KANSAI PAINT

NERO LAC

Colours that Care

100th Annual Report 2020

KANSAI NEROLAC PAINTS LIMITED

The last 100 years have witnessed a century of change. We, at Kansai Nerolac, have actively partnered with our customers to embrace change wholeheartedly. Drawing from our ethos of care, we've constantly kept innovating with the aid of superior technology and services. By connecting people, by protecting and maintaining the mighty bridges and dams, adding sheen and beauty to India's first modern-day car, the iconic Maruti 800; ushering in an era of healthy home paints with low VOC and no heavy metals, bringing beauty and durability to not just walls but also vehicles, home appliances, furniture and more; we have made sure to be present in consumer lives in more ways than one.

As we look to the future, we want to take this ethos of care forward by **"sparking positive change among customers"**, keeping the need for 'Wellbeing' and 'Holistic Care' as our guiding light. Our brand purpose and corporate values enable us to stay responsible for the safe keep of our surroundings and create a culture that celebrates vitality, freedom and harmony.

All of this, delivered through our 'Unique-to-Category' products, innovations and services. It's not just about Colour. It's about Care.

NEROLAC

Colours that Care

Corporate Information

BOARD OF DIRECTORS
as on 31st March, 2020

Mr. Pradip Panalal Shah
Chairman
(Independent Director)

Mr. Harishchandra Meghraj Bharuka
Vice Chairman and Managing Director

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

Mr. Hidenori Furukawa
Non-Executive Director

Mr. Anuj Jain
Whole-time Director

Mr. Hitoshi Nishibayashi
Non-Executive Director

Mr. Hideshi Hasebe
Non-Executive Director

Ms. Sonia Singh
Non-Executive Director
(Independent Director)

COMPANY SECRETARY
G.T. Govindarajan

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

STATUTORY AUDITORS
S R B C & CO LLP, MUMBAI

SOLICITORS
KANGA & CO., 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

Kansai Nerolac Paints Limited (hereafter referred to as ‘KNPL’ or the ‘Company’) is pleased to present its 100th Annual Report for the Financial Year 2019-20 (1st April, 2019 to 31st March, 2020, or the ‘reporting period’). Starting this year, the Company has transitioned towards publishing Integrated Report <IR> in line with framework developed by the International Integrated Reporting Council (IIRC).

<IR> is fast emerging as a globally accepted corporate reporting platform and practice. It takes a broader approach of reporting by covering information beyond financial capital to five other capitals – manufactured, intellectual, human, social and relationship and natural capital. It demonstrates the interlinkage of these capitals and how a company uses them to maximise value creation for itself and all the stakeholders while managing trade-offs, risks and material issues.

This report intends to serve as a concise and all-inclusive communication about the Company’s value creation process using both financial and non-financial resources. It provides insights into the Company’s business model, strategies, material issues emanating from stakeholder engagements and its response to it, governance, performance (financial and non-financial) and prospects, in the context of its external environment. Both qualitative and quantitative data have been used to enable stakeholders better understand the Company’s business and evaluate its performance for making informed investment decision.

Reporting Principle

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

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

Scope and Boundary

The information provided in this report pertains to the Company and its subsidiaries.

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.

Contents

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

Message from Vice Chairman and Managing Director

> We have defined our Purpose as 'Creating environments for a healthy and beautiful future', defined our Brand Promise as 'Renew Life', and defined our Brand Expression as 'Colours that Care'

Dear Shareholders,

It gives me immense pleasure to present to you our 1st Integrated Report as per the guiding principles of International Integrated Reporting Council.

We are on the brink of a historic moment; Kansai Nerolac Paints Limited (KNPL) completes 100 Years on the 2nd of September 2020. This report outlines the performance of the Company in this 100th year and showcases Kansai Nerolac Paints Limited's journey and its efforts over the decades towards the transformation and creation of value towards a growing expanse of customers and the Indian paint industry as a whole.

100 years of transforming lives

The Company has grown a great deal over the decades evolving a holistic, technology, service and a knowledge driven approach to develop and pioneer a variety of coating solutions for Indian consumers to touch everyday lives from homes, automobiles, white goods and infrastructure projects. In more recent times, we pioneered the concept of Healthy Home paints by bringing in Heavy Metal-free and Low VOC paints.

At this historic juncture of our 100th year of existence, we want to take forward this ethos of care to the next level. We want to do so by sparking a positive change among customers and keeping their need for 'Wellbeing' and 'Holistic Care' as our guiding light.

Keeping these guiding principles in mind, we have defined our Purpose as 'Creating environments for a healthy and beautiful future', defined our Brand Promise as 'Renew Life', and defined our Brand Expression as 'Colours that Care'.

This Annual Report enumerates the strategic orientation of the Company and its alignment with its business philosophy and policies. It also enumerates the performance across our product offerings and functions, in the backdrop of the prevailing economic and business environment.

Business Overview

The macro environment during the year was one of uncertainty and volatility. Prolonged monsoons, floods in many key states, and changed policy in Kashmir where the Company is the market leader impacted Decorative Paints demand. The unprecedented slowdown in Automotive coupled with the credit crisis impacted demand for Automotive Paints. The slowdown extended to other Original Equipment Manufacturers (OEMs) industries impacting demand there as well. As we came to the end of the financial year, the world and then India was hit by the COVID-19 pandemic, bringing businesses to a standstill, across industries and markets.

Throughout the year, prices of various raw materials were stable and showed a slow declining trend, however, volatility in the exchange rate created a challenge.

Performance Overview

Amidst the challenges, your Company was able to play true to its strengths and deliver through FY 2019-20. The Company continued to bring new technology to the market thus adding value to its valuable customers which helped KNPL gain market share in Automotive, Performance Coatings and Powder Coatings and end the year with a positive volume and value growth in Decorative.

The Company's prudent strategy of adopting aggressive cost control, dynamic formulation management, product mix changes and overhead control measures, helped increase the Operating Profitability from 14.3% in FY 2018-19 to 15.8% and Operating Profit from ₹ 742 Crores in FY 2018-19 to ₹ 781.6 Crores.

The Company was also able to improve its Operating Cash Flow from ₹ 110.4 Crores in FY 2018-19 to ₹ 620.6 Crores and Free Cash Flow from ₹ (413.1) Crores in the previous year to ₹ 403.6 Crores.

315%

Dividend proposed by the Board for FY 2019-20

In this challenging business environment, the Board has proposed a dividend of 315% against the 260% dividend declared in the previous year.

Expansion and Acquisition

Your Company's journey of nearly 100 years is mapped by many strategic initiatives and mileposts, helping us build and sustain our market leadership in the Indian Paint industry. From creation of a strong brand, expansion of distribution and manufacturing footprint, new products and categories, to new geographies and collaborations, we have judiciously scaled our capabilities and offerings to cater to the transforming demands and needs of our diverse and growing clientele.

During the year, the manufacturing capability was augmented with the commissioning of the new state-of-the-art digital factory in Goindwal, Punjab and the approvals for supply to major automobile OEMs from its Sayakha, Gujarat plant which was commissioned last year.

Since the past few years, we have taken a two-pronged approach for creating new avenues of growth by exploring new customer opportunities, and by expanding across the Indian subcontinent where we have a mandate to operate.

In line with our strategy of entering allied market verticals, during the year, we entered into a strategic JV with Polygel to set up a new Company "Nerofix" for tapping the Adhesive market. This JV will also enable us to tap into the vast Business to Business (B2B) and Business to Consumer (B2C) adhesives market with, enhance our adhesive supply chain and 'go to market' capabilities. As you are aware, last year, we had acquired Perma Constructions to give a boost

Message from Vice Chairman and Managing Director

to our construction chemicals business and during the year we launched a new range of construction chemicals product under the Nerolac Perma Brand. This is in line with our ambition to leveraging our core competencies of technology and distribution for expansion into new allied markets and customer groups.

> Powering this thrust will be our commitment to continuous adoption of the latest technologies at our plants, and in our systems and processes.

The Company continued its impressive penetration into Coil Coating, Pipe Coating and Rebar Coating. During the year, we created a dedicated manufacturing capability for Coil Coating at the Sayakha, Gujarat Plant.

As a strategic initiative to bring high-end Italian Wood Finishes to our growing portfolio of premium customers, we inked an agreement with Italy's 'ICRO Coatings'. The Company identifies this as a key area of future growth and shall continue to invest in it. Work has also started for a dedicated manufacturing capability for wood finishes at its Jainpur facility.

Moving in line with the strategy of expanding our footprint in the Indian Subcontinent, KNPL further strengthened its position in the countries of our operation outside India. In Bangladesh, we launched the Nerolac range of Decorative paints through our subsidiary RAK Paints Ltd and received a great response from the market. In Sri Lanka, we changed our branding from Kansai to Kansai S-lon and revamped our distribution strategy. S-lon is a leading brand in the Hardware sector of Capital Maharaja Organisation Ltd., our partner in Sri Lanka. We took a major step to further boost our Nepal business by starting a project to upgrade the Birgunj Plant. The Company sees its international operations as growth opportunities and is committed to invest in them.

Innovation

We launched multiple new products and upgraded customers across passenger vehicles, two wheelers, auto ancillaries and tractors besides for various industries in Performance coatings and Powder coatings during the year which created huge value for our customers as well as helped our customers in energy consumption reduction. KNPL remains committed to provide upgrades and to be the first to upgrade customers to the latest technological products using the vast knowledge of various lines.

We also launched functional coatings for Decorative aimed at reducing indoor pollution of formaldehyde as well as aiding fast painting turnaround through quick drying and no odour formulations.

Powering this thrust will be our commitment to continuous adoption of the latest technologies at our plants, and in our systems and processes.

Sustainability

Environment:

KNPL, has been actively working on the sustainability agenda for nearly a decade and has been voluntarily publishing the Sustainability Report on the website since 2012. The Company steadfastly focusses on water management where it has achieved zero liquid discharge at all its manufacturing plants, reduction in hazardous waste, reduction in carbon footprint, energy management where it focusses on renewable energy, health and safety and emission management. The sustainability disclosures comply with the Global Reporting Initiatives (GRI) 4.0 Standards. All the plants are now ISO 45001 certified.

Community:

Our Sustainability focus also extends to the communities around which we work and the society at large. Our Corporate Social Responsibility (CSR) activities during the year were, thus, carefully devised and consistent with the priority areas outlined by the Government of India. Besides utilising the full budget for Corporate Social Responsibility (CSR), we, at KNPL, pay great attention to ensuring the realisation of the outcome of our CSR programmes on the ground. Our efforts in CSR have been focussed around Health, Education, Environment and Community Development, and we work in close collaboration with local stakeholders, such as government agencies.

Governance:

KNPL continues to uphold the highest traditions of Corporate Governance. Strong Internal Audit focus with a focus on the Control Efficiency Index and Robust Control Index have helped the Company improve from a design, policy, people and control perspective. Company tracks various compliance through the Legatrix online compliance monitoring system. The Company has been using the online Enterprise Risk Management Framework to monitor various risk elements and prepare contingency plans to address evolving situations.

Digital

We have seen how digital innovation has become a key component in so many industries.

Leveraging digital technology and data driven decision-making has become a big thrust area for the Company. While we have implemented multiple successful POCs (Proof of Concepts), we are now in the process of re-thinking our entire processes and operations by embedding digital to improve stakeholder experience and bring about significant operational efficiency.

People

We believe our people to be a major asset in KNPL's progressive odyssey and remain committed to nurturing their growth. KNPL continues to invest to improve the competency of its employees to add more value to its customers. For this, KNPL had invested in a host of internal competency and skill programmes to ensure that our people stay at the cutting edge. We have launched a Digital University and implemented multiple digital tools to help augment the capability and competency of the employees.

Way Forward

Going forward, we expect the market conditions to remain challenging. COVID-19 and the lockdown triggered on account of it is likely to have an impact on demand on all industries for some time to come. However, we remain motivated to build a sustainable future over the long term, through more proactive steps to enhance efficiencies and create a sustainable growth environment for one and all.

In Conclusion

On this note, I would like to thank all our stakeholders for their continuous support. We believe that engaged employees are our strength, and we value the passion and enthusiasm they bring to their work. KNPL is committed to building an organisation that is sensitive, vibrant and geared towards building a better tomorrow with the help of all the stakeholders.

H.M. Bharuka
Vice Chairman and Managing Director

Key Highlights

100-year Milestone

Kansai Nerolac Paints Limited, entered the 100th year of existence, a glorious journey underpinned by industry leading endeavours and pioneering initiatives that have made a meaningful difference to all whose lives have been touched by it. The journey continues with a renewed commitment to make a positive impact and create better outcomes for all our stakeholders.

New Corporate Identity

Transformed the Corporate Identity to bring alive the brand ethos that forms the cornerstone of KNPL's growth and evolution from a humble paint company to a company that cares; Launched a new logo that reflects and symbolises our new Brand expression 'Colours that Care', while also embodying the connect between Change and Care through the 'Swirl' design.

Launch of EVP

Launched Employee Value Proposition (EVP), which seeks to enhance organisational capabilities and empower continued growth and success by leveraging talent while providing employees with a differentiated experience.

Commenced Production at Goindwal

Expanded our manufacturing capabilities with the commencement of production of Decorative paints at our world-class plant located in Goindwal, Punjab.

Digital Thrust

Gave a major thrust to embed Digital in the organisation. Implemented Machine Learning (ML) based intelligent solution for sales team along with a slew of other digital initiatives in the area of Robotic Process Automation (RPA), Chatbot, Internet of Things (IoT). Created a Digital Council to deepen our digital capabilities across the organisation, in line with our digital strategy.

Collaboration with ICRO Coatings

Signed an agreement with major Italian player ICRO Coatings to enable us to offer the high-end Italian Wood finish to customers looking for superior style and quality.

Launch of Nerofix

Entered into a strategic Joint venture with Polygel Industries to set up a new Company "Nerofix" for tapping the Adhesive market.

Performance Highlights

Financial Highlights

Net Turnover	EBIDTA Margin	PAT
₹ 4943.2 Crores FY 2019-20	15.8% FY 2019-20	₹ 535.4 Crores FY 2019-20
₹ 5173.6 Crores FY 2018-19	14.3% FY 2018-19	₹ 467.4 Crores FY 2018-19
- 4.5 Change in %	+150 Basis Points Change	14.5 Change in %

Operating Cash Flow	Free Cash Flow
₹ 620.6 Crores FY 2019-20	₹ 403.6 Crores FY 2019-20
₹ 110.4 Crores FY 2018-19	₹ -413.1 Crores FY 2018-19

Non Financial Highlights

Capacity in Million Litres	R&D Expense	CSR Spend
518 FY 2019-20	₹ 30.5 Crores FY 2019-20	₹ 16.9 Crores FY 2019-20
452 FY 2018-19	₹ 27.4 Crores FY 2018-19	₹ 13.5 Crores FY 2018-19
14.6 Change in %	11.0 Change in %	25.2 Change in %

Electricity Consumption through Renewable Sources in %	Total Emissions (MT of CO_2)	Specific Water Consumption (KL/KL of FG)
23 FY 2019-20	47698 FY 2019-20	1.4 FY 2019-20
19 FY 2018-19	51516 FY 2018-19	1.6 FY 2018-19
400 Basis Points Change	-7.4 Change in %	-11 Change in %

Note: Performance highlights are based on standalone performance

Corporate Profile

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

Our Vision

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

Our Mission

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

Our Purpose

Create Environments for a Healthy and Beautiful future

Our Brand Promise

Renew Life

Our Brand Expression

Colours that Care

New Corporate Identity

During FY 2019-20, we changed our corporate identity/logo to capture the spirit of positive change and re-evaluation that we seek to encourage as a brand. Our new logo, highlighted by the Swirl, underlines the connect with between Change (transformation highlighted by the swirling circle) and Care, underscoring our new tag line of 'Colours that Care'. The endless possibilities triggered by this marriage of Change and Care showcase the constant evolution of the Company towards something better.

Organisational Values

Icare! – Integrity, Customer Focus, Accountability, Respect, Entrepreneurial Mindset and Innovation

Integrity

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

Customer Focus

We continuously strive to understand and exceed Customer expectations.

Accountability

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

Respect

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

Entrepreneurial Mindset

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

Innovation

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

Our Product Portfolio

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

DECORATIVE PRODUCTS

Interior Range

Impressions UHD | Impressions HD | Impressions Eco Clean | Beauty Gold | Beauty Smooth

Exterior Range

Excel Top Guard (Basecoat) | Excel Top Guard (Topcoat) | Excel Total | Excel Mica Marble | Suraksha Plus

Designer Range

Ideaz | Glitter | Mettalics

Enamel

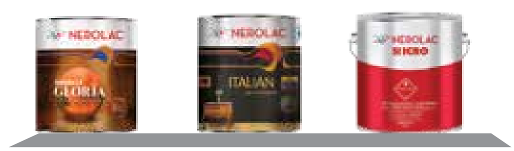
Synthetic | Satin

Primers

Excel Alkali Prime | Exterior Primer | Ready Mix (Putty cum Primer)

OTHERS

Wood Finishes



Gloria | Italian | ICRO

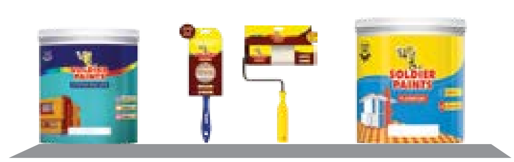
Adhesives

Nerofix | Nerofix Gold

Waterproofing

Waterproof Putty | No Damp | Crack Filler

Soldier Paints



Emulsion Range (Interior and Exterior) | Brush and Rollers | Floorcoat

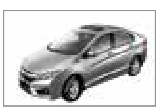
Key products and Markets shown, for full range visit our website www.nerolac.com

INDUSTRIAL COATING

Automotive

Applications in Industries: Passenger Vehicles, Commercial Vehicles, Tractors, Two Wheelers, Three Wheelers, Wheels and Auto Ancillaries.

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

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

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 Bulidings, Construction Equipments.

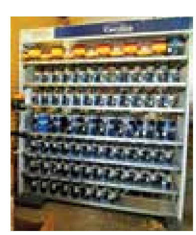
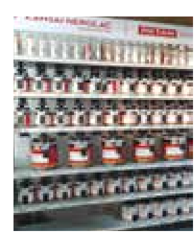
Key Products
- Polyurethane (PU) Primer and Top Coats
- Chlorinated Rubber Coatings
- Epoxy Coatings
- Alkyds – Primers and Top Coats
- Zinc Rich Coatings
- Heat Resistant Coating
- Floor Coatings
- Pipe Coatings
- Coil Coatings
- Polysiloxane, C5, IPNet

Auto Refinish

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

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

Key products and Markets shown, for full range visit our website www.nerolac.com

100-Year Journey

1920
Started as Gahagan Paints and Varnish Co Ltd with factory at Lower Parel

1933
Acquired by Lead Industries, UK

1933
Name changed to Goodlass Wall (India) Ltd

1946
Name changed to Goodlass Wall Pvt. Ltd

1950
Start of the pigment factory

1957
Changed name to Goodlass Nerolac Paints Ltd

1968
Public Issue of Shares by the company

1970
Launched, Goody, the smiling Tiger as mascot

1976
Tata Group acquired a part of the foreign shareholding

1978
Acquired Saurashtra Paints and Chanda Paints

1983
Technical Collaboration with Kansai Paint Japan Co., Ltd.

1984
Collaboration with Nihon Parkerizing, Japan to form Nipa Chemicals Ltd.

1985
Drewtreat Chemical Ltd. A Joint Venture (JV) with Drew Chemicals USA and GNP was set up

1985
Collaboration with Ameron for High performance coatings

1986
Kansai Paints, Japan acquired stake of the UK Partner, Cookson

1988
Company's turnover crossed ₹ 100 Crores

1991
Collaboration with Nihon Tokushu Toryo Co. Ltd Japan

1992
Collaboration with Valspar for Powder Coatings

1993
Commissioning of Jainpur, Uttar Pradesh factory

1996
Tie-up with E.I. DuPont De Nemours and Co. of USA

1998
Commissioning of Lote, Maharashtra factory

1999
Tie-up with Oshima Kogyo for Heat Resistant Paint

2000
Tata Group divested its holding in favour of Kansai Paint Japan Co., Ltd. Japan

2000
Company implements SAP ERP across all locations

2002
Amalgamation of GNP (Madras) Ltd and Saurashtra Paints with Goodlass Nerolac Paints Ltd.

2005
Awarded the Best Managed Company by Business Today

2005
Commissioning of Bawal, Haryana, factory

2006
Name changed to Kansai Nerolac Paints Ltd with a new logo

KANSAI NEROLAC
PAINTS LIMITED

2008
Launch of Lead-Free Decorative Paints

2009
Launch of Heavy Metal-Free Decorative Paints

2010
First company to introduce Eco-friendly and Low VOC products

2010
Commissioning of Hosur, Tamil Nadu Factory

2011
Tie-up with Cashew Co. Ltd, Japan

2012
Acquisition of Nepal Shalimar Paints Pvt. Ltd in Nepal

2014
Tie-up with Protech Chemicals Ltd., Canada for Powder Coatings

2015
Launched Soldier Paints

SOLDIER PAINTS

2015
Tie-up with Capital Holdings Maharaja Pvt Ltd., Sri Lanka for Lanka Operations

2017
Peak Market capitalisation of ₹ 33,000 Crores in Dec 2017

2018
Acquisition of Marpol Pvt. Ltd

2018
Commissioning of Sayakha, Gujarat factory

2018
State-of-the-art R&D Lab in Vashi, Mumbai commissioned

2018
Acquisition of RAK Paints, Bangladesh

2019
Acquired Perma Construction Aids Private Ltd

2019
JV with Polygel Industries Pvt Ltd. to form Nerofix Pvt Ltd.

2019
Commissioning of Goindwal, Punjab Factory

2020
Unveiled the new corporate identity of Nerolac - Colours that Care

Our Operational Footprint

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

Map not to scale. For illustrative purposes only.

Our Strategy and Future Orientation

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

Strategic priority #1
Strengthening the core

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

Strategic priority #2
Expanding the horizons

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

Strategic objective
Strengthen the core while expanding horizons

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

Strategic priority #3
Building organisational capabilities

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

Strategic priority #4
Delivering long-term sustainable value

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

Our strategy in action

Strategic priorities	Actions initiated
Strategic priority #1 **Strengthening the core**	**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 • Close collaboration with Kansai Paint Co. Ltd, Japan, to bring in high-end, home-grown technology solutions, to cater to the specific needs of the modern Automotive Industry and other end-user industries • 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
	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) • High quality service with quick turnaround, coupled with convenience for Decorative customers (dealers and influencers)
	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 • Augmentation of our environment-conscious "Healthy Home Paints" positioning through our comprehensive range of 100% Heavy Metal Free by Design and Low VOC products that offer total painting solutions to consumers across price points Launch of new technology-based, cost-friendly products in the Decorative market
	Multiple Teams • Alignment of organisational teams and capabilities to sharpen focus on diverse customer segments, across the value creation process, for seamlessly serving their unique needs and ensuring that business model is crafted to the transforming market dynamics
	Backward Integrated Manufacturing Facilities • 6 well-equipped state-of-the-art manufacturing facilities for the production of paints, resins and other intermediates, located strategically across India, with most of them capable of serving a multiple range of product streams, thus ensuring unwavering customer confidence through uninterrupted service, including Just-in-Time (JIT) and cost competitiveness for Industrial customers • Acquisition of Marpol to scale up leadership in Powder Coating segment
	Well-established Distribution Network • Pan-India presence through 104 sales locations and 27,500+ customers to reach out effectively to customers across regions
	Powerful Brand Focus • Reputed brand, being among India's Top 40 brands and recipient of numerous recognitions • Established as an iconic and strong consumer brand, with several firsts in the Indian Paint Industry, propelled by sustained investments in brand building

Strategic priorities	Actions initiated
Strategic priority #2 **Expanding the horizons**	**New Market Segments** • Foray into Adhesives and Construction Chemicals in the mass market through acquisition of Perma Chemicals and JV with Polygel • Increased focus on promising opportunities of coil / rebar / floor / pipe coatings and other specialty coatings in Industrial business, to deepen presence • Expanding presence and reach in Auto Refinish Paints and Wood Coatings • Tie-up with ICRO for high-end Wood Coating products
	New Geographies • Expansion beyond India through acquisitions in Nepal, Bangladesh and establishment of a greenfield JV project in Sri Lanka
Strategic priority #3 **Building organisational capabilities**	**Strategic IT Deployment** • Successful deployment of cutting-edge IT tools to improve processes, gain business insight, set policies and ensure process rigor and productivity • Enabling integrated IT across the supply chain to drive deep value for customers
	Digital Thrust • Utilisation of advanced digital tools, such as Machine Learning, Robotic Process Automation, Internet of Things (IoT) and Chatbots, to secure increased business benefits • Enhancement of Decorative Paints manufacturing capabilities with commissioning of state-of-the-art Digital factory at Goindwal, Punjab
	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
	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
Strategic priority #4 **Delivering long-term sustainable value**	**Governance, Compliance and Risk Management** • Maintenance of highest standards for all stakeholders through adherence to values of strong and transparent Corporate Governance, backed by robust practices and disclosures • Regular Internal Audits, and monitoring of Control Efficiency Index and Robust Control Index • System-based controls, as well as compliance tracking and reporting, to ensure full visibility to the Management • System-based Enterprise Risk Management Framework to actively track risks and chalk out mitigation strategies, which are presented to the Board from time to time
	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

Our Value Creation Model

INPUT

Financial Capital	
Total borrowings (₹ Crores)	0
Total equity (₹ Crores)	53.9
Retained earnings (₹ Crores)	3733.0
Capital expenditure (₹ Crores)	217.0

Manufactured Capital	
Number of Plants (Nos.)	6
Property, plant and equipment (₹ Crores)	1594.6
Material Cost (₹ Crores)	3057.6

Intellectual Capital	
Spend on R&D (₹ Crores) (including capex)	33.9
Innovation and technical sessions held in different forums (Nos.)	117
Royalty in (₹ Crores)	13.9

Natural Capital	
Total energy consumption (GJ)	560576
Renewable energy (GJ)	258640
Specific Water Consumption (KL/KL of FG)	1.4
Rainwater used in Process (KL)	10361
Green Belt %	33

Human Capital	
Total employees (Permanent)	2992
Employee Training (including safety) in mandays/employee/year	5.05

Social and Relationship Capital	
Raw Material Supplier Base (Nos.)	500+
Total suppliers audited (Nos.)	37
CSR spend (₹ Crores)	16.9

VALUE CREATION PROCESS

OUR PURPOSE

Create environment for a healthy and beautiful future

OUR VISION

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

OUR MANUFACTURING PROCESS

PREMIXING

GRINDING

Refer to page 37 of this report for more information on manufacturing process

OUR STRATEGY

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

Refer to page 17-19 of this report for more information on our strategy

OUR VALUES

- Integrity
- Accountability
- Entrepreneurial mindset
- Customer focus
- Respect
- Innovation

THINNING TINTING FILLING

BRAND PROMISE
Renew Life

BRAND EXPRESSION
Colours that Care

OUTPUT AND OUTCOMES

Financial Capital	
Market Capitalisation (₹ Crores) (As on 31st March, 2020)	20880
Revenue generated from Operations (₹ Crores)	4943.2
EBITDA (₹ Crores)	781.6
PAT (₹ Crores)	535.4
Operating Cash Flow (₹ Crores)	620.6
Free Cash Flow (₹ Crores)	403.6
Dividend paid including dividend distribution tax (₹ Crores) (Paid during FY 2019-20)	168.9

Manufactured Capital	
Increase in plant capacity (Million Litres)	66

Intellectual Capital	
No. of Patents Filed	2
New Products Launched	33

Natural Capital	
GHG emissions (MT of CO_2 eq)	47698
Hazardous Waste generated (% of Finished Goods)	0.27
Liquid Discharged (KL)	0
GHG emission avoided (%)	29
Recycled / reused water (%)	22

Human Capital	
Revenue per Permanent employee (₹ Crores)	1.65
GPTW Trust index (%)	70

Social and Relationship Capital	
New Raw Material suppliers Added (Nos.)	20+
% of local sourcing	62
Lives touched through CSR initiatives (Approximate Nos.)	>0.2 million
Tax Paid (₹ Crores)	532

Staying Engaged with the Stakeholders

Stakeholder relations are important to achieving our business goals and long-term value creation. We are engaging proactively with them to understand and respond to their interests and expectations. Alongside, we also aim to promote a shared vision and value proposition and formulate a collaborative approach.

Our Approach to Effectively Engage With Stakeholders

We follow a structured four-step approach to engage with our stakeholders, and evaluate the issues raised by them.

- Stakeholder Identification
- Stakeholder Prioritisation
- Stakeholder Engagement
- Managing Stakeholder Expectations

Stakeholder Identification

We identify stakeholders as those reasonably impacted by our operations and those impacting us based on discussion with the top management. These stakeholders are then categorised as internal and external.

Stakeholder Prioritisation

The identified stakeholders are then ranked based on the degree to which they influence our business performance and decision and the degree to which we depend on them.

- Degree to which the stakeholder has influence on business performance
- Degree to which KNPL depends on stakeholders' support to achieve business goals
- Degree to which the stakeholder has influence on business decisions

Stakeholder Engagement and Expectation Management

We engage with our stakeholders through various platforms at regular intervals to understand matters that are relevant to them and undertake measures to effectively address those.

Stakeholder Group and their importance	Mode of Engagement	Matters relevant to them	KNPL's response discussed in
Business Partner Our parent company 'Kansai Paint Co. Ltd, Japan' gives us functional leverage to improve operational efficiency and shape business	• Emails • Board Meetings • Company Functions • Audits and Review Meets • Multi-Stakeholder Platforms (Conferences, Knowledge-sharing Conclaves)	• Business Growth • Risk Management • Corporate Governance • Financial Performance • Operational Performance	• Financial Capital • Intellectual Capital • Manufacturing Capital • Natural Capital • Human Capital • Social and Relationship Capital • Corporate Governance
Shareholders and investors They provide financial capital for business growth and help improve business image	• Board Meetings • Investor / Analyst Meets • Annual Report • Media Updates and Press Releases • Website	• Business Growth • Risk Management • Corporate Governance • Financial Performance • Operational Performance	• Financial Capital • Corporate Governance
Customers Our success and sustained business growth are defined by meeting customer expectations in given business climate	• Emails • Meetings • Customer Satisfaction Survey • Multi-Stakeholder Platforms (Conferences, Knowledge-sharing Conclaves) • Grievance Redressal	• Customer Satisfaction • Timely Delivery • Quality • Product Performance • Product Innovation • Technology Advancement • Long-Term Value Creation	• Social and Relationship Capital • Intellectual Capital
Employees Employee skills, knowledge, experience and commitment guide our continued success	• Emails • Review Meetings • Departmental Meetings • Appraisals • Employee Engagement Surveys • Work Line Portal • Monthly Newsletter 'Impressions' • Training Programmes	• Training and Skill Development • Employee Well-being • Employee Experience • Career Progression • Occupational Health and Safety	• Human Capital
Suppliers They are a critical part of our value chain, enabling us to scale operational efficiency and exceed customer demands	• Emails • Meetings • Supplier Portal • Supplier Audits • Vendor Development Programmes • Multi-stakeholder Platforms (Conferences, Knowledge-sharing Conclaves)	• Transparency • Sustainable Supply Chain • Procurement Practices • Capacity Building • Timely Payment	• Social and Relationship Capital
Community Communities give us social licence to operate and it is our responsibility to uplift and foster strong relationships with them	• Community Welfare Programmes • Community visits / meeting • Local authority and town council meetings	• Improvements in Social Infrastructure • Skill Development Programmes • Health and Environment • Enhancement of School Infrastructure • Sanitation and Safe Water Supply • Local Employment	• Social and Relationship Capital

Materiality Assessment

Material matters are those that may impact our ability to create value over the short, medium and long-term. We analyse material matters that are most important to us and our stakeholders along with continuous monitoring of operational, financial and social activities. This provides a better understanding of the impact of our business and the impact the stakeholders will have on our future value creation.

Materiality Determination Process

Identifying material issues

Prioritising material issues

Assessment of material issues

Identifying and Mapping Material Issues

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

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

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

Prioritisation of Material Topics

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

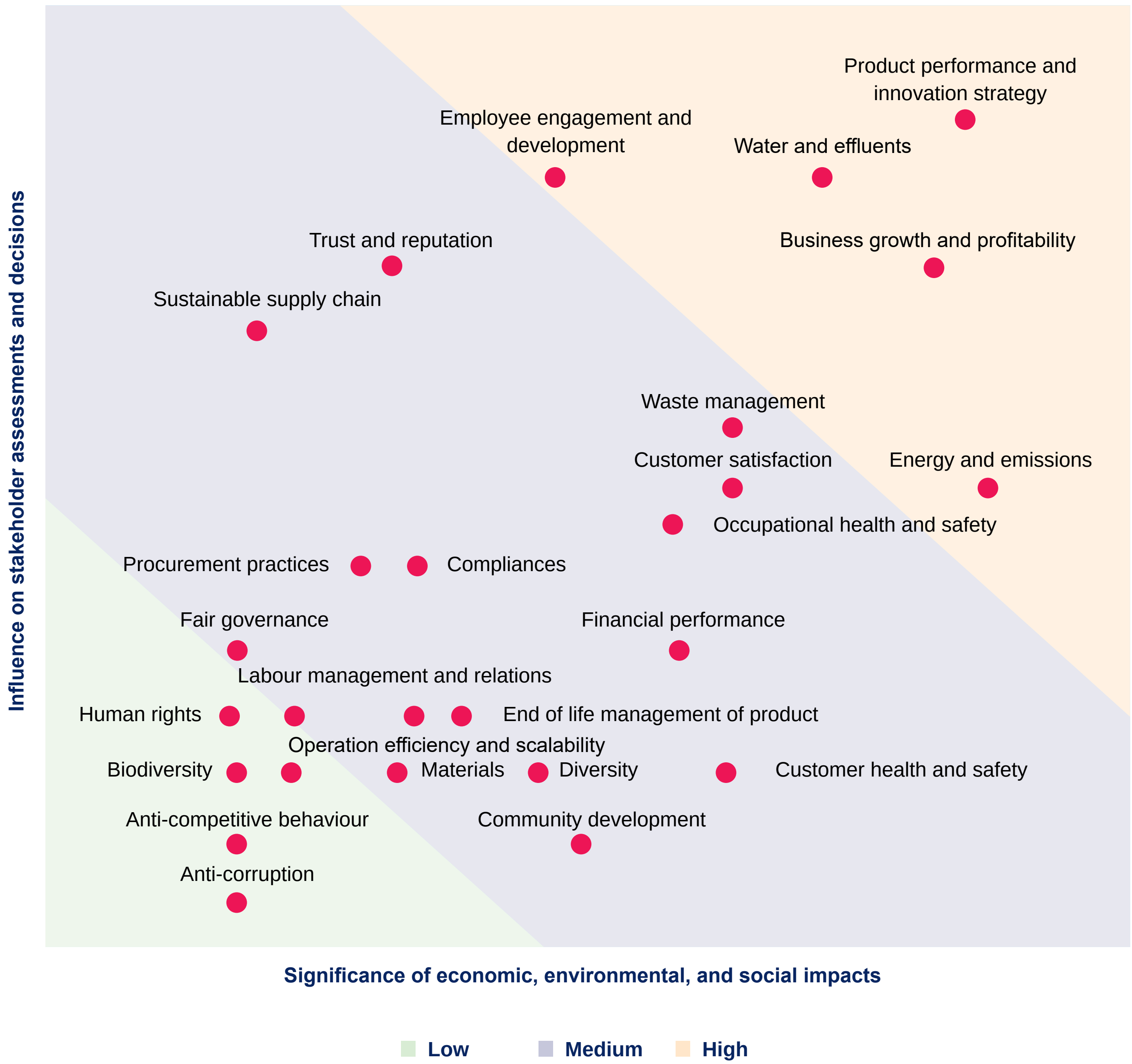
Degree to which the topic is aligned to organisation's strategic goals

Degree to which the topic has an impact on key stakeholders

Degree to which we have an influence on the topic

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

Materiality Matrix



MATERIAL TOPICS AND THEIR ASSESSMENT

Category	Material Topic	GRI Topic	Boundary	Key Action	Capitals Impacted
Economic	Business Growth and Profitability	• Non-GRI	Internal and External	• Increase sales • Enter new markets • Increased focus on Decorative Market • Cost leadership	• Financial Capital • Manufacturing Capital • Intellectual Capital
	Product Performance and Innovation Strategy	• Non-GRI	Internal and External	• Value engineering • Process improvement and technological advancement • Product stewardship	• Manufacturing Capital • Intellectual Capital
Environmental	Energy and Emissions	• GRI 302: Energy • GRI 305: Emissions	Internal and External	• Increase energy efficiency • Increase renewable portfolio • Move towards Carbon Neutrality • Product lifecycle assessment • Green belt development	• Natural Capital
	Water and Effluents	• GRI 303: Water and Effluents	Internal and External	• Decrease freshwater consumption • Maximise recycled water consumption • Ensure Zero Liquid Discharge	• Natural Capital
	Waste Management	• GRI 306: Waste	Internal and External	• 3R Principle - Reduce, Reuse and Recycle • Zero waste to landfill	• Natural Capital
Social	Employee Engagement and Development	• GRI 404: Training and Education	Internal	• Build workforce capacities through various training and developmental programmes	• Human Capital
	Occupational Health and Safety	• GRI 403: Occupational Health and Safety	Internal	• Identification and mitigation of hazards and risks • Reduce safety incidents • Ensure excellence in Process Safety Management	• Human Capital
	Sustainable Supply Chain	• GRI 308: Supplier Environmental Assessment • GRI 414: Supplier Social Assessment	Internal and External	• Green Procurement Guidelines • Supplier Audits • Vendor Development Programme	• Social and Relationship Capital • Natural Capital
	Customer Satisfaction	• Non-GRI	Internal and External	• Supply quality products and service • Timely delivery • Exceed customer requirements/ expectations • Safe products	• Social and Relationship Capital
Governance	Trust and Reputation	• Non-GRI	Internal and External	• Effective Corporate Governance • Responsible Corporate Citizen	• Financial Capital • Human Capital • Social and Relationship Capital

Opportunities and Threats

Opportunities

Policies

- Reduction in corporate tax

Per Capita Consumption

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

Infrastructure Thrust

- The government is expected to continue its push toward 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 quality paint product
- Reduction in energy consumption at customer production lines through product and process innovations
- Growing use of renewable energy

New Market sectors

- Forays into new opportunity areas with huge potential for growth such as Construction Chemicals, Adhesives, Coil Coatings

Specialty Niches

- Speciality products in the form of speciality coatings represents an opportunity for the company to leverage its technical strength

Threats

Pandemic

- Disruptive effect of COVID-19 pandemic on the economy is negatively impacting demand
- Looming threat of global recession

Geopolitical

- Emerging geopolitical trade restrictions

New Competition

- New competitors are entering the market

Unpredictable Monsoon

- Extended monsoon in India since past couple of years

Financial

- The exchange rate between Indian Rupee and US Dollar has fluctuated widely

Cyber-Security

- Data loss/Thefts
- Domain-based threats
- Hacktivism

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 brand, technology and service strategy. Strategic risk identification and mitigation remains a top priority activity at KNPL, and contingency measures are put in place for any and all issues emanating out of the same.

Operational Risk

While pursuing innovative product offerings and radical business models, there are certain risks associated with product delivery, Service Level Agreement adherence 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.

Statutory Risk

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

Financial Risk

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

System Risk

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

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.

People Risk

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

Sustainability Focus

With Sustainability at the core of our Business Strategy, we are continuously imbibing sustainable business practices to address social and environmental concerns. To meet our stakeholder expectations with respect to the global development challenges, we are continuously striving to enhance our contribution towards the UN Sustainable Development Goals (SDGs), which provide a global framework to help countries, businesses and other stakeholders understand and address such challenges.

Understanding the SDGs

Born at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012, they are a set of 17 universal, inter-connecting goals that meet pressing global economic, environmental, political and societal challenges.

The SDGs are an urgent call to shift the world onto a more sustainable path, and involve everyone in building a more sustainable, safer, prosperous planet for all humanity.

Contributing to the SDGs

Being a responsible corporate, we are committed to continuously scale up our contribution to the SDGs. We are also continuously ramping up our investments to enhance the delivery support systems of the SDGs, and continue to look for opportunities to support these goals.

Way Forward

Going forward, we plan to focus our efforts on specific goals that closely align with our business strategy and purpose. These include:

SDG#4 – Quality Education

SDG#6 – Clean Water and Sanitation

SDG#12 – Responsible Consumption

SDG#13 – Climate Action

We plan to strategically develop a robust framework to evaluate our performance against these goals.

Nurturing Our Capital

We believe that our business activities have a direct or indirect impact on the UN Sustainability Development Goals (SDGs), and thus remain steadfastly focussed on aligning our business to these goals.

In this report, we have mapped the relevant SDGs, that are impacted by our business activities, to our six capitals.

Financial Capital

8 DECENT WORK AND ECONOMIC GROWTH

Manufacturing Capital

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Intellectual Capital

4 QUALITY EDUCATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Natural Capital

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Human Capital

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

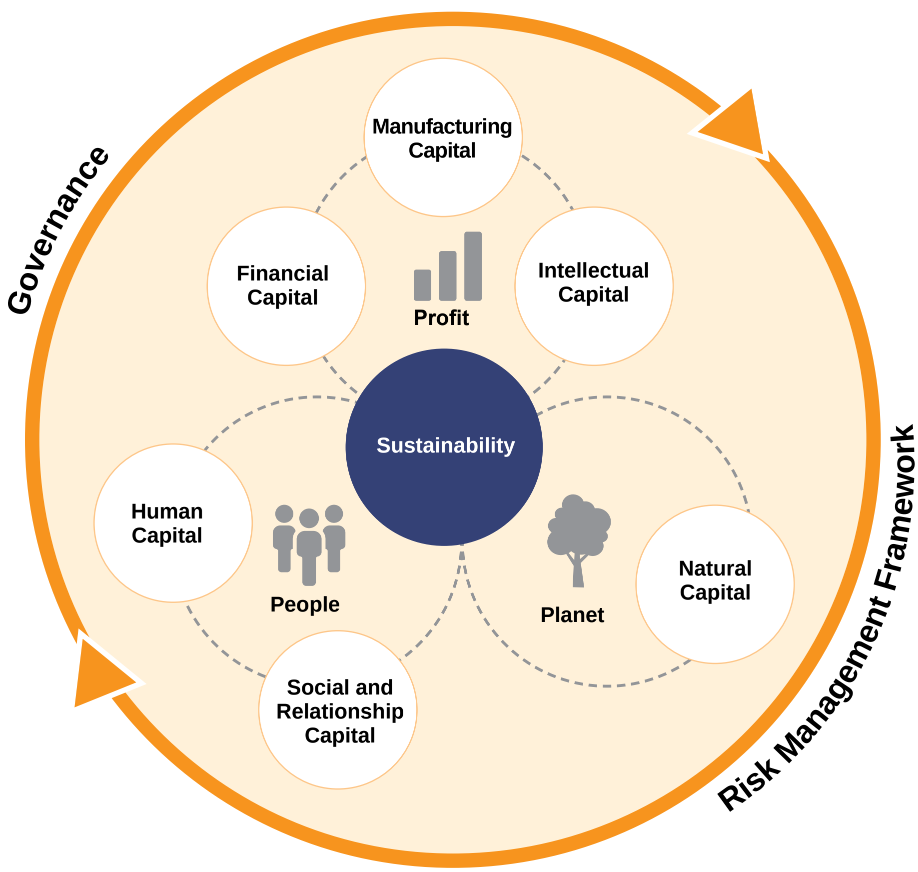
5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Social and Relationship Capital

Our 3P Goal

We have set our performance goals under the six capitals, as encompassed by the three Ps (Profit – Economic, Planet – Environment, People – Social).



We follow a triple bottom line approach and judiciously manage the six capitals to achieve our strategic objectives.

Financial Capital

For us, at KNPL, cost leadership constitutes one of our core competencies, and is a critical driver for achieving excellence in Operations. We continuously seek to invest in attractive growth opportunities, backed by focussed and robust planning, strategy and prudence. Through our financial management, we constantly strive to augment the returns for the providers of our financial capital.

Backdrop

FY 2019-20 saw a prolonged and unprecedented slow-down in the key sector of Auto, which spilled into other markets and finally, even into Decorative. A prolonged monsoon, floods in many states, along with disturbances due to change in policy, also had an impact on demand. The COVID-19 pandemic that hit businesses worldwide towards the end of the fiscal further impacted growth.

Cumulatively, these factors prevented us from achieving our stated topline goals for the year. Also, raw material costs were benign and displayed a slow declining trend, and prices continued to be impacted negatively due to exchange rate and crude oil volatility.

Impact on SDG

8 DECENT WORK AND ECONOMIC GROWTH

Response

Against this backdrop, with our efforts to aggressively reduce cost and tighten overhead control, we were successful in improving our operating margins as a percentage. The Company was able to achieve this due to concentrated effort on dynamic formulation management and product mix change.

Focus of Our Response

- Increasing Market Capitalisation
- Increasing Market Share
- Enhancing Productivity
- Sustaining Value Creation

Financial Parameters of Our Response

- **Continued investment in the future**
- **Leveraging monetary resources**
- **Augmenting economic and societal value**
- **Efficient capital allocation to create, enhance and distribute value to all stakeholders**

Data on financial capital performance is covered in the statutory part, in the latter sections, of this report. In FY 2019-20, we did not receive any financial assistance from the Government as per IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, 2001.

We maintain an apolitical stance and do not support any specific political party or candidate for political office. We did not offer or give any Company funds or property as donations to any political party, candidate or campaign during the year. We did not make any political contribution.

Taking the Right Decisions

At KNPL, all strategic economic decisions are taken by the Board of Directors and executed by the Vice-Chairman and Managing Director, Management Committee and Departmental Heads, as the case may be. The economic decision-making responsibility with respect to daily business is assigned to the Vice-Chairman and Managing Director, the Management Committee and the Departmental Heads, and so on.

Under the stewardship of the Vice-Chairman and Managing Director, the Management Committee forms the highest governance body of the organisation. The Management Committee members are responsible for economic decisions with respect to areas under their purview. These are approved by the Vice-Chairman and Managing Director and the Board of Directors, as per laid down policy.

Operational Achievements

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

- **Increase in Operational Cash Flow:**
  The cash from operating activities was ₹ 620.6 Crores during FY 2019-20, as compared to ₹ 110.4 Crores in the previous year.

- **Strategic Capital Investment:**
  The Company spent ₹ 217 Crores towards capital expenditure related to various projects of capex requirement.

- **Significant Control of Overheads:**
  The Company was able to reduce and control 'other expenses' at ₹ 834.6 Crores during FY 2019-20, as compared to ₹ 873.7 Crores in the previous year.

Key Initiatives

- **During the year, KNPL acquired a company engaged in the business of Construction Chemicals (Perma Construction Aids Pvt Ltd -100%) and launched a JV for Adhesive Business (Nerofix Private Limited).**

- **The Company filed the Scheme of Merger of Marpol Private Limited and Perma Construction Aids Pvt Ltd (100% wholly-owned subsidiary) with the National Company Law Tribunal, at the benches in their respective locations.**

- **The Board has recommended dividend at ₹ 3.15 per fully paid share as compared to previous year's ₹ 2.60 per fully paid share.**

- **Improved EBITDA and EPS:**
  The EBITDA of the Company is at ₹ 781.6 Crores with, an improvement of 5.3%, mainly on account of improved margins and higher realisation. The basic earnings per share stood at ₹ 9.9 for FY 2019-20, as compared to ₹ 8.6 in the previous year.

Way Forward – Budgeting and Control

Agenda and plans for the next financial year are decided, at KNPL, at the start of the year, and entail documentation of a detailed annual business plan. Based on the annual business plan and market trends, with respect to currency value, raw material costs, energy costs, amongst others, a detailed annual budget is prepared by the Financial Head of the Company, and the same is approved by the Vice-Chairman and Managing Director and the Board of Directors.

The Company uses various IT platforms to monitor the budget, and system checks have been developed to control the same. It is reviewed regularly by the functional heads, along with the Management Committee.

Manufacturing Capital

At KNPL, we are constantly in pursuit of devising new ways to improve our manufacturing competency, by implementing state-of-the-art technologies, embracing Digital and automation, and undertaking green initiatives in business operations.

Backdrop

We believe in building a legacy for the future. A rich organisation-wide culture, coupled with collective knowledge, innovation and technology advancement, enables overall development and enhanced efficiencies across our manufacturing facilities.

Response

With an eye on the future, we have built our organisation on the strong foundations of a deeply ingrained value system, which includes economic and societal development.

Modular Paint and Pigment Production (MoFa) Technology

Impact on SDG

Focus of Our Response

- Optimising Overhead Costs
- Embracing Digital Capabilities
- Enhancing Productivity
- Strengthening Integrated Supply Chain Function

Operational Parameters of Our Response

- **Primary operations in India**
- **6 subsidiaries (3 in India, 3 International)**
- **International subsidiaries, located in Nepal, Sri Lanka and Bangladesh**
- **6 strategically located Manufacturing Facilities, 104 depots and more than 27,500 customers pan India**

Manufacturing Footprint

Our Manufacturing Facilities are located in strategic proximity to our key markets, across India.

Bawal

- One of India's largest Industrial paint manufacturing plants, situated in the industrial of Haryana (about 100 kms from Delhi)
- Manufactures Auto paint, CED paint, Powder coating and Resins
- Serves as a key paint supplier to India's large Automobile manufacturers in the North

Hosur

- KNPL's largest plant in terms of area, located in Hosur (about 40 kms from Bengaluru, Karnataka)
- Manufactures Decorative paints, Automotive coatings, Performance coating, Powder coating, CED, Emulsion and Resins
- Clientele includes Automobile and White Goods OEMs in Southern and Eastern India

Jainpur

- KNPL's oldest facility and largest plant, located in Uttar Pradesh (42 kms from Kanpur city)
- Manufactures Decorative paint, High Performance coatings, Emulsion and CED paint, Resin

Lote

- Situated on Western coast of Maharashtra, serves key auto customers in industrial zones of states in Western India
- Manufactures Automotive coatings, Decorative paint, Resin and Powder coating
- Clientele includes multiple OEMs (Original Equipment Manufacturers) of Western India

Sayakha

- Equipped with most modern Auto paint manufacturing infrastructure, located in Gujarat (26 kms from Bharuch)
- Serves key OEMs (Original Equipment Manufacturer) in Gujarat and surrounding states

Goindwal

- KNPL's first digital factory, recently established and equipped with most modern facilities for manufacturing Decorative paint
- Located in Punjab (50 kms from Amritsar city)
- Decorative paint production already commenced

Our Plants are Certified for the Highest Levels of Quality:

	Bawal	Hosur	Jainpur	Lote	Sayakha
IATF 16949: 2016	✓	✓	✓	✓	✓
ISO 9001:2015	✓	✓	✓	✓	✓

State-of-the-art Equipment

All plants have the capability to produce Stock Keeping Units (SKUs) ranging from 1 Litre to 200 Litre We have a state-of-the-art Digital factory at Goindwal and Ystral technology at Jainpur for water-based paints.

Our Plants are Equipped with:

- Earth-rite systems
- Static discharge measures
- Flame-proof designs
- CCTVs
- VOC meters
- Hydrant system
- Sprinklers
- Fume and Flame detection systems
- POKAYOKE measures

World-class Manufacturing Systems

We have adopted World-class Manufacturing Systems at all our plants. These include:

- MES (Manufacturing Execution System)
- WMS (Warehouse Management System)
- Bar Coding
- ASRS (Automatic Storage and Retrieval System)
- Pigging
- Closed Pneumatic Conveying System for Powder Conveying
- Robotic Palletisers
- Latest Bells to Simulate Line Conditions for Auto, HSPMs, amongst others

Safety laboratory is available at all plants for practical demonstration of past accident / incident.

Our manufacturing strategies are directed towards environment-friendly innovations, which help in reduction of water and energy consumption, as well as air emission, thus minimising our environment footprint. All plants are zero liquid discharge, and also ISO 14001, 45001 certified.

Sayakha plant in Gujarat

The Following Plants are EHS Certified:

Plant	ISO 14001:2015	ISO 45001: 2018
Lote	Yes	Yes
Bawal	Yes	Yes
Jainpur	Yes	Yes
Hosur	Yes	Yes
Sayakha	Yes	Yes

> **We have instituted a Business Excellence function to constantly support our manufacturing teams for continuous operational improvement.**

Manufacturing Process

Typically, there are five major steps involved in manufacturing of paints:

Premixing
Mixing raw materials like resin, pigment, solvents, oils and additives

Grinding
The mixture is ground to achieve fine, uniformly grounded, smooth particles size

Thinning
Completed mill base dispersion is let down with solvent or binder to give a coating consistency in order to achieve the proper texture for application

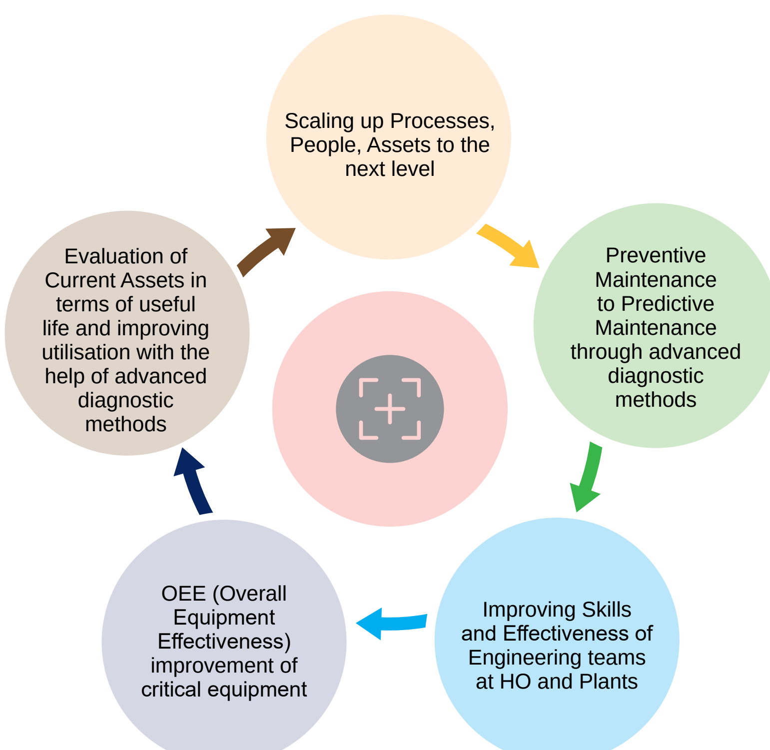
Tinting
Process of adjusting the colour of completed mill base dispersions

Filling
Final process is filtering and filling the product into the container

There are, however, slight differences in the process of manufacturing for Industrial paint, Decorative paint and Powder coating

Maintaining Excellence

Led by a strong focus on maintaining excellence in our manufacturing and operational processes, we regularly undertake various initiatives, as listed below, to strengthen this capital.



Strengthening the Supply Chain

At KNPL, we have a vertically integrated supply chain, designed to serve a wide range of Industrial and Decorative customers. Our planning and distribution strategies for these two major groups of customers are customised to their unique needs.

Industrial Customers - Planning as per "Make to Order" philosophy

Decorative Customers - Planning based on forecasted demand

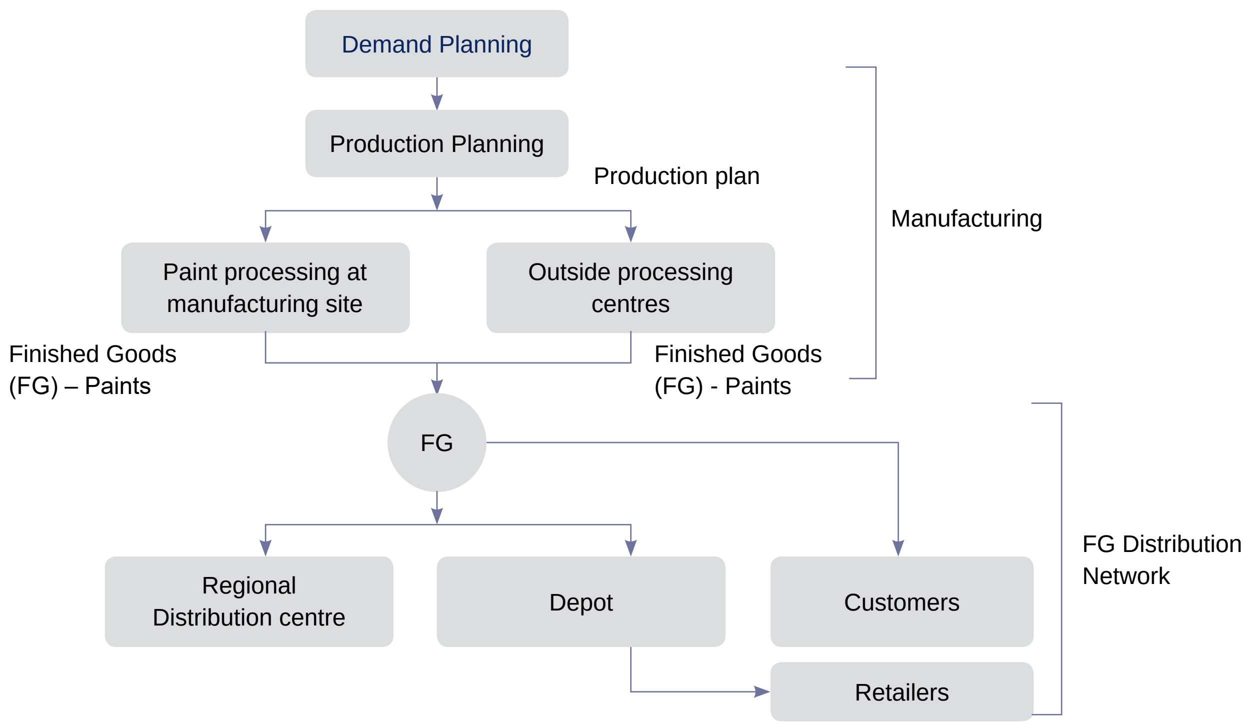
These customers are then served through the Company's wide distribution network.

Project Uday, TPM and Qimpro Award

During FY 2019-20, with the support of an external consultant, we implemented a strategic initiative Project UDAY for throughput, productivity improvement and energy cost reduction. Moreover, all plants implemented Total Productive Maintenance (TPM), in which employee engagement was enabled with Kaizen, Six Sigma and Improvement projects. We were also conferred with an award for Kaizen, showcased at a competition organised by Qimpro.

How the Supply Chain Works

Planning phase provides production plan as the output. This provides input for the Manufacturing (in terms of finished goods to be produced) and for Purchase (in terms of raw materials to be procured). Purchasing of required materials and manufacturing of paint is carried out as per production plan.



Way Forward – Holistic Improvements

Going ahead, we have plans to digitise our existing factories, enhance processes, and embrace best-in-class technology to deliver superior quality products with improved response time.

Intellectual Capital

At KNPL, innovation constitutes the cornerstone of the organisation's successful longevity, and incorporates multiple dimensions of business, communities and environment, aimed at developing sustainable solution for a better world. Our innovation management entails product innovation, technological advancement, process improvement and growing digital capabilities.

Backdrop

We understand the importance of embracing the latest megatrends and delivering the best suitable products amid the ever-changing business environment and increasingly competitive market. The responsibility to provide high-quality products to our customers at the right time is of central concern to us. Customers today are continuously evolving, with ever changing expectations, accelerated by new-age disruptive forces in the form of digital, social and mobile. This makes it imperative for businesses to show agility and embrace innovation in core categories and portfolio expansion.

Response

Aligning ourselves to the transforming expectations and aspirations of customers, we have embraced world-class practices at our plants. Technological support from Kansai Paint Co., Ltd, Japan and its group companies, Oshima Kogyo Co. Ltd., Japan, Cashew Co. Ltd., Japan, and Protech Chemicals Limited, Canada, gives us the competitive edge needed to power growth in the transformational industry scenario.

Impact on SDGs.

4 QUALITY EDUCATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Focus of Our Response

To be a pioneer in developing best-in-class sustainable and user-friendly products

To be one of India's most technologically advanced paint companies

Intellectual Parameters of Our Response

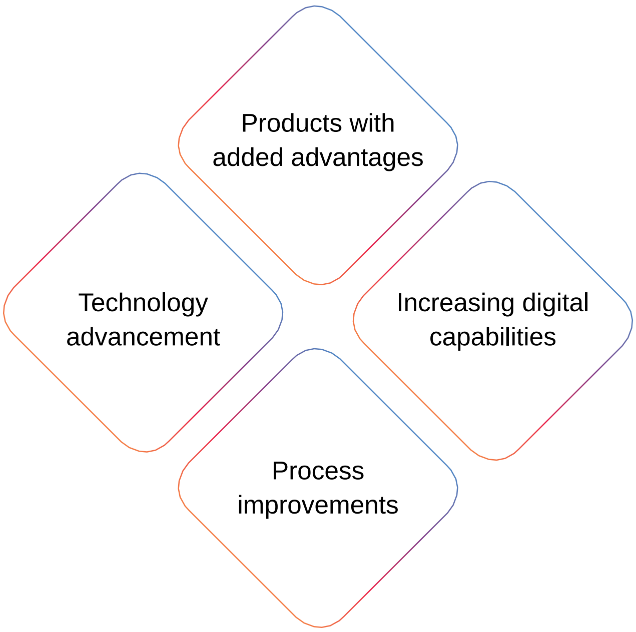
Dedicated Research and Development Centre equipped with state-of-the-art technologies and modern equipment

Continuous investment in R&D to conduct cutting-edge research, facilitate innovative product development and deliver superior quality products for overall well-being of people and environment

Constant efforts to create innovative and efficacious products for consumers

Augmenting R&D

With strong focus on building new competencies and capabilities, we leverage our R and D capabilities through:



We are constantly in search of new materials and modern processes that are safe and environment-friendly, at every stage - from product design to its application. This innovative mindset enables us to become best-in-class and set industry benchmarks.

Innovating across Business Segments

Our innovation thrust is focussed on building capabilities and delivering new products across the segments of our business.

Decorative

Our Edge

Pioneers of Low VOC products in India, leading to the emergence of ‘Healthy Home Paints’

Pioneered the concept of declaring products with safe limits of Lead and other heavy metals

Focussed on developing new and sustainable Eco-Friendly Green Technologies

Working on megatrends such as enhancing the life and performance of coatings, improving health and wellness, creating products with functional attributes and products based on renewable raw materials, changing practices and substrates

New Products Launched in FY 2019-20

Nerolac Excel Top Guard
Premium exterior emulsion, offering first-of-its-kind home protection with 10-year waterproofing and performance warranty, along with structural insurance

Suraksha Acrylic Exterior Emulsion
Economic exterior emulsion, providing good durability, coverage and cost efficiency

Nerolac Waterproof Putty
Premium Cement Putty with waterproofing and binding properties

Soldier Metallics
Water-based popular interior and exterior metallic finish in three different shades viz. Gold, Silver and Copper

In addition, we also developed and launched a varied range of products in adhesives and construction chemicals.

Process Improvements and Technological Advancements in FY 2019-20

Introduced new formulations of colourants, using the highly efficient dispersion mill at Jainpur facility

Initiated formulations through slurry route, to reduce manual handling of powder and increase energy efficiency, at two locations

Commissioned a new, energy-efficient manufacturing process, using inline dispersion technology

Work in Progress

Leveraging our innovative capabilities, we are in the process of developing new technologies and products with added advantages. In pursuit of our goal to deliver premium products to our discerning customers, we are working on the following technologies:

- Coatings that could abate pollutants
- High Binding Polymer Emulsions which could be used in High PVC Paints
- Clear coatings to enhance the shelf-life of coatings
- Heat reflecting coatings

BOT Service

It is a free of cost service, whereby the consumer can scan the QR code at the dealer's counter or give a missed call on a specified number. BOT service helps consumer locate the closest dealers, master painters (in their locality), or get online colour consultation. The consumers can click pictures of their house, post which, we provide them with Previews (Colour options) of their house within a stipulated time.

Automotive

Our Edge

Industry leadership position, which we seek to sustain by improving the market share through:

- Proactive understanding of dynamic changes in customer needs
- Improved response time
- Outstanding technical services and development
- Implementation of value-added technology solutions

Strategic business development teams, instituted to focus on inorganic growth, tapping new opportunities

Focus on developing sustainable coating system for automobile applications – key industry differentiators include Medium High solids Low VOC products, Direct to Metal Anticorrosive Technologies, Zero Bake Technology

Suraksha Acrylic Exterior Emulsion

New Products Launched in FY 2019-20

New Generation Clear Coat for Passenger Car

Product having excellent mar and scratch resistance, durability and hence appearance retention, and a suitable coating system for alloy wheels having compatibility with powder clear coat for application on diamond cut wheels

Monocoat Metallic Paints for 2-Wheelers

New technology that enables customers to reduce one extra coat of clear coat, thus reducing VOC and improving productivity, while maintaining the same quality of the final product

2k PU Monocoat Technology for Tractor Sheet Metal

A low-bake product which has replaced existing high-bake product on tractor sheet metal, with reduced temperature helping customer conserve energy and minimise carbon footprint, while offering better durability and chemical resistance

Blue CED

One-of-its-kind innovation which has helped our customers eliminate top coat application for inside area of sheet metal parts of Tractors

In addition, multiple other products were also launched, which have been discussed in the Management Discussion and Analysis (MDAR) section of this Report.

Process Improvements and Technological Advancements in FY 2019-20

Installed a six-axis robot at our new R&D facility for simulation of customer line spray conditions at laboratory level – helps development teams review and improve workability of product design as per customer requirement, thus improving first-time implementation of the products at customer end

Installed test equipment such as weather-o-meter, to evaluate and formulate superior quality products

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

Strengthened our position in Auto Refinish segment in India, with launch of mid-tier Polyurethane (PU) range tinting system CARDIA (our RETAN product has been approved by key OEMs for solvent and water-based technology)

Performance Coating (Liquid and Powder)

Our Edge

Focussed on delivering products that exceed our customers' requirements

Strengthened our efforts and commitment to offer sustainable products with added advantages

Strove continuously to develop products designed to reduce environmental footprint of our customers

New Products Launched in FY 2019-20

Weather-proof Polyurethane Coating
Customised product developed in 2-coat system, with technology support from our parent company, for a leading construction equipment manufacturer; possesses good weathering properties, good gloss and high volume solids; made with high quality weather-resistant pigments to meet the weathering performance requirement

Water-based Black Coating for Engines
Energy-reducing water-based coat for painting of commercial vehicle engine with Low VOC; achieves performance requirement in single coat with lower baking condition of 600°C for 20 minutes

Matt Coating System for Helmets
Energy-saving coat that can be cured by ultraviolet rays (UV) curable energy in a fraction of a few seconds against conventional products, which require baking at 80°C for 30 minutes

Anti-Corrosive Primers
Powder Coating Primer that meets the C5M specification of ISO12944 for very high corrosive environment

Fusion-Bonded Epoxy (FBE) Valves and Fittings
Innovative powder coating product with excellent Corrosion control; Approved by WRAS (Water Regulations Advisory Scheme)

In addition, multiple other products were also launched, which have been discussed in the Management Discussion and Analysis (MDAR) section of this Report.

Increasing Digital Capabilities

We continued to expand our digital capabilities in the new-age business landscape during the year.

- Adopted latest digital solutions like Machine Learning, Internet of Things (IoT), Business Process Automation Technologies, Chatbot, Cloud and Security in our daily operations
- Successfully rolled out Machine Learning application across our Decorative Sales team
- Incorporated Robotic Process Automation (RPA) in multiple facets of business to automate standard and repetitive business processes thus enabling more efficiencies and 24 by 7 support
- Digitised on-boarding of new employees to add speed and efficiency to the process
- Developed a catalogue of differentiated digital experiences for employees: Collaboration tools (Teams), Idea Management app, Virtual Assessment centres, Gamification-based induction

> **With the goal of becoming smart, agile and intelligent in the prevailing dynamic environment, we have set exacting targets towards digitalising our plants and business processes. In line with this, we have taken definitive steps to deliver transformative solutions. Digitalising our plants would reduce manual material handling, improve productivity and efficiency, and also optimise resource utilisation.**

Virtual Reality (VR) Service for Dealers

Cognisant of the fact that colour selection is a major issue at every dealer's counter, we have initiated VR services for our consumers to experience real-time walk-in and create their own colour palette. This helps consumer to be colour confident and visualise how a colour would look in different set-ups and rooms.

Industry Knowledge and Collaborations

Our parent company, Kansai Paint Co. Ltd. Japan, continued to extend us support on process design and quality improvement, besides sharing best-in-industry technology, thus enabling us to demonstrate strength in sustaining market leadership in the Industrial business. KPJ also aided us with technology support for manufacture of Architectural Coatings. Additionally, we have strategic assistance agreements with Oshima Kogyo Co. Ltd., Japan, Cashew Co. Ltd., Japan, and Protech Chemicals Limited, Canada, for specific product and service offerings.

We are also associated with the following charters:

- National Safety Council
- Indian Chemical Council
- Indian Paint Association
- Bombay Management Association
- Confederation of Indian Industries
- Bombay Chamber of Commerce and Industry
- Maharashtra Economic Development Council
- The Colour Society
- Mumbai First
- Employers Federation of India

We continuously support industry bodies and peer networks to adopt best practices, and also collaborate to promote cross-learning and sharing of industry best practices. We actively participate in knowledge sharing platforms and conferences that enable improvements in sectoral performance as a whole. We also collaborate with technical institutes at various levels. Moreover, through Value Analysis / Value Engineering (VAVE), we extend technology solutions and suggestions to enhance the overall performance of our customers.

Way Forward – Enhancing Products

We shall continue to sustain our efforts towards delivering superior quality, environmentally sustainable products that exceed the demands of the consumers. We shall also facilitate capability building, and continue to enhance our product performance through collaborations and technology advancements.

Virtual Reality Experience

Natural Capital

We are sensitive of our role, both as a user of natural resources and as a responsible producer of chemical-based products for society. For us, adopting environment-friendly practices is an integral part of our sustainable business strategy. We believe in continuous improvement and set exacting standards in environmental stewardship, and besides establishing comprehensive indicators to track performance. We imbibe environmental sustainability principles into every aspect of our planning and operations, and make concerted efforts by employing Kaizens to protect our environment.

Impact on SDG

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Response

We have robust systems and processes in place to identify measure and mitigate the impacts on the environment, including the carbon, water, energy and waste footprint. Our commitment towards environmental sustainability is guided by our policies, our senior management's vision and periodic reviews as well as our long-term action plans.

Focus of Our Response

- **Quality raw material procurement**
- **Increase Resource Efficiency**
- **Energy efficient operations across facilities**
- **Reduction of carbon footprint through implementation of Carbon neutrality projects**
- **Reduce Non-product Specific water consumption (SWC) by reducing freshwater consumption**
- **Achieve Zero Waste to Landfill**

Managing the Natural Capital

Our Natural Capital management strategy is focussed on the key areas of: Material Management, Energy Management, Emission Management, Waste Management and Greenbelt Development.

Material Management

Our raw materials consist mainly of pigments, binders, additives and solvents, which are essential for paint manufacturing. We continuously strive to manage the raw material consumption as efficiently as possible, thus maximising the conversion of raw materials into finished goods and minimising the material losses.

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

Thrust Areas

- Strong focus on process automation for improved accuracy and reduction in material wastage; adoption/promotion of various reuse and recovery initiatives
- Decorative units equipped with close-loop manufacturing process
- Continuous monitoring of process parameters to exercise strict control on material additions
- Silo system in place for close loop powder addition to reduce material losses and also minimise worker exposure to dust on shop floor
- De-dusting machines at all plants, to recover residual TiO_2 powder in bags; Recovery is continuously tracked and reuse is ensured

"In FY 2019-20, we recovered approximately 18.58 MT of TiO_2 worth ₹ 3.27 million with the De-dusting machines.

Energy Management

Cognisant of the importance of efficient use and saving of energy while ensuring technological progress, we have identified this as a key focus area. We remain committed to reducing our energy consumption and footprint, and follow a two-pronged approach to overcome the sustainability challenge.

Thrust Areas

- Adoption of measures to reduce energy consumption and enhance per watt productivity
- Diversification of our energy mix to cut emissions and dependence on fossil fuels
- Improvement in efficiency of production processes
- Reduction in Specific Fuel Consumption (SFC) and Specific Power Consumption (SPC)
- Conduct of energy audits at all the manufacturing units, and prompt implementation of the findings

Consistent work and focus on the theme of "Energy Security" has helped us cut down on our energy costs and adopt environment-friendly technologies, thus reducing our carbon footprint at the manufacturing level.

Measuring the Progress – Energy Consumption

At KNPL, progress in energy management is measured through key indicators of specific power consumption, specific fuel consumption and percentage of renewable energy.

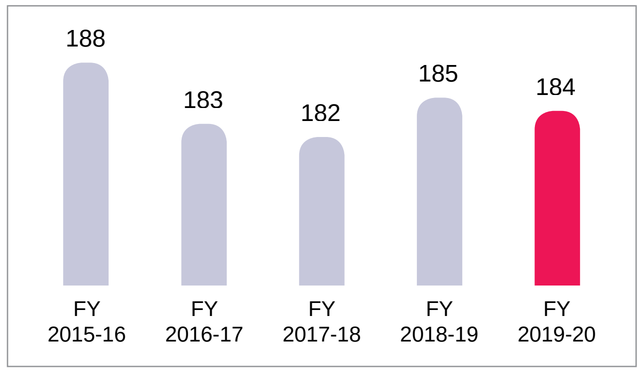
In FY 2019-20:

Total energy consumed within our organisation was 4,39,012 GJ. Total energy consumed outside our organisation was 1,21,564 GJ. The scope of energy consumed outside the organisation is same as that for calculating the Scope 3 GHG emissions, described in the section ahead.

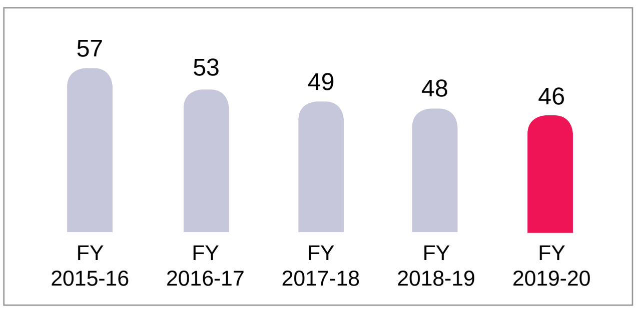
Electricity Consumption

Sources of Electricity	Electricity (in Mwh)
Grid Energy	44,782
Diesel Generator Set	1,180
Wind Energy	6,663
Solar Energy	4,159
Biomass based electricity	1,940
Total Electricity consumed	58,724

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



Specific Fuel Consumption (SFC) (LT/Tonne of Resin)



Method of Calculation:

Specific Fuel Consumption is ratio of fuel i.e. High Speed Diesel (HSD) consumption in boilers at Plants to Total Resin Production during the specified period.

Method of Calculation:

Specific Power Consumption is ratio of electricity consumed (from all sources) at Plants to Total Paint Production 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 the respective manufacturing facility.

> **Our Specific Fuel Consumption decreased by 19% since FY 2015-16**

> **Our Specific Power Consumption decreased by 2% since FY 2015-16**

Decrease in specific fuel consumption during the year was attributable to the substitution of HSD with Bio-fuel in the Thermopac Boilers.

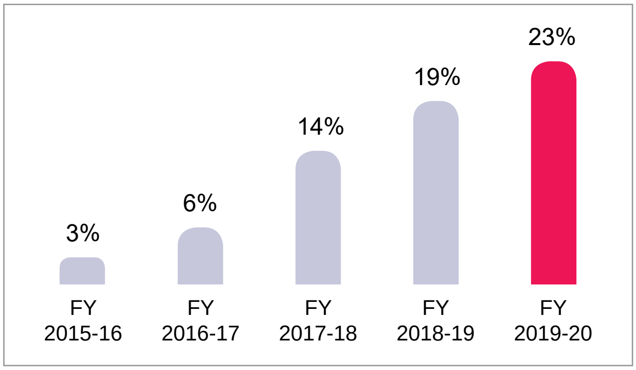
Energy is also used in the form of steam and heat in our manufacturing processes. Most of the steam and heat requirements are being met through bio fuel and biomass based solid fuel boiler.

Heat and Steam generation through Biomass based Boiler	
Total steam consumption	29,667 MT
Total heat consumption	1,93,746 Lac Kcal

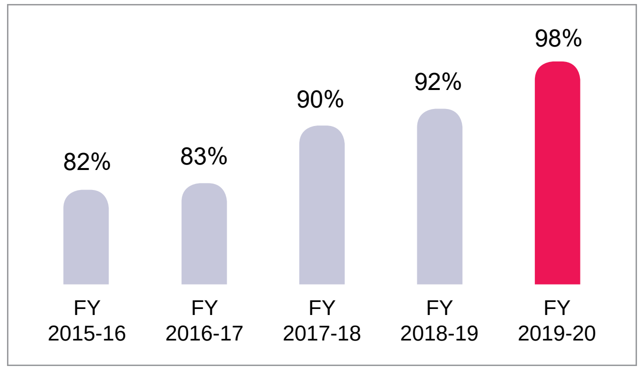
Measuring the Progress – Renewable Energy Consumption

We are keen to diversify our energy mix and supply source with renewable energy, to the best possible extent. It not only allows the plants to be increasingly self-reliant in their energy needs but also reduces the carbon footprint.

% of Electricity from Renewable Share



% of Process Heat and Steam from Renewable Sources



In FY 2019-20:

- Of the total energy consumed, 2,58,640 GJ was through renewable sources.
- The following Carbon Neutrality projects were commissioned, enabling us to increase the green power percentage in our overall energy mix.
  - o Installed additional solar power capacity of 900 KW at Sayakha
  - o Commissioned captive wind turbine at Lote of 2.1 MW in January 2020

Additionally, the efforts made in previous years in the renewable energy direction have yielded significant reduction in the carbon footprint.

Way Forward

Planning ahead, in FY 2020-21, we shall undertake:

- Alternate power sourcing initiatives
  - o Group Captive Power sourcing w.e.f. April 2021 (5 MW) at Jainpur facility
  - o Group Captive Power sourcing w.e.f. October 2020 (6 MW) at the Bawal facility
- Carbon neutrality projects
  - o Solar Power capacity addition 1000 KW (phase 2) at the newly commissioned Goindwal facility
  - o Solar Power capacity addition 670 KW (phase 2) at the Bawal facility

Mist Cooling Towers

As a part of energy conservation initiatives, we have identified certain areas of utilities for improvement. One such initiative was to improve the specific power consumption of the VAM chillers by replacing the cooling towers with Mist Cooling Tower system.

Mist Cooling system provides an efficient alternative to cooling towers. The high temperature drop of a Mist Cooling system reduces the amount of water required compared to the amount required for a closed-loop cooling tower. Additionally, the technology does not require energy-intensive fans; instead, it relies on the water pressure available at the return line of recirculation pumps to create the cooling mist, thereby reducing energy consumption compared to induced-draft cooling towers. Another benefit of mist cooling is reduced maintenance requirements.

By FY 2021-22, we aim to source 41% of our total energy consumption through renewable energy sources. Our long-term goal is to achieve 70% of renewable contribution in our overall power mix.

Emission Management

We have set challenging emission management goals to curb our carbon footprint through effective management of Green House Gases (GHG), Air and Ozone Depleting Substances (ODS) emissions.

GHG Emissions

With the Paris agreement on Climate Change aiming to arrest global warming to <2 degree Celsius and the World Economic Forum representing 'Climate Change Failure' and 'Extreme Weather' in Top 5 Global Risks in terms of Likelihood and Impact, it is imperative to reduce emissions and make CO_2 emission net zero by 2050.

At KNPL, we are meeting the challenge of tackling climate change within our operational footprint through various initiatives, which have enabled us to reduce our GHG emissions.

Thrust Areas

- Adoption of best technologies
- Transition from conventional fuel to cleaner fuel
- Increasing renewable portfolio
- Energy reduction initiatives
- Regular tracking and monitoring of our GHG emissions
- Accounting of our GHG emissions through our customised GHG Accounting Tool

Types of GHG Emissions Accounted	Activities	Scope of Data
Scope 1 GHG Emissions: Direct GHG emissions	• Captive power generation from Diesel Generator (DG) • Fuel consumption in Company owned vehicles • HSD consumption in boilers	KNPL India operations
Scope 2 GHG Emissions: Indirect GHG emissions	• Power imported from grid	KNPL India operations
Scope 3 GHG Emissions: Other Indirect emissions	• Product transport • Raw material transport • Employee commuting • Business travel	KNPL India Operations

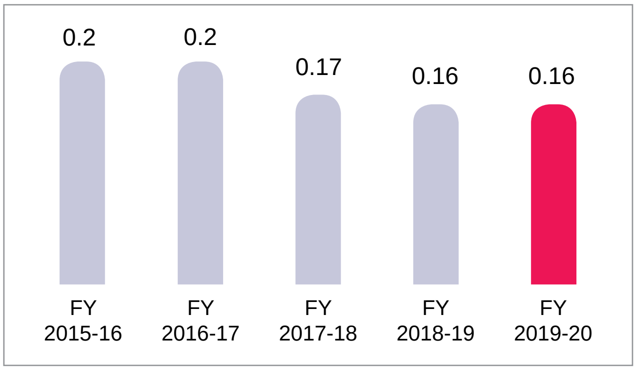
Note:

The GHG emissions are estimated based on guidelines defined in the World Resource Institute's (WRI) Greenhouse Gas (GHG) Protocol and CEA (Central Electrical Authority) database. 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.

Financial Year	Scope 1	Scope 2	Scope 3	Total Emissions (MT of CO_2 eq)	Emission Intensity (MT of CO_2 eq/KL of FG)
2015-16	6886	36532	8752	52171	0.2
2016-17	6449	38273	9702	54423	0.2
2017-18	5461	40228	6242	51931	0.17
2018-19	4111	40672	6733	51516	0.16
2019-20	1419	36721	9558	47698	0.16

- Decrease in Scope 1 emission is due to our transition from High Speed Diesel (HSD) to environment-friendly cleaner fuels in our process.
- Increase in Scope 3 emission is on account of inclusion of Depot-to-Depot transport of products
- Also, during the year, we included Sayakha Plant and R and D facility in our scope for GHG Accounting

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



Method of Calculation:

GHG Emission Intensity is ratio of Total GHG emissions to Total Production of Finished Goods during specified period.

> **Our GHG emission intensity decreased by 20% since FY 2015-16**

ODS Emissions

At KNPL, R134a is majorly used as a refrigerant gas. R134a has zero ozone depleting potential and it is relatively cleaner than the conventional R22 refrigerant. Ozone depleting substance R22 is used at our old facilities i.e. Jainpur, Bawal and head office for work-area air conditioning.

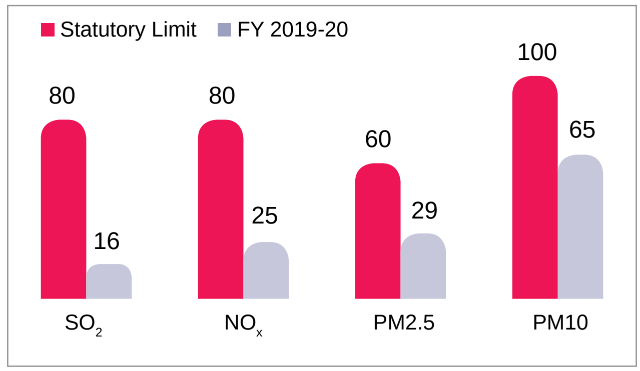
Thrust Areas

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

Air Emissions

We regularly monitor volatile organic compounds (VOCs), particulate matter (PM10), NOx and SOx emissions in the air. All our manufacturing sites have requisite controls and measures in place to manage these emissions well within the permissible limits. We ensure compliance with limits prescribed in the National Ambient Air Quality Standards (NAAQS) 2009.

Ambient Air Quality (µg/m³)



Thrust Areas

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

Leak Detection and Repair (LDAR) Study

LDAR study is conducted to identify process equipment leaks for fugitive emissions of VOCs, and the leaks are repaired in a timely manner. In FY 2019-20, we conducted LDAR study for solvent line - pumps, valves, open-ended lines, flanges and connectors, to prevent solvent loss that impacts facility efficiencies and economics, the health and safety of workers, and the environment.

Way Forward

To augment our emission management efforts and tackle climate change more effectively, we are in the process of developing a robust Carbon Management Plan. We plan to report on our environmental performance to Carbon Disclosure Project (CDP), including our environmental risks, opportunities and methodologies on climate change mitigation and adaptation. Additionally, we will set Science Based Targets (SBTs) which would enable us to quantify the amount of GHG emissions that need to be reduced in a stipulated timeframe. We also plan to implement Internal Carbon Pricing to shift investments to low-carbon alternatives.

Water Management

Water crisis has been consistently featuring in 'Top 5 Global Risks in terms of Impact' since 2015 in the Global Risks Report by World Economic Forum. In recent years, the heightened exploitation of water due to rapid increase in population, urbanisation and industrialisation has become a matter of grave concern.

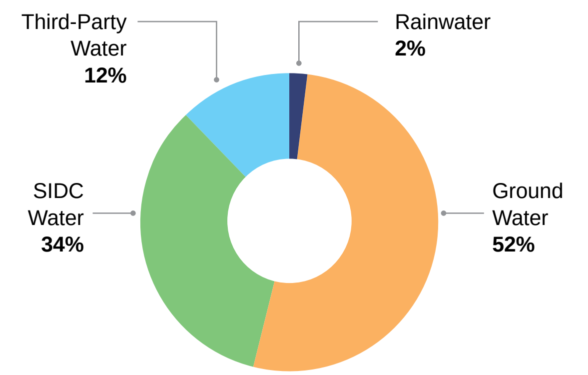
At KNPL, water is used as a raw material for water-based paints, in utilities, for cleaning of process equipment, landscaping and horticulture development as well as for domestic purposes. Being a responsible organisation, we understand the importance of water management and have established water management goals for reducing water usage across all plants.

> **Our water requirement is sufficed through groundwater, State Industrial Development Corporation (SIDC) water supply, third-party water supply, and rainwater.**

Thrust Areas

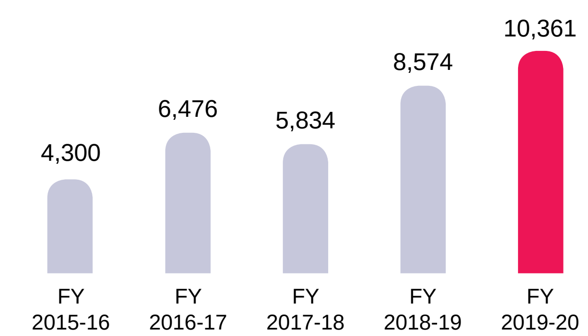
- Systematic measurement and monitoring of the quantity of water consumed
- Adoption of sustainable water management techniques to limit our water footprint
- Ensuring that water withdrawal at every site is well within permissible limits as set by regulatory requirements so that no water bodies are impacted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

Source of Water



All our facilities are equipped with rainwater harvesting systems. At Lote, the collected water is used in process whereas in other plants, a groundwater recharge set-up is installed.

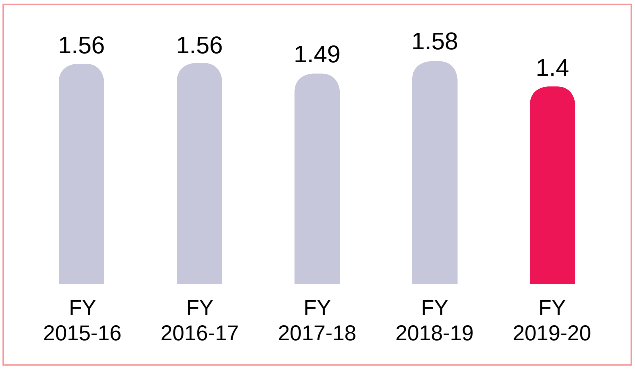
Rainwater Usage in Process at Lote (KL)



> **Through the years, we have managed to gradually increase our recycled water consumption. Our recycled water consumption has increased from 10% to 22% since FY 2015-16.**

Water Intensity

Specific Water Consumption (SWC) (KL/KL of FG)



We have adopted an incremental target of reducing our SWC by 5% year-on-year till 2021, since FY 2018-19.

Conserving the Water

With water conservation a key component of our sustainability strategy, we are consistently making concerted efforts to reduce our water consumption by reusing water to the maximum extent.

Replacement of existing conventional taps with faucet-type taps

In order to reduce our domestic water consumption, we replaced over 200 conventional taps with faucet-type taps. On an average, a conventional tap discharges water at a flow-rate of 0.17 L/Sec. The water discharges through a faucet-type tap at a flow-rate of 0.07 L/Sec, i.e. 60% less water is discharged. Through this initiative we have been able to save 24KLD of water collectively across all plants.

Method of Calculation:

Specific Water Consumption is ratio of water consumed in Plants to Total Production of Finished Goods during specified period.

> **Our Specific Water Consumption decreased by 10% since FY 2015-16**

Key Water Conservation Measures

- Reuse of boiler condensate as boiler feed
- Multiple effect evaporator condensate recycled in boiler feed
- Utility RO reject reused for pallet cleaning and boiler ash quenching
- STP treated water reused for gardening/toilet flushing
- ETP treated water reused for utility make-up
- Provision of filter at cooling tower area for recycling of reactor drained water
- Stripping water recycling in tanker cleaning
- Preventive maintenance of steam traps
- Installation of softener plant to reduce RO rejects
- Installation of dry screw vacuum pump in place of water based vacuum pump
- Water losses (Drift and Evaporation) reduction by routing the water directly from inlet pump to the collection tank, thereby bypassing the cooling tower whenever the inlet water temperature goes below a defined set-point

Zero Liquid Discharge

Our two-way approach of Reduction at source and Reuse has enabled us to be a Zero Liquid Discharge Organisation.

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

In FY 2019-20, we created rainwater harvesting modules in Jainpur and Goindwal to recharge the groundwater table around our operational area.

Way Forward

In FY 2020-21, we plan to carry out a detailed water footprint and sustainability assessment as per Water Footprint Network methodology, to identify water conservation opportunities basis our blue, green and gray water footprint.

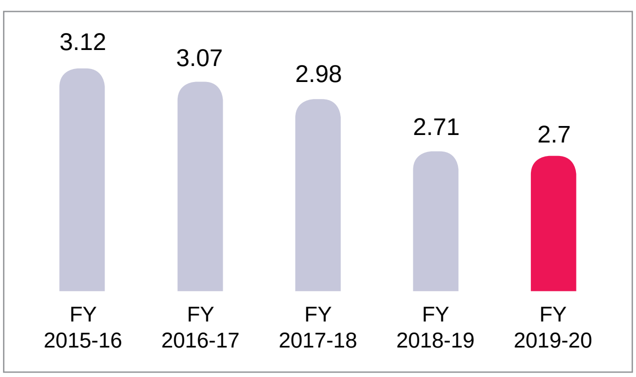
Waste Management

By virtue of our industry, we generate a significant quantum of hazardous and non-hazardous waste. 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.

We believe in adopting industry best practices of waste minimisation, waste treatment and safe disposal. For effective management, we follow the principle of '3Rs of Waste Management' – Reduce, Reuse and Recycle across all our manufacturing sites.

We lay special emphasis on handling, storage and disposal of hazardous waste. We have a dedicated storage for category-wise waste in scrapyard across all plants. The waste generated is segregated and then disposed as per statutory requirement to authorised Treatment, Storage and Disposal Facilities (TSDFs), who then dispose, reuse or recycle it as applicable.

Specific Hazardous Waste Generation (SHWG) (Kg/KL of FG)



Method of Calculation:

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

> **Our Specific Hazardous Waste Generation decreased by 13% since FY 2015-16**

> **During the year, there were no cases of significant spillage at any of our manufacturing sites.**

Bio-composting Machines

With waste minimisation being of paramount importance, we have installed bio-composting machines to treat our canteen waste across all locations. Through these machines, we convert organic canteen/food waste into good quality manure, which is used internally for gardens and horticulture purposes. During the year, we treated 13,569 MT of food waste to generate 2,403 MT of manure. This has not only enabled us to minimise our waste but also resulted in avoidance of carbon emissions, reduction in methane formation and avoidance of landfills.

Bio-composting machine

Saying Yes to 'NO PLASTIC'

With plastic waste management gaining momentum and Governments setting stringent norms, we have identified areas with usage of plastic in our facilities and prepared a detailed plastic inventory delineating the thickness of plastic. Through this, we have ensured compliance as per State Governments' notification regarding ban on usage of plastics of less than 50 micron density across all locations. The major focus is on incoming plastic waste as a packaging material through our suppliers. We have been stringent in our due-diligence process and ensure their compliance in this aspect. We have successfully transitioned our suppliers to recycling packaging material.

Greenbelt Development

Being a responsible organisation, we are committed towards environmental protection. We ensure compliance with CPCB's 33% of Greenbelt requirement across all plants. We conduct tree plantation drives on various occasions within and outside the organisation.

We have a total of 40,045 trees across all locations within our factory premises, of which 5,350 trees were planted during the reporting period. The onset of the Company's 100th year was observed with a Green Celebration. On 1st and 2nd January 2020, a Tree Plantation Drive was carried out at plants, where 100 saplings were planted at each location to mark the advancement of KNPL into its 100th year. The drive witnessed wholehearted participation from all employees.

Environmental and Safety Expenditure

In FY 2019-20, a total of ₹ 16.9 Crores of capital expenditure was spent on EHS requirements at existing plants. This included procurement and upgradation of assets for environmental monitoring, effluent treatment, water conservation, energy efficiency, harnessing renewable energy, emergency preparedness and safety equipment. In addition, we spent ₹ 4.41 Crores of revenue expenditure on EHS requirements at our existing plants.

Employees at Tree Plantation Drive

Human Capital

We believe Human Capital to be a key dimension of our business and see it as an imperative for driving world-class performance and enhancing our reputational capital. We give utmost priority to employee development and their well-being. We believe in nurturing performance-driven culture and are committed to adopting best-in-class employee welfare practices.

Backdrop

We aim to build organisational capability, leverage technology to improve our operations, create value by enhancing employee experience and engagement, and consistently build a culture of excellence.

Response

We remain strongly committed to our employees, as manifest in our comprehensive systems and strategies, aimed at nurturing a superior talent pool that is inspired by the organisation's ethos.

Impact on SDG

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Focus of Our Response

- Ensure manning of positions as per business needs
- Creating successors for critical positions and up-skilling them to be effective on a continuous basis
- Creating a differentiated employee experience
- Moving towards 'Zero Incidents'
- Providing best-in-class safety facilities

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

We believe in offering careers and not just jobs to our employees. Our employees are the pulse of the organisation; hence it has always been our endeavour to create an atmosphere of “trust, confidence and transparency.” Our new talent hiring process is rooted in this vision.

Hiring ‘future leaders’

KNPL has created a work culture where people get big responsibilities early in their career and are also able to constantly experiment. It has a very strong management trainee programme, that provides extensive cross-functional experience through live projects and assignments.

This holds true on the ground as more than 50% Management Committee members are Campus recruits who joined the Company as Management Trainees.

Internal auditor training programme

Our workforce consists of permanent (full-time) employees and contractual (part-time) employees. The following table presents our workforce dashboard:

	Total Workforce	Gender-wise		Region-wise			
		Male	Female	East	North	South	West
Permanent (Full-time) employees	2992	2944	48	205	1164	522	1101
Temporary (Part-time) employees	2905	2841	64	25	1475	506	899

Mock drill for employees

In FY 2019-20:

We hired a total of 591 employees while 593 employees left the organisation. Our employee turnover was 20%.

Themes

Employee Experience

Laying out future experience, creating common interest and a sense of shared purpose.

#Unveiling of Purpose and Expression on Mission, Vision and Core Values

#Learning Conferences

#Best Practices Interview

Organisation Connect

#Departmental Contact Programme

#Coffee with HR

#Virtual On-boarding

#Idea Management Programme

#Gems

#Kaizen Competition

#Sales Meets

Learning and Growth Opportunity

Help employees acquire skills required for meeting current and future objectives of self and the organisation

#Competency Training Programmes

#Functional Training Programmes

#Skill Development Programmes

#People Manager Programmes

#Digital University

Leveraging IT to bring Culture of Excellence

#Contest Dashboards

#Engagement Surveys and Opinion Polls

#Driving Culture of Innovation through Kaizen Dashboard

Outlook: To create a continuous education framework, increasing longevity in the organisation by providing opportunities of exposure to a gamut of skills and invoke entrepreneurial ability in employees, while providing a platform to increase social connects.

In FY 2019-20, training in terms of man-days per employee has been at 5.05.

We are an equal opportunity employer. All recruitments are based on talent and suitability of candidate with respect to a job vacancy. Local candidates are preferred in case their portfolio matches with job requirement. All our senior management employees at significant locations of operations are hired from the local community (Definition of local for KNPL is India). In FY 2019-20, there were no incidents of discrimination.

Ensuring Employee Benefits

We offer a range of benefits to our full-time employees which include gratuity, medical insurance, life insurance, group accident insurance, maternity leave, superannuation, pension and provident funds as per our Company norms.

During the reporting period, a total of 48 employees (Male: 0; Female: 48) were entitled for parental leave, of which 2 employees availed the parental leave. Of the two, one extended the maternity leave by taking paid leave while the other left the organisation.

Online Performance Management System/Contest

In order to create a 'transparent' environment in the organisation for our employees, we have developed an online performance appraisal process for the employees. Contest as the basis for the Performance Appraisal for employees is a symbol of fairness, transparency and confidence. The Contest framework links Company goals to an individual in a visible manner enabling them to see how their unique role contributes to the achievement of the Company's objectives. The individual can review his/her performance on a regular basis through system generated dashboards helping them to stay focussed towards the defined performance parameters. All employees are reviewed based on their performance and the performance appraisal process is conducted annually.

Talent Development

A skilled workforce and agile ways of working are essential for the continued success of our business. In order to tap the growth opportunity going ahead, it is imperative for the Company to groom its employees and create a talent pool. Accordingly, the Company has put a systematic succession planning process in place to create a talent pipeline.

We have launched multiple programmes to retain and develop top talent like Next Generation Leadership Training Systems, formal functional education with a digital university to develop domain expertise, cross-functional assignments, and visibility programmes such as exposure to Management Committee, coaching / mentoring and assessment centres. We have an integrated management development process which includes regular performance reviews underpinned by a common set of leadership behaviours and competencies. Over the years, while quality of talent has been a strength of the Company, now there is an impetus on building future ready leadership pipeline to support the organisation to thrive in this dynamic environment.

Launch of New Employee Value Proposition (EVP)

The Mantra for our success is the culture of the brand. Our culture has its strengths and some opportunities for improvement and there lies our Employee Promise, I am Nerolac, I care to change.

Nerolac's EVP lays emphasis on the quality of people, the environment of limitless growth and an IT-enabled empowerment. Our employee promise is based on our Core Values and passionate belief in thriving with the best, absorbing ideas, reaching out – communicating, getting into the driver's seat, reaching the finish line and cheering together.

The new EVP will make us push boundaries, rethink what's possible and create experiences that affect change.

We have based our employee promise (I am Nerolac, I care to change) on our Core Values, and as an outcome there are certain initiatives that have been taken for the next leap. These are:

- Capability Development – through Nerolac's Digital University to create a continuous education framework
- A differentiated digital employee experience – through an engagement app – a social digital platform for employees to connect with the brand and share success stories
- Rewarding and recognising – through the GEMS peer to peer recognition portal and gamification of the current performance system
- Overall employee wellbeing – through online health management mobile app.

The new EVP will make us push boundaries, rethink what's possible and create experiences that affect change.

Occupational Health and Safety

We acknowledge the fact that a safe and healthy work environment not only promotes workforce well-being but also improves overall efficiency of the organisation. We are committed to building and operating safe and healthy workplaces. Being a manufacturing company, we understand the criticality of Occupational Health and Safety (OHS), and thereby ensure effective implementation of safety measures at all levels.

Health and Safety Management

- Robust company-wide policies that imbibe culture of safety for greater awareness of safety practices across all our operations
- Well-established Safety Committee, in line with the Factories Act, 1948, to monitor progress on health and safety performance (50% of representatives are from operators' category)

- Periodic Safety Committee meetings to discuss means to improve health and safety performance and close safety observations in timely manner (also serve as platform to seek feedback and consultation from workforce representatives related to work-related hazards and hazardous situations)
- Formal structure of hazard identification and risk minimisation in place. It comprises trained personnel from production, engineering and EHS (Environment, Health and Safety) departments
- All manufacturing sites equipped with dedicated Occupational Health Centres (OHCs) and ambulances for emergency situations
- Mock drills and fire drills conducted at regular intervals, some in collaboration with Government Authorities like National Disaster Response Force (NDRF), for emergency preparedness and responsiveness among employees
- All manufacturing sites in India successfully transitioned from OHSAS 18001 to ISO 45001, and are ISO 45001 certified
- All manufacturing sites equipped with dedicated Occupational Health Centres (OHCs) and ambulances for emergency situations

Safety committee meetings

Safety Measures

- Continuously working towards upgrading all safety processes through periodic reviews and audits
- All operations and processes are reviewed to identify any possible safety risks and hazards through Process Hazard Analysis (PHA) and Hazard and Operability (HAZOP) study
- Hazards and Risks associated with each activity are documented in Hazard Identification and Risk Assessment (HIRA) registers

Based on results of these studies and observations made during periodic reviews, we have identified potential high-risk areas and accordingly implemented a structured mitigation plan by undertaking necessary safety measures. These include:

Chemical Compatibility
Anti-static Checks
Earth-rite System
Thermography
Lifeline
Evaluation for work at height
Fire extinguishers based on the suitability

Safety Culture Survey

We conduct a Safety Culture Survey across all the manufacturing locations biennially. In FY 2019-20, the survey was conducted in-house by the Corporate EHS Team at Sayakha and R&D (Koparkhairane), in addition to Bawal, Hosur, Jainpur and Lote plants. It covered not only Management Staff but also Operators. For Management Staff, it was conducted through our Workline Portal, and for Operators through physical copies in regional languages. Through this survey, we aimed to measure the safety culture and identify leading indicators of the safety process. The survey included questions on the following attributes to determine all key aspects of safety culture - Training and supervision, Safe work procedures, Consultation, Reporting safety, Management commitment, Injury management and Return to work.

During the year, we also conducted a Fire Load Survey by analysing section-wise fire load densities for all manufacturing plants, to determine the adequacy and suitability of the firefighting equipment in case of fire. Based on the observations, suitable action plans are being implemented for each section across all plants.

Safety Trainings and Competitions

We conduct varied safety trainings and competitions, aimed at imbuing our workforce with a proactive attitude towards safety. These include Kiken Yochi Trainings (KYT), Danger Experience Programme (DEP), online safety tests, safety quiz and others.

In 2019, the Overall Safety Culture Score improved by 6% i.e. from 83% in 2017 to 89% in 2019

Our Safety training manhours per employee increased from 3 hours to 6 hours since FY 2015-16

Incident and Near-miss Management

- Committed towards achieving 'ZERO INCIDENT'
- Online IT-enabled SAP EHS module to identify critical contributing factors in an incident

In FY 2019-20:

We faced an unfortunate fatal incident of a contractual employee at the Sayakha Plant. We conducted a detailed analysis of the incident and have implemented corrective actions to prevent such recurrence.

Particular	FY 2019-20
Lost Time Injury Frequency Rate (Per Million Manhours worked)	0.11
Severity Rate (Per Million Manhours worked)	663
Lost Time Injuries (LTI)	1 (Fatal incident)
Minor Injuries	10
Million Manhours worked without LTI	1.909
Occupational Illness	Nil

Safety awareness on Life after Accident

During the reporting period, 30,980 Manhours of trainings were imparted on safety topics.

Life After Accident

- Initiative to develop safety awareness among employees through realisation of repercussions of safety violations
- Group of employees perform skit highlighting the life of a person post-accident/injury, making employees realise impact on lifestyle and day-to-day life, post-accident/injury

Safety Laboratory

- Safety Laboratories set up at all plants to demonstrate and experience hazards related to specific activities
- Aimed at embedding 'Safety First Culture' among employees

During FY 2019-20, the Hosur Plant received Certificate of Appreciation from National Safety Council – Tamil Nadu Chapter, for its commitment and efforts in promoting Safety, Health and Environment.

Way Forward

In FY 2020-21, we plan to increase the number of external trainings related to chemical handling and safety through our suppliers. We also intend revisiting the chemical compatibility chart, and conduct interlock assessment to reinforce safety management systems.

Ethics and Integrity

Code of Conduct for Managerial and Executive Staff

- Designed with objective of guiding and regulating conduct and behaviour of employees
- Aims to establish appropriate behavioural norms for employees, primarily focussing on discipline, self-control, professionalism and best ethical practices
- Also seeks to create and build employees' core values, determine best-in-class practices and establishing centres of excellence at KNPL

Elements of KNPL Code of Conduct

- Conflict of interest
- Corporate opportunities
- Confidentiality
- Compliance with laws, rules and regulations
- Protection and proper use of Company assets
- Fair dealing and ethical business conducts
- Encouraging reporting of any illegal or unethical behaviour
- Handling news about the Company
- Compliance procedure
- Annual certification by management

Whistleblower Policy

Our Whistleblower Policy encourages employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of the Company's Code of Conduct. There are proper safeguards to ensure that all employee concerns receive due consideration.

Key Provisions

- Employees are free to discuss their concerns with their superiors
- Employees can meet and discuss their concerns directly with the Managing Director (MD) of the Company; Company portal provides effective means for employees to communicate freely with the MD
- Employees can discuss their grievances with the internal auditors, who have been provided with a separate e-mail address and are stationed at the Head Office
- Adequate safeguards are adopted to avoid misuse of the Policy and also to ensure the safety and rights of the employee who highlights the concern

> **All new joinees are trained on the KNPL Code of Conduct as well as the Whistleblower Policy. Security personnel at our manufacturing sites and Head Office are trained in required policies, procedures of organisation, and aspects of human rights that are relevant to our operations.**

Training programme for employees

Social and Relationship Capital

With inclusive growth central to our business philosophy, we are committed to fostering long-term relationships with our stakeholders. Our business strategy is guided by our focus on nurturing these relationships and creating shared value. It is our constant endeavour to ensure value accretive growth for our stakeholders.

Enhancing Customer Relationships

In the ever-changing business environment, we are cognisant of the importance of adapting to the transformations with agility. Aligning ourselves to the evolving needs of our customers and their broadening expectations, we continue to enhance our commitment to them through concerted efforts to focus aggressively on customer-centricity.

Impact on SDGs

Response

We always strive not just to meet but to exceed our customer demands – an attribute that has led to our emergence as one of the most admired Brands of India. Steered by our organisational mandate "to provide total customer satisfaction by supplying quality products and services to meet or exceed customer requirements," we have, over the years, built robust and deep relationships with our customers.

Focus of Our Response

- Timely delivery of quality products
- Continuous reaffirmation of customer satisfaction
- Provide environment-friendly and safe products and solutions adhering to global quality standards

Colour presentation to customers

Social and Relationship parameters of our response

Large customer base spanning a wide range of customer groups, enabled by the nature of our industry

Consistent efforts to understand and assess the needs of our customer base to ensure sustained business success by meeting these needs and achieving customer satisfaction

Periodic evaluation of customer satisfaction levels by continuously deepening our understanding of the unique needs and concerns of each customer group

Tracking customer profile attributes based on customers' expectations and priorities, to enhance customer engagement

Proactive formulation of strategic plans to address key areas for improvement, retain existing customers and tap new customers, year-on-year

Customer Complaints

Business Division	% of Number of batches	Complaints Justified (%)
Deco	1.22	0.19
Industrial	1.89	0.91
Powder	1.8	0.48

Ensuring Customer Health and Safety

Given the customer-centricity of our business philosophy, we are continually scaling up our efforts to ensure their health and safety, through pioneering product and technological concepts, across our business segments.

Decorative

Pioneering concepts like Lead-free, Low VOC, Healthy Home Paints

Differentiated product line led by new launches in Functional Smart Coatings, such as formaldehyde abatement, air purifying and water proofing product range

Industrial

Sharpening focus on introduction and extension of technology products which result in VOC level reduction, energy saving and process time reduction

Working closely with customers to ensure their adherence to regulatory and statutory compliances

Nurturing trust through transparency

Transparency about our products is essential to nurturing customer trust and confidence. Information about the product's physical dimensions and/or chemical compositions is provided through product labels/pack declaration and/or catalogues. Product information is also readily available on the Company's website.

For product information and labelling, we ensure compliance with the Legal Metrology (Packaged Commodities) Rules. Apart from the basic requirements stipulated in these rules, we also provide the following product related information:

- Content, with regard to substances that might produce environmental/social impacts
- Safe use of product
- Overall environmental/social impact of product

For our Industrial Paint customers, we also provide Material Safety Data sheets on demand. All finished products are appropriately labelled with health and safety precautionary information, as well as disposal methods as per applicable norms in India.

Our dedicated consumer helpline 1800-209-2092 provides constant support to our customers across Decorative and Industrial segments.

Colour Trails

At KNPL, we believe that the world is filled with endless possibilities, and is resplendent with a plethora of colours, cultures, and creations in all their glory.

To help our customers savour these unlimited possibilities, we have embarked on Nerolac PhotoWalks - a journey of spotting the extraordinary even in the most ordinary things around us. The PhotoWalks are organised in different parts of the country 2-4 times a month, and are led by an influencer who encourages participants to capture local inspirations. These inspirations are then translated into Colour Trails Inspirations Guide, to be later curated by Nerolac experts in the form of an 'Inspirations + Colour Palette'.

The Inspirations captured during the Colour Trails Photowalks are converted into Wall Designs with simple techniques and skills.

The idea behind this interesting concept is to encourage local inspirations and local designs, while inspiring Do It Yourself (DIY) skills.

> **We adopt the best and most ethical advertising practices to promote the market image of our products. We engage only reputed advertising agencies that are members of "The Advertising Standard Council of India" (ASCI) and strictly follow guidelines provided by ASCI for our marketing communications voluntarily.**

Way Forward – Walking with Customers

To sustain and strengthen our leadership position in the Industrial segment while enhancing our presence in the Decorative segment, we aim to further augment our understanding of the dynamic changes in customer needs, in order to improve our market share.

Strengthening Relationships With Supply Chain Partners

Given the importance of imbuing the spirit of sustainability across the value chain to ensure our sustainable growth, we remain strategically focussed on working closely with our network of supply chain partners.

Backdrop

Leading the sustainable growth agenda of organisations worldwide is their growing thrust on building partnerships across the supply chain, and we have also adopted this as a concerted goal of our business odyssey.

Impact on SDGs

Response

Aligning ourselves with the global trend, we are proactively working towards sharpening our collaborative edge to propel sustainable growth.

Focus of Our Response

Create long-term relationships with our supplier network

Build value-accretive sustainable supply chain, based on highest standards of ethical conduct, environmental management and working conditions

Investing in local growth

During FY 2019-20, we were associated with more than 500 direct raw material suppliers, of whom around 350 were local suppliers. In line with our focussed endeavour to boost local economy, reduce logistic complexities, minimise transportation and associated environmental impacts, we promote local procurement and source raw materials locally, to the maximum extent. In fact, we source most of our packing materials from suppliers within a 10 km radius of our production sites.

Raw Materials (In %)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Imported	40	46	42	45	42	38
Indigenous	60	54	58	55	58	62

Ensuring a Sustainable Supply Chain

Sustainable supply chain is an inherent part of our sustainable strategy, and we understand its impact on the Company's long-term performance. All our supply chain partners are required to sign the Code of Conduct agreement for fair and transparent dealings, ensuring protection of human rights, compliance with environmental regulations and standards, and adherence to health and safety requirements.

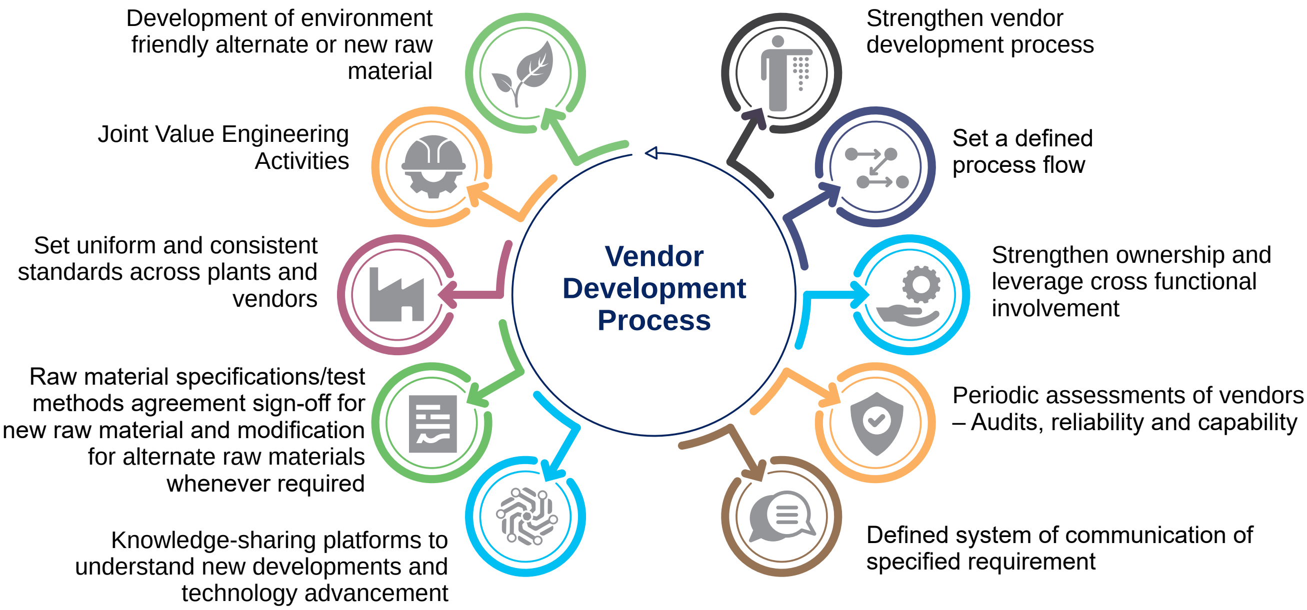
Green Procurement Guidelines

We have adopted Green Procurement Guidelines, which we also extend to our suppliers. The Guidelines require suppliers to mandatorily avoid use of Restricted Substances, Substances of Very High Concern and Substances related to End of Life of Vehicle (ELV), such as Lead, Mercury, Cadmium, and Hexavalent Chromium, as per EU REACH Guidelines. The Guidelines also ensure compliance with Global Automotive Declarable Substance List (GADSL) and Conflict Minerals Policy. They also guarantee compliances to legal and environmental statutory requirements, ISO Certifications, and reduction of packaging materials.

The Assurance of Quality – from Vendors to Suppliers

Vendor Development Process

We have instituted a Vendor Development Process to ensure the highest quality of raw materials, timely delivery, development initiatives and other joint improvement projects.



Regular Supplier Audits

Supplier audits conducted at periodic intervals bring greater buoyancy into the supply chain.

All suppliers are evaluated through a comprehensive audit system, based on varied parameters, through factory visits as part of due diligence. During the year under review, we conducted supplier audits for 30 existing suppliers, of which 3 were raw material suppliers while 27 were packaging material suppliers. Also, in FY 2019-20, 21 new vendors were added to our approved manufacturer list, and subsequently 7 of them were audited and regularised. These included local as well as international vendors.

Advance Training under Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

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

> **The Nerolac Supplier Portal is designed to facilitate effective collaboration and supply chain visibility of order processing.**

Way Forward – Stronger and Better

As we move forward more aggressively towards new goals and a bigger roadmap of growth, we shall continue to strengthen our relationships with our supply chain partners and imbue our entire procurement process with the concept of sustainability.

Touching Lives – Across the Community

Our partnership approach, rooted in the philosophy of shared progress, continues to inspire us to innovate solutions that protect, touch and inspire lives. We have identified social development as an important agenda of our business strategy.

Backdrop

We believe that it is our responsibility to uplift and foster strong relationships with the society we operate in.

Impact on SDGs

Response

As a responsible corporate steered by the goal of collective growth, we constantly strive to proactively partner the communities around our business locations in their development plans, through the use of innovative technologies, products and activities that go beyond normal business.

Focus of Our Response

Contribute to the community's overall development

Foster relationships

Enhance social goodwill

Corporate Social Responsibility

Reaching out to indigenous and marginalised communities is core to our sustainability commitment. In accordance with the provisions of Section 135 of the Companies Act, 2013, our CSR mission is driven by the highest governing body – a dedicated Corporate Social Responsibility ("CSR") Committee. The Committee steers our efforts to achieve the Company's CSR objectives and channelise our resources effectively. The Board has also framed a CSR Policy, which serves as a guiding principle for our community stewardship activities. The policy is reviewed and updated at periodic intervals.

We follow a structured approach to design and implement suitable developmental programme as part of our CSR charter:

Stakeholder Consultation → Need Assessment → Identify Potential → Resource Mobilisation and Plant Preparation → Stakeholder Engagement During Implementation → Periodic Monitoring and Evaluation

Our CSR Focus Areas are:

Livelihood and Skill Enhancement Programme

Preventive Healthcare and Sanitation

Rural/Community Development

Promoting Education

Ensuring Environmental Sustainability

Restoration of Buildings and Sites of Historical Importance

Livelihood and Skill Enhancement

- Contribute to the socio-economic development of the nearby communities
- Impart trainings to unemployed youth to enhance their capacity and skill-set
- Strive to provide skilled personnel to the society and contribute towards overall development of the neighbourhood communities

Preventive Health Care and Sanitation

- Seek to provide basic health care and 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
- Launch of initiatives and awareness sessions in line with "Swachh Bharat Abhiyan"

Rural/Community Development

- Reach out to the grassroot communities by providing basic facilities and 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

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, drinking water facility, supply of educational material such as projectors, benches and desks, inverter amongst other things.

Distribution of educational material by KNPL employees in a tribal area

Ensuring Environmental Sustainability

- Strong belief in responsible consumption of resources guides our commitment to preserve natural resources and ensure a clean environment
- Key areas of intervention span water conservation, air emissions and use of clean energy (details of which are shared in the Natural Capital section of this Report)
- Creation of rainwater harvesting modules
- Focus on sustaining ecological balance through beautification projects, plantation activities etc.

Restoration of Buildings and Sites of Historical Importance

- Projects for conservation of national heritage sites, art and culture
- Promotion and development of traditional arts and handicrafts

Way Forward – Augmenting the CSR thrust

Even as we continue to grow our business footprint, we plan to undertake more robust and structured initiatives towards facilitating quality education, providing clean water and sanitation facilities, and ensuring environmental sustainability. We are also in the process of creating a process to measure the impact of our interventions.

Theme park near Goindwal Plant

NEROLAC

Colours that Care

KANSAI NEROLAC PAINTS LIMITED

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

Notice

NOTICE is hereby given that the Hundredth Annual General Meeting of Kansai Nerolac Paints Limited will be held through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), on Monday, 22nd June, 2020 at 12 noon, 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, 2020 and the Reports of the Board of Directors and the Auditors thereon.

2. To declare a dividend of ₹ 3.15 (315%) per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2020.

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

Special Business:

4. 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, 2021, 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."

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

   "RESOLVED that pursuant to the provisions of Section 149, 152 and 161 and other applicable provisions of the Companies Act, 2013 read with applicable rules made thereunder (including any statutory amendment or modification or re-enactment thereof, for the time being in force), Mr. Hitoshi Nishibayashi (holding Director Identification Number 03169150), who was appointed as a Director by the Board of Directors of the Company under Article 114 of the Articles of Association of the Company to fill in the casual vacancy created by the resignation of Mr. Katsuhiko Kato and who holds office upto the date of this Annual General Meeting in terms of Section 161(4) of the Companies Act, 2013, be and is hereby appointed as Non-Executive Director, liable to retire by rotation.

   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 Section 149, 152 and 161 and other applicable provisions of the Companies Act, 2013 read with applicable rules made thereunder (including any statutory amendment or modification or re-enactment thereof, for the time being in force), Mr. Shigeki Takahara (holding Director Identification Number 08736626), who was appointed as a Director by the Board of Directors of the Company under Article 114 of the Articles of Association of the Company to fill in the casual vacancy created by the resignation of Mr. Hidenori Furukawa and who holds office upto the date of this Annual General Meeting in terms of Section 161(4) of the Companies Act, 2013, be and is hereby appointed as Non-Executive Director, liable to retire by rotation.

   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."

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

   "RESOLVED that pursuant to the provisions of Section 149, 152 and 161 and other applicable provisions of the Companies Act, 2013 read with applicable rules made thereunder (including any statutory amendment or modification or re-enactment thereof, for the time being in force), Mr. Takashi Tomioka (holding Director Identification Number 08736654), who was appointed as a Director by the Board of Directors of the Company under Article 114 of the Articles of Association of the Company to fill in the casual vacancy created by the resignation of Mr. Hideshi Hasebe (who was appointed as a Director by the Board of Directors of the Company to fill in the casual vacancy created by the resignation of Mr. Masaru Tanaka) and who holds office upto the date of this Annual General Meeting in terms of Section 161(4) of the Companies Act, 2013, be and is hereby appointed as Non-Executive Director, liable to retire by rotation.

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."

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

"RESOLVED that pursuant to the provisions of Section 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), Mr. Pradip Panalal Shah, Independent Director (holding Director Identification Number 00066242), be and is hereby re-appointed as an Independent Director, to hold office for a second term of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025.

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."

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

"RESOLVED that pursuant to the provisions of Section 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), Mr. Noel Naval Tata, Independent Director (holding Director Identification Number 00024713), be and is hereby re-appointed as an Independent Director, to hold office for a second term of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025.

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."

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

"RESOLVED that pursuant to the provisions of Section 149, 150, 152, 161, 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 (holding Director Identification Number 07108778), who was appointed as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting, be and is hereby appointed as an Independent Director, to hold office for a term of 3 (three) years with effect from 29th July, 2019 upto and including 28th July, 2022.

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, 6th May, 2020

NOTES:

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

   Accordingly, in compliance with the applicable provisions of the Companies Act, 2013 ("Act") read with the said Circulars and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Company has decided to convene its ensuing 100th AGM through VC/ OAVM, and the Shareholders can attend and participate in the ensuing AGM through VC/ OAVM.

2. Explanatory Statement pursuant to Section 102 of the Act relating to Items nos. 4, 5, 6, 7, 8, 9 and 10 of the Notice of the 100th AGM, which are considered to be unavoidable by the Board of Directors of the Company, is annexed hereto. Also, relevant details in respect of Directors seeking re-appointment at the AGM, in terms of Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Clause 1.2.5 of Secretarial Standard - 2 on General Meetings are also annexed to this notice.

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

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

4. The Shareholders can join the AGM in the VC/ OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned hereinbelow in the Notice. The facility of participation at the AGM through VC/ OAVM will be made available for 1,000 Shareholders on 'first come first serve' basis. This will not include large Shareholders (i.e. Shareholders holding 2% or more), 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 serve' basis.

5. The attendance of the Shareholders 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 19th June, 2020, through Email on agm@nerolac.com. The same will be replied by/ on behalf of the Company suitably.

7. In view of the outbreak of the COVID-19 pandemic, resultant difficulties involved in dispatching of physical copies of the Annual Report and in line with the said Circulars issued by the MCA and said SEBI Circular, the Annual Report including Notice of the 100th AGM of the Company *inter alia* indicating the process and manner of e-voting is being sent only by Email, to all the Shareholders whose Email IDs are registered with the Company/ Depository Participant(s) for communication purposes to the Shareholders and to all other persons so entitled.

   Further, in terms of the applicable provisions of the Act, SEBI Listing Regulations read with the said Circulars issued by MCA and said SEBI Circular, the Annual Report including Notice of the 100th 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 respectively and on the website of NSDL i.e. www.evoting.nsdl.com.

8. Voting through Electronic Means

   In terms of the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015 (as amended from time to time) and Regulation 44 of the SEBI Listing Regulations and the said Circulars, the Company is pleased to provide the facility of "e-voting" to its Shareholders, to enable them to cast their votes on the resolutions proposed to be passed at the AGM, by electronic means. The instructions for e-voting are given hereinbelow.

   The Company has engaged the services of National Securities Depository Limited ("NSDL"), who will provide the e-voting facility of casting votes to a Shareholder using remote e-voting system (e-voting from a place other than venue of the AGM) ("remote e-voting") as well as e-voting during the proceeding of the AGM ("e-voting at the AGM").

   Further, in accordance with Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed Monday, 15th June, 2020 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. Monday, 15th June, 2020, shall be entitled to avail the facility of remote e-voting or e-voting at the AGM.

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

The Company has appointed Mr. J. H. Ranade, Membership No. F4317 & Certificate of Practice No. 2520 or failing him Mr. Sohan J. Ranade, Membership No. A33416 & Certificate of Practice No. 12520 or failing him Ms. Tejaswi A. Zope, Membership No. A29608 & Certificate of Practice No. 14839, 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.

Instructions for Shareholders for Remote e-voting:

The remote e-voting period begins on Thursday, 18th June, 2020 at 9.00 a.m. and ends on Sunday, 21st June, 2020 at 5.00 p.m. and the remote e-voting module shall be disabled by NSDL for voting thereafter.

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: Log-in to NSDL e-voting system at www.evoting.nsdl.com/

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

I. Visit the e-voting website of NSDL. Open web browser by typing the following URL: www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

II. Once the home page of e-voting system is launched, click on the icon *"Login"* which is available under *'Shareholders'* section.

III. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log-in at www.eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL e-services after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. cast your vote electronically.

IV. Your User ID details are given below :

Manner of holding shares	Your User ID
a) For Shareholders 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 Shareholders 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 Shareholders 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 112933 then user ID is 112933001***

V. Your password details 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 Email ID is registered in your demat account or with the Company, your *'initial password'* is communicated to you on your Email ID. You will be required to trace the Email sent to you from NSDL from your mailbox. You can open the Email and open the attachment i.e. a PDF file.

The password to open the PDF file is your 8 digit client ID for NSDL account or last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The PDF file contains your *'User ID'* and your *'initial password'*.

(ii) If your Email ID is not registered, please follow steps mentioned below i.e. process for those Shareholders whose Email IDs are not registered.

d) If you are unable to retrieve or have not received the *'initial password'* or you have forgotten your password:

(i) If you are holding shares in your demat account with NSDL or CDSL: Click on *"Forgot User Details/ Password?"* option available on www.evoting.nsdl.com.

(ii) If you are holding shares in physical mode: *"Physical User Reset Password?"* option available on www.evoting.nsdl.com.

(iii) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in, by mentioning your demat account number/ folio number, your PAN, your name and your registered address.

(iv) **Shareholders can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL.**

VI. After entering your password, tick on Agree to *"Terms and Conditions"* by selecting on the check box.

VII. Now, you will have to click on "*Login*" button.

VIII. After you click on the "*Login*" button, Home page of e-voting will open.

Step 2: Cast your vote electronically on NSDL e-voting system.

How to cast your vote electronically on NSDL e-voting system?

I. After successful login at Step 1, you will be able to see the Home page of e-voting. Click on *"e-voting".* Then, click on *"Active Voting Cycles"*.

II. After clicking on *"Active Voting Cycles"*, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

III. Select "EVEN" of *"Kansai Nerolac Paints Limited"*, which is 112933.

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

V. 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.

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

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

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

Process for those Shareholders, whose Email IDs are not registered with the Company/ Depository Participants for procuring User ID and Password and registration of Email IDs for e-voting for the resolutions set out in this Notice:

I. For Shareholders who hold shares in Dematerialized form:

a) Visit the link : https://green.tsrdarashaw.com/green/events/login/kn

b) Enter the DP ID & Client ID and PAN details and captcha code.

c) System will check the authenticity of the Client ID and PAN details.

d) On successful verification, system will allow you to enter your Email ID and mobile number.

e) Enter your Email ID and mobile number.

f) The system will then confirm the Email ID for the limited purpose of service of this AGM Notice.

II. For Shareholders who hold shares in Physical form:

a) Visit the link : https://green.tsrdarashaw.com/green/events/login/kn

b) Enter the physical Folio Number and PAN details and captcha code.

c) In the event the PAN details are not available on record, Shareholder to enter one of the share certificate's number.

d) System will check the authenticity of the Folio Number and PAN details or the share certificate number.

e) On successful verification, system will allow you to enter your Email ID and mobile number.

f) Enter your Email ID and mobile number.

g) If PAN details are not available, the system will prompt the Shareholder to upload a self-attested copy of the PAN card.

h) The system will then confirm the Email ID for the limited purpose of service of this AGM Notice.

After successful submission of the Email ID, NSDL will Email a copy of this AGM Notice along with the remote e-voting User ID and Password.

Instructions for Shareholders for e-voting at the AGM:

I. The procedure for e-voting at the AGM is same as the instructions mentioned above for remote e-voting.

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

III. Shareholders who have voted through remote e-voting will be eligible to attend the AGM and their presence shall be counted for the purpose of quorum, however such Shareholders shall not be entitled to cast their vote again at the AGM.

General Guidelines for Shareholders

I. 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. whereby their authorized representative has been appointed to attend the AGM on their behalf, to the Company, together 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.

II. 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.

Other Information:

(i) In case of any queries with respect to remote e-voting or e-voting at the AGM, 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.: 1800-222-990 or can contact NSDL on evoting@nsdl.co.in or contact Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in / 022-24994360 or Ms. Pallavi Mhatre, Manager, NSDL at pallavid@nsdl.co.in / 022-24994545 or Mr. Sagar Ghosalkar, Assistant Manager- NSDL at sagar.ghosalkar@nsdl.co.in / 022-24994553.

(ii) Those persons, who have acquired shares and have become members of the Company after the dispatch of Notice of the AGM by the Company and whose names appear in the Register of Members or Register of beneficial holders as on the cut-off date i.e. Monday, 15th June, 2020 shall view the Notice of the 100th AGM on the Company's website or on the website of NSDL.

Such persons may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can cast his/her vote by using existing User ID and password and by following the procedure as mentioned above or by voting at the AGM.

(iii) Voting rights of the Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date i.e. Monday, 15th June, 2020. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only.

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

Scrutinizer's Report and Declaration of results

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

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

9. **Attending the AGM through VC/OAVM:**

Instructions for Shareholders for attending the AGM through VC/OAVM:

I. Shareholders are being provided with a facility to attend the AGM through VC/ OAVM through the NSDL e-voting system. Shareholders may access the same at www.evoting.nsdl.com under *"shareholders/ members"* login by using the remote e-voting credentials.

II. The link for VC/ OAVM will be available in "shareholders/ members" login where the EVEN of Company will be displayed.

III. Shareholders 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 hereinabove in the Notice, to avoid last minute rush. Further, Shareholders can also use the OTP based login for logging into the e-voting system of NSDL.

IV. As mentioned above, the Shareholders can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the necessary procedure mentioned in the Notice. The facility of participation at the AGM through VC/ OAVM will be made available for 1,000 Shareholders on 'first come first serve' basis. Further, a facility will be provided to the Shareholders attending the meeting through VC/ OAVM, whereby they can pose questions concurrently, during the proceeding of the meeting.

V. Shareholders who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered Email ID mentioning their name, DP ID and Client ID/ folio number, PAN, mobile number at agm@nerolac.com from Tuesday 16th June, 2020 (from 9.00 a.m.) to Thursday, 18th June, 2020 (upto 5.00 p.m.). Those Shareholders 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.

VI. Please note that Shareholders 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. Shareholders are also encouraged to join the Meeting through Laptops for better experience.

VII. Further, Shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance in the meeting.

VIII. Shareholders who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or contact Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in / 022-24994360 or Ms. Pallavi Mhatre, Manager, NSDL at pallavid@nsdl.co.in / 022-24994545 or Mr. Sagar Ghosalkar, Assistant Manager-NSDL at sagar.ghosalkar@nsdl.co.in / 022-24994553.

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

11. Dividend

(i) The Board of Directors has recommended for consideration of the Shareholders a dividend of ₹ 3.15 (315%) per Equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2020.

(ii) The Register of Members and Share Transfer books of the Company will remain closed from Tuesday, 16th June, 2020 to Monday, 22nd June, 2020 (both days inclusive), for the purpose of AGM and Dividend. The Dividend, if declared, will be payable on or after Saturday, 27th June, 2020, to those Shareholders whose names are registered as such in the Register of Members of the Company as on Monday, 15th June, 2020 and to the beneficiary holders as per the beneficiary list as on Monday, 15th June, 2020 provided by the NSDL and CDSL, subject to deduction of tax at source where applicable.

(iii) Payment of Dividend through electronic means

(a) The Company provides the facility to the Shareholders for remittance of dividend directly in electronic mode through National Automated Clearing House (NACH). In view of the outbreak 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 TSR Darashaw. Shareholders holding shares in dematerialized form are requested to provide the said details to their respective Depository Participants.

(b) In line with the General Circular No. 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 upon normalization of the postal services, dispatch the dividend warrant/ cheque to such shareholder by post.

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

(iv) Pursuant to Finance Act 2020, dividend income will be taxable in the hands of Shareholders with effect from 1st April, 2020 and the Company is required to deduct tax at source from dividend paid to the Shareholders at the prescribed rates. For the prescribed rates for various categories, the Shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The Shareholders are requested to update their PAN with the Company/ TSR Darashaw (in case of shares held in physical mode) and their respective Depository Participants (in case of shares held in dematerialized form).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by Email to csg-exemptforms@tsrdarashaw.com by 15th June, 2020. 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 who are eligible for deduction of TDS at a concessional or Nil rate as per Section 197 of the Income-tax Act, 1961, can submit the certificate/letter issued by the Assessing Officer, to avail the benefit of lower rate of deduction or non-deduction of tax at source by Email to csg-exemptforms@tsrdarashaw.com by 15th June, 2020.

Non-resident Shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an Email to csg-exemptforms@tsrdarashaw.com. The aforesaid declarations and documents need to be submitted by the Shareholders by 15th June, 2020.

(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 2011-12, has been transferred by the Company to the IEPF. Those Shareholders who have not encashed their dividends for the financial year 2012-13 are requested to lodge their claims in that regard with the Company or TSR Darashaw.

Further, in terms of the provisions of Section 124 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), Equity Shares, in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more from the date of declaration, are also required be transferred to an account viz. IEPF Suspense Account, which is operated by the IEPF Authority pursuant to the IEPF Rules. Accordingly, in compliance with the aforesaid Rules, the Company has already transferred equity shares on which dividend remained unclaimed for 7 (seven) consecutive years starting from the financial year 2011-12 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 upto the financial year 2011-12 are uploaded on the website of the Company as well as that of the Ministry of Corporate Affairs, Government of India ("MCA"). No claim shall lie against the Company in respect of unclaimed dividend amount and equity shares transferred to the IEPF and IEPF Suspense Account, respectively, pursuant to the IEPF Rules. Shareholders can however claim both the unclaimed dividend amount and the equity shares from the IEPF Authority by making an online application in web Form No. IEPF-5, the details of which are available at www.iepf.gov.in.

12. At the 99th AGM of the Company, held on 21st June, 2019, the Shareholders approved appointment of S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003) as Statutory Auditors of the Company, to hold office for a term of 5 (five) consecutive years from the conclusion of the 99th Annual General Meeting of the Company until the conclusion of the 104th Annual General Meeting of the Company. Details of the remuneration paid to S R B C & CO LLP, Chartered Accountants, Statutory Auditors, during Financial Year 2019-20 are disclosed in the Financial Statements of the Company, which are part of the Annual Report of the Company.

13. 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. In view of the same, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

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

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

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

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

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

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4

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 & Polymers and Rubbers & Allied Products or any other products required by the law, for the year ending 31st March, 2021. The products of the Company covered under the aforesaid categories are different types of thinners, floor coating products, powder coating products & hardeners 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 2020-21 on the same remuneration as was approved for the previous year i.e. ₹ 2,50,000 plus GST and out of pocket expenses.

D. C. Dave & Co., has also conveyed its willingness to act as cost auditor of the Company for the year ending 31st March, 2021. The eligibility and consent letter will be available for inspection of the Shareholders through electronic mode. Shareholders may write to the Company at agm@nerolac.com in that regard, by mentioning *"Request for Inspection"* in the subject of the Email.

In terms of Section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration recommended by the Audit Committee for the Cost Auditor and approved by the Board of Directors is required to be ratified subsequently by the Shareholders. Hence, the Ordinary Resolution set out in Item no. 4 of the Notice seeks approval of the Shareholders for the same.

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

The Board recommends ratification of the remuneration of the Cost Auditor, D. C. Dave & Co. (Firm Registration No. 000611), Cost Accountants, as recommended by the Audit Committee and approved by the Board of Directors, as set out in Item no. 4 of the Notice, for approval of the Shareholders.

ITEM NO. 5

Pursuant to Section 161(4) of the Companies Act, 2013 ("Act") read with Article 114 of the Articles of Association of the Company, the Board of Directors of the Company ("Board") had, on recommendation of the Nomination and Remuneration Committee of the Board, appointed Mr. Hitoshi Nishibayashi as a Director of the Company with effect from 29th July, 2019, in the casual vacancy caused by the resignation of Mr. Katsuhiko Kato.

Pursuant to the provisions of Section 161 of the Act, the appointment of Mr. Nishibayashi shall be approved by the Shareholders at the ensuing Annual General Meeting.

Considering his knowledge and rich experience in the field of paint industry including his association with our Company as a Non-Executive Director for a period of about 4 years during 2010 to 2014 as a nominee of Kansai Paint Co. Ltd., Japan, the promoter of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board has recommended the appointment of Mr. Hitoshi Nishibayashi as a Non-Executive Director of the Company, liable to retire by rotation, subject however to the approval of Shareholders of the Company.

The Company has received a notice in writing as per the provisions of Section 160 of the Act, to propose the candidature of Mr. Nishibayashi for the office of the Non-Executive Director, to be appointed as such under the provisions the Act.

Accordingly, it is proposed to appoint Mr. Nishibayashi as Non-Executive Director of the Company and the Ordinary Resolution as set out in Item no. 5 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Mr. Nishibayashi is provided in the annexure to the Notice.

Mr. Hitoshi Nishibayashi and his relatives can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 5, to the extent it relates to the appointment of Mr. Nishibayashi.

Also, Mr. Takahara and Mr. Tomioka being the nominees of Kansai Paint Co. Ltd., Japan, the promoter of the Company, can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 5, to the extent it relates to the appointment of a fellow nominee of Kansai Paint Co. Ltd., Japan.

None of the other 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. 5.

The Board recommends the appointment of Mr. Hitoshi Nishibayashi as a Non-Executive Director of the Company, as set out in Item no. 5 of the Notice, for approval of the Shareholders.

ITEM NO. 6

Pursuant to Section 161(4) of the Companies Act, 2013 ("Act") read with Article 114 of the Articles of Association of the Company, the Board of Directors of the Company ("Board") had, on recommendation of the Nomination and Remuneration Committee of the Board, appointed Mr. Shigeki Takahara as a Director of the Company with effect from 7th May, 2020, in the casual vacancy caused by the resignation of Mr. Hidenori Furukawa.

Pursuant to the provisions of Section 161 of the Act, the appointment of Mr. Takahara shall be approved by the Shareholders at the ensuing Annual General Meeting.

Considering his knowledge and rich experience in the field of finance and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board has recommended the appointment of Mr. Shigeki Takahara as a Non-Executive Director of the Company, liable to retire by rotation, subject however to the approval of Shareholders of the Company.

The Company has received a notice in writing as per the provisions of Section 160 of the Act, to propose the candidature of Mr. Takahara for the office of the Non-Executive Director, to be appointed as such under the provisions the Act.

Accordingly, it is proposed to appoint Mr. Takahara as a Non-Executive Director of the Company and Ordinary Resolution as set out in Item no. 6 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Mr. Takahara is provided in the annexure to the Notice.

Mr. Shigeki Takahara and his relatives can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 6, to the extent it relates to the appointment of Mr. Takahara.

Also, Mr. Nishibayashi and Mr. Tomioka being the nominees of Kansai Paint Co. Ltd., Japan, the promoter of the Company, can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 6, to the extent it relates to the appointment of a fellow nominee of Kansai Paint Co. Ltd., Japan.

None of the other 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. Shigeki Takahara as a Non-Executive Director of the Company, as set out in Item no. 6 of the Notice, for approval of the Shareholders.

ITEM NO. 7

Pursuant to Section 161(4) of the Companies Act, 2013 ("Act") read with Article 114 of the Articles of Association of the Company, the Board of Directors of the Company ("Board") had, on recommendation of the Nomination and Remuneration Committee of the Board, appointed Mr. Takashi Tomioka as a Director of the Company with effect from 7th May, 2020, in the casual vacancy caused by the resignation of Mr. Hideshi Hasebe (who was appointed as a Director to fill in the casual vacancy created by the resignation of Mr. Masaru Tanaka).

Pursuant to the provisions of Section 161 of the Act, the appointment of Mr. Tomioka shall be approved by the Shareholders at the ensuing Annual General Meeting.

Considering his knowledge and rich experience in the field of paint industry and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board has recommended the appointment of Mr. Takashi Tomioka as a Non-Executive Director of the Company, liable to retire by rotation, subject however to the approval of Shareholders of the Company.

The Company has received a notice in writing as per the provisions of Section 160 of the Act, to propose the candidature of Mr. Tomioka, for the office of the Non-Executive Director, to be appointed as such under the provisions the Act.

Accordingly, it is proposed to appoint Mr. Tomioka as a Non-Executive Director of the Company and Ordinary Resolution as set out in Item no. 7 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Mr. Tomioka is provided in the annexure to the Notice.

Mr. Takashi Tomioka and his relatives can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 7, to the extent it relates to the appointment of Mr. Tomioka.

Also, Mr. Nishibayashi and Mr. Takahara being the nominees of Kansai Paint Co. Ltd., Japan, the promoter of the Company, can be considered to be concerned or interested in the proposed Ordinary Resolution, as set out in Item no. 7, to the extent it relates to the appointment of a fellow nominee of Kansai Paint Co. Ltd., Japan.

None of the other 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. 7.

The Board recommends the appointment of Mr. Takashi Tomioka as Non-Executive Director of the Company, as set out in Item no. 7 of the Notice, for approval of the Shareholders.

ITEM NO. 8

The Shareholders of the Company, by virtue of resolution passed through Postal Ballot conducted in February-March 2015 (results of which were announced on 16th March, 2015), had approved the appointment of Mr. Pradip Panalal Shah as an Independent Director of the Company, for a period of 5 (five) years from 30th January, 2015 to 29th January, 2020.

Considering his knowledge and rich experience in the field of business strategy and finance, performance evaluation based on his contribution to the Board during his tenure and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board approved the re-appointment of Mr. Pradip Panalal Shah as an Independent Director of the Company, for a period of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025, subject to the approval of Shareholders of the Company vide a Special Resolution. Also, in the opinion of the Board, Mr. Shah fulfils the conditions specified in the Companies Act, 2013 ("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 he 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 Mr. Shah, for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Act and Regulation 17 of SEBI Listing Regulations. Mr. Shah has provided (a) his 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 he is not disqualified under 164(2) of the Act and (c) a declaration to the effect that he 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 him 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. 8 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Mr. Shah 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 Email.

Other than Mr. Shah and his relatives, none of the other 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. 8.

The Board recommends the re-appointment of Mr. Pradip Panalal Shah as an Independent Director of the Company, as set out in Item no. 8 of the Notice, for approval of the Shareholders.

ITEM NO. 9

The Shareholders of the Company, by virtue of resolution passed through Postal Ballot conducted in February-March 2015 (results of which were announced on 16th March, 2015), had approved the appointment of Mr. Noel Naval Tata as an Independent Director of the Company, for a period of 5 (five) years from 30th January, 2015 to 29th January, 2020.

Considering his knowledge and rich experience in the field of business strategy and management, performance evaluation based on his contribution to the Board during his tenure and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, the Board approved the re-appointment of Mr. Noel Naval Tata as an Independent Director of the Company, for a period of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025, subject to the approval of Shareholders of the Company vide a Special Resolution. Also, in the opinion of the Board, Mr. Tata fulfils the conditions specified in the Companies Act, 2013 ("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 he 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 Mr. Tata, for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Act and Regulation 17 of SEBI Listing Regulations. Mr. Tata has provided (a) his 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 he is not disqualified under 164(2) of the Act and (c) a declaration to the effect that he 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 him 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. 9 of the Notice seeks approval of the Shareholders for the same.

A brief resume of Mr. Tata 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 Email.

Other than Mr. Tata and his relatives, none of the other 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. 9.

The Board recommends the re-appointment of Mr. Noel Naval Tata as an Independent Director of the Company, as set out in Item no. 9 of the Notice, for approval of the Shareholders.

ITEM NO. 10

Pursuant to applicable provisions of the Companies Act, 2013 ("Act") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") read with the Articles of Association of the Company, the Board of Directors of the Company ("Board") had, on recommendation of the Nomination and Remuneration Committee of the Board, appointed Ms. Sonia Singh as Additional Director of the Company with effect from 29th July, 2019, to hold office for a term of 3 (three) years, subject to the approval of Shareholders of the Company. Pursuant to the provisions of Section 161 of the Act, Ms. Singh will hold office upto the date of the ensuing Annual General Meeting.

The Company has received 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 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 a 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 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.

Considering the rich experience and vast knowledge of Ms. Singh in the field of brand strategy, sales and marketing, her presence on the Board will be valuable to the Company. Further, in the opinion of the Board, Ms. Singh fulfils the conditions specified in the Act, read with the rules made thereunder and SEBI Listing Regulations for being appointed as an Independent Director of the Company and she is independent of the management. It is proposed to appoint her as an Independent Director of the Company, as per the provisions of Section 149 of the Act and SEBI Listing Regulations. Hence, the Ordinary Resolution set out in Item no. 10 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 Email.

Other than Ms. Singh and her relatives, none of the other 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. 10.

The Board recommends appointment of Ms. Sonia Singh as an Independent Director of the Company, as set out in Item no. 10 of the Notice, for approval of the Shareholders.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 6th May, 2020

Annexure to the Notice

Details of the directors seeking appointment / re-appointment in the 100th Annual General Meeting, as set out in Item nos. 3, 5, 6, 7, 8, 9 and 10 of this Notice, in terms of Regulations 26(4) and 36(3) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 read with clause 1.2.5 of Secretarial Standard-2 on General Meetings

Name of Director	Mr. Anuj Jain	Mr. Hitoshi Nishibayashi*	Mr. Shigeki Takahara*	Mr. Takashi Tomioka*
Director Identification Number	08091524	03169150	08736626	08736654
Age	51 years	56 years	61 years	47 years
Qualifications and experience	Mr. Anuj Jain is B.Sc., MMS (Marketing) and was Director – Decorative and Industrial Sales & Marketing of the Company prior to his appointment as a Whole-time Director. He is designated as Executive Director.	Mr. Hitoshi Nishibayashi is a graduate from Osaka University of Foreign Studies, Faculty of English studies. He joined Kansai Paint Co. Ltd., Japan ("KPJ") in April 1987. He has worked in various divisions of KPJ and is presently an executive officer at Corporate Business Development Division of KPJ as well as a general manager at International division. He was associated with the Company in the capacity of a Non-Executive Director, for a period of about 4 years, during 2010 to 2014.	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 ("KPJ") in April 2020. He is presently a Managing Executive Officer of KPJ as well as General Manager of Corporate Planning & Finance Division.	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 a general manager of Corporate Planning Office.
Date of First Appointment	1st April, 2018	29th July, 2019	7th May, 2020	7th May, 2020
Directorships held in other public companies (excluding this Company, foreign companies and Section 8 companies)	Nil	Nil	Nil	Nil
Memberships / Chairmanships of committees of other public companies #	Nil	Nil	Nil	Nil
Shareholding in the Company as on 31st March, 2020	13,560 Equity Shares	Nil*	Nil*	Nil*

Notes:

* Mr. Nishibayashi, Mr. Takahara and Mr. Tomioka are nominees of Kansai Paint Co. Ltd., Japan and they do not hold any share 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 (known by whichever name) are considered.

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

Name of Director	Mr. Pradip Panalal Shah	Mr. Noel Naval Tata	Ms. Sonia Singh
Director Identification Number	00066242	00024713	07108778
Age	67 years	63 years	55 years
Qualifications and experience	Mr. Pradip Shah is a qualified Cost Accountant and ranked first in India in the Chartered Accountancy examinations. Mr. Shah also holds an MBA from Harvard Business School. He was the founder Managing Director of Credit Rating Information Services of India Limited (CRISIL), India's first and largest credit rating agency. Prior to founding CRISIL, Mr. Shah assisted in founding Housing Development Finance Corporation (HDFC) in 1977. Mr. Shah also served as a consultant to USAID, the World Bank and the Asian Development Bank. Mr. Shah started IndAsia, a corporate finance and private equity advisory business in April 1998. Prior to starting IndAsia, he helped establish the Indocean Fund in 1994. Mr. Shah has written a number of articles and given talks in India and abroad on credit rating, housing finance, capital markets, venture capital and other subjects. Besides our Company, he is a director of other reputed companies.	Mr. Noel Tata is a graduate of Sussex University (UK) and INSEAD. He is the Managing Director of Tata International Limited, Chairman of Trent Ltd. and is also the Chairman/ director of various Tata companies.	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 Directors of Trent Limited, Axis Asset Management Company Limited and J. K. Helene Curtis Limited.
Date of First Appointment	30th January, 2007 (appointed as an Independent Director with effect from 30th January, 2015, in terms of the Companies Act, 2013) ^	27th October, 2007 (appointed as an Independent Director with effect from 30th January, 2015, in terms of the Companies Act, 2013) ^	29th July, 2019
Directorships held in other public companies (excluding this Company, foreign companies and Section 8 companies)	1. Pfizer Limited 2. KSB Limited 3. BASF India Limited 4. Bajaj Auto Limited 5. Bajaj Holdings & Investment Limited 6. Sonata Software Limited 7. Godrej and Boyce Manufacturing Company Limited 8. Kancor Ingredients Limited	1. Trent Limited 2. Voltas Limited 3. Tata Investment Corporation Limited 4. Titan Company Limited 5. Tata International Limited	1. Trent Limited 2. J. K. Helene Curtis Limited 3. Axis Asset Management Company Limited
Memberships / Chairmanships of committees of other public companies #	Chairmanships- Audit Committee : 1. Sonata Software Limited 2. Bajaj Holdings & Investment Limited Memberships - Audit Committee : 1. BASF India Limited 2. Kancor Ingredients Limited 3. KSB Limited 4. Pfizer Limited	Chairmanships-Shareholders Relationship Committee: 1. Voltas Limited Memberships - Audit Committee : 1. Trent Limited	Nil
Shareholding in the Company as on 31st March, 2020	Nil	Nil	Nil

Notes:

^ Mr. Shah and Mr. Tata were appointed as Independent Directors of the Company with effect from 30th January, 2015, pursuant to Section 149 of the Companies Act, 2013 read with General Circular No. 14/2014 dated 9th June, 2014 issued by the Ministry of Corporate Affairs.

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

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

Board's Report

Dear Members,

The Directors of your Company are pleased to present the 100th Annual Report and the Audited Financial Statements (Standalone and Consolidated) for the year ended 31st March, 2020 ("year under review / FY 2019-20").

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

A. Introduction

Established in 1920, Kansai Nerolac Paints Limited ("KNPL") is a subsidiary of Kansai Paint Co.Ltd., Japan ("KPJ").

Apart from its primary operations in India, KNPL operates in Nepal, Sri Lanka and Bangladesh through acquisitions and joint ventures.

KNPL caters to customers through products and services in Decorative and Industrial. In Industrial, while the traditional thrust has been on Automotive, KNPL now also has a sizeable presence in Performance Coatings and Powder Coatings. Recent years have also seen the Company moving forcefully into Auto Refinish.

While steadfastly strengthening its position in these traditional markets, it continues to venture into new customer need areas, such as Wood Coating, Adhesives, Construction Chemicals in Decorative and Floor Coatings, Transportation Coatings, Coil Coatings, Rebar Coatings and Super Durable Powders in the Industrial. These forays have helped KNPL expand its portfolio of products and offerings to the market.

To match the demands of its expanding product portfolio, KNPL has been aggressively augmenting its capacity over the past few years. While during FY 2018-19, it started commercial production at Sayakha, Gujarat, during the year under review, it commenced production at its new state-of-the-art manufacturing facility at Goindwal, Punjab. Work is currently in progress to set up another high-end manufacturing unit, equipped with modern production technologies, at Visakhapatnam in Andhra Pradesh.

To steer its strong focus on innovation for catering to new customer needs and markets, KNPL is also continuously enhancing its Research and Development Capabilities. During FY 2018-19, the Company operationalised its newly established world-class R&D facility at Vashi, Navi Mumbai, thus further scaling its innovation edge. Its new plants and R&D facilities will help the Company strengthen its capability to innovate and serve its customers better.

With IT a key strategic driver for KNPL, it has, since 2013, been making rapid progress on driving an organisation-wide digitalisation agenda to boost customer responsiveness, efficiency, speed and productivity.

B. Industry Progress

The Indian Paint Industry has grown historically at double digits and is poised to grow at a healthy rate in the medium to long run. There is a strong correlation between the Indian paint industry and the GDP of the country historically. The industry growth is expected to be subdued for FY 2019-20 and to be negatively impacted in FY 2020-21 due to the effect of the lockdown imposed due to COVID-19.

Manufacturing facility at Goindwal, Punjab

C. Financials

Financial Highlights

A summary of the Company's standalone financial results for the year ended 31st March, 2020 (FY 2019-20) vis-à-vis standalone financial results for the previous year FY 2018-19, is as under:

₹ in Crores

	FY 2019-20	FY 2018-19
Gross Sales and Other Operating Income	**5487.43**	5682.28
Net Sales and Other Operating Income	**4943.17**	5173.62
Profit before Interest, Depreciation and Tax	**781.62**	742.00
Less: Depreciation and Amortisation	**119.88**	90.47
Profit Before Interest and Tax.....	**661.74**	651.53
Less : Finance Cost	**5.00**	–
Add: Other Income	**26.86**	61.88
Profit Before Tax	**683.60**	713.41
Less: Tax (Including Deferred Tax)	**148.20**	246.06
Profit After Tax	**535.40**	467.35
Other Comprehensive Income (Net of Tax)	**(1.02)**	0.92
Total Comprehensive Income for the year	**534.38**	468.27

Gross Sales and other operating income for the year aggregated to ₹ 5487.43 Crores as compared to ₹ 5682.28 Crores for the previous year. Net Sales and other operating income reflects a degrowth of 4.5% over the previous year.

Depreciation for the year is at ₹ 119.88 Crores as against ₹ 90.47 Crores in the previous year which is higher compared to the previous year due to capitalisation of Sayakha and Punjab projects. Other Income was lower at ₹ 26.86 Crores as compared to ₹ 61.88 Crores for the previous year. Reduction is due to utilisation of surplus funds for new projects. The Company had taken various initiatives to reduce material cost and operational costs. These initiatives helped the Company in the current year to keep the operational costs under control. Profit Before Depreciation, Interest and Tax (PBDIT) for the year is higher at ₹ 781.62 Crores compared to ₹ 742.00 Crores last year reflecting a growth of 5.3%. Profit Before Tax (PBT) for the year is ₹ 683.60 Crores as compared to ₹ 713.41 Crores in the previous year which is a degrowth of 4.2% over previous year.

The Company spent ₹ 16.91 Crores towards Corporate Social Responsibility compared to ₹ 13.45 Crores in the previous year.

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

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

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

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

As required in terms of Secretarial Standard (SS)-4, it is hereby confirmed that 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.

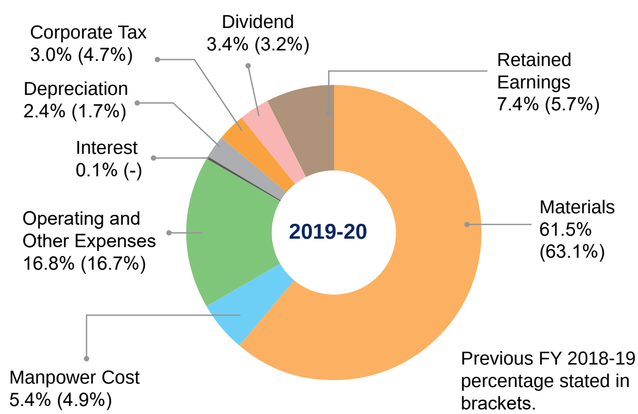
Dividend

The Board of Directors recommend a dividend of ₹ 3.15 (315%) per Equity Share of the face value of ₹ 1 each for the year under review, for consideration of the Members. This compares with a dividend of ₹ 2.60 (260%) per Equity Share of the face value of ₹ 1 each, declared previous year.

Key Financial Ratios

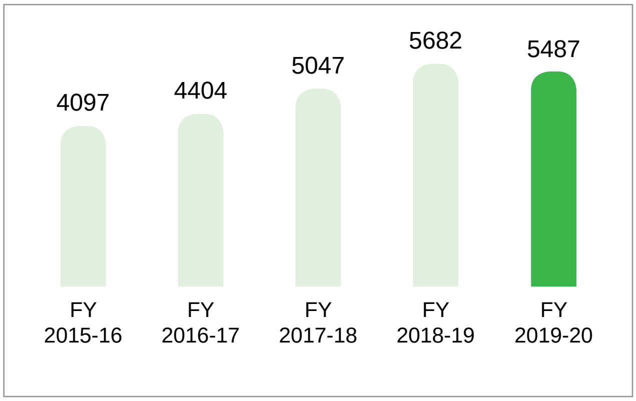
Key Ratios	2019-20	2018-19	% Change	Explanation
Debtors Turnover (No. of Days)	**42**	40	5.0	
Inventory Turnover (No. of Days)	**118**	103	14.6	
Interest Coverage Ratio	**132**	–	–	Current year interest cost on account of lease accounting as per IND AS 116.
Current Ratio	**3.4**	2.8	21.4	
Debt Equity Ratio....	**0.0**	0.0		
Operating Profit Margin (%)	**15.8%**	14.3%	10.5	
Net Profit Margin (%)	**10.8%**	9.0%	20.0	
Return on Net Worth	**14.1%**	13.6%	3.7	

Distribution of Income

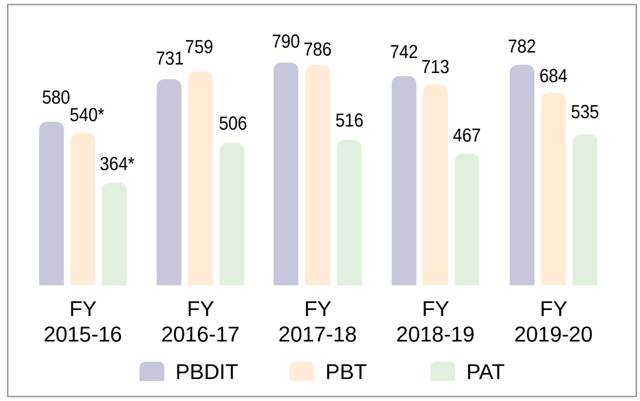


Graphs

Sales (₹ in Crores)



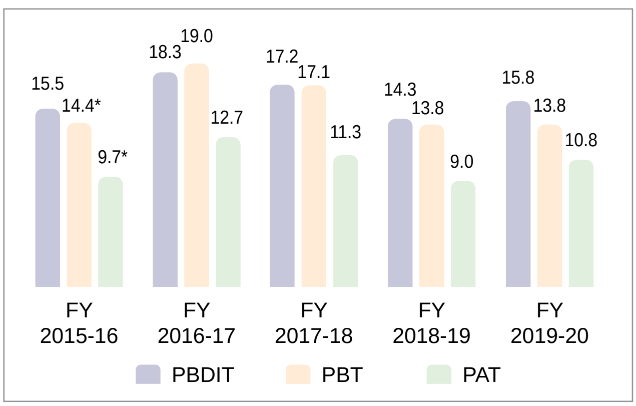
Profit (₹ in Crores)



*Before exceptional item

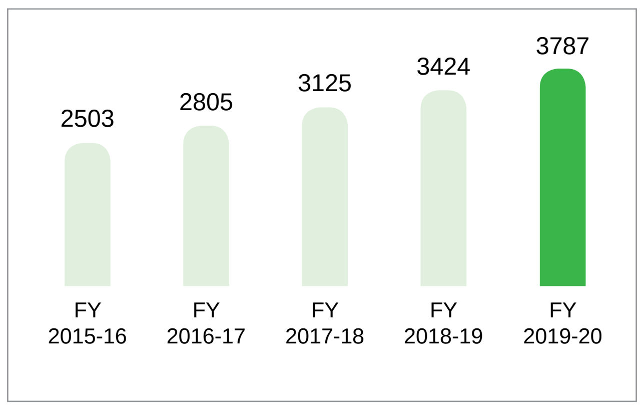
Profitability (%)

Profitability ratios are based on net sales



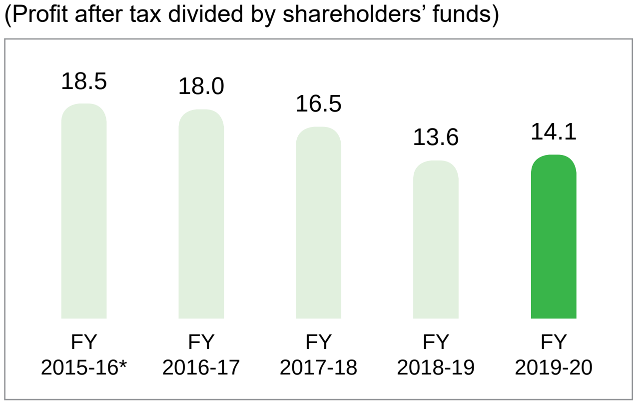
*Before exceptional item

Shareholders' Funds (₹ in Crores)



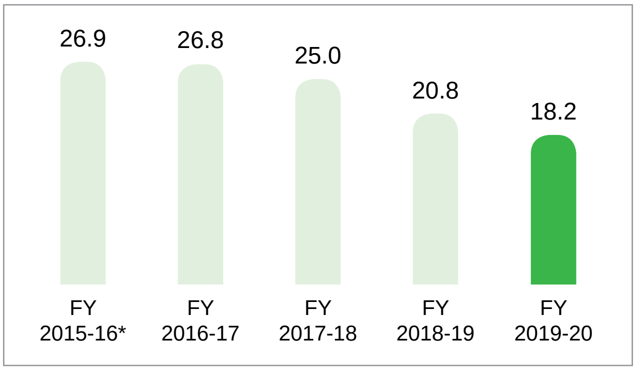
Return on Net Worth (%)

(Profit after tax divided by shareholders' funds)



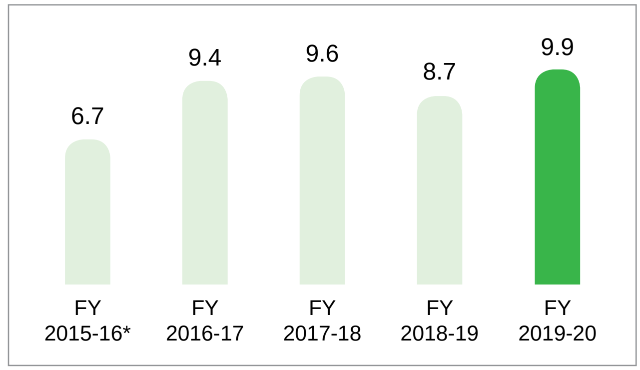
*Before exceptional item

Return on Capital Employed (%)



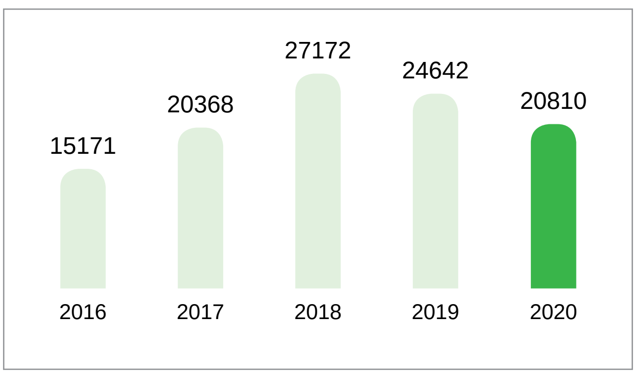
*Before exceptional item

Earnings Per Share (EPS) (₹)

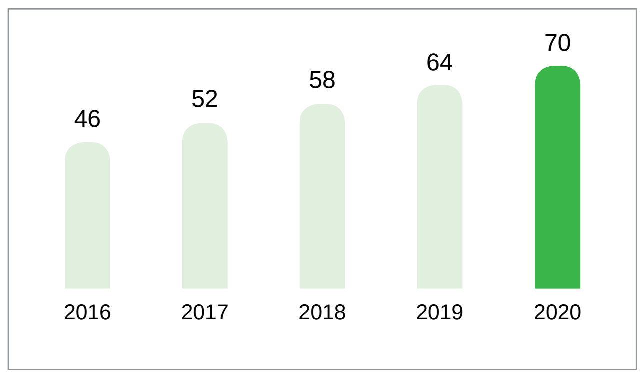


*Before exceptional item
EPS for all years has been calculated considering face value of share as ₹1 each.

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

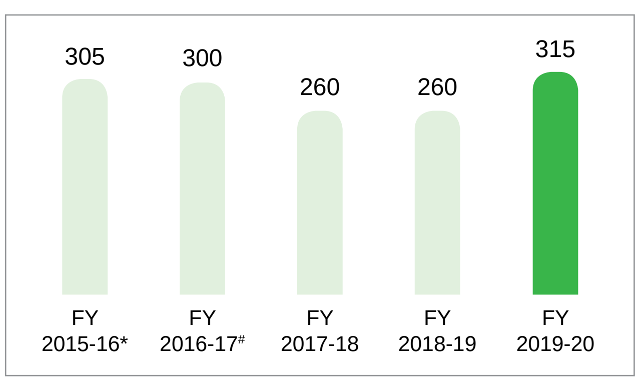


Book Value Per Share as on 31st March (₹)



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

Dividend (%)



*Includes special dividend of 125%
Includes special dividend of 50%

Subsidiaries and Consolidated Financial Statements

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

Indian Subsidiaries:

a. Marpol Private Limited

The net sales of Marpol Private Limited ("Marpol") was lower at ₹ 59.03 Crores compared to ₹ 68.90 Crores of the previous year, which was due to the degrowth in auto sector. EDITDA (%) for the year improved to 9.7% from 5.6%. Profit After Tax is ₹ 2.90 Crores [FY 2018-19: ₹ 1.69 Crores].

The process of merger of Marpol with the Company is in progress and necessary applications have been filed with the National Company Law Tribunal (NCLT). The approval of the shareholders of the Company will be sought by a separate meeting as directed by NCLT. The merger does not involve any issue and allotment of shares of the Company as this is a merger of a wholly-owned subsidiary with the Company.

b. Perma Construction Aids Private Limited

The acquisition of Perma Construction Aids Private Limited ("Perma") was completed. Perma achieved net sales turnover of ₹ 35.23 Crores and EBITDA (%) of 9.5%. Profit After Tax for the year was ₹ 2.28 Crores.

The process of merger of Perma with the Company is in progress and necessary applications have been filed with the NCLT. The approval of the shareholders of the Company will be sought by a separate meeting as directed by NCLT. The merger does not involve any issue and allotment of shares of the Company as this is a merger of a wholly-owned subsidiary with the Company.

c. Nerofix Private Limited

To focus on the adhesives business, the Company entered into a joint venture with Polygel Industries Private Limited, named as Nerofix Private Limited ("Nerofix") . The Company invested ₹ 12 Crores to acquire 60% stake in Nerofix. Nerofix started operations in December 2019 and achieved a turnover of ₹ 22.90 Crores. It has planned to expand this business and become a noticeable player in this category.

d. Merger of Wholly-owned Subsidiaries with the Company

The Board, at its meeting held on 2nd May, 2019, accorded its in-principle approval to the merger of Marpol and Perma, both wholly-owned subsidiaries of the Company, with the Company, subject to necessary statutory approvals from various regulatory authorities. The aforesaid merger shall provide benefits of synergy, economies of scale, growth and expansion to the Company. More information in this regard will be provided to the Shareholders, from time to time, vide appropriate means of communication, including disclosures to BSE Limited and National Stock Exchange of India Ltd.

Overseas Subsidiaries:

a. Operations in Nepal

For the year under review, the turnover of KNP Japan Private Limited, the subsidiary of our Company in Nepal, increased to ₹ 85.09 Crores as compared to ₹ 84.51 Crores for the previous year.

EBITDA (%) for the year was 16.1% compared to 17.1% of the previous year.

Profit After Tax is ₹ 10.34 Crores as compared to ₹ 11.52 Crores in the previous year.

b. Operations in Sri Lanka

The turnover of our subsidiary in Sri Lanka, Kansai Paints Lanka (Private) Limited for the year under review was ₹ 12.19 Crores as compared to ₹ 12.11 Crores during the previous year.

The subsidiary incurred a loss of ₹ 10.01 Crores during the year as compared to loss of ₹ 10.88 Crores during the previous year.

Initially, Sri Lankan economy was affected due to terrorist attacks and prolonged heavy rains in island. Overall market was very sluggish and paint industry is estimated to have degrown in the current year.

The Company changed its strategy from dealers to distributors in last quarter of the year and received reasonable success. However, spread of COVID-19 in March '20 disturbed its seasonal sales.

c. Operations in Bangladesh

The turnover of our subsidiary in Bangladesh, RAK Paints Limited for the year under review was ₹ 135.30 Crores as compared to ₹ 93.06 Crores during the previous year (Nine-month operation).

The subsidiary launched its Nerolac range products in January' 20 which was very well accepted by the market. It undertook many improvement activities and was successful in turning around from EBIDTA negative to positive.

The subsidiary incurred a loss of ₹ 9.27 Crores during the year under review as compared to loss of ₹ 9.65 Crores during the previous year. Loss is mainly due to interest cost.

Consolidated financial statements of the Company as on 31st March, 2020, 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, 2020, 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.

D. 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.

Colour Symphony of Kerala

E. Marketing

Decorative

The Nerolac Brand has increased in stature in the Indian Decorative Paint Market through a lot of unique marketing initiatives and new products launched during the year. The Company focussed on increasing its distribution and aggressively adding Dispensing machines at dealer counters.

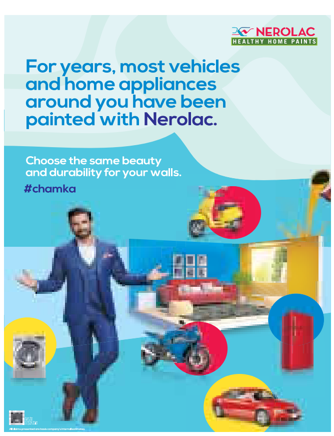
Foray into New Market

KNPL had decided to enter new areas with potential, to enhance growth and de-risk the business, in the space of Adhesives and Construction Chemicals. For Adhesives, it entered a Joint Venture (JV) with Polygel to form an entity Nerofix with Polygel and for construction chemicals it acquired Perma Construction Aid Pvt Ltd. This year, the Nerolac Range of products was launched for construction chemicals. In addition KNPL also tied up with ICRO Italy, a leader in high end wood coatings and launched Nerolac ICRO.

Launch of Nerolac ICRO

New Products

Inspired and guided by our business purpose, we continued to focus upon paint products that offer unique functional benefits for homeowners. Being sensitive to a diverse set of needs ranging from reducing indoor pollution of formaldehyde to aiding fast painting turnaround through quick drying and no odour formulations allowed us to offer strong functional benefits through our paints.



Little Bit of Nerolac

Celebrate Responsibly

Marketing Campaigns

Leading the Company's strategic thrust in marketing launched the 'Little bit of Nerolac' campaign, which received positive response from the audience.

In line with its increasing thrust on sustainable growth, and with the aim of creating a new and transformative India, through its 'Celebrate Responsibly' campaign, the Company exhorted the people of Delhi and Lucknow to donate their single-use plastic objects to it, through multiple touch points like schools, Resident Welfare Association (RWA) and various centres running in these two cities. The plastic collected was recycled and turned into various everyday need items like park benches.

India's only all-in-one integrated shade card (interior, exterior, wood finishes and enamels): Colour Symphony of Kerala was launched.

Champions Boat League

Digital marketing

The cornerstone of KNPL's digital strategy was content with the focus being on creating meaningful on-ground engagements and leverage through natural storytelling formats. Initiatives across the country such as war against plastic in West Bengal to transforming girls' education through painting intervention in Rajasthan and supporting local talent with Champions Boat League were some of the content opportunities created by the brand.

War against plastic in Bengal

NexGen Club

NexGen is a unique one of its kind partner engagement programmes, in paints industry with the objective of aiding business growth. This programme is curated basis deep understanding of trade partners' needs and enables paint dealers to get access to the best in technology and knowhow to improve and grow their business manifold.

NEROLAC
NEXGEN

Influencer Activities

The strategy was to strengthen the brand engagement experience for the influencers. We expanded the operations of the one of its kind unique painter training programme Pragati Express this year. The digitally enabled set-up has become the favourite amongst paint dealers and painters seeking to know the latest developments in painting skills and products. The unique feature is the especially curated soft skill training and immersive experience for painters while going through the entire programme.

Pragati Express

An Android app for Gloria painters was launched with good user adoption.

Industrial

Automotive

KNPL focussed on its strengths to maintain its leadership position in this segment.

Product Range across Automobile Industry

This year, in Passenger Vehicles (PV) segment, KNPL introduced medium solids common basecoat technology (common for Plastic and Metal) at some PV customers during the year. This would help to reduce Volatile Organic Compounds (VOC) and in turn reduce the impact on the environment.

In the two-wheelers segment, KNPL has developed a Unique Low Bake Coating. The coating helps lowering of the baking temperature and additionally enables plastic and metal components to be coated and baked in the same line thereby eliminating the need to have a separate painting line for plastics apart from savings in the power cost. The Company also developed and introduced suitable powders with superior performance for customers as they transition to Powder coatings for certain components earlier coated with Liquid paint.

For tractors, amongst the innovations introduced this year were Direct to Metal Anticorrosive Coating which eliminates the need for an undercoat thereby improving productivity and cost for the customer as well as a unique Zero Bake Coating for the Tractor Chassis which eliminates the entire baking process thereby giving benefits of cost, productivity and the process becomes environment-friendly.

In Auto Ancillaries, for Automobile Wheels, Alloy Wheels are gaining popularity and the Company has taken this as a focus area and introduced new products using technology from Group Company, Kansai Altan, Turkey, at one new Alloy Wheels Plant.

Increased Service Capability

The Company achieved a significant milestone with the start of operations at Sayakha Plant in Gujarat in continuation of its commitment to be closer to the customer base and as part of the contingency planning in line with its commitment to provide uninterrupted service to its customers. With this, KNPL has significantly increased its multi locational supply capability for the Auto and Industrial customers; the only paint Company to do so in India.

During the year, several initiatives were taken at the Manufacturing plants to enhance the Manufacturing process and Quality of the products. New Benchmarks were set in terms of Quality parameters of the paints supplied to customers. The year therefore saw KNPL improving its performance on various parameters of Quality, Cost, Development and Delivery and this resulted in KNPL being considered as the priority supplier across many Automotive OEMs and Ancillaries.

KNPL also received some Best Supplier Awards from major OEMs like Honda Motorcycles and Scooters and Isuzu Motors during the year.

Performance Coatings

Under Performance coatings, the Company caters to customers by supplying Liquid Paints and Powder Coatings. KNPL continues to be the undisputed leader in the Conventional Powder Coating market and has improved its standing in the Liquid Coating market.

The focus this year, in addition to increasing presence in traditional areas, has been to expand the play by entering newer areas which are technology-intensive.

> **KNPL has been considered as the priority supplier across many Automotive OEMs and Ancillaries.**

In Liquid Coatings, KNPL entered niche areas in High Performance Coatings like Bridges and Pipe Coatings. The new products developed for the Bridges segments were commercialised with good orders coming in for the Metro Project and Railways for Anti Carbonation coatings, Polysiloxane Coatings and C5 Fluoro Polymer coatings.

In Powders, the Company forayed in Functional Powders like Rebar Coatings, Heat Resistant Powders, Super Durable Powders and Powder for Pipe Coatings through new product development and new customer acquisitions that has met with good success. KNPL has developed a Bonded Metallic Powder Coating technology which would provide unique advantages to customers of uniform finish and lowering process cost.

Auto Refinish

Ever since it was identified as a key thrust area for KNPL, the Company continues to gain Market Shares year-on-year. New Products, OEM Approvals, increased reach through the enhancement of the retail distribution network and body shops are the key elements of the approach.

KNPL had launched "Retan", in Premium Polyurethane (PU) Paints in 2017. Retan is a market leader in the Japanese market. Post its launch in India, the product has found

IP net Technology

acceptability and now has presence across several A Class Body Shops across the country. During the year, the product did extremely well. The product has superior performance in terms of finish, drying time, cost and coverage and is also environment-friendly being a High Solids Paint. The Brand is approved at major Auto makers.

In order to bolster its presence in the Retail Market, the Company has recently launched a new Brand "Cardea", in Popular PU. This product also has significant performance advantages for the customers.

To improve the shade matching and offer the users the factory Original Equipment Manufacturers (OEM) shade in the two-wheeler segment, KNPL had launched the "Perfect Match" Brand of PU Paints. The same has been approved by Honda Motorcycles and Scooters for their entire service network and is also available through KNPLs retail network.

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.

Coil Coatings

Over the past couple of years, KNPL has forayed into Coil Coatings. Increased capacity availability, focussed customer base expansion and agile new product development aided the increase in customer base and growth in this segment. To create differentiation, New technology products have been developed like Low Bake Coil Coatings, Uni-coats and Super Durable Coil Coatings.

F. Research and Development (R&D)

Technology innovation has been a hallmark of Nerolac's success throughout its history. KNPL works closely with its customers and vendors to create exciting innovations that help it win in different paint segments while maintaining profitable growth. KNPL aligns its product development with the trends in the market and leverages its technology platforms to develop products for unmet market needs.

New R&D Centre

With the objective of building a robust R&D ecosystem and to accelerate its innovation path, last year, KNPL commissioned a state-of-the-art Research and Development facility at Vashi, Navi Mumbai. This standalone R&D centre is equipped with the latest labs for catering to various market and testing facilities. The facility has been envisaged as a source of latest technologies and to enable KNPL to tap into the huge pool of resources readily available across Kansai Paint Co. Ltd, Japan's different group companies across the globe.

Collaboration with Kansai Paint, Co. Ltd. Japan; Kansai Paint Group Companies and Other Collaborators

Over the years, KNPL has been able to remain ahead of the customer expectations and regulatory requirements and maintain its leadership position in the Industrial Coatings. This has been possible with the strong support and commitment of Kansai Paint Co. Ltd., Japan which is one of the Global Leaders in the category with several decades of experience in designing products and technologies. KNPL works closely with KPJ in developing paint and resin formulations customised to the Indian Automotive customers. It also offers its customers insights into emerging shade trends across the globe.

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

Leadership in Industrial

The R&D facility leverages its domain expertise and works deeply with customers to develop long-term product roadmaps and shade concepts. Additionally, R&D leads the effort to work closely with customers to develop unique and customised value-added and value engineering projects which together with product and line knowledge have added huge value to customers in areas such as finish improvement, consumption reduction, productivity and energy saving.

In the Automotive space, the Company is a leader in Electrodeposition Coatings and has pioneered many important technology breakthroughs for its customers. This year, it introduced Blue CED for Tractors and became the first paint company to introduce Blue CED not only in India but also on Global level; this innovation has helped our customers to eliminate top coat application for inside area of sheet metal parts of tractors. With such innovations, Company could retain its leadership in CED application.

In Passenger Vehicles, over the years, the Company has provided innovations such as the Common Base Coat System and the 3C -1B Wet on Wet System, which went on to become industry benchmarks of excellence. This year it has introduced the Medium Solids Base Coat Technologies with Low VOC.

In two-wheelers, it had innovated with Mono-coat Metallics. This innovative coating solution has eliminated Clear Coat application and performance has been achieved in single coat, in Metallic finishes which was never thought of earlier. This system has given overall benefit in process time reduction, energy saving to customers.

For Commercial vehicles, it has launched low bake PU system on sheet metal in place of conventional coatings, new system has excellent weathering and wadding performance, also it has helped in energy saving due to lower baking conditions.

Leadership Concepts in Decorative

In the Decorative segment, KNPL was built on its pioneering work in the Indian market on Heavy Metal free and Low VOC Products, which marked a notable Self-Imposed Regulation for the Company as there were then no such norms prevalent in India at the time of introduction. Nerolac' s overall product range kept expanding across all categories with a total of 16 new launches this year. Nerolac Excel Top Guard – a premium exterior emulsion was launched offering first of its kind home protection offer with a 10-year waterproofing and performance warranty along with structural insurance. In recent times, KNPL has differentiated its Decorative Product Line with the launch of Functional Smart Coatings such as Formaldehyde Abetment, Air Purifying and Anti-Bacterial offerings.

Nerolac Excel Top Guard

Key Developments for Performance Coatings

During the year, KNPL introduced various technologies such as UL (Underwriters Laboratories) Certified Electrical Application Product, High Reflection Coatings, Anticorrosive Products meeting C5M Environment requirement and WRAS (Water Regulation Advisory Scheme) approved coatings for Valve Fittings designed for Water line valves application.

For customers which are on Liquid Performance Coating, in the construction equipment segment, KNPL has developed High Solid Polyurethane having excellent aesthetics and superior weathering performance. For customers in the Pre Engineered Buildings segment, the new Alkyd Mono-coat with corrosion resistance in comparison with traditional Primer+ top-coat system, has helped in overall process time reduction for improved productivity.

Key Developments for Refinish

The focus this year was to capture a portion of the fast-growing B+ Segment. KNPL introduced Cardea Range of Products in 1250 shades.

Another key product in this segment is the Polyester Putty, which was enhanced with special characteristics to enable start of the sanding process within 20 minutes of its application, which will help in faster process and hence improved productivity.

Collaboration with Vendors/Academia

KNPL views its vendors as partners and tries to create a win-win situation for both. KNPL works closely with its key global supplier base, multiple research institutes and academia through a structured programme to create new concepts, products and technologies for the future.

Emerging Areas of R&D Focus

The Company is now focussing its efforts on business opportunity areas such as emulsions, coil coatings, rebar coatings, pipe coatings, high-end wood finishes, adhesives and construction chemicals.

Instrument Analysis and Application Capabilities

Our Analytical Testing Facility Lab provides invaluable service to our customers by analysing complex chemicals and by providing solutions in a structured way by Modern Instrumental analysis. Our Instrument Lab's capability was augmented with equipment such as DSC (Differential Scanning Calorimeter).

Differential Scanning Calorimeter

KNPL's Supply Chain team regularly monitored the emerging scenarios and responded with agility

We have also installed Robotic Bell application at our New R&D facility, this has helped us to reproduce the customer application conditions from the Design stage itself resulting faster development and has helped us in improving first time right.

Bell Applicator

G. Supply Chain

In a year of high uncertainty in the macro environment and geopolitical scenarios, saw volatility in crude oil prices and exchange rate. The spread of the global COVID-19 pandemic brought new challenges from a supply chain perspective.

Supply Risk Monitoring:

KNPL's Supply Chain team regularly monitored the emerging scenarios and responded with agility. Keeping a constant watch on countries which were getting affected due to the pandemic, the Company was able to manage the risks to availability of raw materials.

1250

Number of shades in Cardea range of products

Focus on Service

This year the Company focussed on ensuring high OTIF (On Time in Full) for its Industrial customers as well as minimising loss of sales in Decorative without increasing the overall inventory thus balancing inventory management with service.

New Facilities:

The state-of-the-art Industrial plant at Sayakha, Gujarat which was commissioned in FY 2018-19, has now started supplying to major automotive customers in the West after the necessary audits from the customers. In addition, the Company commenced operations at Goindwal, Punjab for Decorative Emulsion paints.

Focus on Analytics and Automation:

Efficiencies across multiple facets of the Supply Chain were further boosted during the year through various initiatives undertaken to enhance the use of digital platforms and tools. IT-driven reports were used extensively for timely information, and to bring maximum efficiency into the Purchase processes. Company has also implemented RPA (Robotic Process Automation) in Supply chain to bring further efficiency in Supply Chain processes.

Collaboration with Vendors:

Several collaborative projects were undertaken with long term business partners to unlock and create value for them and for KNPL. Under vendor performance and vendor rating programme at KNPL, quality improvement programmes were also driven with great zeal in both raw material and packing material goods.

The Sayakha plant has started supplying to major Automotive customers in the West

H. Information Technology

KNPL has always viewed Information Technology (IT) as strategic. It has been consistently investing in cutting-edge IT business solutions to bring agility, responsiveness and competitiveness to the ever-changing market needs. Beginning with the Enterprise Resource Planning (ERP) implementation in 2000, KNPL has over the years leveraged various solutions from SAP to IT-enable all aspects of operations. To further leverage this integrated IT landscape and to harness the full potential of ever-increasing digital adoption, the Company has embarked on a journey to implement a digital roadmap.

Digital Strategy

The main objective of the roadmap is to rethink each business and its processes to further improve stakeholder experience and bring about significant operational efficiency via use of customised digital solutions. The roadmap envisages building digital assets by combining unstructured data, like voice, video, pictures, machine data with its extensive transactional data and use of Artificial Intelligence powered intelligent automation and predictive capabilities to disrupt the current ways of working and lead to new business models.

Creation of Digital Council

To enable the Company to implement its digital strategy and deepen the integration of Digital within the organisation, the Company has set up a Digital council comprising Cross functional leaders under the guidance of the Management Committee. This team is charged with the task of identifying and implementing digital solutions across the entire stakeholder landscape.

During the year, KNPL has piloted many interventions in building its digital capabilities in line with its roadmap.

Operational Efficiencies

Process Automation

KNPL digitised and automated a host of internal processes and activities for employees with an intent to further improve productivity and satisfaction and increase the reliability of the processes.

Sales Force Effectiveness

KNPL has developed a mobile application leveraging SAP Leonardo's machine learning capability to drive effectiveness of its retail frontline team. It has also successfully implemented chatbots to support the sales team with instant answers and analytics.

Internet of Things (IoT)

KNPL has piloted a project to harness the power of IoT at the dealer end.

Digital Factory

Company's new state-of-the-art manufacturing facility at Goindwal is a Digital factory with end-to-end automation. The digital platform is capable of capturing real-time machine parameters and production data. It will help the Company with increased equipment efficiency, improved predictive maintenance, and enhanced safety.

Decision-Making

Company also successfully piloted highly visual dashboards with predictive capability to empower its business leaders with quick and efficient decision-making.

Cloud

During the year, Company moved to Office 365 platform giving KNPL the capability of leveraging the cloud for meetings and discussions.

Security

Increasing digital interactions across the stakeholder landscape place even greater emphasis on the need for secure and reliable IT systems. To mitigate the threat of cyberattacks, KNPL has upgraded its security infrastructure to the latest level and has deployed an Artificial Intelligence driven technology for perimeter security.

Stakeholder Experience

New Joinee Experience

During the year, the Company digitalised its employee life cycle process right from the application stage till the candidate joins the organisation. Incorporation of RPA has made the on-boarding process more efficient, fostering faster integration of new employees into the system. Company has also piloted with intelligent Robots for interviewing the prospective candidates.

Learning and Development

KNPL has gamified its induction programme to make it more engaging for the sales force.

Capability and Competency

KNPL envisions to create an organisation and culture where employees are empowered to act like entrepreneurs and business owners. To take this vision forward, Company has also launched a Digital University to help employees upgrade their skills and competencies. The university maps skills needed for a role and rates the employees against each skill. With a plethora of training material in

Colour My Space app

the form of blogs, videos, online books, white papers, etc., it encourages employees to move up the skill ladder.

Employee Experience

To keep the young and digital-savvy employees of KNPL engaged, the Company has piloted an engagement app for its employees.

Customer Experience

The Company has launched a "Colour my Space" mobile application which allows its customers to see their house painted with their choice of Nerolac shade. KNPL also launched a chatbot which allows the customers to test any shade on a wall of their choice. KNPL also piloted with Virtual reality units at its dealers which enable consumers to get the feel of walking in their entire house painted with Nerolac.

Business Continuity

With respect to increasing dependency on IT for Business operations, KNPL has deployed and successfully used a near Disaster Recovery solution giving it a redundancy in case a need arises and ensure continuity of operations.

I. People

KNPL considers its employees as its biggest strength, and thus continually strives to promote a respectful and engaged workplace for all its through Human Resources (HR).

Culture

Over the last many years, KNPL has been investing in a work culture which is based on role clarity, mutual respect and teamwork, besides being performance driven. The Company has strategically invested in People, Processes and IT to drive this culture, and to try and make every employee feel empowered.

Employee Value Proposition

The KNPL Employee Value Proposition (EVP) is centred around promoting the quality of its people, providing them with an environment of limitless growth, along with IT-enabled empowerment. The Company has based its employee promise ('I am Nerolac, I care to change') on its Core Values, and as an outcome, certain initiatives have been taken to power its leap to the next level. These are:

Capability development – through KNPL's Digital University, to create a continuous education framework.

Differentiated digital employee experience – through engagement app – a social digital platform for employees to connect with the brand and share success stories.

Rewarding and recognising – through the GEMS peer-to-peer recognition portal and gamification of the current performance system.

Overall employee well-being – through online health management mobile app.

This new EVP will make the Company push boundaries, rethink what is possible, and create experiences that affect change.

Digital Interventions

In FY 2019-20, the Company digitalised its employee life cycle process right from offer stage. Incorporation of RPA (Robotic Process Automation) has made the on-boarding process more efficient, fostering faster integration of new employees into the system. KNPL has gamified its induction programme to make it more engaging for the sales force. A mobile app of the HR portal for employees was launched during the year, to enable them to get hassle-free access to the HR portal anytime and from anywhere.

Systems Way of Working

KNPL's in-house Knowledge Management portal is used to share and gain knowledge on key business elements. This is referred to by all the employees, from time to time, to upgrade their knowledge about the Company's systems, processes. The portal plays a crucial role in facilitating horizontal deployment of the best practices in the organisation. KNPL also has various other platforms for sharing knowledge. These include Group Discussions, Book Reviews and Knowledge Sharing Sessions.

Performance Management

The Organisational Business Plan is aligned with the Key Result Areas (KRAs) for each position. The performance review mechanism, which is digitalised, ensures transparency, real-time information and involvement of

Contact Programme at Sayakha

all employees towards achievement of the Company's goals. A Daily Performance Dashboard is available to all the employees and it enables every employee to remain focussed on the priorities which contribute to the organisation's goals. This digital framework links the Company goals to an individual in a transparent manner.

Career Training Programmes

KNPL encourages learning on the job, which it facilitates through various training programmes for its employees. In FY 2019-20, the organisation rolled out three new career training Programmes, benefiting targeted employees.

Talent Management

In addition, the continued focus and deepening of Talent Management and Succession Planning process has been critical to the development of internal talent and in supporting higher business growth.

Communication Platforms

The workforce is highly aligned to the Company's goals through a variety of communication platforms, both formal and informal. Interactive sessions, such as Open House with the top management, are conducted periodically. Employees are kept regularly apprised of the Company's initiatives and key developments through the internal monthly newsletter – 'Impressions', quarterly letters from the MD, Conferences, Meets and through 'Virtual' Conferences.

Employee Engagement

KNPL conducts an Employee Engagement survey to get insights into the organisation as well as to gauge the pulse of employees on organisational initiatives which foster, connect and boost employee engagement and morale. In order to drive corporate objectives about HR processes and systems, departmental connect models were introduced during the year, with focus on connecting with the employees and enhancing engagement. KNPL also continued its rewards and recognition programme with an employee recognition platform called GEMS. GEMS is a framework for employees to acknowledge support and help by colleagues in their day-to-day interaction.

Code of Conduct

KNPL also has a "Code of Conduct" to guide employee conduct and a "Code of practices and procedures for fair disclosure of Unpublished Price Sensitive Information" to address the related requirements for the same.

The mentioned HR initiatives at KNPL attempt to support and uphold the organisation's short- and long-term goals

> **"In FY 2019-20, the organisation rolled out three new career training programmes**

by fostering an engaging work environment in a dynamic business scenario.

The Company also continues with its good practices of Corporate Governance through the Whistle Blower Policy, encouraging growth of individuals irrespective of gender, religion, caste or community, as well as its policy on "Appropriate Social Conduct at Workplace". All these policies add up to a congenial work environment to drive performance that is free from threat or fear.

Training Programme at Sayakha

Great Place to work

These efforts have resulted in KNPL becoming a Great Place to Work - Certified organisation by the Great Places to Work Institute. This certification underlines the happiness of KNPL employees and the trust they have in the organisation as a fair and transparent entity. It indicates the pride and empowerment employees feel in working for KNPL.

Great Place To Work® Certified APR 2019–MAR 2020 INDIA

The Company wishes to put on record its deep appreciation of the co-operation extended and efforts made by all employees.

The permanent employee strength is 2,992 as on 31st March, 2020.

J. Community Development

KNPL's responsibility focus extends to the communities around which it operates, and the society at large. The Company works on the philosophy of positive contribution for 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. It also has a vision to strive to be a responsible corporate by proactively partnering in the environmental, social and economic development of the communities through use of innovative technologies, products, as well as activities beyond normal business.

The Company undertakes Corporate Social Responsibility (CSR) initiatives with a focus on the betterment of the community, with major emphasis on activities for the benefit of the poor and needy segments of the society. The Company aims at overall national development in general, and at community development. Involvement of the Company's employees, working at all locations, in CSR initiatives helps in instilling a sense of pride amongst them, in addition to creating a positive image for the Company.

As a responsible organisation, the Company consciously addresses the social needs of people, giving more preference to the local areas where it operates under various Programme heads. These Programmes can be broadly classified as:

Rural Development / Community Development

The objective is to reach grassroot citizens by providing basic facilities and amenities in the villages near the plant locations/depot locations. Water conservation, construction of borewells, bus pick-up sheds, providing solar streetlights, community centre, water coolers are some of the initiatives taken under the said Programme.

> **KNPL has also launched a special project- "Annapurna" - for women empowerment through livelihood intervention. The initiatives taken under this programme are kitchen gardens, group farming and formation of "Bachat Gat" for women.**

Project Annapurna

Preventive Health Care and Sanitation

The objective of this programme is to provide facilities that improve general health care and sanitation. These include health camps, providing toilets in villages, common public places and schools, and pure drinking water facility amongst others.

Construction of toilet in school

Promoting Education

In order to enhance the educational level, and to promote education in rural areas, the Company undertakes various activities in the schools near its plants and depots. The important activities are construction of classrooms and Science labs, providing computers, solar inverters, drinking water facility, and providing educational material such as projectors, benches and desks, inverter amongst others.

CSR Mass Tree Plantation near Pune along with Stamp Organisation

Ensuring Environmental Sustainability

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

Livelihood and Skill Enhancement

KNPL organises capacity/skill enhancement initiatives through sessions that help the professionals improve their skill levels. The objective is to prepare skilled personnel to the society and contribute to the overall skill development at the national level. The two major projects undertaken are KNPL's mobile training academy "Pragati Express" and provision of advance open training in painting.

Moving ahead, KNPL shall continue to carry forward, with commitment and dedication, its efforts for the upliftment of the society, and contribute towards India's rural, educational, social and environmental growth and prosperity.

KNPL's mobile training academy "Pragati Express"

K. Affirmative Action

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

L. Environment Health & Safety

As a socially and environmentally conscious and responsible organisation, KNPL has been steadfast in minimising its environmental impact, and ensuring the health and safety of every employee, to which it assigns the highest priority. At KNPL, Environment, Health and Safety (EHS) is of paramount importance and forms an essential part of the organisational value system. In FY 2019-20, the Company continued its efforts in implementing practices and undertaking initiatives of the highest standards to safeguard the environment and promote the highest degree of physical, mental and social well-being among its employees.

Safety

The Company focussed on increasing awareness and imbibing a strong safety culture among employees. To support this, the Occupational Health, Safety and Environment (OHS&E) Policy was updated in line with ISO 14001 and ISO 45001 Standards. All KNPL manufacturing plants are equipped with robust Environment and Safety Management System and were certified with ISO 45001 by an International Certification Agency during the year.

To cater to employee health, all KNPL manufacturing sites are equipped with dedicated Occupational Health Centres (OHCs) and ambulances for emergency situations. Trends of complaints reported at the OHC are studied and specific actions are taken to reduce the same. Periodic health surveillance programmes are conducted for the workforce.

Zero Accidents

In pursuance of the organisation's 'Zero Accident' goal, thematic safety online tests, trainings and competitions like 'Kiken Yochi Training' (KYT), 'Danger Experience Program' (DEP), trainings on static electricity and human error prevention are conducted across all levels at regular intervals. To increase the competency of employees as regard to safety, 'Self-learning Safety Training Kiosks' with customised training modules are instituted at all the plants. An online system is implemented to prevent unsafe conditions, report incidents and resolve such incidents in a time-bound manner. Safety Laboratories are set up to demonstrate and experience hazards related to specific activities. With the intent to measure the safety culture and identify leading indicators of the safety process, a Safety Culture Survey was conducted across all the manufacturing locations, covering management staff and operators. The Company also initiated several new industry best practices, like Fire Load Survey and Leak Detection and Repair (LDAR) Study, during the year.

Water and Waste Management

KNPL has adopted a two-way approach for Water and Waste management: Reduction at source and Recycle and Reuse.

Water Management

Regarding Water Management, the Company has established water management goals to limit its water usage across all plants. During the year, a number of water conservation measures, such as replacement of all existing conventional taps with faucet-type taps, installation of screw vacuum pump in place of water base vacuum pump, were undertaken across all locations. To reduce the non-product water consumption, KNPL has implemented a mechanism to bypass fan operation in cooling towers when inlet temperature goes below a defined set point, to avoid water losses. The aim is to increase the utilisation of recycled and rainwater and reduces freshwater consumption. All sites are equipped with rainwater harvesting facility. KNPL has achieved ZERO LIQUID DISCHARGE across all plants through installation of Ultrafiltration (UF), Reverse Osmosis (RO) and Multi-effect Evaporator (MEE) treatment systems.

Waste Management

Waste Management is another key aspect of the Company's thrust in this area. KNPL follows the 3R (Refining, Reduction and Reuse) principle for management of all types of wastes, and special precautions are taken for handling, storage and disposal of hazardous wastes. Special emphasis is laid on distillation residue reduction, solvent refining, sticking

Zero Liquid Discharge at Goindwal Plant

"

KNPL has achieved ZERO LIQUID DISCHARGE across all plants through installation of Ultrafiltration (UF), Reverse Osmosis (RO) and Multi-effect Evaporator (MEE) treatment systems

losses reduction, and reuse of sample resin and cleaning solvent in the process. To manage canteen/food waste, bio-composting machines are installed across all plants to convert the waste into good quality manure. During the year, disposal of hazardous waste through co-processing was achieved at Hosur and Sayakha to minimise the quantum of waste sent to landfill.

Energy Conservation

During FY 2019-20, KNPL also continued with its energy conservation agenda and put in concerted efforts to minimise its carbon footprint through various energy saving initiatives. The aim is to steadily move towards carbon neutrality. The Company has successfully shifted from High Speed Diesel (HSD) to environment-friendly and low-priced Solid Fuels and Biodiesel in boilers and for process heat generation. As a part of energy security, KNPL continued its investment in green energy across all locations during the year. It promoted various energy conservation initiatives like replacement of conventional lights with Light Emitting Diode (LED), conversion of belt driven blower by Variable Frequency drive (VFD) driven motors, replacement of mist cooling towers and cooling tower efficiency enhancement.

Being a responsible organisation, KNPL conducted tree-plantation drives within and outside factory premises on various occasions across all plants round the year.

M. Opportunities and Threats

Information for this section can be found on page 27 in the Corporate Overview.

N. Risks and Concerns

Information for this section can be found on page 28 in the Corporate Overview.

O. Outlook

FY 2020-21 has started on an uncertain note due to the lockdown on account of COVID-19. With the economy at a standstill, predicting the way demand across will pan out in for the current year is difficult.

P. Internal Control Systems and their Adequacy

The Internal Control Systems at KNPL are designed to monitor and control its day-to-day operations through regular tracking and reporting. These systems also effectively monitor compliance to various rules and regulations, and adherence to policy requirements.

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

Control Efficiency Index and Robust Control Index:

The Company continues to monitor its internal audit progress by measuring the Control Efficiency Index (CEI) and the Robust Control Index (RCI). The control measures at KNPL are benchmarked against standards of efficient control mechanisms.

The Company's Internal audit programme focusses on identifying whether the gaps arise on account of control design, policy design, control or process deviation, IT or regulatory compliances. It also focusses on which controls can be automated. Company in turn uses the audit findings to strengthen its internal controls.

Compliances:

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.

Nerolac Master Painter

Q. Awards and Recognition

Awards by External Agencies

Nerolac won silver trophy for 'Nerolac Pragati Express' campaign in the 'Excellence in CSR - Social Impact awards' category for 'Best Corporate-Community Partnership' at the 8th ACEF Asian Leaders Forum and Awards.

Nerolac Excel Topguard adjudged as 'Product Launch of the Year' at Reality + Interior Exterior Awards, 2020.

Mr. Laxman Nikam was honoured as 'Fellow of The Color Society' in the Annual Color Society Seminar held on 19th July, 2019 at Hotel Kohinoor Continental, Mumbai. The award was presented by Padma Vibhushan Prof. Dr. M. M. Sharma in presence of several paint and coatings luminaries.

Awards by Customers

Nerolac won 'Best Performance award' from Isuzu Motors India during their Vendor Meet held at Chennai in February 2020.

Bawal plant won 2 awards - Gold award for "Kanban System Implementation at Tinting" and Bronze award for "FTR Improvement" at QCFI (Quality Circle Forum of India) kaizen conclave at Delhi sub chapter Jaipur.

KNPL received the best supplier award in Raw Material/ Paint at Honda Motorcycle and Scooter India Ltd.'s - 'Vendor Award' ceremony held on 19th February, 2020 at Gurugram. This was the second consecutive time that KNPL has been awarded the 'Best Vendor' award in Paints category.

Cautionary Statement:

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

2. Directors' Responsibility Statement

As stipulated under the provisions contained in Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 ("Act"), the Board of Directors, to the best of its knowledge and belief and according to the information and explanations obtained by it, hereby states that:

i in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;

ii the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for that period;

iii the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv the directors have prepared the annual accounts of the Company on a going concern basis;

v the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

vi the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

3. New Projects

The Shareholders were informed last year that the Company's paint manufacturing unit at Sayakha Industrial Estate in Gujarat had become operational and had commenced commercial production. The shareholders were also informed last year that the R&D Centre at Vashi, Navi Mumbai had also commenced its operations.

The Company's paint manufacturing unit at Goindwal Sahib, Punjab has commenced commercial production during the financial year. At Achutapuram, Visakhapatnam district in Andhra Pradesh, the project is in the planning stage.

4. Directors

During the year under review, Mrs. Brinda Somaya, Independent Director, ceased to be a Director on the Board with effect from 22nd July, 2019 on the expiry of her term of 5 (five) years commencing from 22nd July, 2014 upto and including 21st July, 2019. The Board of Directors placed on record its appreciation for the valuable contribution made by Mrs. Somaya during her association with the Company as an Independent Director.

Ms. Sonia Singh whose expertise is in the field of brand strategy, sales and marketing, was appointed as an Additional Director with effect from 29th July, 2019. Thus the Company has complied with the requirement of Section 149 of the Act read with Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, in regard to the appointment of a Woman Director. Ms. Sonia Singh also satisfies the criteria for being an Independent Director of the Company and has given a declaration to the Company of her independence as required under Section 149(7) of the Act. In pursuance of Section 149(10) of the Act, Ms. Sonia Singh has been appointed as an Independent Director for a term of 3 (three) years with effect from 29th July, 2019 upto and including 28th July, 2022 subject to approval of the shareholders in the ensuing Annual General Meeting of the Company to be held on 22nd June, 2020 ("AGM").

Mr. Masaru Tanaka and Mr. Katsuhiko Kato, nominees of Kansai Paint Co. Ltd., Japan ("KPJ"), resigned from the Board of Directors with effect from 29th July, 2019. Mr. Hitoshi Nishibayashi, a nominee of KPJ was appointed as a Director with effect from 29th July, 2019, in the casual vacancy caused by the resignation of Mr. Kato. Mr. Nishibayashi is liable to retire by rotation, subject to the approval of the shareholders at the ensuing AGM of the Company. Notices in writing have been received from some Shareholders of the Company proposing his candidature for the office of the Director. Mr. Hideshi Hasebe, a nominee of KPJ, who was appointed as a Director with effect from 29th July, 2019, in the casual vacancy caused by the resignation of Mr. Tanaka, resigned from the Board of Directors with effect from 7th May, 2020 and Mr. Takashi Tomioka, also a nominee of KPJ, has been appointed as a Director with effect from 7th May, 2020, in the casual vacancy caused by the resignation of Mr. Hasebe. The appointment of Mr. Tomioka is subject to the approval of the shareholders at the ensuing AGM of the Company. Notices in writing have been received from some Shareholders of the Company proposing his candidature for the office of the Director. Mr. Hidenori Furukawa, a nominee of KPJ, resigned from the Board of Directors with effect from 7th May, 2020. Mr. Shigeki Takahara, also a nominee of KPJ, has been appointed as a Director with effect from 7th May, 2020, in the casual vacancy caused by the resignation of Mr. Furukawa. The changes in the nominees of KPJ as Non-Executive Directors, are pursuant to the advice from KPJ. The Board of Directors has placed on record its appreciation for the valuable contribution made by Mr. Tanaka, Mr. Furukawa, Mr. Kato and Mr. Hasebe during their association with the Company as Directors.

Considering their knowledge and rich experience in the field of finance / business strategy, performance evaluation based on their contribution to the Board during their tenure and pursuant to the recommendation of the Nomination and Remuneration Committee of the Board, Mr. Pradip P. Shah and Mr. Noel N. Tata were re-appointed as Independent Directors of the Company for a further term of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025, subject to the approval of the shareholders of the Company at the ensuing AGM of the Company.

In terms of the provisions of the Act and the Articles of Association of the Company, Mr. Anuj Jain, Whole-time Director of the Company would be liable to retire by rotation at the ensuing AGM of the Company and being eligible offers himself for re-appointment.

None of the Directors is disqualified as on 31st March, 2020 from being appointed as a Director under Section 164 of the Act. As required by law, this position is also reflected in the Auditors' Report.

All the Independent Directors on the Board have given a declaration of their independence to the Company as required under Section 149(6) of the Act and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). In the opinion of the Board, all the Independent Directors possess the integrity, expertise and experience including the proficiency required to be Independent Directors of the Company, fulfil the conditions of independence as specified in the Act and the SEBI Listing Regulations and are independent of the management and have also complied with the Code for Independent Directors as prescribed in Schedule IV of the Act.

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

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

For the year ended 31st March, 2020, Mr. H. M. Bharuka, Vice Chairman and Managing Director, received a remuneration of ₹ 79.09 Lakhs during the year as a Non-Executive Director of KPJ.

5. Key Managerial Personnel

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

6. Meetings of the Board

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

7. Board Evaluation

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

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

8. Audit Committee

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

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

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

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

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

9. Statutory Auditors

At the Annual General Meeting of the Company held last year, the Shareholders had approved the appointment of S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/ E300003) as the

Statutory Auditors of the Company, to hold office for a period of 5 (five) years from the 99th Annual General Meeting of the Company till the conclusion of the 104th Annual General Meeting of the Company, in terms of the applicable provisions of Section 139(1) of the Act read with the Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report on the Financial Statements (Standalone and Consolidated) of the Company for the year under review, "with an unmodified opinion", as given by the Statutory Auditors, is disclosed in the Financial Statements forming part of this Annual Report. The Auditors' Report is clean and there are no qualifications in their Report. Also, no frauds in terms of the provisions of Section 143(12) of the Act have been reported by the Statutory Auditors in their report for the year under review.

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

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

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

11. Related Party Transactions

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

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

12. Corporate Governance

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

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

13. Remuneration Policy

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

The features of the Remuneration Policy are as follows:

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, architecture, technical, marketing, manufacturing, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, while determining the Board composition.
- A Director shall be a person of integrity, who possesses relevant expertise and experience. He shall uphold ethical standards of integrity and probity and act objectively and constructively. He shall exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.
- An Independent Director should meet the requirements of the Act and the SEBI Listing Regulations, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Act.
- The objective of the policy is to have a compensation framework that will reward and retain talent.
- The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.

- Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.
- For Directors, the Performance Pay will be linked to achievement of Business Plan.
- For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.
- The above will take into consideration industry performance, customer performance and overall economic environment.
- For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall Company performance.

The Remuneration Policy is also available on the website of the Company at https://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 Risk Management Committee is constituted as follows:

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

The functional Heads are the Risk Officers of their respective functions. The Board and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals.

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

The Risk Management Framework aims to:

(a) address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective.

(b) establish the risk appetite.

(c) be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication.

(d) seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response.

(e) reduce surprises and losses, foresee opportunities and improve deployment of resources.

(f) develop a mechanism to manage risks.

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

15. Vigil Mechanism – Whistle Blower Policy

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

16. Corporate Social Responsibility

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

Names of the Members	Designation
Mr. H. M. Bharuka (Chairman of the CSR Committee)	Vice Chairman and Managing Director
Mr. N. N. Tata	Independent Director
Mr. Anuj Jain	Executive Director

The functions of the CSR Committee are to:

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the CSR policy of the Company from time to time.

There was one meeting of the CSR Committee during the financial year, which was attended by all members of the Committee.

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

The Annual Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, is annexed to this Report as Annexure 1.

17. Particulars on the committees of the Board

The details with regard to the composition of the committees of the Board and the number of meetings held during the year of such committees, as required under SEBI Listing Regulations, is separately provided in the Report on Corporate Governance forming part of this Annual Report.

18. Dividend Distribution Policy

The Dividend Distribution Policy of the Company has been formulated to ensure compliance with the provisions of Regulation 43A of SEBI Listing Regulations.

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

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

The Dividend (including interim and/or final) for any financial year shall be declared or paid by the Company for any financial year out of the profits of the Company for that year, arrived at after providing for depreciation in accordance with the provisions of the Act or out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation in accordance with the provisions of the Act and remaining undistributed, or out of both. The Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the Company. The Company shall follow the provisions of the Act and all the relevant rules and regulations issued thereunder and/ or any regulatory enactment(s) as may be applicable while declaring and paying dividend for any financial year.

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

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

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

i. Internal factors:

a. Profitable growth of the Company and specifically, profits earned during the financial year as compared with previous years and internal budgets,

b. Cash flow position of the Company,

c. Accumulated reserves,

d. Stability of earnings,

e. Future cash requirements for organic growth/ expansion and/or for inorganic growth,

f. Contingent liabilities,

g. Deployment of funds in short term marketable investments and/or long term investments,

h. Capital expenditure(s), and

i. The ratio of debt to equity.

ii. External factors:

   a. Economic environment,

   b. Cost and availability of alternative sources of financing,

   c. Inflation rate,

   d. Industry outlook and stage of business cycle for underlying businesses,

   e. Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution,

   f. Changes in the Government policies, industry specific rulings & regulatory provisions, and

   g. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

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

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

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

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

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

The declaration of dividend by the Company is in compliance with the Dividend Distribution Policy.

19. Prevention of Sexual Harassment at workplace

In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act"), the Company has adopted a "Policy on Appropriate Social Conduct at Workplace". The policy is applicable for all employees of the organization, which includes corporate office, branches, depots and manufacturing locations etc. The policy is applicable to non-employees as well i.e. business associates, vendors, trainees etc.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the POSH Act to redress complaints received on sexual harassment as well as other forms of verbal, physical, written or visual harassment.

During the financial year under review, the Company did not receive any complaints of sexual harassment and no cases were filed under the POSH Act.

20. General Shareholder Information

General Shareholder Information is given as Item No. 11 of the Report on Corporate Governance forming part of this Annual Report.

21. Particular regarding Employees Remuneration

Disclosure comprising particulars with respect to the remuneration of directors and employees, as required to be disclosed in terms of the provisions of Section197(12) of the Act and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as Annexure 2.

22. Conservation of Energy, Technology Absorption & Foreign Exchange

The statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required in terms of Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed to this Report as Annexure 3.

23. Share Capital

The paid up Equity Share Capital as at 31st March, 2020 stood at ₹ 53.89 Crores. During the year under review, the Company did not issue any Equity Shares. Further, the Company has not issued any convertible securities or shares with differential voting rights nor has granted any stock options or sweat equity or warrants. There has been no change in the capital structure of the Company during the year.

24. Extract of the Annual Return

An Extract of the Annual Return in Form No. MGT-9, as required in terms of the provisions of Section 92(3) of the Act and the Companies (Management and Administration) Rules, 2014, is annexed to this Report as Annexure 4 and in terms of the provisions of Section 134(3)(a) of the Act, the same is also available on the website of the Company i.e. www.nerolac.com.

25. Details of Unclaimed Suspense Account

Details pertaining to Unclaimed Suspense Account of the Company are separately disclosed in this Annual Report, as a part of the 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 ₹ 9.97 Lakhs that had not been claimed by the shareholders for the year ended 31st March, 2012, was transferred to the credit of IEPF as required under Sections 124 and 125 of the Act.

Unclaimed dividend as on 31st March, 2020

As on 31st March, 2020, dividend amounting to ₹ 2.09 Crores has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar and Share Transfer Agents of the Company i.e. TSR Darashaw Consultants Private Ltd. (formerly known as TSR Darashaw Ltd.), for unclaimed dividend.

Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on 21st June, 2019 (date of the last Annual General Meeting) 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, 1,01,628 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 2019-20. Details of such shares transferred have been uploaded on the website of the Company, i.e. www.nerolac.com. The same are also available with the Ministry of Corporate Affairs.

Nodal Officer

The Company has appointed Mr. G.T. Govindarajan, Company Secretary as the Nodal Officer for the purpose of verification of claims filed with the Company in terms of IEPF Rules and for co-ordination with the IEPF Authority. The said details are also available on the website of the Company i.e. www.nerolac.com.

27. Secretarial Audit

Pursuant to the provisions of Section 204 of the Act, the Company had appointed JHR & Associates, Company Secretaries, as the Secretarial Auditor for the year under review, to conduct the Secretarial Audit of the Company.

The Secretarial Audit Report for the year under review issued by JHR & Associates is annexed to this Report as Annexure 5. 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, 2020, thereby confirming compliance of the applicable SEBI Regulations and circulars / guidelines issued thereunder, on behalf of the Company.

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

28. Cost Audit

In terms of the provisions of Section 148 of the Act, the Company had appointed D. C. Dave and Co., Cost Accountants (Registration No. 000611), as the Cost Auditor to conduct an audit of its Cost Accounting Records for the financial year 2018-19, 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 the Ministry of Corporate Affairs on 1st October, 2019.

The Company had re-appointed D.C. Dave & Co., Cost Accountants, as the Cost Auditor for the year ended 31st March, 2020, 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 2020-21, to conduct an audit of its Cost Accounting Records pertaining to said products, at a remuneration of ₹ 2,50,000 plus Goods and Service tax and out of pocket expenses. The Company is seeking the approval of the Shareholders by means of ratification, for the remuneration to be paid to D. C. Dave & Co. vide Resolution No. 4 of the Notice of the ensuing AGM of the Company.

Certificate from D. C. Dave & Co., Cost Accountants, has been received to the effect that their appointment as Cost Auditor, if made, would be in accordance with the limits specified under Section 141 of the Act and Rules framed thereunder.

29. Business Responsibility Report

A Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, as required in terms of the provisions of Regulation 34(2)(f) of SEBI Listing Regulations, separately forms part of this Annual Report.

30. Acknowledgements

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

We also place on record our appreciation for the contribution made by our employees at all levels and for their commitment, hard work and support in driving the growth of the Company.

For and on behalf of the board

P.P. Shah
Chairman

Mumbai, 6th May, 2020

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2019-20

1.	**A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be taken and a reference to the web link to the CSR Policy and projects or programmes**	:	Given separately as a part of this Report.
	Weblink	:	https://www.nerolac.com/financial/policies.html
2.	**Composition of the CSR Committee**	:	Mr. H. M. Bharuka, Vice Chairman and Managing Director Mr. N. N. Tata, Independent Director Mr. Anuj Jain, Executive Director
3.	**Average net profit of the Company for the three immediately preceding financial years**	:	₹ 724.06 Crores
4.	**Prescribed CSR Expenditure (two per cent of the amount as in Item 3 above)**	:	₹ 14.48 Crores
5.	**Details of CSR expenditure during the year**		
	a. Total amount to be spent for the Financial Year	:	₹ 14.48 Crores
	b. Total amount actually spent in the Financial Year	:	₹ 16.91 Crores
	c. Amount unspent, if any	:	Nil
	d. Manner in which amount spent during the Financial Year	:	Given separately as a part of this Report.
6.	**In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount on CSR**	:	Not Applicable
7.	**Responsibility Statement of the CSR Committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company**	:	The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

H. M. Bharuka
Vice Chairman and Managing Director
(Chairman of the CSR Committee)

Mumbai, 6th May, 2020

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 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, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
8. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women;
9. Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) 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;
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 2019-20

Sr. No.		CSR Projects /Activity	Sector in which the Project is covered	Location of Projects/ Programs	Amount Outlay (Budget) Project or Program wise (₹ in Lakhs)	Actual Amount Spent on the Projects or Programs (₹ in Lakhs)	Cumulative Expenditure upto the Reporting Period (₹ in Lakhs)	Actual Amount Spent: Direct or through Agency (₹ in Lakhs)
A.	1.	Advanced Open Training in Painting	**Livelihood & Skill Enhancement Program**	In various states such as Punjab, M.P., Kerala, Karnataka, Gujarat, Rajasthan, Andhra Pradesh, Delhi, Goa, Puducherry, Tamilnadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himachal Pradesh, Chhattisgarh, J&K, Jharkhand, West Bengal	425.00	420.94	420.94	420.94
	2.	Mobile Training Academy	**Livelihood & Skill Enhancement Program**	In various states such as Punjab, Bihar, Gujarat, Assam, M.P., Chhattisgarh, West Bengal, Odisha, Jharkhand, U.P., Kerala	350.00	337.48	337.48	337.48
				Sub-total	**775.00**	**758.42**	**758.42**	**758.42**
B.	1.	Donation to PM CARES Fund in connection with COVID 19 Pandemic	**Preventive Health Care & Sanitation**	Mumbai	0.00	400.00	400.00	400.00
	2.	Health Camp for villagers near Plant	**Preventive Health Care & Sanitation**	Bawal	2.00	1.20	1.20	1.20
	3.	Health awareness sessions and distribution of Sanitary napkins in 10 Govt. Schools	**Preventive Health Care & Sanitation**	Bawal	1.00	0.61	0.61	0.61
	4.	Malnutrition Program for School Children	**Preventive Health Care & Sanitation**	Bawal	1.00	0.63	0.63	0.63
	5.	Awareness Sessions on World Aids Day	**Preventive Health Care & Sanitation**	Bawal	1.00	0.20	0.20	0.20
	6.	Renovation of Toilets in Govt. Primary School in Mornapalli	**Preventive Health Care & Sanitation**	Hosur	1.00	1.51	1.51	1.51
	7.	Renovation of Primary Health Centre at Kakkadassam	**Preventive Health Care & Sanitation**	Hosur	10.00	8.72	8.72	8.72
	8.	Health Camps for villagers near Plant	**Preventive Health Care & Sanitation**	Hosur	3.00	2.83	2.83	2.83
	9.	Donation to District Collector for procuring COVID 19 related Equipment in Govt. Hospital	**Preventive Health Care & Sanitation**	Hosur	0.00	10.00	10.00	10.00
	10.	Health Camps for Awashi & Gunde villagers	**Preventive Health Care & Sanitation**	Lote	2.00	1.90	1.90	1.90
	11.	Medical Checkup Camp for Lote & Awashi villagers	**Preventive Health Care & Sanitation**	Lote	4.00	3.69	3.69	3.69
	12.	Medical Checkup Camp for Senior Citizens, rural women & Traffic Police	**Preventive Health Care & Sanitation**	Lote	1.00	1.00	1.00	1.00
	13.	Health Camps near Plant	**Preventive Health Care & Sanitation**	Sayakha	1.00	0.46	0.46	0.46
	14.	Renovation of Medical Dispensary & Toilets at Argama Village	**Preventive Health Care & Sanitation**	Sayakha	5.00	5.51	5.51	5.51
	15.	Providing Mask & Sanitizers for Community	**Preventive Health Care & Sanitation**	Sayakha	0.00	0.38	0.38	0.38

PROGRAM WISE CSR DETAILS 2019-20 (contd.)

Sr. No.		CSR Projects /Activity	Sector in which the Project is covered	Location of Projects/ Programs	Amount Outlay (Budget) Project or Program wise (₹ in Lakhs)	Actual Amount Spent on the Projects or Programs (₹ in Lakhs)	Cumulative Expenditure upto the Reporting Period (₹ in Lakhs)	Actual Amount Spent: Direct or through Agency (₹ in Lakhs)
	16.	Construction of Toilets in Primary & Junior School (02) at Mati, Kanpur Dehat	**Preventive Health Care & Sanitation**	Jainpur	7.00	7.39	7.39	7.39
	17.	Health Camps for Seedhmau villagers	**Preventive Health Care & Sanitation**	Jainpur	9.00	9.27	9.27	9.27
	18.	Health Camps for Jainpur villagers	**Preventive Health Care & Sanitation**	Jainpur	5.00	4.63	4.63	4.63
	19.	Donation to Medical Research Foundation, Chennai	**Preventive Health Care & Sanitation**	Mumbai	0.00	17.92	17.92	17.92
	20.	Providing Masks to Medical staff, Traffic Police and Police Stations	**Preventive Health Care & Sanitation**	Mumbai	0.00	1.62	1.62	1.62
				Sub-total	**53.00**	**479.47**	**479.47**	**479.47**
C.	1.	Construction of Community Center at Chirhara Village	**Rural Development / Community Development**	Bawal	15.00	11.72	11.72	11.72
	2.	Street Lights in Community Park at Rewari	**Rural Development/ Community Development**	Bawal	2.00	1.22	1.22	1.22
	3.	Maintenance of Park at Chirhara Village	**Rural Development / Community Development**	Bawal	3.00	3.00	3.00	3.00
	4.	Installation of Inverter at Community Center, Rewari	**Rural Development / Community Development**	Bawal	1.00	0.22	0.22	0.22
	5.	Construction of Platform & Shed at Deulwadi, Awashi Village	**Rural Development / Community Development**	Lote	4.00	4.09	4.09	4.09
	6.	Water Conservation Project (providing Water Pipe Lines) for villagers in Gunade village	**Rural Development / Community Development**	Lote	20.00	16.46	16.46	16.46
	7.	Water Supply through Tankers in interior villages during Summer season	**Rural Development / Community Development**	Lote	1.00	0.30	0.30	0.30
	8.	Installation of Water Coolers (06) at Public Places & Govt. Offices at Akbarpur & Kanpur Area	**Rural Development / Community Development**	Jainpur	2.00	2.48	2.48	2.48
	9.	Sitting and Gathering arrangement for villagers at Rahad	**Rural Development / Community Development**	Sayakha	4.00	4.63	4.63	4.63
	10.	Renovation of Panchayat Bhavan at Ankot	**Rural Development / Community Development**	Sayakha	2.00	2.61	2.61	2.61
	11.	Renovation of Sports Centre at Bharuch (with Rotary Club)	**Rural Development / Community Development**	Sayakha	20.00	18.00	18.00	18.00
	12.	Paver blocks in common area of Saladara Village	**Rural Development / Community Development**	Sayakha	5.00	3.80	3.80	3.80
	13.	Repairing of bus pick up shade at Vilayat	**Rural Development / Community Development**	Sayakha	1.00	0.29	0.29	0.29
	14.	Providing Drinking water facility to Citizens during Election Period	**Rural Development / Community Development**	Goindwal Sahib	2.00	1.95	1.95	1.95

PROGRAM WISE CSR DETAILS 2019-20 (contd.)

Sr. No.		CSR Projects /Activity	Sector in which the Project is covered	Location of Projects/ Programs	Amount Outlay (Budget) Project or Program wise (₹ in Lakhs)	Actual Amount Spent on the Projects or Programs (₹ in Lakhs)	Cumulative Expenditure upto the Reporting Period (₹ in Lakhs)	Actual Amount Spent: Direct or through Agency (₹ in Lakhs)
	15.	Donation to Jeevan Vidya Mission, Karjat	**Rural Development / Community Development**	Mumbai	1.00	1.00	1.00	1.00
	16.	Providing Essential material provided to Ramwadi Adivasi people	**Rural Development / Community Development**	Mumbai	1.00	0.16	0.16	0.16
	17.	Developing Area in and around Dadar Station (Central)	**Rural Development / Community Development**	Mumbai	1.00	1.99	1.99	1.99
				Sub-total	**85.00**	**73.92**	**73.92**	**73.92**
D.	1.	RO Plant & Water Cooler for School at Rajpura Village	**Promoting Education**	Bawal	2.00	1.33	1.33	1.33
	2.	Solar Plant for School at Mohanpur Village	**Promoting Education**	Bawal	2.00	2.80	2.80	2.80
	3.	Solar Plant for School at Rewari Village	**Promoting Education**	Bawal	10.00	6.32	6.32	6.32
	4.	Solar Plant for Balbhavan School at Rewari Village	**Promoting Education**	Bawal	3.00	1.51	1.51	1.51
	5.	Renovation of Innovation Industries centre, Hosur for Education	**Promoting Education**	Hosur	0.00	10.00	10.00	10.00
	6.	Construction of School building for Orphanage children at Denkanikotta	**Promoting Education**	Hosur	10.00	10.00	10.00	10.00
	7.	Painting of School building in Mornapalli Village	**Promoting Education**	Hosur	3.00	1.98	1.98	1.98
	8.	Shed for Students at Kendriya Vidyalay, Mati, Kanpur Dehat	**Promoting Education**	Jainpur	12.00	7.47	7.47	7.47
	9.	Study Desks for Primary School, Mati and Primary School, Seedhamau Village	**Promoting Education**	Jainpur	5.00	3.97	3.97	3.97
	10.	Construction of classroom of Z.P. Primary School, Chinchaghar	**Promoting Education**	Lote	9.00	7.68	7.68	7.68
	11.	Educational visits for Argamad & Vachnad School students	**Promoting Education**	Sayakha	1.00	0.30	0.30	0.30
	12.	Construction of boundary wall at Vagra School	**Promoting Education**	Sayakha	20.00	12.46	12.46	12.46
	13.	Shade for Mid Day Meal Sitting arrangement at Derol slum school	**Promoting Education**	Sayakha	5.00	3.69	3.69	3.69
	14.	Shade at Govt. School Auditorium & Dinning Area at Rahad	**Promoting Education**	Sayakha	8.00	5.74	5.74	5.74
	15.	Providing Tables & Chairs for Dinning at Kalrav School	**Promoting Education**	Sayakha	5.00	3.76	3.76	3.76
	16.	Construction of Mini Science Centres in 4 schools near Plant	**Promoting Education**	Goindwal Sahib	20.00	15.00	15.00	15.00
	17.	Construction of 3 Nos. Class rooms, Painting, providing computers at Rajewal School	**Promoting Education**	Goindwal Sahib	20.00	12.95	12.95	12.95

PROGRAM WISE CSR DETAILS 2019-20 (contd.)

Sr. No.		CSR Projects /Activity	Sector in which the Project is covered	Location of Projects/ Programs	Amount Outlay (Budget) Project or Program wise (₹ in Lakhs)	Actual Amount Spent on the Projects or Programs (₹ in Lakhs)	Cumulative Expenditure upto the Reporting Period (₹ in Lakhs)	Actual Amount Spent: Direct or through Agency (₹ in Lakhs)
	18.	Construction of Class rooms, Painting and Plastering at Fatehabad School	**Promoting Education**	Goindwal Sahib	40.00	22.02	22.02	22.02
	19.	Donation to Maitri Bodh Trust, Mumbai for Class Room	**Promoting Education**	Mumbai	2.00	2.00	2.00	2.00
				Sub-total	**177.00**	**130.98**	**130.98**	**130.98**
E.	1.	Park Development at Rajgarh Village	**Ensuring Environmental Sustainability**	Bawal	12.00	7.60	7.60	7.60
	2.	Painting work at Police Office Rewari	**Ensuring Environmental Sustainability**	Bawal	2.00	1.45	1.45	1.45
	3.	Painting of School building in Rudh Village	**Ensuring Environmental Sustainability**	Bawal	2.00	1.50	1.50	1.50
	4.	Painting of School building in Rajgarh Village	**Ensuring Environmental Sustainability**	Bawal	5.00	2.67	2.67	2.67
	5.	Painting of School building in Darbarpur Village	**Ensuring Environmental Sustainability**	Bawal	5.00	3.68	3.68	3.68
	6.	Painting of School building in Gujar Majri Village	**Ensuring Environmental Sustainability**	Bawal	10.00	7.39	7.39	7.39
	7.	Painting Work at Kasola Police Station	**Ensuring Environmental Sustainability**	Bawal	5.00	3.18	3.18	3.18
	8.	Garden Development at Rajgarh Village	**Ensuring Environmental Sustainability**	Bawal	2.00	1.32	1.32	1.32
	9.	Fencing work along Forest for Elephant Safety	**Ensuring Environmental Sustainability**	Hosur	20.00	11.32	11.32	11.32
	10.	Rejuvenation of Lake Project at Mornapalli	**Ensuring Environmental Sustainability**	Hosur	25.00	16.21	16.21	16.21
	11.	Distribution of Cloth Bags nearby villages	**Ensuring Environmental Sustainability**	Lote	2.00	1.05	1.05	1.05
	12.	Development of Park at Chiplun	**Ensuring Environmental Sustainability**	Lote	65.00	35.00	35.00	35.00
	13.	Park Development at Awashi Village	**Ensuring Environmental Sustainability**	Lote	2.00	1.30	1.30	1.30
	14.	Maintenance & Beautification of garden near Plant	**Ensuring Environmental Sustainability**	Lote	1.00	0.35	0.35	0.35
	15.	Maintenance & Beautification of garden near Plant	**Ensuring Environmental Sustainability**	Jainpur	9.00	5.89	5.89	5.89
	16.	Maintenance & Beautification of garden near	**Ensuring Environmental Sustainability**	Jainpur	5.00	2.44	2.44	2.44
	17.	Rain Water Harvesting Project at Pulender Village, Kanpur Dehat	**Ensuring Environmental Sustainability**	Jainpur	45.00	42.63	42.63	42.63
	18.	Beautification and tree Plantation near Plant	**Ensuring Environmental Sustainability**	Sayakha	7.00	7.84	7.84	7.84
	19.	Irrigation work for state Govt. near Sayakha Plant	**Ensuring Environmental Sustainability**	Sayakha	6.00	4.01	4.01	4.01
	20.	Providing Paint to Anand Ghar Trust, Ratnagiri	**Ensuring Environmental Sustainability**	Mumbai	5.00	4.65	4.65	4.65

PROGRAM WISE CSR DETAILS 2019-20 (contd.)

Sr. No.		CSR Projects /Activity	Sector in which the Project is covered	Location of Projects/ Programs	Amount Outlay (Budget) Project or Program wise (₹ in Lakhs)	Actual Amount Spent on the Projects or Programs (₹ in Lakhs)	Cumulative Expenditure upto the Reporting Period (₹ in Lakhs)	Actual Amount Spent: Direct or through Agency (₹ in Lakhs)
	21.	Painting Work at Worli Sea Face, Mumbai	**Ensuring Environmental Sustainability**	Mumbai	10.00	9.37	9.37	9.37
	22.	Providing Paint Material to Maratha High School, Worli, Mumbai	**Ensuring Environmental Sustainability**	Mumbai	7.00	6.52	6.52	6.52
	23.	Beautification and maintenance of Garden near R & D	**Ensuring Environmental Sustainability**	Mumbai	1.00	0.97	0.97	0.97
	24.	Painting Work at Women's Cell of Vashi Police Stn.	**Ensuring Environmental Sustainability**	Mumbai	8.00	6.26	6.26	6.26
	25.	Tree Plantation at Lonavala	**Ensuring Environmental Sustainability**	Mumbai	5.00	5.00	5.00	5.00
	26.	Providing Paint Material to Somaiya College, Mumbai	**Ensuring Environmental Sustainability**	Mumbai	1.00	0.05	0.05	0.05
	27.	Providing Paint Material to Nanavati College, Mumbai	**Ensuring Environmental Sustainability**	Mumbai	1.00	0.22	0.22	0.22
	28.	Support to Ganga Beautification Project	**Ensuring Environmental Sustainability**	Mumbai	2.00	2.25	2.25	2.25
	29.	Theme Park in Goindwal	**Ensuring Environmental Sustainability**	Goindwal Sahib	45.00	15.42	15.42	15.42
	30.	Landscaping & Green Park Development near Goindwal Plant	**Ensuring Environmental Sustainability**	Goindwal Sahib	30.00	23.3	23.3	23.3
				Sub-total	**345.00**	**230.84**	**230.84**	**230.84**
F.	1.	Donation to Art Deco Trust, Mumbai	**Restoration of Buildings and Sites of Historical Importance**	Mumbai	0.00	2.00	2.00	2.00
	2.	Development of Matka Chowk, Chandigarh, a Heritage property	**Restoration of Buildings and Sites of Historical Importance**	Mumbai	15.00	15.00	15.00	15.00
				Sub-total	**15.00**	**17.00**	**17.00**	**17.00**
				Grand Total	**1,450.00**	**1,690.63**	**1,690.63**	**1,690.63**

Implementing Agencies for CSR Activities -

1. Preksha Foundation, Indore
2. Grey RC&M, Haryana
3. Studio Emergence, Mumbai
4. Rotary Club, Bharuch
5. Stem Foundation, Mumbai

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 2019-20 and

(b) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the Financial Year.

Sr. No.	Name of Director/ Key Managerial Personnel ('KMP') and Designation	Remuneration of Director/ KMP for Financial Year 2019-20^ (₹ in Lakhs)	Percentage increase in remuneration for the Financial Year 2019-20	Ratio of Remuneration of each Director/ KMP to the Median Remuneration of employees
1.	Mr. P. P. Shah Chairman Non-Executive and Independent Director	43.00	(1.15)	6.61
2.	Mr. H. M. Bharuka Vice Chairman and Managing Director	782.47	11.50	120.27
3.	Mr. N. N. Tata Non-Executive and Independent Director	38.25	(1.29)	5.88
4.	Mr. M. Tanaka* Non-Executive Director	–	–	–
5.	Mr. H. Furukawa* Non-Executive Director	–	–	–
6.	Mrs. Brinda Somaya# Non-Executive and Independent Director	31.00	31.91	4.76
7.	Mr. Anuj Jain Whole-time Director	215.58	23.61	33.13
8.	Mr. K. Kato* Non-Executive Director	–	–	–
9.	Mr. H. Nishibayashi* Non-Executive Director	–	–	–
10.	Mr. H. Hasebe* Non-Executive Director	–	–	–
11.	Ms. Sonia Singh@ Non-Executive and Independent Director	2.25	–	–
12.	Mr. P. D. Pai Chief Financial Officer	113.20	27.13	17.40
13.	Mr. G. T. Govindarajan Company Secretary	84.53	49.61	12.99

^ Remuneration for the purpose of the above computation in the case of Vice Chairman and Managing Director, Whole-Time Director and other KMP is the income earned during the financial year 2019-20 which is reflected in the Income-tax Computation Sheet as "Gross Income" (inclusive of perquisites) together with the Company's Contribution to Provident Fund and Superannuation Fund. Remuneration, in the case of the Independent Directors, is the commission and sitting fees paid during the financial year.

Mrs. Brinda Somaya ceased to be a Director from the Board of Directors of the Company with effect from 22nd July, 2019 on the expiry of her term of 5 years commencing from 22nd July, 2014 upto and including 21st July, 2019. Accordingly she also ceased to be a member of all the Board Committees with effect from the close of business on 22nd July, 2019.

@ Ms. Sonia Singh was appointed as a Non-Executive and Independent Director of the Company for a period of 3 years commencing from 29th July, 2019. Ms. Sonia Singh, was also appointed as the Chairman of the Stakeholders' Relationship Committee with effect from 29th July, 2019 and member of the Audit Committee and Nomination and Remuneration Committee.

* Mr. M. Tanaka, Mr. H. Furukawa, Mr. K. Kato, Mr. H. Nishibayshi and Mr. H. Hasebe did not receive any sitting fees for attending Board Meetings, nor were they paid any commission. Mr. M. Tanaka and Mr. K. Kato resigned from the Board of Directors of the Company with effect from 29th July, 2019. Mr. H. Nishibayashi and Mr. H. Hasebe were appointed as Non-Executive Directors of the Company with effect from 29th July, 2019. Mr. H. Furukawa and Mr. H. Hasebe, resigned from the Board, with effect from 7th May, 2020. Mr. S. Takahara and Mr. T. Tomioka, also the nominees of Kansai Paint Co. Ltd., Japan, were appointed as Non-Executive Directors in their place, with effect from 7th May, 2020.

(c) The median remuneration of employees of the Company for the year increased by 6.05% compared to the previous financial year.

(d) The number of permanent employees on the rolls of the Company is 2,992 as on 31st March, 2020

(e) Average percentage increase made in the salaries of employees other than KMP in the last Financial Year was 6.26%. The percentage increase in remuneration of KMP was 7.25%. The increase in remuneration is determined based on the performance by the employees of the Company.

(f) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

(g) The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197 (12) of the Companies Act, 2013 ("the Act") read with Rule 5 (2) and Rule 5 (3) of the Companies (Appointment and Remuneration of Key Managerial Personnel) Rules, 2014, is provided in a separate annexure forming a part of the report. Further, the report and the accounts are being sent to the Members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure will be available for inspection of the Shareholders through electronic mode. Shareholders may write to the Company at agm@nerolac.com in that regard.

    None of the employees listed in the said annexure is a relative of any director in the Company.

    There was no employee either throughout the financial year or part thereof who was in receipt of remuneration which, in the aggregate, was in excess of that drawn by the Managing Director or Whole-time Director and who held by himself or along with his spouse or dependent children, not less than two percent of the equity shares of the Company.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 6th May, 2020

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

Efficient and judicious use of Energy sources has been our prime objective and we have been making considerable investments in enhancing organization-wide Green footprint through various initiatives. Through this, we have been steadily reducing our dependency of state Power Grids and moved towards captive generation through various means.

In addition we are also diversifying our Energy portfolio, to cut emissions and reduce dependence on fossil fuels. The Company measures progress in energy management through various key indicators of specific power consumption, specific fuel consumption, percentage outage, power cost, absolute power generation both captive as well as through Grid and renewable energy quantum as a percentage of total power consumed for manufacturing operations.

(i) Steps taken or impact on conservation of energy

At Kansai Nerolac Paints Ltd., we have adopted measures to overcome the sustainability challenge. Measures are being taken to reduce energy consumption through efficiency improvement projects viz:

a. Improvement and sustenance of power factor by installing detuned real time capacitor panels.

b. Regular compressed air leakage audits, FAD tests, load and no load testing etc.

c. Arresting harmonics in the electrical network through harmonics filters and regular power audits.

d. Optimization of chilling networks based on loading and utilization thereby ensuring efficient operation of Chilling plants.

e. Operating pumps, fans and other rotating equipment on VFD's thereby ensuring optimal Energy usage.

(ii) Steps taken by the Company for utilizing alternate sources of energy:

Following Carbon Neutrality projects have been implemented in FY 19-20:

1. Solar Power capacity addition of 920 KW at Sayakha plant. With this implementation, our organization-wide solar power capacity now stands at 3650 KW.

2. Captive Wind turbine has been installed and commissioned, which is catering to power requirements of Lote plant. Installed captive wind capacity company wide, now stands at 2100 KW.

With above projects, our Renewable Power Green footprint stands at 27%.

(iii) Capital investment on above projects: ₹ 1908 Lakhs.

B. Technology Absorption

(i) Efforts made towards technology absorption

Following activities carried out in Research and Development:

— Development of new products for Automotive, performance coating and Decorative business.

— Innovative shade development & color forecasting for OEM industry.

— Upgradation of processes for cycle time reduction and energy saving.

— Localization of intermediates for automotive coating.

— Green initiatives- Development of Low bake & High solid products for OE Industries to reduce VOC & Carbon footprint.

— Formulation optimization by value engineering.

— Import substitution of raw materials.

— Joint projects with vendor & customers for mutual benefit & quality enhancement.

— Technical support to overseas subsidiaries for new product development, value engineering, Alternate / New Raw material development etc.

— Competitor sample evaluation and benchmarking.

— Support to customers for smooth introduction of new shades & products on running production line.

— Training to customers on paint Technology & Application to upgrade knowledge & skill.

(ii) Benefits derived like product improvement, cost reduction, product development or import substitution

— Suraksha Acrylic Exterior Emulsion.

— Soldier Water Based Floor Coat.

— Soldier Metallic Finish in three different shades Gold, Silver and Copper.

— Introduction of new Formulations of Colorants using Reduced Pigmentation and Spacer Technology for Processing in High Efficiency Mill.

— Industrial Adhesive Nerofix D3 with good water resistance launched in the market.

— Nerolac Perma No Damp: Fiber re-enforced water-proof membrane coating for horizontal and vertical concrete, cement plastered surfaces.

— Nerolac Perma Waterproof Latex/ Polymer: SBR Latex based high Solid Waterproofing admixtures for cement/concrete.

— Nerolac premium water-proof cement putty.

— Nerolac Perma Crack filler: Crack filling paste with low shrinkage.

— Development of 51 nos. RAL shades in Gloria Colour PU using CCD tinters.

— Development of 1k Melamine WF's Glossy to current 2k Melamine variants of wood coating.

— Blue Epoxy Cathodic Electro Deposition.

— LB-69 HP Acrylic CED with enhanced salt spray resistance.

— Acrylic CED in Grey colour version.

— Low bake 2K PU technology in tractor industry.

— Low bake stoving paint Technology for Commercial Vehicle segment.

— Development of coating system for alloy wheels.

— Durable & corrosion resistant 1K coating system for Truck chassis.

— Anti-Scratch mono coat for two wheeler Plastics.

— Super Durable Mar resistant clear coat for Auto Industry.

— Shades for engine covers in Heat Resistance quality.

— Metallic Monocoat painting system for primer less application of plastic components.

— High Weather resistance Taxi Yellow shade for construction equipment application.

— Heat Resistance coating which can withstand 600°C temperatures.

— Valves and Fittings – Functional coating market segment with excellent water and corrosion resistance designed for Dip and Spray Application with WRAS approval.

— Anti- Corrosion System for C5M Environment - First time in powder Coating with 3 coat system Zinc Primer + Barrier Primer + PP or PU Topcoat meeting the specification of C5M as per ISO 12944 sustain to meet 4000 hours SSR as per ASTM B117.

— Development of UV curable coating for helmets for General industrial applications.

— In-house development of cost effective topcoat resin for coil coating application.

(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
High Performance 3C-1B Primer	2017 – 18
Special 3210 Conductive Primer for 4 wheeler customer	2017 – 18
Resin for Monocoat Metallic Paint System	2017 – 18
Novel grind resin for F1 pigment paste for CED paint application	2018 – 19
Acrylic resin for Acrylic CED paint	2018 – 19
Coatings for Musical instruments	2018 – 19
Flouro resin Celatect technology product	2018 – 19
HR 600 based on Protech Technology	2018 – 19
Intermediate Paste of Bismuth & DOTO on high efficient mill	2019 – 20
High Weather resistance Taxi Yellow shade for construction equipment	2019 – 20
Painting for steel bridges of Railway & Road for High corrosion protection life	2019 – 20
Fluoro polymer resin based system (Celatect F Top coat, Celatect F Undercoat, Epomarine SHB, Esco NB & SD Zinc 500)	2019 – 20
Coatings for Alloy wheels	2019 – 20
Soflex-420 Base coat & 7175 common clear coat for Solvent & Water Borne Base coats for 4 Wheeler Industry for plastic painting	2019 – 20
SFX 415 & SFX 7500 High solid Clear coat for Product Rationalization - 4 wheeler Industry	2019 – 20
Adhesion Promotor for Diamond cut alloy wheel painting system	2019 – 20

b. Whether the technology has been fully absorbed: Yes

c. If not fully absorbed, areas where absorption has not taken place, and reasons thereof: The Technology has been fully absorbed.

(iv) Expenditure incurred on Research and Development

(₹ in Crores)

Particulars		FY 2019-20	FY 2018-19
a.	Capital	**3.44**	46.66
b.	Recurring	**30.47**	27.44
Total		**33.91**	74.10

C. Foreign Exchange earnings and outgo

Foreign Exchange earnings during the year: ₹ 9.60 Crores (2018-19: ₹ 7.84 Crores)

Foreign Exchange outgo during the year : ₹ 769.25 Crores (2018-19: ₹ 1210.35 Crores)

For and on behalf of the Board

P.P. Shah
Chairman

Mumbai, 6th May, 2020

Annexure 4 to the Board's Report

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020
[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES (MANAGEMENT AND ADMINISTRATION) RULES, 2014]

I. **REGISTRATION AND OTHER DETAILS**:

i.	CIN	:	L24202MH1920PLC000825
ii.	Registration Date	:	2nd September, 1920
iii.	Name of the Company	:	Kansai Nerolac Paints Limited
iv.	Category / Sub-Category of the Company	:	Public Company / Limited by Shares
v.	Address of the Registered office and contact details	:	Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013. Tel. - +91 22-24934001 Fax - +91 22-24936296 Website: www.nerolac.com
vi.	Whether listed company	:	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent	:	TSR Darashaw Consultants Private Limited (Formerly known as TSR Darashaw Limited) 6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio, 20, Dr. E. Moses Road, Mahalaxmi (W), Mumbai 400 011 Tel.: +91 22 65568484 Fax: +91 22 66568494 E-mail: csg-unit@tsrdarashaw.com

II. **PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

Sr. No.	Name and Description of main Products/ Services	NIC Code of the Product/ Service	% to total turnover of the Company
1	Paints	20221	100%

III. **PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sr. No.	Name and Address of the Company	CIN / GLN	PAN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	Kansai Paint Co. Ltd., Japan 6 - 14, Imabashi 2 - Chome, Chuo-Ku, Osaka 541 – 8523, Japan.	1400-01-048243	AADCK0435B	Holding	74.99%	2(46)
2	KNP Japan Pvt. Ltd. (formerly known as Kansai Paints Nepal Pvt. Ltd.) Adarsh Nagar, Ward No. 13, Birganj, Nepal – 44301.	20268 / 059 / 60	–	Subsidiary	68%	2(87)
3	Kansai Paints Lanka (Private) Ltd. No. 146, Dawson Street, Colombo - 02.	PV 107458	–	Subsidiary	60%	2(87)

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (contd.)

Sr. No.	Name and Address of the Company	CIN / GLN	PAN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
4	RAK Paints Ltd. House 05, Road 1/A, Sector 4, Uttara, Dhaka 1230, Bangladesh.	C-76335	–	Subsidiary	55%	2(87)
5	Marpol Private Limited Panandiker Chambers, 1st Floor, M.L. Furtado Road, Above ICICI Bank, Margao, Salcete, Margao Market, South Goa, GA – 403601, India.	U24222GA1983PTC000532	AACCM2018D	Subsidiary	100%	2(87)
6	Perma Construction Aids Private Limited Unit-II, Plot No. 3102, GIDC Sarigam, Valsad, Gujarat - 396155, India.	U45201GJ1997PTC032104	AABCP4353K	Subsidiary	100%	2(87)
7	Nerofix Private Limited 111, The Great Eastern Galleria, Plot No. 20, Sector - 4, Nerul (West), Navi Mumbai, India.	U24299MH2019PTC328170	AAGCN6144B	Subsidiary	60%	2(87)

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

(i) Category-wise Shareholding

Category of Shareholers	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individuals / Hindu Undivided Family	–	–	–	–	–	–	–	–	–
(b) Central Government	–	–	–	–	–	–	–	–	–
(c) State Governments(s)	–	–	–	–	–	–	–	–	–
(d) Bodies Corporate	–	–	–	–	–	–	–	–	–
(e) Financial Institutions / Banks	–	–	–	–	–	–	–	–	–
(f) Any Other (Trust)	–	–	–	–	–	–	–	–	–
Sub-Total (A) (1)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(2) Foreign									
(a) NRIs - Individuals	–	–	–	–	–	–	–	–	–
(b) Other Individuals	–	–	–	–	–	–	–	–	–
(c) Bodies Corporate	40,41,35,898	–	40,41,35,898	74.99	40,41,35,898	–	40,41,35,898	74.99	0.00
(d) Banks / FI	–	–	–	–	–	–	–	–	–
(e) Qualified Foreign Investor	–	–	–	–	–	–	–	–	–
(f) Any Other (specify)	–	–	–	–	–	–	–	–	–
Sub-Total (A) (2)	**40,41,35,898**	**–**	**40,41,35,898**	**74.99**	**40,41,35,898**	**–**	**40,41,35,898**	**74.99**	**0.00**
Total Shareholding of Promoter and Promoter Group (A) = (A) (1) + (A) (2)	**40,41,35,898**	**–**	**40,41,35,898**	**74.99**	**40,41,35,898**	**–**	**40,41,35,898**	**74.99**	**0.00**
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	3,10,35,947	9,000	3,10,44,947	5.76	4,20,78,536	–	4,20,78,536	7.81	2.05
(b) Financial Institutions / Banks	47,527	–	47,527	0.01	53,461	–	53,461	0.01	0.00
(c) Central Government	–	–	–	–	–	–	–	–	–
(d) State Government(s)	–	–	–	–	–	–	–	–	–
(e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
(f) Insurance Companies	2,20,42,608	–	2,20,42,608	4.09	1,87,78,344	–	1,87,78,344	3.48	(0.61)
(g) Foreign Institutional Investors	2,149	–	2,149	0.00	–	–	–	–	–
(h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
(i) Foreign Portfolio Investors (Corporate)	2,50,37,676	–	2,50,37,676	4.65	2,11,89,815	–	2,11,89,815	3.93	(0.71)
(j) Any Other (Alternate Investment Funds)	46,13,662	–	46,13,662	0.86	38,15,920	–	38,15,920	0.71	(0.15)
Sub-Total (B) (1)	**8,27,79,569**	**9,000**	**8,27,88,569**	**15.36**	**8,59,16,076**	**–**	**8,59,16,076**	**15.94**	**0.58**

IV. SHAREHOLDING PATTERN (contd.)

Category of Shareholers	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
(a) Bodies Corporate (includes LLP)									
(i) Indian	45,07,821	48,140	45,55,961	0.85	44,34,056	48,140	44,82,196	0.83	(0.01)
(ii) Overseas	–	–	–	–	–	–	–	–	–
(b) Individuals (includes HUF)									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	3,32,56,293	31,02,730	3,63,59,023	6.75	3,19,55,040	24,52,920	3,44,07,960	6.38	(0.36)
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	80,20,195	1,02,500	81,22,695	1.51	67,86,926	1,02,500	68,89,426	1.28	(0.23)
(c) Any Other (specify)									
(i) Non Resident Indians	19,52,351	16,120	19,68,471	0.37	18,78,420	2,560	18,80,980	0.35	(0.02)
(ii) Overseas Corporate Bodies	–	–	–	–	–	–	–	–	–
(iii) Foreign Nationals	–	–	–	–	–	–	–	–	–
(iv) Clearing Members	4,80,971	–	4,80,971	0.09	7,58,241	–	7,58,241	0.14	0.05
(v) Trusts	2,85,982	–	2,85,982	0.05	3,04,323	–	3,04,323	0.06	0.00
(vi) Foreign Bodies	–	–	–	–	–	–	–	–	–
(vii) Unclaimed Suspense Account	1,90,500	–	1,90,500	0.04	1,30,720	–	1,30,720	0.02	(0.01)
(viii) NBFC'S	31,650	–	31,650	0.01	13,900	–	13,900	0.00	0.00
Sub-total (B) (2)	**4,87,25,763**	**32,69,490**	**5,19,95,253**	**9.65**	**4,62,61,626**	**26,06,120**	**4,88,67,746**	**9.07**	**(0.58)**
Total Public Shareholding (B) = (B)(1)+(B)(2)	**13,15,05,332**	**32,78,490**	**13,47,83,822**	**25.01**	**13,21,77,702**	**26,06,120**	**13,47,83,822**	**25.01**	**0.00**
C. Shares held by Custodians and against which Depository Receipts have been issued	–	–	–	–	–	–	–	–	–
GRAND TOTAL (A)+(B)+(C)	**53,56,41,230**	**32,78,490**	**53,89,19,720**	**100.00**	**53,63,13,600**	**26,06,120**	**53,89,19,720**	**100.00**	**0.00**

Notes :

1 Beginning of the year -> As on 1st April, 2019; End of the year-> As on 31st March, 2020; and During the year -> From 1st April, 2019 upto 31st March, 2020.

2 Figures have been rounded off to two decimal places and the same represent % shareholding vis-à-vis the paid-up capital of the Company, on such particular day.

(ii) Shareholding of Promoters

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

Notes :

1 Beginning of the year -> As on 1st April, 2019; End of the year-> As on 31st March, 2020; and During the year -> From 1st April, 2019 upto 31st March, 2020.

2 Figures have been rounded off to two decimal places and the same represent % shareholding vis-à-vis the paid-up capital of the Company, on such particular day.

(Continued)

(iii) Change in Promoter's Shareholding

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	Kansai Paint Co. Ltd., Japan							
	At the beginning of the year	40,41,35,898	74.99	–	–	–	40,41,35,898	74.99
	At the end of the year	40,41,35,898	74.99	–	–	–	40,41,35,898	74.99

Notes :

1 Beginning of the year -> As on 1st April, 2019; End of the year-> As on 31st March, 2020; and During the year -> From 1st April, 2019 upto 31st March, 2020.

2 Figures have been rounded off to two decimal places and the same represent % shareholding vis-à-vis the paid-up capital of the Company, on such particular day.

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

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	Aditya Birla Sun Life Trustee Private Limited Account							
	At the beginning of the year	**1,05,96,866**	**1.97**	–	–	–	1,05,96,866	1.97
				05.04.2019	Purchase	2,96,750	1,08,93,616	2.02
				26.04.2019	Purchase	1,37,250	1,10,30,866	2.05
				03.05.2019	Purchase	90,000	1,11,20,866	2.06
				10.05.2019	Purchase	1,63,351	1,12,84,217	2.09
				17.05.2019	Sale	(1,41,782)	1,11,42,435	2.07
				24.05.2019	Purchase	67,822	1,12,10,257	2.08
				31.05.2019	Purchase	1,68,300	1,13,78,557	2.11
				07.06.2019	Purchase	1,09,260	1,14,87,817	2.13
				14.06.2019	Purchase	1,27,290	1,16,15,107	2.16
				21.06.2019	Purchase	1,60,892	1,17,75,999	2.19
				28.06.2019	Purchase	1,23,390	1,18,99,389	2.21
				05.07.2019	Purchase	65,520	1,19,64,909	2.22
				12.07.2019	Purchase	71,100	1,20,36,009	2.23
				19.07.2019	Purchase	97,600	1,21,33,609	2.25
				26.07.2019	Purchase	61,200	1,21,94,809	2.26
				02.08.2019	Purchase	34,538	1,22,29,347	2.27

(Continued)

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				09.08.2019	Purchase	51,300	1,22,80,647	2.28
				16.08.2019	Purchase	32,400	1,23,13,047	2.28
				23.08.2019	Purchase	78,608	1,23,91,655	2.30
				30.08.2019	Purchase	58,050	1,24,49,705	2.31
				06.09.2019	Purchase	3,37,980	1,27,87,685	2.37
				13.09.2019	Purchase	31,770	1,28,19,455	2.38
				20.09.2019	Purchase	1,31,500	1,29,50,955	2.40
				27.09.2019	Purchase	62,100	1,30,13,055	2.41
				30.09.2019	Purchase	28,800	1,30,41,855	2.42
				04.10.2019	Purchase	77,400	1,31,19,255	2.43
				11.10.2019	Purchase	29,867	1,31,49,122	2.44
				18.10.2019	Purchase	54,000	1,32,03,122	2.45
				25.10.2019	Purchase	2,61,200	1,34,64,322	2.50
				01.11.2019	Purchase	40,500	1,35,04,822	2.51
				08.11.2019	Purchase	81,000	1,35,85,822	2.52
				15.11.2019	Purchase	38,700	1,36,24,522	2.53
				22.11.2019	Purchase	86,639	1,37,11,161	2.54
				29.11.2019	Purchase	77,400	1,37,88,561	2.56
				06.12.2019	Purchase	54,960	1,38,43,521	2.57
				13.12.2019	Purchase	66,600	1,39,10,121	2.58
				20.12.2019	Purchase	60,400	1,39,70,521	2.59
				27.12.2019	Purchase	1,24,200	1,40,94,721	2.62
				31.12.2019	Purchase	43,200	1,41,37,921	2.62
				03.01.2020	Purchase	80,100	1,42,18,021	2.64
				10.01.2020	Purchase	72,000	1,42,90,021	2.65
				17.01.2020	Purchase	7,34,326	1,50,24,347	2.79
				24.01.2020	Purchase	98,100	1,51,22,447	2.81
				31.01.2020	Purchase	71,600	1,51,94,047	2.82
				07.02.2020	Purchase	99,771	1,52,93,818	2.84
				14.02.2020	Purchase	54,000	1,53,47,818	2.85
				28.02.2020	Purchase	22,500	1,53,70,318	2.85
				06.03.2020	Sale	(16,912)	1,53,53,406	2.85
				20.03.2020	Purchase	10,000	1,53,63,406	2.85
				27.03.2020	Purchase	54,000	1,54,17,406	2.86
	At the end of the year	**1,54,17,406**	**2.86**	–	–	–	1,54,17,406	2.86

(Continued)

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
2	Mirae Asset Mutual Fund Account							
	At the beginning of the year	**0**	**0.00**	–	–	–	0	0.00
				17.05.2019	Purchase	3,57,000	3,57,000	0.07
				24.05.2019	Purchase	1,42,300	4,99,300	0.09
				31.05.2019	Purchase	6,00,000	10,99,300	0.20
				07.06.2019	Purchase	3,34,810	14,34,110	0.27
				14.06.2019	Purchase	6,10,601	20,44,711	0.38
				21.06.2019	Purchase	2,776	20,47,487	0.38
				28.06.2019	Purchase	1,00,000	21,47,487	0.40
				05.07.2019	Purchase	1,16,978	22,64,465	0.42
				12.07.2019	Purchase	1,77,453	24,41,918	0.45
				19.07.2019	Purchase	1,04,062	25,45,980	0.47
				26.07.2019	Purchase	1,76,518	27,22,498	0.51
				02.08.2019	Purchase	5,84,743	33,07,241	0.61
				23.08.2019	Sale	(17,226)	32,90,015	0.61
				30.08.2019	Sale	(34,806)	32,55,209	0.60
				06.09.2019	Purchase	17,449	32,72,658	0.61
				13.09.2019	Purchase	6,499	32,79,157	0.61
				11.10.2019	Purchase	71,474	33,50,631	0.62
				18.10.2019	Purchase	1,281	33,51,912	0.62
				08.11.2019	Purchase	14,094	33,66,006	0.62
				15.11.2019	Purchase	20,000	33,86,006	0.63
				29.11.2019	Purchase	22,000	34,08,006	0.63
				06.12.2019	Purchase	56,158	34,64,164	0.64
				13.12.2019	Purchase	23,000	34,87,164	0.65
				20.12.2019	Purchase	12,000	34,99,164	0.65
				10.01.2020	Purchase	3,28,407	38,27,571	0.71
				31.01.2020	Purchase	1,51,655	39,79,226	0.74
				07.02.2020	Purchase	4,13,207	43,92,433	0.82
				14.02.2020	Purchase	6,92,852	50,85,285	0.94
				21.02.2020	Purchase	20,437	51,05,722	0.95
				28.02.2020	Purchase	1,67,704	52,73,426	0.98
				06.03.2020	Purchase	1,61,824	54,35,250	1.01
				13.03.2020	Purchase	8,63,447	62,98,697	1.17
				20.03.2020	Purchase	4,54,827	67,53,524	1.25
				27.03.2020	Purchase	3,34,522	70,88,046	1.32
				31.03.2020	Purchase	15,881	71,03,927	1.32
	At the end of the year	**71,03,927**	**1.32**	–	–	–	71,03,927	1.32
3	HDFC Life Insurance Company Limited							
	At the beginning of the year	**49,69,718**	**0.92**	–	–	–	49,69,718	0.92
				05.04.2019	Purchase	2,46,393	52,16,111	0.97
				26.04.2019	Purchase	70,270	52,86,381	0.98
				10.05.2019	Purchase	1,21,861	54,08,242	1.00
				17.05.2019	Purchase	2,84,341	56,92,583	1.06
				24.05.2019	Purchase	73,875	57,66,458	1.07

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				07.06.2019	Sale	(1,907)	57,64,551	1.07
				21.06.2019	Purchase	25,843	57,90,394	1.07
				05.07.2019	Purchase	3,619	57,94,013	1.08
				12.07.2019	Purchase	45,466	58,39,479	1.08
				19.07.2019	Sale	(9,091)	58,30,388	1.08
				26.07.2019	Purchase	25,057	58,55,445	1.09
				02.08.2019	Purchase	130	58,55,575	1.09
				09.08.2019	Sale	(1,098)	58,54,477	1.09
				16.08.2019	Sale	(21,286)	58,33,191	1.08
				23.08.2019	Sale	(3,428)	58,29,763	1.08
				30.08.2019	Sale	(92,943)	57,36,820	1.06
				06.09.2019	Purchase	13,855	57,50,675	1.07
				13.09.2019	Purchase	6,784	57,57,459	1.07
				20.09.2019	Sale	(6,622)	57,50,837	1.07
				27.09.2019	Purchase	16,447	57,67,284	1.07
				04.10.2019	Sale	(1,67,538)	55,99,746	1.04
				11.10.2019	Sale	(36,545)	55,63,201	1.03
				18.10.2019	Sale	(95,100)	54,68,101	1.01
				25.10.2019	Sale	(6,08,510)	48,59,591	0.90
				01.11.2019	Sale	(69,351)	47,90,240	0.89
				08.11.2019	Sale	(1,972)	47,88,268	0.89
				15.11.2019	Sale	(3,803)	47,84,465	0.89
				22.11.2019	Sale	(23,907)	47,60,558	0.88
				29.11.2019	Purchase	98,412	48,58,970	0.90
				06.12.2019	Sale	(1,498)	48,57,472	0.90
				13.12.2019	Purchase	4,546	48,62,018	0.90
				20.12.2019	Sale	(8,533)	48,53,485	0.90
				27.12.2019	Purchase	20,129	48,73,614	0.90
				31.12.2019	Sale	(708)	48,72,906	0.90
				03.01.2020	Sale	(2,274)	48,70,632	0.90
				10.01.2020	Purchase	48,542	49,19,174	0.91
				17.01.2020	Purchase	2,49,324	51,68,498	0.96
				24.01.2020	Purchase	1,03,201	52,71,699	0.98
				31.01.2020	Purchase	21,652	52,93,351	0.98
				07.02.2020	Purchase	75,200	53,68,551	1.00
				14.02.2020	Purchase	1,00,300	54,68,851	1.01
				21.02.2020	Purchase	17,528	54,86,379	1.02
				28.02.2020	Purchase	132	54,86,511	1.02
				06.03.2020	Purchase	82,599	55,69,110	1.03
				13.03.2020	Purchase	13,724	55,82,834	1.04
				20.03.2020	Purchase	1,86,476	57,69,310	1.07
				27.03.2020	Purchase	1,59,159	59,28,469	1.10
				31.03.2020	Purchase	800	59,29,269	1.10
	At the end of the year	**59,29,269**	**1.10**	–	–	–	59,29,269	1.10

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	**% of total Shares of the Company**				**No. of Shares**	**% of total Shares of the Company**
4	Franklin Templeton Mutual Fund Account							
	At the beginning of the year	**68,25,398**	**1.27**	–	–	–	68,25,398	1.27
				12.04.2019	Sale	(40,000)	67,85,398	1.26
				19.04.2019	Sale	(28,836)	67,56,562	1.25
				10.05.2019	Purchase	1,00,000	68,56,562	1.27
				12.07.2019	Purchase	1,57,459	70,14,021	1.30
				26.07.2019	Purchase	27,020	70,41,041	1.31
				02.08.2019	Purchase	99,102	71,40,143	1.32
				30.08.2019	Sale	(1,00,000)	70,40,143	1.31
				27.09.2019	Sale	(1,18,467)	69,21,676	1.28
				30.09.2019	Sale	(1,31,533)	67,90,143	1.26
				08.11.2019	Sale	(4,00,000)	63,90,143	1.19
				20.12.2019	Sale	(46,629)	63,43,514	1.18
				27.12.2019	Sale	(1,24,523)	62,18,991	1.15
				31.12.2019	Sale	(17,363)	62,01,628	1.15
				03.01.2020	Sale	(78,356)	61,23,272	1.14
				10.01.2020	Sale	(2,54,301)	58,68,971	1.09
				17.01.2020	Sale	(1,27,477)	57,41,494	1.07
				24.01.2020	Sale	(1,97,980)	55,43,514	1.03
				20.03.2020	Purchase	48,088	55,91,602	1.04
				27.03.2020	Purchase	3,35,156	59,26,758	1.10
				31.03.2020	Purchase	1,241	59,27,999	1.10
	At the end of the year	**59,27,999**	**1.10**	–	–	–	59,27,999	1.10
5	The New India Assurance Company Limited							
	At the beginning of the year	**52,34,939**	**0.97**	–	–	–	52,34,939	0.97
				12.04.2019	Purchase	4,356	52,39,295	0.97
				19.04.2019	Purchase	1,614	52,40,909	0.97
				09.08.2019	Purchase	4,936	52,45,845	0.97
				25.10.2019	Sale	(41,000)	52,04,845	0.97
				01.11.2019	Sale	(2,35,565)	49,69,280	0.92
				08.11.2019	Sale	(12,500)	49,56,780	0.92
				15.11.2019	Sale	(20,561)	49,36,219	0.92
				07.02.2020	Sale	(6,841)	49,29,378	0.91
				06.03.2020	Sale	(49,686)	48,79,692	0.91
	At the end of the year	**48,79,692**	**0.91**	–	–	–	48,79,692	0.91

(Continued)

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
6	DSP Equity Fund							
	At the beginning of the year	**43,66,841**	**0.81**	–	–	–	43,66,841	0.81
				05.04.2019	Purchase	2,86,480	46,53,321	0.86
				12.04.2019	Purchase	31,201	46,84,522	0.87
				03.05.2019	Purchase	11,020	46,95,542	0.87
				10.05.2019	Purchase	52,000	47,47,542	0.88
				07.06.2019	Sale	(56,443)	46,91,099	0.87
				19.07.2019	Purchase	1,25,849	48,16,948	0.89
				26.07.2019	Purchase	69,813	48,86,761	0.91
				02.08.2019	Purchase	1,28,204	50,14,965	0.93
				27.09.2019	Purchase	2,55,808	52,70,773	0.98
				25.10.2019	Purchase	3,29,158	55,99,931	1.04
				01.11.2019	Sale	(60,000)	55,39,931	1.03
				08.11.2019	Sale	(28,389)	55,11,542	1.02
				15.11.2019	Sale	(31,010)	54,80,532	1.02
				22.11.2019	Sale	(43,701)	54,36,831	1.01
				10.01.2020	Sale	(27,014)	54,09,817	1.00
				17.01.2020	Sale	(1,24,101)	52,85,716	0.98
				24.01.2020	Purchase	1,32,466	54,18,182	1.01
				13.03.2020	Sale	(4,98,532)	49,19,650	0.91
				31.03.2020	Sale	(3,24,064)	45,95,586	0.85
	At the end of the year	**45,95,586**	**0.85**	–	–	–	45,95,586	0.85
7	Sundaram Mutual Fund Account							
	At the beginning of the year	**34,63,021**	**0.64**	–	–	–	34,63,021	0.64
				26.04.2019	Purchase	22,579	34,85,600	0.65
				03.05.2019	Purchase	1,165	34,86,765	0.65
				10.05.2019	Purchase	25,000	35,11,765	0.65
				17.05.2019	Purchase	2,000	35,13,765	0.65
				24.05.2019	Purchase	19,850	35,33,615	0.66
				07.06.2019	Purchase	1,98,254	37,31,869	0.69
				14.06.2019	Purchase	51,746	37,83,615	0.70
				05.07.2019	Purchase	50,000	38,33,615	0.71
				27.09.2019	Purchase	10,000	38,43,615	0.71
				25.10.2019	Purchase	7,000	38,50,615	0.71
				01.11.2019	Sale	(6,466)	38,44,149	0.71
				15.11.2019	Purchase	33,631	38,77,780	0.72
				20.12.2019	Sale	(7,500)	38,70,280	0.72
				27.12.2019	Sale	(37)	38,70,243	0.72
				31.12.2019	Purchase	52,008	39,22,251	0.73
				10.01.2020	Purchase	1,05,000	40,27,251	0.75
				24.01.2020	Purchase	3,400	40,30,651	0.75
				31.01.2020	Purchase	26,726	40,57,377	0.75
				07.02.2020	Purchase	3,600	40,60,977	0.75
				06.03.2020	Purchase	25,000	40,85,977	0.76
	At the end of the year	**40,85,977**	**0.76**	–	–	–	40,85,977	0.76

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	**% of total Shares of the Company**				**No. of Shares**	**% of total Shares of the Company**
8	TATA Mutual Fund Account							
	At the beginning of the year	**0**	**0.00**	–	–	–	0	0.00
				10.05.2019	Purchase	12,500	12,500	0.00
				31.05.2019	Purchase	3,50,000	3,62,500	0.07
				21.06.2019	Purchase	50,000	4,12,500	0.08
				28.06.2019	Purchase	2,05,000	6,17,500	0.11
				09.08.2019	Purchase	36,550	6,54,050	0.12
				16.08.2019	Purchase	30,450	6,84,500	0.13
				23.08.2019	Purchase	5,000	6,89,500	0.13
				30.08.2019	Purchase	62,000	7,51,500	0.14
				13.09.2019	Purchase	1,11,000	8,62,500	0.16
				20.09.2019	Purchase	5,62,000	14,24,500	0.26
				27.09.2019	Purchase	50,000	14,74,500	0.27
				08.11.2019	Purchase	1,60,000	16,34,500	0.30
				29.11.2019	Purchase	1,75,000	18,09,500	0.34
				20.12.2019	Purchase	4,78,000	22,87,500	0.42
				27.12.2019	Purchase	72,000	23,59,500	0.44
				10.01.2020	Purchase	31,000	23,90,500	0.44
				17.01.2020	Purchase	17,500	24,08,000	0.45
				24.01.2020	Purchase	1,00,000	25,08,000	0.47
				31.01.2020	Sale	(6,250)	25,01,750	0.46
				07.02.2020	Purchase	1,50,000	26,51,750	0.49
				13.03.2020	Purchase	1,50,000	28,01,750	0.52
				20.03.2020	Purchase	23,000	28,24,750	0.52
				27.03.2020	Purchase	77,000	29,01,750	0.54
	At the end of the year	**29,01,750**	**0.54**	–	–	–	29,01,750	0.54
9	General Insurance Corporation Of India							
	At the beginning of the year	**30,00,000**	**0.56**	–	–	–	30,00,000	0.55
				06.09.2019	Sale	(13,425)	29,86,575	0.54
				13.09.2019	Sale	(58,845)	29,27,730	0.54
				20.09.2019	Sale	(27,730)	29,00,000	0.54
				01.11.2019	Sale	(9,800)	28,90,200	0.54
				08.11.2019	Sale	(10,000)	28,80,200	0.53
				31.12.2019	Sale	(1,00,000)	27,80,200	0.52
				21.02.2020	Sale	(95,814)	26,84,386	0.50
				28.02.2020	Sale	(84,386)	26,00,000	0.48
	At the end of the year	**26,00,000**	**0.48**	–	–	–	26,00,000	0.48

(Continued)

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
10	Vanguard Total International Stock Index Fund							
	At the beginning of the year	**18,96,243**	**0.35**	–	–	–	18,96,243	0.35
				26.04.2019	Sale	(49,309)	18,46,934	0.34
				14.06.2019	Purchase	52,660	18,99,594	0.35
				21.06.2019	Purchase	12,383	19,11,977	0.35
				09.08.2019	Purchase	52,024	19,64,001	0.36
				16.08.2019	Purchase	16,825	19,80,826	0.37
				13.09.2019	Purchase	10,194	19,91,020	0.37
	At the end of the year	**19,91,020**	**0.37**	–	–	–	19,91,020	0.37

Notes :

1 Beginning of the year -> As on 1st April, 2019; End of the year-> As on 31st March, 2020; and During the year -> From 1st April, 2019 upto 31st March, 2020.

2 Figures have been rounded off to two decimal places and the same represent % shareholding vis-à-vis the paid-up capital of the Company, on such particular day.

3 In terms of Circular bearing Ref. No. SEBI/HO/CFD/CMD/CIR/P/2017/128 dated December 19, 2017, issued by the Securities and Exchange Board of India, the Company has consolidated the number of shares held by each Shareholder on basis of their PAN in the records of the Company, to the extent possible.

4 Details of the Shareholders acting as persons in concert including their Shareholding (No. and %):

Sr. No.	Name	No. of Equity Shares held	%
1	Aberdeen Standard Sicav I - Asian Smaller Companies Fund	13,43,807	0.25
2	Aberdeen Standard Asia Focus PLC	11,98,866	0.22
3	Aberdeen Standard Sicav I - Emerging Markets Smaller Companies Fund	6,01,777	0.11
4	Aberdeen Emerging Markets Smaller Companies Fund A Series of the Aberdeen Institutional Commingled Funds, LLC	3,34,483	0.06
5	Aberdeen New India Investment Trust PLC	2,34,289	0.04
	Total	**37,13,222**	**0.69**

The Shareholding of the Aberdeen group at the beginning of the year was 71,25,217 Equity Shares representing 1.32% of the total shares of the Company.

(Continued)

(v) Shareholding of Directors and Key Managerial Personnel :

Sr. No.	Name of the Shareholder	Shareholding		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	Mr. Anuj Jain							
	At the beginning of the year	13,560	0.003	–	–	–	13,560	0.003
	At the end of the year	13,560	0.003	–	–	–	13,560	0.003

Notes :

1 Beginning of the year -> As on 1st April, 2019; End of the year-> As on 31st March, 2020; and During the year -> From 1st April, 2019 upto 31st March, 2020.

2 Figures have been rounded off to three decimal places and the same represent % shareholding vis-à-vis the paid-up capital of the Company, on such particular day.

3 No other Director or Key Managerial Personnel holds any shares in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	–	9.71	–	9.71
(ii) Interest due but not paid	–	–	–	–
(iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	**–**	**9.71**	**–**	**9.71**
Change in Indebtedness during the financial year				
• Addition	–	–	–	–
• Reduction	–	6.31	–	6.31
• Net Change	–	(6.31)	–	(6.31)
Indebtedness at the end of the financial year				
(i) Principal Amount	–	3.40	–	3.40
(ii) Interest due but not paid	–	–	–	–
(iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	**–**	**3.40**	**–**	**3.40**

(Continued)

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing director, Whole time Directors and / or Manager:

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Name of the MD/ WTD/ Manager		Total Amount
		Mr. H. M. Bharuka	**Mr. Anuj Jain**	
1	Gross salary			
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act 1961	377.92	118.97	496.89
	b. Value of Perquisites u/s 17(2) of the Income Tax Act 1961	0.40	0.40	0.80
	c. Profits in lieu of salary u/s 17(3) of the Income Tax Act 1961	–	–	–
2	Stock option	–	–	–
3	Sweat Equity	–	–	–
4	Commission	343.00	80.00	423.00
	– as % of profit	0.50%	0.12%	0.62%
	– others (specify)	–	–	–
5	Others, please specify			
	– Employee Provident Fund & Superannuation Contribution	61.15	16.21	77.36
	Total (A)	**782.47**	**215.58**	**998.05**
	Ceiling as per the Act	**3,427.40**	**3,427.40**	**6,854.80**

B. Remuneration to other Directors:

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Name of the Directors				Total Amount
		P. P. Shah	**N. N. Tata**	**B. Somaya#**	**S. Singh@**	
1	**Independent Directors**					
	Fee for Attending Board/Committee Meetings	3.00	3.25	1.00	2.25	9.50
	Commission	40.00	35.00	30.00	–	105.00
	Others, specify	–	–	–	–	–
	Total (1)	**43.00**	**38.25**	**31.00**	**2.25**	**114.50**
2	**Other Non-Executive Directors**					
	Fee for Attending Board/Committee Meetings	–	–	–		–
	Commission	–	–	–		–
	Others, specify	–	–	–		–
	Total (2)	**–**	**–**	**–**		**–**
	Total B= 1+2	**43.00**	**38.25**	**31.00**	**2.25**	**114.50**
	Total Managerial Remuneration (A) + (B)					**1,112.55**
	Overall Ceiling as per the Act					**7,540.28**

Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure.

@ Ms. Sonia Singh was appointed as a Non-Executive and Independent Director of the Company for a period of 3 years commencing from 29th July, 2019.

(Continued)

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director:

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Company Secretary	Chief Financial Officer	
1	Gross salary			
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act 1961	80.02	107.69	187.71
	b. Value of Perquisites u/s 17(2) of the Income Tax Act 1961	0.33	0.40	0.73
	c. Profits in lieu of salary u/s 17(3) of the Income Tax Act 1961	–	–	–
2	Stock option	–	–	–
3	Sweat Equity	–	–	–
4	Commission	–	–	–
	– as % of profit	–	–	–
	– others (specify)	–	–	–
5	Others, please specify			
	Employee Provident Fund & Superannuation Contribution	4.18	5.11	9.29
Total		**84.53**	**113.20**	**197.73**

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES :

There were no penalties, punishments, compounding of offences for the year ended 31st March, 2020.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 6th May, 2020

Annexure 5 to the Board's Report

FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[PURSUANT TO SECTION 204(1) OF THE COMPANIES ACT, 2013 AND RULE NO. 9 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014]

The Members,
Kansai Nerolac Paints Limited
Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information / representations provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2020, 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, 2020 according to the provisions of: -

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, and Overseas Direct Investment.

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **(Not applicable to the Company during audit period)**;

   d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during audit period)**;

   e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during audit period)**;

   f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during audit period)**;

   h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not applicable to the Company during audit period)**;

   i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015;

   j. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; - **(Not applicable to the Company during audit period)**;

   k. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

There are no laws which specifically apply to the type of activities undertaken by the Company.

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India as in force from time to time.

ii. The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited.

During the period under review the Company has filed forms / returns within stipulated time period and has complied with the provisions of the Act, Rules, Regulations and Guidelines, 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 at least seven days was given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision was carried through while the dissenting members' views, (if any), are captured and recorded as part of the minutes.

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

We further report that during the audit period the Board of Directors has vide Resolution passed on 29th July, 2019 accorded consent to the Scheme of Amalgamation for merger of Marpol Private Limited and Perma Construction Aids Private Limited (both being wholly owned subsidiaries) with the Company.

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)
FCS: 4317, CP: 2520
UDIN: F004317B000188259

Place: Thane
Date: 29th April 2020

The Members,
Kansai Nerolac Paints Limited
Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai-400 013

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)
FCS: 4317, CP: 2520

Place: Thane
Date: 29th April 2020

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 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, 2020, the strength of Board was 8 (eight) Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and the Whole-time Director are the 2 (two) Executive Directors. There are 6 (six) Non-Executive Directors, of which 3 (three) Directors, including the Chairman, are Independent Directors. The Board also consists of 1 (one) Woman Independent Director. The number of Independent Directors on the Board is in conformity with the requirement of Regulation 17(1)(a) and (b) of SEBI Listing Regulations. The 3 (three) Non-Executive Non-Independent Directors on the Board as on 31st March, 2020, namely, Mr. H. Furukawa, Mr. H. Nishibayashi and Mr. H. Hasebe were nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

After 31st March, 2020, Mr. H. Furukawa and Mr. H. Hasebe, resigned from the Board, with effect from 7th May, 2020. Mr. Shigeki Takahara and Mr. Takashi Tomioka, also the nominees of Kansai Paint Co. Ltd., Japan, were appointed as Non-Executive Directors in their place, with effect from 7th May, 2020.

(b) During the year ended 31st March, 2020, 4 (four) Board Meetings were held i.e. on 2nd May, 2019, 29th July, 2019, 1st November, 2019 and 31st January, 2020. The last i.e. 99th Annual General Meeting of the Company was held on 21st June, 2019.

Details of the Directors of the Company and their attendance at the Board Meetings held during the financial year 2019-20 and the last Annual General Meeting of the Company, are as follows :

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last Annual General Meeting
Mr. P. P. Shah^	Chairman (Non-Executive and Independent Director)	4	Yes
Mr. H. M. Bharuka	Vice Chairman and Managing Director	4	Yes
Mr. N. N. Tata^	Non-Executive and Independent Director	4	Yes
Mr. M. Tanaka*	Non-Executive Director (upto 28th July, 2019)	–	No
Mr. H. Furukawa	Non-Executive Director	4	Yes
Mrs. Brinda Somaya#	Non-Executive and Independent Director (upto 21st July, 2019)	1	Yes
Mr. Anuj Jain	Whole-time Director	4	Yes
Mr. K. Kato*	Non-Executive Director (upto 28th July, 2019)	–	No
Mr. H. Nishibayashi@	Non-Executive Director (w.e.f. 29th July, 2019)	3	Not Applicable
Mr. H. Hasebe@	Non-Executive Director (w.e.f. 29th July, 2019)	3	Not Applicable
Ms. Sonia Singh$	Non-Executive and Independent Director (w.e.f. 29th July, 2019)	3	Not Applicable

^ Mr. P. P. Shah and Mr. N. N. Tata have been re-appointed as Independent Directors, to hold office for a second term of 5 (five) years with effect from 30th January, 2020 upto and including 29th January, 2025, subject to the approval of the Shareholders of the Company.

* Mr. M. Tanaka and Mr. K. Kato, both Non-Executive Directors, resigned from the Board with effect from 29th July, 2019.

Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure.

@ Mr. H. Nishibayashi and Mr. H. Hasebe were appointed as Non-Executive Directors of the Company, liable to retire by rotation, with effect from 29th July, 2019.

$ Ms. Sonia Singh was appointed as a Non-Executive and Independent Director of the Company for a period of 3 (three) years commencing from 29th July, 2019 upto and including 28th July, 2022, subject to the approval of the Shareholders of the Company.

All Directors of the Company as on 31st March, 2020, personally attended atleast one Board/ Committee Meeting during the financial year 2019-20.

All Independent Directors of the Company have certified and confirmed their independence in accordance with Section 149 of the Companies Act, 2013 read with Regulations 16(1)(b) and 25(8) of the SEBI Listing Regulations.

(c) Number of Board of Directors or Committees (other than the Company) in which the Director is a Chairman/ Member (excluding private limited companies, foreign companies and companies registered under Section 8 of the Companies Act, 2013) as on 31st March, 2020, is as follows:

Name of the Director	**No. of Directorships**	**No. of Audit Committees and Stakeholders' Relationship Committees* in which Chairman/ Member**	
		Chairman	**Member**
Mr. P. P. Shah	8	2	4
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	5	1	1
Mr. H. Furukawa	Nil	Nil	Nil
Mr. Anuj Jain	Nil	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil	Nil
Mr. H. Hasebe	Nil	Nil	Nil
Ms. Sonia Singh	3	Nil	Nil

* As per Regulation 26(1)(b) of SEBI Listing Regulations.

Details of their directorships in Listed Entities other than the Company and their category of directorship as on 31st March, 2020, are as follows:

Name of the Director	**Names of Listed Entities**	**Category of Directorship**
Mr. P. P. Shah	BASF India Ltd.	Non-Executive - Independent Director-Chairperson
	KSB Ltd. (Formerly KSB Pumps Ltd.)	Non-Executive - Independent Director
	Pfizer Ltd.	Non-Executive - Independent Director
	Sonata Software Ltd.	Non-Executive - Independent Director-Chairperson
	Bajaj Auto Ltd.	Non-Executive - Independent Director
	Bajaj Holdings & Investments Ltd.	Non-Executive - Independent Director
Mr. H. M. Bharuka	Nil	Nil
Mr. N. N. Tata	Trent Ltd.	Non-Executive - Non Independent Director-Chairperson
	Voltas Ltd.	Non-Executive - Non Independent Director-Chairperson
	Tata Investment Corporation Ltd.	Non-Executive - Non Independent Director-Chairperson
	Titan Company Ltd.	Non-Executive - Nominee Director
Mr. H. Furukawa	Nil	Nil
Mr. Anuj Jain	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil
Mr. H. Hasebe	Nil	Nil
Ms. Sonia Singh	Trent Ltd.	Non-Executive - Independent Director

The number of directorships and the positions held by them on Board Committees are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act, 2013 and SEBI Listing Regulations, as on 31st March, 2020.

(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.

(f) Disclosure of Shareholding of Non-Executive Directors:

Name of the Director	Shares and Convertible instruments held as on 31st March, 2020 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. N. N. Tata	Nil
Mr. H. Furukawa	Nil*
Mr. H. Nishibayashi	Nil*
Mr. H. Hasebe	Nil*
Ms. Sonia Singh	Nil

* As on 31st March, 2020, Mr. Furukawa, Mr. Nishibayashi and Mr. Hasebe 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 by the functional heads. This ensures that the functional heads can apprise all the directors about the developments in their specific areas.

Access to information

The Directors, including Independent Directors, can visit the various manufacturing locations of the Company. They are not necessarily accompanied by the Managing Director. The purpose is to ensure that the Independent Directors have free and independent access to the Company's officials and records, so that they can form an independent opinion about the state of affairs of the Company.

Apart from this, reports of the audit carried out by the Internal Auditors and the Statutory Auditors are circulated to all the Directors. Independent audits are also carried out by the auditors of Kansai Paint Co. Ltd., Japan, Holding Company.

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

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

The familiarization programme for the 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, 2020. A declaration to this effect signed by the Managing Director who is the Chief Executive Officer, is separately provided at the end of this report.

(h) A Chart / Matrix setting out the skills / expertise / competence of the Board of Directors

Competency is defined as the experience, knowledge, skills, attitudes, values and beliefs of the person (member). A list of core skills/ expertise/ competencies identified by the Board, as required in the context of its business(es) and sector(s) for it to function effectively, is as follows:

Competencies:

Competency	Definition
Strategic Expertise	Ability to understand, review and guide Strategy by analyzing the company's competitive position and benchmarking taking into account market and industry trends
Business and Financial Acumen	Demonstrate Techno-Commercial and Business perspective, Ability to comprehend, interpret and guide on Financial Statements, Audit Committee presentations and matters of business
Risk Management	Experience in providing guidance on major risks, compliances and various legislations
Building High Performance Teams	Build and nurture talent to create strong and competent future business leaders
Industry Knowledge	Experience in similar industries
IT – Digital Acumen	Ability to understand, support and guide the Digital strategy in the organization with respect to AI, IOT, MI, Robotics, Big Data Analytics

Personal Qualities:

Personal quality	Definition
Integrity	Fulfilling a Director's duties and responsibilities, putting the organization's interests above personal interests, acting ethically
Curiosity and Courage	Must have the curiosity to ask questions and the courage to persist in asking or to challenge management and fellow board members where necessary
Interpersonal skills	Must work well in a group, listen well, be tactful but able to communicate his/her point of view frankly
Instinct	Good business instincts and acumen, ability to get the crux of the issue quickly
An Active Contributor	The member must be one who participates and contributes actively and must allocate quality time to the organization's affairs

Details of the skills/ expertise/ competencies possessed by the Directors who were part of the Board as on 31st March, 2020, are as follows :

Name	Age	Qualifications	Industry Experience	Expertise
Mr. P. P. Shah	67	Chartered Accountant and Cost Accountant, MBA (Harvard)	Finance, Investments, Projects and Consultancy	Business Strategy, Financial Analyst
Mr. H. M. Bharuka	59	B.Com., Cost Accountant	Engineering, Paint	Business Strategy
Mr. N.N. Tata	63	Graduate of University of Sussex, International Executive Programme at INSEAD Business School	Marketing, Administration and Investments	Business Strategy
Mr. H Furukawa	61	Graduate of Engineering, Osaka University, Japan	Paint	Production & Technical
Mr. Anuj Jain	51	BSc, MMS	Paint	Sales, Marketing
Mr. H. Nishibayashi	56	Graduated from Osaka University of Foreign Studies, faculty of English studies	Paint	Sales, Marketing

Name	Age	Qualifications	Industry Experience	Expertise
Mr. H. Hasebe	57	Graduated from Yamaguchi University, Faculty of Economics	Paint	Accounts and Business Administration
Ms. Sonia Singh	55	BA (Economics), MBA	Consumer goods and services	Brand Strategy, Sales and Marketing

(i) The Board hereby confirms that in its opinion, the Independent Directors of the Company fulfill the conditions as specified in the SEBI Listing Regulations and are independent of the management.

(j) Detailed reasons for the resignation of an Independent Director who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided – During the year, no Independent Director resigned before the expiry of his/ her tenure.

3. Audit Committee

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

As at 31st March, 2020, Mr. P. P. Shah, Mr. N. N. Tata and Ms. Sonia Singh, all Non-Executive and Independent Directors, were the members of the Audit Committee. All of them possess sound knowledge of accounts, audit, financial management expertise etc.

Mr. P. P. Shah is the Chairman of the Audit Committee and Mr. G. T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

The Internal Auditor(s), who report directly to the Audit Committee and the representatives of the Statutory Auditors also attend the meetings of the Audit Committee, besides the executives of the Company 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 21st June, 2019.

During the year ended 31st March, 2020, 4 (four) meetings of the Audit Committee were held i.e. on 2nd May, 2019, 29th July, 2019, 1st November, 2019 and 31st January, 2020.

Name of the Member	Number of Audit Committee Meetings attended during the year ended 31st March, 2020
Mr. P. P. Shah	4
Mr. N. N. Tata	4
Mrs. Brinda Somaya*	1
Ms. Sonia Singh*	3

* Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure and accordingly, she ceased to be a Member of the Audit Committee. Ms. Sonia Singh was appointed as a Member of the Committee with effect from 29th July, 2019.

After 31st March, 2020, an Audit Committee meeting was held on 6th May, 2020, whereat the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2020, were reviewed, considered and recommended by the Audit Committee to the Board.

4. Nomination and Remuneration Committee

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

(i) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

(ii) formulation of criteria for evaluation of performance of Independent Directors and the Board;

(iii) devising a policy on Board diversity;

(iv) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance;

(v) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors; and

(vi) recommend to the Board, all remuneration, in whatever form, payable to senior management.

As at 31st March, 2020, Mr. N. N. Tata, Mr. P. P. Shah and Ms. Sonia Singh, all Non-Executive and Independent Directors, were the members of the Nomination and Remuneration Committee.

Mr. N. N. Tata, an Independent Director, is the Chairman of the Nomination and Remuneration Committee and he was present at the last Annual General Meeting of the Company held on 21st June, 2019.

During the year ended 31st March, 2020, 2 (two) meetings of the Nomination and Remuneration Committee were held i.e. on 2nd May, 2019 and 1st November, 2019.

Name of the Director	Number of Nomination and Remuneration Committee Meetings attended during the year ended 31st March, 2020
Mr. N. N. Tata	2
Mr. P. P. Shah	2
Mrs. Brinda Somaya*	1
Ms. Sonia Singh*	1

* Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure and accordingly, she ceased to be a Member of the Nomination and Remuneration Committee. Ms. Sonia Singh was appointed as a Member of the Committee with effect from 29th July, 2019.

After 31st March, 2020, a Nomination and Remuneration Committee meeting was held on 6th May, 2020, 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 individual Director was carried out and discussed.

5. Remuneration of Directors

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

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

Remuneration Policy:

A. Remuneration to Whole-time Directors:

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

- The Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

- The Agreement with the Whole-time Director is for a period not exceeding five years at a time. In the event that there is no breach of the terms of the Agreement by the Whole-time Director, but the Company exercises the discretion to terminate his services during the term of his Agreement, without assigning any reason thereof, then and in that event, the Whole-time Director shall be paid a compensation in accordance with the provisions of the Companies Act, 2013.

- Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

The details of remuneration paid to Mr. H. M. Bharuka – Vice Chairman and Managing Director and Mr. Anuj Jain – Executive Director, during the financial year 2019-20, 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	377.92	118.97
	b. Value of Perquisites u/s 17(2) of Income Tax Act 1961	0.40	0.40
	c. Company's contribution to Provident Fund and Superannuation Fund (on salary)	19.99	6.61
		398.31	**125.98**
2	Variable component (performance linked)		
	Commission	343.00	80.00
	Company's contribution to Provident Fund (on Commission)	41.16	9.60
		384.16	**89.60**
	Total	**782.47**	**215.58**

B. *Remuneration to Non-Executive Directors*

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

The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board or Committee thereof within the limits prescribed under the Companies Act, 2013.

Neither commission nor sitting fees are paid to the Non-Executive Directors who are nominees of Kansai Paint Co. Ltd., Japan.

Apart from the commission and sitting fees paid by the Company, the Non-Executive Directors, in their individual capacity, did not have any pecuniary relationship or transactions with the Company during the financial year 2019-20.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2020 are as under:

(₹ in Lakhs)

Name of the Director	Sitting Fees						Commission$	Total
	Board Meeting	Audit Committee Meeting	NRC* Meeting	CSR Committee# Meeting	Independent Directors Meeting	SRC@ Meeting		
Mr. P. P. Shah	1.00	1.00	0.50	–	0.50	–	40.00	43.00
Mr. N. N. Tata	1.00	1.00	0.50	0.25	0.50	–	35.00	38.25
Mrs. Brinda Somaya^	0.25	0.25	0.25	–	0.25	–	30.00	31.00
Ms. Sonia Singh+	0.75	0.75	0.25	–	0.25	0.25	–	2.25

* NRC: Nomination and Remuneration Committee.

\# CSR Committee: Corporate Social Responsibility Committee.

@ SRC: Stakeholders Relationship Committee.

$ Commission paid during the year 2019–20 was for the year ended 31st March, 2019.

^ Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure. Commission paid to Mrs. Somaya during the year 2019-20, was for the year 2018-19.

\+ Ms. Sonia Singh was appointed as a Non-Executive and Independent Director of the Company commencing from 29th July, 2019.

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.

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

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

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

6. Stakeholders' Relationship Committee

In the Company, the Stakeholders' Grievance Committee is known by the name of Stakeholders' Relationship Committee. The Committee considers and resolves the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.

As at 31st March, 2020, Ms. Sonia Singh, Mr. H. M. Bharuka and Mr. Anuj Jain were the members of the Stakeholders' Relationship Committee.

During the year ended 31st March, 2020, 1 (one) meeting of the Stakeholders' Relationship Committee was held on 31st January, 2020, which was attended by all its members.

Mrs. Brinda Somaya was the Chairperson of the Stakeholders' Relationship Committee, before the end of her tenure as an Independent Director i.e. upto 21st July, 2019 and she was present at the last Annual General Meeting of the Company held on 21st June, 2019.

Ms. Sonia Singh, who was appointed as an Independent Director, with effect from 29th July, 2019, was also appointed as the Chairperson of the Stakeholders' Relationship Committee.

Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.

A summary of various complaints received and resolved to the satisfaction of the Shareholders by the Company during the year is given below:

Nature of Complaint	Received	Resolved	Pending
Non-receipt of Dividend Warrant	0	0	0
Non-receipt of Share Certificates	0	0	0
SEBI/Stock Exchange Letter/ROC/NSDL/CDSL	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.

7. Risk Management:

In terms of Regulation 21 of the SEBI Listing Regulations, the Company has constituted a Risk Management Committee and has Risk Management Framework in place, the details of which are provided in the Board's report.

During the financial year ended 31st March, 2020, 3 (three) Risk Management Committee Meetings were held i.e. on 17th February, 2020, 23rd March, 2020 and 31st March, 2020, which were attended by all its members.

8. Independent Directors:

The Independent Directors of the Company have been appointed in accordance with the provisions of Section 149 of the Companies Act, 2013 and applicable provisions of SEBI Listing Regulations.

Pursuant to Schedule IV to the Companies Act, 2013, every Independent Director has been issued a letter of appointment containing the terms and conditions of his/her appointment. The terms and conditions of appointment is available on the website of the Company at https://www.nerolac.com/financial/policies.html.

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of SEBI Listing Regulations, 2 (two) separate meetings of the Independent Directors were held during the year i.e. on 2nd May, 2019 and 1st November, 2019, wherein the Internal Auditors and the Statutory Auditors of the Company were also invited. Both these meetings of the Independent Directors were without the attendance of Non-Independent Directors and members of management.

Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of all the meetings of Independent Directors. The Independent Directors discussed matters pertaining to the Company's affairs and functioning of the Board and presented their views to the Managing Director for appropriate action.

The Independent Directors at their meetings also consider:

a. Review of the performance of the Non-Independent Directors and the Board as a whole;

b. Review of the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-Executive Directors;

c. Assessing the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Name of the Director	Number of meetings of the Independent Directors attended during the year ended 31st March, 2020
Mr. P. P. Shah	2
Mr. N. N. Tata	2
Mrs. Brinda Somaya*	1
Ms. Sonia Singh*	1

* Mrs. Brinda Somaya, Non-Executive and Independent Director, ceased to be a Director of the Company with effect from 22nd July, 2019, on the expiry of her tenure. Ms. Sonia Singh was appointed as a Non-Executive Independent Director of the Company commencing from 29th July, 2019.

After 31st March, 2020, another meeting of the Independent Directors was held on 6th May, 2020 and the Internal Auditors and the Statutory Auditors of the Company were also invited for discussion in this meeting.

9. General Body Meetings:

(a) Location and time of the last three Annual General Meetings ("AGM") of the Company:

Particulars of the AGM	Date and Time	Venue
99th AGM	21st June, 2019 at 11.00 a.m.	Walchand Hirachand Hall, I.M.C. Chambers Churchgate, Mumbai – 400020
98th AGM	21st June, 2018 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400001.
97th AGM	21st June, 2017 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400001.

(b) No Special Resolution was passed in the previous 3 AGMs.

(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, 2020, 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 Tarun Bharat. However, the results could also get published in any other reputed newspaper such as the Financial Express/ Loksatta or the Economic Times/ Maharashtra Times.

(c) Any website, where displayed: https://www.nerolac.com.

(d) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts: Relevant information is displayed on the website of the Company at https://www.nerolac.com/financial/policies.html.

11. General Shareholder Information

(a) Date, Time and Venue of the AGM : The ensuing AGM of the Company will be held on Monday, 22nd June, 2020 at 12 noon through video conferencing or other audio visual means. Notice of the ensuing AGM is separately provided alongwith the Annual Report.

(b)

Financial Calendar	:	April - March
Financial reporting for the quarter ending 30th June, 2020	:	July-August, 2020
Financial reporting for the quarter ending 30th September, 2020	:	October-November, 2020
Financial reporting for the quarter ending 31st December, 2020	:	January-February, 2021
Financial reporting for the year ending 31st March, 2021	:	April-May, 2021
Annual General Meeting for the year ending 31st March, 2021	:	End June, 2021

(c) Dates of Book Closure: Tuesday, 16th June, 2020 to Monday, 22nd June, 2020 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

Dividend Payment Date: Dividend, when declared, will be payable on or after Saturday, 27th June, 2020 to those members whose names are registered as such in the Register of Members of the Company as on Monday, 15th June, 2020 and to the Beneficiary holders as per the beneficiary list as on Monday, 15th June, 2020 provided by National Securities Depository Limited (“NSDL”) and Central Depository Services (India) Limited (“CDSL”).

(d) Listing of Stock Exchanges:

The Company’s Equity Shares are listed on the BSE Limited and the National Stock Exchange of India Limited

BSE Limited (“BSE”) Phiroze Jeejeeebhoy Towers, Dalal Street, Mumbai - 400 001	**National Stock Exchange of India Limited (“NSE”)** Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051

The annual listing fees of the BSE and the NSE for the financial year 2020-21 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, 2020 is furnished below:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2019	475.00	428.80	475.00	429.05
May 2019	466.50	372.00	468.00	390.00
June 2019	470.00	430.80	470.00	431.00
July 2019	450.55	397.70	451.00	397.05
August 2019	488.00	410.00	489.00	412.00
September 2019	535.00	451.85	535.40	451.50
October 2019	560.45	487.50	561.00	488.00
November 2019	573.00	519.50	573.00	519.60
December 2019	549.50	506.45	551.00	506.10
January 2020	536.95	492.00	537.00	490.25
February 2020	518.35	485.00	515.80	485.00
March 2020	521.95	296.30	524.40	293.70

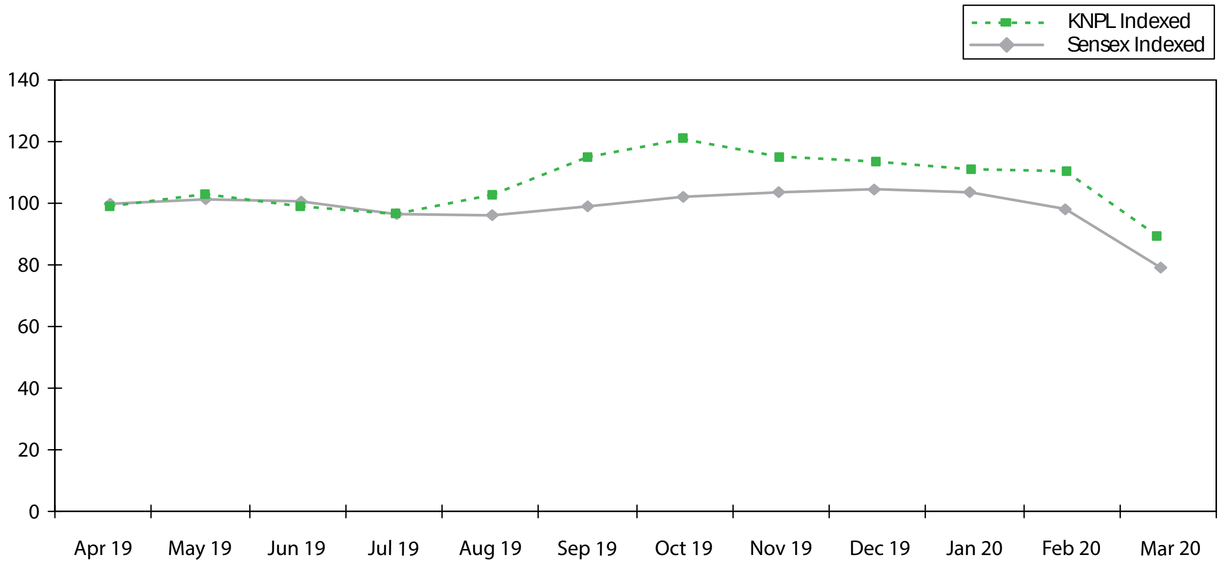
(g) Performance of the Company’s Stock in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.:

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 (₹)	S&P BSE Sensex
April 2019	440.60	39,031.55
May 2019	460.70	39,714.20
June 2019	440.60	39,394.64
July 2019	428.05	37,481.12
August 2019	460.20	37,332.79
September 2019	523.80	38,667.33
October 2019	554.65	40,129.05
November 2019	525.00	40,793.81
December 2019	516.85	41,253.74
January 2020	503.40	40,723.49
February 2020	500.25	38,297.29
March 2020	386.15	29,468.49

(Continued)

Graphical representation of the indexed values of Company's closing price on BSE vis-à-vis S&P BSE Sensex, is as below:



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

(i) Registrar and Share Transfer Agents:

TSR Darashaw Consultants Private Ltd.
(Formerly known as TSR Darashaw Limited)
6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
Tel. No.: +91 22 66568484, Fax No.: +91 22 66568494
E-mail: csg-unit@tsrdarashaw.com

(j) Share Transfer System:

In terms of the Circular bearing Ref. No. SEBI/LAD-NRO/GN/2018/24 dated 8th June, 2018 and further amendment vide Circular bearing Ref. No. SEBI/LAD-NRO/GN/2018/49 dated 30th November, 2018, both issued by Securities and Exchange Board of India, with effect from 1st April, 2019, the requests for effecting transfer of securities held in physical form (except in case of transmission or transposition of securities) are not to be processed. 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, 2020:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	47,146	88.18	41,00,067	0.76
501 to 1000	2,074	3.88	16,35,439	0.30
1001 to 2000	1,296	2.42	20,10,600	0.37
2001 to 3000	517	0.97	13,23,192	0.25
3001 to 4000	409	0.77	14,41,226	0.27
4001 to 5000	267	0.50	12,48,136	0.23
5001 to 10000	704	1.32	53,05,996	0.98
10001 and above	1,051	1.96	52,18,55,064	96.84
Grand Total	**53,464**	**100.00**	**53,89,19,720**	**100.00**

Geographical Distribution of Shareholders as on 31st March, 2020

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Promoter - Kansai Paint Co. Ltd., Japan	1	0.01	40,41,35,898	74.99
FII, NRI, OCB, FPI - Corp.	2,680	5.01	2,30,70,795	4.28
IN INDIA				
Mumbai	14,908	27.88	8,86,51,003	16.45
New Delhi	2,671	5.00	52,33,351	0.97
Ahmedabad	1,902	3.56	16,59,663	0.31
Bangalore	2,846	5.32	19,35,641	0.36
Pune	3,232	6.04	20,48,960	0.38
Kolkata	1,861	3.48	30,63,744	0.57
Chennai	1,937	3.62	6,90,092	0.13
Hyderabad	1,320	2.47	7,27,166	0.13
Surat	533	1.00	3,48,183	0.07
Vadodara	693	1.29	3,44,915	0.06
Jaipur	437	0.82	3,43,025	0.06
Others	18,443	34.50	66,67,284	1.24
TOTAL	**53,464**	**100.00**	**53,89,19,720**	**100.00**

Categories of Shareholders as on 31st March, 2020

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	4,20,78,536	7.81
b.	Banks, Financial Institutions, Insurance Companies, Alternate Investment Funds (Central/ State Govt. Institutions/ Non-Government Institutions)	2,26,47,725	4.20
c.	Others (Foreign Portfolio Corp. and Foreign Institutional Investors)	2,11,89,815	3.93
	Sub-Total (i)	**8,59,16,076**	**15.94**
4.	Others		
	Private Corporate Bodies	48,53,419	0.90
	Indian Public	4,12,97,386	7.66
	NBFCs	13,900	0.00
	NRIs/OCBs	18,80,980	0.35
	Any Other (Trusts)	3,04,323	0.06
	Unclaimed Suspense Account	1,30,720	0.02
	IEPF	3,87,018	0.07
	Sub-Total (ii)	**4,88,67,746**	**9.07**
	Sub-Total (B) = (i) + (ii)	**13,47,83,822**	**25.01**
	Grand Total	**53,89,19,720**	**100.00**

(l) Dematerialisation of Shareholding and Liquidity: As at 31st March, 2020, 99.51% of the paid-up share capital of the Company had been dematerialized. Particulars of trading on the Company's shares for the financial year 2019-20:

Stock Exchange	No. of Trades	No. of Shares
BSE	1,64,210	36,18,134
NSE	17,75,997	5,75,70,358

The particulars of holding of the Promoter as against Non-Promoter holding in the Company is given in Point no. 11(k) hereinabove.

(m) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments: The Company has not issued any GDRs/ ADRs/ Warrants or any Convertible Instruments.

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

With reference to Circular bearing Ref. No. SEBI/HO/CFD/CMD1/CIR/P/2018/ 0000000141 dated 15th November, 2018 issued by Securities and Exchange Board of India, on disclosures regarding commodity risks by listed entities, the Company is actively working on mitigating commodity risks and foreign exchange risks.

Commodity Risk

There are several raw materials which are driven by price movements of crude oil and its derivatives. These are monitored on regular basis using pricing trends and forecast from internationally reputed news agencies. The Company has not hedged commodities on the exchange, however appropriate coverage is taken on rising trends and inventory is cut in declining trends. In cases where, co-relation exists, cost sheet is monitored to calculate delta changes and accordingly purchase prices are decided. For metal related buying, price indices such as London Metal Exchange (LME) are used to check on trends. Additionally, data from available sources is tracked to compare average import prices and buying prices. Accordingly, appropriate actions are taken to minimise commodity risks.

Foreign Exchange Risk

To control and minimise exchange risk, the Company has documented Forex Policy according to which currency forecast is received from various banks on regular basis. Additionally regular discussions are also done with banks to understand the forex trend. Critical events such as rate changes by US Fed, RBI is closely monitored. Coverage of currency – approximately 80% payments are in USD and approximately 15% in Yen. We try and cover forward exposure to an extent depending upon movement of currencies and forward premium. Also, option strategies are evaluated depending on market situation. Please refer to Note no. 38(B) of Notes to the Standalone Financial Statements towards exposure to currency risk.

(o) Plant Locations:

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

1. Lote Parshuram, Ratnagiri, Maharashtra
2. Jainpur, Kanpur Dehat, U.P.
3. Bawal, Haryana
4. Hosur, Tamil Nadu
5. Sayakha, Gujarat
6. Goindwal Sahib, Punjab.

(p) Address for correspondence:

TSR Darashaw Consultants Private Ltd.
(Formerly known as TSR Darashaw Limited)
6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
Tel. No.: +91 22 66568484, Fax No.: +91 22 66568494
Email: csg-unit@tsrdarashaw.com

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

Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013, Maharashtra.
Tel. No.: +91 22 24992796, 24992807

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

(q) List of all credit ratings obtained by the Company :

Sr. No.	Particulars	Amount (₹ in Crores)	Rating Agency	Rating
1	Cash Credit *	160	CRISIL	Long Term Rating – CRISIL AAA / Stable
2	Commercial Paper	30	CRISIL	CRISIL A1+
3	Non-Convertible Debentures	10	CRISIL	CRISIL AAA / Stable

* Interchangeable with buyer's credit, working capital loan, letter of credit, and bank guarantee.

12. Disclosures:

(a) Related Party Transactions:

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

Related party transactions have been disclosed in Note no. 34 to the Standalone Financial Statements.

The Company has in place a Policy on dealing with Related Party Transactions and on Materiality of Related Party Transactions, which is available on the website of the Company at https://nerolac.com/financial/policies.html. In terms of the same, a statement in summary form of transactions with related parties in the ordinary course of business and arm's length basis, is periodically placed before the Audit Committee for its review. Omnibus approval was obtained for transactions which were repetitive in nature. Transactions entered into pursuant to omnibus approval were placed before the Audit Committee for its review during the year.

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

(c) Vigil mechanism and Whistle Blower Policy:

The Company has a Whistle blower Policy in place, which is available on the website of the Company at https://nerolac.com/financial/policies.html. The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also directly meet the Managing Director and express their grievances/ concerns. There are safeguards to ensure that all employee concerns receive due consideration. Further, the internal auditors of the Company, who are stationed at the Head Office of the Company as the Company has provided them with a separate office, have been provided with a separate e-mail address. Any employee of the organization can contact the auditor on the mail or personally.

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

No personnel have been denied access to the Audit Committee.

(d) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements alongwith the details of any non-compliance of any requirement of the corporate governance report, pertaining to Point Nos. (2) to (10) of Schedule V(C) of the SEBI Listing Regulations:

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. There is no non-compliance of any requirement of the Corporate Governance Report and necessary details as required vide Schedule V(C) of the SEBI Listing Regulations have been provided herein. Further, necessary disclosures with respect to the compliance with Corporate Governance requirements specified in Regulation 17 to 27 of the SEBI Listing Regulations, have been made in this Corporate Governance report. Necessary details as required in terms of clauses (b) to (i) of Regulation 46(2) of the SEBI Listing Regulations are available on the website of the Company i.e. www.nerolac.com.

The discretionary requirements as stipulated in Part E of Schedule II of the SEBI Listing Regulations, have been adopted to the extent and in the manner as stated under the appropriate headings in this Report.

(e) Material Subsidiaries:

The Company does not have a material subsidiary as defined under Regulation 16(1)(c) of the SEBI Listing Regulations. The Policy for determining material subsidiaries is available on the website of the Company at https://nerolac.com/financial/policies.html

(f) Disclosure of commodity price risks and commodity hedging activities: This has been discussed under Point No. 11 (n) of this Report.

(g) Details of utilization of funds raised through Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32(7A) of SEBI Listing Regulations:

There was no Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32(7A) of SEBI Listing Regulations.

(h) A Certificate has been received from JHR & Associates, Practicing Company Secretaries that none of the Directors on the Board of Directors of the Company has 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.

(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 2019-20:

There was no instance during the financial year 2019-20, where the Board of Directors did not accept the recommendation of any Committee of the Board which it was mandatorily required to accept.

(j) Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the Statutory Auditor and all entities in the network firm/network entity of which the Statutory Auditor is a part:

Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to S R B C & CO LLP (Statutory Auditor of the Company) and other firms in the network entity of which the Statutory Auditor is a part, as included in the consolidated financial statements of the Company for the year ended 31st March, 2020, are 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)	0.67
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	**0.67**

Other than that, statutory auditors of the Company have not provided any service to the Company or its subsidiaries.

(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 2019-20: Nil

b. Number of complaints disposed of during the financial year 2019-20: Nil

c. Number of complaints pending as on end of the financial year 2019-20: Nil

13. CEO/CFO Certification:

A certificate from the CEO and CFO as specified in Part B of Schedule II in terms of Regulation 17(8) of the SEBI Listing Regulations, was placed before the meeting of the Board of Directors held on 6th May, 2020 to approve the Audited Financial Results and Audited Financial Statements of the Company for the financial year ended 31st March, 2020.

14. Compliance certificate obtained from S R B C & CO LLP, Statutory Auditors of the Company, regarding compliance of conditions of Corporate Governance, is annexed to this report.

15. Unclaimed Dividend:

Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividend upto 56th Dividend for the year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Also, pursuant to Section 205A read with 205C of the Companies Act, 1956 as replaced by Section 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), as amended, all unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2012 have been transferred to the Investor Education and Protection Fund ("IEPF").

Shareholders who have not encashed their dividend warrants for the aforesaid period are requested to claim the amount from the Investor Education and Protection Fund Authority, by submitting an online application in Form IEPF-5 available on www.iepf.gov.in alongwith the specified fees.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for 7 (seven) years are to be transferred to the IEPF. Further, pursuant to Section 124 of the Companies Act, 2013 read with IEPF Rules, as amended, the shares, in respect of which dividend is not claimed for 7 (seven) consecutive years, are required to be transferred by the Company in the name of IEPF. Any claimant of such transferred shares would be entitled to claim the transfer of shares from IEPF in accordance with the procedure as laid down in the aforesaid Rules.

Shareholders are requested to visit the website of the Company at https://www.nerolac.com/financial/shareholders.html for details of amounts lying in the unclaimed dividend accounts of the Company, unclaimed dividend for 2011-12 transferred to the IEPF, the shares transferred to IEPF and the shares due to be transferred to IEPF.

Disclosure with respect to demat suspense account/ unclaimed suspense account :

	Particulars	No. of Shareholders	No. of Equity Shares
a)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2019	49	1,90,500 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	4	22,780 Equity Shares of ₹ 1 each
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	4	22,780 Equity Shares of ₹ 1 each
d)	Number of shareholders whose unclaimed dividends were transferred to the IEPF account in terms of Ministry of Corporate Affairs General Circular No. 12/2017 dated 16th October, 2017	5	37,000 Equity Shares of ₹ 1 each
e)	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2020	40	1,30,720 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, 6th May, 2020

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, 2020.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Vice Chairman and Managing Director

Mumbai, 6th May, 2020

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) 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, 2020 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 the Institute of Chartered Accountants of India.

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, 2020 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, 2019 to March 31, 2020:

      (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.

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, 2020, 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: 20110759AAAABN5285

Place of Signature: Mumbai
Date: 6th May, 2020

Business Responsibility Report

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

SECTION A: General Information about the Company

1. **Corporate Identity Number (CIN) of the Company:** L24202MH1920PLC000825
2. **Name of the Company:** Kansai Nerolac Paints Limited
3. **Registered Address:** Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013
4. **Website:** www.nerolac.com
5. **Email ID:** investor@nerolac.com
6. **Financial Year reported:** 1st April, 2019 to 31st March, 2020
7. **Sector(s) that the Company is engaged in (industrial activity codewise):**

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 RAK Paints Limited In Bangladesh.
   (b) Number of National Locations:
   - Manufacturing Facilities: 6
   - R&D Centre: 1
   - Depot/Sales Locations: 104
   - Distribution Centres: 3
   - Offices: 6
10. **Markets served by the Company:** National and International

SECTION B: Financial Details of the Company

1. Paid-up Capital: ₹ 53.89 Crores
2. Total Turnover (Gross): ₹ 5487.43 Crores
3. Total Profit after Taxes: ₹ 535.40 Crores
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%): 3.16%
5. List of Activities in which expenditure in 4 as above has been incurred:
   (a) Livelihood & Skill Enhancement Programmes
   (b) Preventive Health Care & Sanitation
   (c) Rural/Community Development
   (d) Promoting Education
   (e) Ensuring Environmental Sustainability
   (f) Restoration of Buildings and Sites of Historical Importance

SECTION C: Other Details

During FY 2019-20, the Company, Kansai Nerolac Paints Ltd. (KNPL), had six subsidiaries. KNPL encourages its subsidiary companies to adopt its policies and practices.

SECTION D: Business Responsibility (BR) Information

1. **Details of Director responsible for BR**

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

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

   (b) Details of the BR head:

No.	Particulars	Details
1	DIN Number (if applicable)	08245450
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

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

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

	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
		Policies have been formulated taking into consideration the laws of the land, environmental and safety norms. The policies are based on and are in compliance with the applicable regulatory requirements.								
4	Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		Policies are prepared and discussed with management committee and signed by authorised signatory for that policy area								
5	Does the Company have a specific committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online	https://www.nerolac.com/financial/policies.html#scroll								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

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

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

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the principles	—	—	—	—	—	—	—	—	—
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	—	—	—	—	—	—	—	—	—

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
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 BR performance of the Company on a periodic basis.

(b) The Company publishes the information on BR, which forms part of the Annual Report of the Company.

(c) 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. In FY 2019-20, the Company is reporting 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 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

A Board-approved policy provides the framework for the KNPL Corporate Governance philosophy, which covers Directors, Senior Management and all employees. It addresses conflict of interest; corporate opportunities; confidentiality; compliance with laws, rules & regulations; protection and proper use of Company assets; fair dealing; and ethical business practices. It encourages reporting of any illegal or unethical behaviour, amongst others. The provisions of the same are available on the Company website.

KNPL's Whistle Blower Policy encourages employees to bring to the Ethics Committee's notice any instances of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The provisions of the same are available on the Company website.

The Code of Conduct policy extends to the Company's subsidiaries. The policy coverage on acts such as deception, bribery, forgery, extortion, corruption is applicable to any irregularity involving employees in their dealings with any external entities. Suppliers are also sensitised about the Company's code of conduct.

It is the Company's policy to provide full, fair, accurate and timely disclosures to the statutory authorities and stock exchanges where the Company is listed. The Company is conscious of price-sensitive information in accordance with SEBI (Prohibition of Insider Trading) Regulations 2015.

How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the Management? If so, provide details thereof, in about 50 words or so.

KNPL has institutionalised various mechanisms for receiving and resolving complaints from its stakeholders. There are dedicated resources to respond to the complaints in a time-bound manner.

During FY 2019-20, KNPL received 2 shareholder complaints and 5 whistle blower complaints. All of Shareholders complaints were answered and resolved satisfactorily. 4 whistle blower complaints have been resolved and 1 is under investigation.

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

List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

KNPL endeavours to embed the principles of sustainability, as far as practicable, into the various stages of its product or service life cycle, including procurement of raw material/service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers.

The Company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. The Company has been taking all possible measures to reduce Volatile Organic Compounds (VOCs). The Company's range of Decorative Products are Heavy Metal Free by design, with low VOC. In Industrial Products, KNPL has focussed on introduction or extension of technology products that enable VOC reduction, energy saving and process time reduction. The Company continues to conduct research and introduce sustainable products and solutions for its customers.

Some of its latest offerings in FY 2019-20 are:

High Solid & Chemical Resistant 2k Polyurethane Monocoat Technology for Tractor Sheet Metal: This is a low bake product which replaced the existing high bake product on tractor sheet metal. The baking temperature in this is lower by 60°C (reduced from 140°C to 80°C). Due to reduction in baking temperature, significant energy conservation is achieved, along with reduction in the carbon footprint. This newly developed High Solid product helps to improve durability and chemical resistance. It helps in substantial energy saving at customer end and also gives improvement in productivity due to high solid

Water Base Black Coating for Engines: As part of its green initiative, KNPL has developed water base coating for painting of commercial vehicle engine. The product - Nerolac Water Based AQUA Black - has been introduced with Low VOC. The speciality of the product is it enables achievement of the performance requirement in single coat with lower baking condition of 60°C/20 minutes, which helps in reduction of energy.

Matt Coating System for Helmets: KNPL has developed a Matt Coating System for Helmets application, which can be cured by Ultra Violet curable energy in a fraction of the time taken by conventional products which required baking at 80°C for 30 Min. This helps save energy, leading to reduction in carbon footprint. It has an excellent mar resistance.

Heat Resistance Powder Coating: Conventionally, the 2-Wheeler industry uses solvent-based heat resistance paint for engine blocks and crank case covers. KNPL however, has developed a new product in powder coating which fulfils the requirement of the industry, while providing VOC reduction as well as reduction of paint wastage during application. Being a solvent free coating thus contributing towards a clean environment.

For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain

KNPL as part of its Sustainability Agenda continues to make progress on measurement of carbon footprint index (Kg of CO_2 equivalent per Tonne of finished product). Steps to reduce Carbon footprint index are initiated, wherever possible, by pursuing energy efficiency in operations and adoption of renewable energy.

Products are designed without Persistent Organic Pollutants (POPs), which are synthetic organic chemicals which are persistent in environment, accumulate in 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. In addition, common infrastructure is used for production and distribution of different paints. So, there is practical difficulty in isolating data on resource utilisation for above mentioned products.

Through a combination of 100 plus depots and Information Technology systems, KNPL has ensured that kilometres travelled by the finished goods are minimised. The Company has also taken various measures to ensure that spillages and damages incurred during transportation are minimised. At the plants, various initiatives are undertaken in a systemic manner to reduce wastages like residual raw materials in bags and barrels, solvent used for cleaning amongst others.

(b) *Reduction during usage by consumers (energy, water) that has been achieved since the previous year*

Actual change in usage by consumers/customer varies, depending on area of application, method of application, type of line, operating conditions and a host of other variables.

It is estimated that in heat resistant powder coating, there is improvement in transfer efficiency by 40 to 50% as compared to earlier technology, thus reducing power consumption and wastage at customer line by similar amount.

In High Solid & Chemical Resistant 2k PU Monocoat Technology for Tractor Sheet Metal, Matt Coating System for Helmet and Water Base Black Coating for Engines, lower baking temperature is needed as compared to previous year products; thus resulting in 20% energy saving at the customer end.

Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

KNPL encourages suppliers to adhere to green procurement guidelines. More than 50% of sourcing is done from manufacturers having a formal sustainability programme.

KNPL uses raw materials which are heavy metal-free by design (Decorative – 100%, Automotive – 95%, Powder Coating – 97%, Performance Coating – 70%). KNPL encourages suppliers to provide raw material and transportation and storage solutions, which reduce emissions or energy consumption either directly or indirectly. Wherever possible, bulk liquids are transported in tankers instead of using barrels, thereby reducing barrel waste generation. Most of the packing material used is sourced from suppliers within 10 kilometres radius of production sites to minimise transportation.

Has the Company taken any steps to procure goods and services from local & 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?

Majority of packing material used is sourced from local and/or small suppliers within 10 kilometres radius of production sites. KNPL actively encourages and works with local and small producers to improve their capability and capacity through quality programmes, suggestions, price competitiveness feedback, vendor ratings, and audit at supplier factories by purchase, as well as interactions with senior management.

Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.

KNPL has a robust mechanism in place to ensure that products and waste are efficiently recycled. KNPL has zero liquid discharge at six of its facilities. For all new project expansions, zero effluent discharge facility is part of the plant design. A standard process to recycle products is followed across all the plants, wherein the technical team advises for recycling of the product based on the chemical composition. Tracking mechanism is put in place for batch-wise tracking of recycling of the products.

Along with recycling of products, KNPL also ensures that all waste is recycled and reused in the plants. A Solvent Recovery Unit (SRU) is installed in each plant for distillation of solvent. SRU removes sludge present in the used solvent, thus making it reusable. Recycling of products and waste is tracked.

Percentage of recycling of products: >10%

Percentage of waste recycled: >10%

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

Please indicate the total number of employees.

KNPL views employees as a key stakeholder. Their well-being is a core component of the Company's philosophy and the same is reflected in the approach towards health and safety of employees at the workplace. The Company has 2,992 permanent employees as on 31st March 2020.

KNPL focusses on creating a stimulating work environment, supported by a caring and compassionate work ethos to enable employees to thrive and deliver winning performance. Multiple processes and systems have been designed and implemented in order to simplify the jobs of employees and create an atmosphere of "trust, confidence and transparency".

The Company provides welfare facilities like subsidised food, bus service, medical check-up, amongst others, for its workmen. The Company also provides mediclaim facility to employees.

At manufacturing locations, programmes like investment opportunities, career options, health & hygiene practices etc. are held for employees and their family members. Industry experts are also invited to share their knowledge and experience for the benefit of the employees.

Further details on initiatives of FY 2019-20 have been given in Human Capital and Management Discussion and Analysis (People section).

Please indicate the Total number of employees hired on temporary/contractual/casual basis:

Total number of employees hired on temporary/contractual/casual basis: 2,905

Please indicate the Number of permanent women employees:

The number of permanent women employees: 48

Please indicate the Number of permanent employees with disabilities:

KNPL follows a policy of equal opportunity to everyone and does not discriminate between any individual, and evaluates strictly on merit to decide suitability for the job. KNPL does not formally track the number of disabled employees.

Do you have an employee association that is recognised by the management?
KNPL has Operators' Trade Unions in each of its plant locations. The management discusses and settles the issues pertaining to the wages and service conditions with these Unions.

What percentage of your permanent employees are members of this recognised employee association?
KNPL's trade unions represent 100% of its workers, which is about 23% of the permanent employees of the Company.

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.	Category	No. of complaints filed during FY 2019-20	No. of complaints pending as on end of FY 2019-20
1	Child labour/forced labour/involuntary labour	0	0
2	Sexual harassment	0	0
3	Discriminatory employment	0	0

What percentage of your under-mentioned employees were given safety & skill upgradation training in the last year?

(a) Permanent Employees

(b) Permanent Women Employees

(c) Casual/Temporary/Contractual Employees

(d) Employees with Disabilities

Skill Development	Percentage (%)
Permanent	79
Permanent Women Employees	83
Casual/Temporary/Contractual Employees	57

Safety Training	Percentage (%)
Permanent	87
Permanent Women Employees	82
Casual/Temporary/Contractual Employees	76

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

Has the Company mapped its internal and external stakeholders? Yes/No

The Company has mapped its internal and external stakeholders and believes that an effective stakeholder engagement process is necessary for achieving its sustainability goal of inclusive growth.

Internal stakeholders:

- Business Partner (Kansai Paints Co. Ltd., Japan)
- Shareholders and investors
- Employees

External stakeholders:

- Customers
- Suppliers
- Community

Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders? Local communities are considered as those who are vulnerable.

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders, across businesses and units, in a continuous, consistent and systematic manner. The Company has various initiatives in place for covering 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 also conducts training programmes for people engaged in the painting profession to enhance their skills and capability.

Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

KNPL's CSR programme covers the vulnerable sections of society as part of the overall scope.

Principle 5: Businesses should respect and promote human rights

Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

KNPL has Policies on Human Rights which are applicable to all its employees and value chains. The said policies and their implementation are directed towards adherence to applicable laws and upholding the spirit of human rights. The Company also actively tracks contractor obligations to ensure necessary payments to contract employees.

The Company encourages practice of the principles of human rights, such as collective bargaining, non-discrimination, gender equality, appropriate conduct as outlined in the Code of Conduct, occupational safety, employee health and well-being and respect for environment.

The Company provides various mechanisms to ensure that an employee's voice is heard through the grievance redressal mechanism, as well as emails and direct interaction with employees through forums like open house and workshops. These policies cover KNPL and its subsidiaries.

How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

The Company did not receive any stakeholder complaint regarding human rights during the reporting period.

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

Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?

KNPL has a well-defined sustainability programme and has been disclosing various initiatives under the same in accordance with the GRI guidelines for the last 8 years in its Sustainability Report, which is available on the website. This year it is covered in the Natural Capital part of the Annual Report.

KNPL continuously upgrades its customers on new technology products which are environment-friendly. KNPL conducts various VAVE (Value Analysis / Value Engineering) activities for its Automotive Customers to explore projects jointly, for reducing energy needs. KNPL's plants are ISO 14001 certified.

Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

In pursuit of its Occupational Safety and Health Policy commitments, the Company has established management systems, certified by accredited agencies in line with international standards. Over the years, KNPL has taken various measures towards improving the carbon and water footprint through optimal utilisation of natural resources. There are defined processes and systems in order to identify, quantify and reduce the impacts on the environment, including the carbon, water, energy and waste footprint. Information on detailed initiatives can also be accessed at https://nerolac.com/corporate-sustainability/environmental-performance.html

Does the Company identify and assess potential environmental risks? Y/N

The Company has a formal mechanism to identify and assess potential environmental risks. The Company has taken multiple initiatives to mitigate those risks, details of which are covered in the Natural Capital section of this Annual Report.

Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

The Company has undertaken varied emission reduction initiatives to minimise its carbon footprint. Currently, no project is registered under the Clean Development Mechanism. However, detailed information on Greenhouse gas emissions and emission reduction is covered in the Natural Capital section of this Annual Report.

Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.

The Company has increased its renewable energy portfolio. Installation of LED (light-emitting diode) lights, reduction of carbon footprint, reduction and reuse of waste generated, zero discharge at plants, rainwater harvesting and use of natural sunlight are amongst the various initiatives undertaken by the Company. Information on detailed initiatives is covered in Natural Capital section of this Annual Report.

Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The Emissions/Waste generated by the Company are within the permissible limits given by CPCB/SPCB for FY 2019-20. These are being monitored continuously through online monitoring systems installed at all the manufacturing sites of KNPL.

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.

None.

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

Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.

The Company engages with the public and regulatory bodies in a responsible manner. It participates in the same on a need basis. The Company is a member of the following trade associations:

- Employers Federation of India
- Bombay Management Association
- Indian Chemical Council
- Indian Paint Association
- Bombay Chamber of Commerce
- Maharashtra Economic Development Council
- National Safety Council
- Confederation of Indian Industries
- The Colour Society

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)

The Company participates in various programmes of these associations and supports them with appropriate inputs in Governance and Administration, Economic Reforms, Standards amongst others.

Principle 8 : Businesses should support inclusive growth and equitable development

Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.

The Company has specific programmes to support inclusive growth and equitable development. Driven by its Corporate Social Responsibility policy, the Company engages in various activities which support inclusive growth and development of all. The broad areas of work are Livelihood and Skill Development, Preventive Health Care and Sanitation, Promoting Education, Rural and Community Development.

Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organisation?

The projects are undertaken through a combination of all.

Have you done any impact assessment of your initiative?

The Company carries out assessment before starting the initiative and constantly monitors at various stages.

What is your Company's direct contribution to community development projects? Amount in ₹ and the details of the projects undertaken.

An amount of ₹ 16.91 Crores was spent towards various CSR projects during FY 2019-20.

Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words.

KNPL ensures all community development initiatives make an impactful and effective contribution to society at large, with involvement and engagement of its employees, along with partnerships with local and government bodies. The details of the CSR initiatives undertaken by the Company are set out in Annexure 1 to the Board's Report.

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

What percentage of customer complaints/consumer cases are pending as at the end of the Financial Year?

The Company's uncompromising commitment to providing world-class products and services to customers is supported by its concern for the safety of its customers/consumers. The technical and production teams work together to ensure that a customer's concern is successfully resolved. If needed, teams from Kansai Paint Co., Ltd., Japan are also involved.

KNPL provides technical sales service personnel who are stationed at the customer lines for Automotive and certain Industrial Original Equipment Manufacturers (OEM) customers, to ensure that the product provided by the Company runs smoothly on the line. These personnel are available to support the customer lines round the clock and provide various value analysis and value engineering activities to customers.

The Company's R&D team works with OEM customers to develop long-term product roadmaps. Various colour presentations and trainings are provided to OEM customers as needed. The Company also seeks to align the supply chain with some of its large customers to ensure minimal inventory at customer end. KNPL also allows its OEM customers to audit its manufacturing facilities.

All customer product complaints are recognised and recorded in the ERP system, coming directly from OEM or given to KNPL via dealers or the sales team. Each complaint has a unique reference number. They are then tracked to closure at the customer end by the Quality Assurance function as per internal laid down timeline norms. Most products are batch managed and the Company conducts root cause analysis to ascertain the issue with the product when needed.

KNPL extends this rigour of monitoring and control of quality to its suppliers as well.

The Company has set up a dedicated consumer helpline, 1800-209-2092, for consumers to record their issues. In addition, dealers can call up KNPL and record any grievance they may have regarding the Company. These are then tracked to successful resolution.

There are 8 consumer-related legal cases pending at the end of the Financial Year.

Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/ N.A./Remarks (additional information)

The products of KNPL display all information which is mandated by law, including the directions for use. Product information is available in the Product Data sheet that is available with the dealers of the Company and on the website of the Company.

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 as at the end of FY 2019-20.

Did your Company carry out any consumer survey/consumer satisfaction trends?

KNPL regularly engages with customers to get their feedback on products and gauge their satisfaction level. Engagement mechanisms include brand track, customer meets, customer satisfaction feedback and surveys, customer and product trainings at customer end. For Automotive OEM, detailed customer surveys are carried out. Based on the feedback received, KNPL undertakes and tracks various initiatives to ensure that the overall satisfaction level of the customer is improved.

For and on behalf of the Board

H. M. Bharuka
Vice Chairman and Managing Director

Mumbai, 6th May, 2020

Independent Auditor's Report

To the Members of Kansai Nerolac Paints Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, 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 Ind AS 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 Ind AS 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, 2020, 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition on sale of goods and Impairment loss allowance on trade receivables (as described in Note 25 and 38(B)(ii) respectively of the standalone Ind AS financial statements)</td></tr>
<tr><td>Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives and returns, if any, ('variable consideration') as specified in the contracts with the customers.

An estimate of variable consideration payable to the customers is recorded as at the year-end. Such estimation is done based on the terms of contracts, rebates and discounts schemes and historical experience.</td><td>Our audit procedures included, amongst others:
• We read and evaluated the Company's policies for revenue recognition and impairment loss allowance and assessed its compliance with Ind AS 115 'Revenue from contracts with customers' and Ind AS 109 'Financial Instruments' respectively;
• We assessed the design and tested the operating effectiveness of internal controls related to sales including variable consideration and impairment loss allowance on trade receivables;</td></tr>
</table>

Independent Auditor’s Report (Continued)

Key audit matters	How our audit addressed the key audit matter
In accordance with Ind AS 109 – Financial Instruments, the Company follows ‘simplified approach’ for recognition of impairment loss allowance on trade receivables. In calculating the impairment loss allowance, the Company has considered its credit assessment and other related credit information for its customers to estimate the probability of default in future and has considered estimates of possible effect from increased uncertainties in economic environment. We identified estimation of variable consideration and impairment loss allowance on trade receivables as a key audit matter because the Company’s management exercises significant judgments and estimates in calculating the said variable consideration and impairment loss allowance.	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. • Evaluated the assumptions used in estimation of variable consideration by comparing with the budgets, past trends and understand the reasons for deviation. • Performed retrospective review to identify and evaluate variances. We evaluated management’s assessment of the assumptions used in the calculation of impairment loss allowance on trade receivables, including consideration of the current and estimated future uncertain economic conditions; For sample customers, we tested past collection history, customer’s credit assessment and probability of default assessment performed by the management; We tested the mathematical accuracy and computation of the allowances; We read and assessed the relevant disclosures made within the standalone Ind AS financial statements.
Assessment of impairment of investments in subsidiaries (as described in note 5 of the standalone Ind AS 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 Ind AS 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 Ind AS financial statements and our auditor’s report thereon.

Our opinion on the standalone Ind AS 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 Ind AS 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.

Independent Auditor's Report (Continued)

Responsibilities of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 Ind AS 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 Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS 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 Ind AS 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 system 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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 Ind AS financial statements for the financial year ended March 31, 2020 and

Independent Auditor's Report (Continued)

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

The Ind AS financial statements of the Company for the year ended March 31, 2019, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 02, 2019.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid standalone Ind AS 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 over financial reporting of the Company with reference to these standalone Ind AS 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, 2020 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 Ind AS financial statements – Refer Note 32 to the standalone Ind AS financial statements;
      (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
      (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 20110759AAAABL9359

Place of Signature: Mumbai
Date: 06 May 2020

Annexure 1 Independent Auditor's Report

Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date on the standalone Ind AS financial statements of Kansai Nerolac Paints Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us and based on the audit procedures conducted by us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to guarantees provided and investments made by the Company. The Company has not granted loans nor provided any security during the year to the parties covered under Sections 185 and 186 of the Act. Accordingly, compliance under Section 185 and 186 of the Act in respect of granting of loans and providing securities is not applicable to the Company.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company and hence not commented upon.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to manufacture of paints, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vi) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess not deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount unpaid* (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Tax, Penalty and Interest	0.19	2000-01	Commissioner (Appeals)
Sales Tax and Value Added Tax Act	Tax, Penalty and Interest	6.81	1980-81, 1991-92, 2007-08 to 2012-13, 2014-15	Assistant Commissioner
		34.03	1991-92, 1995-96, 2001-02, 2004-05 to 2006-07, 2009-10 to 2015-16	Deputy Commissioner
		1.50	1996-97, 2004-05, 2008-09, 2009-10, 2011-12	Additional Commissioner
		6.86	2001-02, 2003-04, 2005-06, 2012-13	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	7.75	2009-10, 2012-13 to 2015-16	CESTAT
		1.03	2015-16, 2016-17	Commissioner (Appeals)

* Net of amount paid under protest

Annexure 1 Independent Auditor’s Report (Continued)

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to government. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid/ provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Accordingly, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given to us by the management, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of clause 3(xiv) are not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 20110759AAAABL9359

Place of Signature: Mumbai
Date: 06 May 2020

Annexure 2 Independent Auditor's Report

Annexure 2 to the Independent Auditor's Report of even date on the standalone Ind AS 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 over financial reporting of Kansai Nerolac Paints Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 over financial reporting with reference to these standalone Ind AS 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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS 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 Over Financial Reporting with Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at March 31, 2020, 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.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Anil Jobanputra**
Partner
Membership Number: 110759
UDIN: 20110759AAAABL9359

Place of Signature: Mumbai
Date: 06 May 2020

Standalone Balance Sheet as at 31st March 2020

₹ in Crores

	Note	As at 31st March, 2020		As at 31st March, 2019	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1594.61**		1312.19	
Capital Work-in-progress		**164.43**		314.69	
Right of Use Assets (ROU)	2A	**111.06**		—	
Investment Property	3	**0.18**		0.18	
Other Intangible Assets	4	**2.79**		3.54	
			1873.07		1630.60
Financial Assets:					
Investments	5	**149.92**		108.93	
Loans	6	**14.88**		13.27	
			164.80		122.20
Non-current Tax Assets (Net)			**145.33**		155.68
Other Non-current Assets	7		**145.87**		235.27
Total Non-current Assets			**2329.07**		2143.75
Current Assets					
Inventories	8		**930.14**		1052.77
Financial Assets:					
Investments	9	**305.10**		195.56	
Trade Receivables	10	**674.50**		674.02	
Cash and Cash Equivalents	11	**163.61**		78.88	
Bank Balances other than Cash and Cash Equivalents	12	**2.67**		2.49	
Loans	13	**4.30**		4.58	
Other Financial Assets	14	**6.09**		7.13	
			1156.27		962.66
Other Current Assets	15		**176.96**		146.74
Total Current Assets			**2263.37**		2162.17
Total Assets			**4592.44**		4305.92
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**3732.98**		3370.58	
Total Equity			**3786.87**		3424.47
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**—**		3.40	
Lease Liabilities	42	**49.04**		—	
Deferred Tax Liabilities (Net)	19	**84.97**		105.10	
Total Non-current Liabilities			**134.01**		108.50
Current Liabilities					
Financial Liabilities:					
Lease Liabilities	42	**10.97**		—	
Trade Payables	20				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**32.51**		17.83	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**487.00**		614.03	
		519.51		631.86	
Other Financial Liabilities	21	**99.10**		103.50	
		629.58		735.36	
Other Current Liabilities	22	**23.02**		19.87	
Provisions	23	**15.65**		14.41	
Current Tax Liabilities (Net)	24	**3.31**		3.31	
Total Current Liabilities			**671.56**		772.95
Total Liabilities			**805.57**		881.45
Total Equity and Liabilities			**4592.44**		4305.92
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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Standalone Statement of Profit and Loss for the year ended 31st March 2020

₹ in Crores

	Note	Year ended 31st March, 2020		Year ended 31st March, 2019	
Income					
Revenue from Operations	25		**4943.17**		5173.62
Other Income	26		**26.86**		61.88
Total Income			**4970.03**		5235.50
Expenses					
Cost of Materials Consumed	27	**2722.18**		3241.77	
Purchases of Stock-in-trade		**284.23**		258.74	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	28	**51.21**		(197.98)	
Employee Benefits Expense	29	**269.38**		255.38	
Finance Cost	42	**5.00**		—	
Depreciation and Amortisation Expenses	30	**119.88**		90.47	
Other Expenses	31	**834.55**		873.71	
Total Expenses			**4286.43**		4522.09
Profit Before Tax			**683.60**		713.41
Tax Expense					
Current Tax	19	**166.33**		221.87	
Deferred Tax	19	**(18.13)**		24.19	
Total Tax Expense			**148.20**		246.06
Profit for the Year			**535.40**		467.35
Other Comprehensive Income					
(i) Items that will not be reclassified to Standalone Statement of Proflt and Loss					
(a) Remeasurement of Defined Benefit Liability		**(1.37)**		1.41	
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		**0.35**		(0.49)	
Total Other Comprehensive Income (net of taxes)			**(1.02)**		0.92
Total Comprehensive Income for the Year			**534.38**		468.27
Earnings per Equity Share (Face Value of ₹ 1 each):					
Basic and Diluted (in ₹)	33		**9.94**		8.67
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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Standalone Statement of Changes in Equity

for the year ended 31st March, 2020

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2018	**53.89**
Changes in Equity Share Capital during 2018-2019	—
Balance as at the 31st March, 2019	**53.89**
Changes in Equity Share Capital during 2019-2020	—
Balance as at the 31st March, 2020	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2019	**0.30**	**12.56**	**487.67**	**2870.05**	**3370.58**
Impact on account of adoption of Ind AS 116 (Refer note 42)	—	—	—	(4.71)	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer note 42)	—	—	—	1.65	1.65
Profit for the Period	—	—	—	535.40	535.40
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(1.37)	(1.37)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	0.35	0.35
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**(1.02)**	**(1.02)**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**534.38**	**534.38**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	**—**	**—**	**(168.92)**	**(168.92)**
Balance as at the 31st March, 2020	**0.30**	**12.56**	**487.67**	**3232.45**	**3732.98**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2018	0.30	12.56	487.67	2570.70	3071.23
Profit for the Year	—	—	—	467.35	467.35
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	1.41	1.41
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	(0.49)	(0.49)
Total Other Comprehensive Income for the Year, net of tax	—	—	—	0.92	0.92
Total Comprehensive Income for the Year	—	—	—	468.27	468.27
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	—	—	(168.92)	(168.92)
Balance as at the 31st March, 2019	0.30	12.56	487.67	2870.05	3370.58

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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
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Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Standalone Statement of Cash Flows

for the year ended 31st March, 2020

₹ in Crores

Particulars	Year ended 31st March, 2020		Year ended 31st March, 2019	
Cash Flow from Operating Activities				
Profit Before Tax		**683.60**		713.41
Adjustments for:				
Depreciation and Amortisation Expenses	**119.88**		90.47	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(10.51)**		(1.44)	
Unrealised Foreign Exchange Loss/(Gain) (Net)	**1.95**		(4.29)	
Profit on Sale of Current Investments (Net)	**(8.90)**		(22.52)	
Interest Income	**(1.89)**		(17.28)	
Dividend Income	**(2.21)**		(1.95)	
(Profit)/Loss on Sale of Property, Plant and Equipment (Net)	**(0.14)**		0.10	
Finance Cost	**5.00**		—	
Impairment loss allowance on trade receivables	**4.57**		2.43	
Provisions no longer required, written back	**(0.10)**		(5.50)	
		107.65		40.02
Operating Profit Before Working Capital Changes		**791.25**		753.43
(Increase) in Trade and Other Receivables	**(34.59)**		(49.15)	
Decrease/(Increase) in Inventories	**122.63**		(247.01)	
Increase in Trade Payables, Other Financial Liabilities and Provisions	**(102.70)**		(49.02)	
		(14.66)		(345.18)
Cash Generated from Operations		**776.59**		408.25
Direct Taxes Paid (Net of Refunds)		**(155.98)**		(297.84)
Net Cash Flows generated from Operating Activities		**620.61**		110.41
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)	**(216.99)**		(523.51)	
Proceeds from Sale of Property, Plant and Equipment	**0.16**		0.22	
Purchase of Investments in Subsidiaries	**(41.10)**		(82.87)	
Purchase of non-current Investments	**(0.13)**		(0.23)	
Purchase of Current Investments	**(14628.50)**		(16747.07)	
Proceeds from Sale/Redemption of Current Investments	**14538.61**		17095.41	
Interest Received	**1.89**		17.28	
Dividend Received	**2.21**		1.95	
(Investments in) / Proceeds from fixed deposits	**(0.06)**		324.32	
Net Cash Flows (used in) / generated from Investing Activities		**(343.91)**		85.50
Cash Flows from Financing Activities				
Repayment of Non-current Borrowings	**(6.31)**		(8.62)	
Payment of Lease Liabilities	**(16.74)**		—	
Dividend Paid	**(140.12)**		(140.12)	
Dividend Distribution Tax Paid	**(28.80)**		(28.80)	
Net Cash Flows (used in) Financing Activities		**(191.97)**		(177.54)
Net Increase in Cash and Cash Equivalents		**84.73**		18.37

Standalone Statement of Cash Flows

for the year ended 31st March, 2020

₹ in Crores

Particulars	Year ended 31st March, 2020		Year ended 31st March, 2019	
Cash and Cash Equivalents at beginning of the year, the components being:				
Cash on hand	**0.12**		0.06	
Cheques on hand	**25.03**		29.23	
Balances with Banks	**52.89**		30.56	
Effect of exchange rate fluctuation	**0.84**		0.66	
		78.88		60.51
Cash and Cash Equivalents at end of the year, the components being:				
Cash on hand	**0.10**		0.12	
Cheques on hand	**3.55**		25.03	
Balances with Banks	**33.99**		52.89	
Deposit with Banks with less than 3 months maturity	**125.13**		—	
Effect of exchange rate fluctuation	**0.84**		0.84	
		163.61		78.88
Net Increase as disclosed above		**84.73**		18.37

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2020	31st March, 2019
Opening Balances		
Non-current Borrowings	**9.71**	18.33
Movements		
Non-current Borrowings	**(6.31)**	(8.62)
Closing Balances		
Non-current Borrowings	**3.40**	9.71

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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

A. Corporate Information

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

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

The Standalone Financial Statements for the year ended 31st March, 2020 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 6th May, 2020.

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.

Contingencies 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, 2020

B. Basis of Preparation (contd.)

4. Use of estimates and judgements (contd.)

Allowances for Inventories

Management reviews the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements.

Impairment of Investments in Subsidiaries

The carrying amount of the Company's investments in subsidiaries including corporate guarantees provided by the Company to the lenders of its subsidiaries are assessed at the end of each reporting date to determine whether there are any potential indicators of impairment. If any such indication exists, then the Company estimates the recoverable amount of such investments. The determination of recoverable amounts of the Company's investments in subsidiaries involves significant judgements. Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount includes projected sales volume, estimated long-term growth rates, weighted average cost of capital, estimated operating margins, etc.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model, which involve various judgements and assumptions.

Defined Benefit Plans

The costs and present value of the defined benefit gratuity plan and other long-term employee benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in future. These include the determination of appropriate discount rate, salary escalation rate, expected rate of return on assets and mortality rates. Due to the complexities involved in the valuation and its long-term nature, defined benefit plans are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and the same are disclosed in Note 35, 'Employee benefits'.

Note 1: Significant Accounting Policies

1. Classification of Assets and Liabilities

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

(a) An asset shall be classified as current when it satisfies any of the following criteria:

(i) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

(ii) it is held primarily for the purpose of being traded;

(iii) it is expected to be realised within twelve months after the reporting date; or

(iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

(b) All assets other than current assets shall be classified as non-current.

(c) A liability shall be classified as current when it satisfies any of the following criteria:

(i) it is expected to be settled in the Company's normal operating cycle;

(ii) it is held primarily for the purpose of being traded;

(iii) it is due to be settled within twelve months after the reporting date; or

(iv) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(d) All liabilities other than current liabilities shall be classified as non-current.

2. Operating Cycle

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

3. Property, Plant and Equipment

(a) Recognition and Measurement

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

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(a) Recognition and Measurement (contd.)

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

Tangible Property, Plant and Equipment under construction are disclosed as Capital Work-in-progress. Item of Capital Work-in-progress is carried at cost using the principles of valuation of item of property, plant and equipment till it is ready for use, the manner in which intended by management.

(b) Subsequent Expenditure

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

(c) Depreciation

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

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

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

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

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Company
Buildings	30-60	30-60
Plant and Equipments	10-20	10-25
Furniture and Fixtures	10	10
Vehicles	10	10
Office Equipments	5	5
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets on Operating Lease	NA	5

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed off).

Depreciation charge for the year is displayed as depreciation on the face of Standalone Statement of Profit and Loss.

(d) Disposal

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

4. Investment Property

(a) Recognition and Measurement

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

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

4. Investment Property (contd.)

(b) Depreciation

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

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

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

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

(c) Fair Value

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

(d) Gain or loss on Disposal

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

5. Other Intangible Assets

(a) Recognition and Measurement

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

Research and Development

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

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

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale.

(b) the Company intends to complete the intangible asset and use or sell it.

(c) the Company has ability to use or sell the intangible asset.

(d) the Company can demonstrate how the intangible asset will generate probable future economic benefits.

(e) the Company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) the Company has ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(b) Subsequent Expenditure

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

5. Other Intangible Assets (contd.)

(c) Amortisation

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

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

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

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

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

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

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

7. Employee Benefits

(a) Short-term Employee Benefits:

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

(b) Post-Employment Benefits:

Defined contribution plans

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

(i) Provident and Family Pension Fund

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

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

(ii) Superannuation

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

Defined Benefit Plans

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

(b) Post-Employment Benefits (contd.)**:**

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

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

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

Gratuity

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

Provident Fund Trust

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

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

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

8. Inventories

(a) Measurement of Inventory

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

(b) Cost of Inventories

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

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

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

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

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

(c) Net realisable value

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

8. Inventories (contd.)

The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Inventories are usually written down to net realisable value item by item. Estimates of net realisable value of finished goods and stock-in-trade are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

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

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

(d) Valuation of Spare parts, stand-by equipments and servicing equipments

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

9. Cash and Cash Equivalents

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

10. Government Grants

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

11. Provisions and Contingent Liabilities

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

Warranties

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

Restructuring

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

Onerous contracts

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

12. Revenue Recognition

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch / delivery.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Company has adopted Ind AS – 115 Revenue from contracts with customers, with effect from 1st April, 2018. Ind AS – 115 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts.

The Company has adopted Ind AS – 115 using the cumulative effect method whereby the effect of applying this standard is recognised at the date of initial application (i.e. 1st April, 2018). Accordingly, the comparative information in the Standalone Statement of Profit and Loss is not restated. Impact on adoption of Ind AS – 115 is not material.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 109 – Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

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

Dividend Income

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

13. Foreign Currency Transactions

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

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

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

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

14. Taxation

Income tax

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

Current tax

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

Deferred tax

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

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

b. taxable temporary differences arising on the initial recognition of goodwill.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

14. Taxation (contd.)

Deferred tax (contd.)

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

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

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

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

15. Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets (ROU Assets)

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	90 to 99 years
Buildings	2 to 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 19 Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

15. Lease (contd.)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

16. Financial Instruments

(a) Recognition and initial measurement

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

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

(b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is measured at

— amortised cost;

— Fair Value through Other Comprehensive Income (FVOCI) – debt investment;

— Fair Value through Other Comprehensive Income – equity investment; or

— FVTPL

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

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

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets: Subsequent measurement and gains and losses

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

Financial liabilities: Classification, subsequent measurement and gains and losses

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

(c) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(d) Offsetting

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

(e) Derivative Financial Instruments

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently re-measured at fair value. Any changes therein are recognised in the statement of profit and loss.

17. Borrowing Cost

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

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

18. Earnings Per Share

Basic earnings per share

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

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

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

Diluted earnings per share

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

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

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

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

19. Impairment Loss

Impairment of Financial Assets

The Company recognises loss allowances for expected credit losses on:

— financial assets measured at amortised cost; and

— financial assets measured at FVOCI – debt investments.

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

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

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

Impairment of Non Financial Assets

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

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

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

20. Measurement of fair values

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

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

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

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

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

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

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

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

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

21. Investment in Subsidiaries

A subsidiary is an entity that is controlled by the Company.

The Company accounts for the investments in equity shares of subsidiaries at cost in accordance with Ind AS 27 – Separate Financial Statements.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block					Accumulated Depreciation					Net Block
	As at 1st April, 2019	Additions	Reclassified on account of adoption of Ind AS 116	Deductions	As at 31st March, 2020	As at 1st April, 2019	Additions	Reclassified on account of adoption of Ind AS 116	Deductions	As at 31st March, 2020	As at 31st March, 2020
Freehold Land	68.71	21.35	—	—	**90.06**	—	—	—	—	**—**	**90.06**
	(68.71)	(—)	(—)	(—)	(68.71)	(—)	(—)	(—)	(—)	(—)	(68.71)
Leasehold Land	49.11	—	49.11	—	**—**	3.60	—	3.60	—	**—**	**—**
	(46.77)	(2.34)	(—)	(—)	(49.11)	(3.12)	(0.48)	(—)	(—)	(3.60)	(45.51)
Buildings	586.39	133.86	—	—	**720.25**	122.53	19.32	—	—	**141.85**	**578.40**
	(436.49)	(149.90)	(—)	(—)	(586.39)	(107.18)	(15.35)	(—)	(—)	(122.53)	(463.86)
Plant and Equipments	923.99	237.39	—	0.53	**1160.85**	339.02	46.66	—	0.53	**385.15**	**775.70**
	(764.08)	(160.38)	(—)	(0.47)	(923.99)	(301.72)	(37.68)	(—)	(0.38)	(339.02)	(584.97)
Furniture and Fixtures	18.83	0.99	—	—	**19.82**	14.35	0.79	—	—	**15.14**	4.68
	(16.98)	(1.85)	(—)	—	(18.83)	(13.60)	(0.75)	(—)	—	(14.35)	(4.48)
Vehicles	0.62	—	—	—	**0.62**	0.43	0.04	—	—	**0.47**	**0.15**
	(1.02)	(0.05)	(—)	(0.45)	(0.62)	(0.57)	(0.08)	(—)	(0.22)	(0.43)	(0.19)
Office Equipments	11.85	1.24	—	—	**13.09**	9.73	0.74	—	—	**10.47**	**2.62**
	(10.63)	(1.24)	(—)	(0.02)	(11.85)	(9.09)	(0.66)	(—)	(0.02)	(9.73)	(2.12)
Computers	43.44	5.11	—	—	**48.55**	34.71	4.37	—	—	**39.08**	**9.47**
	(38.57)	(4.87)	(—)	(—)	(43.44)	(29.83)	(4.88)	(—)	—	(34.71)	(8.73)
Assets for Scientific Research*	72.91	3.44	—	—	**76.35**	14.53	2.95	—	—	**17.48**	**58.87**
	(26.25)	(46.66)	(—)	(—)	(72.91)	(12.21)	(2.32)	(—)	(—)	(14.53)	(58.38)
Assets given on Operating Lease (Refer Note 2.5)....	309.55	28.56	—	0.46	**337.65**	234.31	29.12	—	0.44	**262.99**	**74.66**
	(279.22)	(30.33)	(—)	(—)	(309.55)	(207.12)	(27.19)	(—)	(—)	(234.31)	(75.24)
Total Tangible Assets	2085.40	431.94	49.11	0.99	**2467.24**	769.61	103.99	3.60	0.97	**872.63**	**1594.61**
	(1688.72)	(397.62)	(—)	(0.94)	(2085.40)	(684.44)	(89.39)	(—)	(0.62)	(773.21)	(1312.19)

* Net block includes Buildings ₹ 25.45 Crores (2018-2019 ₹ 25.88 Crores), Plant and Equipment ₹ 28.39 Crores (2018-2019 ₹ 26.83 Crores) and Furniture and Fixtures ₹ 5.03 Crores (2018-2019 ₹ 5.67 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 ₹ 337.65 Crores (2018-2019 ₹ 309.55 Crores) and ₹ 262.99 Crores (2018-2019 ₹ 234.31 Crores) respectively.

(ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 29.12 Crores (2018-2019 ₹ 27.19 Crores).

(b) The Company enters into three years cancellable lease agreements. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

2A. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2019	Additions	Deductions	As at 31st March, 2020	As at 1st April, 2019	Additions	Deductions	As at 31st March, 2020	As at 31st March, 2020
Leasehold Land*....................	49.11	12.71	—	**61.82**	3.60	0.58	—	**4.18**	**57.64**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Buildings................................	56.87	10.16	—	**67.03**	—	13.61	—	**13.61**	**53.42**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Total Right of Use Assets (ROU)	105.98	22.87	—	**128.85**	3.60	14.19	—	**17.79**	**111.06**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)

2A.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2A.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

2A.3. Nil amount of impairment loss is recognised during the current and comparative periods.

*Opening balance Reclassified on account of adoption of Ind AS 116

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

3. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	**As at 31st March, 2020**
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 ₹ 0.19 Crores (2018-2019 ₹ 0.18 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1400.29 Crores (2018-2019 ₹ 1381.20 Crores).

Fair Value Hierarchy

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

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

Description of Valuation Technique used

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

4. Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	**As at 31st March, 2020**
Software	17.89 (15.39)	0.95 (2.50)	— (—)	**18.84** (17.89)	14.35 (13.27)	1.70 (1.08)	— (—)	**16.05** (14.35)	**2.79** (3.54)
Total Other Intangible Assets...	17.89 (15.39)	0.95 (1.64)	— (—)	**18.84** (17.89)	14.35 (13.27)	1.70 (1.08)	— (—)	**16.05** (14.35)	**2.79** (3.54)

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, 2020

5. Non-current Investments

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Investments in Equity Instruments:		
i. Subsidiary Companies at Cost (Unquoted)		
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
Kansai Paints Lanka (Private) Limited 5,40,00,000 Equity Shares of LKR 10 each fully paid up (5,40,00,000 Equity Shares of LKR 10 each fully paid up)	**23.61**	23.61
Marpol Private Limited 29,95,200 Equity Shares of ₹ 10 each fully paid up (29,95,200 Equity Shares of ₹ 10 each fully paid up)	**34.32**	34.32
RAK Paints Limited 3,41,00,000 Equity Shares of BDT 10 each fully paid up (3,41,00,000 Equity Shares of BDT 10 each fully paid up)	**42.17**	42.17
Perma Constructions Aids Private Limited 9,90,000 Equity Shares of ₹ 10 each fully paid up	**29.10**	—
Nerofix Private Limited 120,00,000 Equity Shares of ₹ 10 each fully paid up	**12.00**	—
ii. Others at FVTPL		
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)	**0.42**	0.66
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
Beta Wind Farm Pvt Ltd. (Unquoted) 1,90,741 Equity Shares of ₹ 10 each fully paid up (1,21,821 Equity Shares of ₹ 10 each fully paid up)	**0.36**	0.23
Investments in Debenture:		
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	**149.92**	108.93
Aggregate book value of quoted investments	**0.47**	0.71
Aggregate market value of quoted investments	**0.47**	0.71
Aggregate amount of unquoted investments	**149.45**	108.22
Aggregate amount of impairment in value of investments	**Nil**	Nil

6. Loans

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Security Deposits	**14.88**	13.27
	14.88	13.27

7. Other Non-current Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Capital Advances	**116.04**	204.48
Prepaid Expenses	**7.70**	11.46
Balances with Indirect Tax Authorities	**22.13**	19.33
	145.87	235.27

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

8. Inventories

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Raw Materials	**277.82**	347.24
Packing Materials	**8.94**	11.94
Work-in-progress	**86.40**	92.67
Finished Goods	**488.70**	546.62
Stock-in-trade	**62.12**	49.14
Stores and Spares	**6.16**	5.16
	930.14	1052.77

No inventories were pledged as security for liabilities during the current and comparable period.

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of inventory recognised as an expense during the year as per note 27 to 28.

9. Current Investments

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
(A) Investments in Bonds at FVTPL (Quoted)	**16.26**	14.31
(B) Mutual Funds at FVTPL (Unquoted)	**288.84**	181.25
Total Current Investment (A + B)	**305.10**	195.56
Aggregate book value of quoted investments	**16.26**	14.31
Aggregate market value of quoted investments	**16.26**	14.31
Aggregate amount of unquoted investments	**288.84**	181.25
Aggregate amount of impairment in value of investments	**Nil**	Nil

10. Trade Receivables

₹ in Crores

	As at 31st March, 2020		As at 31st March, 2019	
Secured, Considered Good		**—**		—
Unsecured, Considered Good*#@$ ^		**674.50**		674.02
Significant increase in Credit Risk		**—**		—
Credit Impaired	**21.40**		16.83	
Loss Allowance	**(21.40)**		(16.83)	
		—		—
		674.50		674.02

* includes ₹ 2.71 Crores (2018-2019 ₹ 1.38 Crores), receivable from subsidiary company – KNP Japan Private Limited, private company in which director of the Company is a director

\# includes ₹ 1.21 Crores (2018-2019 ₹ 0.86 Crores) receivable from subsidiary company – Kansai Paints Lanka (Private) Limited, private company in which director of the Company is a director

@ includes ₹ 5.70 Crores (2018-2019 ₹ 5.00 Crores) receivable from subsidiary company – Marpol Private Limited, private company in which director of the Company is a director

$ includes ₹ 1.61 Crores (2018-2019 ₹ 0.40 Crores) receivable from subsidiary company – RAK Paints Limited, private company in which director of the Company is a director

^ includes ₹ 0.41 Crores (2018-2019 ₹ Nil) receivable from subsidiary company – Nerofix Private Limited, private company in which director of the Company is a director

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

11. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Cash on hand	0.10	0.12
Cheques on hand	3.55	25.03
Banks Balances	34.83	53.73
Fixed Deposit with Bank with less than 3 month maturity	125.13	—
	163.61	78.88

12. Bank Balance other than Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unpaid Dividend Accounts	2.09	1.97
Fixed Deposit with Bank	0.58	0.52
	2.67	2.49

13. Loans

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Security Deposits	4.30	4.58
	4.30	4.58

14. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Other Receivable*	6.09	7.13
	6.09	7.13

* Includes ₹ 2.21 Crores (2018-2019 ₹ 1.83 Crores) receivable from subsidiary company – KNP Japan Private Limited, private company in which director of the Company is a director

15. Other Current Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	91.94	66.72
Trade Advances	62.13	64.12
Prepaid Expenses	18.75	14.04
Other Receivable	4.14	1.86
	176.96	146.74

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

16. Share Capital

	As at 31st March, 2020		As at 31st March, 2019	
1. Authorised Share Capital (₹ in Crores)		**60.00**		60.00
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**60,00,00,000**		60,00,00,000
2. Issued, Subscribed and Fully Paid up (₹ in Crores)		**53.89**		53.89
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**53,89,19,720**		53,89,19,720
3. Details of Shareholders holding more than 5% of shares:				
	%	**No. of Shares**	%	No. of Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve		**Nil**		Nil
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the beginning of the year		**53,89,19,720**		53,89,19,720
Issued during the year		**—**		—
Number of shares at the end of the year		**53,89,19,720**		53,89,19,720
7. Capital Management:				
For the purpose of the Company's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Company. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the levels of dividends to equity shareholders. The Company is not subject to any externally imposed capital requirements.				

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

17. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2019	**0.30**	**12.56**	**487.67**	**2870.05**	**3370.58**
Impact on account of adoption of Ind AS 116 (Refer note 42)	—	—	—	(4.71)	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer note 42)	—	—	—	1.65	1.65
Profit for the Period	**—**	**—**	**—**	**535.40**	**535.40**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.37)	(1.37)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.35	0.35
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**(1.02)**	**(1.02)**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**534.38**	**534.38**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	**—**	**—**	**(168.92)**	**(168.92)**
Balance as at 31st March, 2020	**0.30**	**12.56**	**487.67**	**3232.45**	**3732.98**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2018	0.30	12.56	487.67	2570.70	3071.23
Profit for the Year	—	—	—	467.35	467.35
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.41	1.41
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.49)	(0.49)
Total Other Comprehensive Income for the Year, net of tax	—	—	—	0.92	0.92
Total Comprehensive Income for the Year	—	—	—	468.27	468.27
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	—	—	(168.92)	(168.92)
Balance as at 31st March, 2019	0.30	12.56	487.67	2870.05	3370.58

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Defined Benefit Liability (Asset)	**As at 31st March, 2020**	As at 31st March, 2019
Opening Balance	**(9.83)**	(10.75)
Remeasurement of Employee Defined Benefit Liability, net of tax	**(1.02)**	0.92
Closing Balance	**(10.85)**	(9.83)

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 2018-2019, the Directors had recommended and Shareholders had approved a normal dividend of 260% (₹ 2.60 per share), which has been accounted in current year. For the year 2019-2020, the Directors have recommended dividend of 315% (₹ 3.15 per share) for the year. The dividend proposed by the Directors is subject to approval of Shareholders at the annual general meeting. The proposed dividend of ₹ 169.76 Crores (2018-2019 ₹ 140.12 Crores) alongwith dividend distribution tax of ₹ Nil (2018-2019 ₹ 28.80 Crores) have not been recognised as liabilities.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

18. Non-current Borrowings

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Deferred Payment Liabilities		
a. Unsecured Sales Tax Deferral Loan		
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection.	—	3.40
Outstanding amount is repayable in one annual installments from the reporting date.		
Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 3.40 Crores (2018-2019 ₹ 6.31 Crores) is disclosed under 'Other Financial Liabilities' – Refer Note 21].		
	—	3.40

19. Income Taxes

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
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	**166.33**	221.87
Deferred tax:		
In respect of current year	**(18.13)**	24.19
Income tax expense recognised in the Standalone Statement of Profit and Loss	**148.20**	246.06
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**0.35**	(0.49)
Income tax expense recognised in OCI	**0.35**	(0.49)
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**683.60**	713.41
Income tax expense calculated at 25.17% (2018-2019 @ 34.944%)	**172.06**	249.29
Tax effect on non-deductible expenses	**9.30**	5.01
Incentive tax credits	—	(7.95)
Effect of Income that is exempted from tax	**(0.25)**	(0.34)
Reversal of opening deferred tax due to change in tax rate	**(34.43)**	—
Others	**1.52**	0.05
Total	**148.20**	246.06
Tax expense as per Standalone Statement of Profit and Loss	**148.20**	246.06

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2018-2019 34.944%) payable by corporate entities in India on taxable profits under Indian tax law.

C. The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows:

₹ in Crores

Particulars	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2019	2019-2020	2019-2020	31.03.2020	01.04.2018	2018-2019	2018-2019	31.03.2019
Difference between written down value/capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961	(136.64)	23.28	—	(113.36)	(108.02)	(28.62)	—	(136.64)
Tax adjustment on account on indexation of freehold land	15.18	0.61	—	15.79	14.15	1.03	—	15.18
Expense claimed for tax purpose on payment basis	7.65	(3.25)	—	4.40	6.95	0.70	—	7.65
Provision for doubtful debts and Advances	5.89	(0.51)	—	5.38	4.99	0.90	—	5.89
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.03	(0.03)	—	—	0.02	0.01	—	0.03
Remeasurement benefit of defined benefit plans through OCI	2.59	—	0.35	2.94	3.08	—	(0.49)	2.59
Net fair value loss on investment in through FVTPL	0.20	(1.65)	—	(1.45)	(1.59)	1.79	—	0.20
Lease Rentals	1.65	(0.32)	—	1.33	—	—	—	—
Deferred tax (expense)/income Net Deferred tax liabilities	**(103.45)**	**18.13**	**0.35**	**(84.97)**	**(80.42)**	**(24.19)**	**(0.49)**	**(105.10)**

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

20. Trade Payables

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Trade Payables:		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 39)	**32.51**	17.83
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**487.00**	614.03
	519.51	631.86

21. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Current Maturities of Long-term Borrowings (Refer Note 18)	**3.40**	6.31
Unclaimed/Unpaid Dividends*	**2.09**	1.97
Trade Deposits	**79.85**	71.37
Creditors for Capital Goods@ (Refer Note 39)	**13.76**	23.85
	99.10	103.50

* 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 ₹ 2.51 Crores

22. Other Current Liabilities

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Statutory Obligations*	**5.05**	8.42
Trade Receivables with Credit Balance	**17.97**	11.45
	23.02	19.87

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

23. Provisions

₹ in Crores

	As at 31st March, 2020		As at 31st March, 2019	
Provision for Compensated Absences		**11.85**		11.36
Provision for Gratuity		**1.55**		0.78
Provision for Indirect Taxes:				
Opening Balance	**2.27**		7.77	
Add: Provision during the year	**0.08**		—	
Less: Utilisation / reversal during the year	**0.10**		5.50	
		2.25		2.27
		15.65		14.41

24. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Current Tax Liabilities (Net)	**3.31**	3.31
	3.31	3.31

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

25. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Sale of Products				
Sales	**5459.46**		5647.52	
Less: Discounts and Rebates	**544.26**		508.66	
Total Sale of Products		**4915.20**		5138.86
Other Operating Revenues				
Sale of Scrap	**15.50**		17.06	
Others	**12.47**		17.70	
		27.97		34.76
Revenue from Operations		**4943.17**		5173.62

25.1. Disaggregation of revenue from contracts with customers

The Company derives revenue from sale of products from following major segments:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
1) **Revenue from contracts with customers:**		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**4536.80**	4776.69
(A)	**4536.80**	4776.69
Trading		
India	**378.40**	362.17
(B)	**378.40**	362.17
(C) = (A) + (B)	**4915.20**	5138.86
2) **Other operating revenue:**		
Sale of Scrap	**15.50**	17.06
Others	**12.47**	17.70
(D)	**27.97**	34.76
Total Revenue (C) + (D)	**4943.17**	5173.62
Major Product lines		
Paint	**4915.20**	5138.86
	4915.20	5138.86
Sales by performance obligations		
Upon shipment	**—**	—
Upon delivery	**4915.20**	5138.86
	4915.20	5138.86
Reconciliation of revenue from contract with customer:		
Revenue from contracts with customer as per the contract price	**5459.46**	5647.52
Adjustments made to contract price on account of:		
a) Discounts/Rebates/Incentives	**(544.26)**	(508.66)
b) Other Operating Revenue	**27.97**	34.76
Revenue from contracts with customer as per the Standalone Statement of Profit and Loss	**4943.17**	5173.62

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

26. Other Income

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Dividend Income				
Dividend from Investment in Equity Shares	**2.21**		1.95	
		2.21		1.95
Interest Income				
Interest on Loans and Deposit at amortised cost	**0.89**		15.67	
Interest on Bonds recognised through FVTPL	**1.00**		1.00	
Interest on Income tax refund	**—**		0.61	
		1.89		17.28
Profit on Sale of Current Investments (Net)		**8.90**		22.52
Fair Value Gain on Financial Instruments recognised through FVTPL		**10.51**		1.44
Other Non operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	**0.14**		0.06	
Foreign Exchange Gain (Net)	**0.56**		13.46	
Insurance Claims Received	**1.34**		1.69	
Miscellaneous Income	**1.31**		3.48	
		3.35		18.69
		26.86		61.88

27. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Raw Material Consumed				
Opening Stock	**347.24**		299.87	
Add: Purchase	**2335.03**		2924.11	
Less: Sales	**11.58**		9.96	
Less: Closing Stock	**277.82**		347.24	
		2392.87		2866.78
Packing Material Consumed				
Opening Stock	**11.94**		11.14	
Add: Purchase	**326.31**		375.79	
Less: Closing Stock	**8.94**		11.94	
		329.31		374.99
		2722.18*		3241.77*

* Includes ₹ 1.77 Crores (2018-2019 ₹ 1.82 Crores) expenditure incurred on Research and Developments

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

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Opening Stock				
Finished Goods	**546.62**		395.29	
Work-in-progress	**92.67**		65.04	
Stock-in-trade (in respect of goods acquired for trading)	**49.14**		30.12	
		688.43		490.45
Less: Closing Stock				
Finished Goods	**488.70**		546.62	
Work-in-progress	**86.40**		92.67	
Stock-in-trade (in respect of goods acquired for trading)	**62.12**		49.14	
		637.22		688.43
		51.21		(197.98)

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

29. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Salaries and Wages	**235.90**	223.26
Contribution to Provident and Other Funds (Refer Note 35)	**20.16**	18.85
Staff Welfare Expense	**13.32**	13.27
	269.38*	255.38*

* Includes ₹ 18.89 Crores (2018-2019 ₹ 17.53 Crores) expenditure incurred on Research and Developments

30. Depreciation and Amortisation Expenses

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Depreciation on Property, Plant and Equipment (Refer Note 2)	**103.99**	89.39
Amortisation on Other Intangible Assets (Refer Note 4)	**1.70**	1.08
Amortisation on Right of use assets (ROU) (Refer Note 2A)	**14.19**	—
	119.88*	90.47*

* Includes ₹ 2.95 Crores (2018-2019 ₹ 2.32 Crores) depreciation and amortisation expenses on Research and Developments

31. Other Expenses

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Consumption of Stores and Spare Parts	**27.74**	29.14
Power and Fuel	**69.78**	82.90
Repairs to Buildings	**0.07**	0.36
Repairs to Machinery	**14.50**	12.43
Freight and Forwarding Charges	**265.23**	266.74
Advertisement and Sales Promotion	**245.99**	260.98
Rent	**28.61**	38.73
Rates and Taxes	**2.01**	2.09
Insurance	**9.06**	4.41
Miscellaneous Expenses	**171.56**	175.93
	834.55*	873.71*

* Includes ₹ 6.86 Crores (2018-2019 ₹ 5.77 Crores) expenditure incurred on Research and Developments

31.1. Payments to Auditors'

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 31)		
As Auditor		
Statutory Audit	**0.25**	0.25
Report under Section 44AB of the Income-tax Act, 1961	**0.04**	0.04
Limited Review of Quarterly Results	**0.18**	0.09
In other capacity		
Certification	**0.09**	0.09
Other Matters	**0.04**	0.24
Reimbursements of Expenses	**0.01**	0.04
	0.61	0.75

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

31.2. Research and Development Expenses

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss	**30.47**	27.44

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

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
a. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	**7.30**	8.42
Sales Tax	**13.97**	13.97
The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 7.30 Crores (2018-2019 ₹ 8.42 Crores) from the Excise/Service Tax Authorities, in respect of disallowance of Excise/Service Tax Cenvat Credit. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Company's operation and financial position.		
b. Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	**88.32**	123.57
Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**2.55**	2.55
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited – Subsidiary Company	**—**	13.85
Stand by Letter of Credit (SBLC) given to Bank for loan taken by RAK Paints Limited – Subsidiary Company	**25.80**	—
Corporate guarantee given to Bank for loan taken by RAK Paints Limited – Subsidiary Company	**20.63**	—
	158.57	162.36
c) Contribution to Provident Fund There are numerous interpretative issues relating to the Supreme Court (SC) judgment dated 28th February, 2019 on Provident Fund (PF) on the inclusion of allowances for the purpose of PF contribution as well as its applicability of effective date. The impact is not expected to be material as per the assessment made by the Company.		

33. Earnings Per Equity Share

	Year ended 31st March, 2020	Year ended 31st March, 2019
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	**535.40**	467.35
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 ₹)	**9.94**	8.67

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

34. Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its Financial Statements

(a) A person or a close member of that person's family is related to a reporting entity if that person:
   - (i) has control or joint control of the reporting entity;
   - (ii) has significant influence over the reporting entity; or
   - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
   - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   - (vi) The entity is controlled or jointly controlled by a person identified in (a).
   - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

     A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Parent and ultimate controlling entity

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2019-2020	2018-2019			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing paints and other related materials	Japan

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

Subsidiary Companies

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2019-2020	2018-2019			
KNP Japan Private Limited	**68**	68	Subsidiary	Manufacturing paints and other related materials	Nepal
Kansai Paints Lanka (Private) Limited	**60**	60	Subsidiary	Manufacturing paints and other related materials	Srilanka
Marpol Private Limited (w.e.f 7th April, 2018)	**100**	100	Subsidiary	Manufacturing Paints and other related materials	India
RAK Paints Limited (w.e.f. 17th July, 2018)	**55**	55	Subsidiary	Manufacturing paints and other related materials	Bangladesh
Perma Construction Aids Private Limited (w.e.f 8th April, 2019)	**100**	—	Subsidiary	Manufacturing paints and other related materials	India
Nerofix Private Limited (w.e.f 17th July, 2019)	**60**	—	Subsidiary	Manufacturing paints and other related materials	India

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

34. Related Party Disclosures (contd.)

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing paints and other related materials	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing paints and other related materials	Malaysia
Kansai Plascon Kenya Ltd.	Fellow Subsidiary	Manufacturing paints and other related materials	Kenya

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mrs. Brinda Somaya, Director (ceased to be a director from 22nd July, 2019) (5) Mr. Anuj Jain, Wholetime Director, (6) Ms. Sonia Singh, Director (appointed with effect from 29th July, 2019) (7) Mr. P. D. Pai, CFO and (8) 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	2019-2020	2018-2019
Sale of finished goods/Intermediates			
— Marpol Private Limited	Subsidiary	**8.40**	4.76
— RAK Paints Limited	Subsidiary	**1.07**	—
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.36**	2.18
— Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**1.66**	1.36
Purchase of Goods			
— Marpol Private Limited	Subsidiary	**2.55**	6.33
— Nerofix Private Limited	Subsidiary	**4.26**	—
— Perma Construction Aids Private Limited	Subsidiary	**0.42**	—
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**105.08**	105.08
Dividend Income			
— KNP Japan Private Limited	Subsidiary	**2.21**	1.93
Transfer under license agreements Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**11.91**	16.81
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.76**	2.20
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**0.05**	0.12

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

34. Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations (contd.)

₹ in Crores

Transaction Type	Relation	2019-2020	2018-2019
Royalty Income			
— KNP Japan Private Limited	Subsidiary	**0.86**	0.78
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.12**	0.20
— RAK Paints Limited	Subsidiary	**1.20**	0.40
— Nerofix Private Limited	Subsidiary	**0.23**	—
Corporate guarantee given for			
— RAK Paints Limited	Subsidiary	**46.43**	—
— Kansai Paints Lanka (Private) Limited	Subsidiary	**—**	13.85
Income from Corporate guarantee issued			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.03**	0.03
— RAK Paints Limited	Subsidiary	**0.01**	—
Equity Investment			
— Perma Construction Aids Private Limited	Subsidiary	**29.10**	—
— Nerofix Private Limited	Subsidiary	**12.00**	—
— Kansai Paints Lanka (Private) Limited	Subsidiary	**—**	6.38
— Marpol Private Limited	Subsidiary	**—**	34.32
— RAK Paints Limited	Subsidiary	**—**	42.17
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	**0.64**	1.35
— KNP Japan Private Limited (Included in Note 29)	Subsidiary	**0.70**	0.64
— Kansai Paints Lanka (Private) Limited (Included in Note 29)	Subsidiary	**0.21**	0.21
— Nerofix Private Limited (Included in Note 29)	Subsidiary	**0.06**	—
— Nerofix Private Limited (Included in Note 31)	Subsidiary	**0.12**	—
Contributions during the year			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**2.11**	2.13
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.64**	1.35
— KNP Japan Private Limited	Subsidiary	**4.92**	3.21
— Kansai Paints Lanka (Private) Limited	Subsidiary	**1.21**	0.86
— Marpol Priavate Limited	Subsidiary	**5.70**	5.00
— RAK Paints Limited	Subsidiary	**1.61**	0.40
— Nerofix Private Limited	Subsidiary	**0.41**	—
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.56**	—
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**0.30**	0.36
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.21**	0.74
— Marpol Private Limited	Subsidiary	**0.13**	0.62
— Perma Construction Aids Private Limited	Subsidiary	**0.32**	—
— Nerofix Private Limited	Subsidiary	**1.43**	—
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**—**	0.05

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

34. Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations (contd.)

₹ in Crores

Transaction Type	Relation	2019-2020	2018-2019
Corporate guarantee given for			
— RAK Paints Limited	Subsidiary	**46.43**	—
— Kansai Paints Lanka (Private) Limited	Subsidiary	**—**	13.85
Key Management Personnel			
— Employee benefits		**11.96**	10.21
— Commission to Independent Directors		**1.05**	0.95
— Fee for attending Board /Committee Meetings to Independent Directors		**0.10**	0.11

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

Outstanding balances at the year-end are unsecured, interest free and will be settled in cash.

35. Employee Benefits

A. Defined Contribution Plans:

Contribution to defined contribution plan, recognised in the Standalone Statement of Profit and Loss under Company's Contribution to Provident Fund and Other Funds in Employee Benefits Expenses for the year are as under:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Employer's contribution to Regional Provident Fund Commissioner	**3.13**	2.63
Employer's contribution to Family Pension Fund	**4.37**	3.79
Employer's contribution to Superannuation Fund	**6.57**	6.48

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, 2020 and 31st March, 2019:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**36.86**	34.93
Current Service Cost	**3.55**	3.05
Interest Expense	**2.78**	2.59
Benefit Payments from Plan Assets	**(1.68)**	(2.49)
Remeasurements - Actuarial losses/(gains)	**1.01**	(1.22)
Defined Benefit Obligation at year end	**42.52**	36.86
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**36.08**	32.13
Interest Income	**2.87**	2.53
Employer Contributions	**4.06**	3.70
Benefit Payments from Plan Assets	**(1.68)**	(2.49)
Remeasurements – Return on plan assets excluding amounts included in interest income	**(0.36)**	0.19
Fair Value of Plan Assets at the end	**40.97**	36.08
Net liability	**(1.55)**	(0.78)

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

35. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

Components of Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss under Employee Benefit Expenses:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Current Service Cost	**3.55**	3.05
Net Interest Cost	**(0.09)**	0.06
Defined Benefit Cost recognised in the Statement of Profit and Loss	**3.46**	3.11

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

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Actuarial (gains)/losses on Defined Benefit Obligation	**1.01**	(1.22)
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**0.36**	(0.19)
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**1.37**	(1.41)

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

Particulars	Valuation Date	
	31st March, 2020	31st March, 2019
Discount Rate	**6.80%**	7.70%
Salary Escalation	**0%, 3%, 5% in next 1st, 2nd and 3rd Year resp. and 7.5% thereafter**	7.50%
Weighted average duration of the defined benefit obligation (years)	**11.03**	13.11

Sensitivity Analysis:

Discount Rate, Salary Escalation Rate and Withdrawal Rate are significant actuarial assumptions. The change in the Present Value of Defined Benefit Obligation for a change of 100 Basis Points from the assumed assumption is given below:

₹ in Crores

Scenario	31st March, 2020	31st March, 2019
Under Base Scenario	**42.52**	36.86
Salary Escalation - Up by 1%	**45.90**	40.03
Salary Escalation - Down by 1%	**39.51**	34.04
Withdrawal Rates - Up by 1%	**42.51**	36.87
Withdrawal Rates - Down by 1%	**42.51**	36.83
Discount Rates - Up by 1%	**39.63**	34.07
Discount Rates - Down by 1%	**45.83**	40.07

Expected Rate of Return on Planned Asset	**6.80%**	7.70%

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

35. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2020		31st March, 2019	
Attained Age	**Male**	**Female**	Male	Female
20	**0.09%**	**0.09%**	0.09%	0.09%
25	**0.09%**	**0.09%**	0.09%	0.09%
30	**0.10%**	**0.10%**	0.10%	0.10%
35	**0.12%**	**0.12%**	0.12%	0.12%
40	**0.17%**	**0.17%**	0.17%	0.17%
45	**0.26%**	**0.26%**	0.26%	0.26%
50	**0.44%**	**0.44%**	0.44%	0.44%
55	**0.75%**	**0.75%**	0.75%	0.75%
60	**1.12%**	**1.12%**	1.12%	1.12%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Company contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India.

The Company expects to contribute ₹ 1.55 Crores (2018-2019 ₹ 0.78 Crores) to the fund during the subsequent accounting year.

b. Provident fund (Managed by the Trust set up by the Company)

The Company has contributed ₹ 2.11 Crores (2018-2019 ₹ 2.13 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, 2020	As at 31st March, 2019
Plan assets at period end, at fair value	**71.32**	63.97
Present value of benefit obligation at period end	**71.29**	63.27
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, 2020	As at 31st March, 2019
Discount Rate (%)	**6.80**	7.75
Guranteed Interest Rate (%)	**8.50**	8.65
Expected Average Remaining Working Lives of Employees (Years)	**7.57**	8.13

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 0.49 Crores (2018-2019 ₹ 2.02 Crores).

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

36. Segment Reporting

The Management Committee of the Company, approved by the Board of Directors and Audit Committee performs the function of allotment of resources and assessment of performance of the Company. Considering the level of activities performed, frequency of their meetings and level of finality of their decisions, the Company has identified that Chief Operating Decision Maker function is being performed by the Management Committee. The financial information presented to the Management Committee in the context of results and for the purposes of approving the annual operating plan is on a consolidated basis for paints and other products of the Company. As the Management Committee monitors the business activity as a single business segment viz. 'Paints' and the sales substantially being in the domestic market, the financial statement are reflective of the information required by Ind AS 108 "Operating Segments".

37. Corporate Social Responsibilities

During the year, the Company has spent ₹ 16.91 Crores (2018-2019 ₹ 13.45 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year ₹ 14.48 Crores (2018-2019 ₹ 13.35 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	**16.91**	**—**	**16.91**
	(13.45)	—	(13.45)

(previous year figures are in brackets)

38. Financial Instruments: Fair Values and Risk Management

(A) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

₹ in Crores

	Year	At FVTPL	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value						
Non-current Assets: Investments (Note 5)...........	**2020**	**0.80**	**0.47**	**—**	**0.33**	**0.80**
	2019	0.91	0.71	—	0.20	0.91
Current Assets: Investments (Note 9)..................	**2020**	**305.10**	**—**	**305.10**	**—**	**305.10**
	2019	195.56	—	195.56	—	195.56

(B) Financial Risk Management

The Company has exposure to the following risks arising from financial instruments:

— Credit Risk

— Liquidity Risk

— Market Risk

(i) Risk Management Framework

Risk Management Committee oversees the management of these risks. Management is supported by Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk Management Committee provides assurance to the management that Company's risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Company's Risk Management Policies are established to identify and analyses the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management Policies and Systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments in debt securities. The carrying amounts of financial assets represent the maximum credit risk exposure.

Notes to the Standalone Financial Statements
for the year ended 31st March, 2020

38. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(ii) Credit Risk (contd.)

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, 2020	31st March, 2019
Balance at the beginning of the year	**16.83**	14.40
Loss allowance measured at lifetime expected credit losses	**4.57**	2.43
Balance at the end of the year	**21.40**	16.83

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Company's Treasury Department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturities of Financial Liabilities:

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years and above	Total
Borrowings	**31-03-2020**	**—**	**—**	**—**	**3.40**	**—**	**—**	**3.40**
	31-03-2019	—	—	—	6.31	3.40	—	9.71
Trade Payables	**31-03-2020**	**—**	**519.51**	**—**	**—**	**—**	**—**	**519.51**
	31-03-2019	—	631.86	—	—	—	—	631.86
Other Financial Liabilities	**31-03-2020**	**81.94**	**13.76**	**—**	**—**	**—**	**—**	**95.70**
	31-03-2019	73.34	23.85	—	—	—	—	97.19

For maturity profile of lease liabilities, refer note 42.

(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.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

38. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

Since the Company does not have any interest bearing borrowings, the exposure to risk of changes in market interest rates is not applicable. Other price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. Other price risk arises from financial assets such as investments in equity instruments, debentures and bonds. Since the investments in equity instruments and debentures is not material and bonds being debt instruments, the exposure to risk of changes in market rates is minimal. The details of such investments in equity instrument and debentures is given in Note 5 and details of investments in bonds is given in Note 9.

Exposure to Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company enters into forward exchange contracts to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Company's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due on timely basis. The Company does not enter into any derivative instruments for trading or speculative purposes. The carrying amounts of the Company's foreign currency denominated monetary items are as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	USD	Total
Trade Receivables..................	**31-03-2020**	**—**	**—**	**—**	**—**	**—**	**1.46**	**1.46**
	31-03-2019	—	—	—	—	—	1.51	1.51
Financial Liabilities								
Trade Payables	**31-03-2020**	**—**	**(1.44)**	**(8.97)**	**(0.06)**	**(0.01)**	**(35.05)**	**(45.53)**
	31-03-2019	(0.10)	(2.66)	(13.63)	—	—	(103.44)	(119.83)
Net exposure to Foreign Currency Risk (Liabilities)........	**31-03-2020**	**—**	**(1.44)**	**(8.97)**	**(0.06)**	**(0.01)**	**(33.59)**	**(44.07)**
	31-03-2019	(0.10)	(2.66)	(13.63)	—	—	(101.93)	(118.32)

(v) Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY, SGD, GBP and USD exchange rates, with all other variable held constant.

₹ in Crores

	Profit or Loss		Equity net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31st March, 2020				
CHF (5% movement)..	**—**	**—**	**—**	**—**
EURO (5% movement)....................................	**(0.07)**	**0.07**	**(0.05)**	**0.05**
JPY (5% movement)..	**(0.45)**	**0.45**	**(0.34)**	**0.34**
SGD (5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
GBP (5% movement)..	**(0.00)**	**0.00**	**(0.00)**	**0.00**
USD (5% movement)..	**(1.68)**	**1.68**	**(1.26)**	**1.26**
31st March, 2019				
CHF (5% movement)..	(0.01)	0.01	(0.00)	0.00
EURO (5% movement)....................................	(0.13)	0.13	(0.09)	0.09
JPY (5% movement)..	(0.68)	0.68	(0.44)	0.44
SGD (5% movement)	—	—	—	—
GBP (5% movement)..	—	—	—	—
USD (5% movement)..	(5.10)	5.10	(3.32)	3.32

(vi) Following are the outstanding Forward Foreign Exchange Contracts entered into by the Company

	Currency	Amount in Foreign Currency in Crores	Buy / Sell	Cross Currency
As on 31st March, 2020:	**USD**	**0.35**	**Buy**	**INR**
As on 31st March, 2019:	USD	0.33	Buy	INR

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

38. Financial Instruments: Fair Values and Risk Management (contd.)

(C) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other Non-current assets: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	– Forecast Annual revenue growth – Forecast 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 2020 and 31st March 2019 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

39. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2019-2020, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
(i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)		
Principal amount due to micro and small enterprise (Refer Note 20 and 21).....	**35.02**	17.83
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, 2020

40. Disclosure as per Section 186 of the Companies Act, 2013

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

(i) Details of Investments made are given in Note 5.

(ii) There are no Loans given by the Company in accordance with section 186 of the Companies Act, 2013 read with rules issued thereunder.

(iii) Details of guarantees 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, 2020	Amount as at 31st March, 2019
RAK Paints Limited (in respect of loan taken from bank)............	Guarantees	Subsidiary Company	**20.63**	—
RAK Paints Limited (in respect of loan taken from bank)	SBLC	Subsidiary Company	**25.80**	—
Kansai Paints Lanka (Private) Limited (in respect of loan taken from bank)............	Guarantee	Subsidiary Company	—	13.85

41. COVID-19 Assessment

The COVID-19 pandemic is rapidly spreading throughout the world. The operations of the Company were impacted, due to shutdown of all plants and offices following nationwide lockdown by the Government of India. The Company has resumed operations in a phased manner as per directives from the Government of India. The Company has evaluated impact of this pandemic on its business operations and financial position and based on its review of current indicators of future economic conditions, there is no significant impact on its financial statements as at 31st March 2020. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and accordingly the impact may be different from that estimated as at the date of approval of these financial statements. The Company will continue to monitor any material changes to future economic conditions.

42. Transition to Ind AS 116

Effective 1st April, 2019, the Company adopted Ind AS 116 “Leases” and applied the standard to all lease contracts existing on 1st April, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the Company’s incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended 31st March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31st March 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 56.87 Crores, and a lease liability of ₹ 61.59 Crores. The cumulative effect of applying the standard, amounting to ₹ 4.71 Crores was debited to retained earnings, net of taxes amounting to ₹ 3.06 Crores. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial 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 1st April, 2019 is 8.50%.

Notes to the Standalone Financial Statements

for the year ended 31st March, 2020

42. Transition to Ind AS 116 (contd.)

The changes in the carrying value of right of use (ROU) assets for the year ended 31st March, 2020 are disclosed in Note 2A.

₹ in Crores

Particulars	Amount
ROU Balance at the beginning of the year	**56.87**
Opening balance Reclassified on account of adoption of Ind AS 116 (Refer Note 2A)	45.51
Additions (Refer Note 2A)	22.87
Amortisation cost accrued during the year (Refer Note 2A)	(14.19)
Deletions	—
ROU Balance at the end of the year	**111.06**
Lease Liabilities at the beginning of the year	**61.59**
Additions	10.16
Interest cost accrued during the year	5.00
Payment of lease liabilities	(16.74)
Deletion	—
Lease Liabilities at the end of the year	**60.01**
Current Lease Liabilities	10.97
Non-current Lease Liabilities	49.04
Total Lease Liabilities	**60.01**

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases or cancelable in nature was ₹ 28.61 Crores for the year ended 31st March, 2020.

The table below provides details regarding the contractual maturities of lease liabilities as of 31st March, 2020 on an undiscounted basis:

₹ in Crores

Particulars	Amount
Not later than one year	16.28
Later than one year and not later than five years	47.41
Later than five years	13.71

43.

Consequent to the issuance of "Guidance Note on Division II - Ind AS schedule III the Companies Act, 2013" certain items of Standalone Financial Statements have been regrouped/reclassified.

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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

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	**2019-20**	1st October, 2012	NPR	**8.17**	**35.12**	**70.85**	**27.49**	**Nil**	**85.43**	**13.80**	**3.47**	**10.34**	**3.17**	**68%**
	2018-19			8.17	28.55	57.62	20.68	Nil	84.51	13.99	2.47	11.52	2.84	68%
Kansai Lanka Paints (Private) Limited	**2019-20**	30th July, 2015	LKR	**39.36**	**(31.34)**	**42.57**	**34.55**	**Nil**	**12.19**	**(10.01)**	**Nil**	**(10.01)**	**Nil**	**60%**
	2018-19			39.36	(18.80)	40.31	22.19	Nil	12.11	(10.88)	Nil	(10.88)	Nil	60%
Marpol Private Limited	**2019-20**	7th April, 2018	INR	**3.00**	**9.16**	**39.56**	**27.40**	**Nil**	**59.03**	**3.49**	**0.60**	**2.90**	**Nil**	**100%**
	2018-19			3.00	6.27	35.43	26.16	Nil	68.88	1.98	0.29	1.69	Nil	100%
RAK Paints Ltd.	**2019-20**	17th July, 2018	BDT	**51.87**	**(90.00)**	**113.59**	**151.72**	**Nil**	**135.78**	**(8.27)**	**1.00**	**(9.27)**	**Nil**	**55%**
	2018-19			51.87	(77.92)	87.47	112.92	Nil	93.04	(8.95)	0.70	(9.65)	Nil	55%
Perma Construction Aids Private Limited (5)	**2019-20**	8th April, 2019	INR	**0.99**	**12.63**	**17.02**	**3.40**	**Nil**	**34.55**	**3.08**	**0.81**	**2.28**	**Nil**	**100%**
Nerofix Private Limited (5)	**2019-20**	17th July, 2019	INR	**20.00**	**(0.86)**	**63.54**	**44.40**	**Nil**	**22.91**	**(0.86)**	**Nil**	**(0.86)**	**Nil**	**60%**

Notes:

1. The assets and Liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and income and expense items are translated at average rates of exchange for the year.
2. The reporting period of KNP Japan Private Limited Kansai Lanka Paints Private Limited , Marpol Private Limited , RAK Paints Ltd. and Perma Construction Aids Private Limited are same as that of holding company i.e.1st April, 2019 to 31st March, 2020. For Nerofix Private Limited reporting period is from 17th July, 2019 to 31st March,2020. (P.Y. :For RAK Paints Ltd., Bangladesh, reporting period is from 1st July, 2018 to 31st March, 2019.)
3. Names of subsidiaries which are yet to commence operations as at 31st March, 2020 — Nil
4. Names of subsidiaries which have been liquidated or sold during the year — Nil
5. Details relating to acquisition of Perma Construction Aids Private Limited and Nerofix Private Limited is disclosed under Note 42 of Consolidated Financial Statements.

Since the company does not have any Associates or Joint Ventures, information pertaining to Part "B" to this form relating to Associates and Joint Ventures is not given.

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

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Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Independent Auditor's Report

To The Members of
Kansai Nerolac Paints Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Kansai Nerolac Paints Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31 2020, 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 Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS 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 Ind AS 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, 2020, 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition on sale of goods and Impairment loss allowance on trade receivables (as described in Note 27 and 40(B)(ii) respectively of the consolidated Ind AS financial statements)	
Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives and returns, if any, ('variable consideration') as specified in the contracts with the customers. An estimate of variable consideration payable to the customers is recorded as at the year-end. Such estimation is done based on the terms of contracts, rebates and discounts schemes and historical experience.	Our audit procedures included, amongst others: • We read and evaluated the Group's policies for revenue recognition and impairment loss allowance and assessed its compliance with Ind AS 115 – Revenue from contracts with customers' and Ind AS 109 'Financial Instruments' respectively; • We assessed the design and tested the operating effectiveness of internal controls related to sales including variable consideration and impairment loss allowance on trade receivables;

Independent Auditor's Report (Continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>In accordance with Ind AS 109 – Financial Instruments, the Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

In calculating the impairment loss allowance, the Group has considered its credit assessment and other related credit information for its customers to estimate the probability of default in future and has considered estimates of possible effect from increased uncertainties in economic environment.

We identified estimation of variable consideration and impairment loss allowance on trade receivables as a key audit matter because the Group's management exercises significant judgments and estimates in calculating the said variable consideration and impairment loss allowance.</td><td>• 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.
  • Evaluated the assumptions used in estimation of variable consideration by comparing with the budgets, past trends and understand the reasons for deviation.
  • Performed retrospective review to identify and evaluate variances.
• We evaluated management's assessment of the assumptions used in the calculation of impairment loss allowance on trade receivables, including consideration of the current and estimated future uncertain economic conditions;
• For sample customers, we tested past collection history, customer's credit assessment and probability of default assessment performed by the management;
• We tested the mathematical accuracy and computation of the allowances;
• We read and assessed the relevant disclosures made within the consolidated Ind AS financial statements.</td></tr>
</table>

Other Information

The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS Financial Statements

The Holding Company's Board of Directors are responsible for the preparation and presentation of these consolidated Ind AS 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS 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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 Ind AS 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 Ind AS 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 system 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated Ind AS 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 Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS 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 Ind AS 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 Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report (Continued)

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of 5 subsidiaries, whose Ind AS financial statements include total assets of ₹ 283.58 Crores as at March 31, 2020, and total revenues of ₹ 326.11 Crores and net cash outflows of ₹ 7.94 Crores for the year ended on that date. These Ind AS 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 Ind AS 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 reports of such other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the 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 Company and audited by us.

(b) The consolidated Ind AS financial statements of the Company for the year ended March 31, 2019, included in these consolidated Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 02, 2019.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS 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 Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS 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, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies incorporated in India, refer to our separate Report in "Annexure 1" to this report;

Independent Auditor's Report (Continued)

(g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, incorporated in India, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Holding Company and its subsidiaries, incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

(i) The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated Ind AS financial statements – Refer Note 35 to the consolidated Ind AS 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, 2020;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India during the year ended March 31, 2020.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 20110759AAAABM9223

Place of Signature: Mumbai
Date: 06 May 2020

Annexure 1 to the Independent Auditor's Report

Annexure 1 to the Independent Auditor's Report of even date on the consolidated Ind AS 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 Ind AS financial statements of Kansai Nerolac Paints Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Kansai Nerolac Paints Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary companies, 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. 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated Ind AS 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 Ind AS 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 over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated Ind AS 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 over financial reporting with reference to these consolidated Ind AS 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 1 to the Independent Auditor's Report (Contd.)

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS 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 over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31,2020, 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.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, in so far as it relates to these 2 subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Anil Jobanputra
Partner
Membership Number: 110759
UDIN: 20110759AAAABM9223

Place of Signature: Mumbai
Date: 06 May 2020

Consolidated Balance Sheet as at 31st March 2020

₹ in Crores

	Note	As at 31st March, 2020		As at 31st March, 2019	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1698.33**		1404.52	
Capital Work-in-progress		**169.10**		316.35	
Right of Use Assets (ROU)	2A	**132.54**		—	
Investment Property	3	**0.18**		0.18	
Goodwill on Consolidation	4A	**19.78**		19.58	
Other Intangible Assets	4B	**55.56**		40.79	
			2075.49		1781.42
Financial Assets:					
Investments	5	**0.85**		0.96	
Loans	6	**15.12**		14.16	
			15.97		15.12
Non-current Tax Assets (Net)			**157.74**		165.71
Other Non-current Assets	7		**145.88**		235.29
Total Non-current Assets			**2395.08**		2197.54
Current Assets					
Inventories	8		**1008.35**		1111.06
Financial Assets:					
Investments	9	**305.10**		195.56	
Trade Receivables	10	**786.98**		755.58	
Cash and Cash Equivalents	11	**180.21**		93.37	
Bank Balances other than Cash and Cash Equivalents	12	**11.82**		2.82	
Loans	13	**4.87**		5.22	
Other Financial Assets	14	**3.58**		5.30	
			1292.56		1057.85
Other Current Assets	15		**187.63**		151.44
Total Current Assets			**2488.54**		2320.35
Total Assets			**4883.62**		4517.89
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**3706.41**		3362.44	
Equity attributable to Equity holders of the Holding Company			**3760.30**		3416.33
Non-Controlling Interests			**21.68**		20.09
Total Equity			**3781.98**		3436.42
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**23.44**		4.35	
Lease Liabilities	47	**52.78**		—	
Provisions	19	**0.07**		0.02	
Deferred Tax Liabilities (Net)	20	**108.11**		126.67	
Total Non-current Liabilities			**184.40**		131.04
Current Liabilities					
Financial Liabilities:					
Borrowings	21	**149.82**		96.51	
Lease Liabilities	47	**10.97**		—	
Trade Payables	22				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**40.69**		17.83	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**554.70**		675.55	
		595.39		693.38	
Other Financial Liabilities	23	**100.72**		104.61	
		856.90		894.50	
Other Current Liabilities	24	**38.53**		34.87	
Provisions	25	**18.44**		16.25	
Current Tax Liabilities (Net)	26	**3.37**		4.81	
Total Current Liabilities			**917.24**		950.43
Total Liabilities			**1101.64**		1081.47
Total Equity and Liabilities			**4883.62**		4517.89
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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Consolidated Statement of Profit and Loss for the year ended 31st March 2020

₹ in Crores

	Note	Year ended 31st March, 2020		Year ended 31st March, 2019	
Income					
Revenue from Operations	27		**5279.97**		5424.32
Other Income	28		**25.53**		60.52
Total Income			**5305.50**		5484.84
Expenses					
Cost of Materials Consumed	29	**2921.96**		3404.80	
Purchases of Stock-in-trade		**287.73**		258.74	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	30	**48.92**		(201.78)	
Employee Benefits Expense	31	**310.37**		283.41	
Finance Costs	32	**20.91**		9.97	
Depreciation and Amortisation Expenses	33	**142.12**		106.28	
Other Expenses	34	**906.53**		926.63	
Total Expenses			**4638.54**		4788.05
Profit Before Tax			**666.96**		696.79
Tax Expense					
Current Tax	20	**172.07**		225.54	
Deferred Tax	20	**(20.89)**		23.59	
Total Tax Expense			**151.18**		249.13
Profit for the Year			**515.78**		447.66
Other Comprehensive Income					
(i) Items that will not be reclassified to Consolidated Statement of Profit and Loss					
(a) Remeasurement of Employee Defined Benefit Liability		**(1.78)**		1.51	
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss		**0.35**		(0.51)	
Net Other Comprehensive income not to be reclassified subsequently to Consolidated Statement of Profit and Loss			**(1.43)**		1.00
(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		**(3.80)**		(0.79)	
(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			**(3.80)**		(0.79)
Other Comprehensive Income (net of taxes)			**(5.23)**		0.21
Total Comprehensive Income for the year			**510.55**		447.87
Profit Attributable to:					
Owners of the Company		**521.01**		452.75	
Non-controlling interests		**(5.23)**		(5.09)	
Profit for the year			**515.78**		447.66
Other Comprehensive Income attributable to:					
Owners of the Company		**(5.04)**		0.18	
Non-controlling interests		**(0.19)**		0.03	
Other Comprehensive income for the year			**(5.23)**		0.21
Total Comprehensive income attributable to:					
Owners of the Company		**515.97**		452.93	
Non-Controlling Interests		**(5.42)**		(5.06)	
Total Comprehensive income for the year			**510.55**		447.87
Earnings per Equity Share (Face Value of ₹ 1 each):					
Basic and Diluted (in ₹)	36		**9.67**		8.40
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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Consolidated Statement of Changes in Equity

for the year ended 31st March, 2020

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2018	**53.89**
Changes in Equity Share Capital during 2018-2019	—
Balance as at the 31st March, 2019	**53.89**
Changes in Equity Share Capital during 2019-2020	—
Balance as at the 31st March, 2020	**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, 2019	**0.30**	**12.56**	**487.67**	**2,863.38**	**(1.47)**	**3,362.44**	**20.09**	**3,382.53**
Impact on account of adoption of Ind AS 116 (Refer note 47)	—	—	—	(4.71)	—	(4.71)	—	**(4.71)**
Deferred Tax impact on account of adoption of Ind AS 116 (Refer note 47)	—	—	—	1.65	—	1.65	—	**1.65**
Profit for the year as per Consolidated Statement of Profit and Loss	—	—	—	**521.01**	—	**521.01**	**(5.23)**	**515.78**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.54)	—	(1.54)	(0.24)	**(1.78)**
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.30	—	0.30	0.05	**0.35**
Exchange differences on translation of foreign operations	—	—	—	—	(3.80)	(3.80)	—	**(3.80)**
Other Comprehensive Income, (net of tax)	—	—	—	**(1.24)**	**(3.80)**	**(5.04)**	**(0.19)**	**(5.23)**
Total Comprehensive Income for the Year	—	—	—	**519.77**	**(3.80)**	**515.97**	**(5.42)**	**510.55**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	8.00	**8.00**
Dividends	—	—	—	(140.12)	—	(140.12)	(0.99)	**(141.11)**
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	**(28.80)**
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	—	**—**
Other Adjustments	—	—	0.84	0.19	(1.05)	(0.02)	—	**(0.02)**
	—	**—**	**0.84**	**(168.73)**	**(1.05)**	**(168.94)**	**7.01**	**(161.93)**
Balance as at 31st March, 2020	**0.30**	**12.56**	**488.51**	**3211.36**	**(6.32)**	**3706.41**	**21.68**	**3728.09**

	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, 2018	0.30	12.56	487.67	2,578.58	(0.68)	3,078.43	16.38	3,094.81
Profit for the year as per Consolidated Statement of Profit and Loss	—	—	—	452.75	—	452.75	(5.09)	447.66
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.47	—	1.47	0.04	1.51
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.50)	—	(0.50)	(0.01)	(0.51)
Exchange differences on translation of foreign operations	—	—	—	—	(0.79)	(0.79)	—	(0.79)
Other Comprehensive Income, (net of tax)	—	—	—	0.97	(0.79)	0.18	0.03	0.21
Total Comprehensive Income for the Year	—	—	—	453.72	(0.79)	452.93	(5.06)	447.87
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	4.37	4.37
Dividends	—	—	—	(140.12)	—	(140.12)	—	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	3.57	3.57
Other Adjustments	—	—	—	—	—	—	0.83	0.83
	—	—	—	(168.92)	—	(168.92)	8.77	(160.15)
Balance as at 31st March, 2019	0.30	12.56	487.67	2863.38	(1.47)	3362.44	20.09	3382.53

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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Consolidated Statement of Cash Flows

for the year ended 31st March, 2020

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Cash Flow from Operating Activities				
Net Profit Before Tax		**666.96**		696.79
Adjustments for:				
Depreciation and Amortisation Expenses	**142.12**		106.28	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(10.51)**		(1.44)	
Unrealised Foreign Exchange Loss/(Gain) (Net)	**1.95**		(4.29)	
Profit on Sale of Current Investments (Net)	**(8.90)**		(22.52)	
Interest Income	**(2.57)**		(17.55)	
Dividend Income	**—**		(0.02)	
Finance Cost	**20.91**		9.97	
(Profit)/Loss on Sale of Property, Plant and Equipment (Net)	**(0.09)**		0.10	
Impairment loss allowance on trade receivables	**7.87**		9.08	
Provisions no longer required, written back	**(0.10)**		(5.50)	
		150.68		74.11
Operating Profit Before Working Capital Changes		**817.64**		770.90
(Increase) in Trade and Other Receivables	**(73.36)**		(81.90)	
Decrease/(Increase) in Inventories	**102.70**		(258.96)	
(Decrease) in Trade Payables	**(86.38)**		(19.39)	
		(57.04)		(360.25)
Cash Generated from Operations		**760.60**		410.65
Direct Taxes Paid (Net of Refunds)		**(165.53)**		(310.73)
Net Cash Flows generated from Operating Activities		**595.07**		99.92
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)	**(242.12)**		(527.07)	
Proceeds from Sale Property, Plant, Equipment	**3.33**		2.29	
Purchase of Non-current Investments	**(0.13)**		(0.23)	
Purchase of Current Investments	**(14,628.50)**		(16,747.07)	
Proceeds from Sale/ Redemption of Investments	**14,538.61**		17,095.46	
Payments for Acquisition of Subsidiaries (Refer note 42)	**(41.10)**		(76.49)	
Interest Received	**2.57**		17.55	
Dividend Received	**—**		0.02	
(Investments in) / Proceeds from fixed deposits	**(8.88)**		323.99	
Net Cash Flows (used in) / generated from Investing Activities		**(376.22)**		88.45
Cash Flows from Financing Activities				
Repayment of Non-current Borrowings	**(5.53)**		(7.75)	
Repayment of Current Borrowings	**—**		(36.25)	
Proceeds from Non-current and Current Borrowings	**67.11**		—	
Payment of Lease Liabilities	**(16.74)**		—	
Finance Costs	**(15.65)**		(9.97)	
Dividend Paid	**(141.08)**		(140.12)	
Dividend Distribution Tax Paid	**(28.80)**		(28.80)	
Net Cash Flows (used in) Financing Activities		**(140.69)**		(222.89)
Net Increase/(Decrease) in Cash and Cash Equivalents		**78.16**		(34.52)

Consolidated Statement of Cash Flows

for the year ended 31st March, 2020

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Cash and Cash Equivalents at beginning of the year, the components being:				
Cash on hand	**2.28**		0.10	
Cheques on hand	**25.03**		29.23	
Balances With Banks on Current, Margin and Fixed Deposit Accounts	**65.22**		33.22	
Bank overdrafts and Cash Credit (Refer Note 21)	**(66.57)**		(1.89)	
Effect of exchange rate fluctuation	**0.84**		0.66	
		26.80		61.32
Cash and Cash Equivalents at end of the year, the components being:				
Cash on hand	**1.03**		2.28	
Cheques on hand	**3.55**		25.03	
Fixed Deposit with Banks	**125.13**		—	
Balances With Banks on Current, Margin and Fixed Deposit Accounts (Inclusive of balances taken over on acquisition of subsidiaries)	**49.67**		65.22	
Bank overdrafts and Cash Credit (Refer Note 21)	**(75.26)**		(66.57)	
Effect of exchange rate fluctuation	**0.84**		0.84	
		104.96		26.80
Net Increase/(Decrease) as disclosed above		**78.16**		(34.52)

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2020	31st March, 2019
Opening Balances		
Non-current Borrowings	**11.44**	18.33
Current Borrowings (Excluding Bank Overdrafts and Cash Credit)	**29.94**	14.94
Movements		
Non-current Borrowings	**12.00**	(6.89)
Current Borrowings (Excluding Bank Overdrafts and Cash Credit)	**49.58**	15.00
Closing Balances		
Non-current Borrowings	**23.44**	11.44
Current Borrowings (Excluding Bank Overdrafts and Cash Credit)	**79.52**	29.94

Notes:

(i) Figures in brackets are outflows/deductions.

(ii) The above cash flow statement is prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) — Statement of Cash Flows

(iii) The movement of Non-Current Borrowing includes Borrowings acquired of ₹ 0.13 Crore (2018-19 ₹ 0.86 Crore) during the year

(iv) The movement of Current Borrowing includes Borrowings acquired of ₹ Nil (2018-19 ₹ 51.25 Crores) during the year

As per our attached report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No.: 324982E /E300003

per **Anil Jobanputra**
Partner
Membership No.: 110759

Mumbai, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

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 Holding Company is located at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013. The Holding Company is principally engaged in the manufacturing of Paints.

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

The Consolidated Financial Statements relate to Kansai Nerolac Paints Limited (the “Holding Company”) and its Subsidiary Companies, KNP Japan Private Limited, a company incorporated in Nepal in which the Holding Company has 68% equity holding, Kansai Paints Lanka (Private) Limited, a company incorporated in Sri Lanka in which the Holding Company has 60% equity holding, Marpol Private Limited, a company incorporated in India in which the Holding Company has 100% equity holding (w.e.f. 7th April, 2018), RAK Paints Limited, a company incorporated in Bangladesh in which the Holding Company has 55% equity holding (w.e.f. 17th July, 2018), Perma Construction Aids Private Limited, a company incorporated in India in which the Holding Company has 100% equity holding (w.e.f. 8th April, 2019) and Nerofix Private Limited, a company incorporated in India in which the Holding Company has 60% equity holding (w.e.f. 17th July, 2019), hereinafter referred to as the “Group”.

The Consolidated Financial Statements for the year ended 31st March, 2020 have been reviewed by the Audit Committee and approved by the Board of Directors of the Holding Company at their meetings held on 6th May, 2020.

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, (ther ‘Act’) and other relevant provisions of the Act.

Details of Group’s Accounting Policies are included in Note 1.

2. Functional and Presentation Currency

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

3. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for investments in mutual funds, non-trade equity shares, bonds and employee defined benefit plans, which are measured at fair values at the end of each reporting period.

4. Use of Estimates and Judgements

Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the Consolidated Financial Statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures as at date of the Consolidated Financial Statements and the reported amounts of the revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

(ii) 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

B. Basis of Preparation (contd.)

4. Use of estimates and judgements (contd.)

(iii) 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 Consolidated Financial Statements.

Discount rate used to determine the carrying amount of the Groups'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.

Contingences and Commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Group. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the consolidated financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

(iv) 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 equires 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 consolidated 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, 2020. 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 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, consolidated 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

C. Basis of Consolidation (contd.)

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 their is no evidence of impairment.

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, 2020

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, 2020

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 feasible to complete the intangible asset so that it will be available for use or sale.

(b) the Group intends to complete the intangible asset and use or sell it.

(c) the Group has ability to use or sell the intangible asset.

(d) the Group can demonstrate how the intangible asset will generate probable future economic benefits.

(e) the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) the Group has ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(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, 2020

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 remeasurement 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, 2020

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 thereof in excess of six months. Vesting occurs upon completion of five years of service. The Group has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Group accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised as Other Comprehensive Income or Loss.

Provident Fund Trust

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

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

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

8. Inventories

(a) Measurement of Inventory

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

(b) Cost of Inventories

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

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

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

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

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

(c) Net Realisable Value

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

The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Inventories are usually written down to net realisable value item by item. Estimates of net realisable value of finished goods and stock-in-trade are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

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

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

(d) Valuation of Spare parts, stand-by equipments and servicing equipments

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

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 Consolidated Statement of Profit and Loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

11. Provisions and Contingent Liabilities

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

Warranties

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

Restructuring

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

Onerous contracts

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

12. Revenue Recognition

Sale of Goods

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch/delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Group has adopted Ind AS 115 Revenue from contracts with customers, with effect from 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 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. 1st April, 2018). Accordingly, the comparative information in the Consolidated 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 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

12. Revenue Recognition (contd.)

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 Consolidated Financial Statements are presented. Indian Rupee is the functional as well as presentation currency for the Group.

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

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

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

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

14. Taxation

Income tax

Income tax comprises current and deferred tax. It is recognised in Consolidated Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current tax

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

Deferred tax

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

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

b. taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

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 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 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 Consolidated Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

16. Financial Instruments

(a) Recognition and Initial Measurement

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

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(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, 2020

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and subsequent measurement (contd.)

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

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

(c) Derecognition

Financial Assets

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

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

Financial Liabilities

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

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

(d) Offsetting

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

(e) Derivative Financial Instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently re-measured at fair value. Any changes therein are recognised in the Consolidated Statement of Profit and Loss.

17. Borrowing Cost

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

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

18. Earnings Per Share

Basic earnings per share

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

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

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

Diluted earnings per share

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

19. Impairment Loss

Impairment of Financial Assets

The Group recognises loss allowances for expected credit losses on:

— financial assets measured at amortised cost; and

— financial assets measured at FVOCI- debt investments.

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

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

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

Impairment of Non-Financial Assets

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

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

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

20. Measurement of Fair Values

A number of the Group'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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

Note 1: Significant Accounting Policies (contd.)

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 remeasured 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 remeasured 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 Consolidated 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 Consolidated 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 Consolidated Financial Statements of the transferor is aggregated with the corresponding balance appearing in the Consolidated 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, 2020

2. Property, Plant and Equipment

₹ in Crores

Description	Gross Block							Accumulated Depreciation							Net Block
	As at 1st April, 2019	Additions on Acquisition of Subsidiaries	Additions/ Adjust-ments	Deduc-tions/ Adjust-ments	Translation Difference	Reclassified on account of adoption of Ind AS 116	As at 31st March, 2020	As at 1st April, 2019	Additions on Acquisition of Subsidiaries	Additions/ Adjust-ments	Deductions/ Adjust-ments	Translation Difference	Reclassified on account of adoption of Ind AS 116	As at 31st March, 2020	As at 31st March, 2020
Freehold Land	90.69	8.62	21.35	—	0.07	—	**120.73**	—	—	—	—	—	—	**—**	**120.73**
	(68.94)	(21.78)	(—)	(—)	(0.03)	(—)	(90.69)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(90.69)
Leasehold Land	59.58	—	—	—	—	(59.58)	**—**	3.87	—	—	—	—	(3.87)	**—**	**—**
	(46.77)	(10.48)	(2.33)	(—)	(—)	(—)	(59.58)	(3.12)	(0.06)	(0.69)	(—)	(—)	(—)	(3.87)	(55.71)
Buildings	628.31	9.31	134.20	—	0.80	—	**772.62**	131.61	—	21.87	—	0.16	—	**153.64**	**618.98**
	(453.81)	(24.36)	(150.80)	(—)	(0.66)	(—)	(628.31)	(108.97)	(5.59)	(17.14)	(—)	(0.09)	(—)	(131.61)	(496.70)
Plant and Equipments	975.40	8.23	240.05	0.53	2.24	—	**1225.39**	369.84	—	50.49	0.53	2.57	—	**422.37**	**803.02**
	(773.98)	(39.93)	(162.43)	(0.47)	(0.47)	(—)	(975.40)	(303.50)	(24.51)	(42.39)	(0.38)	(0.18)	(—)	(369.84)	(605.56)
Furniture and Fixtures	20.89	0.39	1.61	0.44	0.04	—	**22.49**	15.64	—	1.17	0.23	0.01	—	**16.59**	**5.90**
	(17.34)	(1.67)	(1.90)	(—)	(0.02)	(—)	(20.89)	(13.68)	(1.09)	(0.87)	(—)	(—)	(—)	(15.64)	(5.25)
Vehicles	8.22	0.44	0.51	1.96	0.17	—	**7.38**	4.65	—	0.76	0.21	0.09	—	**5.29**	**2.09**
	(2.94)	(6.14)	(0.27)	(1.06)	(0.07)	(—)	(8.22)	(1.82)	(2.25)	(1.21)	(0.60)	(0.03)	(—)	(4.65)	(3.57)
Office Equipments	14.67	0.35	1.66	0.05	0.36	—	**16.99**	11.35	—	1.35	0.03	0.18	—	**12.85**	**4.14**
	(11.13)	(2.11)	(1.46)	(0.02)	(0.01)	(—)	(14.67)	(9.24)	(1.32)	(0.82)	(0.02)	(0.01)	(—)	(11.35)	(3.32)
Computers	45.32	0.47	5.17	—	(0.33)	—	**50.63**	36.10	—	5.04	—	(0.25)	—	**40.89**	**9.74**
	(39.44)	(0.95)	(4.98)	0.00	(0.05)	(—)	(45.32)	(30.14)	(0.77)	(5.20)	(—)	(0.01)	(—)	(36.10)	(9.22)
Assets for Scientific Research*	72.92	—	3.44	—	—	—	**76.36**	14.53	—	3.08	—	0.00	—	**17.61**	**58.75**
	(26.25)	(—)	(46.67)	(—)	(—)	(—)	(72.92)	(12.21)	(—)	(2.32)	(—)	(—)	(—)	(14.53)	(58.39)
Assets given on Operating Lease (Refer Note 2.6)	309.55	—	28.56	0.46	—	—	**337.65**	234.33	—	29.44	0.44	(0.00)	—	**263.33**	**74.32**
	(279.22)	(—)	(30.33)	(—)	(—)	(—)	(309.55)	(207.12)	(—)	(27.21)	(—)	(—)	(—)	(234.33)	(75.22)
Colourant Machine	0.53	—	1.07	1.18	(0.02)	—	**0.40**	—	—	—	—	—	—	**—**	**0.40**
	(0.70)	(—)	(1.47)	(1.65)	(0.01)	(—)	(0.53)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(0.53)
Tools and Appliances	0.47	0.15	0.05	0.11	0.02	—	**0.58**	0.11	—	0.25	0.05	0.01	—	**0.32**	**0.26**
	(—)	(0.69)	(0.01)	(0.22)	(0.01)	(—)	(0.47)	(—)	(0.04)	(0.11)	(0.03)	(0.01)	(—)	(0.11)	(0.36)
Total Tangible Assets	2226.55	27.96	437.67	4.73	3.35	(59.58)	**2631.22**	822.03	—	113.45	1.49	2.77	(3.87)	**932.89**	**1698.33**
	(1720.52)	(108.12)	(402.65)	(3.42)	(1.32)	(—)	(2226.55)	(689.80)	(35.63)	(97.96)	(1.03)	(0.33)	(—)	(822.03)	(1404.52)

* Net block includes Buildings ₹ 25.45 Crores (2018-2019 ₹ 25.88 Crores), Plant and Equipment ₹ 28.39 Crores (2018-2019 ₹ 26.83 Crores) and Furniture and Fixtures ₹ 5.03 Crores (2018-2019 ₹ 5.67 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 Equipments - ₹ 5.64 Crores (2018-2019: Nil) 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 (2018-2019: ₹ 21.78 Crores), Buildings - ₹ 6.57 Crores (2018-2019: ₹ 9.16 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 ₹ 337.65 Crores (2018-2019 ₹ 309.55 Crores) and ₹ 262.99 Crores (2018-2019 ₹ 234.33 Crores) respectively.

(ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 29.12 Crores (2018-2019 ₹ 27.21 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.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

2A. Right of Use Assets (ROU)

₹ in Crores

Description	Gross Block						Accumulated Amortisation					Net Block
	As at 1st April, 2019	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2020**	As at 1st April, 2019	Additions	Deductions	Translation Difference	**As at 31st March, 2020**	**As at 31st March, 2020**
Leasehold Land*............................	59.58 (—)	6.96 (—)	12.71 (—)	— (—)	4.48 (—)	**83.73** (—)	3.87 (—)	0.65 (—)	— (—)	0.09 (—)	**4.61** (—)	**79.12** (—)
Buildings.......................................	56.87 (—)	— (—)	10.16 (—)	— (—)	— (—)	**67.03** (—)	— (—)	13.61 (—)	— (—)	— (—)	**13.61** (—)	**53.42** (—)
Total Right of Use Assets (ROU)	116.45 (—)	6.96 (—)	22.87 (—)	— (—)	4.48 (—)	**150.76** (—)	3.87 (—)	14.26 (—)	— (—)	0.09 (—)	**18.22** (—)	**132.54** (—)

2A.1 Figures in the brackets are the corresponding figures in respect of the previous year.
2A.2 Nil amount of borrowing costs is capitalised during the current and comparative periods.
2A.3 Nil amount of impairment loss is recognised during the current and comparative periods.

*Opening balance Reclassified on account of adoption of Ind AS 116

3. Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	As at 1st April, 2019	Additions	Deductions	**As at 31st March, 2020**	**As at 31st March, 2020**
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 period.
3.3. Nil amount of impairment loss is recognised during the current and comparative period.
3.4. During the financial year, no rental income was generated from the investment properties whereas direct operating expenses of ₹ 0.19 Crores (2018-2019 ₹ 0.18 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.
3.5. Total fair value of Investment Property is ₹ 1400.29 Crores (2018-2019 ₹ 1381.20 Crores).

Fair Value Hierarchy

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

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

Description of Valuation Technique used

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

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

4. Goodwill and Other Intangible Assets

4A. Goodwill on Consolidation

₹ in Crores

Description	Gross Block					Accumulated Amortisation					Net Block
	As at 1st April, 2019	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2020	As at 1st April, 2019	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2020	As at 31st March, 2020
For KNP Japan Private Limited	2.27	—	—	—	**2.27**	—	—	—	—	**—**	**2.27**
	(2.27)	(—)	(—)	(—)	(2.27)	(—)	(—)	(—)	(—)	(—)	(2.27)
For RAK Paints Limited	17.31	—	—	—	**17.31**	—	—	—	—	**—**	**17.31**
	(—)	(17.31)	(—)	(—)	(17.31)	(—)	(—)	(—)	(—)	(—)	(17.31)
For Perma Construction Aids Private Limited	—	0.20	—	—	**0.20**	—	—	—	—	**—**	**0.20**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Total Goodwill on consolidation	19.58	0.20	—	—	**19.78**	—	—	—	—	**—**	**19.78**
	(2.27)	(17.31)	(—)	(—)	(19.58)	(—)	(—)	(—)	(—)	(—)	(19.58)

4B. Other Intangible Assets

₹ in Crores

Description	Gross Block						Accumulated Amortisation						Net Block
	As at 1st April, 2019	Acquisition of Subsidiaries	Additions/ Adjustments"	Deductions/Adjustments	Translation Difference	As at 31st March, 2020	As at 1st April, 2019	Acquisition of Subsidiaries	Additions/ Adjustments	Deductions/ Adjustments	Translation Difference	As at 31st March, 2020	As at 31st March, 2020
Software	18.70	—	0.95	—	0.01	**19.66**	14.82	—	1.85	—	—	**16.67**	**2.99**
	(15.75)	(0.41)	(2.55)	(—)	(0.01)	(18.70)	(13.38)	(0.23)	(1.19)	(—)	(0.02)	(14.82)	(3.88)
Customer Relationship	20.12	9.21	—	—	—	**29.33**	3.02	—	5.35	—	—	**8.37**	**20.96**
	(—)	(20.12)	(—)	(—)	(—)	(20.12)	(—)	(—)	(3.02)	(—)	(—)	(3.02)	(17.10)
Brand and Technical Know-how	7.88	12.42	—	—	(0.01)	**20.29**	1.58	—	3.06	—	—	**4.64**	**15.65**
	(—)	(7.88)	(—)	(—)	(—)	(7.88)	(—)	(—)	(1.58)	(—)	(—)	(1.58)	(6.30)
Non-compete	16.04	6.60	—	—	—	**22.64**	2.53	—	4.15	—	—	**6.68**	**15.96**
	(—)	(16.04)	(—)	(—)	(—)	(16.04)	(—)	(—)	(2.53)	(—)	(—)	(2.53)	(13.51)
Total Other Intangible Assets	62.74	28.23	0.95	—	—	**91.92**	21.95	—	14.41	—	—	**36.36**	**55.56**
	(15.75)	(44.45)	(2.55)	(—)	(0.01)	(62.74)	(13.38)	(0.23)	(8.32)	(—)	(0.02)	(21.95)	(40.79)

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

5. Non-current Investments

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Investments in Equity Instruments:		
Others at Fair value through profit or loss		
Quoted	**0.42**	0.66
Unquoted	**0.38**	0.25
Investments in Debenture:		
Quoted	**0.05**	0.05
Total Non-current Investments	**0.85**	0.96
Aggregate book value of quoted investments	**0.47**	0.71
Aggregate market value of quoted investments	**0.47**	0.71
Aggregate amount of unquoted investments	**0.38**	0.25
Aggregate amount of impairment in value of investments	**Nil**	Nil

6. Loans

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Security Deposits	**15.12**	14.16
	15.12	14.16

7. Other Non-current Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Capital Advances	**116.04**	204.48
Prepaid Expenses	**7.71**	10.43
Balances with Indirect Tax Authorities	**22.13**	20.38
	145.88	235.29

8. Inventories

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Raw Materials	**317.51**	374.38
Packing Materials	**13.60**	14.17
Work-in-progress	**88.56**	94.22
Finished Goods	**516.50**	570.39
Stock-in-trade	**62.12**	49.14
Stores and Spares	**10.06**	8.76
	1008.35	1111.06

Inventories amounting to ₹ 54.37 Crores (2018-2019 ₹ 41.16 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21)

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of Inventory recognised as an expense during the year as per Note 29 and 30.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

9. Current Investments

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
(A) Investments in Bonds at FVTPL (Quoted)	**16.26**	14.31
(B) Mutual Funds at FVTPL (Unquoted)	**288.84**	181.25
Total Current Investment (A + B)	**305.10**	195.56
Aggregate book value of quoted investments	**16.26**	14.31
Aggregate market value of quoted investments	**16.26**	14.31
Aggregate amount of unquoted investments	**288.84**	181.25
Aggregate amount of impairment in value of investments	**Nil**	Nil

10. Trade Receivables

₹ in Crores

	As at 31st March, 2020		As at 31st March, 2019	
Secured, Considered Good		**—**		—
Unsecured, Considered Good		**786.98**		755.58
Significant increase in Credit Risk		**—**		—
Credit Impaired	**34.67**		26.80	
Loss Allowance	**(34.67)**		(26.80)	
		—		—
		786.98		755.58

Trade Receivables amounting to ₹ 66.32 Crores (2018-19 ₹ 48.17 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21)

11. Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Cash on hand	**1.03**	2.28
Cheques on hand	**3.55**	25.03
Banks balances	**50.50**	66.06
Fixed Deposit with Bank with less than 3 month maturity	**125.13**	—
	180.21	93.37

12. Bank Balance other than Cash and Cash equivalents

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unpaid Dividend Accounts	**2.09**	1.97
Fixed Deposit with Bank	**9.73**	0.85
	11.82	2.82

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

13. Loans

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Security Deposits	**4.87**	5.22
	4.87	5.22

14. Other Current Financial Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Other Receivable	**3.58**	5.30
	3.58	5.30

15. Other Current Assets

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**93.86**	69.30
Trade Advances	**68.59**	64.85
Prepaid Expenses	**19.75**	14.90
Other Receivable	**5.43**	2.39
	187.63	151.44

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

16. Share Capital

	As at 31st March, 2020		As at 31st March, 2019	
1. Authorised Share Capital (₹ in Crores)		**60.00**		60.00
Par Value per Share (₹)		**1.00**		1 .00
Number of Equity Shares		**60,00,00,000**		60,00,00,000
2. Issued, Subscribed and Fully Paid up (₹ in Crores)		**53.89**		53.89
Par Value per Share (₹)		**1.00**		1.00
Number of Equity Shares		**53,89,19,720**		53,89,19,720
3. Details of Shareholders holding more than 5% of shares				
	%	**No. of Shares**	%	No. of Shares
Ultimate Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.		**Nil**		Nil
5. The Holding Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the beginning of the year		**53,89,19,720**		53,89,19,720
Issued during the year		**—**		—
Number of shares at the end of the year		**53,89,19,720**		53,89,19,720
7. Capital Management:				
For the purpose of the Group's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the levels of dividends to equity shareholders.				
As at 31st March, 2020, the Group has only one class of equity shares. In order to maintain or achieve an optimal structure, the Group allocates its capital for distribution as dividend or re-investment into business based on its long term financial plans.				
The Group monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.				
Non-current Borrowings (₹ in Crores)		**23.44**		4.35
Current Borrowings (₹ in Crores)		**149.82**		96.51
Current Maturity of Non-current Borrowings (₹ in Crores)		**4.96**		7.09
Gross Debt		**178.22**		107.95
Less : Cash and Cash Equivalent (₹ in Crores)		**180.21**		93.37
Less : Other Bank Deposits (₹ in Crores)		**9.73**		0.85
Adjusted Net Debt		**(11.72)**		13.73
Total Equity (₹ in Crores)		**3781.98**		3436.42
Adjusted Net Debt-Equity Ratio		**(0.003)**		0.004

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

17. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attribut-able to NCI	Total
Balance as at 1st April, 2019	**0.30**	**12.56**	**487.67**	**2863.38**	**(1.47)**	**3362.44**	**20.09**	**3382.53**
Impact on account of adoption of Ind AS 116 (Refer note 47)	—	—	—	(4.71)	—	(4.71)	—	(4.71)
Deferred Tax impact on account of adoption of Ind AS 116 (Refer note 47)	—	—	—	1.65	—	1.65	—	1.65
Profit for the year as per Consolidated Statement of Profit And Loss	**—**	**—**	**—**	**521.01**	**—**	**521.01**	**(5.23)**	**515.78**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	(1.54)	—	(1.54)	(0.24)	(1.78)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.30	—	0.30	0.05	0.35
Exchange differences on translation of foreign operations	—	—	—	—	(3.80)	(3.80)	—	(3.80)
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**(1.24)**	**(3.80)**	**(5.04)**	**(0.19)**	**(5.23)**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**519.77**	**(3.80)**	**515.97**	**(5.42)**	**510.55**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	8.00	8.00
Dividends	—	—	—	(140.12)	—	(140.12)	(0.99)	(141.11)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	—	—
Other Adjustments	—	—	0.84	0.19	(1.05)	(0.02)	—	(0.02)
	—	**—**	**0.84**	**(168.73)**	**(1.05)**	**(168.94)**	**7.01**	**(161.93)**
Balance as at 31st March, 2020	**0.30**	**12.56**	**488.51**	**3,211.36**	**(6.32)**	**3,706.41**	**21.68**	**3,728.09**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attribut-able to NCI	Total
Balance as at 1st April, 2018	0.30	12.56	487.67	2578.58	(0.68)	3078.43	16.38	3094.81
Profit for the year as per Consolidated Statement of Profit And Loss	—	—	—	452.75	—	452.75	(5.09)	447.66
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.47	—	1.47	0.04	1.51
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.50)	—	(0.50)	(0.01)	(0.51)
Exchange differences on translation of foreign operations	—	—	—	—	(0.79)	(0.79)	—	(0.79)
Other Comprehensive Income, (net of tax)	—	—	—	0.97	(0.79)	0.18	0.03	0.21
Total Comprehensive Income for the Year	—	—	—	453.72	(0.79)	452.93	(5.06)	447.87
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	4.37	4.37
Dividends	—	—	—	(140.12)	—	(140.12)	—	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	3.57	3.57
Other Adjustments	—	—	—	—	—	—	0.83	0.83
	—	—	—	(168.92)	—	(168.92)	8.77	(160.15)
Balance as at 31st March, 2019	0.30	12.56	487.67	2863.38	(1.47)	3362.44	20.09	3382.53

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

17. Other Equity (contd.)

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Employee Defined Benefit Liability	As at 31st March, 2020	As at 31st March, 2019
Opening Balance	**(9.63)**	(10.63)
Remeasurement of Employee Defined Benefit Liability, net of tax	**(1.43)**	1.00
Closing Balance	**(11.06)**	(9.63)

₹ in Crores

Exchange differences on translation of foreign operations	As at 31st March, 2020	As at 31st March, 2019
Opening Balance	**(1.47)**	(0.68)
Exchange Difference on translation of foreign operations	**(3.80)**	(0.79)
Other Adjustment	**(1.05)**	—
Closing Balance	**(6.32)**	(1.47)

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 2018-2019, the Directors had recommended and Shareholders had approved a normal dividend of 260% (₹ 2.60 per share), which has been accounted in current year. For the year 2019-2020, the Directors have recommended dividend of 315% (₹ 3.15 per share) for the year. The dividend proposed by the Directors is subject to approval of Shareholders at the annual general meeting. The proposed dividend of ₹ 169.76 Crores (2018-2019 ₹ 140.12 Crores) alongwith dividend distribution tax of ₹ Nil (2018-2019 ₹ 28.80 Crores) have not been recognised as liabilities.

18. Non-current Borrowings

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Deferred Payment Liabilities		
a. Unsecured Sales Tax Deferral Loan Package Scheme of Incentive allowed the Group to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly instalments after ten years from the year of collection. Outstanding amount is repayable in one annual instalments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 3.40 Crores (2018-2019 ₹ 6.31 Crores) is disclosed under 'Other Financial Liabilities' – Refer Note 23].	**—**	3.40
b. Term loans from Banks * *Secured Loans from Bank at interest rate of 9.25% (2018-19: 12%-13%) secured by first charge of Plant and Equipments at the units for the purpose of acquisition of assets under business combination repayable by quarterly instalment from February 2021, where the last instalment is payable in November 2024. Current Maturities of these Term Loans is provided separately in Note 23.	**23.44**	0.95
	23.44	4.35

19. Provisions

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Provision for Gratuity	**0.07**	0.02
	0.07	0.02

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

20. Income Taxes

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
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	**172.07**	225.54
Deferred tax:		
In respect of current year	**(20.89)**	23.59
Income tax expense recognised in the Consolidated Statement of Profit and Loss	**151.18**	249.13
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of defined benefit plans	**0.35**	(0.51)
Income tax expense recognised in OCI	**0.35**	(0.51)
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**666.96**	696.79
Income tax expense calculated at 25.17% (2018-2019 34.944%)	**167.87**	243.49
Tax effect on non-deductible expenses	**6.40**	2.77
Effect of Incentive tax credits	**—**	(7.95)
Effect of Income that is exempted from tax	**(0.25)**	(0.34)
Impact of Tax on different rates on components	**4.25**	1.48
Impact of Tax on loss components	**5.82**	3.80
Reversal of opening deferred tax due to change in tax rate	**(34.43)**	—
Others	**1.52**	5.88
Total	**151.18**	249.13
Tax expense as per Consolidated Statement of Profit and Loss	**151.18**	249.13

The tax rate used for reconciliation above is the corporate tax rate of 25.17% (2018-2019 34.944%) 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 01.04.2019	Deferred Tax on Acquisition 2019-2020	Statement of Profit and Loss 2019-2020	OCI 2019-2020	Balance Sheet 31.03.2020
Difference between written down value/capital work-in-progess of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961.	(136.86)	—	23.10	—	(113.76)
Tax adjustment on account on indexation of freehold land	15.18	—	0.61	—	15.79
Expense claimed for tax purpose on payment basis	5.01	—	(3.19)	—	1.82
Provision for doubtful debts and Advances	5.89	—	(0.51)	—	5.38
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.03	—	(0.03)	—	—
Remeasurement benefit of the employee defined benefit plans through OCI	5.18	—	—	0.35	5.53
Deferred Tax on Distributable Accumulated Reserves of Subsidiaries	(2.13)	—	(0.81)	—	(2.94)
Deferred tax Liability due to Purchase Price Allocation Adjustment	(19.17)	(4.33)	3.69	—	(19.81)
Lease Rentals	1.65	—	(0.32)	—	1.33
Net fair value loss on investment in through FVTPL	0.20	—	(1.65)	—	(1.45)
Deferred tax (expense)/income Net Deferred tax liabilities	**(125.02)**	**(4.33)**	**20.89**	**0.35**	**(108.11)**

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

20. Income Taxes (contd.)

C. The major components of deferred tax (liabilities) / assets arising on account of timing differences are as follows (contd.)

₹ in Crores

Particulars	Balance Sheet	Deferred Tax on Acquisition	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2018	2018-2019	2018-2019	2018-2019	31.03.2019
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....	(108.28)	(0.17)	(28.41)	—	(136.86)
Tax adjustment on account on indexation of freehold land	14.15	—	1.03	—	15.18
Expense claimed for tax purpose on payment basis...	4.31	—	0.70	—	5.01
Provision for doubtful debts and Advances	4.99	—	0.90	—	5.89
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.02	—	0.01	—	0.03
Remeasurement benefit of the employee defined benefit plans through OCI	5.69	—	—	(0.51)	5.18
Deferred Tax on Distributable Accumulated Reserves of Subsidiaries	(0.67)	—	(1.46)	—	(2.13)
Deferred tax Liability due to Purchase Price Allocation Adjustment	—	(21.02)	1.85	—	(19.17)
Net fair value loss on investment in through FVTPL	(1.59)	—	1.79	—	0.20
Deferred tax (expense)/income Net Deferred tax liabilities	(81.38)	(21.19)	(23.59)	(0.51)	(126.67)

21. Borrowings

₹ in Crores

	As at 31st March, 2020		As at 31st March, 2019	
From Banks				
Term Loans*	**62.04**		29.94	
Overdraft #	**75.26**		66.57	
		137.30		96.51
*The Group has obtained at 9.25% - 13.00% (2018-19 12.00%-13.73%) term loans from bank to fund short-term fund requirement, secured by personal guarantee of local directors incase of foreign subsidiaries and hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8). These term loans are repayable within 180 days from date of issue of such term loans.				
#The Group has obtained at 9.00% - 12.00% (2018-19 9.35%-13.73%) overdrafts and cash credit facilities from bank to fund working capital requirements, secured by personal guarantee of local directors incase of foreign subsidiaries, corporate guarantee by the Holding Company (Refer Note 35), hypothecation of trade receivable(refer Note 10) and inventories (Refer Note 8), pledging of Freehold Land and Building (Refer Note 2.3). These facilities are repayable on demand.				
From Other Body Corporate		**12.52**		—
To support the working capital requirement, the Group had obtained short-term loan at 10.74% - 12.50% (2018-2019 - Nil). These loans are repayable on demand.				
		149.82		96.51

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

22. Trade Payables

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Trade Payables:		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 41)	**40.69**	17.83
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**554.70**	675.55
	595.39	693.38

23. Other Financial Liabilities

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Current Maturities of Long-term Borrowings (Refer Note 18)	**4.96**	7.09
Unclaimed/Unpaid Dividends*	**2.09**	1.97
Trade Deposits	**79.89**	71.70
Creditors for Capital Goods@ (Refer Note 41)	**13.78**	23.85
	100.72	104.61

* 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 ₹ 2.51 Crores.

24. Other Current Liabilities

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Statutory Obligations*	**18.84**	21.71
Trade Receivables with Credit Balance	**19.69**	13.16
	38.53	34.87

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

25. Provisions

₹ in Crores

	As at 31st March, 2020		As at 31st March, 2019	
Provision for Compensated Absences		**12.72**		11.86
Provision for Gratuity		**3.47**		2.12
Provision for Indirect Taxes:				
Opening Balance	**2.27**		7.77	
Add: Provision during the year	**0.08**		—	
Less: Utilisation / reversal during the year	**0.10**		5.50	
		2.25		2.27
		18.44		16.25

26. Current Tax Liabilities (Net)

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Current Tax Liabilities (Net)	**3.37**	4.81
	3.37	4.81

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

27. Revenue from Operations

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Sale of Products				
Sales	**5862.87**		5948.87	
Less: Discounts and Rebates	**612.47**		560.40	
Total Sale of Products		**5250.40**		5388.47
Other Operating Revenues				
Sale of Scrap	**16.16**		17.35	
Others	**13.41**		18.50	
		29.57		35.85
Revenue from Operations		**5279.97**		5424.32

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, 2020	Year ended 31st March, 2019
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**4654.89**	4776.69
Asia (Other than India)	**208.46**	249.61
(A)	**4863.35**	5026.30
Trading		
India	**378.40**	362.17
Asia (Other than India)	**8.65**	—
(B)	**387.05**	362.17
(C) = (A) + (B)	**5250.40**	5388.47
2) Other operating revenue:		
Sale of scrap and empties	**16.16**	17.35
Others	**13.41**	18.50
(D)	**29.57**	35.85
Total Revenue (C) + (D)	**5279.97**	5424.32
Major Product lines		
Paints	**5250.40**	5388.47
	5250.40	5388.47
Sales by performance obligations		
Upon shipment	**—**	—
Upon delivery	**5250.40**	5388.47
	5250.40	5388.47
Reconciliation of revenue from contract with customer:		
Revenue from contract with customer as per the contract price	**5862.87**	5948.87
Adjustments made to contract price on account of:		
a) Discounts/Rebates/Incentives	**(612.47)**	(560.40)
b) Other Operating Revenue	**29.57**	35.85
Revenue from contract with customer as per the Consolidated Statement of Profit and Loss	**5279.97**	5424.32

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

28. Other Income

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Dividend Income				
Dividend from Investment in Equity Shares		—		0.02
Interest Income				
Interest on Loans and Deposit at amortised cost	1.56		15.94	
Interest on Bonds recognised through FVTPL	1.00		1.00	
Interest on Income Tax Refund	0.01		0.61	
		2.57		17.55
Profit on Sale of Current Investments (Net)		8.90		22.52
Fair Value Gain on Financial Instruments recognised through FVTPL		10.51		1.44
Other Non operating Income				
Profit on Sale of Property, Plant and Equipment (Net)	0.09		0.06	
Foreign Exchange Gain (Net)	0.56		13.46	
Insurance Claims Received	1.34		1.72	
Miscellaneous Income	1.56		3.75	
		3.55		18.99
		25.53		60.52

29. Cost of Materials Consumed

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Raw Material Consumed				
Opening Stock	374.38		312.77	
Add: Purchase	2512.36		3063.26	
Add: Adjustments due to Acquisition of Subsidiaries	5.68		19.01	
Less: Sales	9.28		10.12	
Less: Closing Stock	317.51		374.38	
		2565.63		3010.54
Packing Material Consumed				
Opening Stock	14.17		12.67	
Add: Purchase	352.91		395.39	
Add: Adjustments due to Acquisition of Subsidiaries	2.85		0.37	
Less: Closing Stock	13.60		14.17	
		356.33		394.26
		2921.96		3404.80

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

₹ in Crores

	Year ended 31st March, 2020		Year ended 31st March, 2019	
Opening Stock				
Finished Goods	570.39		403.93	
Work-in-progress	94.22		65.08	
Stock-in-trade (in respect of goods acquired for trading)	49.14		30.12	
		713.75		499.13
Less: Closing Stock				
Finished Goods	516.50		570.39	
Work-in-progress	88.56		94.22	
Stock-in-trade (in respect of goods acquired for trading)	62.12		49.14	
		667.18		713.75
Add: Adjustment due to Acquisition of subsidiaries		2.35		12.84
		48.92		(201.78)

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

31. Employee Benefits Expense

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Salaries and Wages	**273.50**	248.63
Contribution to Provident and Other Funds (Refer Note 38)	**22.10**	20.27
Staff Welfare Expense	**14.77**	14.51
	310.37	283.41

32. Finance Cost

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Interest on Bank Borrowings	**15.39**	9.89
Net Foreign Exchange Loss on borrowings (considered as finance cost)	**0.22**	0.08
Interest on Lease Liability (Refer Note 47)	**5.30**	—
	20.91	9.97

33. Depreciation and Amortisation Expenses

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Depreciation on Property, Plant and Equipment (Refer note 2)	**113.45**	97.96
Amortisation on Other Intangible Assets (Refer note 4B)	**14.41**	8.32
Amortisation on Right of use assets (ROU) (Refer note 2A)	**14.26**	—
	142.12	106.28

34. Other Expenses

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Consumption of Stores and Spare Parts	**29.18**	30.80
Power and Fuel	**73.63**	86.76
Repairs to Buildings	**0.48**	0.66
Repairs to Machinery	**15.28**	13.02
Freight and Forwarding Charges	**276.76**	275.23
Advertisement and Sales Promotion	**273.32**	278.34
Rent	**32.06**	40.96
Rates and Taxes	**2.60**	2.40
Insurance	**10.18**	5.29
Miscellaneous Expenses	**193.04**	193.17
	906.53	926.63

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

34.1. Payments to Auditors'

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
Auditors' Remuneration excluding GST (Included in Miscellaneous Expenses in Note 34)		
As Auditor		
Statutory Audit	**0.44**	0.37
Report under Section 44AB of the Income-tax Act, 1961	**0.05**	0.04
Limited Review of Quarterly Results	**0.21**	0.09
In other capacity		
Certification	**0.09**	0.09
Other Matters	**0.10**	0.25
Reimbursements of Expenses	**0.01**	0.04
	0.90	0.88

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

₹ in Crores

	Year ended 31st March, 2020	Year ended 31st March, 2019
A. Claims against the Group not acknowledged as debt:		
Excise and Service Tax	**7.79**	8.70
Sales Tax	**14.65**	14.57
Income Tax	**2.69**	2.56
Customs Duty	**1.53**	—
The Group has made adequate provisions in the accounts for claims against the Group related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totaling to ₹ 7.79 Crores (2018-2019 ₹ 8.70 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)	**88.40**	123.57
Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**2.55**	2.55
Corporate guarantee given to Bank for Kansai Paints Lanka (Private) Limited - Subsidiary Company	**—**	13.85
Stand by Letter of Credit (SBLC) given to Bank for loan taken by RAK Paints Limited – Subsidiary Company	**25.80**	—
Corporate guarantee given to Bank for loan taken by RAK Paints Limited – Subsidiary Company	**20.63**	—
Counter guarantee to bank in respect of Bank guarantees issued to Government authorities and others	**0.35**	—
Others Commitment		
Unexpired Letter of Credit	**16.29**	6.17
Bank Guarantee	**0.09**	0.07
	180.77	172.04
C. Contribution to Provident Fund as per Supreme Court Judgment There are numerous interpretative issues relating to the Supreme Court (SC) judgment dated 28th February, 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.		

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

36. Earnings Per Equity Share

	Year ended 31st March, 2020	Year ended 31st March, 2019
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	**521.01**	452.75
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 ₹)	**9.67**	8.40

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
	2019-2020	2018-2019			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing paints and other related materials	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Limited.

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints and other related materials	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints and other related materials	Malaysia
Kansai Plascon Kenya Ltd.	Fellow Subsidiary	Manufacturing Paints and other related materials	Kenya

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

37. Related Party Disclosures (contd.)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mrs. Brinda Somaya, Director (ceased to be a director from 22nd July, 2019) (5) Mr. Anuj Jain, Wholetime Director, (6) Ms. Sonia Singh, Director (appointed with effect from 29th July, 2019) (7) Mr. P. D. Pai, CFO and (8) Mr. G. T. Govindarajan, Company Secretary

Other entities where significant influence exist

— Kansai Nerolac Paints Limited Provident Fund

Transaction with Related Party:

₹ in Crores

Transaction Type	Relation	2019-2020	2018-2019
Sale of finished goods/Intermediates			
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.36**	2.18
— Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**1.66**	1.36
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**105.08**	105.08
Transfer under license agreements Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**11.91**	16.81
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.76**	2.20
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**0.05**	0.12
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	**0.64**	1.35
Contributions during the year			
— Kansai Nerolac Paints Limited Provident Fund	Other entities	**2.11**	2.13
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.64**	1.35
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**0.56**	—
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	**0.30**	0.36
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.21**	0.74
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**—**	0.05
Key Management Personnel			
— Employee benefits		**11.96**	10.21
— Commission to Independent Directors		**1.05**	0.95
— Fee for attending Board/Committee Meetings to Independent Directors		**0.10**	0.11

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and will be settled in cash.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

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, 2020	Year ended 31st March, 2019
Employer's contribution to Regional Provident Fund Commissioner	**4.18**	3.75
Employer's contribution to Family Pension Fund	**4.49**	3.79
Employer's contribution to Superannuation Fund	**6.57**	6.48

B. Defined Benefit Plans:

a. Gratuity

The following tables setout the funded status of the gratuity plans and the amounts recognised in the Group's Financial Statements as at 31st March, 2020 and 31st March, 2019:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**39.24**	35.05
Current Service Cost	**4.35**	3.64
Interest Expense	**2.96**	2.60
Benefit Payments from Plan Assets	**(2.06)**	(2.73)
Remeasurements - Actuarial losses/(gains)	**1.13**	(1.32)
Increase due to effect of business acquisition	**—**	1.83
Defined Benefit Obligation at the end	**45.62**	39.07
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**37.08**	32.12
Interest Income	**2.95**	2.53
Employer Contributions	**4.48**	3.72
Benefit Payments from Plan Assets	**(2.06)**	(2.49)
Remeasurements – Return on plan assets excluding amounts included in interest income	**—**	0.19
(Decrease)/Increase due to effect of business acquisition	**(0.37)**	0.86
	42.08	36.93
Net (liability)	**(3.54)**	(2.14)

Components of Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss under Employee Benefit Expenses:

₹ in Crores

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
Current Service Cost	**4.00**	3.64
Net Interest Cost	**—**	(0.19)
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	**4.00**	3.45

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

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, 2020	Year ended 31st March, 2019
Actuarial losses/(gains) on Defined Benefit Obligation	1.43	(1.32)
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	0.35	(0.19)
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	1.78	(1.51)

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

Particulars	Valuation Date	
	31st March, 2020	31st March, 2019
Discount Rate	6.20% to 10.50%	7.45% to 12.00%
Salary Escalation	6.00% to 12.00%	7.00% to 10.00%
Weighted average duration of the defined benefit obligation (years)	11.03	4 to 18

Sensitivity Analysis:

Discount Rate, Salary Escalation Rate and Withdrawal Rate are significant actuarial assumptions. The change in the Present Value of Defined Benefit Obligation for a change of 100 Basis Points from the assumed assumption is given below:

₹ in Crores

Scenario	31st March, 2020	31st March, 2019
Under Base Scenario	42.57	39.07
Salary Escalation - Up by 1%	45.96	40.09
Salary Escalation - Down by 1%	39.56	34.09
Withdrawal Rates - Up by 1%	42.54	36.90
Withdrawal Rates - Down by 1%	42.54	36.86
Discount Rates - Up by 1%	39.68	34.12
Discount Rates - Down by 1%	45.89	40.13

Expected Rate of Return on Planned Asset	6.80%	7.70%

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2020		31st March, 2019	
Attained Age	Male	Female	Male	Female
20	0.09%	0.09%	0.09%	0.09%
25	0.09%	0.09%	0.09%	0.09%
30	0.10%	0.10%	0.10%	0.10%
35	0.12%	0.12%	0.12%	0.12%
40	0.17%	0.17%	0.17%	0.17%
45	0.26%	0.26%	0.26%	0.26%
50	0.44%	0.44%	0.44%	0.44%
55	0.75%	0.75%	0.75%	0.75%
60	1.12%	1.12%	1.12%	1.12%

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

38. Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Holding Company contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India. Other companies in the Group have not funded their liabilities.

The Group expects to contribute ₹ 3.54 Crores (2018-2019 ₹ 2.14 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 ₹ 2.11 Crores (2018-2019 ₹ 2.13 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, 2020	As at 31st March, 2019
Plan assets at period end, at fair value	**71.32**	63.97
Present value of benefit obligation at period end	**71.29**	63.27
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, 2020	As at 31st March, 2019
Discount Rate (%)	**6.80**	7.75
Guranteed Interest Rate (%)	**8.50**	8.65
Expected Average Remaining Working Lives of Employees (Years)	**7.57**	8.13

The Group other than the Holding Company in India contributes all ascertained liabilities towards provident fund as per rules and regulations inforce in respective countries amounting to ₹ 2.07 Crores (2018-2019 ₹ 0.96 Crores) to respective provident authority.

C. Compensated Absences:

Amount of ₹ 0.93 Crores (2018-2019 ₹ 2.04 Crores) has been recognised in the Consolidated Statement of Profit and Loss as an expense for compensated absences.

39. Segment Reporting

The Management Committee of the Group, approved by the Board of Directors and Audit Committee performs the function of allotment of resources and assessment of performance of the Group. Considering the level of activities performed, frequency of their meetings and level of finality of their decisions, the Group has identified that Chief Operating Decision Maker function is being performed by the Management Committee. The financial information presented to the Management Committee in the context of results and for the purposes of approving the annual operating plan is on a consolidated basis for paints and other various 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 4.11% (2018-2019 4.63%) of the total turnover of the group, which is insignificant and hence is not seperately monitored by the Management Committee.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

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)	**2020**	**0.85**	**0.47**	**—**	**0.38**	**0.85**
	2019	0.96	0.71	—	0.25	0.96
Current Assets: Investments (Note 9)	**2020**	**305.10**	**—**	**305.10**	**—**	**305.10**
	2019	195.56	—	195.56	—	195.56

(B) Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

— Credit Risk

— Liquidity Risk

— Market Risk

(i) Risk Management Framework

Risk Management Committee oversees the management of these risks. Management is supported by Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Risk Management Committee provides assurance to the management that Group's risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group's Risk Management Policies are established to identify and analyses the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management Policies and Systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and investments in debt securities. The carrying amounts of financial assets represent the maximum credit risk exposure.

Trade Receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and reviewed constantly. Any sales exceeding those limits require approval from the management.

The concentration of credit risk is limited due to the fact that the customer base is large. There is no customer representing more than 5% of the total balance of trade receivables. For trade receivables, as a practical expedient, the Group computes credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates.

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2020	31st March, 2019
Balance as beginning of the year	**26.80**	17.72
Loss allowance measured at lifetime expected credit losses	**7.87**	9.08
Balance at the end of the year	**34.67**	26.80

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Group's Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iii) Liquidity Risk

Liquidity risk the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Maturities of Financial Liabilities:

The table below analyse the Group's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years and above	Total
Borrowings (Current and Non-current)	**31-03-2020**	**87.77**	**6.96**	**55.09**	**—**	**12.50**	**10.94**	**173.26**
	31-03-2019	69.01	18.51	11.12	6.68	4.37	0.01	109.70
Trade Payables ...	**31-03-2020**	**—**	**595.39**	**—**	**—**	**—**	**—**	**595.39**
	31-03-2019	—	693.38	—	—	—	—	693.38
Other Financial Liabilities.............	**31-03-2020**	**81.26**	**17.88**	**—**	**1.58**	**—**	**—**	**100.72**
	31-03-2019	74.55	30.06	—	—	—	—	104.61

For maturity profile of lease liabilities, refer note 47.

(iv) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level.

Other price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. Other price risk arises from financial assets such as investments in equity instruments, debentures and bonds. Since the investments in equity instruments and debentures is not material and bonds being debt instruments, the exposure to risk of changes in market rates is minimal. The details of such investments in equity instrument and debentures is given in Note 5 and details of investments in bonds is given in Note 9.

Exposure to Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group enters into forward exchange contracts to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Group's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due on timely basis. The Group does not enter into any derivative instruments for trading or speculative purposes. The carrying amounts of the Group's foreign currency denominated monetary items are as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	USD	Total
Trade Receivables..................	**31-03-2020**	**—**	**0.00**	**—**	**—**	**—**	**1.46**	**1.46**
	31-03-2019	—	—	—	—	—	1.67	1.67
Financial Liabilities								
Trade Payables (Net of Hedge)........................	**31-03-2020**	**(0.00)**	**(1.44)**	**(8.97)**	**(0.06)**	**(0.01)**	**(40.60)**	**(51.08)**
	31-03-2019	(0.72)	(3.01)	(16.34)	(0.25)	—	108.60	128.92
Net exposure to Foreign Currency Risk (Liabilities)........	**31-03-2020**	**(0.00)**	**(1.44)**	**(8.97)**	**(0.06)**	**(0.01)**	**(39.14)**	**(49.62)**
	31-03-2019	(0.72)	(3.01)	(16.34)	(0.25)	—	106.93	107.25

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

40. Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY, SGD, GBP and USD exchange rates, with all other variable held constant.

₹ in Crores

	Profit or Loss		Equity Net of Tax	
	Strengthening	Weakening	Strengthening	Weakening
31st March, 2020				
CHF(5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
EURO(5% movement)	**(0.07)**	**0.07**	**(0.05)**	**0.05**
JPY(5% movement)	**(0.45)**	**0.45**	**(0.33)**	**0.33**
SGD(5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
GBP(5% movement)	**(0.00)**	**0.00**	**(0.00)**	**0.00**
USD(5% movement)	**(1.96)**	**1.96**	**(1.45)**	**1.45**
31st March, 2019				
CHF(5% movement)	(0.04)	0.04	(0.03)	0.03
EURO(5% movement)	(0.15)	0.15	(0.10)	0.10
JPY(5% movement)	(0.82)	0.82	(0.53)	0.53
SGD(5% movement)	(0.01)	0.01	(0.01)	0.01
GBP(5% movement)	—	—	—	—
USD(5% movement)	(5.35)	5.35	(3.48)	3.48

(v) Following are the outstanding Forward Foreign Exchange Contracts entered into by the Group:

	Currency	Amount in Foreign Currency (in Crores)	Buy / Sell	Cross Currency
As on 31st March, 2020:	**USD**	**0.35**	**Buy**	**INR**
As on 31st March, 2019:	USD	0.33	Buy	INR

These Forward Foreign Exchange Contracts are entered into for hedging purposes and not for speculation purposes.

(vi) Interest Rate Risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

Exposure to interest rate risk

Group's interest rate risk arises from borrowings and finance lease obligations. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

₹ in Crores

	As at 31st March, 2020	As at 31st March, 2019
Fixed-Rate Instruments		
Financial Assets	**134.86**	0.85
Financial Liabilities	**150.66**	93.86
Net Liabilities/(Assets)	**15.80**	93.01
Variable-Rate Instruments		
Financial Liabilities	**22.60**	3.60
	22.60	3.60

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

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 2020		
Variable-Rate Instruments	**0.25**	**(0.25)**
Cash Flow Sensitivity (net)	**0.25**	**(0.25)**
31st March 2019		
Variable-Rate Instruments	—*	—*
Cash Flow Sensitivity (net)	—	—

* Sensitivity of Variable-Rate instruments with 100 bps increase/(decrease) is ₹ 42,898.34/(42,898.34). As all figures are rounded to ₹ Crores, so the above sensitivity shows Nil amount of increase/(decrease).

(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, 2020 and 31st March, 2019 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, 2020

41. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 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, 2020	As at 31st March, 2019
(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)....	**43.20**	17.83
Interest due on above................................	**0.04**	—
(ii) Interest paid by the Group in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	—	—
(iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006.....	—	—
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year....................................	—	—
(v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	—	—

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

42. Business Combinations

(a) Acquisition of Perma Construction Aids Private Limited

On 8th April 2019, the Holding Company acquired 100% ownership interest in a subsidiary registered in India. Acquisition of the subsidiary is accounted for using the acquisition method of accounting.

Management of the Holding Company has obtained fair valuation of all the assets and liabilities acquired and identification of intangible assets on the date of acquisition. Based on the valuation obtained, management has allocated the consideration to the assets acquired and liabilities assumed and intangible assets identified. Remaining amount is transferred to goodwill.

Consideration transferred

The following table summarises the acquisition date fair value of major class of consideration transferred:

₹ in Crores

Particulars	Amount
Cash	29.10
Total consideration............................	**29.10**

There are no contingent consideration pending to be payable.

Acquisition-related costs

The Group incurred acquisition related cost ₹ 0.16 Crores. These costs have been included in legal and professional fees under other expenses.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

42. Business Combinations (contd.)

(a) Acquisition of Perma Construction Aids Private Limited (contd.)

Identifiable assets acquired and liabilities assumed and Goodwill

The following table summarises the acquisition date fair value of assets acquired, fair value of the consideration transferred.

₹ in Crores

Particulars	Amount
Property, Plant and Equipment	9.42
Intangible Assets Acquired	
— Perma Brand	5.20
— Non-compete	3.78
— Technical Know-how	1.30
— Customer Relationship	5.45
Inventories	3.68
Trade receivables	3.88
Cash and cash equivalents	2.46
Loans	1.98
Other Non-current/Current Assets	0.12
Long-term Borrowings	(0.13)
Deferred Tax Liability	(4.33)
Short-term Borrowings	(0.94)
Trade payables	(2.12)
Other Current Liabilities	(0.40)
Provisions	(0.45)
Total identifiable net assets acquired	**28.90**
Purchase Consideration	**29.10**
Goodwill	**0.20**

The gross contractual amounts and the fair value of trade receivables acquired is ₹ 3.88 Crores. None of the trade receivables are credit impaired and it is expected that the full contractual amounts will be recoverable.

Measurement of fair values

Assets acquired	Valuation technique
Property, Plant and Equipment	Market comparison method technique and cost technique.
Customer Relationship	Multi period excess earnings method(MPEEM): The method takes residual approach to estimating the income that an intangible is expected to generate. It starts with the total expected income streams for a business or group of assets as a whole and deducts charges for all other assets used to generate income with intangible asset under review during its economic life.
Technical Know-how	This Intangible Asset has been valued using the "Royalty Relief Method" which is considered more appropriate in the current context.
Non-compete	With or Without Method under the Income Approach: This method computes the value income differential an asset will generate relative to its absence.
Inventories	Market Comparison Method: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

42. Business Combinations (contd.)

(b) Acquisition of Business of Polygel Industries Private Limited

Holding Company jointly entered into a Business Transfer Agreement (BTA) with Polygel Industries Private Limited, a private company on 21st August, 2019 where the business verticals of manufacturing and distribution of (i) adhesives, construction chemicals and sealants: were acquired by Nerofix Private Limited in a slump sale. This transaction involved transfer of movable assets, undertaking records, right to occupy and use immovable properties, transfer of employees, etc. as defined in the BTA. The business acquisition was conducted for cash consideration of ₹ 45.00 Crores.

Consideration transferred

The following table summarises the acquisition date fair value of major class of consideration transferred:

₹ in Crores

Particulars	Amount
Cash	45.00
Total consideration	**45.00**

There are no contingent consideration pending to be payable.

Identifiable assets acquired and liabilities assumed

The following table summarises the acquisition date fair value of assets acquired, fair value of the consideration transferred:

₹ in Crores

Particulars	Amount
Property, Plant and Equipment	25.50
Intangible Assets Acquired	
— Technical Know-how	5.92
— Customer Relationships	3.76
— Non-compete	2.82
Non-current Receivables	0.17
Inventories	7.26
Trade receivables	12.01
Other Non-current Liabilities	(1.18)
Trade and other payables	(11.26)
Total identifiable net assets acquired	**45.00**
Purchase Consideration	**45.00**

The gross contractual amounts and the fair value of trade receivables acquired is ₹ 12.01 Crores. None of the trade receivables are credit impaired and it is expected that the full contractual amounts will be recoverable.

Measurement of fair values

Assets acquired	**Valuation technique**
Property, Plant and Equipment	Market comparison method technique and cost technique
Customer Relationship	Multi Period Excess Earnings Method (MPEEM): The method takes residual approach to estimating the income that an intangible is expected to generate. It starts with the total expected income streams for a business or group of assets as a whole and deducts charges for all other assets used to generate income with intangible asset under review during its economic life.
Technical Know-how	This Intangible Asset has been valued using the "Royalty Relief Method" which is considered more appropriate in the current context.
Non-compete	With or Without Method under the Income Approach: This method computes the value income differential an asset will generate relative to its absence.
Inventories	Market Comparison Method: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Notes to the Consolidated Financial Statements
for the year ended 31st March, 2020

43. Impairment of Goodwill (Refer with Note 4A)

(a) Perma Construction Aids Private Limited

The business was taken over by Kansai Nerolac Paints Limited on 8th April, 2019. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	Year ended 31st March, 2020
Discount Rate	**11.64%**
Terminal Value Growth Rate	**4.50%**
Sales Growth Rate	**15.00%**

The discount rate for 2019-2020 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 20% at a market interest rate of 7.40%.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

(b) RAK Paints Limited, Bangladesh

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, 2020	Year ended 31st March, 2019
Discount Rate	**12.66%**	10.13%
Terminal Value Growth Rate	**3.00%**	3.00%
Sales Growth Rate	**15.00%**	15.00%

The discount rate for 2019-2020 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 67% at a market interest rate of 8.25%.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

43. Impairment of Goodwill (Refer with Note 4A) (contd.)

(c) 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.

Particulars	Year ended 31st March, 2020	Year ended 31st March, 2019
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 2019-2020 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.

44. 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, 2020

Name of the entity in the Group	As at 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020		For the year ended 31 March, 2020	
	Net assets*		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	₹ in Crores	As % of consolidated profit or loss	₹ in Crores	As % of consolidated other comprehensive income	₹ in Crores	As % of consolidated total comprehensive income	₹ in Crores
Holding Company								
Kansai Nerolac Paints Limited	**100.13%**	**3,786.87**	**103.80%**	**535.40**	**19.50%**	**(1.02)**	**104.67%**	**534.38**
Subsidiaries (Group's share) Indian								
Marpol Private Limited	**0.32%**	**12.16**	**0.56%**	**2.90**	**—**	**—**	**0.57%**	**2.90**
Perma Construction Aids Private Limited	**0.36%**	**13.62**	**0.44%**	**2.28**	**—**	**—**	**0.45%**	**2.28**
Nerofix Private Limited	**0.51%**	**19.14**	**(0.17%)**	**(0.86)**	**—**	**—**	**(0.17%)**	**(0.86)**
Foreign								
KNP Japan Private Limited	**1.15%**	**43.36**	**2.00%**	**10.34**	**—**	**—**	**2.03%**	**10.34**
Kansai Paints Lanka (Private) Limited	**0.21%**	**8.02**	**(1.94%)**	**(10.01)**	**—**	**—**	**(1.96%)**	**(10.01)**
RAK Paints Limited	**(1.01%)**	**(38.14)**	**(1.80%)**	**(9.27)**	**7.84%**	**(0.41)**	**(1.90%)**	**(9.68)**
Total Eliminations/ Adjustments	**(1.67%)**	**(63.05)**	**(2.91%)**	**(15.00)**	**—**	**—**	**(2.94%)**	**(15.00)**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**72.66%**	**(3.80)**	**(0.74%)**	**(3.80)**
Total	**100.00%**	**3,781.98**	**100.00%**	**515.78**	**100.00%**	**(5.23)**	**100.00%**	**510.55**

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

44. 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, 2019

Name of the entity in the Group	As at 31 March, 2019		For the year ended 31 March, 2019		For the year ended 31 March, 2019		For the year ended 31 March, 2019	
	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	99.65%	3,424.47	104.40%	467.35	438.10%	0.92	104.55%	468.27
Subsidiaries (Group's share) Indian								
Marpol Private Limited...........	0.27%	9.27	0.38%	1.69	—	—	0.38%	1.69
Subsidiaries								
Foreign								
KNP Japan Private Limited.....	1.07%	36.94	2.57%	11.52	38.10%	0.08	2.59%	11.60
Kansai Paints Lanka Private Limited..................................	0.53%	18.12	(2.43%)	(10.88)	—	—	(2.43%)	(10.88)
RAK Paints Limited................	(0.74%)	(25.45)	(2.16%)	(9.65)	—	—	(2.15%)	(9.65)
Total Eliminations/ Adjustments...........................	(0.78%)	(26.93)	(2.76%)	(12.37)	—	—	(2.76%)	(12.37)
Exchange differences on translation of foreign operations..............................	—	—	—	—	(376.19%)	(0.79)	(0.18%)	(0.79)
Total.......................................	100.00%	3,436.42	100.00%	447.66	100.00%	0.21	100.00%	447.87

* Net assets = total assets minus total liabilities

45. Consequent to the issuance of "Guidance Note on Division II - Ind AS schedule III the Companies Act, 2013" certain items of Financial Statements have been regrouped/reclassified.

46. COVID-19 Assessment

The COVID-19 pandemic is rapidly spreading throughout the world. The operations of the Group were impacted, due to shutdown of plants and offices following lockdown in their respective countries as per directives from the respective Governments.

The Group has resumed operations in a phased manner as per directives from the Government of respective countries. The Group has evaluated impact of this pandemic on its business operations and financial position and based on its review of current indicators of future economic conditions, there is no significant impact on its financial statements as at 31st March, 2020. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and accordingly the impact may be different from that estimated as at the date of approval of these financial statements. The Group will continue to monitor any material changes to future economic conditions.

47. Transition to Ind AS 116

Effective 1st April, 2019, the Group adopted Ind AS 116 “Leases” and applied the standard to all lease contracts existing on 1st April, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the Group’s incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended 31st March, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31st March, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 56.87 Crores, and a lease liability of ₹ 65.03 Crores. The cumulative effect of applying the standard, amounting to ₹ 4.71 Crores was debited to retained earnings, net of taxes amounting to ₹ 3.06 Crores. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

Notes to the Consolidated Financial Statements

for the year ended 31st March, 2020

47. Transition to Ind AS 116 (contd.)

The following is the summary of practical expedients elected on initial 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 recognise 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 1st April, 2019 is 8.50%

The changes in the carrying value of right of use (ROU) assets for the year ended 31st March, 2020 are disclosed in Note 2A.

₹ in Crores

Particulars	Amount
ROU Balance at the beginning of the year	**56.87**
Opening balance Reclassified on account of adoption of Ind AS 116 (Refer Note 2A)	55.71
Additions on Acquisition of Subsidiaries (Refer Note 2A)	6.96
Additions (Refer Note 2A)	22.87
Amortisation cost accrued during the year	(14.26)
Translation difference	4.39
ROU Balance at the end of the year	**132.54**
Lease Liabilities at the beginning of the year	**65.03**
Additions	10.16
Interest cost accrued during the year	5.30
Payment of lease liabilities	(16.74)
Deletion	—
Lease Liabilities at the end of the year	**63.75**
Current Lease Liabilities	10.97
Non-current Lease Liabilities	52.78
Total Lease Liabilities	**63.75**

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases or cancelable in nature was ₹ 32.06 Crores for the year ended 31st March, 2020.

The table below provides details regarding the contractual maturities of lease liabilities as of 31st March, 2020 on an undiscounted basis:

₹ in Crores

Particulars	Amount
Not later than one year	16.59
Later than one year and not later than five years	48.12
Later than five years	29.51

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, 6th May, 2020

For and on behalf of the Board of Directors of **Kansai Nerolac Paints Limited**

P.P. Shah
Chairman
DIN: 00066242

H.M. Bharuka
Vice Chairman and Managing Director
DIN: 00306084

N.N. Tata
Director
DIN: 00024713

Anuj Jain
Wholetime Director
DIN: 08091524

Sonia Singh
Director
DIN: 07108778

G.T. Govindarajan
Company Secretary
ACS No. 8887

P.D. Pai
CFO

Mumbai, 6th May, 2020

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	Tax Expense	Profit after Tax	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2005-2006	1084.59	610.96	55.92	185.56	0.78	31.78	61.01	138.58	51.02 *	20.00 *	54.40	159.19
2006-2007	1246.43	778.33	59.57	213.05	0.96	33.56	53.31	107.65	30.99	11.50	39.95	189.91 @
2007-2008	1344.60	837.32	69.13	226.75	1.41	39.60	50.60	119.79	32.34	12.00	44.46	220.33
2008-2009	1396.71	899.58	73.30	244.20	1.84	37.61	41.60	98.58	32.34	12.00	36.59	242.87
2009-2010	1726.77	1071.82	75.05	295.83	1.20	44.26	73.11	165.50	40.42	15.00	30.71 ^	286.80
2010-2011	2187.56	1400.25	91.64	356.34	0.84	49.36	83.15	205.98	53.89	10.00 **	38.22	170.00 +
2011-2012	2624.84	1740.41	106.94	415.91	0.09	56.35	89.24	215.90	59.28	11.00	40.06	197.28
2012-2013	2872.94	1942.62	118.14	459.76	0.02	47.11	90.80 &	214.49 &	59.28	11.00	39.80 &	224.21 &
2013-2014	3174.35	2133.95	135.88	532.10	0.45	64.98	100.42	206.57	59.28	1.10 ~	3.83 $	26.41 $
2014-2015	3570.85	2364.44	143.30	596.50	0.02	67.69	127.23	271.67	75.45	1.40 ~	5.04 $	29.63 $
2015-2016	3765.88	2348.36	170.11	640.08	—	67.72	176.10	363.51 &	164.37	3.05 ^^	6.65 &	46.44
2016-2017	4097.29	2342.95	198.12	727.31	—	69.49	253.48	505.94	161.67 €	3.00 €	9.39	52.06
2017-2018	4658.99	2774.07	226.56	796.17	—	75.79	270.00	516.40	140.12 €	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**	**70.27**

Net of Rebates & Excise Duty upto 2014-2015, From 2015-2016, net of Rebates and Discounts.

* Includes Special Interim Dividend of ₹ 8.50 per share.

@ Calculated on number of shares post amalgamation of Polycoat Powders Ltd. with the Company.

^ Re-calculated consequent to the Bonus Issue of 1:1 2010-2011.

** On enhanced Share capital consequent to the Bonus Issue in 2010-2011.

\+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

$ Re-calculated consequent to the subdivision of Equity Share of face value of ₹ 10 each to 10 (ten) equity shares of ₹ 1 each

~ Consequent to the subdivision of Equity Share

^^ Includes Special Dividend of ₹ 1.25 per share.

€ The dividend proposed by the Directors is subject to approval of shareholders at the annual general meeting. The proposed dividend have not been recognised as liabilities.

Figures from financial year 2015-2016 are Ind AS compliant

NEROLAC

KANSAI NEROLAC PAINTS LIMITED

A SUBSIDIARY OF KANSAI PAINT CO. LTD., JAPAN

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