

22nd June, 2018

- | | |
|---|---|
| 1. Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001 | 2. Manager- Listing
National Stock Exchange of India Ltd.
Bandra-Kurla Complex,
Bandra (E)
Mumbai- 400 051 |
|---|---|

BSE SCRIP CODE : 500165
NSE SCRIP CODE : KANSAINER

Dear Sirs,

Sub: Copy of Annual Report as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to inform you that the 98th Annual General Meeting of our Company was held on Thursday, 21st June, 2018 at 11.00 a.m. at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400 001.

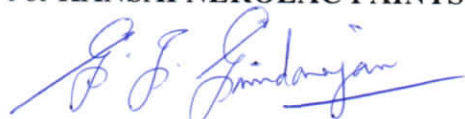
The Annual Report for the year 2017 – 18 as approved and adopted at the Annual General Meeting as per provisions of the Companies Act, 2013 is attached in terms of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Annual report contains the information to be given and disclosures required to be made in terms of Regulation 34(2) and 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please take the above submission on record.

Yours faithfully,

For **KANSAI NEROLAC PAINTS LIMITED**



G. T. GOVINDARAJAN
COMPANY SECRETARY

Encl: as above

NEROLAC HOUSE
Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400013 India

Tel.: + 91.22.2493 4001
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CIN No.: L24202MH1920PLCOO0825



Towards New Frontiers



Towards New Frontiers

In today's hyper expanding business environment, there is a heightened need to ensure that organization has the right mix of products, operations, technologies and services to balance risk and capitalize on growth opportunities, all while responding to evolving customer demand. Kansai Nerolac Paints Limited (KNPL) has been strategically investing in a number of ideas and initiatives which will help in offering long term sustained value to its valued stakeholders.

Digitalization has strongly emerged as a tool to achieve desired business results with the ability to drive organization-wide process optimization and change. KNPL has believed and invested in the power of digitalization to not only drive massive improvements in internal operations but also to bring untapped sources of value to the customers. In this respect to boost KNPL's digital quotient, the Company has forayed into the space of Machine Learning (ML) with the adoption of next generation technology SAP Leonardo.

Embracing the need to make the growth momentum sustainable, KNPL has invested in setting up 3 green-field state-of-the-art Plants. The plants are strategically located in different geographical zones so as to cater to different growing markets. The first of these 3 plants has commenced trial production this year.

KNPL has always believed in the power of Technology as a key driving force for innovation in businesses. Many breakthrough concepts and development in businesses have been primarily driven by the development of new generation technology. The Company has laid the foundation for new manufacturing technologies which has provided a new dimension in the production value chain.

The experience garnered by KNPL over the years has made it evident that success depends on innovation so as to create differentiated value to our valued customers. Innovation is what KNPL is passionate about and so the Company is in the process of kick starting operations at the cutting-edge global Research & Development center in Navi Mumbai.

Aiming to leverage KNPL's core competencies, the Company has forayed into allied business segments like Construction Chemicals, Coil Coatings, Rebar Coatings, Adhesives and Floor Coatings. KNPL plans to establish product platforms aligned to the capabilities that the Company has developed over the last many years.

With emphasis on moving towards new frontiers and creating new possibilities all while leveraging its existing capabilities, KNPL is poised to take advantage of the opportunities that arise in the years ahead.

DIRECTORS

P. P. SHAH (Chairman)
H. M. BHARUKA (Vice Chairman and Managing Director)
N. N. TATA
P. D. CHAUDHARI (Whole-time Director – upto March 31, 2018)
M. TANAKA
H. FURUKAWA
MRS. B. SOMAYA
K. KATO
A. JAIN (Whole-time Director – from April 1, 2018)

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

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

AUDITORS

B S R & CO. LLP, MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

NEROLAC HOUSE, GANPATRAO KADAM MARG,
LOWER PAREL, MUMBAI-400 013

Tel: +91-22-24934001

Fax: +91-22-24973704

Website: www.nerolac.com

Investors Relations e-mail ID: investor@nerolac.com

Corporate Identity Number (CIN): L24202MH1920PLC000825

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Registered Office : 'Nerolac House', Ganpatrao Kadam Marg, Lower Parel, Mumbai 400013.

Tel: +91-22-24934001 • Fax: +91-22-24973704 • Website: www.nerolac.com

Investors Relations e-mail Id: investor@nerolac.com • Corporate Identity Number (CIN): L24202MH1920PLC000825

NOTICE

Notice is hereby given that the Ninety-Eighth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400 001 on Thursday, 21st June, 2018 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2018 including audited Balance Sheet as at 31st March, 2018 and Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a normal dividend of ₹ 2.60 (260%) per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2018.
3. To appoint a Director in place of Mr. Masaru Tanaka (holding DIN 06566867), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hidenori Furukawa (holding DIN 06924589), who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Katsuhiko Kato (holding DIN 07556964), who retires by rotation and being eligible, offers himself for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory amendment(s) or

re-enactment(s) thereof, for the time being in force), B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee in addition to the reimbursement of service tax and actual out of pocket expenses incurred in connection with the audit of accounts of the Company for the financial year ending 31st March, 2019."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 148 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Amendment Rules, 2016, the remuneration of the Cost Auditor, D. C. Dave & Co., Cost Accountants, for the year ending 31st March, 2019, as recommended by the Audit Committee and approved by the Board of Directors be and is hereby ratified."

SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 160, 161 and other applicable provisions, if any, of the Companies Act, 2013, Mr. Anuj Jain (holding DIN 08091524), whose term of office expires at this Annual General Meeting be and is hereby appointed as a Director of the Company."

“RESOLVED FURTHER that pursuant to the provisions of Sections 196, 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. Anuj Jain as a Whole-time Director of the Company for a period of five years commencing from 1st April, 2018 to 31st March, 2023 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Jain placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Jain, in terms of the aforesaid draft Agreement.”

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2018.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten (10) percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

The instrument of Proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.

2. Corporate Members intending to send their authorized representatives to attend the meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board resolution together with the specimen signatures of their authorized representatives to attend and vote on their behalf at the meeting.

3. The Explanatory statement pursuant to Section 102 of the Companies Act, 2013 relating to Item Nos. 6, 7 and 8 of the Notice of the Annual General Meeting (AGM) is annexed hereto.
4. The Board of Directors has recommended for consideration of the Members a dividend of ₹ 2.60 (260%) per Equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2018.
5. The Register of Members and Share Transfer books of the Company will remain closed from Friday 15th June, 2018 to Thursday 21st June, 2018 (both days inclusive), for the purpose of Annual General Meeting and Dividend. Dividend, if declared, will be payable on or after 26th June, 2018 to those members whose names are registered as such in the Register of Members of the Company as on 14th June, 2018 and to the Beneficiary holders as per the beneficiary list as on 14th June, 2018 provided by the NSDL and CDSL.
6. In accordance with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed 14th June, 2018 as the “cut-off date” to determine the eligibility to vote by electronic means or in the general meeting. 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. 14th June, 2018, shall be entitled to avail the facility of remote e-voting or voting in the general meeting.
7. Shareholders may be aware that the Companies Act, 2013, permits service of the Notice of the Annual General Meeting through electronic mode. Electronic copy of the Annual Report including Notice of the 98th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Admission Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes. However, those members who desire to have a physical copy may request for the same to the Registrar & Transfer Agent (RTA), TSR Darashaw Ltd. For members who have not registered their email IDs, physical copies of the Annual Report are being sent in the permitted mode.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant

in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to TSR Darashaw Ltd.

9. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs with their Depository Participant are requested to register their e-mail address at the earliest, to enable the Company to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail address to the RTA by sending an e-mail at csg-unit@tsrdarashaw.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.

10. Voting through Electronic means

In compliance with Section 108 and other applicable provisions of the Companies Act, 2013, if any, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide its Shareholders with the facility of "remote e-voting" (e-voting from a place other than venue of the AGM), to enable them to cast their votes at the 98th Annual General Meeting (AGM) and the business at the 98th AGM may be transacted through such voting. The Company has entered into an agreement with Central Depository Services (India) Ltd. (CDSL) for facilitating e-voting to enable all its Shareholders to cast their vote electronically.

The facility for voting, either through electronic voting system or ballot/polling paper shall also be made available at the venue of the AGM, apart from the remote e-voting facility provided prior to the date of AGM. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again at the AGM. The Company has appointed Mr. H. R. Thakur, Practising Company

Secretary, as the Scrutiniser for conducting the remote e-voting and the voting process at the AGM in a fair and transparent manner. The Scrutiniser shall make a consolidated Scrutiniser's report of the total votes cast in favour or against, if any, during the remote e-voting and voting at the AGM, not later than three days of conclusion of the meeting, to the Chairman or a person, authorised by him in writing. The Chairman or a person, authorised by him in writing, shall declare the results of the AGM forthwith. The results declared along with the Scrutiniser's report shall be placed on the Company's website and on the website of CDSL and shall be communicated to the Stock Exchanges.

Members holding shares in physical form or in demat form as on 14th June, 2018, the cut-off date shall only be eligible for e-voting.

The instructions for voting electronically are as under:

- (i) The voting period begins on Sunday, 17th June, 2018 at 9.00 a.m. and ends on Wednesday, 20th June, 2018 at 5.00 p.m. During this period, the eligible shareholders of the Company, holding shares either in physical form or in dematerialized form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders/Members
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN*	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login.</p> <ul style="list-style-type: none"> If both the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (xi) Click on the EVSN of KANSAI NEROLAC PAINTS LIMITED on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote or cast your vote again.
- (xvi) You can also take a print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If the Demat account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) **Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively.**
- (xix) Note for Non-Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or call 1800225533.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Deputy Manager, Central Depository Services (India) Limited (CDSL), A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call 1800225533.

Those persons, who have acquired shares and have become members of the Company after the despatch 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. 14th June, 2018 shall view the Notice of the 98th AGM on the Company's website or on the website of CDSL. Such Members shall exercise their voting rights through remote e-voting by following the procedure as mentioned above or by voting at the AGM.

Annexure to the Notice

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 6

The Shareholders of the Company have appointed B S R & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of 94th Annual General Meeting until the conclusion of the 99th Annual General Meeting. The appointment of B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company is placed for the ratification of the shareholders at this Annual General Meeting of the Company.

In accordance with Section 139 of the Act, B S R & Co. LLP, Chartered Accountants have certified that they are eligible to be appointed as the Statutory Auditors of the Company and they satisfy the criteria as provided in Section 141 of the Act. The certificate is available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item no. 6.

ITEM NO. 7

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 and mineral products, Plastics & Polymers and Rubber & Allied products for the year ending 31st March, 2019. 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 2018-19 on the same remuneration as was approved for the previous year, i.e. ₹ 2,50,000 plus service tax 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, 2019. The eligibility and consent letter is

available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

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 resolution of Item No. 7 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

ITEM NO. 8

The Board of Directors of the Company at its meeting dated 19th January, 2018, approved the appointment of Mr. Anuj Jain as an Additional Director of the Company with effect from 1st April, 2018. Pursuant to Section 161 of the Companies Act, 2013 ("the Act") read with Article 113 of the Articles of Association of the Company, Mr. Jain holds the office of Director only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company, pursuant to Section 160 of the Act, signifying their intention to propose Mr. Jain as a candidate for the office of Director.

Mr. Anuj Jain was also appointed at the aforesaid Board meeting as a Whole-time Director of the Company for a period of five years commencing from 1st April, 2018 to 31st March, 2023 (both days inclusive). The Board of Directors at its meeting dated 2nd May, 2018, approved the remuneration and perquisites to be paid or granted to Mr. Jain as set out in the draft Agreement between the Company and Mr. Jain referred to in the Resolution at Item No. 8 of the Notice.

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

The appointment of Mr. Jain as the Whole-time Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject

to the approval of the Shareholders in general meeting pursuant to Section 196 of the Act. Hence the Resolution at Item No. 8 of the Notice.

Mr. Anuj Jain, aged 49 years, B.Sc. and Master of Management Studies, University of Bombay (Mumbai), has a varied experience of 27 years. Mr. Jain had joined the Company on 4th June, 1990 and was Director – Decorative and Industrial Sales & Marketing prior to his appointment on the Board as a Whole-time Director with effect from 1st April, 2018.

The material terms of the draft Agreement referred to in the Resolution at Item No. 8 are as follows:

1. The appointment of Mr. Jain as a Whole-time Director of the Company shall be for the period commencing from 1st April, 2018 and ending on 31st March, 2023 (both days inclusive), subject to the same being previously determined as provided in the Agreement.
2. Mr. Jain shall be primarily responsible for and be in charge of Sales & Marketing, Manufacturing and Technical functions of the Company and shall exercise such powers and perform such duties as may be entrusted to him by the Managing Director and/or the Board of Directors of the Company.
3. Mr. Jain shall report to the Managing Director and shall be responsible for his actions to the Board as well as to the Managing Director. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Jain.
4. Mr. Jain shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company.
5. Mr. Jain shall be entitled to the following emoluments, benefits, perquisites subject to the limits laid down under Section 197, 198 and Schedule V of the Companies Act, 2013:
 - a) Salary: ₹ 3,30,000 per month.
Increments, subject to the limit laid down under Section 197, 198 and Schedule V of the Companies Act, 2013, will be decided upon from time to time by the Board each year and will be merit based and will take into account the Company's performance.
 - b) Commission: Subject to the overall ceiling in Section 197 of the Companies Act, 2013, the Company shall pay to Mr. Jain remuneration by way of commission based on net profits of

the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.

- c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
- d) Leave Travel Allowance: 10% of annual salary.
- e) Other Perquisites and Allowances:
 - i) Mr. Jain shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.
 - ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.
 - iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's contribution to Superannuation Fund shall be up to a limit exempt from taxation under the Income-tax Act, as amended from time to time. Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company, encashment of leave during the term of employment in accordance with the rules of the Company and/or at the end of the tenure and other retirement benefits including but not limited to benefits under the Company Policy as approved by the Board of Directors on provision of retirement benefits for Managing Director/Executive Directors/ Non-Board Directors, reimbursement of expenses incurred for travelling, boarding and lodging during business trips, provision for use of the Company's car and driver for official duties and for personal purpose, provision of telephone and internet at residence (including payment for local calls and long distance official calls), reimbursement

of medical expenses, reimbursement of telephone, internet and petrol expenses, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section II of Part II of Schedule V to the Companies Act, 2013, subject to requisite approvals being obtained, if required.

6. Mr. Jain nor shall not be paid any sitting fees for attending meetings of the Board or of any Committee thereof.
7. Mr. Jain shall be entitled to reimbursement of actual expenses including entertainment and travelling incurred during the course of Company's business.
8. Mr. Jain will be granted Privilege Leave, Sick Leave and Casual Leave in accordance with the rules and regulations of the Company.
9. Mr. Jain shall not during the term of this agreement, whether the employment runs through the full period of five years from the date of appointment or is terminated by the Company or Mr. Jain anytime during the term of this Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company or do any deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company. It shall however be permissible for Mr. Jain, with the previous written sanction of the Board to hold any directorship(s) or share(s) of any other company or companies and the holding of such permitted directorships or shares shall not be deemed a contravention of this clause.
10. Mr. Jain shall not during the term of this agreement and for all the times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.

11. Mr. Jain's employment shall be determined herewith if he commits a material breach of any of the terms, provisions or covenants herein contained, disqualifies himself to act as a Director for any reason besides breach of Section 167 of the Companies Act, 2013, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a Director of the Company.
12. In the event there is no breach of the terms of the Agreement by Mr. Jain, but the Company exercises its discretion to terminate his services during the term of his Agreement, without assigning any reason therefor, then and in that event, Mr. Jain shall be paid compensation in accordance with the provisions of the Companies Act, 2013.
13. In the event Mr. Jain is not in position to discharge his official duties due to any physical or mental incapacity, the Board of Directors shall be entitled to terminate this agreement on such terms as the Board of Directors may consider appropriate in the circumstances.
14. All personnel policies of the Company and the related rules which are applicable to other employees of the Company shall also be applicable to Mr. Jain, unless specifically provided otherwise.

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

The draft Agreement between the Company and Mr. Jain referred to in the Resolution at Item No. 8 will be open for inspection by the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

The Board commends the Resolution at Item No. 8 for acceptance by the Shareholders.

Mr. Jain is interested in the Resolution since it relates to his own appointment. None of the other Directors of the Company is in any way concerned or interested, financial or otherwise, in the Resolution.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2018.

Disclosure in terms of Regulation 26(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Name of the Director seeking re-appointment	Shares held as on 31st March, 2018 (Own or held for other persons on beneficial basis)
Mr. Masaru Tanaka	Nil*
Mr. Hidenori Furukawa	Nil*
Mr. Katsuhiko Kato	Nil*

* Mr. Masaru Tanaka, Mr. Hidenori Furukawa and Mr. Katsuhiko Kato are the nominees of Kansai Paint Co. Ltd., Japan. They do not hold any share in their personal capacity.

Route Map to the venue of the AGM



BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 98th Annual Report and the Audited Accounts for the year ended 31st March, 2018.

1. Financial Highlights

	1st April, 2017 to 31st March, 2018	1st April, 2016 to 31st March, 2017
	₹ in Crores	₹ In Crores
Gross Sales and Other Operating Income	5197.77	4936.05
Net Sales and Other Operating Income	4737.01	4531.05
Profit Before Interest, Depreciation and Tax	789.77	730.69
Less: Depreciation	75.79	69.49
Profit Before Interest and Tax	713.98	661.20
Add: Other Income	72.42	98.22
Profit Before Tax	786.40	759.42
Less: Tax (including Deferred Tax)	270.00	253.48
Profit After Tax	516.40	505.94
Other Comprehensive Income	(1.09)	(4.73)
Total Comprehensive Income for the Year	515.31	501.21

2. Dividend

The Directors recommend for consideration of the Members, a normal dividend of ₹ 2.60 (260%) per share of the face value of ₹ 1 each for the year.

This compares with a normal dividend of ₹ 2.50 per share (250%) and a special dividend of ₹ 0.50 per share (50%), thus aggregating to a total dividend of ₹ 3.00 per share (300%) of the face value of ₹ 1 each declared last year.

3

MANAGEMENT DISCUSSION AND ANALYSIS

[A] INTRODUCTION

Kansai Nerolac Paints Ltd (KNPL) was established in 1920. It is a subsidiary of Kansai Paint Co. Ltd., Japan.

KNPL operates in India and also has operations in Nepal and Sri Lanka through Joint Ventures with Kansai Nepal and Capital Holdings Maharaja Group respectively. KNPL has presence in multiple market segments of the paint market viz. Decorative, Automotive, Auto Refinish, Wood Coatings, General Industrial, Coil Coating, Floor Coating, Performance Coatings and Powder Coatings.

In the Decorative Paint Market, Nerolac is positioned as an environmentally conscious brand which is synonymous with Health. The tag line of the Company, Healthy Home Paints emphasizes the focus of the Company on environment consciousness.

KNPL is one the most preferred vendors for Industrial paints in the country. Over the years the Company has worked tirelessly to create value for its customers and is acknowledged as the market leader in Industrial coatings. Many of the leading players in the Automobile industry trust Nerolac to service their paint requirements. This leadership has been made possible through a combination of customer insights, customised R&D, quality, service, value engineering and delivery.

KNPL has 4 factories located at Jainpur (UP), Lote (Maharashtra), Bawal (Haryana) and Hosur (Tamil Nadu). In addition, a new state of the art facility will be commissioned at Sayakha (Gujarat) to cater mainly to automobile customers. These factories provide customers with an unmatched range and flexibility to cater to their requirements in the shortest possible time.

As announced earlier, the Company is setting up a Decorative Plant at Amritsar and work is progressing satisfactorily at the site. Another Greenfield plant at Vishakhapatnam which has been announced is being planned, and work for which will start shortly.

The Company currently has a state-of-the-art R&D facility in Mumbai. A new cutting edge Research & Development centre at Vashi will shortly commence operations in FY 18-19.

Customer satisfaction is the central goal around which KNPL functions. The requirements of customers are paramount and are constantly evolving. KNPL uses its Research and Development to develop unique customised solutions for its customers. KNPL has continuously focussed on introducing new technology for the customer every year. Notable introductions this year were products such as Anti-Graffiti coatings, Rebar Coating for Concrete and Super durable Powder.



R&D Centre, Vashi



Manufacturing Plant, Sayakha

In a market which is growing and a strong foundation, KNPL is now looking towards unleashing the next era of growth for the Company.

The Company continued its growth momentum in Nepal with high double digit volume and value growth. The Company successfully completed brand migration from 'Nerolac' to 'KNP'. The company name was also changed to KNP Japan Private Limited.

The Company entered Sri Lankan paint market by way of a joint venture with Capital Holdings Maharaja, which is one of the biggest conglomerates in Sri Lanka. The Company successfully started a greenfield plant and launched entire range of Decorative Paints (Water-based and Solvent-based).

[B] INDUSTRY PROGRESS

2017-18 was an eventful year for the domestic market. The introduction of GST ushered in a new era in Indian business. The Paint industry successfully adopted the new Tax system put in place.

The industry did feel the impact of demonetisation as well as GST and demand as a whole for the industry was subdued in both the segments. The organised players are expected to perform better than the small and medium scale players. The industry however views GST as positive and beneficial in the long run.

The industry witnessed inflationary pressures through-out the year. Higher prices of crude, exchange rate volatility and the larger geo-political climate added to the uncertainty. In addition tough environmental legislations in China impacted global supply chains of many key ingredients adding to availability as well as inflationary pressures.

The industry has partially been able to pass on the cost increase in the market.

[C] MARKETING

Decorative

For a Consumer facing Company like KNPL, Marketing plays a pivotal role in generating consumer and customer awareness and interest. KNPL undertook various marketing activities in the year gone by, aimed at capturing a larger mindshare of the consumer. This along with efforts on the ground and distribution saw Nerolac increase its presence across.

Innovations were plenty in various formats of advertising such as TV, Outdoor and digital amongst others. These were well received.

KNPL continued its association with IPL for the year 2017, and partnered with SunRisers Hyderabad and Gujarat Lions franchisees. In addition, Nerolac deepened its association with cricket by becoming the title sponsor of Star Sports pre-programming live show, which was called "Nerolac Cricket Live".



Nerolac Cricket Live

This year saw KNPL as one of the prime sponsors for two of the most prestigious award shows for the film fraternity viz. the Star Screen Awards and Zee Cine Awards. They were telecasted around New Year's Eve on National TV channels and garnered high viewership ratings.



Nerolac At Awards



Mural Painting & Pujo Competition – Shera Pujo

The largest category of Decorative Paints for Nerolac is the Popular Category with a high growth potential. Keeping that in mind Nerolac Paints put together another memorable TVC film for this category.

The third edition of Nerolac Shera Para Shera Pujo, Kolkata's biggest Mural and Pujo competition, was grander than the last two years. The event witnessed an overwhelming response across Kolkata and beyond, making it the biggest Mural and Pujo competition in the state.

This year too, KNPL conducted a cyclathon across 44 cities to generate awareness about healthy living and improving the quality of life.

Kansai Nerolac reiterates "Cleanliness is next to Godliness" through Cyclathon in 44 cities in India including Udaipur

Udaipur: Kansai Nerolac Paints Ltd., one of India's leading paint companies organised a Cyclathon to celebrate 'Gandhi Jayanti' in a unique fashion. The Cyclathon is a part of Kansai Nerolac initiative called "Breathing Cities" which stresses on health and well-being of our cities and its citizens. The Cyclathon was organized in 44 cities across India like Bengaluru, Palna, Indore, Jaipur among others. The event witnessed participation from over 5,000 people who came together to reiterate and follow the teachings of Mahatma Gandhi about the importance of cleanliness for a healthy life. In Udaipur, the Cyclathon was kicked off from Subhash Circle and traversed a distance of around 5 km. More than 60 people participated in the initiative. After finishing the Cyclathon, the participants including team members from Nerolac, painters, dealers, school students, teachers and government officials volunteered to spread awareness about "Breathing Cities" and undertook various activities to clean and beautify their surroundings. Speaking about the initiative, Anuj Jain, Director - Decorative and Industrial Sales & Marketing, Kansai Nerolac Paints Ltd. said, "Indian cities are becoming smart but we need to ensure that with that they become healthy too. At Kansai Nerolac, we have been stressing on this aspect since long. To propagate this further, we are delighted to present Cyclathon, which is a very important part of our citizen initiative 'Breathing Cities'. We are very proud to partner with our dealers, painters and contractors to promote good health and cleanliness through this unique concept. At Kansai Nerolac, it is our endeavour to provide future generations with a healthy and beautiful world. It makes me very happy to be able to join hands with local communities and work towards the betterment of our Nation."



Cyclathon

KNPL launched Nerolac Colour Guides – Interior and Exterior, during the year, to showcase latest colour trends in the home decor space. These colour guides were the outcome of a five months long research whereby KNPL employees travelled the length and the breadth of the country to map the changing lifestyle of modern Indian to understand choices. Colour Guides were launched at the Economic Times Architecture and Design Summit 2017 and at the A&D Summit at Mumbai and Kolkata.

On the digital Marketing front, KNPL leveraged the partnerships with IPL teams to generate traction and also ran various campaigns during the year. A live chat with players of IPL franchises SunRisers Hyderabad and Gujarat Lions was conducted and these chats were broadcasted using Facebook live. In addition, interactive GIF Image contests as well as Boomerang video contests were also conducted.

Celebrities and opinion leaders on twitter spoke about Nerolac's prowess in providing coating solutions for a wide range of products including automobiles, bikes and home appliances. With the likes of Boman Irani, Soha Ali Khan, Ranvijay and Ranveer Brar coming on board, the campaign received wide coverage and engagement on the platform.

Another first for KNPL was the association with India's first web series for family viewing – The Aam Aadmi Family – Season 2 from The Viral Fever (TVF). The series has a total of 7 episodes where Nerolac based content integration has been done in 4 episodes.



Nerolac Colour
Guide

Nerolac Paints - India was live.
April 13, 2017 at 11:38am · 🌐

Catch them live and catch them now. We are here with Suresh Raina, Brendon McCullum, Jason Roy, and Mohammad Kaif. #AShadeBetter #RoarOnceMore The Gujarat Lions



Nerolac Paints - India was live.
April 8, 2017 at 11:38am · 🌐

We are now going live with the #OrangeArmy! Tune in for a conversation with Moisés Henriques, Kane Williamson and V. V. S. Laxman. #AShadeBetter Ask away in the comments below.



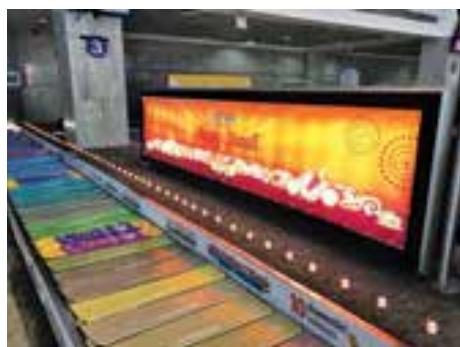
IPL LIVE CHAT

During Diwali, an innovation in branding was successfully run wherein one luggage conveyor belt at Mumbai domestic airport was brought to life with 250 different colours from Nerolac shade gallery.

Architects and designers are one of the key influencers for KNPL especially in cities. Nerolac Breathing City

– a first of its kind national competition was held for architects and designers, in which they had to express colours of their city through a design intervention.

KNPL undertook a collaborative initiative with Neemrana group to paint 850+ structures including homes, school and other public facilities at Sarhetta village



Mumbai Airport

(Alwar, Rajasthan). This led to a lot of interest amongst local population and helped showcase the transformation paints can bring to lives and spaces through colours and cleaning. The initiative received wide publicity with news channels covering the village transformation and dubbing it as the 'Rangeela Gaon', social media views have crossed 4 Million.



Rangeela Gaon – Sarhetta Village (Alwar, Rajasthan)

During the year, KNPL partnered with National Development Skill Corporation with an intention to arrive at a skill development and certification for skills up-gradation in the painting sector based on the concept 'Recognition of Prior Learning' ("RPL") under the Pradhan Mantri Kaushal Vikas Yojana ("PMKVY").

A Livelihood Enhancement Project was conducted in a remote set of villages of Mala & Sirasu in Paurhi Garhwal Mountains. As part of this project, Master painter trainers conducted a full day workshop to provide first-hand experience on various aspects of painting products and processes for the young men from these villages.

Industrial

KNPL has strengthened its leadership in industrial coatings despite a challenging business environment, especially in the first half. KNPL has been able to not just maintain its leadership but has also seen an increase in its market share.

Technology has always been the cornerstone of KNPL solution to customers and KNPL has continued to focus on technology providing high quality, cost effective and sustainable solutions to its automotive customers.

KNPL has continued its emphasis on innovation which benefits the Auto industry. New products such as common painting system for multi metal surface, high performance primer and superior clear coat were developed this year. The Company periodically presents latest technological advancements in paints and paint processes, current and upcoming colour trends to its customers. Audience comprises of senior management of customer from various departments like Styling and Designing, Paint shop, Supply chain amongst others.

This year too business acquisition remained a focus area this year, with the Company bagging repeat business



*Skill Development
Project*

from its esteemed clients, as well as winning new business from clients. Best supplier awards received from our esteemed customers reflect the Company's strong commitment towards providing best of services.

KNPL had pioneered the practice of providing Technical service on customer production lines to deliver maximum value to its customers. Technical service team members are appointed across India on customer lines to ensure the best service in Industry. The Company provides its Industrial customers with Value Additions and Value Engineering ideas aimed at quality improvement and cost reduction. This year KNPL also provided valuable trainings to its customers.

In Performance coatings, along with traditional segments like Oil & Gas, Power, Infra, Metals and Chemical Plants, KNPL increased focus on segments like Floor, Railway and Coil coating building on the work done in the previous year. This has helped KNPL to increase its presence in these new segments.

The Company works closely with Industry organizations like NACE (National Association of Corrosion Engineers) and SSPC (Society for Surface Protective Coatings). The Company was well represented at NACE, SSPC and CII events which ensured visibility and connect with key industry stakeholders.

In General Industrial coatings, KNPL has maintained its leading position in the OEM business catering to segments like Fans, Drum & Barrels, Construction Equipment, Helmet, LPG cylinders by introducing new products. Products like anti-graffiti coating for electrical appliances, High performance mono-coat painting system for pre-engineered building segment and metallic shades for exterior painting of rail coaches were some of the new products introduced.

KNPL has strengthened its leadership in Powder Coating in segments like Auto Ancillaries, Furniture, White Goods by leveraging its collaboration with Protech, Canada. New products such as Rebar coating for concrete and Reinforcing Rebar for structural stability along with super durable powder as per AMA 2014 were introduced during the year.

In Auto refinishes, the Company has grown at a much higher rate than the market. The Company provides a complete range of products in this segment. The year saw the introduction of Nova Plus, an alkyd range of shades for the Auto Refinish Channel. During the year KNPL has focused on strengthening its distribution network coupled with focus on garages and applicator training.



Auto Refinish Product Launch – NOVA Plus

[D] OPPORTUNITIES & THREATS

Opportunities

- **Favourable Economic Scenario**

With major policy decisions such as Demonetisation and GST implementation completed, the country is now moving towards consolidation. Infrastructure reforms, Job growth, affordable housing are among the top priorities for the government this year.

- **Impetus to the Rural Economy**

The Rural economy was given a boost with significant steps such as a healthcare plan, and an increase in the Minimum Support Price for farmers by 50% announced in the Budget for 18-19. This will increase income in the hands of the rural consumer and hence be an opportunity for growth.

- **Real Estate Sector & Interest Rates**

The real estate sector was expected to make a turnaround during the past year, however, the weakness in the market continued for most of the year despite low interest rates. During the final quarter, demand started to pick up and is expected to continue this year while interest rates continue to remain low.

- **Opportunities due to climate change**

The Company has embarked upon growth agenda using climate change as an opportunity. The Company's innovation in products and technology has helped to curtail energy consumption on

customer production lines. Super durable coating solutions have been helping its customers to enhance life of their products. In its operations, the Company is taking advantage of lower rates of renewable energy.

Threats

- **New Competitors**

New Competitors are entering the Indian Paint Market. KNPL endeavours to be proactive in countering any challenges that may arise due to increased competition in the market.

- **Crude Oil Prices and Inflation**

Crude oil prices are putting pressure on raw material prices used for Paint manufacturing, which is in turn putting pressure on the bottom line. Inflation is expected to be high. KNPL is trying to offset this effect through a combination of internal initiatives and price increases from its customers.

- **Availability of raw materials**

With the tightening of environmental controls in China, there is a cascading effect on global supply chains for key raw materials for the paint industry.

[E] SEGMENT WISE PERFORMANCE

The Company has only one segment of activity named paints, in accordance with the definition of "Segment" covered under Indian Accounting Standard (Ind AS) 108 on Operating Segments. The performance of the Company is discussed in this Report.

[F] RISKS AND CONCERNS

Risk Management is important in an organization which is catering to both industrial and decorative customers. Risk profiling is put in place for all the areas of operations and well integrated in the business cycle.

The Risk Committee periodically meets to monitor the framework set and find ways of mitigating the risks and tracks the action points. The Company's automated Risk Management dashboard helps track the risks more effectively.

- **Strategic Risk**

Strategic risk relates to the Company's future business plans and strategies. They are risks around

brand, technology, industry dynamics like takeovers and alliances. Identifying and mitigating these are a strategic priority at KNPL.

- **Operational Risks**

New business models, new service offerings, growing volume of operations, bring in risks related to delivery and adherence of SLA (Service Level Agreements) terms and conditions. KNPL has a strict review mechanism to ensure these risks are addressed and mitigated. In addition to this, supplier risks as well as market risks are monitored carefully.

- **Legal & Compliance Risk**

With increase in geographical spread, KNPL is subjected to multitudes of constantly changing local legislations. There is a risk of non-compliance or delay in compliance with statutory requirements. KNPL uses the services of professional consultants to ensure compliance with domestic laws and regulations. We have also implemented tools and processes to ensure that internal stakeholders of the Company are aware and comply with various statutory requirements.

- **Financial Risks**

Finance risks originating out of currency fluctuations and market volatility have the potential to affect the Company bottom line directly. These risks are dealt with advance planning and 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. KNPL has taken many steps proactively to ensure that potential risks are minimized.

- **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.

- **Environmental & Social Sustainability risks**

Increasing water scarcity: India is facing water crisis in many regions. Pollution of fresh water resources and over exploitation of ground water makes this risk more significant in Indian context. Water scarcity

has been topic of political discussion as well as media. The Company understands potential of this risk in coming future and addressing it through water efficient approach in its operations. Our major manufacturing plants are provided with zero effluent discharge facilities to recycle whole treated water.

Energy Security: India is majorly dependent on coal for its energy needs. Increasing prices of fossil fuels and associated air pollution problems represent challenging situation for today's energy sector. Grid energy prices are also seen to be increasing steadily. Indian government is keen on encouraging renewable energy. In order to secure its energy requirement, the Company is striving for adoption of renewable energy in its operation and improve upon energy efficiency.

Changes in environmental regulations: Changing environmental regulations in the country majorly focussing upon self-discipline and extended producer responsibility. Last year, we saw various new notifications and up-gradations in the areas of air & water emission monitoring, plastic waste rules, biomedical waste rules etc. The Company keeps itself aware of changing regulations through subscription to legal update agencies. It ensures compliance with environmental regulations through its legal tracking module. The Company liaises with government sections on new regulations through industry body such as IPA, CII.

Social license to operate: In today's scenario, companies need to be good corporate citizen and neighbour to local communities. In order to continue operations, it is very important to understand social needs of communities where we operate and be helpful for their needs. The Company addresses some of the social needs through its CSR programs.

[G] RESEARCH & DEVELOPMENT

Innovation and collaborations is the cornerstone of KNPL R&D. We constantly strive to bring in cutting edge technology using our state-of-the-art R&D facility. Our talent pool of qualified scientists constantly innovate on variety of technologies and products.

In Decorative for wood coatings, new products such as Premium dual pack fast drying Polyurethane wood finishes introduced under Gloria Brand, Italian Pigmented wood finishes, melamine and Ready to Use Fast Drying System for OEM wood coating market were developed and introduced. The Company also developed Nerolac

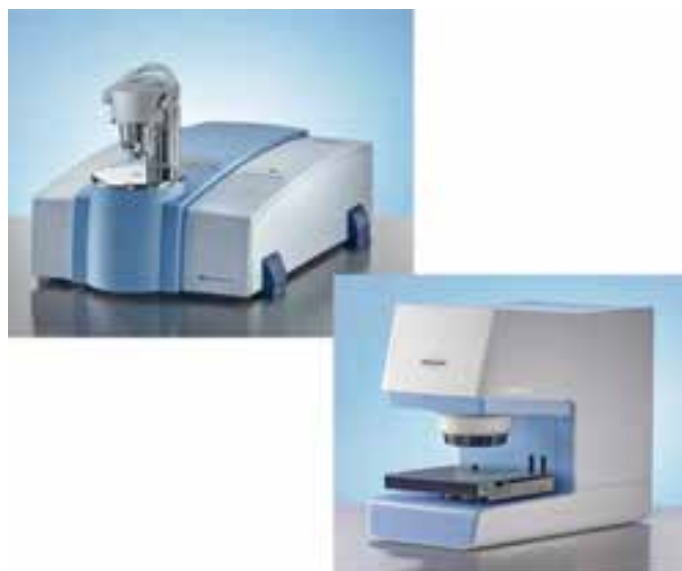
Excel Rainguard Water Proof Primer with reinforcement. A new range of products in the adhesive segment was developed for woods & Laminates.

For our automotive customers many new exciting shades based on market feedback and research were presented for vehicle launches. Common painting system for multi metal surfaces, High performance anticorrosive primer for multi metal, High Solid/Medium Solid products and high performance primer for automotive industry were developed in FY 18.

In Powder coatings, the focus was on developing functional coatings. KNPL has introduced Rebar coating for concrete, reinforcing rebar to enhance structural stability in powder coating and super durable powder as per AAMA 2604.



Scanning Electron Microscope – Energy Dispersive X Ray (SEM-EDS)



FTIR Microscope – Imaging

[H] INFORMATION TECHNOLOGY

During the year, embedded digital, Business continuity, GST readiness and Security were the key IT initiatives. Continuing the investment made in the in-memory computation capabilities, in the current year, KNPL has taken steps towards leveraging new embedded digital technologies like Machine Learning, IOTs and Advanced Analytics. These technologies would enable KNPL to have a deeper insight into the data. This would help enhance the service capabilities of the Sales and Manufacturing functions to the market.

To provide real time information to the customers and influencers, KNPL has implemented the Dealer portal for the Decorative customers and enhanced the call centre to connect with the influencers. Various processes in supply chain, procurement, Manufacturing and Finance were re-engineered to provide visibility into the various Key Performance Indicators and enhance effectiveness. Further KNPL aligned all its IT systems to the GST enabled Eco system.

As part of the Business Continuity initiative, Near Disaster Recovery site was made operational for key applications. Taking cognizance of the changing IT environment and to insulate against the various security risks, KNPL has augmented its security solutions framework.

[I] PEOPLE

At KNPL, people are an essential part of the organization. People provide the skills and competencies necessary to make organizational strategies work. With advancements in technology, the significance of people gets augmented multi-fold. Many efforts are taken to engage the energies and enthusiasm of KNPL employees in the most effective way. KNPL believes that success would not be possible without our talented, diverse and dedicated employees.

The workforce is highly aligned to the Company's goals through various media like newsletters, MD's address, Works manager address etc. Interactive sessions like open house with top management are also conducted at Plants. Employees are apprised of KNPL initiatives through internal monthly Impressions newsletter, Decorative Sales Annual Conferences and Industrial Zonal Meets.

In-house Knowledge management portal is used to share and gain knowledge on key business elements. This is

frequently referred by all the employees time to time. It plays a crucial role in facilitating horizontal deployment of best practices in organization. KNPL also has various other platforms for sharing knowledge. This includes Group Discussions, Book reviews and knowledge sharing sessions.

The Organizational Business Plan is aligned with the Key Result Areas for each position. The performance review mechanism which is digitalized has ensured transparency, real time information and involvement of all employees towards achievement of the goals. The daily performance dashboard is available to all the employees and it enables every employee to remain focussed on the priorities which contribute to the organization's goals. This digital framework links Company goals to an individual in a transparent manner.

Development of employees is of utmost importance. New capability building programs have been launched for frontline sales staff in order to equip them with new sales techniques and drive the top-line of the Company. Assessment and Development centres are being conducted to objectively evaluate the managerial potential of select personnel.

In order to drive corporate objectives with respect to HR processes & systems, departmental connect models were introduced where the endeavour was to connect with the employees and enhance engagement.

KNPL also continued the rewards and recognition program 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. It is a company-wide rewards program that fosters an environment of appreciation. In-house training workshops on people management, excellence and KNPL competency framework were designed and conducted by HR.

KNPL conducts annual Employee engagement survey to get insights into the organisation as well as to gauge the pulse of employees on organizational initiatives which foster, connect and boost employee engagement and morale.

KNPL 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 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.

The above mentioned HR initiatives at KNPL attempt to support and uphold organization's goals by fostering an engaging work environment in a dynamic business scenario.

The Company wishes to put on record its deep appreciation of the co-operation extended and efforts made by all employees. The employee strength of KNPL is 2861 on 31st March, 2018.

[J] AWARDS AND RECOGNITIONS

Awards by External Agencies

- Lote Plant received a Certificate of Appreciation from Government of India, Ministry of Power – New Delhi for efforts in Energy Conservation.
- Bawal team participated in the 5th Chapter Convention of "Quality Circle Forum of India" and won 2 Gold, 1 Silver and 1 Bronze awards for the projects and Kaizen presented in the forum.
- Bawal plant received a Certificate of Merit in Paints & Allied Products sector at the National Energy Conservation Award 2017 organized by Bureau of energy efficiency, Ministry of Power, Government of India. The Chief Guest for the ceremony was Hon. President of India and the Guest of Honour was the Minister of State for Power.
- Mr. H.M. Bharuka featured at the 31st Spot in the Business Today – PWC list of India's top 100 CEOs from non-BFSI sectors, and also awarded Rank 1 in the Chemicals category.

Awards by Customers:

- KNPL received an award for "Overall Excellence" for FY 16-17 by Maruti Suzuki at their vendor meet held in Singapore on 9th May'16.
- Certificate of Appreciation for "Improvement in Process Quality" was awarded to the team from among 24 companies by Toyota.
- KNPL has been honoured with best vendor award in New Product Development' category in the supplier meet organized by SML ISUZU – Chandigarh.



[K] COMMUNITY DEVELOPMENT

KNPL has been actively involved in promoting healthy life style of the underprivileged and for the upliftment of the society in general. The Company has a philosophy to contribute positively to the development of the society by acting as a good neighbour, considerate of others and by playing the role of good corporate citizen with passion and compassion.

KNPL's vision is to strive to be a responsible corporate by proactively partnering in the environmental, social and economic development of the community through the use of innovative technologies, products as well as activities beyond normal business.

Several CSR initiatives were carried out during the year under various program heads, such as "Livelihood and Skill enhancement", "Preventive Health care & Sanitation", Promoting Education, "Rural/Community Development", "Promoting Education" and "Protection of Heritage Monuments".

KNPL proactively convened training and capacity building initiatives to help unemployed youth, mainly from rural area, to generate livelihood and to make skilled personnel available in the society for the national development.

KNPL also carried out various programs for the enrichment of the community, such as construction of toilets (with more focus on girls' toilets in rural schools), Health Camps for the underprivileged, providing class rooms, science Labs, computers etc. to the school near our factories, construction of bus shelters, bore wells, plantation of trees and beautification projects to ensure environmental sustenance, various initiatives under "Swachh Bharat Abhiyan" near depots. Most of the CSR activities were conducted near Plant and depot locations.



Community Development: Signal School, Thane



Community Development: Zilla Parishad Urdu School, Bhiwandi

KNPL is committed to contributing in as many ways as possible and will continue to contribute towards the economic, social, environmental and educational prosperity of our country.

[L] ENVIRONMENT, HEALTH & SAFETY

KNPL believes that Environment, Health & Safety (EHS) excellence is a basic element of manufacturing excellence. The Company's proactive focus on EHS aspects in business has helped to strengthen manufacturing excellence. Last year, the Company continued KYT (KikenYochi Training – Hazard prediction) exercises on production activities and proactively addressed real time operation hazards. Our practical safety training programs (Danger Experience program) at Safety laboratory has helped to strengthen safety awareness amongst employees and thereby safety compliance. Our esteemed industrial customers also appreciated our efforts towards EHS excellence during their visits and audits. Last year, the Company implemented Safety

training kiosk system to automate training process through standard audio visual safety instructions. The Company has planned for coverage of all employees including contract employees through these training modules.

Occupational health is one of the important factors of Safety. To cater to employee health, all KNPL manufacturing sites are equipped with dedicated Occupational Health Centre (OHC) and Ambulance for emergency situations. KNPL facilitates periodic medical check-ups for its employees and also continued its focus on employee visits to OHC and their complaints analysis.

Internal training on Bio-Medical Waste Management Rules, 2016 was imparted to 8 employees in 2017-18. All identified employees have been covered. The training included topics such bio-medical waste segregation, storage, packing and disposal and also safe handling and transportation.

KNPL continued with its water conservation agenda and achieved reduction in specific water consumption. Zero liquid discharge facilities at our plant locations have helped to ensure recycling of whole treated water into its process and curtail fresh water consumption. In coming year, KNPL has further planned for water reduction at source and recycling initiatives.

Solid waste management is another key focus area. Major focus is on reduction of waste generation at source and recovery and reuse of material sticking losses

at various stages of manufacturing. Progress in these initiatives are being tracked through system and reviewed periodically to sustain process controls to reduce waste at source.

As a part of energy security, KNPL invested in solar projects across all plant locations and at its head office. Ambit of renewable energy solid fuel boilers increased in the last year. With this, major proportion of process heat and steam is being produced through renewable energy.



KikenYochi Training



Medical Camp, Danger Experience Program Training

[M] SUPPLY CHAIN

This year, KNPL focussed on superior supply chain management and smarter procurement, driven via advanced digital solutions. Multiple system driven initiatives were undertaken which resulted in improved flexibility, operational effectiveness and cost optimization.

The Company will commence commercial production at its new state-of-the-art manufacturing unit in Sayakha, Gujarat. The strategic geographical set up of the new plant will help KNPL to further improve its flexibility in offering better services to its industrial customers. Work is also progressing at a brisk pace at new upcoming manufacturing unit in Amritsar.

The Company commissioned and started operations on an innovative and cost effective emulsion manufacturing technology at Jainpur as well as the in-house emulsion facility at Hosur.

This year saw an increase in the total space and realignment of depots to take advantage of GST and enhance the reach of KNPL to help serve customers better.

[N] INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

With an aim to monitor and control day-to-day operations at KNPL, the Company has set up internal control systems for regular tracking and reporting.

These systems also monitor compliance to various rules and regulations, and adherence to policy requirements.

In order to strengthen the system of Internal Control and provide the Board of Directors with an added ability to oversee internal controls, Internal Financial Control (IFC) system was put in place in accordance with the requirements of Section 134(5) (e) of Companies Act, 2013. Systems of Internal Control were implemented, considering the framework suggested in Guidance Note on Audit of Internal Financial Controls over the Financial Reporting issued by The Institute of Chartered Accountants of India, to address its operational and financial risk.

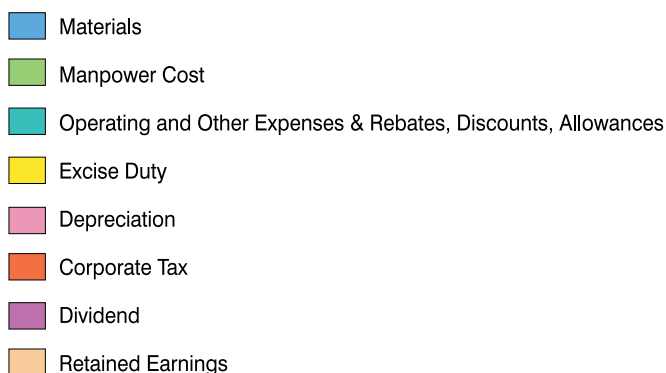
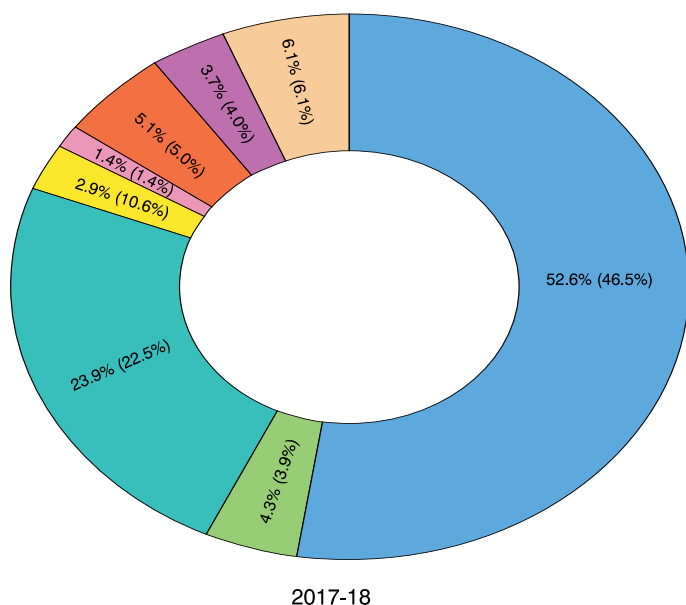
The Company's Control Efficiency Index (CEI) was improved substantially this year by horizontal deployment of industry best practices. The Company put in place control measures that are benchmarked against global standards of efficient control mechanisms.

In order to perform online tracking of the Company's regulatory compliances, Compliance systems were implemented. These systems allow the Company to track its compliance requirements online, thereby enabling stricter adherence to regulations.

[O] AFFIRMATIVE ACTION

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

DISTRIBUTION OF INCOME



Previous year 2016-17 percentage figures are stated in brackets.

[P] FINANCIALS

Gross Sales and other operating income for the year aggregated to ₹ 5197.77 crores as compared to ₹ 4936.05 crores for the previous year. GST was introduced in July 2017, hence Sales figures of previous year are not comparable with the Sales figures of current year. However Net Sales (excluding excise duty) and other operating income reflects a growth of 14.6% over the previous year.

Depreciation for the year is at ₹ 75.79 crores as against ₹ 69.49 crores in the previous year.

Other Income was lower at ₹ 72.42 crores as compared to ₹ 98.22 crores for the previous year. Reduction is due to utilization of surplus funds for funding projects and lower interest rates.

The Company continued with its initiatives to reduce procurement cost and to reduce operational costs. These initiatives helped the Company in the current year to keep the operational costs under control and improve the bottom line.

Profit Before Depreciation, Interest and Tax (PBDIT) for the year is higher at ₹ 789.77 crores compared to ₹ 730.69 crores last year reflecting a growth of 8.1%. Profit Before Tax (PBT) for the year is ₹ 786.40 crores as compared to ₹ 759.42 crores of the previous year which is a growth of 3.6% over previous year.

The Company spent ₹ 11.03 crores towards Corporate Social Responsibility compared to ₹ 6.46 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.

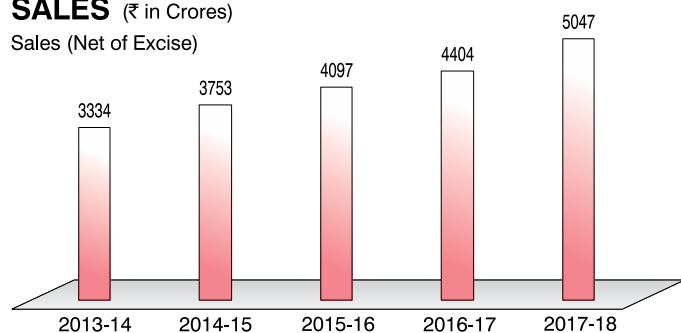
There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

Cautionary Statement

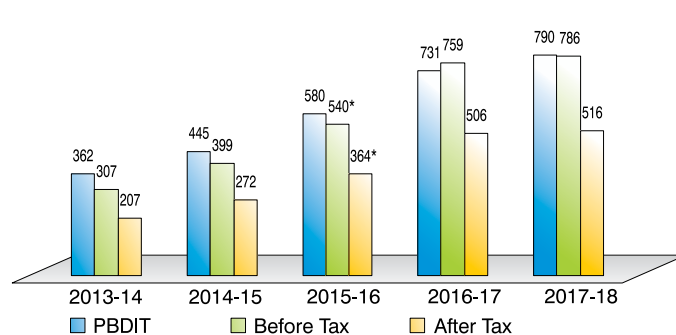
Statements in this Management Discussion and Analysis Report describing the Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

SALES (₹ in Crores)

Sales (Net of Excise)



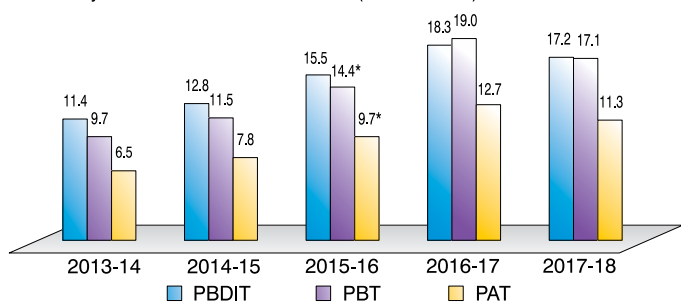
PROFIT (₹ in Crores)



*Before exceptional item (Net of Tax)

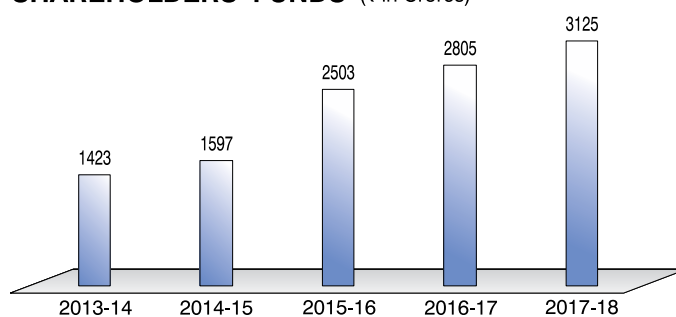
PROFITABILITY (%)

Profitability ratios are based on Net Sales (Net of Excise)



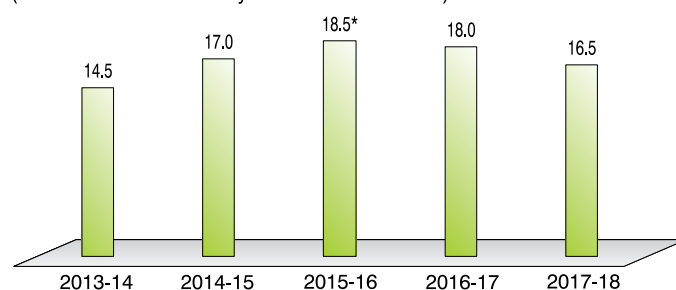
*Before exceptional item (Net of Tax)

SHAREHOLDERS' FUNDS (₹ in Crores)



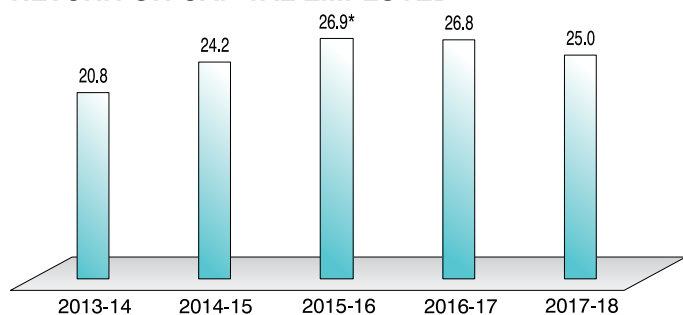
RETURN ON NET WORTH (%)

(Profit After Tax divided by Shareholders' Funds)



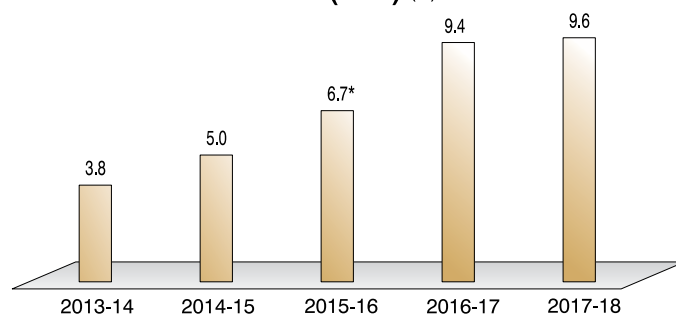
*Before exceptional item (Net of Tax)

RETURN ON CAPITAL EMPLOYED (%)



*Before exceptional item (Net of Tax)

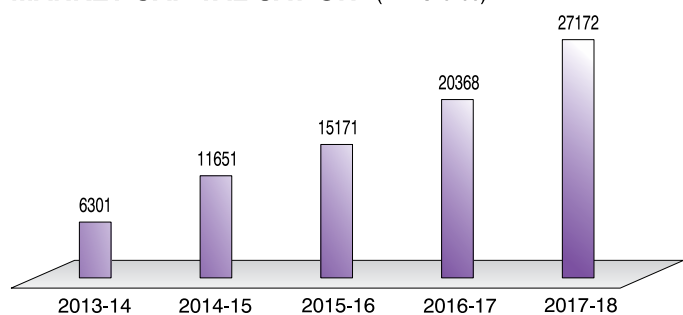
EARNINGS PER SHARE (EPS) (₹)



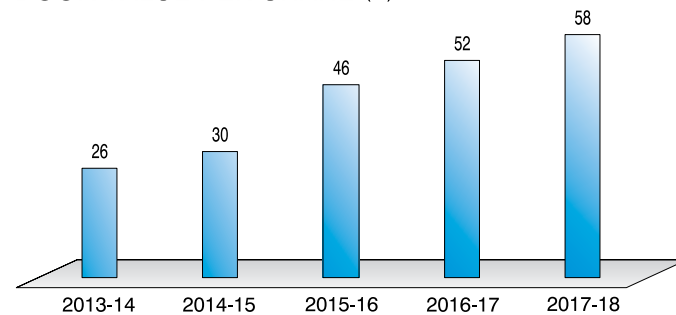
*Before exceptional item (Net of Tax)

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

MARKET CAPITALISATION (₹ in Crores)

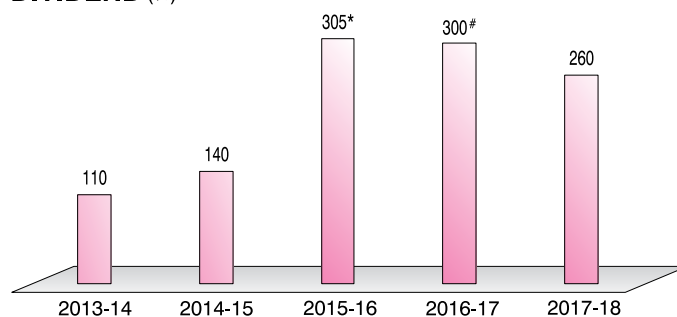


BOOK VALUE PER SHARE (₹)



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

DIVIDEND (%)



* Includes special dividend of 125%

Includes special dividend of 50%

4. Unclaimed Dividend

During the year, dividend amounting to ₹ 3.98 lacs that had not been claimed by the shareholders for the year ended 31st March, 2010, was transferred to the credit of Investor Education and Protection Fund as required under Section 124 and 125 of the Companies Act, 2013. As on 31st March, 2018, dividend amounting to ₹ 101.19 lacs has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar, TSR Darashaw Ltd., for unclaimed dividend. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on 21st June, 2017 (date of the last Annual General Meeting) on the website of the Company, www.nerolac.com. The same is also available on the website of the Ministry of Corporate Affairs, www.mca.gov.in.

5. Collaboration

The Directors record their appreciation for the contribution made and support provided by Kansai Paint Co. Ltd., Japan (KPJ). KPJ continues to provide support on process design, quality improvement, world class technology which has helped the Company in maintaining market leadership in the industrial business including automotive coatings, by servicing existing customers better and adding new lines. KPJ also provides technology for manufacture of architectural coatings.

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

6. Overseas Operations:

a. Operations in Nepal

For the financial year ended 31st March, 2018, the Turnover of KNP Japan Private Limited, the subsidiary of our Company in Nepal, increased to ₹ 64.14 crores as compared to ₹ 53.95 crores for the financial year ended 31st March, 2017.

Profit before Tax has increased to ₹ 9.05 crores as compared to ₹ 6.87 crores last year. Profit after Tax has increased to ₹ 6.51 crores as compared to ₹ 5.12 crores last year.

b. Operations in Srilanka

Our subsidiary in Srilanka, Kansai Paints Lanka Pvt. Ltd., commenced operations in April 2017. The Turnover for the year 2017-18 was ₹ 8.06 Crores. The Company incurred a loss of ₹ 6.83 crores as the Company was able to stabilize its operations only in the fourth quarter of financial year 2017-18.

Consolidated financial statement of the Company and of the subsidiaries, forms part of the Annual Report. A separate statement containing the salient features of the financial statement of KNP Japan Private Limited and Kansai Paints Lanka Pvt. Ltd. is part of this Annual Report.

Annual Audited Accounts of KNP Japan Private Limited and Kansai Paints Lanka Pvt. Ltd. are available on the website of the Company.

7. Acquisition of Marpol Private Limited

In April 2018, our Company acquired 100% equity shareholding in Marpol Private Limited, Goa (Marpol), which too, like our Company, is one of the leading companies in powder coating business, for an aggregate consideration of ₹ 36 crores before adjustments due to legal and financial due diligence. Marpol is a pioneer in powder coating business and its brand is very reputed. Marpol manufactures products such as epoxy polyester, pure polyester, pure epoxy and polyurethane powder. Our Company expects post acquisition synergy benefits in raw material and other miscellaneous costs. The necessary disclosures regarding the acquisition were made to BSE and NSE, where the shares of our Company are listed.

8. New Projects

The Shareholders were informed last year that the Company had started setting up of paint manufacturing units at Sayakha Industrial Estate in Gujarat, Goindwal Sahib near Amritsar in Punjab and a Global R&D Centre at Vashi, Navi Mumbai. The Shareholders were also informed last year that the Company had initiated a project at Achutapuram, Vishakhapatnam district in Andhra Pradesh to set up a paint manufacturing unit.

At Sayakha Industrial Estate in Gujarat, all activities of Phase-I of the manufacturing unit have been completed and the unit is likely to commence operations shortly. At Goindwal Sahib near Amritsar in Punjab, the construction work of the manufacturing unit is in full swing and operations are likely to commence during the year. At Achutapuram, Visakhapatnam district in Andhra Pradesh, land acquisition is over and the project is in the planning stage. The construction activities at Global R & D Centre at Vashi, Navi Mumbai have been completed and the unit is likely to commence operations in 2018-19.

9. Cost Audit

The Company had appointed D. C. Dave and Co., Cost Accountants, to audit its cost accounting records relating to Thinners and Resins for the financial year 2016-17. The Cost Audit Report submitted by D.C. Dave & Co. for the financial year 2016-17 is clean and there are no qualifications in their Report. The Cost Audit Report was filed with Ministry of Corporate Affairs on 18th October, 2017.

The Company has appointed D. C. Dave & Co. as the Cost auditor for the financial year 2018-19 to conduct cost audit of its cost records pertaining to the products falling under the product categories – Organic & Inorganic chemicals, Ores and mineral products, Plastics & Polymers and Rubber & Allied products. 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. D. C. Dave & Co. are appointed on a remuneration of ₹ 2,50,000 plus service tax and out of pocket expenses. The Company is seeking the ratification of the Shareholders for the remuneration to be paid to D. C. Dave & Co. vide Resolution No. 7 of the Notice of the Annual General Meeting.

10. Directors

In accordance with Articles of Association of the Company, Mr. Masaru Tanaka, Mr. Hidenori Furukawa and Mr. Katsuhiko Kato retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Pravin Chaudhari, Whole-time Director resigned from the Board of Directors of the Company with effect from the close of business on 31st March, 2018. The Board of Directors place on record their sincere appreciation and gratitude for the immense contribution made by

Mr. Chaudhari for the Company during his association with the Company.

Mr. Anuj Jain was appointed as a Whole-time Director on the Board for a period of 5 years with effect from 1st April, 2018 to 31st March, 2023, subject to the approval of the Shareholders at the ensuing Annual General Meeting to be held on 21st June, 2018. The material terms of the appointment of Mr. Anuj Jain are stated in the Explanatory Statement at Item No. 8 of the Notice of the Annual General Meeting.

None of the Directors is disqualified for appointment/re-appointment under Section 164 of the Companies Act, 2013. 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 Companies Act, 2013.

The composition of the Board, meetings of the Board held during the year and the attendance of the Directors thereat have been mentioned in the Report on Corporate Governance in the Annual Report.

For the year ended 31st March, 2018, Mr. H. M. Bharuka, Vice Chairman and Managing Director, received a remuneration of ₹ 17.25 lacs as a member of the Global Steering Committee of Kansai Paint Co. Ltd., Japan, holding Company and also received a remuneration of ₹ 54.11 lacs during the year as a Non-Executive Director of Kansai Paint Co. Ltd., Japan.

11. Key Managerial Personnel

Consequent to the resignation of Mr. P. D. Chaudhari as Whole-time Director with effect from the close of business on 31st March, 2018 and appointment of Mr. Anuj Jain as a Whole-time Director with effect from 1st April, 2018, the Company has noted that Mr. H. M. Bharuka, Vice Chairman and Managing Director, Mr. Anuj Jain, Whole-time Director, Mr. P. D. Pai, Chief Financial Officer and Mr. G. T. Govindarajan, Company Secretary are the Key Managerial Personnel of the Company in terms of Section 203 of the Companies Act, 2013.

12. Board Evaluation

The evaluation of all the Directors, the Board as a whole and its Committees was conducted based on the criteria and framework adopted by the Board. The evaluation

process has been explained in the Report on Corporate Governance in this Annual Report. The Board noted the evaluation results that were collated and presented to the Board.

13. Remuneration Policy

The Board of Directors of the Company has adopted a Remuneration Policy for determining qualifications, positive attributes and independence of a Director and criteria for Director's appointment and remuneration. The features of the 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 Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Companies Act, 2013.
- 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.

14. Risk Management Policy

Risk profiling is put in place for all the areas of operations in the Company and well integrated in the business cycle. The Company has identified the risk areas in its operations along with its probability and severity, department wise. The various risks to which the Company is exposed are as mentioned in the Management and Discussion Analysis Report under the relevant heading. An effective Risk Management Framework is put in place in the Company in order to analyze, control and mitigate risk.

The Risk Management Framework comprises of Risk Management Committee and the Risk Officers. The Risk Management Committee of our Company consists of the Management Committee and the Chief Risk Officer. The Vice Chairman and Managing Director, the Executive Director and the functional heads constitute the Management Committee. The Company Secretary is the Chief Risk Officer. The Risk Officers have been appointed by the functional heads and represent the various functions. The requirements of Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with regard to the constitution of a Risk Management Committee are not applicable to our Company as this Regulation is applicable only to top 100 listed entities, determined on the basis of market capitalization, as at the end of the immediate previous financial year. The Board of Directors 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 includes preparation of company-wide framework for risk management, fixing roles and responsibilities,

communicating the risk management objective, allocating resources, drawing action plan, 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.

Through the Risk Management framework, system and process are set 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. 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 Obligations and Disclosure Requirements) Regulations, 2015.

The Board 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 Companies Act, 2013 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 Companies Act, 2013 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 Companies Act and all the relevant rules and regulations of the Companies Act 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 Companies Act, 2013 and Rules made there under 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#scroll>.

16. Corporate Social Responsibility

The Board has constituted a Corporate Social Responsibility (CSR) Committee as per the provisions of Section 135 of the Companies Act, 2013. 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.

The members of the CSR Committee, upto 31st March, 2018, were Mr. H. M. Bharuka, Mr. N. N. Tata and Mr. P. D. Chaudhari.

With effect from 1st April, 2018, Mr. H.M. Bharuka, Mr. N. N. Tata and Mr. Anuj Jain are the members of the CSR Committee.

Mr. H.M. Bharuka is the Chairman of the CSR Committee. Mr. N. N. Tata is the independent Director on the CSR Committee.

The Board has also framed a CSR Policy for the Company, on the recommendations of the CSR Committee. The Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, total amount to be spent under CSR for the financial year and details of amount spent on CSR during the year is set out at Annexure-1 forming part of this Report.

17. Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013, are given in the notes to the financial statements provided in this Annual Report.

18. Related Party Transactions

All transactions entered into with the Related Parties in terms of Section 2(76) and Section 188 of the Companies Act, 2013 read with Regulation 2 (zc) and Regulation 23 of the SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no Material Related Party transactions during the year. Thus, disclosure in Form AOC-2 is not required.

19. Audit Committee

The Company has an Audit Committee in place, constituted as per the provisions of Section 177 of the Companies Act, 2013. The members of the Audit Committee, its terms of reference, the meetings of the Audit Committee and attendance thereof of the members of the Committee is mentioned in the Corporate Governance Report under the appropriate heading.

20. Whistle Blower Policy

The Company has a Whistle Blower Policy to report genuine concerns and grievances. The implementation of the Whistle Blower Policy has been mentioned in the Report of Corporate Governance.

21. Prevention of Sexual Harassment at workplace

The Company has adopted a policy with the name "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.

A Complaints Committee has also been set up 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 has not received any complaints of sexual harassment.

22. Corporate Governance

As required by Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed report on Corporate Governance is given as a part of the Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The

Auditors' Certificate of the compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

23. General Shareholder Information

General Shareholder Information is given in Item No. 9 of the Report on Corporate Governance forming part of the Annual Report.

24. Business Responsibility Report

Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended with effect from 1st April, 2016, requires that in case of the top 500 listed companies based on market capitalisation, the Annual Report shall contain a Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, in the format specified by SEBI. The Business Responsibility Report in the format suggested by SEBI forms part of the Annual Report.

25. Particulars regarding Employees Remuneration

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as Annexure – 2.

26. Directors' Responsibility Statement

As stipulated under the provisions contained in Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 the Directors hereby state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this

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 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.

27. Energy, Technology Absorption & Foreign Exchange

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure – 3 to this Report.

28. Extract of Annual Return

In accordance with Section 134 (3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format is appended as Annexure – 4 to this Report.

29. Statutory Auditors

The Company Auditors, B S R & Co. LLP, Chartered Accountants, have been appointed for a period of 5 years from the 94th AGM till the 99th AGM. Pursuant to provisions of Section 139(1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the appointment of B S R & Co. LLP, as Auditors of

the Company for a period of 5 years shall be subject to ratification by shareholders at every AGM. Accordingly, the appointment of B S R & Co. LLP, as the Auditors of the Company from this AGM till the conclusion of next AGM is put forth for your approval.

The Auditors' Report is clean and there are no qualifications in their Report.

30. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company had appointed JHR & Associates, Company Secretaries, as the Secretarial Auditor of the Company for the year 2017-18 to conduct secretarial audit and to ensure compliance by the Company with various Acts applicable to the Company. The Secretarial Audit Report for the financial year 2017-18 issued by JHR & Associates is annexed to this Report as Annexure – 5. There are no qualifications or adverse remarks in their Report.

31. Acknowledgements

Your Directors wish to express their grateful appreciation for the co-operation and support received from customers, parent company, collaborators, vendors, shareholders, financial institutions, banks, regulatory authorities and the society at large.

Deep appreciation is also recorded for the dedicated efforts and contribution of the employees at all levels, as without their focus, commitment and hard work, the Company's consistent growth would not have been possible, despite the challenging environment.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2018

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the weblink to the CSR policy and projects or programmes.**
Weblink : Given separately as a part of this Report.
: <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. P. D. Chaudhari, *Whole-time Director upto 31st March, 2018*
Mr. Anuj Jain, *Whole-time Director from 1st April, 2018*
3. **Average net profit of the Company for the three immediately preceding financial years** : ₹ 549.72 Crores
4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)** : ₹ 11.00 Crores
5. **Details of CSR spend for the financial year :**
 - a. Total amount spent for the financial year : ₹ 11.03 Crores
 - b. Amount unspent : ₹ Nil
 - c. Manner in which the amount spent during the financial year is as given separately in this Report.

The CSR Committee confirms that the implementation and monitoring of the 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, 2nd May, 2018

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. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
10. Rural development projects;
11. Slum area development.

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 2017-18

	Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
A.	1.	Basic Training in Painting to the unemployed youth	Livelihood & Skill Enhancement Program	In various States such as Bihar, Gujarat, Jharkhand, Maharashtra, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal	30.00	23.56	23.56	23.56
	2.	Advanced Open Training in Painting	Livelihood & Skill Enhancement Program	In various states such as Punjab, Madhya Pradesh, Kerala, Karnataka, Gujarat, Rajasthan, Andhra Pradesh, Delhi, Goa, Puducherry, Tamil Nadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himachal Pradesh, Chhatisgarh, J&K, Jharkhand, West Bengal	600.00	636.87	636.87	636.87
	3.	Creation of Model Training Centre with NSDC	Livelihood & Skill Enhancement Program	Hosur, Tamil Nadu	20.00	5.00	5.00	5.00
		Sub-total			650.00	665.43	665.43	665.43
B.	1.	Health Camp for villagers	Preventive Health Care & Sanitation	Bawal	3.00	1.20	1.20	1.20
	2.	Providing Dust Bins in village for Waste collection	Preventive Health Care & Sanitation	Bawal	1.00	0.68	0.68	0.68
	3.	AIDS Awareness Activity	Preventive Health Care & Sanitation	Bawal	1.00	0.15	0.15	0.15
	4.	Health Camps for villagers	Preventive Health Care & Sanitation	Hosur	3.00	2.56	2.56	2.56
	5.	Construction of Girls Toilet in High School	Preventive Health Care & Sanitation	Hosur	4.00	3.50	3.50	3.50
	6.	Health Camps for villagers in Awashi, Pir Lote	Preventive Health Care & Sanitation	Lote	2.00	1.94	1.94	1.94
	7.	Deep Freezers to Govt. of Maharashtra's AIDS Control Society	Preventive Health Care & Sanitation	Lote	6.00	4.53	4.53	4.53
	8.	Health Camps for villagers	Preventive Health Care & Sanitation	Jainpur	3.00	2.70	2.70	2.70
	9.	Construction of Toilets and Urinals in Deaf and Dumb School	Preventive Health Care & Sanitation	Jainpur	5.00	4.15	4.15	4.15
	10.	Health Camp for villagers	Preventive Health Care & Sanitation	Sayakha	1.00	0.90	0.90	0.90
	11.	Construction of Girls' Toilets in Secondary School	Preventive Health Care & Sanitation	Goindwal Sahib	5.00	5.72	5.72	5.72
	12.	Health camps near Depots	Preventive Health Care & Sanitation	In 26 cities such as Bangalore, Gulbarga, Hyderabad, Chennai, Indore, Akola, Nagpur, Muzaffarpur, Durgapur, Faridabad, Raipur etc.	25.00	18.96	18.96	18.96
	13.	Activities under Swachh Bharat Abhiyan	Preventive Health Care & Sanitation	In various states such as Punjab, Madhya Pradesh, Kerala, Karnataka, Gujarat, Rajasthan, Andhra Pradesh, Delhi, Goa, Puducherry, Tamil Nadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himachal Pradesh, Chhatisgarh, J&K, Jharkhand, West Bengal	130.00	138.15	138.15	138.15
		Sub-total			189.00	185.14	185.14	185.14

PROGRAM WISE CSR DETAILS 2017-18

	Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
C.	1.	Donation of 30 Nos. Sewing Machine in Fidadi village	Rural Development / Community Development	Bawal	3.00	1.52	1.52	1.52
	2.	Installation of Solar Plants at various villages such as Fidadi, Swraj, Mazra, Ramgarh, Bhagwanpur, Hasakha, Budana, Budani	Rural Development / Community Development	Bawal	4.00	3.30	3.30	3.30
	3.	Provision of Solar lights in the road sides in Kothur village	Rural Development / Community Development	Hosur	2.00	1.35	1.35	1.35
	4.	Road repairing with Paver Blocks for villagers in Moranapalli	Rural Development / Community Development	Hosur	3.00	20.04	20.04	20.04
	5.	Bus Pick up Sheds in Shivtar Khindwadi, Gunade Tambad Wadi, Saveni and Mani villages	Rural Development / Community Development	Lote	10.00	8.53	8.53	8.53
	6.	Assistance for Pipeline and pumps in Sakhar village.	Rural Development / Community Development	Lote	6.00	6.00	6.00	6.00
	7.	Installation of Water Coolers in Akbarpur	Rural Development / Community Development	Jainpur	2.00	0.81	0.81	0.81
	8.	Passengers Bus shed at Kanpur road bus stand	Rural Development / Community Development	Jainpur	5.00	3.75	3.75	3.75
	9.	Clothes washing common platform for villagers in Aragama	Rural Development / Community Development	Sayakha	3.00	1.90	1.90	1.90
	10.	Bus Shelter in Aragama and Ankot villages	Rural Development / Community Development	Sayakha	5.00	4.30	4.30	4.30
	11.	Community Hall renovation in Aragama	Rural Development / Community Development	Sayakha	3.00	2.21	2.21	2.21
	12.	Development of Sports complex for rural youth in Aragama	Rural Development / Community Development	Sayakha	3.00	2.25	2.25	2.25
	13.	Providing Benches and other facilities for public in Juned village	Rural Development / Community Development	Sayakha	1.00	1.03	1.03	1.03
	14.	Boundary wall to the river to avoid flood situation and other public facilities in Vilayat village	Rural Development / Community Development	Sayakha	5.00	4.80	4.80	4.80
	15.	Providing Public facilities near Police Station	Rural Development / Community Development	Sayakha	1.00	0.70	0.70	0.70
	16.	Development of Basic Skills of youth	Rural Development / Community Development	Mumbai	12.00	10.13	10.13	10.13
	17.	Donation to Bhansali Trust, Mumbai	Rural Development / Community Development	Mumbai	20.00	20.00	20.00	20.00
		Sub-total			88.00	92.62	92.62	92.62

PROGRAM WISE CSR DETAILS 2017-18

	Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
D.	1.	Creative workshop for Students in Govt. School, Bawal	Promoting Education	Bawal	1.00	1.05	1.05	1.05
	2.	Providing Benches in Govt. High School, Takri village	Promoting Education	Bawal	2.00	1.54	1.54	1.54
	3.	Construction of Wall in School in Mohanpur	Promoting Education	Bawal	2.00	2.50	2.50	2.50
	4.	Construction of Boundary wall in School in Mornapalli	Promoting Education	Hosur	2.00	1.41	1.41	1.41
	5.	Construction of Class Room in Girls School in Denkanikotta	Promoting Education	Hosur	7.00	6.40	6.40	6.40
	6.	Construction of Science Lab in School in Kothur	Promoting Education	Hosur	15.00	13.44	13.44	13.44
	7.	Construction of Class room in Chiveli	Promoting Education	Lote	7.00	6.00	6.00	6.00
	8.	Distribution of Educational Material, such as School Bags, Note books and other Educational Material in School at Lalpur village	Promoting Education	Jainpur	1.00	1.18	1.18	1.18
	9.	Levelling with paver blocks, Donation of Copier cum scanning cum print machine; donation of sports material and Water cooler in Primary School, Juned.	Promoting Education	Sayakha	5.00	4.24	4.24	4.24
	10.	Renovation of Pre-Primary School building in Saladra village	Promoting Education	Sayakha	2.00	2.10	2.10	2.10
	11.	Construction of compound wall in School in Saladra	Promoting Education	Sayakha	4.00	3.29	3.29	3.29
	12.	Renovation of class rooms in Primary School in Aragama	Promoting Education	Sayakha	3.00	2.50	2.50	2.50
	13.	Donation for Water fetching motor, Shed Development, Levelling of Ground, Flooring in Primary School, Ankot	Promoting Education	Sayakha	2.00	2.14	2.14	2.14
	14.	Renovation of Hall used for common gathering / dining in Secondary School	Promoting Education	Goindwal Sahib	17.00	15.00	15.00	15.00
	15.	Donation to Dayanand Balika School, Matunga	Promoting Education	Mumbai	3.00	3.00	3.00	3.00
		Sub-total			73.00	65.79	65.79	65.79
E.	1.	Developing Area in and around Dadar Station (Central)	Ensuring Environmental Sustainability	Mumbai	20.00	8.40	8.40	8.40
	2.	Development of Parks in nearby villages	Ensuring Environmental Sustainability	Bawal	10.00	12.17	12.17	12.17
	3.	Painting in Community Centre at Jaliavas	Ensuring Environmental Sustainability	Bawal	1.00	0.91	0.91	0.91

PROGRAM WISE CSR DETAILS 2017-18

	Sr. No.	CSR Project / Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
E.	4.	Providing Tree Guards in Naichana	Ensuring Environmental Sustainability	Bawal	2.00	1.47	1.47	1.47
	5.	Development of Green Belt in Bawal	Ensuring Environmental Sustainability	Bawal	3.00	3.00	3.00	3.00
	6.	Painting of Govt. School, Shulkha	Ensuring Environmental Sustainability	Bawal	1.00	0.15	0.15	0.15
	7.	Painting of Govt. Girls' School, Bawal	Ensuring Environmental Sustainability	Bawal	2.00	2.67	2.67	2.67
	8.	Plantation of saplings on the road sides in Mornapalli village	Ensuring Environmental Sustainability	Hosur	1.00	0.65	0.65	0.65
	9.	Development and maintenance of Park in Mornapalli	Ensuring Environmental Sustainability	Hosur	2.00	2.35	2.35	2.35
	10.	Green Belt Development in Hosur	Ensuring Environmental Sustainability	Hosur	1.00	0.68	0.68	0.68
	11.	Green belt development in Awashi	Ensuring Environmental Sustainability	Lote	3.00	2.83	2.83	2.83
	12.	Painting of School in Gunade	Ensuring Environmental Sustainability	Lote	5.00	11.00	11.00	11.00
	13.	Painting of Shri Shiv Shankar School, Kulvandi	Ensuring Environmental Sustainability	Lote	1.00	1.10	1.10	1.10
	14.	Green belt development in Jainpur	Ensuring Environmental Sustainability	Jainpur	1.00	0.58	0.58	0.58
	15.	Tree Plantation in Aragama, Vorasamni & Saladra villages	Ensuring Environmental Sustainability	Sayakha	2.00	1.58	1.58	1.58
	16.	Green Belt Development in Sayakha	Ensuring Environmental Sustainability	Sayakha	3.00	3.03	3.03	3.03
	17.	Painting under Govt's Village Social Transformation forum	Ensuring Environmental Sustainability	Vidarbha	10.00	10.99	10.99	10.99
	18.	Painting of entire village, Sarhetta	Ensuring Environmental Sustainability	Rajasthan	7.00	5.94	5.94	5.94
		Sub-total			75.00	69.50	69.50	69.50
F.	1.	Painting of Somnath Temple, Gujarat	Restoration of Buildings and Sites of Historical Importance	Somnath, Gujarat	25.00	25.00	25.00	25.00
		Sub-total			25.00	25.00	25.00	25.00
		Grand Total			1100.00	1103.48	1103.48	1103.48

Implementing Agencies for CSR activities:

1. Preksha Foundation, Indore
2. Labournet, Bangalore
3. State Bank of India – through its Rural Self Employment Training Institutes
4. Max Mudra, Mumbai
5. Rotary Club, Chiplun
6. Interspace India, Mumbai

Annexure 2 to the Board's Report

1. Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- The ratio of the remuneration of each Director to the Median Remuneration of the Employees of the Company for the Financial Year 2017-18 and
- 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 / KMP and Designation	Remuneration of Director / KMP for Financial Year 2017-18 (₹ in Lacs)	Percentage increase in Remuneration for the Financial Year 2017-18	Ratio of Remuneration of each Director / KMP to the Median Remuneration of Employees
1.	Mr. P. P. Shah Chairman (Non-Executive and Independent Director)	36.30	#	5.69
2.	Mr. D. M. Kothari Vice Chairman @ (Non-Executive and Independent Director)	50.30	#	7.88
3.	Mr. H. M. Bharuka Vice Chairman and Managing Director @	600.60	11.02	94.14
4.	Mr. P. D. Chaudhari Whole-time Director	194.79	3.74	30.53
5.	Mr. N. N. Tata (Non-Executive and Independent Director)	31.40	#	4.92
6.	Mr. M. Tanaka Non-Executive Director	*	*	*
7.	Mr. H. Furukawa Non-Executive Director	*	*	*
8.	Mrs. Brinda Somaya (Non-Executive and Independent Director)	15.70	#	2.46
9.	Mr. K. Kato Non-Executive Director	*	*	*
10.	Mr. P. D. Pai Chief Financial Officer	78.56	3.61	12.31
11.	Mr. G. T. Govindarajan Company Secretary	50.17	6.08	7.86

Remuneration for the purpose of the computation above in the case of Vice Chairman and Managing Director, Whole-time Director and other Key Managerial Personnel (KMP) is considered as the income earned during the financial year 2017-18 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. The remuneration to Mr. P. D. Chaudhari as shown above does not include Gratuity and Leave encashment paid to him at the time of separation on 31st March, 2018.

Almost the same as in Financial Year 2016-17.

* Mr. M. Tanaka, Mr. H. Furukawa and Mr. K. Kato did not receive any sitting fees for attending Board Meetings, nor were they paid any commission.

@ Mr. D. M. Kothari was the Vice Chairman of the Company upto close of business on 2nd May, 2017.

Mr. H. M. Bharuka was Managing Director of the Company upto 2nd May, 2017. He was designated as Vice Chairman and Managing Director with effect from 3rd May, 2017.

- (iii) The Median Remuneration of Employees (MRE) of the Company is ₹ 6,37,967 for the Financial Year 2017-18. The MRE for the year increased by 7.62% compared to the previous financial year.
- (iv) The number of permanent employees on the rolls of the Company is 2861 as on March 31, 2018.
- (v) Average percentage increase made in the salaries of employees other than key managerial personnel in the last Financial Year was 7.43%. The percentage increase in remuneration of key managerial personnel was 8.48%. The increase in remuneration is determined based on the performance by the employees of the Company.
- (vi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

2. Statement pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Sr. No.	Name	Designation / Nature of Duties	Remu-neration (₹)	Qualification	Experi-ence (in years)	Date of Commence-ment of Employment	Age (in years)	Last Employment Held	
								Name of the Employer	Designation held
(A)	Employed throughout the Financial Year under review and in receipt of remuneration for the Financial Year in the aggregate of not less than ₹ 1,02,00,000 per annum.								
1.	Mr. H. M. Bharuka	Vice Chairman and Managing Director	6,00,60,417	B.Com., AICWA	37	01.10.1985	57	Rohit Pulp and Paper Mills Ltd.	Manager – Costing
2.	Mr. P. D. Chaudhari	Executive Director – Manufacturing & Technical	1,94,78,600	B.E., MMS	25	14.06.1993	49	Bharat Bijlee Ltd.	Graduate Apprentice
3.	Mr. Anuj Jain	Director – Decorative and Industrial Sales & Marketing	1,25,37,800	B.Sc., MMS (Mktg.)	27	04.06.1990	49	First Employment	–
(B)	Employed for the part of the Financial Year under review and in receipt of remuneration at the rate of not less than ₹ 8,50,000/- per month : None.								

Notes:

- The appointment is as per the contract/letter of appointment. Other terms and conditions as per Company's rules.
- Remuneration as mentioned above comprises of Salary, Commission, Company's contribution to Provident fund & Superannuation, House Rent Allowance, Leave Travel Allowance and Other Perquisites and Allowances but excludes Gratuity. The remuneration to Mr. P. D. Chaudhari as shown above does not include Gratuity and Leave encashment paid to him at the time of separation on 31st March, 2018.
- 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 alongwith his spouse or dependent children two percent of the Equity Shares of the Company.
- None of the above employees is a relative of any Director of the Company.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2018

Annexure 3 to the Board's Report

(A) Conservation of Energy

As part of our agenda of migrating towards Renewable sources of Energy, both in Heat and Power, we have adopted various measures which have helped increase our Green foot print, thereby reducing our dependency on fossil fuels as well as keeping our Energy costs under control.

(1) Steps taken or impact on conservation of energy

Energy efficient Lighting:

As a Technology upgrade, we have switched over conventional Metal Halide/CFL/FTL lighting systems to Energy Efficient LED Lighting systems in continuation of the initiative taken in FY16-17. With this upgrade we have accrued Energy cost savings of ₹ 50 Lacs in FY17-18.

(2) Steps taken by the Company for utilizing alternate sources of energy:

- i) Installation and commissioning of "Thermic fluid steam generator" at Lote.
- ii) Increase in capacity utilization of Thermic fluid heater VTRG 30 at Hosur.
- iii) Installation and commissioning of Captive Solar Power plants across locations.
- iv) Installation and commissioning of SOLA TUBES across locations.

Details as below:

- i) Installation and commissioning of "Thermic fluid steam generator" at Lote:

Through this initiative, we have shifted our Resin process Steam demand on Biomass which was earlier on High Speed Diesel. With this in place, the steam requirements for Resin processing are catered through "Thermic Fluid Steam Generator" with Biomass as fuel thereby enhancing capacity utilization of Biomass Heater as well as eliminating Diesel consumption in existing RX Boilers.

- ii) Increase in capacity utilization of Thermic fluid heater VTRG 30 at Hosur:

As part of this project we are now generating heat for Acrylic and CED Resin processing, through Thermax operated Solid Fuel fired Heater VTRG 30 with Biomass as fuel which was earlier catered through diesel fired TP-10 Thermopacs. This has helped in enhancing the capacity utilization of Biomass Heater in turn eliminating the diesel consumption in existing 2 numbers TP-10 Thermopacs at Hosur.

- iii) Captive Green Power through roof top Solar Power plant across locations:

We have installed and commissioned 2640 KW roof top Solar Power plants across manufacturing locations. Through this, we will be generating around 39 Lacs units per annum through Solar Power which is equivalent to around 14 Lacs kg of Carbon dioxide emissions reduction. Through this we have reduced our dependency on Grid Power. Of the total power requirements across locations, we would now cater around 13% of our Power requirements through Green Energy.

- iv) Installation and commissioning of SOLA TUBES:

We have installed and commissioned SOLA TUBES across locations equivalent to 23 KW load, with an approximate units generation of 8700 KWH/month. Through this we are utilizing Solar radiations for meeting ware house/shop floor lighting loads, thereby reducing our dependency on Grid Power.

(3) Capital investment on energy conservation equipment: ₹ 12.2 Crores.

(B) Technology Absorption

1. The efforts made towards technology absorption:

Following activities carried out in Research and Development–

- Development of new products for Automotive, Performance Coatings and Decorative segments
- Innovative shade development for OEM industry
- Upgradation of processes for cycle time reduction and energy saving
- Localization of intermediates for Automotive Coatings
- Green initiatives
- Formulation optimization by value engineering
- Import substitution of raw materials
- Joint projects with vendor for mutual benefit

2. The benefits derived like product improvement, cost reduction, product development or import substitution:

- Nerofix adhesive for wooden surfaces
- Excel rainguard water proof primer
- Fast drying pigmented PU wood finish variants, Primer, Matt & Glossy, product
- Universal sealer for interior & exterior application
- High performance 3 Coat 1 Back primer
- High durable PU Monocoat system for tractor chassis & sheet metal parts
- Super Durable Stoving Top Coat for four wheeler & tractor industry
- Epoxy Primer for Bus Body
- High Solid Clear Coat meeting multiple re-coat adhesion requirement
- Mono coat metallic paint for two wheeler industry
- Common low bake paint for metal and plastic for two wheeler industry
- Low Cure PU CED Clear
- Anti-static floor coating
- Anti-carbonation coating
- Super durable coating for clean room partition based on dry-blending technology
- Rebar Coating

3. In case 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
1.	Monocoat metallic base coats successfully absorbed for two wheeler industry	2015-16
2.	1K Super Anti Corrosive Primer	2016-17
3.	Acrylic and Epoxy RED CED	2016-17
4.	Super Durable Aluminum Extrusion	2016-17
5.	High Performance 3C-1B Primer	2017-18
6.	Special 3210 Conductive Primer for four wheeler customers	2017-18
7.	Resin for Monocoat Metallic Paint System	2017-18

- b. Whether the technology has been fully absorbed: The same has been fully absorbed.

- c. If not fully absorbed, areas where absorption has not taken place, and reasons thereof– The technology has been fully absorbed.

(C) Expenditure on R & D:

	(₹ in Crores)	
	2017-2018	2016-2017
(a) Capital	0.55	5.87
(b) Recurring	24.34	23.12
(c) Total	24.89	28.99

(D) Foreign Exchange earned in terms of actual inflows during the year and foreign exchange outgo during the year in terms of actual outflows

Details of expenditure in foreign exchange are given in Notes 27.1 and 31.3 and earnings in foreign exchange are given in Note 25.1 of Notes to Financial Statements.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2018

Annexure 4 to the Board's Report**Form No. MGT-9****EXTRACT OF ANNUAL RETURN****as on the financial year ended on 31st March, 2018**

[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
Ph. +91 22 24934001 • Fax: +91 22 24973704
Website: www.nerolac.com
- (vi) Whether listed company : Yes
- (vii) Name, Address and Contact details of Registrar and Transfer Agent : 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%
2.	—	—	—
3.	—	—	—

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	68.00	2(87)
3.	Kansai Paints Lanka (Private) Ltd. No. 146, Dawson Street, Colombo-02.	PV 107458	—	Subsidiary	60.00	2(87)

IV. SHAREHOLDING PATTERN: (Equity Share Capital Breakup as percentage of Total Equity)*i) Category-wise Shareholding:*

Category of Shareholders	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 Government(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	0	40,41,35,898	74.99	40,41,35,898	0	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	0	40,41,35,898	74.99	40,41,35,898	0	40,41,35,898	74.99	0.00
Total Shareholding of Promoter (A) = (A) (1) + (A) (2)	40,41,35,898	0	40,41,35,898	74.99	40,41,35,898	0	40,41,35,898	74.99	0.00
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	1,43,39,785	12,320	1,43,52,105	2.66	2,38,73,937	13,150	2,38,87,087	4.43	1.77
(b) Financial Institutions / Banks	51,388	0	51,388	0.01	74,478	0	74,478	0.01	0.00
(c) Central Government	—	—	—	—	—	—	—	—	—
(d) State Government(s)	—	—	—	—	—	—	—	—	—
(e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
(f) Insurance Companies	2,50,12,564	0	2,50,12,564	4.64	2,51,95,166	0	2,51,95,166	4.68	0.04
(g) Foreign Institutional Investors	55,62,311	0	55,62,311	1.03	25,690	0	25,690	0.00	-1.03
(h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
(i) Foreign Portfolio Investors (Corporate)	3,36,68,608	0	3,36,68,608	6.25	3,32,58,702	0	3,32,58,702	6.17	-0.08
(i-1) Any Other (Alternate Investment Funds)	0	0	0	0.00	16,11,915	—	16,11,915	0.30	0.30
Sub-total (B) (1):-	7,86,34,656	12,320	7,86,46,976	14.59	8,40,39,888	13,150	8,40,53,038	15.60	1.01
(2) Non-Institutions									
(a) Bodies Corporate									
(i) Indian	68,54,401	51,200	69,05,601	1.28	37,62,590	48,590	38,11,180	0.71	-0.57
(ii) Overseas	—	—	—	—	—	—	—	—	—
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	3,31,25,624	41,54,600	3,72,80,224	6.92	3,18,01,925	37,61,380	3,55,63,305	6.60	-0.32
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	78,26,841	3,02,840	81,29,681	1.51	82,36,855	3,02,840	85,39,695	1.58	0.07
(c) Any Other (specify)									
(i) Non Resident Indians	13,76,573	22,400	13,98,973	0.26	13,84,346	22,400	14,06,746	0.26	0.00
(ii) Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
(iii) Foreign Nationals	—	—	—	—	—	—	—	—	—
(iv) Clearing Members	8,41,709	0	8,41,709	0.16	5,89,704	0	5,89,704	0.11	-0.05
(v) Trusts	5,07,386	0	5,07,386	0.09	4,00,719	0	4,00,719	0.07	-0.02
(vi) Foreign Bodies	—	—	—	—	—	—	—	—	—
(vii) Unclaimed Suspense Account	3,12,150	0	3,12,150	0.06	2,69,730	0	2,69,730	0.05	-0.01
(viii) NBFC's	7,61,122	0	7,61,122	0.14	1,49,705	0	1,49,705	0.03	-0.11
Sub-total (B) (2):-	5,16,05,806	45,31,040	5,61,36,846	10.42	4,65,95,574	41,35,210	5,07,30,784	9.41	-1.01
Total Public Shareholding (B) = (B) (1) + (B) (2)	13,02,40,462	45,43,360	13,47,83,822	25.01	13,06,35,462	41,48,360	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)	53,43,76,360	45,43,360	53,89,19,720	100.00	53,47,71,360	41,48,360	53,89,19,720	100.00	0.00

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(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	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1.	Kansai Paint Co. Ltd.	40,41,35,898	74.99	40,41,35,898	74.99	—	0.00
	Total	40,41,35,898	74.99	40,41,35,898	74.99	—	0.00

(iii) Change in Promoters' Shareholding:

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/Decrease in shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Kansai Paint Co. Ltd.							
	At the beginning of the year	40,41,35,898	74.99	01.04.2017	—		40,41,35,898	74.99
	At the end of the year	40,41,35,898	74.99	31.03.2018	—	0	40,41,35,898	74.99

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Aberdeen Asset Management – Asia Limited							
	At the beginning of the year	1,67,34,630	3.11	01.04.2017			1,67,34,630	3.11
				28.04.2017	Sale	-5,56,000	1,61,78,630	3.00
				05.05.2017	Sale	-1,03,267	1,60,75,363	2.98
				05.05.2017	Purchase	1,75,091	1,62,50,454	3.02
				12.05.2017	Sale	-42,733	1,62,07,721	3.01
				12.05.2017	Purchase	1,24,909	1,63,32,630	3.03
				19.05.2017	Sale	-84,159	1,62,48,471	3.02
				26.05.2017	Sale	-1,294	1,62,47,177	3.01
				09.06.2017	Sale	-22,967	1,62,24,210	3.01
				14.06.2017	Sale	-11,580	1,62,12,630	3.01
				23.06.2017	Sale	-1,367	1,62,11,263	3.01
				30.06.2017	Sale	-1,356	1,62,09,907	3.01
				07.07.2017	Sale	-1,825	1,62,08,082	3.01
				21.07.2017	Sale	-1,90,000	1,60,18,082	2.97
				04.08.2017	Sale	-1,70,000	1,58,48,082	2.94
				25.08.2017	Sale	-58,607	1,57,89,475	2.93
				01.09.2017	Sale	-2,16,393	1,55,73,082	2.89
				08.09.2017	Sale	-59,100	1,55,13,982	2.88
				15.09.2017	Sale	-2,44,498	1,52,69,484	2.83
				22.09.2017	Sale	-1,41,373	1,51,28,111	2.81
				29.09.2017	Sale	-1,33,250	1,49,94,861	2.78
				06.10.2017	Sale	-3,25,377	1,46,69,484	2.72
				27.10.2017	Sale	-1,40,000	1,45,29,484	2.70
				03.11.2017	Sale	-2,55,000	1,42,74,484	2.65
				01.12.2017	Sale	-1,23,000	1,41,51,484	2.63

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				08.12.2017	Sale	-1,07,000	1,40,44,484	2.61
				15.12.2017	Sale	-3,04,637	1,37,39,847	2.55
				22.12.2017	Sale	-1,05,000	1,36,34,847	2.53
				29.12.2017	Sale	-1,47,300	1,34,87,547	2.50
				05.01.2018	Sale	-52,700	1,34,34,847	2.49
				02.02.2018	Purchase	11,580	1,34,46,427	2.50
				09.02.2018	Purchase	15,017	1,34,61,444	2.50
				23.02.2018	Sale	-4,041	1,34,57,403	2.50
				23.02.2018	Purchase	9,974	1,34,67,377	2.50
				02.03.2018	Sale	-12,965	1,34,54,412	2.50
				02.03.2018	Purchase	22,113	1,34,76,525	2.50
				09.03.2018	Purchase	1,54,615	1,36,31,140	2.53
				16.03.2018	Sale	-10,160	1,36,20,980	2.53
				23.03.2018	Sale	-1,24,000	1,34,96,980	2.50
				30.03.2018	Sale	-3,26,000	1,31,70,980	2.44
				31.03.2018	—	0	1,31,70,980	2.44
	At the end of the year	1,31,70,980	2.44					
2.	Aditya Birla Sun Life Trustee Private Limited Account							
	At the beginning of the year	54,87,131	1.02	01.04.2017			54,87,131	1.02
				07.04.2017	Sale	-69,850	54,17,281	1.01
				07.04.2017	Purchase	69,850	54,87,131	1.02
				12.05.2017	Purchase	55,000	55,42,131	1.03
				09.06.2017	Purchase	20,000	55,62,131	1.03
				16.06.2017	Purchase	34,000	55,96,131	1.04
				28.07.2017	Purchase	4,94,500	60,90,631	1.13
				04.08.2017	Sale	-378	60,90,253	1.13
				04.08.2017	Purchase	5,04,286	65,94,539	1.22
				11.08.2017	Purchase	1,45,677	67,40,216	1.25
				01.09.2017	Purchase	2,00,100	69,40,316	1.29
				08.09.2017	Purchase	4,38,300	73,78,616	1.37
				15.09.2017	Sale	-11,140	73,67,476	1.37
				15.09.2017	Purchase	11,140	73,78,616	1.37
				17.11.2017	Purchase	5,04,000	78,82,616	1.46
				24.11.2017	Purchase	2,02,500	80,85,116	1.50
				01.12.2017	Sale	-564	80,84,552	1.50
				22.12.2017	Purchase	2,33,000	83,17,552	1.54
				05.01.2018	Purchase	1,55,469	84,73,021	1.57
				12.01.2018	Sale	-336	84,72,685	1.57
				12.01.2018	Purchase	336	84,73,021	1.57
				02.02.2018	Sale	-2,36,300	82,36,721	1.53
				09.02.2018	Sale	-40,500	81,96,221	1.52
				09.02.2018	Purchase	2,77,006	84,73,227	1.57
				30.03.2018	Purchase	75,000	85,48,227	1.59
				31.03.2018	—	0	85,48,227	1.59
	At the end of the year	85,48,227	1.59					

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
3.	ICICI Prudential Life Insurance Company Limited							
	At the beginning of the year	1,14,49,719	2.12	01.04.2017			1,14,49,719	2.12
				07.04.2017	Sale	-3,14,787	1,11,34,932	2.07
				14.04.2017	Sale	-1,51,730	1,09,83,202	2.04
				21.04.2017	Sale	-1,05,696	1,08,77,506	2.02
				28.04.2017	Purchase	33	1,08,77,539	2.02
				12.05.2017	Sale	-6,72,887	1,02,04,652	1.89
				19.05.2017	Purchase	90	1,02,04,742	1.89
				26.05.2017	Sale	-73,549	1,01,31,193	1.88
				02.06.2017	Sale	-30,493	1,01,00,700	1.87
				09.06.2017	Sale	-76,946	1,00,23,754	1.86
				14.06.2017	Sale	-7,078	1,00,16,676	1.86
				16.06.2017	Purchase	7,274	1,00,23,950	1.86
				21.06.2017	Purchase	4,192	1,00,28,142	1.86
				23.06.2017	Purchase	3,150	1,00,31,292	1.86
				30.06.2017	Purchase	6,381	1,00,37,673	1.86
				07.07.2017	Sale	-46,558	99,91,115	1.85
				14.07.2017	Sale	-10,613	99,80,502	1.85
				21.07.2017	Sale	-71,484	99,09,018	1.84
				28.07.2017	Sale	-4,54,080	94,54,938	1.75
				04.08.2017	Sale	-10,268	94,44,670	1.75
				11.08.2017	Sale	-5,223	94,39,447	1.75
				18.08.2017	Sale	-81,583	93,57,864	1.74
				25.08.2017	Purchase	1,163	93,59,027	1.74
				01.09.2017	Sale	-6,67,239	86,91,788	1.61
				01.09.2017	Purchase	4,57,447	91,49,235	1.70
				08.09.2017	Sale	-84,645	90,64,590	1.68
				15.09.2017	Sale	-16,078	90,48,512	1.68
				22.09.2017	Sale	-50,345	89,98,167	1.67
				29.09.2017	Purchase	5,973	90,04,140	1.67
				06.10.2017	Purchase	58,429	90,62,569	1.68
				13.10.2017	Purchase	5,120	90,67,689	1.68
				20.10.2017	Purchase	806	90,68,495	1.68
				27.10.2017	Purchase	2,257	90,70,752	1.68
				31.10.2017	Purchase	2,457	90,73,209	1.68
				03.11.2017	Purchase	91,618	91,64,827	1.70
				10.11.2017	Purchase	28,023	91,92,850	1.71
				17.11.2017	Purchase	3,030	91,95,880	1.71
				24.11.2017	Purchase	1,814	91,97,694	1.71
				01.12.2017	Purchase	2,808	92,00,502	1.71

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				08.12.2017	Sale	-98,255	91,02,247	1.69
				15.12.2017	Sale	-616	91,01,631	1.69
				22.12.2017	Sale	-5,31,851	85,69,780	1.59
				29.12.2017	Purchase	1,694	85,71,474	1.59
				05.01.2018	Purchase	86,483	86,57,957	1.61
				12.01.2018	Purchase	1,082	86,59,039	1.61
				19.01.2018	Sale	-4,57,447	82,01,592	1.52
				19.01.2018	Purchase	4,57,447	86,59,039	1.61
				26.01.2018	Purchase	1,827	86,60,866	1.61
				02.02.2018	Purchase	4,772	86,65,638	1.61
				09.02.2018	Sale	-96,159	85,69,479	1.59
				16.02.2018	Sale	-48,020	85,21,459	1.58
				23.02.2018	Sale	-1,08,782	84,12,677	1.56
				02.03.2018	Purchase	1,08,817	85,21,494	1.58
				09.03.2018	Sale	-36,267	84,85,227	1.57
				16.03.2018	Sale	-86,454	83,98,773	1.56
				23.03.2018	Purchase	1,467	84,00,240	1.56
				30.03.2018	Purchase	87,102	84,87,342	1.57
				31.03.2018	—	0	84,87,342	1.57
	At the end of the year	84,87,342	1.57					
4.	The New India Assurance Company Limited							
	At the beginning of the year	58,20,199	1.08	01.04.2017			58,20,199	1.08
				02.06.2017	Sale	-10,871	58,09,328	1.08
				09.06.2017	Sale	-82,448	57,26,880	1.06
				14.06.2017	Sale	-52,498	56,74,382	1.05
				16.06.2017	Sale	-26,787	56,47,595	1.05
				21.06.2017	Sale	-69,000	55,78,595	1.04
				11.08.2017	Sale	-1,03,200	54,75,395	1.02
				18.08.2017	Sale	-69,100	54,06,295	1.00
				25.08.2017	Sale	-7,403	53,98,892	1.00
				15.09.2017	Sale	-71,317	53,27,575	0.99
				22.09.2017	Sale	-78,469	52,49,106	0.97
				29.09.2017	Sale	-1,407	52,47,699	0.97
				06.10.2017	Sale	-54,457	51,93,242	0.96
				13.10.2017	Sale	-93,317	50,99,925	0.95
				20.10.2017	Sale	-61,264	50,38,661	0.93
				15.12.2017	Sale	-63,645	49,75,016	0.92
				22.12.2017	Sale	-1,36,355	48,38,661	0.90
				31.03.2018	—	0	48,38,661	0.90
	At the end of the year	48,38,661	0.90					

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
5.	HDFC Standard Life Insurance Company Limited							
	At the beginning of the year	30,33,881	0.56	01.04.2017			30,33,881	0.56
				07.04.2017	Purchase	1,02,251	31,36,132	0.58
				14.04.2017	Sale	-1,466	31,34,666	0.58
				21.04.2017	Sale	-350	31,34,316	0.58
				28.04.2017	Sale	-1,003	31,33,313	0.58
				05.05.2017	Purchase	50,000	31,83,313	0.59
				12.05.2017	Purchase	3,68,674	35,51,987	0.66
				19.05.2017	Purchase	3,904	35,55,891	0.66
				26.05.2017	Sale	-35,55,891	0	0.00
				26.05.2017	Purchase	35,83,830	35,83,830	0.67
				09.06.2017	Purchase	2,647	35,86,477	0.67
				16.06.2017	Purchase	11,608	35,98,085	0.67
				21.06.2017	Purchase	54	35,98,139	0.67
				14.07.2017	Sale	-23,839	35,74,300	0.66
				21.07.2017	Sale	-450	35,73,850	0.66
				21.07.2017	Purchase	4,902	35,78,752	0.66
				18.08.2017	Purchase	7,113	35,85,865	0.67
				25.08.2017	Purchase	1,350	35,87,215	0.67
				01.09.2017	Sale	-1,050	35,86,165	0.67
				08.09.2017	Purchase	250	35,86,415	0.67
				15.09.2017	Purchase	1,02,666	36,89,081	0.68
				22.09.2017	Purchase	25,472	37,14,553	0.69
				29.09.2017	Purchase	24,700	37,39,253	0.69
				06.10.2017	Purchase	1,75,000	39,14,253	0.73
				13.10.2017	Purchase	2,50,000	41,64,253	0.77
				20.10.2017	Sale	-28,981	41,35,272	0.77
				03.11.2017	Sale	-540	41,34,732	0.77
				10.11.2017	Purchase	62,840	41,97,572	0.78
				17.11.2017	Purchase	11,960	42,09,532	0.78
				24.11.2017	Purchase	25,012	42,34,544	0.79
				15.12.2017	Purchase	49,911	42,84,455	0.80
				22.12.2017	Purchase	50,077	43,34,532	0.80
				05.01.2018	Purchase	35,409	43,69,941	0.81
				26.01.2018	Purchase	87,083	44,57,024	0.83
				02.02.2018	Purchase	99,213	45,56,237	0.85
				09.02.2018	Purchase	16,017	45,72,254	0.85
				23.02.2018	Purchase	29,981	46,02,235	0.85
				02.03.2018	Purchase	19,005	46,21,240	0.86
				09.03.2018	Purchase	25,000	46,46,240	0.86
				16.03.2018	Purchase	20,000	46,66,240	0.87
				23.03.2018	Purchase	30,000	46,96,240	0.87
				30.03.2018	Purchase	75,000	47,71,240	0.89
				31.03.2018	—	0	47,71,240	0.89
	At the end of the year	47,71,240	0.89					

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
6.	Franklin Templeton Mutual Fund Account							
	At the beginning of the year	28,21,373	0.52	01.04.2017			28,21,373	0.52
				05.05.2017	Purchase	1,00,000	29,21,373	0.54
				19.01.2018	Purchase	4,27,251	33,48,624	0.62
				26.01.2018	Purchase	1,73,207	35,21,831	0.65
				02.02.2018	Purchase	5,41,109	40,62,940	0.75
				16.03.2018	Purchase	1,14,213	41,77,153	0.78
				23.03.2018	Purchase	22,117	41,99,270	0.78
				30.03.2018	Purchase	25,000	42,24,270	0.78
				31.03.2018	—	0	42,24,270	0.78
	At the end of the year	42,24,270	0.78					
7.	The Oriental Insurance Company Limited							
	At the beginning of the year	43,10,416	0.80	01.04.2017			43,10,416	0.80
				07.04.2017	Sale	-27,500	42,82,916	0.79
				14.04.2017	Sale	-35,121	42,47,795	0.79
				21.04.2017	Sale	-12,379	42,35,416	0.79
				28.04.2017	Sale	-40,176	41,95,240	0.78
				05.05.2017	Sale	-32,324	41,62,916	0.77
				12.05.2017	Sale	-37,500	41,25,416	0.77
				19.05.2017	Sale	-10,000	41,15,416	0.76
				02.06.2017	Sale	-9,000	41,06,416	0.76
				09.06.2017	Sale	-46,039	40,60,377	0.75
				14.06.2017	Sale	-29,961	40,30,416	0.75
				16.06.2017	Sale	-12,869	40,17,547	0.75
				21.06.2017	Sale	-23,947	39,93,600	0.74
				23.06.2017	Sale	-13,000	39,80,600	0.74
				30.06.2017	Sale	-40,184	39,40,416	0.73
				07.07.2017	Sale	-26,164	39,14,252	0.73
				14.07.2017	Sale	-46,131	38,68,121	0.72
				21.07.2017	Sale	-49,705	38,18,416	0.71
				28.07.2017	Sale	-52,717	37,65,699	0.70
				04.08.2017	Sale	-50,076	37,15,623	0.69
				11.08.2017	Sale	-10,000	37,05,623	0.69
				18.08.2017	Sale	-15,000	36,90,623	0.68
				25.08.2017	Sale	-3,938	36,86,685	0.68
				22.09.2017	Sale	-20,751	36,65,934	0.68
				06.10.2017	Sale	-26,093	36,39,841	0.68
				13.10.2017	Sale	-33,907	36,05,934	0.67
				20.10.2017	Sale	-20,000	35,85,934	0.67
				27.10.2017	Sale	-3,551	35,82,383	0.66
				03.11.2017	Sale	-15,181	35,67,202	0.66
				10.11.2017	Sale	-20,000	35,47,202	0.66
				17.11.2017	Sale	-22,189	35,25,013	0.65
				24.11.2017	Sale	-22,811	35,02,202	0.65
				01.12.2017	Sale	-17,500	34,84,702	0.65

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Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2017) / At the end of the year (31-03-2018)		Date	Reason	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				08.12.2017	Sale	-41,000	34,43,702	0.64
				15.12.2017	Sale	-35,534	34,08,168	0.63
				22.12.2017	Sale	-28,466	33,79,702	0.63
				29.12.2017	Sale	-19,935	33,59,767	0.62
				05.01.2018	Sale	-5,065	33,54,702	0.62
				12.01.2018	Sale	-19,910	33,34,792	0.62
				19.01.2018	Sale	-689	33,34,103	0.62
				02.03.2018	Sale	-45,000	32,89,103	0.61
				09.03.2018	Sale	-8,000	32,81,103	0.61
				16.03.2018	Sale	-67,000	32,14,103	0.60
				23.03.2018	Sale	-15,000	31,99,103	0.59
				30.03.2018	Sale	-65,000	31,34,103	0.58
				31.03.2018	—	0	31,34,103	0.58
	At the end of the year	31,34,103	0.58					
8.	General Insurance Corporation Of India							
	At the beginning of the year	32,50,000	0.60	01.04.2017			32,50,000	0.60
				26.05.2017	Sale	-17,859	32,32,141	0.60
				02.06.2017	Sale	-32,141	32,00,000	0.59
				10.11.2017	Sale	-50,000	31,50,000	0.58
				02.03.2018	Sale	-50,000	31,00,000	0.58
				16.03.2018	Sale	-1,00,000	30,00,000	0.56
				31.03.2018	—	0	30,00,000	0.56
	At the end of the year	30,00,000	0.56					
9.	DSP Blackrock Equity Fund							
	At the beginning of the year	11,01,615	0.20	01.04.2017			11,01,615	0.20
				07.04.2017	Purchase	2,75,000	13,76,615	0.26
				28.04.2017	Purchase	27,539	14,04,154	0.26
				05.05.2017	Purchase	1,26,570	15,30,724	0.28
				26.05.2017	Purchase	54,093	15,84,817	0.29
				02.06.2017	Purchase	30	15,84,847	0.29
				30.06.2017	Purchase	55,629	16,40,476	0.30
				07.07.2017	Purchase	36,148	16,76,624	0.31
				01.09.2017	Sale	-50,865	16,25,759	0.30
				10.11.2017	Purchase	50,000	16,75,759	0.31
				24.11.2017	Purchase	86,532	17,62,291	0.33
				01.12.2017	Purchase	2,28,984	19,91,275	0.37
				08.12.2017	Purchase	5,74,480	25,65,755	0.48
				15.12.2017	Purchase	40,873	26,06,628	0.48
				31.03.2018	—	0	26,06,628	0.48
	At the end of the year	26,06,628	0.48					
10.	Carnegie Indienfond			01.04.2017			19,91,530	0.37
	At the beginning of the year	19,91,530	0.37	22.12.2017	Sale	-18,865	19,72,665	0.37
				31.03.2018	—	0	19,72,665	0.37
	At the end of the year	19,72,665	0.37					

(v) *Shareholding of Directors and Key Managerial Personnel:*

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	Mr. P. D. Chaudhari				
	At the beginning of the year	200	0.00003	200	0.00003
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	—	—	—	—
	At the end of the year	200	0.00003	200	0.00003

Note: There is no shareholding in the Company by any other Director or Key Managerial Personnel.

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	—	28.78	—	28.78
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i + ii + iii)	—	28.78	—	28.78
Change in Indebtedness during the financial year				
• Addition	—	—	—	—
• Reduction	—	10.45	—	10.45
Net Change	—	(10.45)	—	(10.45)
Indebtedness at the end of the financial year				
(i) Principal Amount	—	18.33	—	18.33
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i + ii + iii)	—	18.33	—	18.33

VI. REMUNERATION TO DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and / or Manager:**

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Name of the MD / WTD / Manager		Total Amount
		H. M. Bharuka	P. D. Chaudhari	
1.	Gross Salary:			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	270.70	101.25	371.95
	(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	0.00	0.00	0.00
2.	Stock Option	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission:			
	— as % of Profit	280.00	77.00	357.00
	— others (specify)	0.00	0.00	0.00
5.	Others, please specify:			
	Employer's contribution to Provident Fund & Superannuation Fund	49.50	16.14	65.64
	Total (A)	600.60	194.79	795.39
	Ceiling as per the Act	3,782.85	3,782.85	7,565.70

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B. Remuneration to other Directors:

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
		P. P. Shah	D. M. Kothari	N. N. Tata	B. Somaya	
1.	Independent Directors					
	Fee for Attending Board / Committee Meetings	1.30	0.30	1.40	0.70	3.70
	Commission	35.00	50.00	30.00	15.00	130.00
	Others, specify	—	—	—	—	—
	Total (1)	36.30	50.30	31.40	15.70	133.70
2.	Other Non-Executive Directors					
	Fee for Attending Board / Committee Meetings	—	—	—	—	—
	Commission	—	—	—	—	—
	Others, specify	—	—	—	—	—
	Total (2)	—	—	—	—	—
	Total B = 1 + 2	36.30	50.30	31.40	15.70	133.70
	Total Managerial Remuneration (A) + (B)					929.09
	Overall Ceiling as per the Act					8,322.27

C. Remuneration To Key Managerial Personnel other than Managing Director / Manager / Whole-time Director:

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Company Secretary	CFO	
1.	Gross Salary:			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	45.64	74.39	120.03
	b) Value of Perquisites u/s. 17(2) of the Income Tax Act, 1961	1.02	0.28	1.30
	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:			
	Employer's contribution to Provident Fund & Superannuation Fund	3.51	3.89	7.40
	Total	50.17	78.56	128.73

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES:

There were no penalties, punishments, compounding of offences for the year ended March 31, 2018.

For and on behalf of the Board

Mumbai, 2nd May, 2018

P. P. Shah
Chairman

Annexure 5 to the Board's Report

Form No. MR - 3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

[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 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, 2018, 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 if any for the financial year ended on 31st March, 2018 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, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during audit period)
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / 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, 1998; (Not applicable to the Company during audit period)
 - i. SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- vi. There are no laws which specifically apply to the type of activities undertaken by the Company.

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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 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. There was no change in the Composition of the Board of Directors during the audit period.

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.

For JHR & Associates
Company Secretaries

J. H. Ranade
(Partner)

FCS: 4317, CP: 2520

Place: Thane
Date: 30th April, 2018

The Members,

Kansai Nerolac Paints Limited
Nerolac House, Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013

Our Secretarial Audit Report of even date for financial year 2017-18 is to be read along with this letter.

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.
2. Our responsibility is to express an opinion on these secretarial records, systems and procedures based on our audit.
3. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.
4. 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: 30th April, 2018

REPORT ON CORPORATE GOVERNANCE

Pursuant to Schedule V (C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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

The strength of Board as on 31st March, 2018 is eight Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are six Non-Executive Directors, of which three Directors, including the Chairman, are Independent Directors. The Board also consists of one Woman Independent Director. The number of Independent Directors on the Board is in conformity with the requirement of Regulation 17(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Three Non-Executive Directors namely, Mr. M. Tanaka, Mr. H. Furukawa and Mr. K. Kato are nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

Five Board Meetings were held during the year ended 31st March, 2018, i.e. on 2nd May, 2017, 20th July, 2017, 16th October, 2017, 19th January, 2018 and 9th March, 2018.

The Board of Directors as on 31st March, 2018:

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Mr. P. P. Shah	Chairman (Non-Executive and Independent Director)	5	Yes
Mr. D. M. Kothari [@]	Vice Chairman – Upto 2nd May, 2017. (Non-Executive and Independent Director)	1	Not applicable.
Mr. H. M. Bharuka	Managing Director – Upto 2nd May, 2017. Vice Chairman and Managing Director – From 3rd May, 2017.	5	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	5	Yes
Mr. P. D. Chaudhari [#]	Whole-time Director	4	Yes
Mr. M. Tanaka	Non-Executive Director	4	No
Mr. H. Furukawa	Non-Executive Director	4	Yes
Mrs. B. Somaya	Non-Executive and Independent Director	3	Yes
Mr. K. Kato	Non-Executive Director	3	No

[@] Mr. D. M. Kothari retired from the Board of Directors of the Company with effect from the close of business on 2nd May, 2017.

[#] Mr. P. D. Chaudhari resigned from the Board of Directors of the Company with effect from the close of business on 31st March, 2018.

Every Director has personally attended at least one Board/Committee of Directors' Meeting in the financial year 2017-18.

Certificates have also been obtained from the Independent Directors confirming their position as Independent Directors on the Board of the Company in accordance with Section 149 of the Companies Act, 2013 read with Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Number of Board of Directors or Board Committees other than Kansai Nerolac Paints Limited 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, 2018, 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	Nil	7
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	5	1	1
Mr. P. D. Chaudhari	Nil	Nil	Nil
Mr. M. Tanaka	Nil	Nil	Nil
Mr. H. Furukawa	Nil	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil	Nil
Mr. K. Kato	Nil	Nil	Nil

* As per Regulation 26(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The number of directorships and the positions held on Board Committees by the directors are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations as on 31st March, 2018.

In terms of Schedule V (C) (2) (e) and Regulation 36 (3) (c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, none of the Directors are related to each other.

Disclosure of Shareholding of Non-Executive Directors:

Name of the Director	Shares held as on 31.3.2018 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. N. N. Tata	Nil
Mr. M. Tanaka #	Nil**
Mr. H. Furukawa #	Nil**
Mrs. Brinda Somaya	Nil
Mr. K. Kato #	Nil**

** Nominee of Kansai Paint Co. Ltd., Japan. No share held in personal capacity.

Director seeking re-appointment at this Annual General Meeting.

Orientation of newly elected directors and updation strategy

Newly elected directors are given a presentation on the functioning of the Company. Every quarter, reports of the various departments of the Company are circulated among all the directors. These reports give specific particulars of the respective departments. Apart from this, the directors are intimated of the changes as and when they happen. All the functional heads are present at the Audit Committee Meeting of the Company held every quarter. Presentations are also made to the Board of Directors by the functional heads. This ensures that the functional heads can apprise all the directors about the developments in their specific areas.

Access to information

The Directors, including independent directors, 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 parent company, Kansai Paint's auditors.

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 our Directors is also given on the website <https://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 of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of Senior Management. The Code has also been posted on the Company's website at www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2018. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

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.

The members of the Audit Committee are Mr. Pradip P. Shah, Mr. N. N. Tata and Mrs. Brinda Somaya.

All the members of the Audit Committee are Non-Executive and Independent Directors. All the members possess sound knowledge of accounts, audit, financial management expertise, etc.

Mr. Pradip P. Shah is the Chairman of the Audit Committee.

Mr. Pradip P. Shah, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 21st June, 2017.

Mr. G. T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

There were four meetings of the Audit Committee during the year ended 31st March, 2018, i.e. on 2nd May, 2017, 20th July, 2017, 16th October, 2017 and 19th January, 2018.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2018
Mr. P. P. Shah	4
Mr. N. N. Tata	4
Mrs. Brinda Somaya (Member of the Committee from 3rd May, 2017)	2
Mr. D. M. Kothari (Member of the Committee upto 2nd May, 2017)	1

Besides this, another meeting of the Audit Committee was held on 2nd May, 2018 at which meeting the Audited Annual Accounts for the year ended 31st March, 2018, were placed before the Committee for consideration.

The Internal Auditor and the representatives of the Statutory Auditors also attend the Audit Committee meetings, besides the executives invited by the Audit Committee to be present thereat.

The Internal Auditors report directly to the Audit Committee.

4. Nomination & Remuneration Committee

The terms of reference of the Nomination & 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 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.

All the members of the Nomination and Remuneration Committee are Non-Executive and Independent Directors. The members of the Committee are Mr. N. N. Tata, Mr. P. P. Shah and Mrs. Brinda Somaya.

Mr. N. N. Tata, an Independent Director, became the Chairman of the Committee with effect from 3rd May, 2017.

Mr. N. N. Tata, Chairman of the Nomination & Remuneration Committee, was present at the last Annual General Meeting held on 21st June, 2017.

There were 2 meetings of the Nomination & Remuneration Committee during the year ended 31st March, 2018, i.e. on 20th April, 2017 and 19th January, 2018.

Name of the Director	Number of Nomination & Remuneration Committee Meetings attended during the year ended 31st March, 2018
Mr. N. N. Tata	2
Mr. P. P. Shah	2
Mrs. Brinda Somaya (Member of the Committee from 3rd May, 2017)	1
Mr. D. M. Kothari (Member of the Committee upto 2nd May, 2017)	1

Besides this, another meeting of the Committee was held on 2nd May, 2018 to determine the remuneration to be paid to Executive Directors, Commission to be paid to Non-Executive Directors and evaluation of the Board of Directors and the Committees of the Board.

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 & 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 therefor, 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 (including perquisites and allowances) as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors, for FY 2017-18 are as follows:

(₹ in lacs)

Break-up of Remuneration	Mr. H. M. Bharuka (Managing Director)	Mr. P. D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	120.00	45.00
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	15.90	6.90
HRA, LTA and other perquisites	150.00	56.25
	285.90	108.15
<u>Variable Component</u>		
Commission	280.00	77.00
Company's contribution to Provident Fund (on Commission)	33.60	9.24
	313.60	86.24
Total	599.50	194.39

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Whole-time Director during the previous year ended 31st March, 2017.

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, in accordance with the approval granted by the Shareholders for payment of commission to the Non-Executive Directors. The commission payable to Non-Executive Directors is decided by the Board, 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 as approved by the Shareholders of the Company.

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 2017-18.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2018 are as under:

(₹ in lacs)

Name of the Director	Sitting Fees					Commission@	Total
	Board Meeting	Audit Committee Meeting	N & RC* Meeting	CSR Committee** Meeting	Independent Directors Meeting		
Mr. P. P. Shah	0.50	0.40	0.20	—	0.20	35.00	36.30
Mr. D. M. Kothari #	0.10	0.10	0.10	—	—	50.00	50.30
Mr. N. N. Tata	0.50	0.40	0.20	0.10	0.20	30.00	31.40
Mrs. Brinda Somaya	0.30	0.20	0.10	—	0.10	15.00	15.70

* N & RC: Nomination and Remuneration Committee.

** CSR Committee: Corporate Social Responsibility Committee.

@ Commission paid during the year 2017–18 was for the year ended 31st March, 2017.

Mr. D. M. Kothari retired from the Board of Directors of the Company with effect from the close of business on 2nd May, 2017. Accordingly, he ceased to be a member of all the Board Committees with effect from the close of business on 2nd May, 2017.

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.

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.

Independent Directors:

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors of the Company have been appointed for a period of 5 years.

Pursuant to Schedule IV to the Companies Act, every Independent Director has been issued a letter of appointment containing the terms and conditions of his/her appointment. The terms and conditions of appointment have been posted on the website of the Company at www.nerolac.com.

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, two separate meetings of the Independent Directors were held during the year on 16th October, 2017 and 26th March, 2018, without the attendance of non-independent Directors and members of management.

Name of the Director	Number of meetings of the Independent Directors attended during the year ended 31st March, 2018
Mr. N. N. Tata	2
Mr. P. P. Shah	2
Mrs. Brinda Somaya	1

A meeting of the Independent Directors with the Statutory Auditors and Internal Auditors of the Company was held on 16th October, 2017.

Another meeting of the Independent Directors was held on 26th March, 2018, inter alia to:

- Review the performance of the non-independent Directors and the Board as a whole;
- Review the performance of the Chairman of the Company, taking into account the views of the executive directors and non-executive directors;
- Assess 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.

Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of the meetings of Independent Directors held on 16th October, 2017 and 26th March, 2018. 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.

Notes on Directors seeking appointment / re-appointment as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. M. Tanaka

Mr. Masaru Tanaka is a Non-Executive Director on the Board of the Company.

Mr. Tanaka graduated from the Faculty of Technology, Doshisha University, Japan and joined Kansai Paint Co. Ltd., Japan in April 1981.

Mr. Tanaka is Director, Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Tanaka does not hold any shares in the Company.

Mr. H. Furukawa

Mr. Hidenori Furukawa is a Non-Executive Director on the Board of the Company.

Mr. Furukawa is a graduate from Graduate School of Engineering, Osaka University and joined Kansai Paint Co. Ltd., Japan in April 1983.

Mr. Furukawa is Director, Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Furukawa does not hold any shares in the Company.

Mr. K. Kato

Mr. Katsuhiko Kato is a Non-Executive Director on the Board of the Company.

Mr. Kato graduated from the Waseda University, Dept of Politics & Economy, Faculty of Economy, Japan and joined Kansai Paint Co. Ltd., Japan in March 2014.

Mr. Kato is Executive Officer of Kansai Paint Co. Ltd., Japan.

Mr. Kato does not hold any shares in the Company.

Mr. Anuj Jain

Mr. Anuj Jain has been appointed as an Additional and a Whole-time director of the Company with effect from 1st April, 2018.

Mr. Jain is B.Sc., MMS (Marketing) and was Director – Decorative and Industrial Sales & Marketing prior to his appointment on the Board.

6. Stakeholders' Relationship Committee

In our Company, the Stakeholders' Grievance Committee is known by the name of Stakeholders' Relationship Committee.

- (i) The Members of the Stakeholders' Relationship Committee, upto 31st March, 2018 are Mrs. Brinda Somaya, Mr. H. M. Bharuka and Mr. P. D. Chaudhari.

Mrs. Brinda Somaya, a Non-Executive Independent Director, is the Chairman of the Stakeholders' Relationship Committee.

Mrs. Brinda Somaya, Chairman of the Stakeholders' Relationship Committee, was present at the last Annual General Meeting held on 21st June, 2017.

- (ii) Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.
- (iii) A summary of various complaints received and cleared by the Company during the year is given below:

Nature of Complaint	Received	Cleared
Non-receipt of Dividend Warrant	0	0
Non-receipt of Share Certificates	0	0
SEBI/Stock Exchange Letter/ROC/NSDL/CDSL	2	2
Miscellaneous	0	0
Total	2	2

- (iv) Normally all complaints/queries are disposed off expeditiously. The Company had no complaint pending at the close of the financial year.
- (v) 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. The Committee attends to share-transfer formalities every fortnight.

7. General Body Meetings:

- (i) The last three Annual General Meetings (AGM) of the Company were held as under:

	Date and Time	Venue
97th AGM	21th June, 2017 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.
96th AGM	22nd June, 2016 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.
95th AGM	3rd July, 2015 at 3.00 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.

- (ii) One Special Resolution authorizing the Company to keep the Register and Index of Members and the copies of Annual Returns at the office of the new Registrar & Transfer Agent of the Company – TSR Darashaw Ltd. was passed in the 96th AGM, out of previous 3 AGMs.
- (iii) No Postal Ballot was conducted last year.
- (iv) No Special Resolution is proposed to be conducted through Postal Ballot.
- (v) 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.

8. Means of Communication

- (i) Quarterly Results:

The quarterly results are published in accordance with the requirements of the Listing Agreement of the BSE and the NSE.

- (ii) Newspaper in which results are normally published:
Business Standard and Tarun Bharat. Results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Economic Times/Maharashtra Times.
- (iii) Any website, where displayed:
www.nerolac.com
- (iv) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts:
Relevant information is displayed on the website.
As the financial results of the Company are published in the Newspapers and also displayed on the Company's website, a separate half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM: Date, Time and Venue:
Thursday, 21st June, 2018 at 11.00 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai-400 001.
- (ii) Financial Calendar:
- | | |
|---|---------------------|
| | : April – March |
| – Financial reporting for the quarter ending 30th June, 2018 | : End July, 2018 |
| – Financial reporting for the quarter ending 30th September, 2018 | : End October, 2018 |
| – Financial reporting for the quarter ending 31st December, 2018 | : End January, 2019 |
| – Financial reporting for the year ending 31st March, 2019 | : End April, 2019 |
| – Annual General Meeting for the year ending 31st March, 2019 | : End June, 2019 |
- (iii) Dates of Book Closure:
Friday, June 15, 2018 to Thursday, June 21, 2018 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
- (iv) Dividend Payment Date:
On or after 26th June, 2018.
Dividend, when declared, will be payable on or after 26th June, 2018 to those members whose names are registered as such in the Register of Members of the Company as on June 14, 2018 and to the Beneficiary holders as per the beneficiary list as on June 14, 2018 provided by the NSDL and CDSL.
- (v) Listing of Stock Exchanges:
The Company's Equity Shares are listed on the BSE and the NSE.
The annual listing fees of the BSE and the NSE have been paid.
- (vi) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

Demat – ISIN Number for NSDL & CDSL: INE531A01024

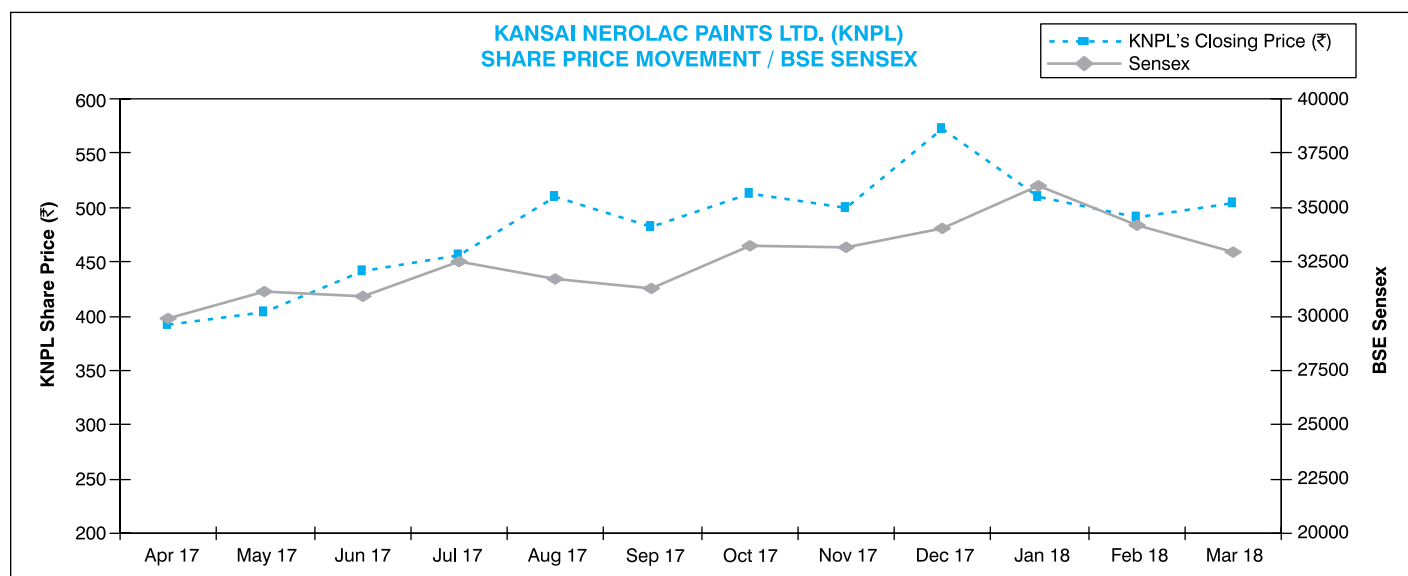
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- (vii) Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2018 is furnished below:		
Month	High (₹)	Low (₹)
April 2017	395.95	371.85
May 2017	437.80	381.00
June 2017	444.00	398.25
July 2017	461.00	435.00
August 2017	528.90	429.25
September 2017	525.00	452.50
October 2017	520.00	477.00
November 2017	516.90	475.00
December 2017	608.00	490.05
January 2018	588.45	465.75
February 2018	525.70	472.85
March 2018	514.00	453.20

Stock Performance of Kansai Nerolac Paints Ltd. (KNPL):

Month	KNP's Closing Price on BSE (₹)	Sensex
April 2017	392.35	29918.40
May 2017	403.25	31145.80
June 2017	441.45	30921.61
July 2017	455.95	32514.94
August 2017	510.10	31730.49
September 2017	482.30	31283.72
October 2017	513.10	33213.13
November 2017	499.50	33149.35
December 2017	573.05	34056.83
January 2018	509.20	35965.02
February 2018	490.70	34184.04
March 2018	504.20	32968.68



- (viii) The securities of the Company have never been suspended from trading.

- (ix) Registrar and Share Transfer Agents:

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala Industrial Estate,
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

(x) Share Transfer System:

After consideration by the Stakeholders' Relationship Committee, the Share Transfers 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 particulars of movement of shares in the dematerialized mode are also placed before the Stakeholders' Relationship Committee.

(xi) Distribution of Shareholding as on 31st March, 2018:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	37,928	85.48	34,78,832	0.65
501 to 1000	1,979	4.46	15,89,290	0.29
1001 to 2000	1,347	3.04	20,97,757	0.39
2001 to 3000	552	1.24	14,17,804	0.26
3001 to 4000	437	0.98	15,39,092	0.29
4001 to 5000	287	0.65	13,51,330	0.25
5001 to 10000	731	1.65	54,83,304	1.02
10001 and above	1,108	2.50	52,19,62,311	96.85
Grand Total	44,369	100.00	53,89,19,720	100.00

Geographical Distribution of Shareholders as on 31st March, 2018

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Co. Ltd.)	1	0.01	40,41,35,898	74.99
FII, NRI, OCB, FPI – Corp.	1,512	3.40	3,46,91,138	6.43
IN INDIA				
Mumbai	11,992	27.02	7,48,46,512	13.89
New Delhi	2,409	5.43	71,47,164	1.33
Ahmedabad	1,648	3.71	16,58,996	0.31
Bangalore	2,668	6.01	20,12,763	0.37
Pune	3,012	6.79	22,25,726	0.41
Kolkata	1,582	3.57	26,70,741	0.50
Chennai	1,760	3.97	8,06,548	0.15
Hyderabad	1,186	2.67	7,54,356	0.14
Surat	535	1.21	4,34,403	0.08
Vadodara	566	1.28	3,72,189	0.07
Jaipur	430	0.97	3,52,587	0.07
Others	15,068	33.96	68,10,699	1.26
TOTAL	44,369	100.00	53,89,19,720	100.00

Categories of Shareholders as on 31st March, 2018

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoters' Holding		
1.	Promoters		
	Indian Promoters	Nil	Nil
	Foreign Promoters (Kansai Paint Co. Ltd., Japan)	40,41,35,898	74.99
2.	Persons acting in concert	Nil	Nil
	Sub-Total (A)	40,41,35,898	74.99
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	2,38,87,087	4.43
b.	Banks, Financial Institutions, Insurance Companies, Alternate Investment Funds (Central/State Govt. Institutions / Non-Government Institutions)	2,68,81,559	4.99
c.	Others (Foreign Portfolio – Corp.)	3,32,58,702	6.17
d.	Foreign Institutional Investors (FIIs)	25,690	0.01
	Sub-Total (i)	8,40,53,038	15.60
4.	Others		
	Private Corporate Bodies	42,83,034	0.80
	Indian Public	4,41,03,000	8.18
	NBFCs	1,49,705	0.03
	NRIs/OCBs	14,06,746	0.26
	Any Other (Trusts)	4,00,719	0.07
	Unclaimed Suspense Account	2,69,730	0.05
	IEPF	1,17,850	0.02
	Sub-Total (ii)	5,07,30,784	9.41
	Sub-Total (B) = (i) + (ii)	13,47,83,822	25.01
	Grand Total	53,89,19,720	100.00

(xii) Dematerialisation of Shareholding and Liquidity:

99.23 % of the paid-up share capital had been dematerialised, as at 31st March, 2018.

Particulars of trading on the Company's shares for the Financial year 2017-18:

Stock Exchange	No. of Trades	No. of Shares
BSE	1,29,759	45,50,954
NSE	16,38,949	4,64,13,562

The particulars of Promoter holding as against Non-Promoter holding in the Company is given in (xi) of "General Shareholder Information" of this Corporate Governance Report.

(xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

Not Issued.

(xiv) Commodity price risk or foreign exchange risk and hedging activities:

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 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 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.

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 meetings are also done with banks and important data announcements such as unemployment data, G 7 meetings, Non-farm payroll, RBI announcements etc. is watched carefully. Coverage of currency – approximately 80% payments are in USD and approximately 15% in Yen. We try and cover maximum 30% – 40% open market exposure depending upon movement of currencies and forward premium. Also, supplier credit terms are decided time to time looking to current forex rates and volatility. Option strategies are evaluated periodically. Purchasing from various countries is decided to maximise currency advantage, wherever applicable.

(xv) 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

(xvi) Address for correspondence:

TSR Darashaw Ltd.

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

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

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.

10. Disclosures:**(i) Related Party Transactions**

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, 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 34 to the financial statements. 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. The Company has a Related Party Transaction Policy in place, which has been posted on the website of the Company at <https://nerolac.com/financial/policies.html>.

(ii) 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.

(iii) Vigil mechanism and Whistle Blower Policy:

The Company has a Whistle blower Policy in place. The internal auditors of the Company have been provided with a separate e-mail address. They are also stationed at the Head Office of the Company as the Company has provided the auditors with a separate office. Any employee of the organization can contact the auditor on the mail or personally. 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. The Whistle Blower Policy of the Company has been posted on the website of the Company.

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 has been denied access to the Audit Committee.

(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements.

Details of any non-compliance of any requirement of corporate governance report of sub-para (2) to (10) :

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. There is no non-compliance with any requirement of corporate governance report of sub-para (2) to (10) of the Corporate Governance report as given in Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures of the compliance with Corporate Governance requirements specified in Regulation 17 to 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), have been made in this Corporate Governance report. Details required under clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the said Regulations are displayed on the website of the Company at www.nerolac.com.

The discretionary requirements as stipulated in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, have been adopted to the extent and in the manner as stated under the appropriate headings in the Report on Corporate Governance.

(v) Material Subsidiaries: The Company does not have a material subsidiary as defined under Regulation 16 (1) (c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Policy for determining material subsidiaries is posted on the website of the Company at <https://nerolac.com/financial/policies.html>

(vi) Disclosure of commodity price risks and commodity hedging activities:

This has been discussed under point no 9 (xiv) of this Corporate Governance Report.

(vii) CEO/CFO Certification:

A certification from the CEO and CFO as specified in Part B of Schedule II in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, was placed before the Board Meeting held on 2nd May, 2018 to approve the Audited Annual Accounts for the year ended 31st March, 2018.

(viii) Risk Management: The Company has a Risk Management Framework in place, the details of which are provided in the Board's report.

(ix) 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. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Mumbai, Maharashtra, by submitting an application in Form No. II to the aforesaid authority.

Pursuant to Section 205 A read with 205 C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2010 have been transferred to the Investor Education and Protection Fund.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for seven years are to be transferred to the Investor Education and Protection Fund.

Pursuant to Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, shares, in respect of which dividend is not claimed for seven consecutive years, is required to be transferred by the Company in the name of Investor Education and Protection Fund (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://nerolac.com/financial/shareholders.html#scroll> for details of amounts lying in the unclaimed dividend accounts of the Company, unclaimed dividend for 2009-10 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 as required under Schedule V (F) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

	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, 2017	173	3,12,150 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	6	10,940 Equity Shares of ₹ 1 each
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	6	10,940 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	59	31,480 Equity Shares of ₹ 1 each
e)	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2018	108	2,69,730 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

Mumbai, 2nd May, 2018

P. P. SHAH
Chairman

DECLARATION

As required under Schedule V(D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board Members 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, 2018.

For Kansai Nerolac Paints Limited

Mumbai, 2nd May, 2018

H. M. Bharuka
Vice Chairman and Managing Director

Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of Kansai Nerolac Paints Limited

1. This certificate is issued in accordance with the terms of our agreement dated 4 July 2017.
2. This report contains details of compliance of conditions of corporate governance by Kansai Nerolac Paints Limited ('the Company') for the year ended 31 March 2018 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchanges.

Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

Auditors' Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2018.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. 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.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance 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.

Restriction on use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it 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 for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No: 105149

Mumbai
2 May 2018

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 March 31 of every year. Our Company comes under 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 November 4, 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, 2017 to 31st March, 2018
7. **Sector(s) that the Company is engaged in (industrial activity code wise):**

NIC code of the Product	Description
20221	Manufacture of paints and varnishes, enamels or lacquers

8. **Key product that the Company manufactures/provides (as in balance sheet):**
Paints
9. **Total number of locations where business activity is undertaken by the Company:**
 - (a) Number of International Locations: Nil. The Company has two subsidiaries abroad, namely KNP Japan Private Limited in Nepal and Kansai Paints Lanka Private Limited in Srilanka.
 - (b) Number of National Locations:
 - Manufacturing Facilities: 4
 - R&D Centre: 1
 - Depot/Sales Locations: 104
 - Distribution Centres: 2
 - 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): ₹ 5,197.77 crores
3. Total Profit after Taxes: ₹ 516.40 crores
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%): 2.14%
5. List of Activities in which expenditure in 4 above has been incurred:
 - (a) Livelihood & Skill Enhancement Programs
 - (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 the financial year under consideration, namely FY 2017-18, our Company, Kansai Nerolac Paints Ltd. (KNPL) had two 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)	N.A.
2	Name	Mr. Jason S. Gonsalves
3	Designation	Vice President – Corporate Planning, IT, HR 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)

No.	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 being 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-ISO & OHSAS Certification	Y	Y	Y
4	Has the policy being 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
5	Does the Company have a specified 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://nerolac.com/financial/policies.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/sustainability.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/financial/policies.html#scroll	https://nerolac.com/quality-policy.html
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 related to the policy/ policies?	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	—	—	—	—	—	—	—	—	—
3	The Company does not have financial or manpower resources available for the task	—	—	—	—	—	—	—	—	—
4	It is planned to be done within 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 assess 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. The Company publishes the Sustainability Report and starting from 2017-18, the Sustainability Report forms part of the Annual Report of the Company. 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?

KNPL's Code of Conduct which covers Directors, Senior Management and all employees addresses conflict of interest, corporate opportunities, confidentiality, compliance with laws, rules and regulations, protection and proper use of company assets, fair dealing and ethical business practices, encourages reporting of any illegal or unethical behaviour, handling news of company amongst others. The provision of the same is available on the Company website.

KNPL's Whistle Blower Policy encourages employees to bring 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 are applicable to any irregularity involving employees in their dealings with any external entities.

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 institutionalized various mechanisms for receiving and resolving complaints from its stakeholders. There are dedicated resources to respond to the complaints within a time bound manner.

During the year, KNPL received 2 shareholder complaints which were answered and resolved satisfactorily. During the year, KNPL did not receive any complaint under the Whistle blower mechanism.

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 has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. KNPL's Decorative products have no added lead. In Automotive the products are free from substance of concern. The Company is moving its automotive products to higher solids from conventional solid products.

In line with the Ministry of Environment, Forest and Climate change stipulated regulation on lead restriction which mandates paint manufacturers to restrict lead in all decorative products within 90 ppm with effect from 1st November 2017, KNPL is fully compliant to this regulation because of various measures proactively taken before time.

Old material which is shelf life expired and lying in KNPL's warehouses is sent back to the factories to be re-worked or disposed-off safely.

KNPL continues to conduct research and introduce sustainable products and solutions for its customers.

Some of its latest offerings in the current year are:

Common Painting System: In Automotive two wheeler Segment, the Company has developed a common painting system which can be applied on both Sheet Metal and Plastic together and can be baked together as well. In general conventional process both these components use different Technology Products. Application and baking was being done at different spray booth and oven, where sheet Metal bake at 140°C/30 Minutes and Plastic parts bake at 80°C/30 Minutes. With the New Common Painting system products, customer can do the painting at common spray booth and also can bake both the parts at common Temperature of 80°C/30 Minutes. With this customers will save energy due to low baking product as well as will have saving on inventory control.

Monocoat system: KNPL has developed Monocoat products for Automotive Coating application. The technology has replaced existing 2 Coats system with only 1 coat application at OEM. This will save one coat application of Clear coat, and in turn will reduce material consumption and energy for painting besides saving on inventory.

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 CO₂ equivalent per Ton of finished product) of water based architectural products. Steps to reduce Carbon footprint index are initiated, wherever possible, by pursuing energy efficiency in operations and adoption of renewable energy.

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 IT systems, KNPL has ensured that kilometres travelled by the finished goods is minimised. The Company has also taken various measures to ensure that spillages and damages incurred during transportation are minimized. At 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.

Information on initiatives is covered in Sustainability Report section of this Annual Report.

Common Painting System: 2 products combined into 1 product, hence 50% reduction in inventory levels for the equivalent set of product previous year.

Monocoat system: 50% reduction during sourcing/production and distribution for the equivalent set of product previous year.

(b) *Reduction during usage by consumers (energy, water) 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

Common Painting System: 50% reduction during usage by consumer over equivalent set of product previous year.

Monocoat system: 50% reduction during usage by consumer over equivalent set of product previous year

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 being done from manufacturers which have a formal sustainability program. KNPL uses raw materials which are heavy metal-free in over 90 % of its production. KNPL encourages suppliers to provide raw material and transportation and storage solutions which reduce emissions or energy consumption either directly or indirectly. Where ever possible, bulk liquids are transported in tankers instead of using barrels, thereby reducing barrel waste generation. Most of packing material used is sourced from suppliers within 10 KM 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 their capacity and capability of local and small vendors?

Yes, all packing material used is sourced from local and /or small suppliers within 10 KM radius of production sites. KNPL actively encourages and works with local and small producers to improve their capability and capacity through quality programs, suggestions, price competitiveness feedback, vendor ratings, and audit at supplier factories by purchase and QA and 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.

Yes, KNPL has a mechanism to recycle products and waste. KNPL has a strong mechanism in place to ensure products and waste is recycled. KNPL has zero effluent discharge at three of its facilities. A standard process to recycle products is followed across all the plants wherein local team in consultation with 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 waste is recycled and reused in the plants. A Solvent Recovery Unit (SRU) is installed in plants for distillation of solvent. SRU removes sludge present in the used solvent thus making it reusable. Recycling of products and waste is also a Key Performance Indicator of the plant employees thus linking it to their performance appraisal process. 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 strives hard to create an environment of shared growth and ownership amongst all its employees. The Company had 2861 employees as on 31st March, 2018.

KNPL provides employees with opportunities to undertake various programs to ensure that they are up to date on skills and competencies needed to perform their job to the best of their ability. KNPL has defined a set of core values for the organisation. In addition, KNPL has a competency / skill framework for all its employees in various cadres.

Regular forums like conferences, workshops and focussed group meetings are held to familiarise employees on various happenings across the Company as well as to provide an employee with an opportunity to highlight issues being faced on the ground. The Company keeps all its employees up to date on company happenings through monthly newsletter, letter from MD, Quarterly results amongst others.

Employees participate in employee surveys both internal and externally and are encouraged to give their views freely. The Company has provided relevant employees with a system to write down their issues in various operating areas and ensures that within 72 hours the issue is addressed to the employee's satisfaction. The Company has a Social conduct committee in place to address challenges of behaviour at the work place.

Eligible employee in managerial cadre has a predefined KRA (Key Result Area) with clear performance expectation and guidelines which tells an employee what is expected of them in order that the Company achieves its objectives. The employee is kept up to date on his or her performance on a month to month basis. The Company has a transparent on line appraisal system which is based on the KRAs set. The Company has a formal talent and succession planning process in place. It also does periodic benchmarking of salary and other benefits amongst relevant companies across the industry.

At the manufacturing plants various investments are made towards occupational health and safety of the employees. All statutory norms are complied with at both depots and manufacturing plants towards the protection and well being of the employees.

At its manufacturing facilities regular monthly meetings are held with the union by management to ensure the overall well-being of the workmen. Collective bargaining and timely settlement of long term wage contracts is encouraged. For contract workmen who are deployed in manufacturing and depots of KNPL, at each location, various checks are maintained in the system to ensure that wage payments, statutory contribution and provisions of safety and other such obligations are met by the contractor. 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.

Please indicate the Total number of employees hired on temporary/contractual/casual basis.

Total number of employees hired on temporary/contractual/casual basis: 2303

Please indicate the Number of permanent women employees.

The number of permanent women employees: 47

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 number of disabled employees.

Do you have an employee association that is recognized by 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 is members of this recognized employee association?
KNPL's trade unions represent 100% of its workers, which is about 26% 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 the financial year	No. of complaints pending as on end of the financial year
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 up-gradation 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	64
Permanent Women Employees	71
Casual / Temporary / Contractual employees	80

Safety Training	Percentage (%)
Permanent	97
Permanent Women Employees	81
Casual / Temporary / Contractual employees	90

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

Yes, the Company has mapped its internal and external stakeholders.

Internal stakeholders:

- Employees
- Shareholders and investors

External stakeholders:

- Customers
- Vendors, suppliers and other business partners
- Contractual employees

Local community and society

- Regulatory authorities
- Influencers

Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders
Local communities are considered as those who are vulnerable.

Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

KNPL's CSR program 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's Code of conduct for employees, the Human Resource policies and settlements reached with the Trade unions at the Company's plants are based on the principles 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. These are reflected in the various Human Resource policies. Employees have easy access to these policies and are made aware of these throughout the year.

The Company provides various mechanisms to ensure that an employee's voice is heard through grievance addressal 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 program. It has been disclosing various initiatives under the same in accordance with the GRI guidelines for the last 6 years in its sustainability report which is available on the website. This year the Sustainability Report is part of the Annual Report. KNPL continuously upgrades its customers on new technology products which are environmental friendly. KNPL conducts various Value Engineering and Value Analysis activities at its Automotive Customers to explore projects jointly which will help reduce energy needs. KNPL has implemented the SAP EHS Module way back in 2011 and has adopted the Tagline of Healthy Home Paints for its Decorative Products to show its commitment to the environment. KNPL's plants are ISO 14001 certified. Policy related to Principle 6 covers the Company and its subsidiaries.

Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

KNPL's endeavour is to adopt an inclusive approach to protect and conserve the environment. KNPL has been constantly working towards improving its carbon and water footprint while optimally utilising natural resources. KNPL has an Environment, Health and Safety (EHS) Policy which is communicated to all employees. The EHS Policy is available on KNPL's website and can be accessed at <https://nerolac.com/sustainability.html#scroll>. Information on detailed initiatives is covered in Sustainability Report section of this Annual Report.

Does the Company identify and assess potential environmental risks? Y/N

Yes, the Company has formal mechanism to identify and assess potential environmental risks. Information on the process is covered in Sustainability Report 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 multiple projects for emission reduction and improvement of environmental footprint of the Company. Although no project is registered under Clean Development Mechanism, emission reduction initiatives have been covered in Sustainability Report 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.

Reduction of carbon footprint, reduction in waste water, zero discharge at plants, rain water harvesting, use of natural sunlight are amongst the various initiatives done by the Company. Information on detailed initiatives is covered in Sustainability Report 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?

Yes

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

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 programs of these associations, and supports them with appropriate inputs in governance and administration, Economic reforms, environmental 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.

Yes. 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 organization?

Yes, combination of all.

Have you done any impact assessment of your initiative?

Yes, assessment is done before starting the initiative and constantly monitored at various stages.

What is your company's direct contribution to community development projects – Amount in INR and the details of the projects under-taken

An amount of ₹ 11.03 crores was spent towards various CSR projects during the financial year 2017-18.

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 partnering 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 on the end of financial year.

KNPL actively engages with its customers in a responsible manner. The Company's technical and production teams and if needed, Kansai Paint Co. Ltd., Japan work to ensure that a customer's issue is successfully resolved.

For Automotive and certain Industrial OEM customers, KNPL provides technical sales service personnel who are stationed at the customer lines to ensure that the product provided by the Company runs smoothly on the line. These personnel work round the clock at the customer lines and provide various value added 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. KNPL has institutionalised a mechanism to get feedback from its automotive OEM customers as regards the Technical Sales Service personnel working at their site.

All customer product complaints either directly from OEM or given to KNPL via dealers or the sales team are recognised and recorded in the SAP system. 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 also 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 KNPL. These are then tracked to successful resolution.

There are 7 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 Information 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 financial year.

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 customers detailed customer surveys are carried out every year once by internal team and once by external independent agency to get the feedback. 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

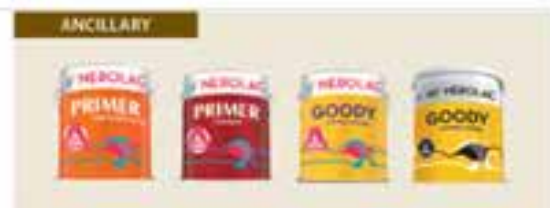
Vice-Chairman and Managing Director

Mumbai, 2nd May, 2018

DECORATIVE RANGE



OTHERS



INDUSTRIAL RANGE

Automotive Coatings

Applications in Industries -

Passenger Vehicles, Commercial Vehicles, Tractors

Products

Intermediate coat/Primer Surfacer, Top Coat, Scratch Resistant Clear Coat, High Solid Base Coats, DTM(Direct to Metal) Coating, Multi-metal Coating, Touch up Paint, Auto Refinish, Heat Resistant Paints, Underbody paints & PVC Sealants, Rapgard Transit Protection Film, Automobile Interior Coating, Monocoat Metallics, Super anti-corrosive primer, Electrodeposition Coating

Technology

Electrodeposition(ED), 3C-1B(3 Coats 1 Bake)/ 2C-1B System, Common coating system for sheet metal & plastics

General Industrial Coatings

Applications in Industries -

Electrical Equipment, Agricultural Equipment, Generator Sets, Gas Cylinder, Sewing Machine, Helmet Coating

Products

Barrel Coating, Container Coating, Cycle Coating, Generator Coating, Coil Coating, Construction Equipment Coating, Pre-engineering building structure Coating, Electrical appliances, Fan Coating, Gas Cylinder Coating, Glass Coating, Hacksaw blades, Helmets Coating, Pencil Coating, Zip Coating, Material handling equipment, TV Cabinet Coating

Powder Coatings

Applications in Industries -

Refrigerator, Washing Machine, Microwave, Fans, Air Conditioner, Light Fixtures, Electrical Equipment, Auto ancillary

Products

Epoxy Polyester Powder, Epoxy Powder, Pure Polyester Powder, Polyurethane Powder, Rebar Coating, Wood Sublimation Coating, Super Durable Coating, Low bake powder Coating, Fast cure powder Coating, Antimicrobial Coating

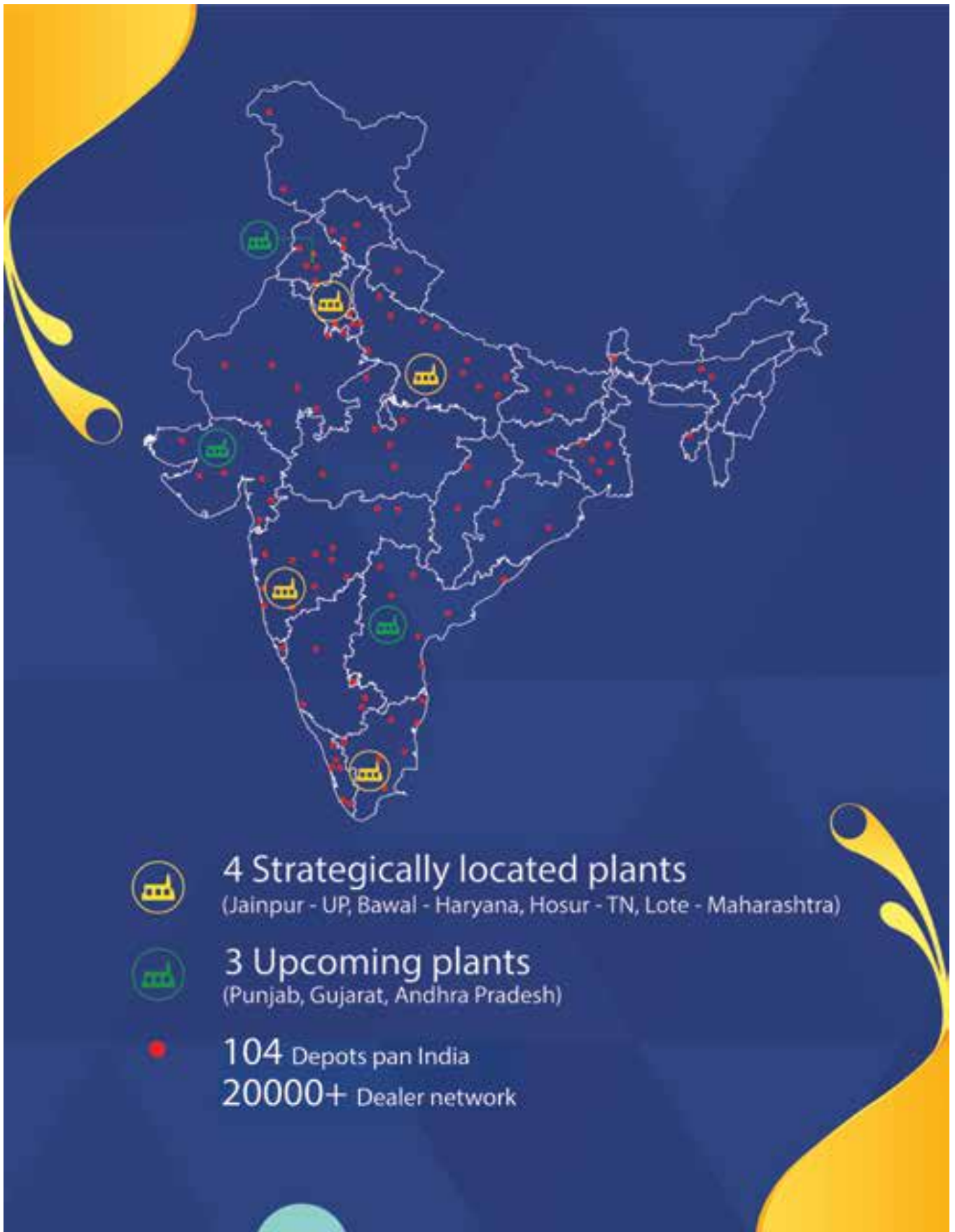
High Performance Coatings

Applications in Industries -

Petroleum/Petrochemicals, Chemical, Fertilizer, Infrastructure, Cement, Railways

Products

Chlorinated Rubber Coating, Conventional Coating, Epoxy Primers & Finishes, Epoxy tank lining, Surface tolerant Coating, Epoxy glass flakes surface tolerant Coating, Coal Tar Epoxy, Polyurethane Coating, Inorganic Zinc Silicates, Heat Resistant Coating, Polysiloxane Coating, Floor Coating





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EXCEL TROPHY
2018
Winner Paint Category
Survey of 2018-2019 period by Nielsen

VOTED PRODUCT OF THE YEAR 2018
Winner Paint Category. Survey by Nielsen.

SUSTAINABILITY REPORT

Message from the Vice Chairman and Managing Director

Dear Stakeholders,

I am delighted to present the Company's first integrated annual report which covers the sustainability report for the financial year 2017-18. This section focuses on KNPL's sustainability agenda and progress made thereof.

In line with the sustainability program of the organisation, KNPL continued work on environmental and social sustainability aspects of business. KNPL exercised stewardship in all major aspects of sustainability and strengthened due diligence.

Product stewardship: KNPL continues to focus on environment friendly product innovations which have helped the Company to offer innovative and sustainable products to valued customers.

Safety stewardship: KNPL believes in achieving Safety excellence through employee participation and consultation. Amongst the highlights of last year, are strengthening of the training system and bringing about training automation through implementation of self-training kiosk. This will facilitate maximum coverage of employees through customised audio-visual training modules and strengthen awareness on safety concepts at all employee levels.

Environmental stewardship: The Company has been proactive in order to reduce its environmental footprints from its operation. Water footprints at our production sites have been reduced by ~5% in the last year. The Company has strategically focussed on water reduction at source and invested in dry or close loop process technologies to curtail water consumption.

Serving Society: KNPL, on its journey to sustainable growth has always believed in being a responsible corporate citizen. We have been investing in social projects under themes of Livelihood Enhancement, Preventive Healthcare and Sanitation, Community Development and Promoting Education. Social projects are being taken up in collaboration with local stakeholders like government agencies, institutions amongst others.

In summary, KNPL will pursue sustainable business growth with the help of all of our stakeholders and relentless efforts from our employees.

H. M. Bharuka

Vice Chairman and Managing Director

Report Profile, Scope and Boundary

This report aims to disclose sustainability performance of Kansai Nerolac Paints Limited (KNPL) as per Global Reporting Initiative (GRI) guidelines for financial year 2017-18 (1st April, 2017 – 31st March, 2018). This report is based on GRI G4.0 – Core Guidelines. Sustainability report is compiled and published every year based on GRI reporting principles i.e. Balance, Comparability, Accuracy, Timeliness, Clarity, and Reliability. This is seventh consecutive sustainability report and this is the first time it is being published in an integrated manner along with Annual Financial Report and Business Responsibility Report (BRR). References to GRI indicators are provided in GRI Content Index. Quantitative data in this report with respect to material aspects has been derived from various system reports internally. Qualitative information has been published after review with concerned functional heads. Draft sustainability report content is reviewed by Management committee followed by rigorous review by Executive Director and Managing Director of the Company. After reviewing report content and approval from Top management, sustainability report is published.

Financial data and CSR expenditure in this report have been externally assured. For any clarification with respect to the report or to request for additional copies, please contact through mail at – sustainability@nerolac.com

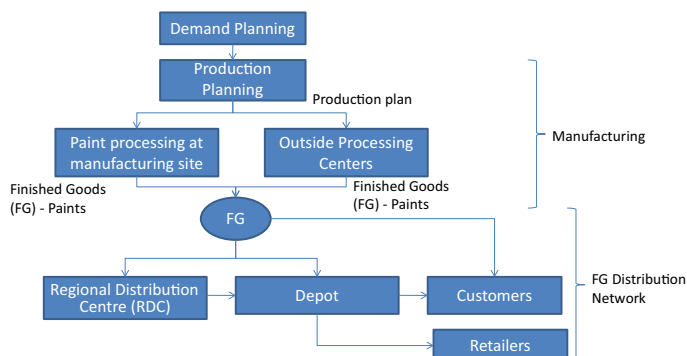
The Corporate office of KNPL is at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400013, Maharashtra, INDIA.

This report covers KNPL operations in India. KNPL has four manufacturing facilities in India located at Lote, Bawal, Hosur and Jainpur. The fifth facility at Sayakha will be commissioned in the near future. There are no significant changes in organization structure, ownership and operations during the reporting period. There are no restatements of information provided in previous reports. Scope and aspect boundaries with respect to material elements are similar to that of previous sustainability report.

KNPL SUPPLY CHAIN

KNPL supply chain is illustrated in simplified format in the diagram below. We cater to industrial as well as Decorative customers. The Planning and Distribution part of supply chain differs for two major group of customers – Industrial and Decorative as mentioned below. For Industrial customers, planning is carried out as per “Make to Order” philosophy, while decorative customers are served through our wide distribution network and planning is carried out based on forecasted demand.

Production plan is the output of planning phase, which provides input for manufacturing in terms of finished goods and to purchase department with respect to raw materials to be procured to fulfill the demand. Purchasing of required materials and manufacturing of paint is carried out as per production plan. This is followed by distribution to customer through the distribution network.



KNPL MEMBERSHIP

Membership details are covered in the Business Responsibility Report through disclosure on principle 7.

Commitment to External standards/principles

- ISO 9001:2015 – All plants
- ISO 14001: 2007 – Hosur and Bawal plant
- ISO 14001: 2015 – Lote and Jainpur plant
- OHSAS 18001
- IATF 16949: 2016

STAKEHOLDER MANAGEMENT

KNPL's stakeholders are covered as part of the Business Responsibility Report through disclosure on principle 4.

While information regarding key engagement activities with Customers, Influencers, Employees, shareholders and investors as well as Local community are covered in other sections of the Annual report, information on engagement activities with Suppliers and Regulatory Authorities are given as follows.

Supplier

We consider vendors as our business partners and hence we have developed appropriate vendor engagement and development platforms. To deliver Quality paint product to end customer, it is necessary to receive consistent Quality from our Raw Material and Packing Material vendors. To manage objectives of Quality performance, Timely delivery and other development initiatives, KNPL has adopted a Vendor Performance management system. To emphasize these aspects, KNPL Quality Assurance team assesses vendor performance on Quarterly basis. An audit of critical vendors as per need is carried out if required. Vendor audit is based on multiple criteria such as Quality performance, ISO 9001 certification, ISO 14001 certification, OHSAS 18001, Factories Act amongst others. During vendor audit following major points related to Environment, Health and Safety are assessed:

1. Systems followed – ISO 14001, OHSAS 18001 amongst others.
2. Compliance to statutory and regulatory requirements such as Factory license renewal, Explosive license, Hazardous handling, Pollution Control Board clearance, Air & Water Consent renewal
3. Safety – Availability and accessibility of fire-fighting equipment and their controls. Availability of Material Safety Data Sheet (MSDS) for materials
4. Sustainability and green initiatives
5. Safety and housekeeping standards
6. Awareness of operating people towards safety and quality

For better collaboration with our vendors we have adopted Nerolac supplier portal to facilitate supply chain visibility of order processing. KNPL also engages with its vendors for joint improvement projects.

Regulatory Authority

KNPL interacts and communicates with various government authorities such as Pollution Control Boards (PCBs), State Industrial Development Centre (SIDC), Ministry of Environment and Forest (MoEF) either directly or through industry associations as per need. For various government approvals such as consent to operate, Environmental clearance, Fire NOC, Company representatives interact with government officials as and when required. The Company expresses its views and suggestions on various government gazettes through industry associations like Indian Paint Association (IPA) amongst others.

Materiality Aspects and Scope

Material Aspects	Materiality and Scope for KNPL
Economic Aspects	
Economic Performance	Strong economic performance is necessary for an organization to be sustainable.
Market Presence	KNPL caters to its valued customers through its distribution network of depots and dealers across INDIA. Contribution to local areas and communities through employment is an important aspect. KNPL contributes to local employment in a market wherever it operates. Employment is generated directly such as at manufacturing sites, depots or indirectly for sourcing of various materials or services from local market.
Indirect Economic activity	KNPL addresses this material aspect through its Corporate Social Responsibility (CSR) activities.
Procurement practices	KNPL tries to procure its raw materials from local vendors to the extent possible. However, certain ingredients are imported to fulfill specific Quality/specification and Safety requirements.
Environmental Aspects	
Materials	Environmental performance is an important component of triple bottom line performance. It is necessary for an organization to reduce environmental impact of its operation through efficient manufacturing processes and by adopting cleaner technologies. It is the need of the hour to efficiently use natural resources like water, materials efficiently while reducing waste, emissions and effluents. KNPL has always been keen on development of eco-friendly products and technologies to help reduce their impact during paint application.
Energy	
Water	
Biodiversity	
Emissions	
Effluents and waste	
Compliance	
Transport	
Overall	
Products and Services	KNPL has always been keen on leveraging its technological edge to develop innovative products and technologies to reduce environmental footprint during application phase. Being the leader in Industrial coatings, it has developed products which are made of concern free ingredients and are low in energy consumption during application. It has differentiated its decorative products as Healthy Home paints.
Supplier Assessment for labour practices and Environment	Supplier assessment and due diligence is important aspect for sustainability. KNPL exercise it through supplier audits on various aspects such as ISO 14001, OHSAS 18001 certifications, statutory compliance amongst others.
Material aspects related to Labour practices	
Employment	Employees are an important asset to organization.
Diversity and equal opportunity	KNPL is an equal opportunity employer.

Material aspects related to Labour practices (Contd.)	
Labour/ Management Relations	KNPL is committed to conduct its activities in such a way as to take the foremost account of the Occupational Health and Safety (OH & S) of its employees and all the individuals working in its plants.
Occupational Health and Safety	
Training and Education	Training and Education of workforce is necessary to upgrade skills of employees working in various functions. It helps the organization to be competitive through enhanced employee participation and engagement.
Human Rights	KNPL complies with all applicable regulations and standards with respect to human rights.
Material aspects related to Society - Local Community	In today's era, it is important to be a good corporate citizen and neighbour in order to maintain social license to operate. KNPL has a policy to guide Corporate Social Responsibility (CSR) activities in areas around its operational sites. The manufacturing locations and corporate office drives planned CSR programs in the scheduled quarter by involving external agencies or on their own.
Anti Corruption	KNPL has well established code of conduct and whistle blower mechanism to address corruption related risks.
Material Aspects related to Product Responsibility	
Marketing communications	KNPL complies with all applicable regulations with respect to Marketing communications, labeling and customer privacy. It also tries to promote healthier and safer nature of its products through packaging labels.
Product and Service labelling	
Customer Privacy	KNPL maintains customer privacy in terms of sharing and publishing of customer details.
Customer health and safety	KNPL products have gained popularity as Healthy Home paints in the market. It has pioneered and introduced low VOC paints with no added lead in Indian markets.

Economic Aspects

Data on revenue and profit growth is covered as part of the annual report.

The Company received no financial assistance from government in last financial year as per IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, 2001.

There has been no political contribution by the Company in last year.

All strategic economic decisions are taken by the Board of Directors and executed by the 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 Managing Director, Management Committee

and Departmental Heads and so on. Management committee forms the highest governance body of organization under the aegis of Managing Director. Management committee members are responsible for economic decisions with respect to areas under their purview. These are approved by Managing Director and Board of Directors as per laid down policy.

At KNPL, Agenda and plans for next financial year are decided at the start of year which entails documentation of detailed annual business plan. Based on annual business plan and market trends with respect to currency value, Raw material cost, Energy costs amongst others, detailed annual budget is prepared by Chief Financial Officer of the Company which is further approved by the Managing Director and Board of Directors. Annual expenditure is divided into two major categories – Capex (Capital Expenditure) and Revenue Expenditure.

Environmental Aspects

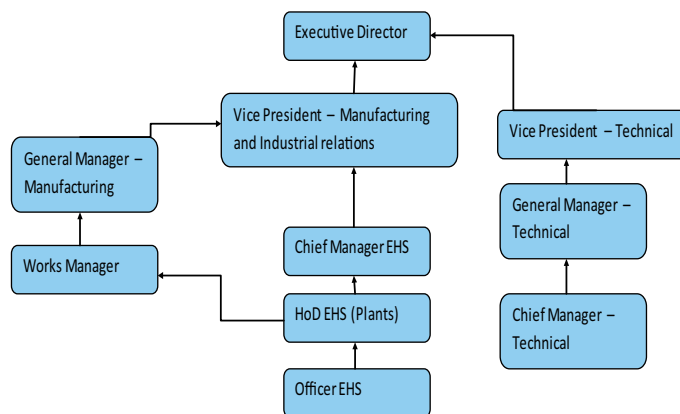
Environmental sustainability topics such as waste management, water conservation or hazardous chemical management garner increased attention nowadays. These are topics and issues which are directly connected with everyday lives of people. Much of the government budget is also being expended on pollution abatement and detoxification measures. It is expected that businesses play a key role in addressing environmental sustainability challenges through means such as compliance with environmental norms and corporate social responsibility initiatives amongst others.

KNPL strives to achieve environmental excellence in its operations and continually improve. Our major focus is on reduction at source; be it solid waste, effluent waste or energy consumption. The Company is always keen on adoption of cleaner technologies to reduce its environmental footprints. Most of the decorative paint processing is through close loop manufacturing technologies to cause minimal wastage. Upcoming section deals with the Company's progress on environmental sustainability part.

Environmental Governance

Environment, Health and Safety (EHS) function exercises vigilance on the environmental agenda of organization and its compliance. The diagram illustrates how environmental governance is exercised throughout the organization. Environmental compliance and process controls at plants is ensured by plant EHS teams with the help of Manufacturing team. Corporate EHS

function guides plant EHS teams for accomplishment of environmental objectives of organization. Environment review meetings are conducted on monthly basis at respective plant location where works manager acts as chairperson and EHS head acts as Secretary.



Executive Director guides environmental agenda of organization through EHS review meeting at head office in presence of VP Manufacturing & Industrial Relations, GM manufacturing, Chief Manager EHS & Engineering. It happens periodically at head office.

The Company has successfully been able to develop green products and its application technologies for its customers. Green products and technical solutions are developed by the technical function. Technical function plays a key role in development of sustainable products for customers.

Precautionary Approach

KNPL is keen on adopting new emerging practices and approaches to cater to precautionary approach as specified by principle 15 of 'The Rio Declaration on Environment and Development'. Our precautionary approach is characterized by following major areas –

1. Adoption of renewable energy
2. Adoption of cleaner technology
3. Product differentiation based on green features
4. Reduce, Reuse and Recycle initiatives to reduce overall water consumption
5. Raw material substitution
6. Process optimization and waste minimization

The Company is keen on leveraging opportunities driven by Climate change and it has invested in above approaches. While leveraging these opportunities, it has also identified risks posed by climate change. Mitigation plan has been developed to address these risks.

Environmental Sustainability Risks

Environmental risks in operations are identified through aspect – impact study of processes and are addressed through control measures and environmental management programs. Legal updates subscription communicates draft government notifications on timely basis. The Company also participates in liaisoning with government bodies on draft notifications through industry associations such as IPA. Based on external factors and liaisoning, the Company evaluates potential environmental risks in the Company's context and the timeline for action. Based on requirements, investments are proposed for approval and implementation is

planned. The Company identifies other risks driven by physical changes in climate conditions through various data available on government websites, sustainability assessment platforms such as CDP, GRI based sustainability reports. Various publications from governments such as National Action Plan on Climate Change (NAPCC), resources on websites of environment and water resource ministry also help understand environmental risks. The Company also leverages climate change as an opportunity in the relevant context. In operations, the Company gets benefits by energy efficiency, renewable energy and material efficiency initiatives. While in product marketing, environment and health friendly products are major themes.

Environmental and climate change related risks

Risk Driver & Description	Potential impact	Expected Timeframe	Likely cost of management	Management method
Emission Monitoring Provision of online effluent and emission monitoring system and transmission of data to PCBs. It may extend to Paint industry as well. Draft regulations on fugitive emissions have already released. There is going to be norms on VOC, dust emissions from processes	Increased capital cost and operation cost	1 to 3 years	₹ 5 Crores	1. Installation of online effluent & emission monitoring 2. Self monitoring for compliance. 3. Installation of technologies to capture fugitive emissions and reuse to the extent possible.
Regulation on water consumption There may be regulations to limit water consumption or to conserve water through community initiatives	Increased capital cost and operation cost	1 to 3 years	₹ 10 Crores	1. Water conservation through monitoring at source, cleaner technology. 2. Zero liquid discharge at new plants 3. Rain water harvesting 4. Community initiatives for water conservation
Renewable energy obligation Already some of the states have renewable energy regulations. It may extend to other states.	Increased capital cost	1 to 3 years	₹ 5 Crores	1. Adoption of renewable energy i.e. Solar, wind, biomass 2. Improvement in energy efficiency of operations
ESG performance rating obligation SEBI has mandated business responsibility report and provided guidelines for integrated reporting.	Increased revenue cost	1 to 3 years	₹ 10 Lacs	1. Improvement in environmental processes & accounting methods 2. External assurance for non-financial data.
Chemical regulation Chemical regulations are prevalent in other countries such as REACH, RoHS. In India as well, there are regulations on heavy metals. Soon more chemical regulations are expected to be developed in India.	Increased capital cost and operation cost	3 to 6 years	₹ 1.5 Crores	1. Check compliance against worldwide regulations proactively. 2. Establish systems for monitoring of substances of concern 3. Implementation of product safety software. 4. Project plan for adoption of eco-friendly Raw material alternatives

Environment and Safety Expenditure

Last year, the Company spent around ₹ 7.51 crores capital expenditure on EHS requirements at existing plants. It includes upgradation of assets for environmental monitoring, effluent treatment, water conservation, energy efficiency, emergency preparedness and safety equipment upgradation.

There had been ₹ 2.78 crores of revenue expenditure on EHS requirements at the existing plants.

Apart from this, the Company has invested ₹ 10.66 crores of capital expenditure in its to be commissioned plant at Sayakha. It includes zero liquid discharge facility, emergency equipment and occupational health center to name a few.

Material and Waste Management

Paint manufacturing is a material intensive process. Paint is a mixture of binder, pigment, additive and solvents.

Material cost is significant proportion of final product cost in case of paints. Quality raw material procurement and its wastage during processing are key focus area of the Company. Table below illustrates material consumption along broad categories of raw materials.

Raw Material category	2014-15	2015-16	2016-17	2017-18
Pigments, Extenders and Resins (in MT)	125722	146114	169546	185715
Organic acids and anhydrides (in MT)	13551	15097	17560	18529
Solvent oils and fatty acids (in MT)	79906	87741	95467	95822

In order to reduce material wastage at source, the Company has implemented close loop manufacturing processes in most of its decorative operations. Process parameters are monitored through SCADA controls where feasible to exercise strict control on material additions. It has also helped reduce worker exposure to various workplace hazards. Implementation of SILO system for close loop powder addition has helped reduce worker exposure to dust on shop floor. In decorative process, most of the wash water is reused in the product itself.

Last year, the Company strengthened its material recovery and reuse initiatives as well; specifically material losses due to sticking in supplied packaging. It is tracked through system and reuse is ensured. Implementation of reusable cartridge in the filtration

process has helped reduce cartridge waste reduction from industrial processes. In resin manufacturing, cleaning solvents of all major resins are reused in the next batch of same resins and losses are being kept at the minimal. In paint section, system controls have been implemented to ensure reuse of paint filled in part filled cans in the the next compatible batch of paint. In order to reduce sticking material losses and barrel handling in manufacturing processes, the Company procures bulk liquid chemicals in tankers instead of barrels and these raw materials are stored in tanks for further usage in manufacturing.

In operations, cleaning solvent is reused after distillation process again for equipment cleaning. The Company uses all fresh raw materials in its products to maintain high quality standards. Major hazardous wastes generated from our manufacturing sites are Distillation residue, ETP Sludge, Mixed Paint, off specification paint amongst others. These wastes are being disposed off as per statutory requirement to authorized Treatment and disposal facilities. No waste is transported internationally from our sites. In last financial year, there have not been any cases of significant spillage at any of our manufacturing sites.

KNPL currently does not reclaim packing material generated from products sold.

Raw Material Procurement and Due Diligence

The Company has a supplier base of total 500 plus material suppliers. Out of this, ~350 plus are local suppliers. The Company tries to source its raw materials from local vendors to the extent possible; but it needs to import some of the specialized raw materials as there is no local alternative.

Raw Materials (in %)	2014-15	2015-16	2016-17	2017-18
Imported	40	46	42	45
Indigenous	60	54	58	55

As a part of due diligence with respect to its raw material supply, the Company has introduced a mechanism to evaluate local vendors based on various criteria such as compliance with statutory requirements, environment management system, safety management system, sourcing from conflict region amongst others. New local vendors are being evaluated based on checklist and audited through a factory visit. Last year, 12 suppliers

were audited and evaluated out of 21 newly introduced suppliers. Most of packing materials are sourced from suppliers within 10 KM radius of production sites to minimize transportation and associated environmental impacts. Going forward, the Company will continue to strengthen the mechanism for supplier due diligence and their confirmation on compliance.

Water Management

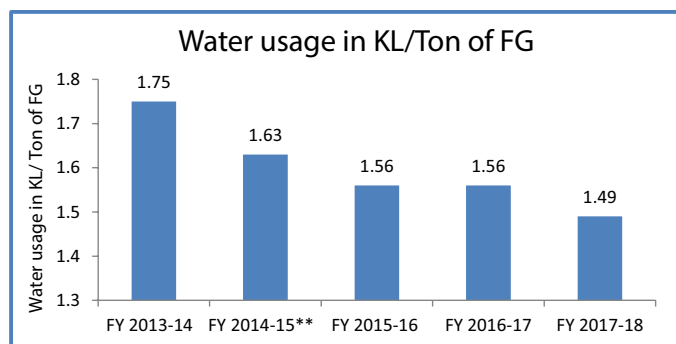
Water scarcity issue is visible around the globe and in India. Water is going to be an important resource going forward. The world's demand for water is likely to surge in next few decades, majorly driven by rapidly growing population, farm activities and companies. In Indian scenario as well, some of the regions are already experiencing water stress and thereby scarcity. Ground water depletion and polluted water sources are key challenges of the country. Indian government is also seen to acknowledge this impending issue and is trying to address issue through various projects and legislations. River basin cleaning projects (e.g. Ganga, Yamuna etc), Rain water harvesting projects (such as Jalyukt Shivar), stringent compliance and monitoring on effluent treatment are some of examples of efforts from government.

KNPL understands its role in the issue and strives to achieve utmost water efficiency in its operations through close loop processing and daily water usage monitoring at source to avoid wastage.

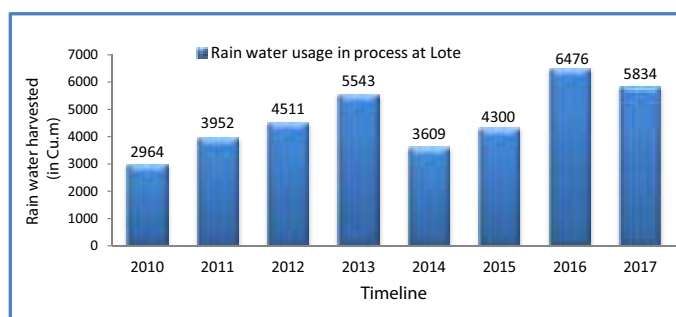
Key water conservation initiatives are as below –

1. Implementation of dry screw vacuum pump to replace water base vacuum pump.
2. Optimization of water consumption of cooling tower.
3. Reuse of steam condensate as boiler feed.
4. Reuse of Sewage Treatment Plant (STP) treated water for toilet flushing.
5. Daily water monitoring at source through installed water meters.
6. Sustenance of control over water spillage through tank float valves.
7. 100% recycling of treated water from zero liquid discharge facility.

The Company has been able to reduce its water consumption over the years. Specific water consumption i.e. water consumption/Ton of Finished Goods (FG) is as shown in the following chart.



At Lote plant, collected rain-water is being used in processes during rainy season. At other plants, the Company has installed groundwater recharge setup.



Water Sources	Volume of water Consumed (in Cu. Meters)
SIDC (State Industrial Development Corporation)	165035
Ground Water	296617
Total Water consumption	461652

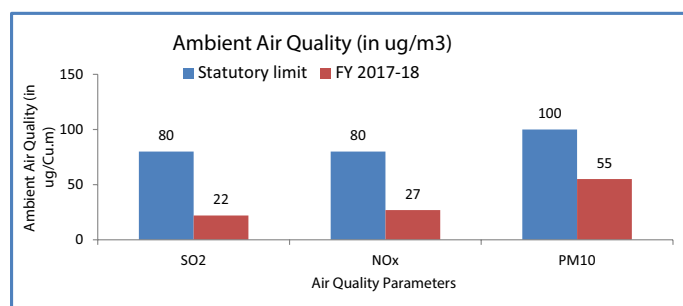
Effluent Treatment

Lote, Bawal and Hosur manufacturing facilities are zero liquid discharge facilities. Jainpur facility has Effluent Treatment Plant (ETP) and Sewage Treatment Plant (STP) to treat effluent as per statutory norms; while implementation of Zero liquid discharge is in progress. Domestic effluent is separately treated in Sewage treatment plant which is reused for Toilet flushing and gardening purpose inside plant. Industrial effluent generated from processes such as floor washing, equipment cleaning etc. is treated in effluent treatment plant followed by treatment through Reverse Osmosis (RO) and Multi Effect Evaporator (MEE) system. RO permeate is reused in processes such as make up water for cooling tower, boilers etc. Purified water generated after final stage of Multi-effect evaporator is also reused in processes to ensure 100% recycling of treated water. The Company has planned for zero liquid discharge set up at its all forthcoming greenfield project sites.

Air Emissions

Ambient air Quality is monitored on periodic basis at different locations for all manufacturing units of KNPL. Air quality monitoring exercise includes measurement of ambient air quality, Stack emissions, VOC level at shop floor, Noise level amongst others at designated locations in our factories. Air pollution control devices such as cyclonescrubbers have been installed at stacks to filter our air emission before discharge into ambient atmosphere. Pollutant load discharged through our factories is well within statutory limits. Dust collectors have been installed at Powder charging area to control emissions on shop floor and to enable reuse of collected powder. To ensure adequate ventilation on shop floor, our work areas are installed with Forced Draft Ventilation system. Fume extractor system has been installed at shop floor in critical areas to control VOC at work place. The Company has installed close loop processing to the extent possible to avoid any air emissions into atmosphere during paint processing.

Emissions of Ozone Depleting Substances (ODS): Ozone depleting substances majorly R22 are in use at our old facilities. i.e. Jainpur, Bawal and head office for work area air conditioning. The Company uses R134a as refrigerant gas at its Hosur and Lote manufacturing sites. R134a has zero ozone depleting potential and it is relatively cleaner than conventional R22 refrigerant. All new facilities are being installed with refrigeration system based on refrigerant of zero ozone depleting potential. ODS is relevant only with respect to air conditioning of our work areas. It is not part of our product formulations.



Energy Management

There has been increasing focus on energy security in Indian scenario as the country is dependent on fossil fuels to fulfill most of its energy needs. Energy scarcity is impending in Indian scenario. Over last few years, Indian government has been keen in its approach to encourage energy efficiency and adoption of renewable energy through various policies and mechanisms.

KNPL has been following two pronged approach to overcome this sustainability challenge. Firstly, it has focused on improvement in energy efficiency through energy consumption monitoring and adoption of cleaner technologies. Secondly, it has been proactively adopting renewable energy to fulfill some of its energy requirement.



Last year, the Company received certificate of appreciation from Govt. of India, Ministry of Power for efforts in ENCON initiatives

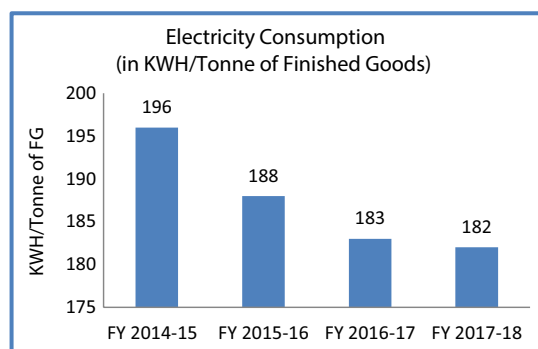
Below table gives snapshot of electricity consumed at KNPL during 2017-18. It covers electricity consumption at our manufacturing sites and head office.

Sources of Electricity	Electricity (in MWH)
Grid Energy	46821
Diesel Generator set	1439
Wind energy (sourced through grid)	2743
Solar energy	1006
Biomass based electricity	4060
Total Electricity consumed	56069

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

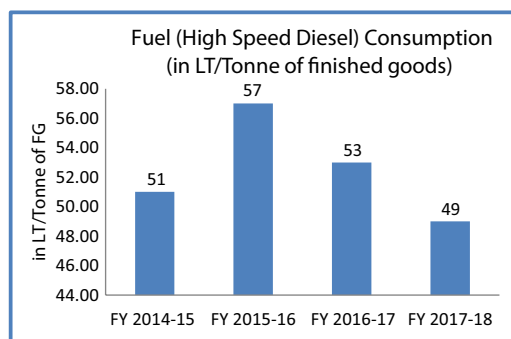
Heat & Steam generation through biomass based boiler	
Total steam consumption	32165 Tons
Total heat consumption	182769 Lac Kcal

The Company measures progress in energy management through key indicators of specific power consumption, specific fuel consumption and percentage of renewable energy.

Specific Power consumption:

*Method of calculation of specific power consumption has been changed. Accordingly previous year data has also been modified for comparability.

Method of Calculation: Specific power consumption is ratio of electricity consumed (from all sources) to total paint production at respective facility during specified period. Electricity consumption is sum of electricity received from grid (i.e. state electricity board), electricity generated from DG set and electricity from renewable energy sources at respective manufacturing facility.



*Method of calculation of specific power consumption has been changed. Accordingly previous year data has also been modified for comparability.

Method of Calculation: Specific fuel consumption is ratio of fuel (i.e. HSD) consumption in boilers to total resin production at respective facility during specified period.

Summary of energy management projects is as given below along with stage of development.

	Stage of Development	Number of Projects	Total estimated annual CO ₂ eq saving (in MT)
1	To be Implemented in 2018-19	2	2700
2	Implemented in 2017-18	5	920

Renewable energy: The Company has been able to increase its energy consumption through renewable energy sources.

Below table illustrates outcome of our efforts in the area.

	2015-16	2016-17	2017-18	Target (2018-19)
% of electricity from renewable energy sources (Solar, Wind & Biomass)	3%	6%	14%	20%
% of process heat & steam through renewable energy (Biomass based)	82%	83%	90%	94%

Last year, the Company implemented below major projects to progress further in its energy security agenda. It will help the Company to increase its renewable energy proportion in coming year.

No.	Implemented Projects in 2017-18	Renewable energy harnessed/Energy saved
1	Solar power plant commissioning across locations	583 MWH
2	Sola tube installation at warehouses	19 MWH
3	LED lighting installation across locations	437 MWH
4	Steam generation on solid fuel at Lote	175 Tons
5	Diesel fired Thermopac load shifted to Renewable fuel	890 Lac Kcal



Sola tube at warehouse



Inauguration of solar power plant at Head Office

Other Initiatives which are to be implemented and planned for this financial year are as follows:

No.	Description of project	Potential Renewable energy/Energy saving	Activity Type
1	Capital Wind turbine at Hosur	60 Lac units per annum	Low carbon energy
2	Shift towards Environmental friendly Bio-fuel in lieu of Diesel	300 KL Diesel consumption to be shifted to Bio-fuel	Low Carbon energy

GHG Emissions

KNPL has achieved reduction in GHG emissions over the last few years. Focused approach towards energy management in the Company has led to efficient energy usage and thereby reducing corresponding Scope 1 & 2 GHG emissions. It has not only helped reduce environmental impacts but also to achieve cost saving objectives.

Types of GHG Emissions accounted	Activities	Scope of Data
Scope 1 GHG Emissions: Direct GHG emissions	<ul style="list-style-type: none"> Captive power generation from DG HSD consumption in boilers 	KNPL India operations
Scope 2 GHG Emissions: Indirect GHG emissions	<ul style="list-style-type: none"> Power imported from grid 	KNPL India operations
Scope 3 GHG Emissions: Other Indirect emissions	<ul style="list-style-type: none"> Finished goods transport Employee commuting Business travel (Air travel) 	KNPL India operations

Methodology followed

The Company has been accounting GHG emissions through its customized GHG accounting tool, wherein various data such as fuel and electricity consumption, transportation etc data is collated and further converted to CO₂ emissions. Conversion factors used for GHG footprint calculation are taken from IPCC default emission factors, CEA (Central Electrical Authority) database. Following table gives GHG emissions from KNPL India operations.

Financial Year	Scope 1	Scope 2	Scope 3	Total Emissions (CO ₂ eq. in MT)	Emission (in MT) per MT of Production
2012-13	10595	24599	5818	41012	0.21
2013-14	11033	29448	4124	44605	0.21
2014-15	8811	33998	5120	47929	0.21
2015-16	6886	36532	8752	52171	0.20
2016-17	6449	38273	9702	54423	0.20
2017-18	5461	40228	6242	51931	0.17

Biodiversity

All operational facilities are located in the State Industrial Development Corporation area. None of these sites are located near any protected area or area of high biodiversity or ecologically fragile area. There are no significant adverse impacts on biodiversity because of KNPL activities. All of our expansions projects are have been undertaken after due environmental impact assessment (EIA) and stakeholder consultation as applicable. There is no IUCN Red listed species affected by any of the KNPL's activities. There have been no significant initiatives from KNPL for protection or restoration of any biodiversity rich habitat. But our initiatives towards tree plantation have created manmade small eco-system which serves as habitat for native fauna.

Product Responsibility

In case of decorative products, KNPL has been promoting health impacts of paint in market to make customers aware of precautionary measures to be taken while choosing and applying paint. KNPL has pioneered "Healthy Home Paints" concept. The products have no added lead to make them eco-friendly. In line with regulation on lead restriction by the Ministry of Environment and Forest (MoEF) which mandates paint manufacturers to restrict lead in all decorative products within 90 ppm with effect from 1st November 2017, the Company is fully compliant to this regulation because of various measures proactively taken before time.

In Industrial products, the Company is moving its products to higher solids from conventional solid products to give benefit in terms of VOC reduction and solvent losses during application. Automotive products are free from substance of concern.

The Company continues its Research & Development activities to develop and introduce sustainable products and solutions to the delight of its customers. Details of innovative products are published as part of the Business Responsibility Report (BRR).

For product information and labeling, KNPL is complying with Legal Metrology (Packaged Commodities) Rules. Other than the basic requirements stipulated in these rules, following product related information is also provided:

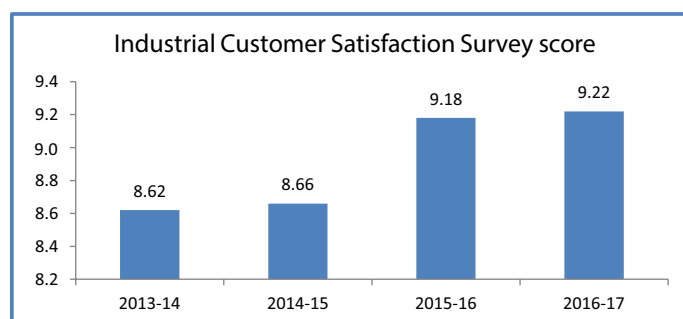
- Content, with regard to substances that might produce an environmental/Social impacts
- Safe use of Product
- Environmental/ Social impact of product

KNPL follows guidelines provided by "The Advertising Standard Council of India" for its marketing communications voluntarily.

In case of Industrial products, Material Safety Data sheets are provided to Industrial paint customers on demand. All finished products are appropriately labeled with health and safety precautionary information and its disposal methods as per applicable norms in India.

To track customer satisfaction, KNPL conducts customer feedback survey to measure customer satisfaction. Customer survey results helps to understand customer needs and expectations. Customer survey is conducted by a external agency.

Customer Satisfaction Survey (CSS) score has been steadily improving. Improved customer service and satisfaction is also evident from our sustained leadership with customers of industrial coatings.



KNPL with due focus ensures strict compliance with legislations related to product formulations and sale of banned products in Indian context. In last financial year, there have not been any complaints regarding breach of customer privacy and losses of customer data.

Employment and Social Aspects

KNPL employees

Details of KNPL employees are included in business responsibility report: principle 3.

Details on employee hiring and employee turnover during last financial year are mentioned in tables below. Total 685 employees were hired.

New Employee Hiring details			Employee turnover details		
Age wise distribution	Nos.	%	Age wise distribution	Nos.	%
< 30 years	385	56%	< 30 years	245	47%
30 - 50 years	296	43%	30 - 50 years	258	49%
> 50 years	4	1%	> 50 years	19	4%
Grand Total	685		Grand Total	522	
Gender wise distribution	Nos.	%	Gender wise distribution	Nos.	%
Male	676	99%	Male	511	98%
Female	9	1%	Female	11	2%
Grand Total	685		Grand Total	522	
Zone wise distribution	Nos.	%	Zone wise distribution	Nos.	%
West	275	40%	West	196	38%
North	228	34%	North	190	36%
South	117	17%	South	92	18%
East	65	9%	East	44	8%
Grand Total	685		Grand Total	522	

Benefits provided to full time employees are mentioned in other section of annual report. In last year, there is no case of employee joining organisation after Maternity Leave.

Employee Training and Development

KNPL is committed to create a learning environment which is business – centric whereby the employees are developed as leaders and are prepared to meet current and future business objectives through deployment of a "pull" strategy rather than a "push" strategy. Employees are encouraged to broaden their horizon

through training programmes as well as other employee engagement forums such as Kaizen competitions, Performance review process, monthly review of section performance etc.

Categories of Training:

1. **Induction Training** – Induction training is given as an initial preparation to new hires upon taking up a post.
2. **Competency Based Training** – Competency Based Training emphasizes on enhancing the competencies required by a person for a particular job and position, in order to achieve individual growth and organizational goals.
3. **Functions Specific Training** – Functional Training aims at upgrading the employees' functional knowledge to keep up with the ongoing internal and external changes, which affects the day to day working in the short run and the individual and organizational growth in the long run.
4. **Skill Development Program** – Skill Development programs aims at upgrading and multi skilling the employees' current skill level by means of Work Instructions, Standard Operating Procedures and Single Point Lessons.
5. **Sales Trainings:**
 - (a) **Advanced Sales Program** – aims at training and upgrading the Frontline Sales personnel to develop the face-to-face selling skills which are needed to promote an open exchange of information thereby reaching to mutually beneficial sales agreements.
 - (b) **LEAP** – This training program aims to rejuvenate the workforce with sales techniques that would enhance their performance. LEAP not only emphasizes on the sales improvement but also on self management of participants which would help them be more holistic.
 - (c) **Jump Sales Training (JST)** – An internal program is designed for the senior frontline Sales personnel in the organization. The program aims to equip the attendees with better planning and execution skills and prepare them for delivering on set expectations.

During last financial year, training in terms of man-hours per employee has been calculated as 5.9.

KNPL is an equal opportunity employer. All recruitment for senior positions is 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. During last financial year, there have been no reported incidents of discrimination.



KNPL employees receive feedback on their performance at regular intervals through 'HRSCAPES' an in-house KNPL HR portal. KNPL has created various platforms to connect with the employees through programs like Coffee with HR, Departmental connects, Idea Management amongst others.

HRSCAPES facilitates communication with respect to Key Result Areas, attendance, and performance feedback. All policies are communicated through HRSCAPES portal. Whistle blower policy and code of conduct of the Company have been shared on HRSCAPES.

As a policy, the Company keeps wages of its employees above the standard entry-level minimum wages fixed by the State Government. There is no gender differentiation in the Company's wages.

Occupational Health and Safety

Last year, the Company continued its efforts on strengthening "Safety First" culture with utmost focus on EHS training, fire prevention programs and emergency preparedness. As a part of Safety excellence, we pursued sustenance of safety process controls such as interlocks and past Corrective and Preventive Action (CAPA) compliance. Through its specialized Danger Experience training program and Kiken Yochi Training (KYT – Hazard Prediction) program, the Company has embarked upon a journey to instill maximum safety awareness and subsequently promote safe behavior across plants. Corporate safety team evaluated safety awareness at plant through online safety test and analyzed results further to drive improvement measures. Safety culture survey was conducted through the HR portal for process employees and feedback was recorded. It led to improvement opportunities to work upon. Last year, the Company also invested upon Safety training Kiosk system with customized Safety training modules on machine

safety and static charge prevention. This will help us to train all employees in a timely and efficient manner. It would add to the safety leading indicators in order to influence safe behaviour at workplace.

The Company encourages worker participation in health and safety topics. Each of our manufacturing sites has established Safety committee with at least 50% of representatives from operators and is in compliance with Factories Act, 1948. Safety committee meeting at plant level acts as platform to take feedback and consultation from workforce representatives. Plant works manager acts as chairman in this meeting to preside over and guide discussion.

In coming year, the Company has planned for various safety theme competitions in order to popularize safe work practices and behaviour. It will further help to strengthen "Safety First" culture through employee participation at all levels. To enhance safety vigilance, the Company will be implementing a tool for reporting of safety concerns and tracking to ensure timely closure.



Fire fighting training

The Company continued its operations with zero frequency rate and severity rate in this year as well. As a result, KNPL achieved 36.76 Million man-hours without any LTI (Lost Time Injury).

Human Rights

The Company ensures compliance with statutory provisions related to child labour. There is no risk of forced or compulsory labour with respect to any of our manufacturing facilities. All new joiners are made aware on KNPL code of conduct as well as whistle blower policy. All KNPL policies regarding code of conduct and ethics have been well communicated through HRSCAPES portal. The Company did not receive any complaints related to child labour, forced labour or sexual harassment during last year. Also, the Company did not receive any complaint from local community with respect to violation of human rights.

KNPL is an equal opportunity employer and there have not been any incident of discrimination in the Company. The Company encourages freedom of association and collective bargaining. All of KNPL plants have labour unions to facilitate collective bargaining process. Collective

bargaining agreement at all of our manufacturing sites cover 100% of Company workers. It covers health and safety related topics such as adherence to safety norms, upkeep of emergency equipment amongst others. To resolve issues that may significantly impact service conditions of employees, formal mechanisms have been put in place to communicate and address employee concerns at regular intervals. Monthly communication and works manager dialogue at manufacturing sites help to communicate organisation progress, its expectation to employees including workers. Monthly meeting with union management also help address issues pertaining to management as well as employment. All issues with respect to labour are addressed through collective bargaining and are resolved. There is no significant risk with respect to violation of right to exercise freedom of association and collective bargaining at manufacturing sites. There have not been any human rights grievances reported in the last financial year.

Corporate Social Responsibility



The Company has constituted a CSR Committee of the Board to guide CSR agenda of KNPL.

CSR Committee guides through following major activities:

1. Recommending the CSR activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
2. Recommendation of the amount of expenditure to be incurred on the activities.
3. Monitoring the CSR Policy of the Company from time to time.

CSR Sub-Committee ensures execution of various CSR activities.

KNPL Focus areas for CSR programs are as mentioned below. Details of expenditure in each of the focused areas are mentioned in annual report.

	Themes/Areas of CSR activity
A.	Livelihood Enhancement Programs are undertaken to impart skill development Training, including on Paints and Painting to unemployed youth to create Job opportunities.
B.	Preventive Health Care and Sanitation The objective is to provide facilities that improve general health condition and sanitation of the general masses, particularly people residing in the vicinity of our plants and the Painters.
C.	Rural / Community Development Our goal is to provide basic facilities to the community settled in the vicinity so as to improve their basic living thereby fulfilling the role of being a good Corporate Citizen.
D.	Promoting Education Our goal is to encourage and support educational institutes to meet their requirements. We also try to focus on educating girl child and children residing in nearby villages in the vicinity of our manufacturing units.
E.	Ensuring Environmental Sustainability It is our continuous endeavour to support preservation of resources like water and the green cover and provide clean environment.
F.	Protection of Heritage Monuments Efforts to protect our National Heritage sites

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED

Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2018, the standalone Statement of profit and loss (including other comprehensive income), the standalone Statement of changes in equity and the standalone Statement of cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements").

Management's Responsibility 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 Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are responsible to 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 entity's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of auditors' report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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.

Opinion

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 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 statement of affairs of the Company as at 31 March 2018, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.

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 standalone balance sheet, the standalone Statement of profit and loss (including other comprehensive income), the standalone statement of cash flows and the standalone 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 Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act;
- (e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the board of directors, none of the directors are disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;
- (f) with respect to the adequacy of the internal financial controls with reference to the standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 during the year ended 31 March 2018; and
 - iv. the disclosure in the standalone Ind AS financial statements regarding holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited standalone Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No.: 105149

Mumbai, 2 May 2018

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March 2018, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and investment properties.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment and investment properties by which the property, plant and equipment and investment properties are verified by the management according to a phased programme designed to cover all the items over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the policy, the Company has physically verified certain property, plant and equipment and investment properties during the year and we are informed that no material discrepancies were noticed on such verification, and the same have been dealt with in the books of account.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than leasehold land) as disclosed in Note 2 and Note 3 to the standalone Ind AS financial statements, are held in the name of the Company. In respect of leasehold lands, we have verified the lease agreements duly registered with the appropriate authorities as disclosed in Note 2 and Note 3 to the standalone Ind AS financial statements.
- (ii) The inventory, except for goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. In respect of stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in the books of account.
- (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 ('the Act'). Accordingly, paragraphs 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of Section 186 of the Act in respect of the investments made.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.
- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 148(1) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Duty of customs, Duty of excise, Sales-tax, Service tax, Value added tax, Goods and Service tax, Cess, Profession tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues of Income-tax have generally been regularly deposited during the year with the appropriate authorities, though there have been slight delays in a few cases. As explained to us, the Company did not have any dues on account of wealth tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Profession tax, Income-tax, Duty of customs, Duty of excise, Sales-tax, Service tax, Goods and Service tax, Value added tax, Cess, Profession tax and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Goods and Service tax and Value added tax as at 31 March 2018, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

(₹ in crores)

Name of Act	Nature of Dues	Amount Demanded	Amount not Deposited Under Disputes	Period to which amount relates	Forum where dispute is pending
Sales Tax and Value Added Tax	Tax, Penalty and Interest	0.62	0.62	1980-1981 1991-1992 1996-1997 2001-2007 2009-2010	Commissioner
		0.51	0.43	1995-96 to 2009-10	Appellate Authorities and Tribunal
The Central Excise Act, 1944	Tax, Penalty and Interest	1.03	1.03	1994-1996 1998 to 2001, 2015-2016	Commissioner
		0.01	0.01	1995-1996	Appellate Authorities and Tribunal
The Finance Act, 1994	Tax, Penalty and Interest	1.94	1.79	2010-2011, 2013-2014, 2015-2016	Commissioner
		7.37	6.79	2009-2016	Appellate Authorities and Tribunal

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the government. The Company did not have any outstanding dues to bankers, financial institutions and debenture holders during the year.
- (ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and has not obtained any term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by applicable Ind AS.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No.: 105149

Mumbai, 2 May 2018

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 31 March 2018 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting 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, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS 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 Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 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.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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 ICAI.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No.: 105149

Mumbai, 2 May 2018

KANSAI NEROLAC PAINTS LIMITED
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2018

₹ in Crores

	Note	As at 31st March, 2018	As at 31st March, 2017
ASSETS			
Non-current Assets			
Property, Plant and Equipment	2	1004.28	945.53
Capital Work-in-progress		343.09	142.12
Investment Property.....	3	0.18	0.18
Other Intangible Assets	4	2.12	0.89
		1349.67	1088.72
Financial Assets:			
Investments	5	25.81	22.03
Loans	6	11.26	10.31
		37.07	32.34
Other Non-current Assets	7	150.49	121.64
Total Non-current Assets		1537.23	1242.70
Current Assets			
Inventories	8	805.76	691.31
Financial Assets:			
Investments	9	519.96	530.75
Trade Receivables	10	675.69	571.71
Cash and Cash Equivalents	11	60.51	43.87
Bank Balances other than Cash and Cash Equivalents....	12	300.40	205.82
Loans	13	3.32	11.19
Other Financial Assets	14	27.02	234.22
		1586.90	1597.56
Other Current Assets	15	137.97	65.79
Total Current Assets		2530.63	2354.66
Total Assets		4067.86	3597.36
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	16	53.89	53.89
Other Equity	17	3071.23	2751.43
Total Equity.....		3125.12	2805.32
Liabilities			
Non-current Liabilities			
Financial Liabilities:			
Borrowings	18	9.71	18.33
Deferred Tax Liabilities (Net)	19	80.42	79.21
Total Non-current Liabilities.....		90.13	97.54
Current Liabilities			
Financial Liabilities:			
Trade Payables	20	683.58	550.20
Other Financial Liabilities.....	21	114.35	80.24
		797.93	630.44
Other Current Liabilities.....	22	29.88	37.13
Provisions	23	21.13	23.26
Current Tax Liabilities (Net)	24	3.67	3.67
Total Current Liabilities		852.61	694.50
Total Liabilities		942.74	792.04
Total Equity and Liabilities.....		4067.86	3597.36

Significant Accounting Policies

The notes referred to above form an integral part of
Standalone Financial Statements

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

H.M. BHARUKA

Vice Chairman and Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

BRINDA SOMAYA

Director

DIN 00358908

ANUJ JAIN

Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

₹ in Crores

	Note	Year ended 31st March, 2018	Year ended 31st March, 2017
Income			
Revenue from Operations	25	4737.01	4531.05
Other Income	26	72.42	98.22
Total Income		4809.43	4629.27
Expenses			
Cost of Materials Consumed	27	2674.88	2190.78
Purchases of Stock-in-trade		213.64	186.43
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	28	(114.45)	(34.26)
Excise Duty on Sale of Goods		150.44	531.98
Employee Benefits Expense	29	226.56	198.12
Depreciation and Amortisation Expenses	30	75.79	69.49
Other Expenses	31	796.17	727.31
Total Expenses		4023.03	3869.85
Profit Before Tax		786.40	759.42
Tax Expense			
Current Tax		268.21	246.47
Reversal of Tax Provision for earlier years		—	(1.31)
Deferred Tax		1.79	8.32
Total Tax Expense		270.00	253.48
Profit for the Year		516.40	505.94
Other Comprehensive Income			
(i) Items that will not be reclassified to Standalone Statement of Profit and Loss			
(a) Remeasurement of Defined Benefit Liability		(1.67)	(7.23)
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		0.58	2.50
Other Comprehensive Income (net of tax)		(1.09)	(4.73)
Total Comprehensive Income for the Year		515.31	501.21
Earnings per Share:			
Basic and Diluted	33	9.58	9.39
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 **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

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DIN 08091524

Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED

STANDALONE STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

₹ in Crores

Balance as at 1st April, 2016	53.89
Changes in Equity Share Capital during 2016-2017	—
Balance as at the 31st March, 2017	53.89
Changes in Equity Share Capital during 2017-2018	—
Balance as at 31st March, 2018	53.89

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1984.03	2448.98
Profit for the Year	—	—	—	505.94	505.94
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	2.50
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(4.73)	(4.73)
Total Comprehensive Income for the Year	—	—	—	501.21	501.21
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(164.37)	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	(34.39)
	—	—	—	(198.76)	(198.76)
Transfer from Retained Earnings	—	—	—	(35.58)	(35.58)
Transfer to General Reserve	—	—	35.58	—	35.58
Balance as at 31st March, 2017	0.30	12.56	487.67	2250.90	2751.43

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2017	0.30	12.56	487.67	2250.90	2751.43
Profit for the Year	—	—	—	516.40	516.40
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(1.67)	(1.67)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	0.58	0.58
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(1.09)	(1.09)
Total Comprehensive Income for the Year	—	—	—	515.31	515.31
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(161.68)	(161.68)
Dividend Distribution Tax	—	—	—	(33.83)	(33.83)
	—	—	—	(195.51)	(195.51)
Balance as at 31st March, 2018	0.30	12.56	487.67	2570.70	3071.23

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

G.T. GOVINDARAJAN

Company Secretary

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For and on behalf of the Board of Directors

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Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018

₹ in Crores

	Year ended 31st March, 2018	Year ended 31st March, 2017
Cash Flow from Operating Activities		
Profit Before Tax	786.40	759.42
Adjustments for:		
Depreciation and Amortisation Expenses	75.79	69.49
Fair Value Gain on Financial Instruments recognised through FVTPL	(4.94)	(11.04)
Unrealised Foreign Exchange Gain	(0.86)	(2.16)
Profit on Sale of Investments (Net)	(30.04)	(56.17)
Interest Income	(20.43)	(11.77)
Dividend Income	(2.62)	(2.70)
Profit on Sale of Property, Plant and Equipment (Net)	(0.03)	(0.04)
Provisions for Doubtful Debts and Bad Debts	1.16	5.13
	18.03	(9.26)
Operating Profit Before Working Capital Changes	804.43	750.16
(Increase) in Trade and Other Receivables	(171.00)	(80.97)
(Increase) in Inventories	(114.45)	(119.60)
Increase in Trade Payables, Other Financial Liabilities and Provisions	131.72	19.79
	(153.73)	(180.78)
Cash Generated from Operations	650.70	569.38
Direct Taxes Paid (Net of Refunds)	(273.33)	(224.42)
Net Cash Flow generated from Operating Activities	377.37	344.96
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)	(333.22)	(204.29)
Proceeds from Sale of Property, Plant and Equipment	0.06	0.10
Purchase of Investments	(25135.61)	(26917.59)
Proceeds from Sale/Redemption of Investments	25181.36	26989.39
Purchase of Investments in Subsidiary Company Kansai Paints Lanka (Private) Limited	(3.76)	(10.71)
Interest Received	20.43	4.77
Dividend Received	2.62	2.70
Investments in Fixed Deposits with Bank	113.35	(431.12)
Net Cash Flow (used in) from Investing Activities	(154.77)	(566.75)
Cash Flow from Financing Activities		
Repayment of Borrowings	(10.45)	(12.83)
Dividend Paid	(161.68)	(164.37)
Tax on Proposed Dividend	(33.83)	(34.39)
Net Cash Flow (used in) Financing Activities	(205.96)	(211.59)
Net Increase / (Decrease) in Cash and Cash Equivalents	16.64	(433.38)

KANSAI NEROLAC PAINTS LIMITED
STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018 (contd.)

₹ in Crores

	Year ended 31st March, 2018	Year ended 31st March, 2017
Cash and Cash Equivalents at beginning of the year, the components being:		
Cash on hand	0.21	0.06
Cheques on hand	21.79	18.61
Balances with Banks on Current, Margin and Fixed Deposit Accounts	21.26	458.34
Effect of exchange rate fluctuation.....	0.61	0.24
	43.87	477.25
Cash and Cash Equivalents at end of the year, the components being:		
Cash on hand	0.06	0.21
Cheques on hand	29.23	21.79
Balances with Banks on Current, Margin and Fixed Deposit Accounts .	30.56	21.26
Effect of exchange rate fluctuation.....	0.66	0.61
	60.51	43.87
Net Increase / (Decrease) as disclosed above	16.64	(433.38)

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2018	31st March, 2017
Opening Balances		
Long-term Borrowing.....	28.78	41.61
Short-term Borrowing	—	—
Movements		
Long-term Borrowing.....	(10.45)	(12.83)
Short-term Borrowing	—	—
Closing Balances		
Long-term Borrowing.....	18.33	28.78
Short-term Borrowing	—	—

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 **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

H.M. BHARUKA

Vice Chairman and Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

BRINDA SOMAYA

Director

DIN 00358908

ANUJ JAIN

Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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.

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.

The Standalone Financial Statements for the year ended 31st March, 2018 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 2nd May, 2018.

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.

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 amounts recognised in the financial statements.

Discount rate used to determine the carrying amount of the Company's defined benefit obligation.

In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

Contingences and Commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Company. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

(ii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful Lives of Property, Plant and Equipment

As described in Note 1(3)(c), the Company reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. During the current financial year, the management determined that there were no changes to the useful lives and residual values of the property, plant and equipment.

Allowances for Doubtful Debts

The Company makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

B. Basis of Preparation (contd.)

4. Use of Estimates and Judgements (contd.)

(ii) Key sources of Estimation Uncertainty (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.

Liability for Sales Return

In making judgment for liability for sales return, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in Ind AS 18 and in particular, whether the Company had transferred to the buyer the significant risk and rewards of ownership of the goods. Following the detailed quantification of the Company's liability towards sales return, the management is satisfied that significant risk and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate liability for sales return.

Accruals for estimated product returns, which are based on historical experience of actual sales returns and adjustment on account of current market scenario is considered by Company to be reliable estimate of future sales returns.

C. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective subsequent years as mentioned below:

Ind AS 115 – Revenue from Contracts with Customers (applicable for annual periods beginning on or after April 1, 2018)

Ind AS 21 – The effect of changes in Foreign Exchange rates (applicable for annual periods beginning on or after April 1, 2018)

Ind AS 116 – Leases (applicable for annual periods beginning on or after April 1, 2019)

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 – Revenue, Ind AS 11 – Construction Contracts when it becomes effective.

The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company is evaluating the requirements of the Ind AS 115 and the effect on the financial statements is being evaluated.

Ind AS 21 – The Effect of Changes in Foreign Exchange Rates

The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company is evaluating the impact of this amendment on its financial statements.

Ind AS 116 – Leases

In January 2016, the IASB issued Ind AS 116 – Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous standard on leasing, Ind AS 17 – Leases. Ind AS 116, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. Ind AS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by Ind AS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognise assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognise depreciation of leased assets separately from interest on lease liabilities in the income statement. As Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. Ind AS 116 is effective from April 1, 2019, with early adoption allowed only if Ind AS 115 – Revenue from Contracts with Customers is also adopted.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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.

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 generally recognised in the Standalone Statement of Profit and Loss unless it is included in the carrying amount of another asset.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(c) Depreciation (contd.)

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 given 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.

Leasehold lands and leasehold improvements are amortised over the primary period of lease.

(d) Disposal

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Standalone Statement of Profit and Loss when the item is derecognised.

4. Investment Property

(a) Recognition and Measurement

Land or building held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business is recognised as Investment Property. Land held for a currently undetermined future use is also recognised as Investment Property.

An investment property is measured initially at its cost. The cost of an investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, the Company carries the investment property at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

After initial recognition, the Company measures all of its investment property in accordance with Ind AS 16 – Property, Plant and Equipment requirements for cost model. The depreciable amount of an item of investment property is allocated on a systematic basis over its useful life. The Company provides depreciation on the straight line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Based on internal technical evaluation, the management believes useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The depreciation charge for each period is generally recognised in the Standalone Statement of Profit and Loss.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Company
Buildings	30-60	30-60

(c) Fair Value

Fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of investment property is disclosed in the Note 3.

(d) Gain or Loss on Disposal

Any gain or loss on disposal of an Investment Property is recognised in the Standalone Statement of Profit and Loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

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 depreciation 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:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale.
- the Company intends to complete the intangible asset and use or sell it.
- the Company has ability to use or sell the intangible asset.
- the Company can demonstrate how the intangible asset will generate probable future economic benefits.
- the Company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- the Company has ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognised in Standalone Statement of Profit and Loss as incurred.

(b) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Standalone Statement of Profit and Loss as incurred.

(c) Amortisation

The Company amortises Other Intangible Assets on the straight line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. The amortisation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives as estimated by management are as follows:

Asset Class	Useful Lives (in years) – as estimated by the Company
Software	3 Years

Amortised intangible asset is displayed as amortisation on the face of Standalone Statement of Profit and Loss.

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 re-measurement are recognised in Standalone Statement of Profit and Loss.

Once classified as held-for-sale, Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

(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.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

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.

The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Inventories are usually written down to net realisable value item by item. Estimates of net realisable value of finished goods and stock-in-trade are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Amount of any reversal of write-down of inventories shall be recognised as an expense as when the event occurs.

A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed. Amounts such reversed shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which reversal occurs.

(d) Valuation of Spare Parts, Stand-by Equipments and Servicing Equipments

Spare parts, stand-by equipment and servicing equipment are recognised as Property, Plant and Equipment if and only if it is probable that future economic benefits associated with them will flow to the Company and their cost can be measured reliably. Otherwise such items are classified and recognised as Inventory.

9. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts which are repayable on demand form an integral part of the Company's cash management, hence bank overdrafts are included as a component of cash and cash equivalents.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

11. Provisions and Contingent Liabilities (contd.)

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

Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company measures revenue at the fair value of the consideration received or receivable taking into account the amount of any sales returns, trade discounts and volume rebates allowed by the Company. No element of financing is deemed present as the sales are made with credit term in line with market practice.

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 the currency 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

14. Taxation

Income Tax

Income tax comprises current and deferred tax. It is recognised in Standalone Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in Equity or in Other Comprehensive Income.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- a. temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- b. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

15. Leases

Leases of Property, Plant and Equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Standalone Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Standalone Statement of Profit and Loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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 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.

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 Statement of 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(c) Derecognition (contd.)

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.

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.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

19. Impairment Loss (contd.)

Impairment of Non Financial Assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate.

The 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 Standard.

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 Subsidiary

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018	
Freehold Land	42.36 (27.30)	26.35 (15.06)	— (—)	68.71 (42.36)	— (—)	— (—)	— (—)	— (—)	68.71 (42.36)	
Leasehold Land	46.77 (46.77)	— (—)	— (—)	46.77 (46.77)	2.64 (2.18)	0.48 (0.46)	— (—)	3.12 (2.64)	43.65 (44.13)	
Buildings	430.96 (423.62)	5.53 (7.34)	— (—)	436.49 (430.96)	94.29 (81.52)	12.89 (12.77)	— (—)	107.18 (94.29)	329.31 (336.67)	
Plant and Equipment	700.34 (675.09)	63.74 (25.31)	— (0.06)	764.08 (700.34)	269.63 (239.97)	32.09 (29.72)	— (0.06)	301.72 (269.63)	462.36 (430.71)	
Furniture and Fixtures.....	15.91 (15.18)	1.08 (0.73)	0.01 (—)	16.98 (15.91)	12.93 (12.18)	0.68 (0.75)	0.01 (—)	13.60 (12.93)	3.38 (2.98)	
Vehicles	1.05 (1.16)	— (0.03)	0.03 (0.14)	1.02 (1.05)	0.49 (0.48)	0.08 (0.09)	— (0.08)	0.57 (0.49)	0.45 (0.56)	
Office Equipments.....	9.99 (9.22)	0.64 (0.77)	— (—)	10.63 (9.99)	8.42 (7.60)	0.67 (0.82)	— (—)	9.09 (8.42)	1.54 (1.57)	
Computers.....	36.74 (32.83)	3.40 (4.50)	1.57 (0.59)	38.57 (36.74)	27.50 (24.94)	3.90 (3.15)	1.57 (0.59)	29.83 (27.50)	8.74 (9.24)	
Assets for Scientific Research*	25.70 (19.83)	0.55 (5.87)	— (—)	26.25 (25.70)	11.03 (10.05)	1.18 (0.98)	— (—)	12.21 (11.03)	14.04 (14.67)	
Assets given on Operating Lease (Refer Note 2.5)	246.35 (217.34)	32.87 (29.01)	— (—)	279.22 (246.35)	183.71 (163.56)	23.41 (20.15)	— (—)	207.12 (183.71)	72.10 (62.64)	
Total Tangible Assets.....	1556.17 (1468.34)	134.16 (88.62)	1.61 (0.79)	1688.72 (1556.17)	610.64 (542.48)	75.38 (68.89)	1.58 (0.73)	684.44 (610.64)	1004.28 (945.53)	

* Net block includes Buildings ₹ 0.34 Crores (2016-2017 ₹ 0.35 Crores), Plant and Equipment ₹ 13.50 Crores (2016-2017 ₹ 14.08 Crores) and Furniture and Fixtures ₹ 0.20 Crores (2016-2017 ₹ 0.24 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.

Note 2.5:

The Company has given Colour Dispenser Machines on operating lease to its dealers. Particulars in respect of such leases are as follows:

- (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 279.22 Crores (2016-2017 ₹ 246.35 Crores) and ₹ 207.12 Crores (2016-2017 ₹ 183.71 Crores) respectively.
- (ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 23.41 Crores (2016-2017 ₹ 20.15 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018	
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 ₹ 0.18 Crores (2016-2017 ₹ 0.40 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1381.20 Crores (2016-2017 ₹ 1362.70 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.

Note 4: Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block	
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018	
Software	13.75 (12.78)	1.64 (0.97)	— (—)	15.39 (13.75)	12.86 (12.26)	0.41 (0.60)	— (—)	13.27 (12.86)	2.12 (0.89)	
Total Other Intangible Assets .	13.75 (12.78)	1.64 (0.97)	— (—)	15.39 (13.75)	12.86 (12.26)	0.41 (0.60)	— (—)	13.27 (12.86)	2.12 (0.89)	

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 5: Non-current Investments

Investments in Equity Instruments:

I. Subsidiary Companies at Cost

KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	7.87	7.87
8,84,000 Equity Shares of NPR 100 each (8,84,000 Equity Shares of NPR 100 each)		
Kansai Paints Lanka (Private) Limited.....	17.23	13.47
3,90,00,000 Equity Shares of LKR 10 each (3,00,00,000 Equity Shares of LKR 10 each)		

II. Others at FVTPL

National Thermal Power Corporation Ltd. (Quoted)	0.69	0.67
40,524 Equity Shares of ₹ 10 each (40,524 Equity Shares of ₹ 10 each)		
Paints and Coatings Skill Council.....	0.02	0.02
10 Equity Shares of ₹ 25,000 each (10 Equity Shares of ₹ 25,000 each)		

Total Non-current Investments	25.81	22.03
--	--------------	--------------

Aggregate book value of quoted investments	0.69	0.67
Aggregate market value of quoted investments	0.69	0.67
Aggregate amount of unquoted investments.....	25.12	21.36
Aggregate amount of impairment in value of investments	Nil	Nil

Note 6: Loans

Unsecured and Considered Good:

Security Deposits	11.26	10.31
	11.26	10.31

Note 7: Other Non-current Assets

Unsecured and Considered Good:

Capital Advances	70.42	46.69
Income Tax Paid (Net of Provisions)	80.07	74.95
	150.49	121.64

Note 8: Inventories

Raw Materials [Including goods-in-transit of ₹ Nil (2016-2017 ₹ 4.00 Crores)]	311.01	236.35
Work-in-progress.....	65.04	44.69
Finished Goods.....	395.29	388.48
Stock-in-trade.....	30.12	18.37
Stores and Spares	4.30	3.42
	805.76	691.31

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.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 9: Current Investments

(A) Investments in Bonds at FVTPL (Quoted):

	As at 31st March, 2018	As at 31st March, 2017
1 Indian Railways Finance Corporation Ltd. Nil units of ₹ 1,00,000 each (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each)	—	10.00
2 National Highway Authority of India 24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each)	2.75	2.78
3 Power Finance Corporation Ltd. 14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each)	1.57	1.60
4 Indian Railway Finance Corporation Ltd. 10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each)	1.19	1.20
5 National Highway Authority of India 57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each (57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each)	5.97	6.86
6 National Highway Authority of India 23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each (23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each)	2.66	2.60
Total Investments in Bonds	14.14	25.04

(B) Mutual Funds at FVTPL (Unquoted):

(i) Growth Option:

1 Axis Treasury Advantage Fund Nil units of ₹ 1000 each (1,36,113 Units (and 008 fractions) of ₹ 1000 each)	—	25.13
2 Aditya Birla Sunlife Banking & PSU Debt Fund 1,36,15,922 Units (and 007 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	71.37	—
3 Aditya Birla Sunlife Interval Income Fund..... 89,54,034 Units (and 464 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	20.16	—
4 BNP Paribas Overnight Fund 1,87,725 Units (and 021 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	50.08	—
5 BNP Paribas Money Plus Fund Nil units of ₹ 1000 each (2,42,05,868 Units (and 931 fractions) of ₹ 1000 each)	—	61.00
6 DSP BlackRock Money Manager Fund Nil units of ₹ 10 each (2,27,421 Units (and 264 fractions) of ₹ 1000 each)	—	50.79
7 DSP Black Rock FMP – Series 222 – 3M..... 1,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	15.12	—
8 HDFC Banking & PSU Debt Fund Nil units of ₹ 10 each (7,71,93,569 Units (and 776 fractions) of ₹ 10 each)	—	102.49
9 HDFC FMP 92D FEBRUARY 2018 (1) – Series 39..... 2,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	25.18	—
10 ICICI Prudential FMP – Series 82-103 Days Plan O 3,00,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	30.20	—
11 Indiabulls Ultra Short Term Fund Nil units of ₹ 1000 each 1,28,653 Units (and 478 fractions) of ₹ 1000 each	—	20.73
12 Kotak Banking & PSU Debt Fund Nil units of ₹ 10 each (1,39,11,146 Units (and 724 fractions) of ₹ 10 each)	—	51.75
13 Kotak FMP Series 218-92 Days 2,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	25.19	—

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 9: Current Investments (contd.)

(B) Mutual Funds at FVTPL (Unquoted) (contd.):

(i) Growth Option (contd.):

	As at 31st March, 2018	As at 31st March, 2017
14 Kotak Low Duration Fund 2,32,749 Units (and 795 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	50.98	—
15 LIC MF Savings Plus Fund Nil units of ₹ 10 each (1,59,52,202 Units (and 989 fractions) of ₹ 10 each)	—	41.08
16 Reliance Medium Term Fund Plan 1,65,25,712 Units (and 978 fractions) of ₹ 10 each (1,45,13,914 Units (and 049 fractions) of ₹ 10 each)	61.48	50.35
17 Reliance Fixed Horizon Fund – XXXVI – Series 4 5,00,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	50.41	—
18 Reliance Quarterly Interval Fund – Series II 1,68,43,239 Units (and 966 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	40.43	—
19 Reliance Quarterly Interval Fund – Series III 1,40,62,620 Units (and 851 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	20.12	—
20 Sundaram Ultra Short Term Fund Nil units of ₹ 10 each 4,50,82,817 Units (and 135 fractions) of ₹ 10 each	—	102.39
21 UTI Treasury Advantage Fund 1,45,014 Units (and 467 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	35.00	—
22 UTI Fixed Interval Income Fund – V 47,25,094 Units (and 029 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	10.10	—
Total Investments in Mutual Fund (Growth Option)	505.82	505.71
Total Mutual Fund (i)	505.82	505.71
Total Current Investment (A + B)	519.96	530.75
Aggregate book value of quoted investments	14.14	25.04
Aggregate market value of quoted investments	14.14	25.04
Aggregate amount of unquoted investments	505.82	505.71
Aggregate amount of impairment in value of investments	Nil	Nil

Note 10: Trade Receivables

Overdue for a Period Exceeding Six Months:

	As at 31st March, 2018	As at 31st March, 2017
Secured, Considered Good	—	—
Unsecured, Considered Good	6.16	1.98
Doubtful	14.40	12.64
	20.56	14.62
Less: Provision for Bad and Doubtful Debts	14.40	12.64
	6.16	1.98

Other Receivables:

	As at 31st March, 2018	As at 31st March, 2017
Secured, Considered Good	—	—
Unsecured, Considered Good*#	669.53	569.73
Doubtful	—	0.60
	669.53	570.33
Less: Provision for Bad and Doubtful Debts	—	0.60
	669.53	569.73
	675.69	571.71

* includes ₹ 0.93 Crores (2016-2017 ₹ 2.23 Crores), receivable from subsidiary company – KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited), private company in which director of the Company is a director

includes ₹ 0.42 Crores (2016-2017 ₹ Nil) receivable from subsidiary company – Kansai Paints Lanka (Private) Limited, private company in which director of the Company is a director

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 11: Cash and Cash Equivalents

	As at 31st March, 2018	As at 31st March, 2017
Cash on hand	0.06	0.21
Cheques on hand	29.23	21.79
Banks Balances	31.22	21.87
	<u>60.51</u>	<u>43.87</u>

Note 12: Bank Balance other than Cash and Cash Equivalents

Unpaid Dividend Accounts	1.01	0.88
Fixed Deposit with Bank*	299.39	204.94
	<u>300.40</u>	<u>205.82</u>

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain, includes fixed deposit of ₹ 0.50 Crores

Note 13: Loans

Unsecured and Considered Good:

Loan to Subsidiary – KNP Japan Private Limited* (formerly known as Kansai Paints Nepal Private Limited)	—	7.87
Loan to Supplier	—	0.28
Security Deposits	3.32	3.04
	<u>3.32</u>	<u>11.19</u>

* The Company had provided working capital loan to its Subsidiary Company, private company in which director of the Company is a director, which carried an interest of 5.5% p.a. Maximum amount outstanding during the year – Nil (2016-2017 ₹ 7.87 Crores). This loan was within the limit of Section 186 of the Companies Act, 2013

Note 14: Other Current Financial Assets

Unsecured and Considered Good:

Fixed Deposit with Bank*	25.45	233.25
Other Receivable#	1.57	0.97
	<u>27.02</u>	<u>234.22</u>

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain

Includes ₹1.57 Crores (2016-2017 ₹ Nil) receivable from subsidiary company – KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited), private company in which director of the Company is a director

Note 15: Other Current Assets

Unsecured and Considered Good:

Balances with Indirect Tax Authorities	85.25	32.76
Trade Advances	38.24	19.35
Prepaid Expenses	6.77	7.79
Other Receivable	7.71	5.89
	<u>137.97</u>	<u>65.79</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 16: Share Capital

Note 16: Share Capital	As at 31st March, 2018		As at 31st March, 2017	
1. Authorised Share Capital (₹ in Crores)	60		60	
Par Value per Share (₹)	1		1	
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		1	
Number of Equity Shares	53,89,19,720		53,89,19,720	
3. Details of Shareholders holding more than 5% of shares and details of shares held by Holding Company:				
	%	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.				

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 17: Other Equity

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1984.03	2448.98
Profit for the Year	—	—	—	505.94	505.94
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	2.50
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(4.73)	(4.73)
Total Comprehensive Income for the Year	—	—	—	501.21	501.21
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(164.37)	(164.37)
Dividend Distribution Tax.....	—	—	—	(34.39)	(34.39)
	—	—	—	(198.76)	(198.76)
Transfer from Retained Earnings	—	—	—	(35.58)	(35.58)
Transfer to General Reserve.....	—	—	35.58	—	35.58
Balance as at 31st March, 2017	0.30	12.56	487.67	2250.90	2751.43

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2017	0.30	12.56	487.67	2250.90	2751.43
Profit for the Year	—	—	—	516.40	516.40
Other Comprehensive Income:					
Remeasurement of Defined Benefit Liability	—	—	—	(1.67)	(1.67)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	0.58	0.58
Total Other Comprehensive Income for the Year, net of tax	—	—	—	(1.09)	(1.09)
Total Comprehensive Income for the Year	—	—	—	515.31	515.31
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(161.68)	(161.68)
Dividend Distribution Tax.....	—	—	—	(33.83)	(33.83)
	—	—	—	(195.51)	(195.51)
Balance as at 31st March, 2018	0.30	12.56	487.67	2570.70	3071.23

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Defined Benefit Liability

	As at 31st March, 2018	As at 31st March, 2017
Opening Balance	(9.66)	(4.93)
Remeasurement of Defined Benefit Liability	(1.09)	(4.73)
Closing Balance	<u>(10.75)</u>	<u>(9.66)</u>

Capital Reserve

Capital reserve includes profit on re-issue of forfeited shares.

Securities Premium Reserve

Securities premium reserve 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

General reserve was created by transfers of profits as per Companies (Transfer of Profits to Reserves) Rules, 1975. As general reserve is created by transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Dividend

For the year 2016-2017, the Directors had recommended and Shareholders had approved a dividend of 300%, including special dividend of 50%, (₹ 0.50 per share), which has been accounted in current year. For the year 2017-2018, the Directors have recommended a normal dividend of 260% (₹ 2.60 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 ₹ 140.12 Crores (2016-2017 ₹ 161.68 Crores) alongwith dividend distribution tax of ₹ 29.66 (2016-2017 ₹ 33.83 Crores) have not been recognised as liabilities.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 18: Borrowings

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.
- Outstanding amount is repayable in three annual installments from the reporting date.
- Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 8.62 Crores (2016-2017 ₹ 10.45 Crores) is disclosed under 'Other Financial Liabilities' – Refer Note 21].

As at 31st March, 2018	As at 31st March, 2017
9.71	18.33
9.71	18.33

Note 19: Income Taxes

A. The major components of income tax expense for the year ended 31st March, 2018 are as under:

(i) Income tax recognised in the Standalone Statement of Profit and Loss

Current tax:

In respect of current year.....	268.21	246.47
Adjustments in respect of previous year.....	—	(1.31)

Deferred tax:

In respect of current year.....	1.79	8.32
---------------------------------	------	------

Income tax expense recognised in the Standalone Statement of Profit and Loss.....	270.00	253.48
--	---------------	---------------

(ii) Income tax expense recognised in OCI

Deferred tax expense on remeasurements of defined benefit plans	0.58	2.50
---	------	------

Income tax expense recognised in OCI.....	0.58	2.50
--	-------------	-------------

B. Reconciliation of tax expense and the accounting profit for the year is as under:

Profit before tax.....	786.40	759.42
Income tax expense calculated at 34.608%	272.71	263.14
Tax effect on non-deductible expenses	4.17	2.93
Incentive tax credits	(3.69)	(8.47)
Effect of Income that is exempted from tax	(0.84)	(4.31)
Others	(2.35)	0.19
Total	270.00	253.48
Tax expense as per Standalone Statement of Profit and Loss	270.00	253.48

The tax rate used for reconciliation above is the corporate tax rate of 34.608% 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:

Particulars	Balance Sheet	Profit and Loss	OCI	Balance Sheet	Balance Sheet	Profit and Loss	OCI	Other Adjustments	Balance Sheet
	01.04.2017	2017-2018	2017-2018	31.03.2018	01.04.2016	2016-2017	2016-2017	2016-2017	31.03.2017
Difference between written down value / capital work in progress of fixed assets as per the books of accounts and Income Tax Act, 1961	(101.16)	(6.86)	—	(108.02)	(92.59)	(8.57)	—	—	(101.16)
Tax adjustment on account on indexation of freehold land.....	12.27	1.88	—	14.15	11.54	0.73	—	—	12.27
Provision for Diminution in Value of Fixed Assets .	—	—	—	—	0.12	(0.12)	—	—	—
Expense claimed for tax purpose on payment basis	5.54	1.41	—	6.95	4.85	0.69	—	—	5.54
Provision for doubtful debts and Advances	4.59	0.40	—	4.99	2.89	1.70	—	—	4.59
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.30	(0.28)	—	0.02	0.60	(0.30)	—	—	0.30
Remeasurement benefit of the defined benefit plans through OCI	2.50	—	0.58	3.08	—	—	2.50	—	2.50
MAT Credit Entitlements	—	—	—	—	60.77	—	—	(60.77)	—
Net fair value loss on investment in through FVTPL	(3.25)	1.66	—	(1.59)	(0.80)	(2.45)	—	—	(3.25)
Deferred tax (expense) / income	(79.21)	(1.79)	0.58	(80.42)	(12.62)	(8.32)	2.50	(60.77)	(79.21)
Net Deferred tax liabilities.....									

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 20: Trade Payables

Trade Payables:

Payables to Micro and Small Enterprises*	—
Payables to Others	—

As at
31st March, 2018

—
683.58
683.58

As at
31st March, 2017

—
550.20
550.20

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

Note 21: Other Financial Liabilities

Current Maturities of Long-term Borrowings (Refer Note 18)	8.62
Unpaid Dividends*	1.01
Trade Deposits	63.14
Creditors for Capital Goods	41.58

As at
31st March, 2018

8.62
1.01
63.14
41.58
114.35

As at
31st March, 2017

10.45
0.88
54.61
14.30
80.24

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Note 22: Other Current Liabilities

Other Statutory Obligations*	19.24
Trade Receivables with Credit Balance	10.64

As at
31st March, 2018

19.24
10.64
29.88

As at
31st March, 2017

28.18
8.95
37.13

* Includes payable toward TDS, Excise duty, Service tax, VAT, GST and Employee Related Statutory Obligations.

Note 23: Provisions

Provision for Compensated Absences (Refer Note 35)	10.56
Provision for Gratuity (Refer Note 35)	2.80
Provision for Indirect Taxes*	
Opening Balance	7.77
Add: Provision during the year	—
Less: Utilisation / reversal during the year	—

As at
31st March, 2018

10.56
2.80
7.77
—
—
7.77
0.25
—
0.25
—
21.13

As at
31st March, 2017

8.71
6.53
7.77
—
—
7.77
1.15
—
0.90
—
23.26

Provision for Warranty#:

Opening Balance	0.25
Add: Provision during the year	—
Less: Utilisation / reversal during the year	0.25

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2016-2017 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

The Company was selling certain products with a warranty of seven years. Accordingly, provision had been recognised on the basis of management's expectation of warranty claims on such products.

Note 24: Current Tax Liabilities (Net)

Current Tax Liabilities (Net of Advances)	3.67
---	------

As at
31st March, 2018

3.67
3.67

As at
31st March, 2017

3.67
3.67

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 25: Revenue from Operations

	Year ended 31st March, 2018	Year ended 31st March, 2017
Sale of Products (including excise duty)		
Sales	5180.79	4925.15
Less: Discounts and Rebates	460.76	405.00
Total Sale of Products.....	4720.03	4520.15
Other Operating Revenues		
Sale of Scrap	12.25	9.97
Others	4.73	0.93
	16.98	10.90
Revenue from Operations	4737.01	4531.05

Note 25.1: Earnings in Foreign Exchange

FOB Value of Exports	4.95	2.24
Recovery of Freight and Other Charges on Exports	0.10	0.05

Note 26: Other Income

Dividend Income

Dividend from Investment	1.66	—
Dividend from Mutual Funds recognised through FVTPL.....	0.96	2.70
	2.62	2.70

Interest Income

Interest on Loans and Deposit.....	19.65	9.55
Interest on bonds recognised through FVTPL	0.78	2.22
	20.43	11.77

Profit on Sale of Investment (Net)	30.04	56.17
Fair Value Gain on Financial Instruments recognised through FVTPL.....	4.94	11.04

Other Non-operating Income

Profit on Sale of Property, Plant and Equipment	0.04	0.04
Foreign Exchange Gain (Net)	11.24	11.52
Insurance Claims Received	2.86	2.96
Miscellaneous Income	0.25	2.02
	14.39	16.54
	72.42	98.22

Note 27: Cost of Materials Consumed

Raw Material Consumed		
Opening Stock	226.45	153.49
Add: Purchase	2429.81	1997.65
Less: Sales	6.40	3.88
Less: Closing Stock	299.87	226.45
	2349.99	1920.81
Packing Material Consumed		
Opening Stock	9.90	7.05
Add: Purchase	326.13	272.82
Less: Closing Stock	11.14	9.90
	324.89	269.97
	2674.88*	2190.78*

* Includes ₹ 1.94 Crores (2016-2017 ₹ 1.89 Crores) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 27: Cost of Materials Consumed (contd.)

Note 27.1: CIF Value of Import

	Year ended 31st March, 2018	Year ended 31st March, 2017
Raw Materials	1034.56	902.09
Stores and Spare Parts.....	2.59	1.57
Finished Products	32.11	22.45
Capital Goods	22.81	7.52

**Note 28: Changes in Inventories of Finished Goods,
Stock-in-trade and Work-in-progress**

Opening Stock		
Finished Goods.....	388.48	344.14
Work-in-progress	44.69	46.29
Stock-in-trade (in respect of goods acquired for trading)	18.37	17.89
	<u>451.54</u>	<u>408.32</u>
Less: Closing Stock		
Finished Goods.....	395.29	388.48
Work-in-progress	65.04	44.69
Stock-in-trade (in respect of goods acquired for trading)	30.12	18.37
	<u>490.45</u>	<u>451.54</u>
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	(75.54)	8.96
	<u>(114.45)</u>	<u>(34.26)</u>

Note 29: Employee Benefits Expense

Salaries and Wages	203.20	175.86
Contribution to Provident and Other Funds (Refer Note 35)	13.50	12.61
Staff Welfare Expense.....	9.86	9.65
	<u>226.56*</u>	<u>198.12*</u>

*Includes ₹ 16.97 Crores (2016-2017 ₹ 15.77 Crores) expenditure incurred on Research and Developments

Note 30: Depreciation and Amortisation Expenses

Depreciation on Property, Plant and Equipment	75.38	68.89
Amortisation on Other Intangible Assets.....	0.41	0.60
	<u>75.79*</u>	<u>69.49*</u>

*Includes ₹ 1.18 Crores (2016-2017 ₹ 0.98 Crores) depreciation and amortisation expenses on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 31: Other Expenses

	Year ended 31st March, 2018	Year ended 31st March, 2017
Consumption of Stores and Spare Parts.....	24.07	19.57
Power and Fuel	75.38	71.02
Repairs to Buildings	0.71	0.86
Repairs to Machinery	10.40	10.43
Freight and Forwarding Charges.....	224.53	193.58
Advertisement and Sales Promotion.....	275.14	271.01
Rent.....	31.45	27.12
Rates and Taxes.....	3.17	5.34
Insurance	4.00	3.36
Miscellaneous Expenses.....	147.32	125.02
	796.17 *	727.31*

*Includes ₹ 4.25 Crores (2016-2017 ₹ 4.48 Crores) expenditure incurred on Research and Development

Note 31.1: Payments to Auditors'

Auditors' Remuneration excluding Service Tax / 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.....	0.09	0.09

In other capacity

Certification.....	0.09	0.09
Other matters.....	0.10	0.15

Reimbursements of Expenses

0.03	0.03
0.60	0.65

Note 31.2: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss is.....	24.34	23.12
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Note 31.3: Expenditure in Foreign Currencies

Foreign Travel.....	0.38	0.16
Royalties.....	17.69	16.04
Professional and Technical Fees.....	0.68	1.25
Others	0.81	1.01
	19.56	18.46

Note 31.4: Operating Lease Expenses

The Company obtains business warehouses on cancellable lease terms. Hence the following disclosure is provided only for vehicles obtained on non-cancellable lease terms. Vehicles are obtained for use by employees on operating lease for a lease term of three to five years.

Lease payments recognised in Standalone Statement of Profit and Loss	0.79	0.48
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	0.03	0.59
Later than one year and not later than five years	2.95	1.09
Later than five years	—	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 32: Contingent Liabilities and Commitments
(to the extent not provided for)

Claims against the Company not acknowledged as debt:

	Year ended 31st March, 2018	Year ended 31st March, 2017
Service Tax	7.29	6.41

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 ₹ 7.29 Crores (2016-2017 ₹ 6.41 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.

Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	152.21	231.29
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Corporate guarantee

Corporate guarantee given to Bank for employee loans.....	2.55	2.55
	162.05	240.25

Note 33: Earnings Per Share

Numerator:

Profit attributable to Equity Shareholders (₹ in Crores)	516.40	505.94
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Denominator:

Weighted Average Number of ordinary shares at the beginning and end of the year	53,89,19,720	53,89,19,720
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Basic and Diluted Earnings Per Share (in ₹)	9.58	9.39
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KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 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
	2018	2017			
Kansai Paints Co., Ltd.	74.99	74.99	Parent and ultimate controlling entity	Manufacturing Paints	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Ltd. 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
	2018	2017			
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	68	68	Subsidiary	Manufacturing Paints	Nepal
Kansai Paints Lanka (Private) Limited	60	60	Subsidiary	Manufacturing Paints	Sri Lanka

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.....	Fellow Subsidiary	Manufacturing Paints	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints	Malaysia
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints	Turkey
Kansai Plascon Kenya Ltd.....	Fellow Subsidiary	Manufacturing Paints	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) Mr. P. D. Chaudhari, Wholtime Director, (5) Mrs. Brinda Somaya, Director (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

₹ in Crores

Note 34: Related Party Disclosures (contd.)

Related Party Transactions:

Transaction Type	Relation	2018	2017
Sale of Finished Goods			
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	1.51	1.15
— Kansai Altan Boya Sanayi Ve Ticaret A.S.....	Fellow Subsidiary	0.79	0.09
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	0.48	—
Dividend Paid			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	121.24	123.26
Dividend Income			
— KNP Japan Private Limited	Subsidiary	1.66	—
Transfer under license agreements			
Royalty Expense			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	16.20	14.62
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	1.33	1.52
— Kansai Paint Asia Pacific SDN.BHD.....	Fellow Subsidiary	0.11	0.08
Royalty Income			
— KNP Japan Private Limited	Subsidiary	0.61	0.47
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.08	—
Transfers under finance arrangements (including loans and equity contributions in cash or in kind)			
Equity Investment			
— Kansai Paints Lanka (Private) Limited	Subsidiary	3.76	10.71
Interest Income			
— KNP Japan Private Limited	Subsidiary	0.09	0.35
Management contracts including for deputation of employees			
Reimbursement of Expenses Receivable			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	1.20	0.91
— KNP Japan Private Limited	Subsidiary	0.60	0.55
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.34	—
Amount of outstanding balances, including commitments, their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	1.20	0.91
— KNP Japan Private Limited	Subsidiary	2.51	2.23
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.42	—
— Kansai Paint Philippines Inc.....	Fellow Subsidiary	—	0.34
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	0.24	—
Receivable towards Loan and Interest			
— KNP Japan Private Limited	Subsidiary	—	7.88
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan.....	Parent and ultimate controlling entity	0.11	0.36
— Kansai Paint Asia Pacific SDN.BHD.....	Fellow Subsidiary	0.05	0.01
Key Management Personnel			
(a) short-term employee benefits.....		10.27	10.28
(b) post-employment benefits		0.14	0.16
(c) other long-term employee benefits.....		0.03	0.11

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 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, 2018	Year ended 31st March, 2017
Employer's contribution to Regional Provident Fund Commissioner	1.69	1.45
Employer's contribution to Family Pension Fund	3.30	2.98
Employer's contribution to Superannuation Fund	5.01	4.22

B. Defined Benefit Plans:

a. Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's Financial Statements as at 31st March, 2018 and 31st March, 2017:

₹ in Crores

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	33.34	24.16
Current Service Cost	2.88	2.68
Interest Expense	2.25	1.84
Benefit Payments from Plan Assets	(3.84)	(1.80)
Remeasurements – Actuarial (gains) / losses	0.30	6.46
Defined Benefit Obligation at the end	34.93	33.34
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	26.81	19.45
Interest Income	2.24	1.34
Employer Contributions	8.29	6.51
Benefit Payments from Plan Assets	(3.84)	(1.80)
Increase / (Decrease) due to effect of any business combination / divestiture / transfer)	—	0.99
Increase / (Decrease) due to Plan combination	—	0.99
Remeasurements – Return on plan assets excluding amounts included in interest income	(1.37)	0.32
Fair Value of Plan Assets at the end	32.13	26.81
Net (Liability)	(2.80)	(6.53)

Components of Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss under Employee Benefits Expense:

₹ in Crores

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Current Service Cost	2.88	2.68
Net Interest Cost	0.01	0.50
Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss	2.89	3.18

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 35: 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, 2018	Year ended 31st March, 2017
Actuarial (gains) / losses on Defined Benefit Obligation.....	0.30	6.46
(Return) / loss on plan assets excluding amounts included in the net interest on the net defined benefit liability / (asset)	1.37	(0.32)
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	1.67	6.14

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

Particulars	Valuation Date	
	31st March, 2018	31st March, 2017
Discount Rate	7.70%	7.20%
Salary Escalation.....	7.50%	7.50%
Weighted average duration of the Defined Benefit Obligation (years)	12.78	12.82

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:

Scenario	₹ in Crores	
	31st March, 2018	31st March, 2017
Under Base Scenario	34.93	33.33
Salary Escalation – Up by 1%	37.89	35.68
Salary Escalation – Down by 1%.....	32.31	30.31
Withdrawal Rates – Up by 1%	34.79	32.66
Withdrawal Rates – Down by 1%	35.08	33.03
Discount Rates – Up by 1%.....	32.52	29.61
Discount Rates – Down by 1%	37.71	35.08
Expected Rate of Return on Planned Asset	7.70%	7.20%

Mortality Table	31st March, 2018		31st March, 2017	
Attained Age	Male	Female	Male	Female
20	0.09%	0.09%	0.09%	0.09%
25	0.10%	0.10%	0.10%	0.10%
30	0.11%	0.11%	0.11%	0.11%
35	0.13%	0.13%	0.13%	0.13%
40	0.18%	0.18%	0.18%	0.18%
45	0.29%	0.29%	0.29%	0.29%
50	0.49%	0.49%	0.49%	0.49%
55	0.79%	0.79%	0.79%	0.79%
60	1.15%	1.15%	1.15%	1.15%

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 ₹ 2.80 Crores (2016-2017 ₹ 6.53 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 ₹ 2.09 Crores (2016-2017 ₹ 1.90 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 35: Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

b. Provident Fund (Managed by the Trust set up by the Company) (contd.)

The details of fund and plan asset position are given below:

₹ in Crores

Particulars	As at 31st March, 2018	As at 31st March, 2017
Plan assets at period end, at fair value.....	58.78	50.21
Present value of benefit obligation at period end	57.07	46.27
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:

Particulars	As at 31st March, 2018	As at 31st March, 2017
Discount Rate (%)	7.70	7.20
Guaranteed Interest Rate (%)	8.55	8.65
Expected Average Remaining Working Lives of Employees (Years)	8.37	6.40

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 1.85 Crores (2016-2017 ₹ 3.06 Crores).

Note 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 various products of the Company. As the Company's business activity falls within 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".

Note 37: Corporate Social Responsibilities

During the year, the Company has spent ₹ 11.03 Crores (2016-2017 ₹ 6.46 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year : ₹ 11.00 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	11.03	—	11.03

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 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	Other Financial Assets / Liabilities - Amortised Cost	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value							
Non-current Assets: Investments (Note 5)	2018	0.71	25.10	0.69	—	0.02	25.81
	2017	0.69	21.34	0.67	—	0.02	22.03
Current Assets: Investments (Note 9)	2018	519.96	—	—	519.96	—	519.96
	2017	530.75	—	—	530.75	—	530.75
Financial Assets not measured at Fair Value							
Non-current Assets: Loans (Note 6)	2018	—	11.26	—	—	—	11.26
	2017	—	10.31	—	—	—	10.31
Current Assets: Trade Receivables (Note 10)	2018	—	675.69	—	—	—	675.69
	2017	—	571.71	—	—	—	571.71
Current Assets: Cash and Cash Equivalent (Note 11)	2018	—	60.51	—	—	—	60.51
	2017	—	43.87	—	—	—	43.87
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 12)	2018	—	300.40	—	—	—	300.40
	2017	—	205.82	—	—	—	205.82
Current Assets: Loans (Note 13)	2018	—	3.32	—	—	—	3.32
	2017	—	11.19	—	—	—	11.19
Current Assets: Other Financial Assets (Note 14)	2018	—	27.02	—	—	—	27.02
	2017	—	234.22	—	—	—	234.22
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 18)	2018	—	9.71	—	—	—	9.71
	2017	—	18.33	—	—	—	18.33
Current Liabilities: Trade Payable (Note 20)	2018	—	683.58	—	—	—	683.58
	2017	—	550.20	—	—	—	550.20
Current Liabilities: Other Financial Liabilities (Note 21)	2018	—	114.35	—	—	—	114.35
	2017	—	80.24	—	—	—	80.24

(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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 38: Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(ii) Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments in debt securities. The carrying amounts of financial assets represent the maximum credit risk exposure.

Trade Receivables and Loans:

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.

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 the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturities of Financial Liabilities:

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	3 years and above	Total
Borrowings.....	31-03-2018	—	—	—	8.62	9.71	—	18.33
	31-03-2017	—	—	—	10.45	8.62	9.71	28.78
Trade Payables	31-03-2018	—	683.58	—	—	—	—	683.58
	31-03-2017	—	550.20	—	—	—	—	550.20
Other Financial Liabilities.....	31-03-2018	64.15	41.58	—	—	—	—	105.73
	31-03-2017	55.49	14.30	—	—	—	—	69.79

(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.

Exposure to Currency Risk:

The summary quantitative data about the Company's exposure to currency risk is as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	ZAR	USD	INR	Total
Trade Receivables	31-03-2018	—	—	—	—	—	—	1.93	673.76	675.69
	31-03-2017	—	—	—	—	—	—	0.63	571.08	571.71
Trade Advances.....	31-03-2018	0.37	43.61	0.89	0.10	0.03	0.01	13.91	49.74	108.66
	31-03-2017	0.09	6.29	6.22	—	—	—	11.66	41.78	66.04
Financial Liabilities										
Trade Payables	31-03-2018	(0.13)	(6.76)	(20.89)	—	(0.03)	—	(121.61)	(534.16)	(683.58)
	31-03-2017	(0.27)	(4.01)	(16.79)	(0.06)	—	—	(71.48)	(457.59)	(550.20)
Net exposure to Foreign Currency Risk (Liabilities).....	31-03-2018	0.24	36.85	(20.00)	0.10	—	—	(105.77)	189.34	100.76
	31-03-2017	(0.18)	2.28	(10.57)	(0.06)	—	—	(59.19)	155.27	87.55

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 38: Financial Instruments: Fair Values and Risk Management (contd.)

(v) Foreign Currency Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in CHF, EURO, JPY 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, 2018				
CHF (5% movement).....	0.01	(0.01)	0.01	(0.01)
EURO (5% movement).....	1.84	(1.84)	1.20	(1.20)
JPY (5% movement).....	(1.00)	1.00	(0.65)	0.65
USD (5% movement).....	(5.29)	(5.29)	(3.46)	3.46
31st March, 2017				
CHF (5% movement).....	(0.01)	0.01	(0.01)	0.01
EURO (5% movement).....	0.11	(0.11)	0.07	(0.07)
JPY (5% movement).....	(0.53)	0.53	(0.35)	0.35
USD (5% movement).....	(2.96)	2.96	(1.94)	1.94

(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.	<ul style="list-style-type: none"> 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 Company 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, 2018 and 31st March, 2017 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.

Note 39:

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2017-18, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2018	As at 31st March, 2017
(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.....	—	—
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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 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(I).
- (ii) Details of loans given by the Company are as follows:

₹ in Crores

Name of the party	Relationship	Amount as at 31st March, 2018	Amount as at 31st March, 2017
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	Subsidiary Company	—	6.38

- (iii) There are no guarantees issued by the Company in accordance with Section 186 of the Companies Act, 2013 read with rules issued thereunder.

Note 41: Disclosure of Specified Bank Notes

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30th March, 2017. The said amendment requires the Company to disclose the details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016. For the purpose of this clause, the term 'Specific Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E), dated the 8th November, 2016.

Details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016 were as follows:

₹ in Crores

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.15	0.02	0.17
(+) Permitted receipts	—	0.25	0.25
(-) Permitted payments	—	0.20	0.20
(-) Amount deposited in Banks	0.15	—	0.15
Closing cash in hand as on 30.12.2016	—	0.06	0.06

Note 42:

Consequent to the issuance of "Guidance Note on Division II — Ind AS Schedule III to the Companies Act, 2013", certain items of Financial Statements have been regrouped/reclassified.

As per our attached report of even date			For and on behalf of the Board of Directors		
For B S R & Co. LLP			P.P. SHAH	Chairman	DIN 00066242
Chartered Accountants			H.M. BHARUKA	Vice Chairman and Managing Director	DIN 00306084
Firm's Registration No. 101248W/W-100022			N.N. TATA	Director	DIN 00024713
ANIRUDDHA GODBOLE	G.T. GOVINDARAJAN	P.D. PAI	BRINDA SOMAYA	Director	DIN 00358908
Partner	Company Secretary	CFO	ANUJ JAIN	Wholetime Director	DIN 08091524
Membership No. 105149	ACS No. 8887				
Mumbai, 2nd May, 2018			Mumbai, 2nd May, 2018		

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			
	As at / for the Year ended 31st March, 2018	As at / for the Year ended 31st March, 2017	As at / for the Year ended 31st March, 2018	As at / for the Year ended 31st March, 2017
Name of the subsidiary	KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	Kansai Paints Lanka (Private) Limited	Kansai Paints Lanka (Private) Limited
The date since when subsidiary was acquired..	1st October, 2012	1st October, 2012	30th July, 2015	30th July, 2015
Reporting Currency and Exchange Rate as on the last date of the relevant Financial year in the case of foreign subsidiary.....	NPR 1 NPR = 0.62 INR	NPR 1 NPR = 0.61 INR	LKR 1 LKR = 0.42 INR	LKR 1 LKR = 0.42 INR
Share Capital.....	8.17	7.97	28.05	21.06
Reserves and Surplus	19.76	15.57	(8.93)	(1.09)
Total Assets	47.98	47.78	39.96	20.30
Total Liabilities	20.05	24.25	20.84	0.33
Investments	Nil	Nil	Nil	Nil
Turnover.....	64.14	53.95	8.06	Nil
Profit / (Loss) before Taxation.....	9.05	6.87	(6.83)	(0.96)
Provision for Taxation.....	2.54	1.75	Nil	(0.02)
Profit / (Loss) after Taxation.....	6.51	5.12	(6.83)	(0.98)
Proposed Dividend	2.41	Nil	Nil	Nil
Extent of Shareholding (in percentage)	68%	68%	60%	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 both subsidiary is same as that of holding company i.e. 1st April, 2017 to 31st March, 2018
3. Names of subsidiaries which are yet to commence operations as at 31st March, 2018 – Nil
4. Names of subsidiaries which have been liquidated or sold during the year – Nil

Since the company does not have any Associates or Joint Ventures, information pertaining to Part "B" to this form relating to Associates and Joint Ventures is not given.

		For and on behalf of the Board of Directors		
		P.P. SHAH	Chairman	DIN 00066242
		H.M. BHARUKA	Vice Chairman and Managing Director	DIN 00306084
		N.N. TATA	Director	DIN 00024713
G.T. GOVINDARAJAN	P.D. PAI	BRINDA SOMAYA	Director	DIN 00358908
Company Secretary	CFO	ANUJ JAIN	Wholtime Director	DIN 08091524
ACS No. 8887				

Mumbai, 2nd May, 2018

Report on the audit of the Consolidated Ind AS Financial Statements

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 KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited (the Holding Company and its subsidiaries are together referred to as the "Group"), which comprise the consolidated balance sheet as at 31 March 2018, the consolidated Statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated statement of affairs, consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows 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. 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 the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We are also responsible to 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 Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Group to cease to continue as a going concern.

Auditors' Responsibility (Continued)

We believe that the audit evidence obtained by us 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 consolidated Ind AS financial statements.

Opinion

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 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 31 March 2018, and their consolidated profit (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

Other Matters

- (a) We have not audited the financial statements of KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited, whose financial statements reflect total assets of ₹ 87.94 crores as at the year ended 31 March 2018, total revenue of ₹ 72.45 crores and net cash outflow amounting to ₹ 5.07 crores for the year then ended on that date, as considered in the consolidated Ind AS financial statements. These standalone financial statements have been audited by other auditors whose reports have been furnished to us for the purpose of the consolidation, and our opinion on the consolidated Ind AS financial statements, in so far as it related to the amounts and disclosures included in respect of the subsidiaries, and our report in terms of Section 143(3) of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
- (b) The financial statements and other financial information of the two subsidiaries located outside India have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it related 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.

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.

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 other auditors on separate Ind AS financial statements and other financial information of subsidiaries, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, 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 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 consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- (c) The consolidated balance sheet, the consolidated Statement of profit and loss (including other comprehensive income), the consolidated Statement of cash flows and the consolidated Statement of changes in equity dealt with by this report are in agreement with the relevant 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 Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act;

Report on Other Legal and Regulatory Requirements (Continued)

- (e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) The internal financial controls over financial reporting is not applicable to KNP Japan Private Limited (*formerly known as Kansai Paints Nepal Private Limited*) and Kansai Paints Lanka (Private) Limited, foreign subsidiaries of the Holding Company. With respect to the adequacy of the internal controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
- (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 Ind AS financial statements as also the other financial information of the subsidiaries, as noted in the 'Other Matters' paragraph:
- the consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 35 to the consolidated Ind AS financial statements;
 - the Holding Company and its subsidiary companies did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;
 - there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2018; and
 - the disclosures in the consolidated Ind AS financial statements regarding holdings as well as dealings by the Holding Company in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited consolidated Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No: 105149

Mumbai, 2 May, 2018

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2018

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 the Kansai Nerolac Paints Limited ("the Holding Company") as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of the Holding Company as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting 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") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 Holding Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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 has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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 ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Aniruddha Godbole

Partner

Membership No: 105149

Mumbai, 2 May, 2018

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2018

₹ in Crores

	Note	As at 31st March, 2018	As at 31st March, 2017
ASSETS			
Non-current Assets			
Property, Plant and Equipment	2	1030.72	954.11
Capital Work-in-progress		345.98	154.37
Investment Property	3	0.18	0.18
Goodwill on Consolidation		2.27	2.27
Other Intangible Assets	4	2.37	0.90
		1381.52	1111.83
Financial Assets:			
Investments	5	0.71	0.69
Loans	6	12.21	11.29
		12.92	11.98
Other Non-current Assets	7	150.49	122.17
Total Non-current Assets		1544.93	1245.98
Current Assets			
Inventories	8	829.18	703.20
Financial Assets:			
Investments	9	519.96	530.75
Trade Receivables	10	702.64	590.44
Cash and Cash Equivalents	11	63.21	55.62
Bank Balances other than Cash and Cash Equivalents	12	300.40	205.82
Loans	13	3.32	3.32
Other Financial Assets	14	25.55	234.23
		1615.08	1620.18
Other Current Assets	15	140.73	66.89
Total Current Assets		2584.99	2390.27
Total Assets		4129.92	3636.25
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	16	53.89	53.89
Other Equity	17	3078.43	2760.61
Equity Attributable to Equity holders of the Parent Company		3132.32	2814.50
Non-controlling interests		16.38	15.25
Total Equity		3148.70	2829.75
Liabilities			
Non-current Liabilities			
Financial Liabilities:			
Borrowings	18	9.71	18.20
Provisions	19	0.13	—
Deferred Tax Liabilities (Net)	20	81.38	79.47
Total Non-current Liabilities		91.22	97.67
Current Liabilities			
Financial Liabilities:			
Borrowings	21	16.83	—
Trade Payables	22	699.87	560.66
Other Financial Liabilities	23	115.07	80.24
		831.77	640.90
Other Current Liabilities	24	32.73	39.60
Provisions	25	21.14	23.46
Current Tax Liabilities (Net)	26	4.36	4.87
Total Current Liabilities		890.00	708.83
Total Liabilities		981.22	806.50
Total Equity and Liabilities		4129.92	3636.25

Significant Accounting Policies

The notes referred to above form an integral part of Consolidated Financial Statements

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

H.M. BHARUKA

Vice Chairman and Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

BRINDA SOMAYA

Director

DIN 00358908

ANUJ JAIN

Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

₹ in Crores

	Note	Year ended 31st March, 2018	Year ended 31st March, 2017
Income			
Revenue from Operations	27	4808.52	4584.53
Other Income	28	70.91	98.00
Total Income		4879.43	4682.53
Expenses			
Cost of Materials Consumed	29	2717.66	2216.88
Purchases of Stock-in-trade		213.83	186.50
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	30	(117.93)	(34.27)
Excise Duty on Sale of Goods		150.44	531.98
Employee Benefits Expense	31	235.08	202.57
Depreciation and Amortisation Expenses	32	77.07	70.09
Other Expenses	33	816.32	743.47
Total Expense		4092.47	3917.22
Profit Before Tax		786.96	765.31
Tax Expense			
Current Tax		270.72	248.24
Reversal of Tax Provision for earlier years		—	(1.31)
Deferred Tax		2.49	8.30
Total Tax Expense		273.21	255.23
Profit for the year		513.75	510.08
Other Comprehensive Income			
(i) items that will not be reclassified to Consolidated Statement of Profit and Loss			
(a) Remeasurement of Defined Benefit Liability		(1.55)	(7.23)
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss		0.58	2.50
Net other comprehensive income not to be reclassified subsequently to consolidated statement of profit and loss		(0.97)	(4.73)
(ii) items that will be reclassified subsequently to Consolidated Statement of Profit and Loss			
(a) Exchange differences on translation of financial statements of foreign operations		(0.07)	0.03
(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		(0.07)	0.03
Other Comprehensive income for the year, net of income tax		(1.04)	(4.70)
Total comprehensive income for the year		512.71	505.38
Profit attributable to:			
Owners of the Company		514.40	508.84
Non-controlling interests		(0.65)	1.24
Profit for the year		513.75	510.08
Other comprehensive income attributable to:			
Owners of the Company		(1.07)	(4.63)
Non-controlling interests		0.03	(0.07)
Other comprehensive income for the year		(1.04)	(4.70)
Total comprehensive income attributable to:			
Owners of the Company		513.33	504.21
Non-controlling interests		(0.62)	1.17
Total comprehensive income for the year		512.71	505.38
Earnings per Equity Share:			
Basic and Diluted	35	9.55	9.44
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 **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

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For and on behalf of the Board of Directors

P.P. SHAH

Chairman

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H.M. BHARUKA

Vice Chairman and Managing Director

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Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

₹ in Crores

Balance as at 1st April, 2016	53.89
Changes in Equity Share Capital during 2016-2017.....	—
Balance as at the 31st March, 2017.....	53.89
Changes in Equity Share Capital during 2017-2018.....	—
Balance as at 31st March, 2018	53.89

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69
Profit for the Year	—	—	—	508.84	—	508.84	1.17	510.01
Exchange differences on translation of foreign operations	—	—	—	—	0.07	0.07	—	0.07
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	—	(7.23)	—	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	—	2.50	—	2.50
Exchange differences on translation of foreign operations	—	—	—	0.10	—	0.10	—	0.10
Other comprehensive Income (net of tax) attributable to Non-controlling Interests	—	—	—	(0.07)	—	(0.07)	—	(0.07)
Other Comprehensive Income for the year, net of tax	—	—	—	(4.70)	0.07	(4.63)	—	(4.63)
Total Comprehensive Income for the year	—	—	—	504.14	0.07	504.21	1.17	505.38
Other Adjustment	—	—	—	—	(0.56)	(0.56)	—	(0.56)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(164.37)	—	(164.37)	—	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	—	(34.39)	—	(34.39)
Transfer from Retained Earnings	—	—	—	(198.76)	—	(198.76)	—	(198.76)
Transfer to General Reserve	—	—	35.58	(35.58)	—	(35.58)	—	(35.58)
Share of NCI on Consolidation	—	—	—	—	—	—	8.11	8.11
Balance as at 31st March, 2017	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2017	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86
Profit for the Year	—	—	—	514.40	—	514.40	(0.65)	513.75
Exchange differences on translation of foreign operations	—	—	—	—	(0.06)	(0.06)	(0.01)	(0.07)
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(1.59)	—	(1.59)	0.04	(1.55)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	0.58	—	0.58	—	0.58
Other Comprehensive Income for the year, net of tax	—	—	—	(1.01)	(0.06)	(1.07)	0.03	(1.04)
Total Comprehensive Income for the year	—	—	—	513.39	(0.06)	513.33	(0.62)	512.71
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Issue of Share Capital	—	—	—	—	—	—	2.50	2.50
Dividends	—	—	—	—	—	(161.68)	(0.75)	(162.43)
Dividend Distribution Tax	—	—	—	—	—	(33.83)	—	(33.83)
Balance as at 31st March, 2018	0.30	12.56	487.67	2774.09	(0.68)	3078.43	16.38	3094.81

As per our attached report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE
Partner

Membership No. 105149

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

Mumbai, 2nd May, 2018

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

H.M. BHARUKA

Vice Chairman and Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

BRINDA SOMAYA

Director

DIN 00358908

ANUJ JAIN

Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018

₹ in Crores

	Year ended 31st March, 2018	Year ended 31st March, 2017
Cash Flow from Operating Activities		
Profit Before Tax	786.96	765.31
Adjustments for:		
Depreciation and Amortisation Expenses	77.07	70.09
Fair Value Gain on Financial Instruments recognised through FVTPL ..	(4.94)	(11.04)
Unrealised Foreign Exchange Gain	(0.86)	(2.16)
Profit on Sale of Investments (Net)	(30.04)	(56.17)
Interest Income	(20.34)	(10.99)
Dividend Income	(0.96)	(2.70)
Profit on Sale of Property, Plant and Equipment (Net)	(0.03)	(0.08)
Provisions for Doubtful Debts and Bad Debts	2.87	7.09
	22.77	(5.96)
Operating Profit Before Working Capital Changes	809.73	759.35
(Increase) in Trade and Other Receivables	(187.45)	(83.28)
(Increase) in Inventories	(125.98)	(120.48)
Increase in Trade Payables, Other Financial Liabilities and Provisions	139.42	21.72
	(174.01)	(182.04)
Cash Generated from Operations	635.72	577.31
Direct Taxes Paid (Net of Refunds)	(276.39)	(226.11)
Net Cash Flow generated from Operating Activities	359.33	351.20
Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Other Intangible Assets (Including Adjustments on Account of Capital Work-In-Progress and Capital Creditors and Capital Advances)	(344.47)	(217.02)
Proceeds from Sale of Property, Plant and Equipment	1.33	0.14
Purchase of Investments	(25135.61)	(26920.34)
Proceeds from Sale / Redemption of Investments	25181.36	27002.90
Interest Received	20.34	5.49
Dividend Received	0.96	2.70
Investments in Fixed Deposit with Bank	113.35	(431.12)
Net Cash Flow (used in) Investing Activities	(162.74)	(557.25)
Cash Flow from Financing Activities		
Repayment of Borrowings	(10.32)	(17.44)
Proceeds from Borrowings	16.83	—
Dividend Paid	(161.68)	(164.37)
Tax on Proposed Dividend	(33.83)	(34.39)
Net Cash Flow (used in) Financing Activities	(189.00)	(216.20)
Net Increase / (Decrease) in Cash and Cash Equivalents	7.59	(422.25)

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2018 (contd.)

₹ in Crores

	Year ended 31st March, 2018	Year ended 31st March, 2017
Cash and Cash Equivalents at Beginning of the year the components being:		
Cash on hand	0.80	0.60
Cheques on hand	21.79	18.61
Balances With Banks on Current, Margin and Fixed Deposit Accounts .	32.42	458.42
Effect of exchange rate fluctuation.....	0.61	0.24
	55.62	477.87
Cash and Cash Equivalents at end of the year the components being:		
Cash on hand	0.10	0.80
Cheques on hand	29.23	21.79
Balances with Banks on Current, Margin and Fixed Deposit Accounts ..	33.22	32.42
Effect of exchange rate fluctuation.....	0.66	0.61
	63.21	55.62
Net Increase / (Decrease) as disclosed above	7.59	(422.25)

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2018	31st March, 2017
Opening Balances		
Long-term Borrowing.....	28.65	41.48
Short-term Borrowing	—	—
Movements		
Long-term Borrowing.....	(10.45)	(12.83)
Short-term Borrowing	16.83	—
Closing Balances		
Long-term Borrowing.....	18.20	28.65
Short-term Borrowing	16.83	—

Notes:

- Figures in brackets are outflows / deductions.
- 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 **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE

Partner

Membership No. 105149

Mumbai, 2nd May, 2018

G.T. GOVINDARAJAN

Company Secretary

ACS No. 8887

P.D. PAI

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For and on behalf of the Board of Directors

P.P. SHAH

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Director

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ANUJ JAIN

Wholetime Director

DIN 08091524

Mumbai, 2nd May, 2018

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. Corporate Information

Kansai Nerolac Paints Limited (the 'Parent 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 Consolidated Financial Statements relate to Kansai Nerolac Paints Ltd (the 'Parent Company') and its Subsidiary Companies, KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited), a Company incorporated in Nepal in which the Parent Company has 68% equity holding, and Kansai Paints Lanka (Private) Limited, a Company incorporated in Sri Lanka in which the Parent Company has 60% equity holding hereinafter referred to as the "Group".

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, (the 'Act') and other relevant provisions of the Act. The Consolidated Financial Statements for the year ended 31st March, 2018 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 2nd May, 2018.

Details of the 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 provision for employee defined benefit plans.

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 recognized 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 Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation.

In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

Contingences and Commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the 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.

(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 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.

Allowances for Doubtful Debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B. Basis of Preparation (Contd.)

4. Use of Estimates and Judgements (contd.)

(ii) Key sources of Estimation Uncertainty (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.

Liability for Sales Return

In making judgment for liability for sales return, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in Ind AS 18 and in particular, whether the Group had transferred to the buyer the significant risk and rewards of ownership of the goods. Following the detailed quantification of the Group's liability towards sales return, the management is satisfied that significant risk and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate liability for sales return.

Accruals for estimated product returns, which are based on historical experience of actual sales returns and adjustment on account of current market scenario is considered by Group to be reliable estimate of future sales returns.

C. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective subsequent years as mentioned below:

Ind AS 115 – Revenue from Contracts with Customers (applicable for annual periods beginning on or after April 1, 2018)

Ind AS 21 – The effect of changes in Foreign Exchange rates (applicable for annual periods beginning on or after April 1, 2018)

Ind AS 116 – Leases (applicable for annual periods beginning on or after April 1, 2019)

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 – Revenue, Ind AS 11 – Construction Contracts when it becomes effective.

The core principle of Ind AS 115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is evaluating the requirements of the Ind AS 115 and the effect on the financial statements is being evaluated.

Ind AS 21 – The effect of changes in Foreign Exchange rates

The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group is evaluating the impact of this amendment on its financial statements.

Ind AS 116 – Leases

In January 2016, the IASB issued Ind AS 116 – Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous standard on leasing, Ind AS 17 – Leases. Ind AS 116, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. Ind AS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by Ind AS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leased assets separately from interest on lease liabilities in the income statement. As Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. Ind AS 116 is effective from April 1, 2019, with early adoption allowed only if Ind AS 115 – Revenue from Contracts with Customers is also adopted.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

D. Basis of Consolidation

The Consolidated Financial Statement comprise the financial statements of the Parent Company and its subsidiaries as at 31st March, 2018. Subsidiaries are entities controlled by the Parent Company. The Parent 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 Statement 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, statement of changes in equity and 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 the non-controlling interests having a deficit balance. Non-controlling interest (NCI) are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 the 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 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. Based on internal technical evaluation, the management believes

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

3. Property, Plant and Equipment (contd.)

(c) Depreciation (contd.)

the 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 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 comparative 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
Plant and Equipments	10-20	10-25
Furniture and Fixtures	10	10-15
Vehicles	10	10
Office Equipments	5	5
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets given 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 Consolidated Statement of Profit and Loss.

Leasehold lands and leasehold improvements are amortised over the primary period of lease.

(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 carries the investment property at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

After initial recognition, the Group 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 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. Based on internal technical evaluation, the management believes the 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 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 comparative 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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

4. Investment Property (contd.)

(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 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 depreciation 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 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:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale.
- the Group intends to complete the intangible asset and use or sell it.
- the Group has ability to use or sell the intangible asset.
- the Group can demonstrate how the intangible asset will generate probable future economic benefits.
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 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 Others 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 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 Group
Software	3 Years

Amortised intangible asset is displayed as amortisation on the face of Consolidated Statement of Profit and Loss.

6. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in Consolidated Statement of Profit and Loss.

Once classified as held-for-sale, Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer depreciated or amortised.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

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 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.

(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 Other Comprehensive Income. 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.

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 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 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.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

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. Amounts such reversed shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which reversal occurs.

(d) Valuation of Spare Parts, Stand-by Equipments and Servicing Equipments

Spare parts, stand-by equipment and servicing equipment are recognised as Property, Plant and Equipment if and only if it is probable that future economic benefits associated with them will flow to the Group and their cost can be measured reliably. Otherwise such items are classified and recognised as Inventory.

9. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts which are repayable on demand form an integral part of the Group's cash management, hence bank overdrafts are included as a component of cash and cash equivalents.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

11. Provisions and Contingent Liabilities (contd.)

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 from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group measures revenue at the fair value of the consideration received or receivable taking into account the amount of any sales returns, trade discounts and volume rebates allowed by the Group. No element of financing is deemed present as the sales are made with credit term in line with market practice.

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 Group and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Dividend Income

Dividend income is recognised when right to receive payment is established and it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

13. Foreign Currency Transactions

Functional currency is the currency of the primary economic environment in which the Group operates whereas presentation currency is the currency in which the financial statements are presented. Indian Rupee is the functional as well as presentation currency for the Group.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Consolidated Financial Statements are recognised in the Consolidated Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Consolidated Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Consolidated Statement of Profit and Loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

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.

15. Leases

Leases of Property, Plant and Equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or the financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Consolidated Statement of Profit and Loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and Subsequent Measurement

Financial Assets: Classification

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 Consolidated 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 profit or loss.

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(c) Derecognition (contd.)

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.

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.

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 – Financial Instruments, 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 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 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

19. Impairment Loss (contd.)

Impairment of Non Financial Assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate.

The Group assesses at the end of each reporting period whether there is any indication that an asset is impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers External as well as Internal Source of Information. If any such indication exists, the Group estimates the recoverable amount for the individual asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group recognises impairment loss for a cash-generating unit if, and only if, the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit. The Group allocates impairment loss of cash-generating units first to the carrying amount of goodwill allocated to the cash-generating units, if any, and then, to the other assets of the cash-generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised accordingly.

20. Measurement of Fair Values

A number of the Group Companies 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.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018	
Freehold Land	42.59 (27.53)	26.35 (15.06)	— (—)	68.94 (42.59)	— (—)	— (—)	— (—)	— (—)	68.94 (42.59)	
Leasehold Land	46.77 (46.77)	— (—)	— (—)	46.77 (46.77)	2.64 (2.18)	0.48 (0.46)	— (—)	3.12 (2.64)	43.65 (44.13)	
Buildings	436.78 (429.44)	17.03 (7.34)	— (—)	453.81 (436.78)	95.58 (82.61)	13.39 (12.97)	— (—)	108.97 (95.58)	344.84 (341.20)	
Plant and Equipments	704.12 (678.84)	69.86 (25.34)	— (0.06)	773.98 (704.12)	270.98 (241.14)	32.52 (29.90)	— (0.06)	303.50 (270.98)	470.48 (433.14)	
Furniture and Fixtures.....	16.12 (15.30)	1.23 (0.82)	0.01 (—)	17.34 (16.12)	12.99 (12.22)	0.70 (0.77)	0.01 (—)	13.68 (12.99)	3.66 (3.13)	
Vehicles.....	2.53 (2.44)	0.45 (0.23)	0.04 (0.14)	2.94 (2.53)	1.57 (1.42)	0.26 (0.23)	0.01 (0.08)	1.82 (1.57)	1.12 (0.96)	
Office Equipments.....	10.47 (9.67)	0.66 (0.80)	— (—)	11.13 (10.47)	8.54 (7.70)	0.70 (0.84)	— (—)	9.24 (8.54)	1.89 (1.93)	
Computers.....	36.95 (33.03)	4.06 (4.51)	1.57 (0.59)	39.44 (36.95)	27.71 (25.09)	4.00 (3.21)	1.57 (0.59)	30.14 (27.71)	9.30 (9.24)	
Assets for Scientific Research*	25.70 (19.83)	0.55 (5.87)	— (—)	26.25 (25.70)	11.03 (10.05)	1.18 (0.98)	— (—)	12.21 (11.03)	14.04 (14.67)	
Assets given on Operating Lease . (Refer Note 2.5)	246.35 (217.34)	32.87 (29.01)	— (—)	279.22 (246.35)	183.71 (163.56)	23.41 (20.15)	— (—)	207.12 (183.71)	72.10 (62.64)	
Colourant Machine.....	0.48 (0.40)	1.49 (0.08)	1.27 (—)	0.70 (0.48)	— (—)	— (—)	— (—)	— (—)	0.70 (0.48)	
Total Tangible Assets.....	1568.86 (1480.59)	154.55 (89.06)	2.89 (0.79)	1,720.52 (1568.86)	614.75 (545.97)	76.64 (69.51)	1.59 (0.73)	689.80 (614.75)	1,030.72 (954.11)	

* Net block includes Buildings ₹ 0.34 Crores (2016-2017 ₹ 0.35 Crores), Plant and Equipment ₹ 13.50 Crores (2016-2017 ₹ 14.08 Crores) and Furniture and Fixtures ₹ 0.20 Crores (2016-2017 ₹ 0.24 Crores).

Notes:

- 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 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 ₹ 279.22 Crores (2016-2017 ₹ 246.35 Crores) and ₹ 207.12 Crores (2016-2017 ₹ 183.71 Crores) respectively.
 - (ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 23.41 Crores (2016-2017 ₹ 20.15 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018
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 ₹ 0.18 Crores (2016-2017 ₹ 0.40 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1381.20 Crores (2016-2017 ₹ 1362.70 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 has been derived using the Direct Comparison Method. The direct comparison approach involves comparison of the investment property to similar properties that have been actually sold at 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.

Note 4: Other Intangible Assets

₹ in Crores

Description	Gross Block				Accumulated Amortisation				Net Block
	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 1st April, 2017	Additions	Deductions	As at 31st March, 2018	As at 31st March, 2018
Software	13.84 (12.87)	1.91 (0.97)	— (—)	15.75 (13.84)	12.95 (12.32)	0.43 (0.63)	— (—)	13.38 (12.95)	2.37 (0.89)
Total Other Intangible Assets ..	13.84 (12.87)	1.91 (0.97)	— (—)	15.75 (13.84)	12.95 (12.32)	0.43 (0.63)	— (—)	13.38 (12.95)	2.37 (0.89)

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.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 5: Non-current Investments

Investments in Equity Instruments:

Others at FVTPL

National Thermal Power Corporation Ltd. (Quoted)	0.69	0.67
40,524 Equity Shares of ₹ 10 each (40,524 Equity Shares of ₹ 10 each)		

Paints and Coatings Skill Council.....	0.02	0.02
10 Equity Shares of ₹ 25,000 each (10 Equity Shares of ₹ 25,000 each)		

Total Non-current Investments	0.71	0.69
--	-------------	------

Aggregate book value of quoted investments	0.69	0.67
--	-------------	------

Aggregate market value of quoted investments	0.69	0.67
--	-------------	------

Aggregate amount of unquoted investments	0.02	0.02
--	-------------	------

Aggregate amount of impairment in value of investments	Nil	Nil
--	------------	-----

Note 6: Loans

Unsecured and Considered Good:

Security Deposits	12.21	11.29
	12.21	11.29

Note 7: Other Non-current Assets

Unsecured and Considered Good:

Capital Advances	70.42	46.69
Income Tax Paid (Net of Provisions)	80.07	75.48
	150.49	122.17

Note 8: Inventories

Raw Materials [including goods-in-transit of ₹ Nil (2016-2017 ₹ 4.00 Crores)]	325.44	242.82
Work-in-progress.....	65.08	44.92
Finished Goods	403.93	393.42
Stock-in-trade.....	30.12	18.37
Stores and Spares	4.61	3.67
	829.18	703.20

No inventories were pledged as security for liabilities during any part of 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 period.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 9: Current Investments

(A) Investments in Bonds at FVTPL (Quoted):

	As at 31st March, 2018	As at 31st March, 2017
1 Indian Railways Finance Corporation Ltd. Nil units of ₹ 1,00,000 each (1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each)	—	10.00
2 National Highway Authority of India 24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each (24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each)	2.75	2.78
3 Power Finance Corporation Ltd. 14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each (14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each)	1.57	1.60
4 Indian Railway Finance Corporation Ltd. 10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each (10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each)	1.19	1.20
5 National Highway Authority of India 57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each (57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each)	5.97	6.86
6 National Highway Authority of India 23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each (23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each)	2.66	2.60
Total Investments in Bonds	14.14	25.04

(B) Mutual Funds at FVTPL (Unquoted):

(i) Growth Option:

1 Axis Treasury Advantage Fund Nil units of ₹ 1000 each (1,36,113 Units (and 008 fractions) of ₹ 1000 each)	—	25.13
2 Aditya Birla Sunlife Banking & PSU Debt Fund 1,36,15,922 Units (and 007 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	71.37	—
3 Aditya Birla Sunlife Interval Income Fund..... 89,54,034 Units (and 464 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	20.16	—
4 BNP Paribas Overnight Fund 1,87,725 Units (and 021 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	50.08	—
5 BNP Paribas Money Plus Fund Nil units of ₹ 1000 each (2,42,05,868 Units (and 931 fractions) of ₹ 1000 each)	—	61.00
6 DSP BlackRock Money Manager Fund Nil units of ₹ 10 each (2,27,421 Units (and 264 fractions) of ₹ 1000 each)	—	50.79
7 DSP Black Rock FMP – Series 222 – 3M..... 1,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	15.12	—
8 HDFC Banking & PSU Debt Fund Nil units of ₹ 10 each (7,71,93,569 Units (and 776 fractions) of ₹ 10 each)	—	102.49
9 HDFC FMP 92D FEBRUARY 2018 (1) – Series 39..... 2,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	25.18	—
10 ICICI Prudential FMP – Series 82-103 Days Plan O 3,00,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	30.20	—
11 Indiabulls Ultra Short Term Fund Nil units of ₹ 1000 each 1,28,653 Units (and 478 fractions) of ₹ 1000 each	—	20.73
12 Kotak Banking & PSU Debt Fund Nil units of ₹ 10 each (1,39,11,146 Units (and 724 fractions) of ₹ 10 each)	—	51.75
13 Kotak FMP Series 218-92 Days 2,50,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	25.19	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2018	As at 31st March, 2017
(B) Mutual Funds at FVTPL (Unquoted) (contd.):		
(i) Growth Option (contd.):		
14 Kotak Low Duration Fund 2,32,749 Units (and 795 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	50.98	—
15 LIC MF Savings Plus Fund Nil units of ₹ 10 each (1,59,52,202 Units (and 989 fractions) of ₹ 10 each)	—	41.08
16 Reliance Medium Term Fund Plan 1,65,25,712 Units (and 978 fractions) of ₹ 10 each (1,45,13,914 Units (and 049 fractions) of ₹ 10 each)	61.48	50.35
17 Reliance Fixed Horizon Fund – XXXVI – Series 4 5,00,00,000 Units of ₹ 10 each (Nil units of ₹ 10 each)	50.41	—
18 Reliance Quarterly Interval Fund – Series II 1,68,43,239 Units (and 966 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	40.43	—
19 Reliance Quarterly Interval Fund – Series III 1,40,62,620 Units (and 851 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	20.12	—
20 Sundaram Ultra Short Term Fund Nil units of ₹ 10 each 4,50,82,817 Units (and 135 fractions) of ₹ 10 each	—	102.39
21 UTI Treasury Advantage Fund 1,45,014 Units (and 467 fractions) of ₹ 1000 each (Nil units of ₹ 1000 each)	35.00	—
22 UTI Fixed Interval Income Fund – V 47,25,094 Units (and 029 fractions) of ₹ 10 each (Nil units of ₹ 10 each)	10.10	—
Total Investments in Mutual Fund (Growth Option)	505.82	505.71
Total Mutual Fund (i)	505.82	505.71
Total Current Investment (A + B)	519.96	530.75
Aggregate book value of quoted investments	14.14	25.04
Aggregate market value of quoted investments	14.14	25.04
Aggregate amount of unquoted investments	505.82	505.71
Aggregate amount of impairment in value of investments	Nil	Nil

Note 10: Trade Receivables

	As at 31st March, 2018	As at 31st March, 2017
Overdue for a Period Exceeding Six Months:		
Secured, Considered Good	—	—
Unsecured, Considered Good	6.16	1.98
Doubtful	14.40	12.64
	20.56	14.62
Less: Provision for Bad and Doubtful Debts	14.40	12.64
	6.16	1.98
Other Receivables:		
Secured, Considered Good	—	—
Unsecured, Considered Good	696.48	588.46
Doubtful	3.32	2.21
	699.80	590.67
Less: Provision for Bad and Doubtful Debts	3.32	2.21
	696.48	588.46
	702.64	590.44

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 11: Cash and Cash Equivalents

	As at 31st March, 2018	As at 31st March, 2017
Cash on hand	0.10	0.80
Cheques on hand	29.23	21.79
Banks Balances	33.88	33.03
	<u>63.21</u>	<u>55.62</u>

Note 12: Bank Balance other than Cash and Cash Equivalents

Unpaid Dividend Accounts	1.01	0.88
Fixed Deposit with Bank *	299.39	204.94
	<u>300.40</u>	<u>205.82</u>

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain, includes fixed deposit of ₹ 0.50 Crores

Note 13: Loans

Loan to Supplier	—	0.28
Security Deposits	3.32	3.04
	<u>3.32</u>	<u>3.32</u>

Note 14: Other Current Financial Assets

Unsecured and Considered Good		
Fixed Deposit with Bank *	25.45	233.24
Other Receivable	0.10	0.99
	<u>25.55</u>	<u>234.23</u>

* Deposited under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain

Note 15: Other Current Assets

Unsecured and Considered Good		
Balances with Indirect Tax Authorities	87.26	32.76
Insurance Claims Receivable	—	0.16
Trade Advances	38.53	19.74
Prepaid Expenses	7.10	8.03
Other Receivable	7.84	6.20
	<u>140.73</u>	<u>66.89</u>

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Share Capital

	As at 31st March, 2018	As at 31st March, 2017
1. Authorised Share Capital (₹ in Crores)	60	60
Par Value per Share (₹)	1	1
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	1
Number of Equity Shares	53,89,19,720	53,89,19,720
3. Details of Shareholders holding more than 5% of shares:	% No. of Shares	% No. of Shares
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 Parent 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 Parent Company, the holders of equity shares will be entitled to receive the residual assets of the Parent Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.	1	1
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 capital and all other equity reserves attributable to the equity holders of the Parent Company. 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. The Group is not subject to any externally imposed capital requirements.		

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 17: Other Equity

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2016	0.30	12.56	452.09	1990.90	(0.13)	2455.72	5.97	2461.69
Profit for the year	—	—	—	508.84	—	508.84	1.17	510.01
Exchange differences on translation of foreign operations	—	—	—	—	0.07	0.07	—	0.07
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(7.23)	—	(7.23)	—	(7.23)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	2.50	—	2.50	—	2.50
Exchange differences on translation of foreign operations	—	—	—	0.10	—	0.10	—	0.10
Other comprehensive Income (net of tax) attributable to Non-controlling Interests	—	—	—	(0.07)	—	(0.07)	—	(0.07)
Other Comprehensive Income for the year, net of tax	—	—	—	(4.70)	0.07	(4.63)	—	(4.63)
Total Comprehensive Income for the year	—	—	—	504.14	0.07	504.21	1.17	505.38
Other Adjustment	—	—	—	—	(0.56)	(0.56)	—	(0.56)
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Dividends	—	—	—	(164.37)	—	(164.37)	—	(164.37)
Dividend Distribution Tax	—	—	—	(34.39)	—	(34.39)	—	(34.39)
Transfer from Retained Earnings	—	—	—	(198.76)	—	(198.76)	—	(198.76)
Transfer to General Reserve	—	—	35.58	—	—	35.58	—	35.58
Share of NCI on Consolidation	—	—	—	—	—	—	8.11	8.11
Balance as at 31st March, 2017	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86

₹ in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Exchange differences on translation of foreign operations	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2017	0.30	12.56	487.67	2260.70	(0.62)	2760.61	15.25	2775.86
Profit for the year	—	—	—	514.40	—	514.40	(0.65)	513.75
Exchange differences on translation of foreign operations	—	—	—	—	(0.06)	(0.06)	(0.01)	(0.07)
Other Comprehensive Income:								
Remeasurement of Defined Benefit Liability	—	—	—	(1.59)	—	(1.59)	0.04	(1.55)
Deferred Tax on Remeasurement of Defined Benefit Liability	—	—	—	0.58	—	0.58	—	0.58
Other Comprehensive Income for the year, net of tax	—	—	—	(1.01)	(0.06)	(1.07)	0.03	(1.04)
Total Comprehensive Income for the year	—	—	—	513.39	(0.06)	513.33	(0.62)	512.71
Transaction with Owners in their Capacity as Owners, recorded directly in equity:								
Issue of Share Capital	—	—	—	—	—	—	2.50	2.50
Dividends	—	—	—	—	—	(161.68)	(0.75)	(162.43)
Dividend Distribution Tax	—	—	—	—	—	(33.83)	—	(33.83)
						(195.51)	1.75	(193.76)
Balance as at 31st March, 2018	0.30	12.56	487.67	2774.09	(0.68)	3078.43	16.38	3094.81

Analysis of Accumulated OCI, Net of Tax

Remeasurement of Defined Benefit Liability

Opening Balance	
Remeasurement of Defined Benefit Liability	
Closing Balance	

31st March, 2018

(9.66)
(0.97)
(10.63)

₹ in Crores

31st March, 2017

(4.93)
(4.73)
(9.66)

Exchange differences on translation of foreign operations

Opening Balance	
Exchange differences on translation of foreign operations	
Closing Balance	

31st March, 2018

(0.62)
(0.06)
(0.68)

31st March, 2017

(0.13)
(0.49)
(0.62)

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Capital Reserve

Capital reserve includes profit on re-issue of forfeited shares.

Securities Premium Reserve

Securities premium reserve 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

General reserve was created by transfers of profits as per Companies (Transfer of Profits to Reserves) Rules, 1975. As general reserve is created by transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Dividend

For the year 2016-2017, the Directors had recommended and shareholders had approved a normal dividend of 250% (₹ 2.50 per share) and a special dividend of 50% (₹ 0.50 share), thus aggregating to a total dividend of 300% (₹ 3.00 per share), which has been accounted in current year. For the year 2017-2018, the Directors have recommended a normal dividend of 260% (₹ 2.60 per share). The dividend proposed by the Directors is subject to approval of shareholders at the annual general meeting. The proposed dividend of ₹ 140.12 Crores (2016-2017 ₹ 161.68 Crores) alongwith dividend distribution tax of ₹ 29.66 Crores (2016-2017 ₹ 33.83 Crores) have not been recognised as liabilities.

Note 18: Borrowings

Deferred Payment Liabilities

Unsecured Sales Tax Deferral Loan 9.71 18.20

Package Scheme of Incentive allowed the Parent 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. Outstanding amount is repayable in three annual installments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 8.62 Crores (2016-2017 ₹ 10.45 Crores) is disclosed under 'Other Financial Liabilities' — Refer Note 23].

Note 19: Provisions

Provision for Gratuity 0.13 —

Note 20: Income Taxes

A. The major components of income tax expense for the year ended 31st March 2018 are as under:

(i) Income tax recognised in the Consolidated Statement of Profit and Loss

Current tax:

In respect of current year 270.72 248.24

Adjustments in respect of previous year — (1.31)

Deferred tax:

In respect of current year 2.49 8.30

Income tax expense recognised in the Consolidated Statement of Profit and Loss 273.21 255.23

(ii) Income tax expense recognised in OCI

Deferred tax expense on remeasurements of defined benefit plans 0.58 2.50

Income tax expense recognised in OCI 0.58 2.50

B. Reconciliation of tax expense and the accounting profit for the year is as under:

Profit Before Tax	786.96	765.31
Income tax expense calculated at 34.608%	272.35	264.91
Tax effect on non-deductible expenses	4.64	2.93
Incentive tax credits	(3.69)	(8.47)
Effect of Income that is exempted from tax.	(0.84)	(4.31)
Others	0.75	0.17
Total	273.21	255.23
Tax expense as per Consolidated Statement of Profit and Loss	273.21	255.23

The tax rate used for reconciliation above is the corporate tax rate of 34.608% payable by corporate entities in India on taxable profits under Indian tax law.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 20: Income Taxes

C. The major components of deferred tax (liabilities)/assets arising on account of timing differences are as follows:

Particulars	Balance Sheet	Profit and Loss	OCI	Balance Sheet	Balance Sheet	Profit and Loss	OCI	Other Adjustment	Balance Sheet
	01.04.2017	2017-2018	2017-2018	31.03.2018	01.04.2016	2016-2017	2016-2017	2016-2017	31.03.2017
Difference between written down value / capital work in progress of fixed assets as per the books of accounts and Income Tax Act, 1961	(101.42)	(6.86)	—	(108.28)	(92.87)	(8.55)	—	—	(101.42)
Tax adjustment on account on indexation of freehold land	12.27	1.88	—	14.15	11.54	0.73	—	—	12.27
Provision for diminution in value of Fixed Assets	—	—	—	—	0.12	(0.12)	—	—	—
Expense claimed for tax purpose on payment basis	2.93	1.38	—	4.31	2.24	0.69	—	—	2.93
Provision for doubtful debts and Advances	4.59	0.40	—	4.99	2.89	1.70	—	—	4.59
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act 1961 over 5 years	0.30	(0.28)	—	0.02	0.60	(0.30)	—	—	0.30
Remeasurement benefit of the defined benefit plans through OCI	5.11	—	0.58	5.69	2.61	—	2.50	—	5.11
Deferred Tax on Distributable Accumulated Reserves of subsidiary	—	(0.67)	—	(0.67)	—	—	—	—	—
MAT Credit Entitlements	—	—	—	—	60.77	—	—	(60.77)	—
Net fair value loss on investment in through FVTPL	(3.25)	1.66	—	(1.59)	(0.80)	(2.45)	—	—	(3.25)
Deferred tax (expense) / income	(79.47)	(2.49)	0.58	(81.38)	(12.90)	(8.30)	2.50	(60.77)	(79.47)
Net Deferred tax liabilities									

Note 21: Borrowings

Short-term borrowings from Bank

The Group has obtained 12.80% Short-term borrowings from bank, secured by hypothecation of receivable and inventories. Repayment schedule of this facility is provided in Note 40.

Borrowings from other body corporates

To support the temporary working capital requirement of Sri Lankan subsidiary, the Group has obtained temporary short term loan at 14.30% from local shareholders. Repayment schedule of this facility is provided in Note 40.

As at 31st March, 2018	As at 31st March, 2017
10.59	—
6.24	—
16.83	—

Note 22: Trade Payables

Trade Payables

	As at 31st March, 2018	As at 31st March, 2017
Payables to Micro and Small Enterprises*	—	—
Payables to Others	699.87	560.66
	699.87	560.66

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

KANSAI NEROLAC PAINTS LIMITED
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₹ in Crores

Note 23: Other Financial Liabilities

	As at 31st March, 2018	As at 31st March, 2017
Current Maturities of Long-term Borrowings (Refer Note 18)	8.62	10.45
Unpaid Dividends*	1.73	0.88
Trade Deposits	63.14	54.61
Creditors for Capital Goods.....	41.58	14.30
	<u>115.07</u>	<u>80.24</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Note 24: Other Current Liabilities

Other Statutory Obligations*	21.86	30.20
Trade Receivables with Credit Balance	10.87	9.40
	<u>32.73</u>	<u>39.60</u>

* Includes payable toward TDS, Excise duty, Service tax, VAT, GST and Employee Related Statutory Obligations.

Note 25: Provisions

Provision for Compensated Absences (Refer Note 37)	10.56	8.71
Provision for Gratuity (Refer Note 37)	2.81	6.73
Provision for Indirect Taxes*:		
Opening Balance	7.77	7.77
Add: Provision during the year	—	—
Less: Utilisation / reversal during the year	—	—
	<u>7.77</u>	<u>7.77</u>
Provision for Warranty#:		
Opening Balance	0.25	1.15
Add: Provision during the year	—	—
Less: Utilisation / reversal during the year	0.25	0.90
	<u>—</u>	<u>0.25</u>
	<u>21.14</u>	<u>23.46</u>

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2016-2017 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

The Parent Company was selling certain products with a warranty of seven years. Accordingly, provision had been recognised on the basis of management's expectation of warranty claims on such products.

Note 26: Current Tax Liabilities (Net)

Current Tax Liabilities (Net of Advances)	4.36	4.87
	<u>4.36</u>	<u>4.87</u>

KANSAI NEROLAC PAINTS LIMITED
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₹ in Crores

Note 27: Revenue from Operations

	Year ended 31st March, 2018	Year ended 31st March, 2017
Sale of Products (including excise duty)		
Sales.....	5280.10	4990.50
Less: Discounts and Rebates	487.91	416.40
Total Sale of Products	4792.19	4574.10
Other Operating Revenues		
Scrap Sales	12.29	9.97
Others	4.04	0.46
	16.33	10.43
Revenue from Operations.....	4808.52	4584.53

Note 27.1: Earnings in Foreign Exchange

FOB Value of Exports	4.95	2.24
Recovery of Freight and Other Charges on Exports	0.10	0.05

Note 28: Other Income

Dividend Income		
Dividend from Mutual Funds recognised through FVTPL.....	0.96	2.70
Interest Income		
Interest on Loans and Deposit.....	19.56	8.77
Interest on bonds recognised through FVTPL	0.78	2.22
	20.34	10.99
Profit on Sale of Investments (Net)	30.04	56.17
Fair Value Gain on Financial Instruments.....	4.94	11.04
Other Non operating Income		
Profit on Sale of Fixed Assets.....	0.04	0.08
Foreign Exchange Gain (Net).....	11.25	11.54
Insurance Claims Received	2.86	2.96
Miscellaneous Income	0.48	2.52
	14.63	17.10
	70.91	98.00

Note 29: Cost of Materials Consumed

Raw Material Consumed		
Opening Stock	232.08	158.09
Add: Purchase	2476.76	2022.52
Less: Sales	9.84	6.48
Less: Closing Stock	312.77	232.08
	2386.23	1942.05
Packing Material Consumed		
Opening Stock	10.74	8.09
Add: Purchase	333.36	277.48
Less: Closing Stock	12.67	10.74
	331.43	274.83
	2717.66*	2216.88*

* Includes ₹ 1.94 Crores (2016-2017 ₹ 1.89 Crores) expenditure incurred on Research and Developments

Note 29.1: CIF Value of Import

Raw Materials	1069.15	920.36
Stores and Spare Parts.....	2.75	1.61
Finished Products	32.11	22.45
Capital Goods	24.86	11.58

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 30: Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

	Year ended 31st March, 2018	Year ended 31st March, 2017
Opening Stock		
Finished Goods.....	393.45	348.80
Work-in-progress	44.92	46.80
Stock-in-trade (in respect of goods acquired for trading)	18.37	17.89
	456.74	413.49
Less: Closing Stock		
Finished Goods.....	403.93	393.43
Work-in-progress	65.08	44.92
Stock-in-trade (in respect of goods acquired for trading)	30.12	18.37
	499.13	456.72
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	(75.54)	8.96
	(117.93)	(34.27)

Note 31: Employee Benefits Expense

Salaries and Wages	210.31	178.95
Contribution to Provident and Other Funds (Refer Note 37)	13.56	12.77
Staff Welfare Expense.....	11.21	10.85
	235.08*	202.57*

*Includes ₹ 16.97 Crores (2016-2017 ₹ 15.77 Crores) expenditure incurred on Research and Developments

Note 32: Depreciation and Amortisation Expenses

Depreciation on Property, Plant and Equipment	76.64	69.49
Amortisation on Other Intangible Assets.....	0.43	0.60
	77.07*	70.09*

*Includes ₹ 1.18 Crores (2016-2017 ₹ 0.98 Crores) depreciation and amortisation expenses on Research and Developments

Note 33: Other Expenses

Consumption of Stores and Spare Parts.....	24.09	19.59
Power and Fuel	75.79	71.27
Repairs to Buildings	0.77	0.90
Repairs to Machinery	10.60	10.56
Freight and Forwarding Charges.....	227.29	195.03
Advertisement and Sales Promotion.....	285.68	281.04
Rent.....	32.37	27.85
Rates and Taxes.....	3.37	5.41
Insurance	4.46	3.61
Miscellaneous Expenses.....	151.90	128.21
	816.32*	743.47*

*Includes ₹ 4.25 Crores (2016-2017 ₹ 4.48 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 33: Other Expenses (contd.)

Note 33.1: Payments to Auditors'

Auditors' Remuneration excluding Service Tax (Included in Miscellaneous Expenses in Note 33)

As Auditor

Statutory Audit	0.29	0.29
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results.....	0.09	0.09

In other capacity

Certification.....	0.09	0.09
Other Matters.....	0.10	0.15

Reimbursements of Expenses	0.05	0.05
	0.66	0.71

Note 33.2: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Consolidated Statement of Profit and Loss is	24.34	23.12
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Note 33.3: Expenditure in Foreign Currencies

Foreign Travel.....	0.38	0.16
Royalties.....	17.69	16.04
Professional and Technical Fees.....	0.68	1.25
Others	0.81	1.01
	19.56	18.46

Note 33.4: Operating Lease Expenses

The Group obtains business warehouses on cancellable lease terms. Hence the following disclosure is provided only for vehicles obtained on non-cancellable lease terms. Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.

Lease payments recognised in Consolidated Statement of Profit and Loss	0.79	0.48
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Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:

Not later than one year	0.03	0.59
Later than one year and not later than five years	2.95	1.09
Later than five years	—	—

Note 34: Contingent Liabilities and commitments (to the extent not provided for)

Claims against the Group not acknowledged as debt:

Service Tax	7.29	6.41
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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, totalling to ₹ 7.29 Crores (2016-2017 ₹ 6.41 Crores) from the Excise / Service Tax Authorities, in respect of disallowance of Excised / 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.

Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	152.21	231.29
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Corporate guarantee

Corporate guarantee given to Bank for employee loans.....	2.55	2.55
	162.05	240.25

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 35: Earnings Per Equity Share

Numerator:

	Year ended 31st March, 2018	Year ended 31st March, 2017
Profit attributable to Equity holders (₹ in Crores)	514.40	508.84

Denominator:

Weighted Average Number of ordinary shares at the beginning and end of the year	53,89,19,720	53,89,19,720
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Basic and diluted earnings per Equity Share (in ₹)	9.55	9.44
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Note 36: 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
	2018	2017			
Kansai Paints Co., Ltd.	74.99	74.99	Parent and ultimate controlling entity	Manufacturing Paints	Japan

Kansai Paints Co., Ltd. Is immediate and ultimate holding company of Kansai Nerolac Paints Ltd. and is based and listed in Japan. Financial statements of Kansai Paints Co., Ltd is available in public domain.

Fellow Subsidiaries Company

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints	Malaysia
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints	Turkey
Kansai Plascon Kenya Ltd.....	Fellow Subsidiary	Manufacturing Paints	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) Mr. P. D. Chaudhari, Wholtime Director, (5) Mrs. Brinda Somaya, Director (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 36: Related Party Disclosures (contd.)

₹ in Crores

Related Party Transactions:

Transaction Type	Relation	2018	2017
Sale of finished goods			
– Kansai Paint Philippines Inc.	Fellow Subsidiary	1.51	1.15
– Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	0.79	0.09
– Kansai Plascon Kenya Ltd.	Fellow Subsidiary	0.48	—
Dividend Paid			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	121.24	123.26
Transfer under license agreements			
Royalty Expense			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	16.20	14.62
Technical Fees Including Reimbursement of Expenses			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	1.33	1.52
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.11	0.08
Management contracts including for deputation of employees			
Reimbursement of Expenses Receivable			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	1.20	0.91
Amount of outstanding balances, including commitments, their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement			
Receivable as at Year End			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	1.20	0.91
– Kansai Paint Philippines Inc.	Fellow Subsidiary	—	0.34
– Kansai Plascon Kenya Ltd	Fellow Subsidiary	0.24	—
Payable as at Year End			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.11	0.36
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.05	0.01
Key Management Personnel			
(a) short-term employee benefits;.....		10.27	10.28
(b) post-employment benefits		0.14	0.16
(c) other long-term employee benefits;.....		0.03	0.11

Related Party Transactions:

Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 37: Employee Benefits

A. Defined Contribution Plans:

₹ in Crores

Contribution to defined contribution plan, recognised in the Consolidated Statement of Profit and Loss under Group's Contribution to Provident Fund and Other Funds in Employee Benefits Expenses for the year are as under:

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Employer's contribution to Relevant Provident Fund Authority	1.73	1.48
Employer's contribution to Family Pension Fund	3.30	2.98
Employer's contribution to Superannuation Fund	5.01	4.22

B. Defined Benefit Plans:

a. Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognised in the Group's Financial Statements as at 31st March, 2018 and 31st March, 2017:

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	33.54	24.24
Current Service Cost	2.91	2.71
Interest Expense	2.26	1.85
Benefit Payments from Plan Assets	(3.84)	(1.80)
Remeasurements – Actuarial (gains)/ losses	0.18	6.54
Defined Benefit Obligation at the end	35.05	33.54
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	26.81	19.45
Interest Income	2.24	1.34
Employer Contributions	8.29	6.51
Benefit Payments from Plan Assets	(3.84)	(1.80)
Increase / (Decrease) due to effect of any business combination / divestiture/transfer) Increase / (Decrease) due to Plan combination	—	0.99
Remeasurements – Return on plan assets excluding amounts included in interest income	(1.37)	0.32
Fair Value of Plan Assets at the end	32.13	26.81
Net (Liability)	(2.80)	(6.73)

Components of Defined Benefit Cost recognized in the Consolidated Statement of Profit and Loss under Employee Benefits Expense:

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Current Service Cost	2.91	2.71
Net Interest Cost	0.02	0.51
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	2.93	3.22

Note 37: Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

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

Particulars	Year ended 31st March, 2018	Year ended 31st March, 2017
Actuarial (gains) / losses on Defined Benefit Obligation.....	0.18	6.54
(Return) / loss on plan assets excluding amounts included in the net interest on the net defined benefit liability / (asset)	1.37	(0.32)
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	1.55	6.22

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

Particulars	Valuation Date 31st March, 2018	Valuation Date 31st March, 2017
Discount Rate.....	7.70%	7.20%
Salary Escalation.....	7.50%	7.50%
Weighted average duration of the defined benefit obligation (years).....	12.78	12.82

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:

Scenario	31st March, 2018	31st March, 2017
Under Base Scenario	35.05	33.54
Salary Escalation – Up by 1%	38.02	35.89
Salary Escalation – Down by 1%.....	32.42	30.47
Withdrawal Rates – Up by 1%	34.91	32.87
Withdrawal Rates – Down by 1%	35.20	33.23
Discount Rates – Up by 1%.....	32.63	29.79
Discount Rates – Down by 1%	37.84	35.31
Expected Rate of Return on Planned Asset.....	7.70%	7.20%

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2018		31st March, 2017	
20	0.09%	0.09%	0.09%	0.09%
25	0.10%	0.10%	0.10%	0.10%
30	0.11%	0.11%	0.11%	0.11%
35	0.13%	0.13%	0.13%	0.13%
40	0.18%	0.18%	0.18%	0.18%
45	0.29%	0.29%	0.29%	0.29%
50	0.49%	0.49%	0.49%	0.49%
55	0.79%	0.79%	0.79%	0.79%
60	1.15%	1.15%	1.15%	1.15%

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 37: 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 Group in India contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India.

The Group in India expects to contribute ₹ 2.80 Crores (2016-2017 ₹ 6.73 Crores) to the fund during the subsequent accounting year.

The Group other than in India, contributes all ascertained liabilities towards gratuity as per rules and regulations in force in respective countries.

b. Provident fund (Managed by the Trust set up by the Company) To be updated

The Group in India has contributed ₹ 2.09 Crores (2016-2017 ₹ 1.90 Crores) to the Provident Fund Trust. The Group in India 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:

Particulars	As at 31st March, 2018	As at 31st March, 2017
Plan assets at period end, at fair value.....	58.78	50.21
Present value of benefit obligation at period end	57.07	46.27
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:

	As at 31st March, 2018	As at 31st March, 2017
Discount Rate (%)	7.70	7.20
Guaranteed Interest Rate (%)	8.55	8.65
Expected Average Remaining Working Lives of Employees (Years)	8.37	6.40

The Group other than in India, contributes all ascertained liabilities towards provident fund as per rules and regulations in force in respective countries amounting ₹ 0.07 Crores (2016-2017: ₹ 0.06 Crores) to respective provident fund authority

c. Compensated Absences

The increase in provision for compensated absences for the year is ₹ 1.85 Crores (2016-2017 ₹ 3.06 Crores).

Note 38: Segment Reporting

The Management Committee of the Parent Company, 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 various products of the Group. As the Group's business activity falls within 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".

Note 39: Corporate Social Responsibilities

During the year, the Holding Company has spent ₹ 11.03 Crores (2016-2017 ₹ 6.46 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Holding Company during the year ₹ 11.00 Crores.

(b) Amount spent during the year on:

		In Cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	—	—	—
(ii)	On purposes other than (i) above	11.03	—	11.03

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 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.

	Year	At FVTPL	Other financial assets / liabilities - Amortised cost	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value							
Non-current Assets: Investments (Note 5)	2018	0.71	—	0.69	—	0.02	0.71
	2017	0.69	—	0.67	—	0.02	0.69
Current Assets: Investments (Note 9)	2018	519.96	—	519.96	—	—	519.96
	2017	530.75	—	530.75	—	—	530.75
Financial Assets not measured at Fair Value							
Non-current Assets: Loans (Note 6)	2018	—	12.21	—	—	—	12.21
	2017	—	11.29	—	—	—	11.29
Current Assets: Trade Receivables (Note 10)	2018	—	702.64	—	—	—	702.64
	2017	—	590.44	—	—	—	590.44
Current Assets: Cash and Cash Equivalent (Note 11)	2018	—	63.21	—	—	—	63.21
	2017	—	55.62	—	—	—	55.62
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 12)	2018	—	300.40	—	—	—	300.40
	2017	—	205.82	—	—	—	205.82
Current Assets: Loans (Note 13)	2018	—	3.32	—	—	—	3.32
	2017	—	3.32	—	—	—	3.32
Current Assets: Other Financial Assets (Note 14)	2018	—	25.55	—	—	—	25.55
	2017	—	234.23	—	—	—	234.23
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 18)	2018	—	9.71	—	—	—	9.71
	2017	—	18.20	—	—	—	18.20
Current Liabilities: Borrowings (Note 21)	2018	—	16.83	—	—	—	16.83
	2017	—	—	—	—	—	—
Current Liabilities: Trade Payable (Note 22)	2018	—	699.87	—	—	—	699.87
	2017	—	560.66	—	—	—	560.66
Current Liabilities: Other Financial Liabilities (Note 23)	2018	—	115.07	—	—	—	115.07
	2017	—	80.24	—	—	—	80.24

(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 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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 40: Financial Instruments: Fair values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(ii) Credit Risk

Credit Risk is the risk of financial loss to the 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 and Loans:

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.

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Group's Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	3 years and above	Total
Borrowings	31-03-2018	3.22	11.14	2.47	8.49	9.71	—	35.03
	31-03-2017	—	—	—	10.45	8.49	9.71	28.65
Trade Payables	31-03-2018	—	699.87	—	—	—	—	699.87
	31-03-2017	—	560.66	—	—	—	—	560.66
Other Financial Liabilities.....	31-03-2018	73.49	41.58	—	—	—	—	115.07
	31-03-2017	65.94	14.30	—	—	—	—	80.24

(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.

Exposure to Currency Risk:

The summary quantitative data about the Company's exposure to currency risk is as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	ZAR	USD	INR	Total
Trade Receivables	31-03-2018	—	—	—	—	—	—	1.93	700.71	702.64
	31-03-2017	—	—	—	—	—	—	0.63	589.81	590.44
Trade Advances	31-03-2018	0.37	43.61	0.89	0.10	0.03	0.01	13.91	49.74	108.66
	31-03-2017	0.09	6.29	6.22	—	—	—	11.66	42.17	66.43
Financial Liabilities										
Trade Payables	31-03-2018	(0.13)	(6.76)	(20.89)	—	(0.03)	—	(122.78)	(549.28)	(699.87)
	31-03-2017	(0.27)	(4.01)	(16.79)	(0.06)	—	—	(71.48)	(468.05)	(560.66)
Net exposure to Foreign Currency Risk (Liabilities)	31-03-2018	0.24	36.85	(20.00)	0.10	—	0.01	(106.94)	201.17	111.43
	31-03-2017	(0.18)	2.28	(10.57)	(0.06)	—	—	(59.19)	163.93	96.21

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 40: Financial Instruments: Fair values and 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 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, 2018				
CHF (5% movement)	0.01	(0.01)	0.01	(0.01)
EURO (5% movement)	1.84	(1.84)	1.21	(1.21)
JPY (5% movement)	(1.00)	1.00	(0.65)	0.65
USD (5% movement)	(5.35)	5.35	(3.50)	3.50
31st March, 2017				
CHF (5% movement)	(0.01)	0.01	(0.01)	0.01
EURO (5% movement)	0.11	(0.11)	0.07	(0.07)
JPY (5% movement)	(0.53)	0.53	(0.35)	0.35
USD (5% movement)	(2.96)	2.96	(1.94)	1.94

(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 asset: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/ payment discounted using appropriate discounting rates.	<ul style="list-style-type: none"> 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, unbilled revenues, loans and trade payables as at 31st March, 2018 and 31st March, 2017 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.

Note 41:

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2017-18, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

	As at 31st March, 2018	As at 31st March, 2017
(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	—	—
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.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 42: Disclosure of Specified Bank Notes

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30th March, 2017. The said amendment requires the Parent Company to disclose the details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016. For the purpose of this clause, the term 'Specific Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407 (E), dated the 8th November, 2016.

Details of Specified Bank Notes held and transacted during the period from 8th November, 2016 to 30th December, 2016 were as follows:

₹ in Crores

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.15	0.02	0.17
(+) Permitted receipts	—	0.25	0.25
(-) Permitted payments	—	0.20	0.20
(-) Amount deposited in Banks	0.15	—	0.15
Closing cash in hand as on 30.12.2016	—	0.06	0.06

Note 43:

Consequent to the issuance of "Guidance Note on Division II — Ind AS Schedule III to the Companies Act, 2013", certain items of Consolidated Financial Statements have been regrouped/reclassified.

As per our attached report of even date			For and on behalf of the Board of Directors		
For B S R & Co. LLP			P.P. SHAH	Chairman	DIN 00066242
Chartered Accountants			H.M. BHARUKA	Vice Chairman and Managing Director	DIN 00306084
Firm's Registration No. 101248W/W-100022			N.N. TATA	Director	DIN 00024713
ANIRUDDHA GODBOLE	G.T. GOVINDARAJAN	P.D. PAI	BRINDA SOMAYA	Director	DIN 00358908
Partner	Company Secretary	CFO	ANUJ JAIN	Wholetime Director	DIN 08091524
Membership No. 105149	ACS No. 8887				
Mumbai, 2nd May, 2018			Mumbai, 2nd May, 2018		

SUMMARISED STATEMENT OF PROFIT AND LOSS OF 15 YEARS

₹ in Crores

Year	Total Revenue#	Cost of Materials/ Products	Employee Benefits Expense	Other Expenses	Finance Costs	Depreciation and Amortisation Expenses	Tax Expense	Profit after Tax	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2003-2004	770.25	456.76	52.51	148.86	1.32	22.04	30.80	57.96	19.13	12.50	37.87	173.11
2004-2005	900.76	531.55	49.31	161.18	0.77	20.70	45.30	91.96	29.33	11.50	36.05†	126.78†
2005-2006	1084.59	610.96	55.92	185.56	0.78	31.78	61.01	138.59	51.02*	20.00*	54.40	159.19
2006-2007	1246.43	778.33	59.57	213.05	0.96	33.56	53.31	107.66	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	98.59	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	205.99	53.89	10.00**	38.22	170.00+
2011-2012	2624.84	1740.41	106.94	415.91	0.09	56.35	89.24	215.89	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	161.68¢	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

Net of Rebates and Excise Duty upto 2014-2015, from 2015-2016, net of Discounts, Rebates and Excise Duty.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of ₹ 8.50 per share.

@ Calculated on number of shares post amalgamation of Polycot 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 alongwith dividend distribution tax have not been recognised as liabilities.

Figures from financial year 2015-2016 are Ind AS compliant.



 **KANSAI NEROLAC PAINTS LIMITED**

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