

## Notes to the Standalone Financial Statements

for the year ended 31<sup>st</sup> March, 2022

### 31. Employee Benefits Expense

₹ in Crores

	Year ended 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> March, 2021
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 34)		
<b>As Auditor</b>		
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
<b>In other capacity</b>		
Certification .....	0.08	0.09
Other Matters .....	0.19	0.14
<b>Reimbursements of Expenses</b> .....	0.01	0.02
	0.75	0.68

# Notes to the Standalone Financial Statements

for the year ended 31<sup>st</sup> March, 2022

## 34.2. Research and Development Expenses

₹ in Crores

	Year ended 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> March, 2021
<b>a. Claims against the Company not acknowledged as debt:</b>		
Excise and Service Tax .....	8.38	7.15
Sales Tax.....	18.15	18.15
<p>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.</p> <p>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.</p>		
<b>b. Commitments:</b>		
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	—
<b>Corporate guarantee</b>		
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
<b>c. Contribution to Provident Fund</b>		
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 31<sup>st</sup> March, 2022

## 36. Earnings Per Equity Share

₹ in Crores

	Year ended 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> March, 2021
<b>Numerator:</b>		
Profit attributable to Equity Shareholders (₹ in Crores).....	374.33	530.60
<b>Denominator:</b>		
Weighted Average Number of ordinary shares at the beginning and end of the year .....	53,89,19,720	53,89,19,720
<b>Basic and Diluted Earnings Per Equity Share (in ₹).....</b>	<b>6.95</b>	<b>9.85</b>

## 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:
- has control or joint control of the reporting entity;
  - has significant influence over the reporting entity; or
  - 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:
- 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).
  - 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).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - 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.
  - The entity is controlled or jointly controlled by a person identified in (a).
  - 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).
  - 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 31<sup>st</sup> 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 31<sup>st</sup> March 2022) (3) Mr. N. N. Tata, Director (4) Mr. Anuj Jain, Wholetime Director (Managing Director w.e.f 1<sup>st</sup> 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
<b>Sale of finished goods/Intermediates</b>			
— 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
<b>Purchase of Goods</b>			
— Nerofix Private Limited .....	Subsidiary	23.19	8.10
<b>Dividend Paid</b>			
— Kansai Paint Co., Ltd., Japan .....	Parent and ultimate controlling entity	212.17	177.82
<b>Dividend Income</b>			
— KNP Japan Private Limited .....	Subsidiary	2.48	2.21
<b>Transfer under license agreements</b>			
<b>Royalty Expense</b>			
— Kansai Paint Co., Ltd., Japan .....	Parent and ultimate controlling entity	15.31	12.10
<b>Technical Fees Including Reimbursement of Expenses</b>			
— Kansai Paint Co., Ltd., Japan .....	Parent and ultimate controlling entity	0.06	0.27
<b>Royalty Income</b>			
— 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
<b>Corporate guarantee given for</b>			
— 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 31<sup>st</sup> 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
<b>Stand by Letter of Credit (SBLC) given for</b>			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	—	25.45
<b>Income from Corporate guarantee issued</b>			
— Kansai Paints Lanka (Private) Limited.....	Subsidiary	0.01	0.01
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	0.04	0.03
<b>Equity Investment</b>			
— Kansai Paints Lanka (Private) Limited.....	Subsidiary	—	12.00
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	—	14.34
<b>Reimbursement of Expenses Recovered</b>			
— 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
<b>Contributions during the year (includes Employees' share and contribution)</b>			
— Kansai Nerolac Paints Limited Provident Fund.....	Other entities	1.37	1.41
<b>Amount of outstanding balances, including commitments in settlement</b>			
<b>Receivable as at Year End</b>			
— 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	—
<b>Payable as at Year End</b>			
— Kansai Paint Co., Ltd., Japan .....	Parent and ultimate controlling entity	0.01	0.06
— Nerofix Private Limited.....	Subsidiary	2.74	1.68
<b>Corporate guarantee</b>			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	81.01	79.82
— Kansai Paints Lanka (Private) Limited.....	Subsidiary	8.92	12.75
<b>Stand by Letter of Credit (SBLC)</b>			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	25.83	25.45
<b>Key Management Personnel</b>			
— 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 31<sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 set out the funded status of the gratuity plans and the amounts recognised in the Company's Financial Statements as at 31<sup>st</sup> March, 2022 and 31<sup>st</sup> March, 2021:

₹ in Crores

Particulars	Year ended 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> March, 2021
<b><u>Change in Defined Benefit Obligation</u></b>		
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
<b><u>Change in Fair Value of Plan Assets</u></b>		
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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	Year ended 31 <sup>st</sup> 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 31<sup>st</sup> 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	
	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Discount Rate .....	7.00%	6.91%
Salary Escalation .....	5% in next 1 year and 7.5% thereafter	3% and 5% in next 1 <sup>st</sup> and 2 <sup>nd</sup> 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	31 <sup>st</sup> March, 2022	31 <sup>st</sup> 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%
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#### Maturity Profile of Defined Benefit Obligations

Mortality Table	31 <sup>st</sup> March, 2022		31 <sup>st</sup> March, 2021	
	Male	Female	Male	Female
Attained Age				
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 31<sup>st</sup> 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 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> 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 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> March, 2021
Discount Rate (%) .....	6.63	6.40
Guaranteed 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 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> 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 ₹ 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".