	14.96	12.97	3.7	2.27	956.35
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(iii) Undisputed Trade Receivables – credit impaired	—	—	—	—	—	—	—
(iv) Disputed Trade Receivables considered good	—	—	—	—	—	—	—
(v) Disputed Trade Receivables – which have significant increase in credit risk	—	—	—	—	—	—	—
(vi) Disputed Trade Receivables – credit impaired	—	0.86	3.39	6.99	14.94	20.41	46.59

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

12. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Cash on hand	**1.11**	0.30
Cheques on hand	**23.34**	16.78
Banks balances	**52.59**	85.86
	77.04	102.94

13. Bank Balance other than Cash and cash equivalents

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unpaid Dividend Accounts	**2.46**	2.37
Fixed Deposit with Bank with more than 3 months but less than 12 months maturity	**26.50**	19.22
	28.96	21.59

14. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Security Deposits	**7.68**	6.78
GST Incentive Receivable	**9.86**	—
Other Receivable [Includes receivable from mutual fund ₹ NIL (2020-2021 ₹ 48.00 Crores)]	**8.95**	53.41
	26.49	60.19

15. Other Current Assets

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**82.12**	96.41
Trade Advances	**56.19**	51.61
Prepaid Expenses	**12.88**	17.75
Other Receivable	**14.26**	5.03
	165.45	170.80

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

16. Share Capital

	As at 31st March, 2022		As at 31st March, 2021	
1. Authorised Share Capital (₹ in Crores)		**66.50**		66.50
Par Value per Share (₹)		**1**		1
Number of Equity Shares		**66,50,00,000**		66,50,00,000
2. Issued, Subscribed and Fully Paid up ₹ in Crores)		**53.89**		53.89
Par Value per Share (₹)		**1**		1
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. Disclosure of Shareholding of Promoters:				
Name of Promoter: Kansai Paint Co., Ltd., Japan				
Details of shares held by promoters:				
No. of shares at the beginning of the year		**40,41,35,898**		40,41,35,898
Change during the year		**—**		—
No. of shares at the end of the year		**40,41,35,898**		40,41,35,898
% of Total Shares		**74.99**		74.99
% change during the year		**—**		—
8. 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 31st March, 2022, 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		**10.94**		17.19
Current Borrowings		**192.06**		155.91
Gross Debt		**203.00**		173.10
Less : Cash and Cash Equivalent		**77.04**		102.94
Less : Other Bank Deposits		**26.50**		19.22
Adjusted Net Debt		**99.46**		50.94
Total Equity		**4151.51**		4089.18
Adjusted Net Debt - Equity Ratio		**0.024**		0.012

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

17. 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, 2021	**0.30**	**12.56**	**488.51**	**3,504.18**	**(6.54)**	**3,999.01**	**36.28**	**4,035.30**
Profit for the year	**—**	**—**	**—**	**358.86**	**—**	**358.86**	**(15.71)**	**343.15**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	3.18	—	3.18	(0.13)	**3.05**
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.84)	—	(0.84)	—	**(0.84)**
Exchange differences on translation of foreign operations	—	—	—	—	1.00	1.00	—	**1.00**
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**2.34**	**1.00**	**3.34**	**(0.13)**	**3.21**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**361.20**	**1.00**	**362.20**	**(15.84)**	**346.36**
Transaction with Owners in their Capacity as Owners:								
Dividends	—	—	—	(282.89)	—	(282.89)	(1.15)	**(284.04)**
	—	**—**	**—**	**(282.89)**	**—**	**(282.89)**	**(1.15)**	**(284.04)**
Balance as at 31st March, 2022	**0.30**	**12.56**	**488.51**	**3582.49**	**(5.54)**	**4078.33**	**19.29**	**4097.62**

₹ 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	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)
	—	—	—	(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

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Employee Defined Benefit Liability	**As at 31st March, 2022**	As at 31st March, 2021
Opening Balance	**(10.93)**	(11.06)
Remeasurement of Employee Defined Benefit Liability, net of tax	**2.21**	0.13
Closing Balance	**(8.72)**	(10.93)

₹ in Crores

Exchange differences on translation of foreign operations	**As at 31st March, 2022**	As at 31st March, 2021
Opening Balance	**(6.54)**	(6.32)
Exchange Difference on translation of foreign operations	**1.00**	(0.22)
Closing Balance	**(5.54)**	(6.54)

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

17. Other Equity (contd.)

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 2020-2021, the Directors had recommended and Shareholders had approved a interim and final dividend of 125% and 400% respectively (₹ 5.25 per share), which has been accounted in current year.

The Board has recommended a final dividend of 100% (₹ 1.00 per share) for the year, in addition the Company had declared interim dividend of 125% (₹ 1.25 per share) paid on November 22, 2021. Accordingly, the total dividend is 225% (₹ 2.25 per share) for the financial year ended March 31, 2022 as compared to total dividend of 525% (₹ 5.25 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 ₹ 53.89 Crores (2020-2021 ₹ 215.56 Crores) have not been recognised as liabilities.

18. Non-Current Borrowings

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
a. Term Loans from Banks*	**10.94**	17.19
* Secured Loans from Bank at average interest rate of 8.15% (2020-2021: 8.60%) 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 21.		
	10.94	17.19

19. Provisions

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Provision for Compensated Absences (Refer note 38)	**—**	0.41
Provision for Gratuity (Refer note 38)	**—**	0.04
Provision for Retirement Benefits to Executive Directors (Refer note 38)	**22.27**	—
	22.27	0.45

20. Income Taxes

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
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	**136.46**	186.02
Deferred tax:		
In respect of current year	**(3.20)**	0.71
Income tax expense recognised in the Consolidated Statement of Profit and Loss	**133.26**	186.73
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**(0.84)**	(0.07)
Income tax expense recognised in OCI	**(0.84)**	(0.07)

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

20. Income Taxes (contd.)

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**476.41**	712.45
Income tax expense calculated at 25.17% (2020-2021 : 25.17%)	**119.91**	179.32
Tax effect on non-deductible expenses	**8.09**	2.82
Effect of Income that is exempted from tax	**(0.28)**	(0.25)
Impact of Tax on different rates on components	**(0.64)**	1.33
Impact of Tax due to loss in components	**12.04**	5.31
Others	**(5.86)**	(1.80)
Total	**133.26**	186.73
Tax expense as per Consolidated Statement of Profit and Loss	**133.26**	186.73

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2020-2021 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 & Loss**	**OCI**	**Balance Sheet**
	01.04.2021	**2021-22**	**2021-22**	**31.03.2022**
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.	**(123.10)**	**(4.05)**	**—**	**(127.15)**
Tax adjustment on account on indexation of freehold land	**17.44**	**2.03**	**—**	**19.47**
Expense claimed for tax purpose on payment basis	**5.50**	**0.37**	**—**	**5.87**
Provision for doubtful debts and Advances	**7.77**	**1.03**	**—**	**8.80**
Remeasurement benefit of the employee defined benefit plans through OCI	**2.92**	**—**	**(0.84)**	**2.08**
Deferred Tax on Distributable Accumulated Reserves of Subsidiaries	**(2.71)**	**—**	**—**	**(2.71)**
Deferred tax Liability due to Purchase Price Allocation Adjustment	**(17.15)**	**1.70**	**—**	**(15.45)**
Lease Rentals	**2.19**	**0.94**	**—**	**3.13**
Net fair value loss on investment through FVTPL	**(1.75)**	**1.18**	**—**	**(0.57)**
Deferred tax (expense) / income				
Net Deferred tax liabilities	**(108.89)**	**3.20**	**(0.84)**	**(106.49)**

₹ in Crores

Particulars	Balance Sheet	Statement of Profit & Loss	OCI	Balance Sheet
	01.04.2020	2020-21	2020-21	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, 2022

21. Borrowings

₹ in Crores

	As at 31st March, 2022		As at 31st March, 2021	
From Banks				
Term Loans*	95.94		65.79	
Overdraft #	88.21		83.82	
Current Maturities of Long-term Borrowings	6.25		6.25	
		190.40		155.86
* The Group has obtained at 8.00% - 9.25% (2020-2021 4.50% - 9.25%) 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 11) and inventories (Refer Note 9). These term loans are repayable within 180 days from date of issue of such term loans.				
# The Group has obtained at 7.00% - 9.00% (2020-2021 6.75% - 9.25%) 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 11) and inventories (Refer Note 9), pledging of Freehold Land and Building (Refer Note 2.3). These facilities are repayable on demand.				
From Other Body Corporate		1.66		0.05
To support the working capital requirement, the Group had obtained short term loan carrying interest at 10.30% (2020-2021 - 9.00%). These loans are repayable on demand.				
		192.06		155.91

22. Trade Payables

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Trade Payables		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 41)	102.37	93.64
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	878.27	813.18
	980.64	906.82

Trade Payable Ageing Schedule

As at 31 March 2022 ₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	—	102.37	—	—	—	—	102.37
(ii) Others	208.72	267.68	394.78	6.63	0.43	0.03	878.27
(iii) Disputed dues - MSME	—	—	—	—	—	—	—
(iv) Disputed dues - Others	—	—	—	—	—	—	—

As at 31 March 2021 ₹ in Crores

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	—	93.64	—	—	—	—	93.64
(ii) Others	187.36	457.67	161.63	5.20	1.22	0.10	813.18
(iii) Disputed dues - MSME	—	—	—	—	—	—	—
(iv) Disputed dues - Others	—	—	—	—	—	—	—

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

23. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Unclaimed/Unpaid Dividends*	**2.30**	0.16
Trade Deposits	**30.52**	80.54
Creditors for Capital Goods @ (Refer Note 41)	**19.97**	13.28
Other Current Liabilities	**0.19**	0.22
	52.98	94.20

* 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 ₹ 3.73 Crores (2020-2021 ₹ 4.59 Crores)

24. Other Current Liabilities

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Statutory Obligations*	**32.40**	22.19
Trade Receivables with Credit Balance	**18.77**	15.50
	51.17	37.69

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

25. Provisions

₹ in Crores

	As at 31st March, 2022		As at 31st March, 2021	
Provision for Compensated Absences (Refer note 38)		**14.82**		14.68
Provision for Gratuity (Refer note 38)		**—**		3.66
Provision for Retirement Benefits to Executive Directors (Refer Note 38)		**1.94**		—
Provision for Indirect Taxes:				
Opening Balance	**3.87**		2.25	
Add: Provision during the year	**—**		1.62	
Less: Utilisation / reversal during the year	**0.01**		—	
		3.86		3.87
		20.62		22.21

26. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
Current Tax Liabilities (Net)	**4.99**	4.91
	4.99	4.91

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

27. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Sale of Products				
Sales	**7126.54**		5722.66	
Less: Discounts and Rebates	**844.16**		681.27	
Total Sale of Products		**6282.38**		5041.39
Other Operating Revenues				
Sale of Scrap	**22.96**		16.69	
GST Incentives	**9.86**		—	
Others*	**54.15**		16.17	
		86.97		32.86
Revenue from Operations		**6369.35**		5074.25

*Include writeback of trade deposits amounting to ₹ 47.44 Crores (2020-2021 ₹ 8.23 Crores)

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, 2022	Year ended 31st March, 2021
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**5469.20**	4387.30
Asia (Other than India)	**341.04**	252.70
(A)	**5810.24**	4640.00
Trading		
India	**465.25**	398.61
Asia (Other than India)	**6.89**	2.78
(B)	**472.14**	401.39
(C) = (A) + (B)	**6282.38**	5041.39
2) Other Operating Revenue		
Sale of scrap and empties	**22.96**	16.69
GST Incentive	**9.86**	—
Others	**54.15**	16.17
(D)	**86.97**	32.86
Total Revenue (C) + (D)	**6369.35**	5074.25
Major Product lines		
Paints	**6282.38**	5041.39
	6282.38	5041.39
Sales by performance obligations		
Upon delivery	**6282.38**	5041.39
	6282.38	5041.39
Reconciliation of revenue from contract with customer		
Revenue from contract with customer as per the contract price	**7126.54**	5722.66
Adjustments made to contract price on account of :-		
a) Discounts/ Rebates/ Incentives	**(844.16)**	(681.27)
b) Other Operating Revenue	**86.97**	32.86
Revenue from contract with customer as per the Consolidated Statement of Profit and Loss	**6369.35**	5074.25

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

28. Other Income

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Dividend Income				
Dividend from Equity Shares recognised through FVTPL		**0.03**		0.03
Interest Income				
Interest on Loans and Deposit at amortised cost	**1.40**		5.21	
Interest on Bonds recognised through FVTPL	**1.19**		0.99	
Interest on Income Tax Refund	**—**		—	
		2.59		6.20
Profit on Sale of Current Investments (Net)		**14.29**		10.12
Fair Value Gain on Financial Instruments recognised through FVTPL		**—**		4.24
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	**0.60**		2.46	
Foreign Exchange Gain (Net)	**0.40**		8.51	
Insurance Claims Received	**3.88**		4.27	
Miscellaneous Income	**3.62**		2.38	
		8.50		17.62
		25.41		38.21

29. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Raw Material Consumed				
Opening Stock	**394.19**		317.51	
Add: Purchase	**3938.30**		2645.71	
Less: Sales	**20.85**		17.38	
Less: Closing Stock	**527.01**		394.19	
		3784.63		2551.65
Packing Material Consumed				
Opening Stock	**18.85**		13.60	
Add: Purchase	**538.03**		389.39	
Less: Closing Stock	**22.94**		18.85	
		533.94		384.14
		4318.57		2935.79

30. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

₹ in Crores

	Year ended 31st March, 2022		Year ended 31st March, 2021	
Opening 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
Less: Closing Stock				
Finished Goods	**849.06**		615.06	
Work-in-progress	**142.74**		100.55	
Stock-in-trade (in respect of goods acquired for trading)	**74.66**		58.04	
		1,066.46		773.65
		(292.81)		(106.47)

31. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Salaries and Wages	**314.33**	268.85
Contribution to Provident and Other Funds (Refer Note 38)	**24.36**	22.82
Staff Welfare Expense	**16.89**	13.01
	355.58	304.68

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

32. Finance Cost

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Interest on Bank Borrowings	**17.30**	15.54
Net Foreign Exchange Loss on borrowings (considered as finance cost)	**0.80**	0.13
Interest on Lease Liability (Refer Note 45)	**10.49**	8.07
	28.59	23.74

33. Depreciation and Amortisation

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Depreciation on Property, Plant and Equipment (Refer Note 2)	**125.18**	123.11
Amortisation on Other Intangible Assets (Refer Note 5B)	**14.99**	15.58
Amortisation on Right of use assets (ROU) (Refer Note 3)	**29.60**	26.61
	169.77	165.30

34. Other Expenses

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Consumption of Stores and Spare Parts	**29.61**	23.78
Power and Fuel	**71.19**	64.41
Repairs to Buildings	**0.56**	0.77
Repairs to Machinery	**14.44**	12.01
Freight and Forwarding Charges	**343.21**	289.32
Advertisement and Sales Promotion	**242.77**	171.10
Rent	**15.34**	17.33
Rates and Taxes	**3.17**	2.25
Insurance	**12.81**	11.85
Miscellaneous Expenses	**204.01**	166.94
	937.11	759.76

34.1. Payments to Auditors

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 34)		
As Auditor		
Statutory Audit	**0.47**	0.46
Report under Section 44AB of the Income-tax Act, 1961	**0.05**	0.02
Limited Review of Quarterly Results	**0.20**	0.21
In other capacity		
Certification	**0.08**	0.09
Other Matters	**0.19**	0.15
Reimbursements of Expenses	**0.01**	0.02
	1.00	0.95

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

35. Contingent Liabilities and commitments (to the extent not provided for)

₹ in Crores

	Year ended 31st March, 2022	Year ended 31st March, 2021
A. Claims against the Group not acknowledged as debt:		
Excise and Service Tax	**8.59**	7.64
Sales Tax	**18.26**	17.64
Income Tax	**3.33**	3.05
Customs Duty	**0.61**	1.62
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 ₹ 26.53 Crores (2020-2021 ₹ 25.30 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)	**63.93**	62.17
The Holding Company has entered into Share holding agreement (SHA) with M/s Amplus Energy Solutions Private Limited to source green power through Group Captive arrangement	**2.05**	—
Corporate guarantee		
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	**25.83**	25.45
Corporate guarantee given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company	**81.01**	79.82
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	**8.92**	12.75
Counter guarantee to bank in respect of Bank guarantees issued to Government authorities and others	**—**	0.35
Others Commitment		
Unexpired Letter of Credit	**32.79**	44.78
Bank Guarantee	**2.41**	0.52
	247.73	255.79
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.		

36. Earnings Per Equity Share

	Year ended 31st March, 2022	Year ended 31st March, 2021
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	**358.86**	529.74
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 Equity Share (in ₹)	**6.66**	9.83

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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
	2022	2021			
Kansai Paint Co., Ltd., Japan...	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing Paints	Japan

Kansai Paint Co., Ltd., Japan is the immediate and ultimate holding company of Kansai Nerolac Paints Limited

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
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

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 (upto 31st March 2022) (3) Mr. N. N. Tata, Director (4) Mr. Anuj Jain, Wholetime Director (Managing Director w.e.f 1st April 2022), (5) Ms. 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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

37. Related Party Disclosures (contd.)

Transaction with Related Party:

₹ in Crores

Transaction Type	Relation	2021-2022	2020-2021
Sale of finished goods/Intermediates			
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.93**	0.81
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**1.05**	1.49
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**212.17**	177.82
Transfer under license agreements Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**15.31**	12.10
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.06**	0.27
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.55**	0.31
Contributions during the year (includes Employees' share and contribution)			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**1.37**	1.41
Amount of outstanding balances, including commitmentsin settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.55**	0.31
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.35**	—
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**0.40**	—
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.01**	0.06
Key Management Personnel			
— Employee benefits #		**21.37***	10.91
— Commission to Independent Directors		**1.05**	0.95
— Fee for attending Board/Committee Meetings to Independent Directors		**0.12**	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.

* Employee Benefits to Mr. H. M. Bharuka include retirement benefits of ₹ 8.24 Crores towards Gratuity, Leave Encashment and Ex-gratia.

Includes company's contribution to Provident Fund and Superannuation Fund. Further, as the future liabilities for gratuity, leave encashment and pension to Executive Director along with medical benefits are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to individual is not ascertainable and therefore not included above.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

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, 2022	Year ended 31st March, 2021
Employer's contribution to Regional Provident Fund Commissioner	**5.43**	4.22
Employer's contribution to Family Pension Fund	**4.58**	4.39
Employer's contribution to Superannuation Fund	**7.55**	7.33

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 31 March, 2022 and 31 March, 2021:

₹ in Crores

Particulars	Year ended 31st March, 2022	Year ended 31st March, 2021
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**48.76**	45.62
Current Service Cost	**4.25**	4.26
Interest Expense	**3.03**	3.02
Benefit Payments from Plan Assets	**(11.14)**	(3.17)
Remeasurements - Actuarial (gains)/ losses	**(2.28)**	(0.96)
Defined Benefit Obligation at the end	**42.62**	48.76
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**45.06**	42.08
Interest Income	**2.66**	2.83
Employer Contributions	**3.95**	2.04
Benefit Payments from Plan Assets	**(4.68)**	(3.17)
Increase / (Decrease) due to Plan combination	**(0.21)**	1.92
Remeasurements – Return on plan assets excluding amounts included in interest income	**0.77**	(0.64)
	47.55	45.06
Net Asset/(Liability)	**4.93**	(3.70)

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, 2022	Year ended 31st March, 2021
Current Service Cost	**4.25**	4.26
Net Interest Cost	**0.37**	0.24
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	**4.62**	4.50

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

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, 2022	Year ended 31st March, 2021
Actuarial (gains) / losses on Defined Benefit Obligation	**(2.28)**	(0.93)
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**(0.77)**	0.72
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**(3.05)**	(0.20)

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31st March, 2022	31st March, 2021
Discount Rate	**7.00% to 14.00%**	6.30% to 9.41%
Salary Escalation	**5.00% to 12.00%**	3.00% to 10.00%
Weighted average duration of the defined benefit obligation (years)	**10.59**	11.75

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 ssumptions 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, 2022	31st March, 2021
Under Base Scenario	**42.60**	45.51
Salary Escalation - Up by 1%	**45.44**	51.10
Salary Escalation - Down by 1%	**40.03**	43.57
Withdrawal Rates - Up by 1%	**39.81**	46.80
Withdrawal Rates - Down by 1%	**40.02**	47.32
Discount Rates - Up by 1%	**40.21**	43.72
Discount Rates - Down by 1%	**45.29**	51.02

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2022		31st March, 2021	
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	**1.11%**	**1.11%**	1.12%	1.12%

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

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 ₹ Nil (2020-2021 ₹ 3.70 Crores) to the fund during the subsequent accounting year.

b. Provident fund (Managed by the Trust set up by the Group)

The Holding Company has contributed ₹ 1.37 Crores (2020-2021 ₹ 1.41 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, 2022	As at 31st March, 2021
Plan assets at period end, at fair value	**74.11**	68.88
Present value of benefit obligation at period end	**71.65**	64.58
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, 2022	As at 31st March, 2021
Discount Rate (%)	**6.63**	6.40
Guranteed Interest Rate (%)	**8.10**	8.50
Expected Average Remaining Working Lives of Employees (Years)	**11.07**	10.30

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 ₹ 1.31 Crores (2020-21 : ₹ 2.07 Crores) to respective provident authority.

C. Retirement Benefits to Executive Directors

₹ in Crores

Particulars	As at 31st March, 2022	As at 31st March, 2021
Opening defined benefit obligation	**—**	—
Current service cost	**0.05**	—
Past Service Cost	**24.46**	—
Remeasurement (gain)/loss	**—**	—
Benefits paid	**0.29**	—
Closing defined benefit obligation	**24.22**	—

D. Compensated Absences:

In FY 2021-2022, decrease in provision for compensated absences for the year is ₹ 0.27 Crores. (In FY 2020-2021 ₹ 2.37 Crores has been recognised in the Consolidated Statement of Profit and Loss as an expense for compensated absences)

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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 5.54% (2020-2021 5.07%) of the total turnover of the group, which is insignificant and hence is not seperately monitored by the Management Committee.

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)...........	**2022**	**1.08**	**0.70**	**—**	**0.38**	**1.08**
	2021	0.95	0.57	—	0.38	0.95
Current Assets: Investments (Note 9)..................						
	2022	209.46	—	209.46	—	209.46
	2021	668.06	—	668.06	—	668.06

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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2022	31st March, 2021
Balance as beginning of the year	**46.59**	34.67
Loss allowance measured at lifetime expected credit losses	**2.81**	11.92
Balance at the end of the year	**49.40**	46.59

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Group's Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Maturities of Financial Liabilities:

The table below analyse the 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)	**31-03-22**	**88.21**	**5.92**	**94.81**	**3.12**	**10.94**	**—**	**203.00**
	31-03-21	78.96	28.45	42.13	4.69	14.18	4.69	173.10
Trade Payables	**31-03-22**	**—**	**980.64**	**—**	**—**	**—**	**—**	**980.64**
	31-03-21	—	906.82	—	—	—	—	906.82
Other Financial Liabilities	**31-03-22**	**33.01**	**19.97**	**—**	**—**	**—**	**—**	**52.98**
	31-03-20	80.92	13.28	—	—	—	—	94.20

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:

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

₹ in Crores

Financial Assets		EURO	JPY	BDT	USD	Total
Trade Receivables	**31-03-22**	**—**	**—**	**—**	**2.59**	**2.59**
	31-03-21	—	—	—	2.02	2.02
Financial Liabilities						
Trade Payables (Net of Hedge)	**31-03-22**	**(1.08)**	**(10.57)**	**(0.02)**	**(53.93)**	**(65.60)**
	31-03-21	(0.58)	(6.62)	—	(97.98)	(105.18)
Net exposure to Foreign Currency Risk (Liabilities)	**31-03-22**	**(1.08)**	**(10.57)**	**(0.02)**	**(51.34)**	**(63.01)**
	31-03-21	(0.58)	(6.62)	—	(95.96)	(103.16)

Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY, BDT, 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, 2022				
EURO (5% movement)	**(0.05)**	**0.05**	**(0.04)**	**0.04**
JPY (5% movement)	**(0.53)**	**0.53**	**(0.40)**	**0.40**
BDT (5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
USD (5% movement)	**(2.57)**	**2.57**	**(1.92)**	**1.92**
31st March, 2021				
EURO (5% movement)	(0.03)	0.03	(0.02)	0.02
JPY (5% movement)	(0.33)	0.33	(0.25)	0.25
BDT (5% movement)	—	—	—	—
USD (5% movement)	(4.80)	4.80	(3.59)	3.59

(v) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company during current and previous year.

(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, 2022	As at 31st March, 2021
Fixed-Rate Instruments		
Financial Assets	**26.50**	19.22
Financial Liabilities	**188.50**	161.59
Net Liabilities/ (Assets)	**162.00**	142.37
Variable-Rate Instruments		
Financial Liabilities	**14.50**	11.50
	14.50	11.50

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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 2022		
Variable-Rate Instruments	**0.20**	**0.20**
Cash Flow Sensitivity (net)	**0.20**	**0.20**
31st March 2021		
Variable-Rate Instruments	0.30	0.30
Cash Flow Sensitivity (net)	0.30	0.30

(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 EBIDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBIDA 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, 2022 and 31st March, 2021 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, 2022

41. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2019-20, to the extent the Group has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2022	As at 31st March, 2021
(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)....	**106.10**	98.23
Interest due on above........	**—**	—
(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) 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, 2022	Year ended 31st March, 2021
Discount Rate........	**10.58%**	12.44%
Terminal Value Growth Rate........	**3.00%**	3.00%
Sales Growth Rate	**23.00 - 12.00%**	15.00 - 12.00%

The discount rate for 2021-2022 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 40.00% (2020-2021 - 50.00%) at a market interest rate of 7.10% (2020-2021 - 6.65%).

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.

(b) KNP Japan Private Limited

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.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

42. Impairment of Goodwill (Refer with Note 4A) (contd.)

(b) KNP Japan Private Limited (contd.)

Particulars	Year ended 31st March, 2022	Year ended 31st March, 2021
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 2021-2022 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.

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, 2022

Name of the entity in the Group	As at 31 March, 2022		For the year ended 31 March, 2022		For the year ended 31 March, 2022		For the year ended 31 March, 2022	
	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	**100.47%**	**4170.93**	**109.09%**	**374.33**	**78.19%**	**2.51**	**108.80%**	**376.84**
Subsidiaries (Group's share)								
Indian								
Nerofix Private Limited	**0.28%**	**11.73**	**(1.08%)**	**(3.69)**	**—**	**—**	**(1.07%)**	**(3.69)**
Foreign								
KNP Japan Private Limited	**1.35%**	**56.12**	**2.65%**	**9.08**	**—**	**—**	**2.62%**	**9.08**
Kansai Paints Lanka Private Limited	**0.09%**	**3.84**	**(5.14%)**	**(17.64)**	**0.00%**	**—**	**(5.09%)**	**(17.64)**
Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited)	**(1.00%)**	**(41.64)**	**(6.53%)**	**(22.41)**	**(9.35%)**	**(0.30)**	**(6.56%)**	**(22.71)**
Total Eliminations/ Adjustments	**(1.19%)**	**(49.46)**	**1.01%**	**3.48**	**—**	**—**	**1.00%**	**3.48**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**31.15%**	**1.00**	**0.29%**	**1.00**
Total	**100.00%**	**4,151.51**	**100.00%**	**343.15**	**100.00%**	**3.21**	**100.00%**	**346.36**

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2022

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, 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	99.70%	4,077.02	100.93%	530.60	(300.00%)	0.27	101.00%	530.87
Subsidiaries (Group's share)								
Indian								
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	(1.36%)	(55.44)	(0.45%)	2.36	—	—	0.45%	2.36
Exchange differences on translation of foreign operations	—	—	—	—	233.33%	(0.21)	(0.04%)	(0.21)
Total	100.00%	4,089.18	100.00%	525.72	100.00%	(0.09)	100.00%	525.63

** 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 statements 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. Despite reduced cases of COVID-19 being reported, there have been massive disruptions in supply chain especially from global. Accordingly, the Group will continue to monitor any material changes to future economic conditions.

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 31 March, 2022 is 8.50% (31st March 2021: 8.50%)

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

45. Disclosure of Lease as per Ind AS 116 (contd.)

The changes in the carrying value of right of use (ROU) assets for the year ended 31 March 2022 and 31 March 2021 are disclosed in Note 3.

₹ in Crores

Particulars	Amount as at 31st March, 2022	Amount as at 31st March, 2021
ROU Balance at the beginning of the year	**160.71**	**132.54**
Additions (Refer Note 3)	45.53	58.95
Deletions (Net off accumulated depreciation) (Refer Note 3)	(1.60)	(3.81)
Amortisation cost accrued during the year	(29.60)	(26.58)
Translation difference	(1.04)	(0.39)
ROU Balance at the end of the year	**174.00**	**160.71**
Lease Liabilities at the beginning of the year	**95.90**	63.75
Additions	45.53	58.95
Interest cost accrued during the year	10.49	8.07
Payment of lease liabilities	(34.11)	(29.91)
Deletion	(2.10)	(4.96)
Lease Liabilities at the end of the year	**115.71**	**95.90**
Current Lease Liabilities	**23.60**	18.78
Non-Current Lease Liabilities	**92.11**	**77.12**
Total Lease Liabilities	**115.71**	**95.90**

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 ₹ 15.34 Crores (2020-2021 ₹ 17.33 Crores).

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

₹ in Crores

Particulars	Amount as at 31st March, 2022	Amount as at 31st March, 2021
Not later than one year	**31.96**	26.30
Later than one year and not later than five years	**83.57**	68.66
Later than five years	**22.99**	22.45

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2022

46. (a) Merger of Marpol Private Limited with Kansai Nerolac Paints Limited

The National Company Law Tribunal, Mumbai Bench and Goa Bench have approved the Scheme of Amalgamation ("the Scheme") of Marpol Private Limited ('Transferor Company'), wholly owned subsidiary, with the Company ('Transferee Company'). Pursuant to necessary filings with the concerned Registrar of Companies, the Scheme has become effective from 21st October, 2021. The appointed date of the Scheme is 1st July, 2019. In accordance with Appendix C of Ind AS 103 'Business Combinations under common control' and comparatives have been restated to give effect of the amalgamation from the beginning of the previous year, irrespective of the actual date of the combination. Accordingly, business combination is accounted with effect from 1 April 2020.

The Merged Undertaking is engaged in the business of manufacturing powder and paint.

There is no financial impact of Merger on consolidated financial statements of the Group.

(b) Merger of Perma Construction Aids Private Limited with Kansai Nerolac Paints Limited

The National Company Law Tribunal, Mumbai Bench and Ahmedabad Bench have approved the Scheme of Amalgamation ("the Scheme") of Perma Construction Aids Private Limited ('Transferor Company'), wholly owned subsidiary, with the Company ('Transferee Company'). Pursuant to necessary filings with the concerned Registrar of Companies, the Scheme has become effective from 21st October, 2021. The appointed date of the Scheme is 1st July, 2019. In accordance with Appendix C of Ind AS 103 'Business Combinations under common control' and comparatives have been restated to give effect of the amalgamation from the beginning of the previous year, irrespective of the actual date of the combination. Accordingly, business combination is accounted with effect from 1 April 2020.

The Merged Undertaking is engaged in the business of manufacturing paint.

There is no financial impact of Merger on consolidated financial statements of the Group.

47. Other Statutory Information

(i) The Holding Company and subsidiary incorporated in India does not have any Benami property, where any proceeding has been initiated or pending against the Holding Company and subsidiary incorporated in India for holding any Benami property.

(ii) The Holding Company and subsidiary incorporated in India has identified transaction with one struck off company i.e. Chemene Bombay Private Limited as Clearing and Forwarding Agent with whom transaction during the year amounts to ₹ 0.13 Crores (2020-2021 - ₹ 0.12 Crores).

(iii) The Holding Company and subsidiary incorporated in India does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

(iv) The Holding Company and subsidiary incorporated in India has not traded or invested in Crypto currency or Virtual Currency during the financial year.

(v) The Group has not advanced or loaned or invested funds to any other person(s) or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries) or
- (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

(vi) The Group has not received any fund from any person or entity, including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(vii) The Holding Company and subsidiary incorporated in India has no such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961.

48. 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, 10th May, 2022

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

ANUJ JAIN
Managing Director
DIN: 08091524

N.N. TATA
Director
DIN: 00024713

SONIA SINGH
Director
DIN: 07108778

P.D. PAI
CFO

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

Mumbai, 10th May, 2022

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 (₹)
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	140.12 €	2.60 €	9.58	57.99
2018-2019	5235.50	3302.53	255.38	873.71	—	90.47	—	246.06	467.35	140.12 €	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	4809.75	2957.44	268.62	701.31	8.48	149.01	10.82	183.47	530.60	282.93 *€	5.25 *€	9.85	75.65
2021-2022	**5981.76**	**4129.26**	**312.37**	**859.93**	**9.87**	**153.82**	**11.39**	**130.79**	**374.33**	**121.25 *€**	**2.25 *€**	**6.95**	**77.40**

Net of Rebates & Excise Duty upto 2014-2015, From 2015-2016, net of Rebates and Discounts.

^ 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 for FY 2020-2021.
Includes Interim Dividend ₹ 1.25 per share paid on 22nd November 2021 for FY 2021-2022.

Figures pertaining to 31 March, 2021 have been recast to give effect of merger of Marpol Private Limited and Perma Construction Aids Private Limited with Company.

Figures from financial year 2015-2016 are Ind AS compliant.

NOTES

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NEROLAC

KANSAI NEROLAC PAINTS LIMITED

A SUBSIDIARY OF KANSAI PAINT CO., LTD., JAPAN

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