

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

31. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Opening 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
Less: Closing Stock		
Finished Goods	899.28	807.90
Work-in-progress	142.09	141.30
Stock-in-trade (in respect of goods acquired for trading)	88.87	74.66
	1130.24	1023.86
	(106.38)	(280.94)

32. Employee Benefits Expense

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Salaries and Wages	288.53	275.35
Contribution to Provident and Other Funds (Refer Note 39)	24.39	22.30
Share based Payments to Employees (Refer Note 46)	3.75	—
Staff Welfare Expense	17.17	14.72
	333.84*	312.37*

* Includes ₹ 23.25 Crores (2021-2022 ₹ 20.22 Crores) expenditure incurred on Research and Development

33. Finance Cost

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Interest on Lease Liabilities (Refer Note 44)	9.73	9.49
Interest on Working Capital Loan	—	0.38
	9.73	9.87

34. Depreciation and Amortisation

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Depreciation on Property, Plant and Equipment (Refer Note 2)	130.26	120.08
Amortisation on Other Intangible Assets (Refer Note 6)	5.80	6.24
Amortisation on Right of use assets (ROU) (Refer Note 4)	28.57	27.50
	164.63*	153.82*

* Includes ₹ 3.07 Crores (2021-2022 ₹ 3.06 Crores) depreciation and amortisation expenses on Research and Development

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

35. Other Expenses

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Consumption of Stores and Spare Parts	31.18	28.98
Power and Fuel	87.73	69.09
Repairs to Buildings.....	0.51	0.40
Repairs to Machinery.....	15.86	14.04
Freight and Forwarding Charges.....	351.88	327.54
Advertisement and Sales Promotion	267.50	210.75
Rent.....	15.92	13.16
Rates and Taxes.....	2.71	3.06
Insurance.....	13.67	11.80
Miscellaneous Expenses	210.99	181.11
	997.95*	859.93*

* Includes ₹ 6.96 Crores (2021-2022 ₹ 5.18 Crores) expenditure incurred on Research and Development

35.1. Payments to Auditors'

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 35)		
As Auditor		
Statutory Audit	0.30	0.25
Report under Section 44AB of the Income-tax Act, 1961.....	0.03	0.04
Limited Review of Quarterly Results	0.23	0.18
In other capacity		
Certification	0.08	0.08
Other Matters	0.15	0.19
Reimbursements of Expenses	0.03	0.01
	0.82	0.75

35.2. Research and Development Expenses

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss is.....	39.52	32.41

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

36. Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
a. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	8.38	8.38
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 (2021-2022 ₹ 26.53 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. Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).....	36.09	63.93
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.....	22.76	25.83
Corporate guarantee given to Bank for loan taken by Kansai Nerolac Paints (Bangladesh) Limited (formerly known as RAK Paints Limited) – Subsidiary Company.....	9.01	81.01
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	8.73	8.92
	103.12	208.27
c. Contribution to Provident Fund		
<p>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.</p>		

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

37. Earnings Per Equity Share

₹ in Crores

	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Basic Earnings per Equity Share (in ₹)		
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	486.43	374.33
Denominator:		
Weighted Average Number of ordinary shares at the beginning and end of the year	53,89,19,720	53,89,19,720
Basic Earnings per Equity Share (in ₹)	9.03	6.95
Diluted Earnings per Equity Share (in ₹)		
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	486.43	374.33
Denominator:		
Weighted Average Number of ordinary shares and dilutive shares	53,93,32,196	53,89,19,720
Diluted Earnings per Equity Share (in ₹)	9.02	6.95

38. 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
	2023	2022			
Kansai Paint Co., Ltd.,	74.99	74.99	Parent and ultimate controlling entity	Manufacturing paints and other related materials	Japan

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

Subsidiaries Companies

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2023	2022			
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	Sri Lanka

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

38. Related Party Disclosures (contd.)

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2023	2022			
Kansai Nerolac Paints (Bangladesh) Limited.....	55	55	Subsidiary	Manufacturing paints and other related materials	Bangladesh
Nerofix Private Limited (W.e.f 31st March 2023, wholly owned subsidiary).....	100	60	Subsidiary	Manufacturing paints and other related materials	India

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. Anuj Jain, Managing Director w.e.f 1st April 2022 (Whole-time Director upto 31st March 2022) (3) Mr. N. N. Tata, Director upto 10th August 2022 (4) Ms. Sonia Singh, Director (5) Mr. Bhaskar Bhat, Director w.e.f 10th August 2022 (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	2022-2023	2021-2022
Sale of finished goods/Intermediates			
— Kansai Paints Lanka (Private) Limited	Subsidiary	7.38	—
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	0.24	0.77
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	2.82	2.93
— Kansai Plascon Kenya Ltd.....	Fellow Subsidiary	—	1.05
Purchase of Goods			
— Nerofix Private Limited.....	Subsidiary	27.87	23.19
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	40.41	212.17
Dividend Income			
— KNP Japan Private Limited	Subsidiary	2.76	2.48
Transfer under license agreements			
Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	22.26	15.31

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

38. 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	2022-2023	2021-2022
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.42	0.06
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.01	—
Royalty Income			
— KNP Japan Private Limited	Subsidiary	1.72	1.35
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.31	0.20
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	2.34	2.24
— Nerofix Private Limited.....	Subsidiary	1.16	0.81
Income from Corporate guarantee issued			
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.03	0.01
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	0.41	0.04
Equity Investment			
— Kansai Paints Lanka (Private) Limited	Subsidiary	10.99	—
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	13.90	—
— Nerofix Private Limited.....	Subsidiary	37.00	—
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	—	0.55
— KNP Japan Private Limited	Subsidiary	0.95	0.63
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.04	0.21
— Nerofix Private Limited.....	Subsidiary	0.15	0.21
Reimbursement of Expenses			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	0.42	—
Contributions during the year (includes Employees' share and contribution)			
— Kansai Nerolac Paints Limited Provident Fund.....	Other entities	1.38	1.37
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
— KNP Japan Private Limited	Subsidiary	6.09	4.33
— Kansai Paints Lanka (Private) Limited	Subsidiary	8.37	0.62
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	8.48	5.35
— Nerofix Private Limited.....	Subsidiary	1.32	0.56
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	0.44	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	0.19	0.01
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	0.31	—
— Nerofix Private Limited.....	Subsidiary	0.41	2.74
Corporate guarantee			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	9.01	81.01
— Kansai Paints Lanka (Private) Limited	Subsidiary	8.73	8.92
Stand by Letter of Credit (SBLC)			
— Kansai Nerolac Paints (Bangladesh) Limited.....	Subsidiary	22.76	25.83

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

38. 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	2022-2023	2021-2022
Key Management Personnel			
— Employee benefits [#]			
Mr. H. M. Bharuka Vice Chairman and Managing Director (Upto 31 st March 2022)*		—	16.93
Mr. Anuj Jain Managing Director (W.e.f. 1 st April 2022) (Whole-time Director upto 31 st March 2022)		3.34	2.36
Mr. P. D. Pai Chief Financial Officer		1.67	1.38
Mr. G. T. Govindarajan Company Secretary		0.89	0.70
— Commission and Fee for attending Board /Committee Meetings to Independent Directors			
Mr. P. P. Shah Chairman		0.45	0.44
Mr. N. N. Tata Independent Director (Upto 10 th August 2022)		0.37	0.39
Ms. Sonia Singh Independent Director		0.40	0.35
Mr. Bhaskar Bhat Independent Director (W.e.f 10 th August 2022).....		0.03	—

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.

[#] Includes commission paid for the previous year, company's contribution to Provident Fund and Superannuation Fund and excludes accrual for commission for the current year and restricted stock units (RSU) granted during the year worth of ₹ 6.11 Crores (2021-2022 ₹ Nil) to KMP's in accordance with the Kansai Nerolac Paints Limited - Restricted Stock Unit Plan ('RSU 2022 Plan'), However, such RSU's units would vest after fulfillment of vesting conditions in accordance with the RSU Plan 2022.

* Employee Benefits to Mr. H M Bharuka include retirement benefits of ₹ 8.24 Crores towards Gratuity, Leave Encashment and Ex-gratia.

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.

During the year, the Company has given corporate guarantee of ₹ 8.60 Crores for short-term borrowing by the Kansai Nerolac Paints (Bangladesh) Limited and the same has been repaid by the end of the year.

39. 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 st March, 2023	Year ended 31 st March, 2022
Employer's contribution to Regional Provident Fund Commissioner.....	4.85	4.12
Employer's contribution to Family Pension Fund	4.73	4.58
Employer's contribution to Superannuation Fund.....	8.26	7.55

Notes to the Standalone Financial Statements

for the year ended 31st March, 2023

39. Employee Benefits (contd.)

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 March, 2023 and 31 March, 2022:

₹ in Crores

Particulars	Year ended	
	31 st March, 2023	31 st March, 2022
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	39.68	46.68
Current Service Cost	3.26	3.59
Interest Expense	2.65	2.85
Benefit Payments from Plan Assets*	(3.54)	(10.79)
Remeasurements - Actuarial (gains) / losses	0.75	(2.65)
Defined Benefit Obligation at the end	42.80	39.68
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	45.49	43.18
Interest Income	2.89	2.61
Employer Contributions	1.79	3.37
Benefit Payments from Plan Assets	(10.22)	(4.37)
Remeasurements – Return on plan assets excluding amounts included in interest income	0.15	0.70
Fair Value of Plan Assets at the end	40.10	45.49
Net Asset/(liability)	(2.70)	5.81

* 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 st March, 2023	31 st March, 2022
Current Service Cost	3.26	3.59
Net Interest Cost	(0.24)	0.24
Defined Benefit Cost recognised in the Statement of Profit and Loss	3.02	3.83

Components of Defined Benefit Cost recognized in the Statement of Other Comprehensive Income:

₹ in Crores

Particulars	Year ended	
	31 st March, 2023	31 st March, 2022
Actuarial (gains) / losses on Defined Benefit Obligation	0.75	(2.65)
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	(0.15)	(0.70)
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	0.60	(3.35)

The assumptions used to determine net periodic benefit cost are set out below:

Particulars	Valuation Date	
	31 st March, 2023	31 st March, 2022
Discount Rate	7.51%	7.00%
Salary Escalation	7.50%	5% in next 1 year and 7.5% thereafter
Weighted average duration of the defined benefit obligation (years)	9.13	10.59