

**Audited Financial Statements**  
**of**  
**Kansai Nerolac Paints (Bangladesh) Limited**  
As at and for the year ended 31 March 2022

# Hoda Vasi Chowdhury & Co

## Chartered Accountants

**Auditor's report to the Group Auditor on the audit of financial information for group audit of Kansai Nerolac Paints (Bangladesh) Limited:**

**To: Anil Jobanputra, Partner in charge, S R B C & CO LLP.**

### **Opinion**

We have audited, for the purpose of audit of the consolidated Ind AS financial statements for the year ended 31 March 2022 of Kansai Nerolac Paints Limited, the accompanying financial statements of Kansai Nerolac Paints (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that is relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Going Concern**

Without modifying our opinion, we draw attention to note 35 to the financial statements where the management has elaborately described about its financial position, business plan and how the Company will continue as a going concern in the foreseeable future.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 financial statements, including the disclosures, and whether the 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the Company's statement of financial position and the statement of profit or loss and other comprehensive income along with the annexed notes 1 to 35 dealt with by the report are in agreement with the books of account.

**Restriction on Use and Distribution**

This report is provided solely for the information and use of S R B C & CO LLP, Mumbai to assist in the audit of Consolidated Ind AS financial statements of Kansai Nerolac Paints Limited as of and for the year ended 31 March 2022 and for any other statutory certificate purpose. It should not be distributed to anyone in Kansai Nerolac Paints Limited, any of its components, or any other party.



Name of partner in charge of the component engagement: **Mr. A F Nesaruddin, FCA**  
Hoda Vasi Chowdhury & Co.  
Dhaka, 29 April 2022

**Kansai Nerolac Paints (Bangladesh) Limited**  
**Statement of Financial Position**  
**As at 31 March 2022**

		31 March 2022	31 March 2021
	<u>Notes</u>	<u>Taka</u>	<u>Taka</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment - net	05	143,773,108	143,660,694
Intangible assets	06	40,698	719,536
Capital work in progress	07	1,094,800	342,903
Right-of-use assets	08	28,277,148	28,747,651
		<b>173,185,754</b>	<b>173,470,784</b>
<b>Current assets</b>			
Inventories	09	570,353,240	525,400,340
Trade and other receivables	10	789,429,625	636,077,763
Advances, deposits and prepayments	11	79,883,924	38,569,855
Advance income tax	12	329,831,328	238,720,479
Cash and cash equivalents	13	91,719,322	141,996,445
		<b>1,861,217,439</b>	<b>1,580,764,882</b>
<b>Total assets</b>		<b>2,034,403,193</b>	<b>1,754,235,666</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	14	920,000,000	920,000,000
Share money deposit	15	4,013	4,013
Accumulated loss		(1,403,667,011)	(1,130,084,170)
		<b>(483,662,998)</b>	<b>(210,080,157)</b>
<b>Non-current liabilities</b>			
Employees benefits - non current portion	16	6,839,985	569,900
Lease liabilities - non current portion	17	19,829,704	11,244,536
		<b>26,669,689</b>	<b>11,814,436</b>
<b>Current liabilities</b>			
Employees benefits - current portion	16	37,155,207	15,088,399
Lease liability - current portion	17	7,480,328	16,136,930
Loan and borrowings	18	1,872,525,488	1,447,453,868
Trade and other payables	19	297,136,433	294,933,221
Accruals	20	216,595,294	134,484,438
Current tax liabilities	21	60,503,752	44,404,531
		<b>2,491,396,502</b>	<b>1,952,501,387</b>
<b>Total liabilities</b>		<b>2,518,066,191</b>	<b>1,964,315,823</b>
<b>Total equity and liabilities</b>		<b>2,034,403,193</b>	<b>1,754,235,666</b>

*These financial statements should be read in conjunction with annexed notes*



Director



Chairman

As per our report of same date

Dhaka, 29 April 2022

*Hoda Vasi Chowdhury & Co*  
Chartered Accountants

**Kansai Nerolac Paints (Bangladesh) Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 March 2022**

		31 March 2022	31 March 2021
	<u>Notes</u>	<u>Taka</u>	<u>Taka</u>
Revenue	22	2,625,936,084	1,864,042,133
Cost of goods sold	23	(2,108,420,004)	(1,366,758,460)
<b>Gross profit</b>		<b>517,516,080</b>	<b>497,283,673</b>
Administrative expenses	24	(78,815,811)	(66,616,523)
Selling expenses	25	(543,974,942)	(372,241,865)
Other income	26	20,366,079	13,070,288
<b>Operating profit</b>		<b>(84,908,594)</b>	<b>71,495,573</b>
Finance income	27.1	833,042	207,779
Finance cost	27.2	(169,836,368)	(121,996,644)
<b>Profit/(loss) before tax</b>		<b>(253,911,920)</b>	<b>(50,293,292)</b>
Income tax expense	28	(16,099,221)	(14,073,328)
<b>Net loss after tax</b>		<b>(270,011,141)</b>	<b>(64,366,620)</b>
Other comprehensive income/(loss)		(3,571,700)	(2,313,480)
<b>Total other comprehensive loss for the year</b>		<b>(273,582,841)</b>	<b>(66,680,100)</b>
<b>Earnings per share (EPS)</b>	29	<b>(2.93)</b>	<b>(0.93)</b>

*These financial statements should be read in conjunction with annexed notes*



Director



Chairman

As per our report of same date

Dhaka, 29 April 2022

*Hoda Vasi Chowdhury & Co*  
Chartered Accountants

**Kansai Nerolac Paints (Bangladesh) Limited  
Statement of Changes in Equity  
For the year ended 31 March 2022**

Particulars	(Amounts in Taka)			
	Share capital	Share money deposit	Accumulated loss	Total
<b>Balance at 1 April 2021</b>	920,000,000	4,013	(1,130,084,170)	(210,080,157)
Losses for the year	-	-	(270,011,141)	(270,011,141)
Other comprehensive losses for the year	-	-	(3,571,700)	(3,571,700)
<b>Balance at 31 March 2022</b>	<b>920,000,000</b>	<b>4,013</b>	<b>(1,403,667,011)</b>	<b>(483,662,998)</b>
<b>Balance at 1 April 2020</b>	620,000,000	-	(1,063,404,070)	(443,404,070)
Share money deposit transferred to share capital	300,000,000	(300,000,000)	-	-
Share money received	-	300,004,013	-	300,004,013
Losses for the year	-	-	(64,366,620)	(64,366,620)
Other comprehensive losses for the year	-	-	(2,313,480)	(2,313,480)
<b>Balance at 31 March 2021</b>	<b>920,000,000</b>	<b>4,013</b>	<b>(1,130,084,170)</b>	<b>(210,080,157)</b>

*These financial statements should be read in conjunction with annexed notes*

**Kansai Nerolac Paints (Bangladesh) Limited  
Statement of Cash Flows  
For the year ended 31 March 2022**

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>A. Cash flows from operating activities</b>		
Cash receipts from customers and others	2,508,625,050	1,748,225,049
Cash payments to suppliers and employees	(2,860,375,216)	(2,045,597,966)
<b>Cash used in operating activities</b>	<b>(351,750,166)</b>	<b>(297,372,917)</b>
Income tax paid	(91,110,849)	(66,877,032)
<b>Net cash used in operating activities</b>	<b>(442,861,015)</b>	<b>(364,249,949)</b>
<b>B. Cash flows from investing activities</b>		
Payment for acquisition of property, plant and equipment	(25,185,526)	(16,598,298)
Proceeds from sale of property, plant and equipment	12,682,177	477,359
Payment for acquisition of capital work in progress	(751,897)	(342,903)
Interest received on bank deposit	833,042	207,779
Payment for acquisition of intangible assets	-	(575,000)
<b>Net cash used in investing activities</b>	<b>(12,422,204)</b>	<b>(16,831,063)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from loan and borrowings	425,071,620	133,354,777
Lease payment	(20,065,524)	(20,463,467)
Issuance of new share	-	300,000,000
Receipt of share money deposit	-	4,013
<b>Net cash from financing activities</b>	<b>405,006,096</b>	<b>412,895,323</b>
<b>D. Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(50,277,123)</b>	<b>31,814,312</b>
Cash and cash equivalents at beginning of the year	141,996,445	110,182,133
<b>Cash and cash equivalents at end of the year</b>	<b>91,719,322</b>	<b>141,996,445</b>

*These financial statements should be read in conjunction with annexed notes*



Director



Chairman



**Kansai Nerolac Paints (Bangladesh) Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022**

**01 The Company and its nature of business**

**1.1 Company profile**

Kansai Nerolac Paints (Bangladesh) Limited formerly known as RAK Paints Limited (hereinafter referred to as "the Company"), is a private company limited by shares, was incorporated in Bangladesh under the Companies Act, 1994 vide registration no. C -76335/09 dated 20 April 2009 and currently has its registered office at RAK Tower (12th Floor), Plot No. # 1, Jasimuddin Avenue, Sector # 3, Uttara Model Town, Dhaka-1230. The authorised capital of the Company is Taka 1 billion divided into 100 million ordinary shares of Taka 10 each as on 31 March 2022. The paid up capital stands at Taka 920 million as on 31 March 2022. The Company started its commercial operation on 02 April 2011.

Pursuant to the provisions of the Companies Act, 1994, the Company applied to the Registrar of Joint Stock Companies and Firms (RJSC) to change the name from RAK Paints Ltd. to Kansai Nerolac Paints (Bangladesh) Limited which was duly approved on 17 August 2020.

**1.2 Nature of business**

The principal activity of the Company is to manufacture all kinds of paint items, hardware equipment, building materials, chemicals and to undertake activities relating to detailed design, procurement of machines and erection and commissioning of paints for the purpose of operating, managing, manufacturing and marketing of said product.

**02 Basis of preparation of financial statements**

**2.1 Basis of accounting**

The financial statements of the Company comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements including a summary of significant accounting policies that have been prepared in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act, 1994 and other applicable laws in Bangladesh.

These financial statements have been prepared on a going concern basis. Unless otherwise specifically mentioned historical cost principle has been followed for these financial statements.

**2.2 Reporting period**

The Company's financial statements cover from 01 April 2021 to 31 March 2022.

**2.3 Functional and presentation currency**

These financial statements are presented in Bangladeshi Taka, both functional and presentational currency of the Company. Accordingly, all financial information is presented in Taka and rounded off to the nearest Taka unless otherwise indicated.

**2.4 Basis of measurement**

These financial statements have been prepared on a historical cost basis in the statement of financial position except for the inventories, which are measured at cost or net realizable value, whichever is lower.

**2.5 Use of judgments and estimates**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Accordingly, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are stated in the following notes:

	<u>Note referances</u>
Property, plant and equipment	: Note - 3.1 and 5
Intangible assets	: Note - 3.2 and 6
Right-of-use assets	: Note - 3.4.1 and 8
Lease liabilities	: Note - 3.4.2 and 17
Provision for trade receivables	: Note - 10.1
Provision for taxation	: Note - 3.8 and 21
Employee benefits	: Note - 3.7 and 16.3
Contingent liabilities	: Note - 3.12 and 31
Inventories	: Note - 3.5 and 9

### 03 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### 3.1 Property, plant and equipment

##### Initial recognition

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the assets.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

##### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

##### Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful life of each part of an item of property, plant, and equipment. For acquisitions and disposals during the financial year, depreciation is charged from the month of acquisition and up to the month of the disposal, respectively. The rates at which property, plant, and equipment are depreciated are given below:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Factory building	5%
Plant and machinery	10%
Furniture and fixtures	10%
Office equipment	15%
Communication equipment	15%
Electrical installation	10%
Gas pipe line	10%
Tools and appliances	25%
Laboratory equipment	10%
Vehicles	20%

Land is not depreciated as it deemed to have an infinite life.

### **3.2 Intangible assets**

#### **Initial recognition**

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss if any. An intangible asset is recognised when all the conditions for recognition as per IAS 38 "Intangible assets" are met. The cost of the intangible assets comprises its purchase price, import duties, non-refundable taxes, and any directly attributable cost of preparing the asset for its intended use.

#### **Subsequent costs**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the part will flow to the Company and cost can be measured reliably. All other expenditures are recognised in profit or loss when incurred.

#### **Amortisation**

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the month they are available for use and is generally recognised in profit and loss. The current and comparative rates of amortization on the useful life of assets are as follows:

<u>Category of assets</u>	<u>Rate of amortisation</u>
Graphic software	20%
Color visualize software	20%

### **3.3 Capital work in progress**

Capital work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use at period end and are stated at cost.

### **3.4 Leases**

#### **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 recognizes lease liabilities to make lease payments and right-of-use assets representing the underlying assets' right to use.

#### **3.4.1 Right-of-use assets**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### **3.4.2 Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

#### **3.4.3 Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Instead, the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.5 Basis of valuation of inventories

Raw and packing materials are measured at the lower of cost or net realisable value, while work in progress and goods in transit are measured at cost. The cost of inventories is based on the above and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Goods in transit represent the cost incurred up to date of the statement of financial position for the items that were not received till the date of the statement of financial position.

<u>Category</u>	<u>Basis of valuation</u>	<u>Method</u>
Raw and packing materials	At the lower of cost or net realisable value	Weighted average cost
Finished goods	At the lower of cost or net realisable value	Weighted average cost
Work in progress	At cost	-
Goods in transit	At cost	-

### 3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.6.1 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables, and security and other deposits.

##### **Initial recognition**

The Company initially recognises financial assets in its statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

##### **Derecognition**

The Company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### **Initial measurement**

##### **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and all cash deposits with maturities of six months or less that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

##### **ii) Trade and other receivables**

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less impairment losses, if any.

##### **Subsequent measurement of financial assets**

The Company classifies its financial assets as subsequently measured at amortised cost.

#### 3.6.2 Financial liabilities

Financial liabilities include creditors for goods, creditors for expenses, creditors for other finance and accrued expenses.

##### **Initial recognition**

All financial liabilities are recognised initially on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

##### **Derecognition**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

**(i) Trade and other payables**

The Company recognises a trade and intercompany payables when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

**(ii) Loans and borrowings**

Bank overdrafts that are repayable on demand and short term loans and borrowings are stated at their costs. Short term loans repayable within twelve months from the date of statement of financial position. Those are classified as current liabilities whereas unpaid interest and other charges are classified as current liabilities.

**3.7 Employee benefits**

The Company maintains a defined benefit plan (gratuity), contribution plan (provident fund), and employees leave encashment benefit for its eligible permanent employees.

**3.7.1 Defined benefit plan (gratuity)**

The Company operates a funded gratuity scheme, provision in respect of which is made covering all its permanent eligible employees. Provision for gratuity payable is calculated by multiplying the number of years served with the last drawn basic monthly salary. A service period of more than eight months with the Company is considered as full year service for gratuity calculation. The employees should complete a minimum of three (3) years on the date of resignation/retirement/termination from the Company. No gratuity benefits shall be paid if the employees do not complete a minimum of three (3) years of services with the Company.

**3.7.2 Defined contribution plan (provident fund)**

Defined contribution plan is a post employment benefit plan. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes the same contribution to the fund.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

**3.7.3 Employee leave encashment**

Employee leave encashment is the benefit provided to employees who have completed 1 (one) year of continuous service in an establishment. The employees shall be allowed, during the following period of 12 months leave with wages for days calculated on the basis of the works of the preceding 12 months at the rate of 1(one) day for every 18 (eighteen) days of work. Notwithstanding anything contained above, an employee shall cease to earn any leave, when the earned leave due to him amounts to 60 (sixty) days.

**3.8 Taxation**

Tax on profit or loss for the period comprises current and deferred tax recognised in profit or loss.

**3.8.1 Current tax**

Provision for the current year's taxation is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provision of the prevailing Finance Act 2021/Income Tax Ordinance, 1984.

### **3.8.2 Deferred tax**

Deferred tax is recognised in compliance with IAS 12 "Income Taxes". Deferred tax arises due to deductible or taxable temporary differences for the events or transactions recognized in the statement of profit or loss and other comprehensive income. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount or reported amount in the statement of financial position. Deferred tax asset or liability is the amount of income tax recoverable or payable in future periods recognized in the current period. The deferred tax asset/income or liability or expense does not create a legal recoverability/liability to and from the income tax authority.

As at 31 March 2022, deferred tax assets amounting to Taka 374,162,852 were not recognized. The Company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will be recovered in the future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the quantum and timing of future taxable income. However, the Company has not recognised any deferred tax assets as at date, considering the uncertainty of its future recoverability.

### **3.9 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency using the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of profit or loss and other comprehensive income.

### **3.10 Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, an outflow of economic benefits will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **3.11 Government grant**

The Company applies the income approach method i.e., the grant is recognized in profit or loss over one or more periods. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grant is intended to compensate. Accordingly, grants are deducted in reporting the related expenses and liabilities.

### **3.12 Contingencies**

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated.

### **3.13 Revenue**

Revenue is recognized based on approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Company recognises revenue when it satisfies a performance obligation by transferring promised goods to a customer. Goods are considered as a transfer when the customer obtains control of that goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of return, trade discount, and Value Added Tax (VAT).

**3.14 Borrowing costs**

Borrowing costs are recognised as an expense in the year in which they are incurred unless capitalisation is required under International Accounting Standards (IAS) 23 "Borrowing Costs". No borrowing cost has been capitalised during the period.

**3.15 Finance costs**

Finance costs comprise interest expense on borrowings and exchange loss. Borrowing costs not directly attributable to the acquisition, construction, or production of a qualified asset are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost, depending on whether foreign currency movements are in a net gain or net loss position.

**3.16 Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised on an accrual basis.

**3.17 Statement of cash flows**

Cash flows from operating activities are presented under the direct method as per IAS 7 "Statement of Cash Flows".

**3.18 Events after the reporting date**

Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is inappropriate are reflected in the financial statements. In addition, material events after the reporting date that are not adjusting events are disclosed in note 33.

**04 General**

- i) Comparative information has been rearranged whenever considered necessary to conform to the current period's presentation; and
- ii) Amounts appearing in the financial statements have been rounded off to the nearest Taka. As a result of these rounding off, the totals may not match the sum of individual balances in some instances.

05 Property, plant and equipment - net

(Amounts in Taka)

Particulars	Cost				Rate %	Accumulated depreciation				Written down value as at 31 March 2022
	Balance as at 1 April 2021	Addition during the year	Disposal during the year	Balance as at 31 March 2022		Balance as at 1 April 2021	Charged during the year	Adjustment during the year	Balance as at 31 March 2022	
Land	23,143,600	-	-	23,143,600	-	-	-	-	-	23,143,600
Factory buildings	134,297,118	1,916,940	-	136,214,058	5.0%	64,575,188	6,751,407	-	71,326,595	64,887,463
Plant and machinery	110,958,833	1,127,455	-	112,086,288	10.0%	96,992,518	4,697,676	-	101,690,194	10,396,094
Furniture and fixture	11,920,211	4,214,770	-	16,134,981	10.0%	4,998,777	1,324,617	-	6,323,394	9,811,587
Office equipment	20,201,146	8,482,680	(53,500)	28,630,326	15.0%	12,499,401	2,797,997	(1,781)	15,295,617	13,334,709
Communication equipment	5,673,487	613,284	(59,521)	6,227,250	15.0%	2,565,460	827,131	(9,218)	3,383,373	2,843,877
Electrical installation	18,826,889	891,535	-	19,718,424	10.0%	18,146,751	535,506	-	18,682,257	1,036,167
Gas pipe line	8,885,112	-	-	8,885,112	10.0%	6,543,951	888,511	-	7,432,462	1,452,650
Tool and appliances	8,677,825	6,053,326	-	14,731,151	25.0%	3,739,605	2,753,752	-	6,493,357	8,237,794
Laboratory equipment	3,758,889	1,668,936	-	5,427,825	10.0%	1,799,851	408,239	-	2,208,090	3,219,735
Vehicles	47,288,730	216,600	(12,569,156)	34,936,174	20.0%	38,109,644	3,892,050	(12,474,953)	29,526,742	5,409,432
<b>Total 31 March 2022</b>	<b>393,631,840</b>	<b>25,185,526</b>	<b>(12,682,177)</b>	<b>406,135,189</b>		<b>249,971,146</b>	<b>24,876,887</b>	<b>(12,485,952)</b>	<b>262,362,081</b>	<b>143,773,108</b>
<b>Total 31 March 2021</b>	<b>377,510,901</b>	<b>16,598,298</b>	<b>(477,359)</b>	<b>393,631,840</b>		<b>220,274,698</b>	<b>30,124,322</b>	<b>(427,873)</b>	<b>249,971,146</b>	<b>143,660,694</b>

5.1 Allocation of depreciation charged

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
Cost of goods sold (note - 23.2)	15,720,239	21,733,206
Administrative expenses (note - 24)	3,467,586	2,707,586
Selling expenses (note - 25)	5,689,062	5,683,530
	<b>24,876,887</b>	<b>30,124,322</b>



## Hoda Vasi Chowdhury & Co

		31 March 2022	31 March 2021
		<u>Taka</u>	<u>Taka</u>
<b>06</b>	<b>Intangible assets</b>		
	<b>Software</b>		
	<b>A. Cost</b>		
	Opening balance	1,812,938	1,237,938
	Addition made during the year	-	575,000
		<u>1,812,938</u>	<u>1,812,938</u>
	<b>B. Accumulated amortisation</b>		
	Opening balance	1,093,402	702,064
	Amortisation during the year	678,838	391,338
		<u>1,772,240</u>	<u>1,093,402</u>
	<b>C. Written down value (A-B)</b>	<u>40,698</u>	<u>719,536</u>
<b>07</b>	<b>Capital work in progress</b>		
	Factory Building	1,094,800	-
	Factory office Building	-	342,903
		<u>1,094,800</u>	<u>342,903</u>
<b>08</b>	<b>Right-of-use assets</b>		
	<b>Building</b>		
	<b>A. At cost</b>		
	Opening balance	47,844,933	-
	Recognition of right-of-use asset on initial application of IFRS 16	-	34,571,264
	Additions made during the year	19,994,089	13,273,669
	Disposals/adjustments during the year	(2,372,700)	-
		<u>65,466,323</u>	<u>47,844,933</u>
	<b>B. Accumulated depreciation</b>		
	Opening balance	19,097,282	-
	Charged during the year (note - 8.1)	20,464,593	19,097,282
	Disposals/adjustments during the year	(2,372,700)	-
		<u>37,189,175</u>	<u>19,097,282</u>
	<b>C. Written down value (A-B)</b>	<u>28,277,148</u>	<u>28,747,651</u>
<b>8.1</b>	<b>Allocation of depreciation charged</b>		
	Administrative expenses (note - 24)	10,075,926	10,075,926
	Selling expenses (note - 25)	10,388,667	9,021,357
		<u>20,464,593</u>	<u>19,097,282</u>
<b>09</b>	<b>Inventories</b>		
	Raw materials	315,041,465	325,763,723
	Stores and spares	10,671,758	10,774,252
	Packing materials	13,215,107	11,446,195
	Goods-in-transit	1,865,966	6,676,540
	Work in progress	11,350,394	7,935,405
	Finished goods	208,815,558	155,143,353
	Promotional materials	9,392,992	7,660,870
		<u>570,353,240</u>	<u>525,400,340</u>

## Hoda Vasi Chowdhury & Co

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
<b>10 Trade and other receivables</b>		
Trade receivables (note - 10.1)	783,070,350	633,363,653
Other receivables (note - 10.2)	6,359,275	2,714,110
	<b>789,429,625</b>	<b>636,077,763</b>
<b>10.1 Trade receivables</b>		
Receivables - local	717,958,026	583,666,459
Receivables - export	4,885,546	-
Receivable from dealer (Tinting)	79,726,778	67,697,194
	<b>802,570,350</b>	<b>651,363,653</b>
Provision for trade receivables (note - 10.1.1)	(19,500,000)	(18,000,000)
	<b>783,070,350</b>	<b>633,363,653</b>
<b>10.1.1 Provision for trade receivables</b>		
Opening balance	(18,000,000)	(18,000,000)
Provision made during the year	(1,500,000)	-
	<b>(19,500,000)</b>	<b>(18,000,000)</b>
<b>10.2 Other receivables</b>		
Receivables from sales of scrap	4,701,940	717,090
Accrued interest on FDR	126,451	86,107
Others	1,530,884	1,910,913
	<b>6,359,275</b>	<b>2,714,110</b>
<b>11 Advances, deposits and prepayments</b>		
<b>Advances</b>		
Advance to suppliers	6,373,067	3,419,053
Advance to applicators	14,357,731	19,346,125
Other advances	41,968,774	5,517,697
	<b>62,699,572</b>	<b>28,282,875</b>
<b>Deposits</b>		
Deposit for office rent	746,000	1,746,001
Security deposit for utilities	3,100,634	3,100,634
	<b>3,846,634</b>	<b>4,846,635</b>
<b>Prepayments</b>		
Insurance premium	10,187,814	5,394,993
Office rent	2,405,361	45,353
Advertisement	507,043	-
BSTI renewal fee	237,500	-
	<b>13,337,718</b>	<b>5,440,346</b>
	<b>79,883,924</b>	<b>38,569,856</b>
<b>12 Advance income tax</b>		
Import stage	260,957,060	192,423,893
AIT on registration and renewal	2,208,590	1,653,090
AIT on interest on bank deposit	185,104	105,834
AIT on sales	66,466,810	44,524,808
AIT on courier services	13,764	12,854
	<b>329,831,328</b>	<b>238,720,479</b>

## Hoda Vasi Chowdhury & Co

	31 March 2022	31 March 2021
<b>13 Cash and cash equivalents</b>	<b><u>Taka</u></b>	<b><u>Taka</u></b>
Cash in hand	11,639,661	10,068,959
Cash at bank (note - 13.1)	80,079,661	131,927,486
	<b><u>91,719,322</u></b>	<b><u>141,996,445</u></b>
<b>13.1 Cash at bank</b>		
Current account (note - 13.2)	13,824,091	59,621,534
Margin money	66,255,570	47,728,472
Short term deposit (STD) - Pubali Bank Ltd.	-	24,577,480
	<b><u>80,079,661</u></b>	<b><u>131,927,486</u></b>
<b>13.2 Current account</b>		
Pubali Bank Limited	4,372,043	42,739,201
One Bank Limited	123,012	1,234,850
Bank Asia Limited	768,106	102,256
State Bank of India	244,585	5,352,315
Rocket Account	8,316,345	4,492,549
Dutch Bangla Bank Limited	-	5,435,231
Dhaka Bank Limited	-	265,132
	<b><u>13,824,091</u></b>	<b><u>59,621,534</u></b>

## Hoda Vasi Chowdhury & Co

		31 March 2022 <u>Taka</u>	31 March 2021 <u>Taka</u>
<b>14 Share capital</b>			
	<b>Authorised</b>		
	100,000,000 ordinary shares of Taka 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<b>Issued, subscribed and paid up</b>		
	92,000,000 ordinary shares of Taka 10 each	<u>920,000,000</u>	<u>920,000,000</u>
		<b><u>920,000,000</u></b>	<b><u>920,000,000</u></b>

### Percentage of shareholding

Name of the shareholders	Nationality	Number of shares	Value in Taka	Percentage of holding
<b>At 31 March 2022</b>				
Kansai Nerolac Paints Limited	Indian	50,600,000	506,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	38,249,600	382,496,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	1,575,000	15,750,000	1.71%
Qamar Uz Zaman	Bangladeshi	1,575,000	15,750,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.00%
Ariane Massaad	Lebanese	100	1,000	0.00%
		<b><u>92,000,000</u></b>	<b><u>920,000,000</u></b>	<b><u>100.00%</u></b>
<b>At 31 March 2021</b>				
Kansai Nerolac Paints Limited	Indian	50,600,000	506,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	38,249,600	382,496,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	1,575,000	15,750,000	1.71%
Qamar Uz Zaman	Bangladeshi	1,575,000	15,750,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.00%
Ariane Massaad	Lebanese	100	1,000	0.00%
		<b><u>92,000,000</u></b>	<b><u>920,000,000</u></b>	<b><u>100.00%</u></b>

- 14.1** On 22 December 2020, the Company has received Taka 165,004,013 as a share money deposit from Kansai Nerolac Paints (India) Limited. As a result, the aggregate balance of share money deposits stood at Taka 300,004,013, out of which Taka 300,000,000 was converted to share capital on 31 December 2020.
- 14.2** On 31 December 2020, the Company has issued 13,500,000, and 16,500,000 number of ordinary shares of Taka 10 each to Mr. S.A.K Ekramuzzaman and Kansai Nerolac Paints Limited, respectively, totaling Taka 300,000,000. The share transfer papers of Mr. S.A.K Ekramuzzaman and Kansai Nerolac Paints Limited have been submitted to the Registrar of Joint Stock Companies and Firms (RJSC). In this regard, the Company is awaiting to receive the certified copy of the same.
- 14.3** The board of directors in its meeting held on 13 March 2019, approved to transfer entire holding of 100 ordinary shares of Ms. Ariane Massaad to Mrs. Shaylin Zaman Akbar. However, in the absence of any approval from the RJSC the transfer of shares has not been effected yet.

## Hoda Vasi Chowdhury & Co

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
<b>15 Share money deposit</b>		
Kansai Nerolac Paints (India) Ltd.	4,013	4,013
	<u>4,013</u>	<u>4,013</u>
<b>15.1 Movement of share money deposit</b>		
Opening balance	4,013.00	-
<b>Received during the year</b>		
Kansai Nerolac Paints (India) ltd.	-	165,004,013
S.A.K Ekramuzzaman	-	135,000,000
	<u>4,013</u>	<u>300,004,013</u>
<b>Less: Issued to share capital</b>		
Kansai Nerolac Paints (India) ltd.	-	165,000,000
S.A.K Ekramuzzaman	-	135,000,000
	<u>-</u>	<u>300,000,000</u>
	<u>4,013</u>	<u>4,013</u>
<b>16 Employees benefits</b>		
Provident fund (note - 16.1)	16,267,140	1,643,784
Leave enchashment (note - 16.2)	20,719,552	13,404,505
Gratuity fund (note - 16.3)	7,008,500	610,010
	<u>43,995,192</u>	<u>15,658,299</u>
<b>Employee benefits are segregated as follow:</b>		
Employee benefits - non current portion	6,839,985	569,900
Employee benefits - current portion	37,155,207	15,088,399
	<u>43,995,192</u>	<u>15,658,299</u>
<b>16.1 Provident fund</b>		
Opening balance	1,643,784	43,064,944
Add: Provision made during the year	17,573,434	14,759,102
	<u>19,217,218</u>	<u>57,824,046</u>
Less: Contribution transferred during the year	2,950,078	56,180,262
	<u>16,267,140</u>	<u>1,643,784</u>
<b>16.2 Leave enchashment</b>		
Opening balance	13,404,505	8,662,252
Add: Addition made during the year	8,088,519	8,526,382
	<u>21,493,024</u>	<u>17,188,634</u>
Less: Payment made during the year	773,472	3,784,128
	<u>20,719,552</u>	<u>13,404,505</u>
<b>16.3 Gratuity fund</b>		
Opening balance	610,010	15,437,092
Add: Addition made during the year	7,757,037	4,591,997
	<u>8,367,048</u>	<u>20,029,089</u>
Less: Payments made during the year	1,358,548	19,419,079
	<u>7,008,500</u>	<u>610,010</u>
<b>Employees gratuity fund are segregated as follow:</b>		
Non-current portion	6,839,985	569,900
Current portion	168,515	40,110
	<u>7,008,500</u>	<u>610,010</u>

#### 16.4 Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit asset and liability and its components.

	Amounts in Taka					
	Defined benefit obligation		Fair value of asset		Net defined (asset)/ liability	
	2022	2021	2022	2021	2022	2021
<b>Balance at 1 April</b>	<b>22,439,529</b>	<b>16,068,992</b>	<b>21,829,519</b>	<b>1,792,850</b>	<b>610,010</b>	<b>14,276,142</b>
<b>Included in profit or loss</b>						
Current service cost	5,933,246	4,477,178	-	-	5,933,246	4,477,178
Past service cost	-	-	-	-	-	-
Interest expense (income)	1,943,241	1,407,933	623,654	319,260	1,319,587	1,088,673
	<b>7,876,487</b>	<b>5,885,111</b>	<b>623,654</b>	<b>319,260</b>	<b>7,252,833</b>	<b>5,565,851</b>
<b>Included in OCI</b>						
Remeasurement loss (gain):						
-Actuarial loss (gain) arising from:						
-demographic assumption	-	-	-	-	-	-
-financial assumption	6,170,272	254,384	-	-	6,170,272	254,384
-experience adjustment	-	2,634,429	2,354,822	-	(2,354,822)	2,634,429
- return on assets	-	-	243,750	575,333	(243,750)	(575,333)
	<b>6,170,272</b>	<b>2,888,813</b>	<b>2,598,572</b>	<b>575,333</b>	<b>3,571,700</b>	<b>2,313,480</b>
<b>Other</b>						
Contribution paid by the employer	-	-	6,898,489	5,603,228	(6,898,489)	(5,603,228)
Increase due to plan combination	-	-	-	15,942,235	-	(15,942,235)
Benefits paid	(3,577,450)	(2,403,387)	(3,577,450)	(2,403,387)	-	-
Other (Employee contribution, taxes, Expenses)	-	-	(2,472,446)	-	2,472,446	-
	<b>(3,577,450)</b>	<b>(2,403,387)</b>	<b>848,593</b>	<b>19,142,076</b>	<b>(4,426,043)</b>	<b>(21,545,463)</b>
<b>Balance at 31 March</b>	<b>32,908,838</b>	<b>22,439,529</b>	<b>25,900,338</b>	<b>21,829,519</b>	<b>7,008,500</b>	<b>610,010</b>

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	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
<b>Defined benefit obligation</b>		
<b>16.4.1 Net Defined Benefit Liability/ (Asset) reconciliation</b>		
Balance at 1 April	610,010	14,276,141
Defined Benefit Cost included in Profit and loss	7,252,833	5,565,852
Total Remeasurements included in OCI	3,571,700	2,313,480
Amount recognised due to plan combinations	-	(15,942,235)
Employer Contributions	(6,898,489)	(5,603,228)
Other (Employee contribution, taxes, Expenses)	2,472,446	-
<b>Balance at 31 March</b>	<b><u>7,008,500</u></b>	<b><u>610,010</u></b>

## 16.4.2 Characteristics of defined benefit plans

Valuation Date	: 31 March 2022.
Sponsoring Employer	: Kansai Nerolac Paints (Bangladesh) Limited.
Type of Plan	: Defined benefit.
Eligibility	: As per the Company Rules / Bangladesh Labour Act 2006.
Vesting Period	: 5 years (Other than Death/ Disability).
Employer's Contribution	: 100%
Member's Contribution	: Nil.
Benefit Basis	: Accrued benefit.
Normal Retirement Benefit	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Disability in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death, Disability, Early Retirement / Termination/ Resignation / Withdrawal	: As per the Company Rules / Bangladesh Labour Act 2006.
Maximum limit on Benefits	: No Limit
Gratuity Formula	: 15/26 * Last drawn salary * Number of completed years of service
Normal Retirement Age	: 60 Years
Month of release of Annual salary increment	: January

## 16.4.3 Actuarial assumptions

The followings were the principal actuarial assumptions at the reporting date :

	31 March 2022	31 March 2021
	<u>Rate</u>	<u>Rate</u>
Discount rate	8.16%	9.41%
Future salary growth (Salary escalation)	10.00%	10.00%

Assumptions regarding future mortality have been used based on published statistics and mortality tables. As there is no published mortality table in Bangladesh and hence the Indian Assured Life Mortality rate (2012-14) ultimately based on the mortality experience of assured lives in India is being used as a reasonable approximation. The current longevities underlying the values of the defined obligations at the reporting date was adopted from Indian Life Mortality table.

## 16.4.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
Increase of discount rate (1% movement)	(25,490,860)	(3,835,924)
Decrease of discount rate (1% movement)	36,835,120	4,774,553
Increase of future salary growth (1% movement)	36,562,683	4,639,469
Decrease of future salary growth (1% movement)	(25,593,618)	(3,807,727)

Although the analysis does not take of full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

The Company has a funded gratuity scheme recognized by National Board of Revenue (NBR). Contributions to the fund by the Company were recognized in profit and loss of the Company but the value of plan assets and present value of defined benefit obligation were not in the financial statement of the Company till 2019. The fair value of plan assets and present value of defined benefit obligation was first recognized in the financial statements of the Company starting from 2020 as per IAS 19 "Employee Benefits". The amounts were recognised as per Actuarial Valuation Report carried out by professional actuary for the year ended 31 March 2021.

16.4.5 Maturity profile defined benefit obligations	<u>Taka</u>
Year 1	168,515
Year 2	58,938
Year 3	70,862
Year 4	212,251
Year 5	253,831
Year 6	136,023
Year 7	145,328
Year 8	1,194,702
Year 9	254,865
Year 10	1,549,543

The weighted average duration of the defined benefit obligation is 20.27.

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<u>Taka</u>	<u>Taka</u>
<b>17 Lease liabilities</b>		
<b>Lease liabilities recognized in statement of financial position</b>		
Lease liabilities - non current portion	19,829,704	11,244,536
Lease liabilities - current portion	7,480,328	16,136,930
	<b><u>27,310,032</u></b>	<b><u>27,381,466</u></b>
<b>17.1 Amounts recognized in profit or loss</b>		
Interest on lease obligation	3,635,977	3,499,795
Depreciation expense	20,464,593	19,097,282
	<b><u>24,100,569</u></b>	<b><u>22,597,078</u></b>
<b>17.2 Amounts recognized in statement of cash flows</b>		
Total cash outflows for leases	<b><u>(21,209,280)</u></b>	<b><u>(20,071,373)</u></b>
<b>17.3 Movement in lease payable</b>		
Opening balance	27,381,466	-
Recognition of lease liability on initial application of IFRS 16	-	33,179,375
Additions during the year	17,501,869	10,773,669
Interest charged during the year	3,635,977	3,499,795
Payment made during the year	(21,209,280)	(20,071,373)
	<b><u>27,310,032</u></b>	<b><u>27,381,466</u></b>
<b>18 Loan and borrowings</b>		
Bank overdraft (note - 18.1)	906,719,430	637,315,639
Short term borrowings (note - 18.2)	965,806,058	809,588,229
Loan from Mohammed Trading	-	550,000
	<b><u>1,872,525,488</u></b>	<b><u>1,447,453,868</u></b>



## Hoda Vasi Chowdhury & Co

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
<b>18.1 Bank overdraft</b>		
State Bank of India	306,400,449	307,542,171
Standard Chartered Bank	101,926,774	101,673,497
Pubali Bank Limited	415,894,384	222,284,419
Bank Asia Limited	71,018,325	5,815,552
Dutch Bangla Bank Limited	11,141,985	-
Dhaka Bank Limited	337,513	-
	<b><u>906,719,430</u></b>	<b><u>637,315,639</u></b>
<b>18.2 Short term borrowings</b>		
Bank Asia Limited	50,788,616	82,590,040
One Bank Limited	108,536,545	69,141,513
Pubali Bank Limited	206,480,897	57,856,676
Standard Chartered Bank	600,000,000	600,000,000
	<b><u>965,806,058</u></b>	<b><u>809,588,229</u></b>
<b>19 Trade and other payables</b>		
Trade payables	232,486,827	256,711,475
Intercompany payables (note - 19.1)	64,649,606	38,221,746
	<b><u>297,136,433</u></b>	<b><u>294,933,221</u></b>
<b>19.1</b>	The Company entered into an agreement with its parent Kansai Nerolac Paints Limited to pay royalty at the rate of 1% to 3% on its net sales value. The agreement is effected from 1 January 2019.	
<b>20 Accruals</b>		
TDS and VDS payables	28,164,546	15,746,781
VAT and SD payable against sales	24,630,977	562,841
Advance from customers against sales	34,436,171	11,527,404
Power and Gas	1,234,500	1,234,500
Staff cost	30,461,105	26,647,340
Audit fees	550,000	575,000
Telephone	430,040	430,000
Interest	14,852,870	11,703,411
Others	81,835,086	66,057,161
	<b><u>216,595,294</u></b>	<b><u>134,484,438</u></b>
<b>21 Current tax liabilities</b>		
Opening balance	44,404,531	30,331,203
Add: Addition made during the year	16,099,221	14,073,328
	<b><u>60,503,752</u></b>	<b><u>44,404,531</u></b>

## Hoda Vasi Chowdhury & Co

		31 March 2022	31 March 2021
		<u>Taka</u>	<u>Taka</u>
<b>22 Revenue</b>			
Sales of product - local		4,412,362,419	3,154,119,438
Service revenue		7,453,129	2,130,838
		<b>4,419,815,549</b>	<b>3,156,250,276</b>
Value Added Taxes (VAT)		(472,898,139)	(355,499,829)
Supplimentary Duty (SD)		(106,212,618)	(105,397,318)
Discounts and rebates		(1,243,682,077)	(861,146,680)
		<b>2,597,022,715</b>	<b>1,834,206,449</b>
Sales - export		28,913,369	29,835,684
		<b>2,625,936,084</b>	<b>1,864,042,133</b>
<b>23 Cost of goods sold</b>			
Raw and packaging material		1,938,544,283	1,261,839,233
Direct labour (note - 23.1)		61,937,532	57,259,258
Direct expenses (note - 23.2)		35,978,587	34,307,602
Other production overhead (note - 23.3)		61,901,898	25,522,012
Movement in work in progress and finished goods		5,083,881	(12,595,161)
Application charges (SLE)		4,973,823	425,516
		<b>2,108,420,004</b>	<b>1,366,758,460</b>
<b>23.1 Direct labour</b>			
Salaries and wages		33,917,683	27,637,244
Overtime		2,239,918	1,618,941
Bonus		3,226,160	2,366,654
Temporary labour wages		16,485,295	20,787,493
Gratuity fund		1,553,897	1,211,563
Provident fund		1,495,136	1,064,525
Leave encashment		1,456,027	763,753
Health and other welfare expense		30,060	52,689
Staff welfare		1,533,356	1,227,263
Group life insurance		-	71,424
Uniform to workers main plant		-	457,710
		<b>61,937,532</b>	<b>57,259,258</b>
<b>23.2 Direct expenses</b>			
Power and gas		12,286,765	8,944,573
Repairs and indirect materials		7,971,583	3,629,823
Depreciation on property, plant and equipment (note - 5.1)		15,720,239	21,733,206
		<b>35,978,587</b>	<b>34,307,602</b>
<b>23.3 Other production overhead</b>			
Demurrage		33,721,152	7,245,494
Insurance		4,176,927	4,176,927
Travelling, hauling and fooding expenses		3,524,148	2,512,659
Rent and rates		6,693,034	1,575,406
Fuel, toll and vehicle maintenance		1,136,721	1,029,431
Security and safety		2,734,891	2,754,786
Other expenses		9,915,025	6,227,309
		<b>61,901,898</b>	<b>25,522,012</b>

## Hoda Vasi Chowdhury & Co

		31 March 2022	31 March 2021
		<u>Taka</u>	<u>Taka</u>
<b>24</b>	<b>Administrative expenses</b>		
	Staff cost (note - 24.1)	42,754,869	36,241,416
	Telephone, postage and supplies	4,051,298	3,133,319
	Office repairs and maintenance	5,261,741	4,730,799
	Registration and renewal	4,654,528	2,338,843
	Legal and professional fees	1,707,424	2,139,693
	Audit fees	1,075,000	1,164,500
	Vehicle repair and maintenance	1,888,740	2,162,754
	Rent, rates and taxes	2,913,590	1,252,632
	Insurance	411,232	411,232
	Depreciation on property, plant and equipment (note - 5.1)	3,467,586	2,707,586
	Depreciation on right-of-use assets (note - 8)	10,075,926	10,075,926
	Others	553,877	257,823
		<b><u>78,815,811</u></b>	<b><u>66,616,523</u></b>
<b>24.1</b>	<b>Staff cost</b>		
	Salaries and wages	33,471,109	22,964,456
	Bonus	1,964,581	1,936,741
	Leave encashment	1,222,138	2,677,135
	Gratuity fund	1,576,957	919,058
	Provident fund	1,214,482	815,090
	Staff welfare and fooding expenses	1,207,172	3,176,233
	Hotel, conveyance, tour and ticket	1,090,088	456,809
	Foreign technician expenses	1,008,342	3,240,738
	Group life insurance	-	55,156
		<b><u>42,754,869</u></b>	<b><u>36,241,416</u></b>
<b>24.2</b>	<b>Office repairs and maintenance</b>		
	Repairs and maintenance	3,301,735	3,024,361
	Electricity, gas and water	1,960,006	1,706,438
		<b><u>5,261,741</u></b>	<b><u>4,730,799</u></b>
<b>25</b>	<b>Selling expenses</b>		
	Staff cost (note - 25.1)	216,418,310	163,496,119
	Advertisement	52,817,127	33,013,639
	Royalty	26,427,860	18,785,604
	Telephone, postage and supplies	6,800,631	5,557,575
	Freight and transportation/delivery expenses	82,634,182	58,809,267
	Business promotion	84,418,999	42,793,888
	Travel, entertainment and others	23,381,691	9,523,663
	Security and guard expenses	6,250,200	4,881,029
	Rent, rates and taxes	1,918,057	1,198,247
	Vehicle repairs and maintenance	14,009,188	10,446,911
	Other repairs and maintenance (note - 25.2)	5,414,540	5,099,144
	Bad and doubtful debts	6,706,440	3,540,554
	Depreciation on property, plant and equipment (note - 5.1)	5,689,062	5,683,530
	Amortization on intangible assets (note - 6)	678,838	391,338
	Depreciation on right-of-use assets (note - 8)	10,388,667	9,021,357
	Registration and renewal	21,150	-
		<b><u>543,974,942</u></b>	<b><u>372,241,865</u></b>

## Hoda Vasi Chowdhury & Co

	31 March 2022	31 March 2021
	<u>Taka</u>	<u>Taka</u>
<b>25.1 Staff cost</b>		
Salaries and wages	151,500,643	123,428,912
Bonus and incentive	38,376,446	25,910,971
Gratuity fund	195,935	1,156,521
Provident fund	5,727,021	4,394,865
Leave encashment	5,992,710	2,604,011
Fooding expenses and others	14,625,555	5,767,494
Group life insurance	-	233,345
	<b><u>216,418,310</u></b>	<b><u>163,496,119</u></b>
<b>25.2 Other repairs and maintenance</b>		
Electricity, gas and water	1,036,085	645,047
Other maintenance	4,378,455	4,454,097
	<b><u>5,414,540</u></b>	<b><u>5,099,144</u></b>
<b>26 Other income</b>		
Sales of scrap	12,828,450	8,290,874
Gain on sale of property, plant and equipment	3,163,716	204,264
Miscellaneous income	4,373,913	4,575,150
	<b><u>20,366,079</u></b>	<b><u>13,070,288</u></b>
<b>27 Net finance cost</b>		
Finance income (note - 27.1)	833,042	207,779
Finance cost (note - 27.2)	(169,836,368)	(121,996,644)
	<b><u>(169,003,326)</u></b>	<b><u>(121,788,865)</u></b>
<b>27.1 Finance income</b>		
Interest income	833,042	207,779
	<b><u>833,042</u></b>	<b><u>207,779</u></b>
<b>27.2 Finance cost</b>		
Interest expenses	156,823,512	116,933,886
Interest on lease	3,635,977	3,499,795
Exchange loss	9,376,879	1,562,963
	<b><u>169,836,368</u></b>	<b><u>121,996,644</u></b>
<b>28 Income tax expense</b>		
Current tax expense	<b><u>16,099,221</u></b>	<b><u>14,073,328</u></b>

As per the applicable tax law, the Company has to pay tax at the rate applicable to it subject to a minimum tax which is higher of (a) regular tax calculated on the income from regular sources or (b) at the rate of 0.60% of total gross receipts or (c) tax deducted at source for export and at the time of sale u/s 52 and 53BBBB (as covered u/s 82C) of the Income Tax Ordinance 1984. As tax calculated on gross receipts is higher, we have considered the tax calculated on the gross receipts as tax expenses during the period of income year.

**29 Earnings per share (EPS)**

Basic Earnings per share (“EPS”) is computed by dividing the net profit/(loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>29.1 Basic earnings per share</b>		
The computation of earnings per share is given below:		
Earnings attributable to the ordinary shareholders	(270,011,141)	(64,366,620)
Weighted average number of ordinary shares outstanding during the year (note - 29.1.1)	92,000,000	69,479,452
	<b><u>(2.93)</u></b>	<b><u>(0.93)</u></b>

**29.1.1 Weighted average number of ordinary shares**

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b><u>No of share</u></b>	<b><u>No of share</u></b>
Issued ordinary shares	92,000,000	62,000,000
Effect of share issued during the year	-	7,479,452
	<b><u>92,000,000</u></b>	<b><u>69,479,452</u></b>

The impact of the weighted average of new shares issued have been calculated considering share allotment date i.e. 31 December 2020.

**29.2 Diluted earnings per share**

No diluted earnings per share is required to be calculated for the year as there was no potentially dilutive ordinary shares during the year. So both basic and diluted earning per share are same.

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b><u>Number</u></b>	<b><u>Number</u></b>
<b>30 Number of employees engaged for drawing remuneration</b>		
<b>Disclosure as per requirement of schedule XI Part II of Para 3 is as follows:</b>		
(a) Above Taka 3,000 per month	411	407
(b) Below Taka 3,000 per month	-	-
	<b><u>411</u></b>	<b><u>407</u></b>

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>31 Contingent liabilities</b>		
Letter of credit	327,403,361	475,751,681
Bank guarantee (local)	26,866,973	5,082,876
Income tax demand for assessment year 2013-2014	17,205,713	17,205,713
Penalty Order U/s 124 for assessment year 2019-2020	521,291	521,291
	<b><u>371,997,338</u></b>	<b><u>498,561,561</u></b>

**32 Capital expenditure commitment**

There was no capital expenditure commitments at year ended 31 March 2022 (31 March 2021: Nil).

**33 Events after the reporting date**

No material events had occurred after the reporting period to the date of issue of these financial statements, which could affect the values stated in the financial statements.

**34 Related party transactions**

**34.1 Parent and ultimate controlling party**

Kansai Nerolac Paints Limited, India, has 55% shareholdings of the Company. As a result, the Company's parent and ultimate controlling party are Kansai Nerolac Paints Limited, India.

**34.2 Key management personnel compensation**

Key management personnel compensation comprised the following:

Nature of related party transactions	Transaction for the period		Balance outstanding	
	31 March	31 March 2021	31 March	31 March
Short-term employee benefits	<u>12,576,662</u>	<u>2,040,000</u>	<u>-</u>	<u>-</u>

Compensation of the Company's key management personnel includes salaries and benefits, fees, accommodation facilities, and non-cash benefits.

**34.3 Other related party transactions**

Name of party	Nature of related party transactions	Transaction for the period		Balance outstanding	
		31 March	31 March 2021	31 March	31 March
<b>Transactions with parent company</b>					
Kansai Nerolac Paints Limited, India	Royalty	(26,427,860)	18,785,604	(64,649,606)	(38,221,746)
<b>Transactions with other related parties (under common control)</b>					
Mohammad Trading	Loan and Interest Payable	-	2,439,277	(550,000)	(550,000)
	Purchase	-	3,648	-	-
	Advance	-	-	-	104
Speedway International	C&F Agent	1,246,910	9,262,157	(1,246,910)	-
	Transport Services	(845,796)	5,212,665	(387,491)	(1,233,287)
Sky Bird Travels Private Ltd.	Travel Agency	(16,783)	137,973	(83,205)	(99,988)
Mr Qamar Uz Zaman	Advance	-	-	(1,174,484)	1,174,484
Mr SAK Ekramuzzaman	Rent	137,940	1,655,280	(137,940)	-
Star Porcelain Private Ltd.	Sales	816,849	37,902	926,040	109,192
	Purchase (Promotional Items)	421,386	1,545,340	(94,003)	135,257
Star Ceramics Private Ltd.	Sales	42,088	110,116	85,204	43,116
	Advance	-	-	-	28,000
Automatic Bricks & Ceramics Pvt. Ltd.	Sales	-	206,499	221,715	221,716
Rakeen Development Co. BD Ltd.	Sales	3,665,063	22,259,168	7,073,091	10,723,106
	Depot Rent and Expenses	313,530	1,008,770	(632,608)	(319,079)
Wizemanns Boggie Consultants Pvt. Ltd.	Service Provider	(100,000)	-	-	(100,000)
	Advance	(100,000)	-	20,000	120,000
RAK Mosfly Bangladesh Pvt. Ltd.	Sales	-	91,425	191,261	191,261
	Advance	280,873	-	-	880,873
RAK Ceramics Bangladesh Ltd.	Sales	661,917	375,275	1,327,938	666,021
	Depot Rent and Expenses	(266,390)	1,443,610	-	(266,390)
RAK Security & Services Pvt. Ltd.	Security Services provider	913,497	6,659,169	(2,050,805)	(1,137,308)
RAK Power Ltd.	Sales	(18,225)	115,902	25,282	7,057
Palli Properties Pte Ltd.	Sales	(10,770)	186,873	16,903	6,133
	Service Provider	2,132,209	12,845,994	(2,359,010)	(226,802)
Palli Enterprises International	Sales	(20,685)	-	-	20,685
Pelikan Plastic & Packaging Pvt. Ltd.	Packaging Material Supplier	(1,772,898)	13,276,635	(771,839)	(2,544,737)
S M Knitware Ltd.	Payable	(678,440)	-	-	(678,440)
Kansai Nerolac Paints Limited, India	Purchase	(1,476,431)	30,668,309	(10,115,846)	(11,592,277)
	Commission	(380,029)	1,790,700	1,530,884	1,790,700
M/s Ekramuzzaman	Purchase	-	102,591	(24,115)	(24,115)
	Service	-	134,674	(137,940)	-
		<u>(21,482,046)</u>	<u>130,355,556</u>	<u>(72,997,485)</u>	<u>(40,876,464)</u>

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year of allowances for expected losses in respect of amounts owed by related parties.

**35 Going concern**

The accumulated loss of the Company was BDT 1,130,084,170 as at 31 March 2021. During the financial year ended 31 March 2022, the Company experienced a further loss of Taka 273,582,841. As a result, total accumulated loss and net equity as at 31 March 2022 stood at Taka 1,403,667,011 and Taka 483,662,998. The Company has also experienced negative cash flows from operations amounting to Taka 442,861,015 for the year ended 31 March 2022.

The financial statements have been prepared on a going concern basis (notwithstanding above mentioned facts) which the directors believe to be appropriate as the Company has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of its operations. The management is confident enough to have profitable growth in year 2022-23 and follow the same in the coming years. Further, the management does not see any issue with respect to going concern due to the recent pandemic COVID-19. As per management assessment, there are no material uncertainties related to events or conditions which may cast significant doubt upon Company's ability to continue as a going concern for the following reason:

Kansai Nerolac Paints Ltd. (the Company's immediate holding company) has indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the Company. The management consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the management believe that it remains appropriate to prepare the financial statements on a going concern basis.



Director



Chairman