KANSAI NEROLAC PAINTS LIMITED

May 28, 2019

1. Corporate Relationship Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.

2. Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

Sub.: **Copy of the Annual Report for the Financial Year 2018-19 along with the Notice convening the 99th Annual General Meeting**

Ref.: 1. Regulation 30 and 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

2. Scrip Codes : BSE - 500165, NSE - KANSAINER

Dear Sirs,

This is to inform you that the 99th Annual General Meeting (AGM) of our Company will be held on Friday, June 21, 2019 at 11.00 a.m. at Walchand Hirachand Hall, 4th Floor, IMC Chamber of Commerce & Industry, IMC Building, IMC Marg, Churchgate, Mumbai – 400020.

As required under Regulation 30 and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Annual Report of the Company for the Financial Year 2018-19 along with the Notice convening the 99th AGM. The Notice of the AGM is given on pages 3 to 10 of the Annual Report.

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

G. T. GOVINDARAJAN
COMPANY SECRETARY
Encl: as above

KANSAI NEROLAC PAINTS LIMITED

99TH ANNUAL REPORT 2019

WE DESIGN SOLUTIONS THAT PROTECT, INSPIRE AND TOUCH LIVES EVERY DAY

We design solutions that protect, inspire and touch lives every day

This year when Nerolac redefined its vision, we embraced a much larger purpose: ***Designing solutions that protect, inspire and touch lives every day.***

With this vision to guide us, we have relentlessly worked on building or acquiring expertise to provide complete, end-to-end solutions to our customers. We have strengthened our presence in the construction chemical business through the acquisition of Perma Coatings. Not only construction chemicals, we have also made our presence felt in the adhesives, coil coating and floor coating customer segments. We continue exploring other niche categories. Manifestation of Nerolac in all walks of life will mean that we truly touch lives every day!

Nerolac has always been a thought leader. But being a thought leader also means constantly reinventing itself with times to stay ahead of the curve and serve the consumers better. In FY 2018-19, we initiated operations at the new state-of-the-art R&D facility. We also started commercial production at Sayakha. Facilities at Sayakha are considered to be the best-in-class. Project "Uday" was initiated this year to achieve radical improvements in existing manufacturing operations. Nerolac adopted the acquisition route when it acquired RAK Paints, Bangladesh and Marpol. Marpol will help us further consolidate our leadership position in Powder Coatings. Technologically, Nerolac continued its forward-looking approach with the introduction of SAP Leonardo for Machine Learning in the area of sales. With so many new and exciting things on the horizon for Nerolac, we would not be making a fallacious statement if we say that Nerolac is only "99 years young"!

The capability of Nerolac to unlearn, relearn and reinvent itself is what keeps it buoyant in tough market conditions. Our new brand ambassador is someone who embodies this aspect of Nerolac. And may we say, he inspires and touches lives every day! It is indeed a pleasure for Nerolac to work with Ranveer Singh.

All-in-all, we believe that Nerolac is armed with enough ammunition to enter its 100th year and continue building its legacy via solutions that inspire!

DIRECTORS

P. P. SHAH *(Chairman)*

H. M. BHARUKA *(Vice Chairman and Managing Director)*

N. N. TATA

M. TANAKA

H. FURUKAWA

MRS. B. SOMAYA

K. KATO

A. JAIN *(Whole-time Director)*

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: +91-22-24936296
Website: www.nerolac.com
Investors Relations e-mail ID: investor@nerolac.com
Corporate Identity Number (CIN): L24202MH1920PLC000825

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KANSAI NEROLAC
PAINTS LIMITED

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

NOTICE

NOTICE is hereby given that the Ninety-Ninth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at Walchand Hirachand Hall, 4th Floor, IMC Chamber of Commerce & Industry, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020, on Friday, 21st June, 2019 at 11.00 a.m., to transact the following business:

Ordinary Business:

1. To consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the year ended 31st March, 2019 and the Reports of the Board of 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, 2019.
3. To appoint a Director in place of Mr. Hidenori Furukawa (holding Director Identification Number 06924589), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anuj Jain, Whole-time Director (holding Director Identification Number 08091524), who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Sections 139, 141, 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 or modification or re-enactment thereof, for the time being in force) and pursuant to the recommendation of the Audit Committee, S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), be and are hereby appointed as Statutory Auditors of the Company, to hold office for a term of 5 (five) consecutive years from the conclusion of the 99th Annual General Meeting of the Company until the conclusion of the 104th Annual General Meeting of the Company, on such terms and conditions, including remuneration, as may be fixed by the Audit Committee or Board of Directors, from time to time."

Special Business:

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

   "RESOLVED that pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and Companies (Cost Records and Audit) Rules, 2014 (including any statutory amendment or modification or re-enactment thereof, for the time being in force), the remuneration of the Cost Auditor, D. C. Dave & Co., Cost Accountants (Firm Registration No. 000611), to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2020, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified."
7. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Regulation 17(6)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, remuneration not exceeding 1% (one percent) per annum of the net profits of the Company, calculated in accordance with the provisions of Section 198 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director and/or Whole-time Directors) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors of the Company and such payments shall be made in respect of the profits of the Company for each financial year beginning from the financial year ending on 31st March, 2019."

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2019

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. 5, 6 and 7 of the Notice of the Annual General Meeting (AGM) is annexed hereto. The relevant details in respect of Directors seeking re-appointment at the AGM, in terms of Regulations 26(4) and 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Clause 1.2.5 of Secretarial Standard-2 on General Meetings are also annexed.

4. Dividend:

   (i) The Board of Directors has recommended for consideration of the Members a normal dividend of ₹ 2.60 (260%) per Equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2019.

   (ii) The Register of Members and Share Transfer books of the Company will remain closed from Saturday, 15th June, 2019 to Friday, 21st June, 2019 (both days inclusive), for the purpose of Annual General Meeting and Dividend. Dividend, if declared, will be payable on or after 26th June, 2019 to those members whose names are registered as such in the Register of Members of the Company as on Friday, 14th June, 2019 and to the Beneficiary holders as per the beneficiary list as on 14th June, 2019 provided by the NSDL and CDSL.

   (iii) Payment of Dividend through electronic means:

      (a) To avoid loss of dividend warrants in transit and undue delay in receipt of dividend warrants, the Company provides the facility to the Members for remittance of dividend directly in electronic mode through National Automated Clearing House (NACH). Members holding shares in physical form and desirous of availing this facility of electronic remittance are requested to provide their latest bank account details (Core Banking Solutions Enabled Account Number, 9 digit MICR and 11 digit IFSC Code), along with their Folio Number, to the Company or the Registrar & Transfer Agent, TSR Darashaw Ltd. Members holding shares in electronic form are requested to provide the said details to their respective Depository Participants.

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

(iv) In terms of the provisions of Sections 124 and 125 of the Act, dividend which remains unpaid / unclaimed for a period of 7 years from the date of declaration is required to be transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Accordingly, the unpaid / unclaimed dividend for the financial year 2010-11, has been transferred by the Company to the IEPF. Those Members who have not encashed their dividends for the financial year 2011-12 are requested to lodge their claims in that regard with the Company or TSR Darashaw Ltd.

Further, in terms of the provisions of Section 124 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), Equity Shares, in respect of which dividend has not been paid or claimed for 7 consecutive years or more from the date of declaration, are also required be transferred to an account viz. IEPF Suspense Account, which is operated by the IEPF Authority pursuant to the IEPF Rules. Accordingly, in compliance with the aforesaid Rules, the Company has already transferred equity shares on which dividend remained unclaimed for 7 consecutive years starting from the financial year 2010-11 to the IEPF Suspense Account, after providing necessary intimations to the relevant shareholders. Further, all equity shares of the Company on which dividend has not been paid or claimed for 7 consecutive years or more, shall be transferred by the Company to the IEPF from time to time.

Details of unpaid / unclaimed dividend and equity shares transferred to IEPF for the financial year 2010-11 are uploaded on the website of the Company as well as that of the Ministry of Corporate Affairs, Government of India ("MCA"). No claim shall lie against the Company in respect of unclaimed dividend amount and equity shares transferred to the IEPF and IEPF Suspense Account, respectively, pursuant to the IEPF Rules. Members can however claim both the unclaimed dividend amount and the equity shares from the IEPF Authority by making an online application, the details of which are available at www.iepf.gov.in.

5. In accordance with Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed 14th June, 2019 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, 2019, shall be entitled to avail the facility of remote e-voting or voting in the general meeting.

6. 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.

7. 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.

8. 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. The support of the Shareholders for the 'Green Initiative' is solicited.

9. Voting through Electronic means

In terms of the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI LODR Regulations, 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 on the resolutions proposed to be passed at the AGM, by electronic means. The Company has engaged the services of CDSL to provide the e-voting facility and the Members may cast their votes on electronic voting system through remote e-voting.

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. 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 AGM. The members who have already cast their vote by remote e-voting prior to the meeting may attend the meeting and their presence shall be counted for the purpose of quorum, 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.

Members holding shares in physical form or in demat form as on 14th June, 2019, the cut-off date shall only be eligible for e-voting.

The instructions for shareholders voting electronically are as under :

(i) The voting period begins on Monday, 17th June, 2019 at 9.00 a.m. and ends on Thursday, 20th June, 2019 at 5.00 p.m. During this period, the shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. Friday, 14th June, 2019 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	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • 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 8 digits of the sequence number in the PAN field. • In case the sequence 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 sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details **OR** Date of Birth (DOB)	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. • If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

(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.

(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" tab. 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.

(xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xvii) If a demat account holder has forgotten the 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, Windows and Apple smart phones. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xix) **Note for Non-Individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian 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 a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login 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.

(xx) 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.

10. Those persons, who have acquired shares and have become members of the Company after the dispatch of Notice of the AGM by the Company and whose names appear in the Register of Members or Register of beneficial holders as on the cut-off date i.e. Friday, 14th June, 2019 shall view the Notice of the 99th AGM on the Company's website or on the website of CDSL. They may also refer to the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com (under help section) or write an e-mail to helpdesk.evoting@cdslindia.com. Such Members may exercise their voting rights through remote e-voting by following the procedure as mentioned above or by voting at the AGM.

    Voting rights of the Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date i.e. Friday, 14th June, 2019.

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

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

    The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.nerolac.com and on the website of CDSL e-voting www.evotingindia.com immediately. The Company shall simultaneously forward the results to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

12. In terms of the provisions of Regulation 40 of SEBI Listing Regulations and various notifications issued in that regard, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from 1st April, 2019 unless the securities are held in the dematerialized form with the depositories. Therefore, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

13. In terms of the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13.

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

15. Members are requested to quote their Folio No. or DP ID-Client ID, as the case may be, in all correspondence with the Company or the RTA.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5

B S R & Co. LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company, for a period of 5 years from the 94th AGM till the ensuing 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 Statutory Auditors of the Company was ratified by the Shareholders at the 98th AGM held on 21st June, 2018.

The term of B S R & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company, will expire at the ensuing 99th AGM to be held on 21st June, 2019. Further, in terms of the provisions of the Companies Act, 2013, since they have completed a tenure of 10 years including their previous tenure as Auditors of the Company, they will not be eligible to for re-appointment as Statutory Auditors of the Company.

Accordingly, as per the recommendation of the Audit Committee, the Board has appointed S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), as the Statutory Auditors of the Company, to hold office for a period of 5 years from the ensuing 99th AGM till the 104th AGM, subject to the approval of the Shareholders at the ensuing 99th AGM.

The Ordinary Resolution set out at Item no. 5 of the Notice seeks approval of the Shareholders for the appointment of S R B C & CO LLP, Chartered Accountants, as Statutory Auditors of the Company.

In accordance with Section 139 of the Act, S R B C & 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 Companies Act, 2013. 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/or Key Managerial Personnel of the Company and/or their relatives, are in any way concerned or interested (financially or otherwise), in the proposed Ordinary Resolution.

The Board recommends the appointment of S R B C & CO LLP, Chartered Accountants, as Statutory Auditors of the Company, as set out in Item No. 5 of the Notice, for approval of the Members.

ITEM NO. 6

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 or any other products required by the law, for the year ending 31st March, 2020. 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 2019-20 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, 2020. The eligibility and consent letter are 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 Ordinary Resolution set out at Item no. 6 of the Notice seeks approval of the Shareholders for the same.

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

The Board recommends ratification of the remuneration of the Cost Auditor, D. C. Dave & Co. (Firm Registration No. 000611), Cost Accountants, as recommended by the Audit Committee and approved by the Board of Directors, as set out in Item no. 6 of the Notice, for approval of the Members.

ITEM NO. 7

At the 93rd Annual General Meeting of the Company, held on 18th June, 2013, the Shareholders had passed a Special Resolution under Section 309(4) of the Companies Act, 1956, ("1956 Act") whereby consent of the Shareholders was obtained for payment of commission to the Non-Executive Directors of the Company, being Directors other than the Managing Director and Whole-time Director(s), not exceeding in the aggregate 1% (one percent) per annum or such other limit as may be prescribed under the Companies 1956 Act,, of the net profits of the Company, computed in the manner laid down in Section 198 of the 1956 Act, for each of the five financial years of the Company commencing from April 1, 2013 ("said approval"). The 1956 Act has since been replaced and substituted by Companies Act, 2013 ("Act") and Section 197 of the Act governs payments of commission to Non-Executive Directors of a Company. Accordingly, in terms of the provisions of Section 197 of the Act read with Regulation 17(6)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and considering the rich experience and expertise brought to the Board by the Non-Executive Directors, approval of the Shareholders is sought for continuation of the payment of a sum not exceeding 1% (one percent) per annum of the net profits of the Company calculated in accordance with provisions of Section 198 of the Act, as remuneration to the Non-Executive Directors of the Company, for each financial year beginning from the financial year ending on 31st March, 2019. Such payment will be in addition to the sitting fees for attending Board / Committee meetings.

This has been approved and recommended by the Nomination and Remuneration Committee and the Board of Directors of the Company, in terms of the applicable provisions of the Act and SEBI Listing Regulations.

All the Directors of the Company and/or their relatives (except Managing Director, Executive Director and their respective relatives), are concerned or interested, in the proposed Ordinary Resolution, to the extent of remuneration that may be received by each of these Directors.

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

The Board recommends payment of remuneration to the Non-Executive Directors of the Company, as set out in Item no. 7 of the Notice, for approval of the Shareholders.

For and on behalf of the Board

P. P. Shah

Chairman

Mumbai, 2nd May, 2019.

Annexure to the Notice

Details of the directors seeking appointment/re-appointment in the 99th Annual General Meeting, as set out in item nos. 3 and 4 of this Notice, in terms of Regulations 26(4) and 36(3) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 read with clause 1.2.5 of Secretarial Standard-2 on General Meetings.

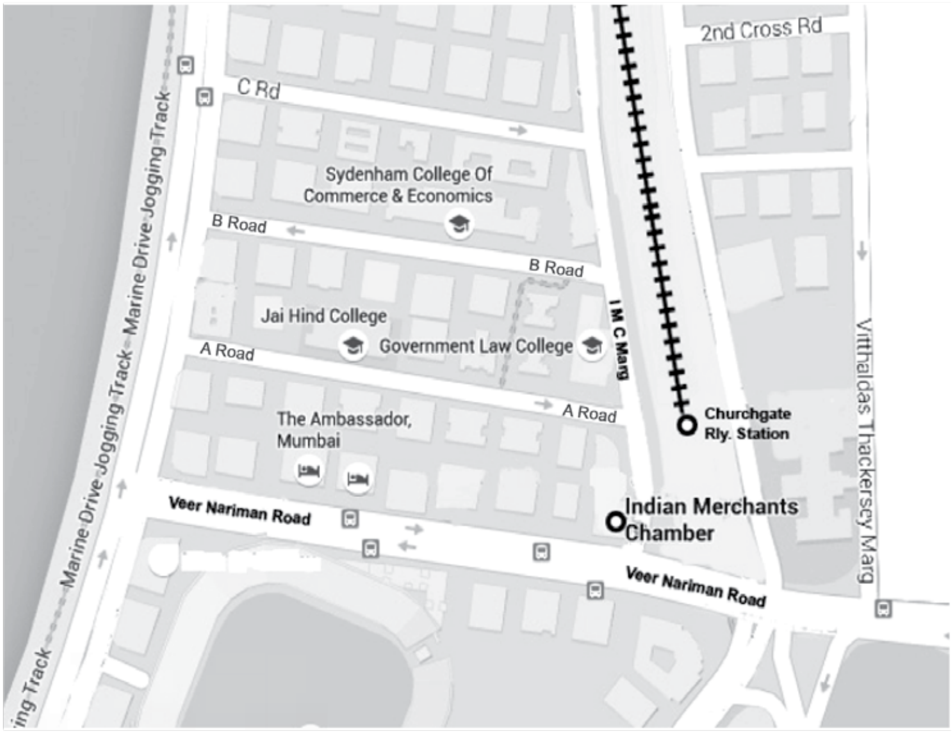
Name of Director	**Mr. Hidenori Furukawa**	**Mr. Anuj Jain**
Director Identification Number	06924589	08091524
Age	60 years	50 years
Qualifications and Experience	Mr. Furukawa is a graduate from Graduate School of Engineering, Osaka University and joined Kansai Paint Co. Ltd., Japan in April 1983. Mr. Furukawa is Director, Managing Executive Officer of Kansai Paint Co. Ltd., Japan.	Mr. Jain is B.Sc., MMS (Marketing) and was Director – Decorative and Industrial Sales & Marketing of the Company prior to his appointment as a Whole-time Director. He is designated as Executive Director.
Date of First Appointment	22nd July, 2014	1st April, 2018
Directorships held in other public companies (excluding foreign companies and Section 8 companies)	Nil	Nil
Memberships / Chairmanships of committees of other public companies	Nil	Nil
Shareholding in the Company as on 31st March, 2019	Nil*	13,560 Equity Shares

Note:

* Mr. Hidenori Furukawa is a nominee of Kansai Paint Co. Ltd., Japan. He does not hold any share in his personal capacity.

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

Route Map to the venue of the 99th AGM of the Company



BOARD´S REPORT

Dear Members,

The Directors of your Company are pleased to present the 99th Annual Report and the Audited Financial Statements (Standalone and Consolidated) for the year ended 31st March, 2019 ("year under review/ FY 2018-19").

The section on Management Discussion and Analysis includes a review of the financial performance of the Company – Financial Highlights of the Company's standalone financial results, key financial ratios and the dividend recommended by the Directors. It also includes the particulars of the subsidiaries of the Company including overseas subsidiaries and their performance during the year under review.

1. Management Discussion and Analysis

A. Introduction

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

KNPL has its primary operations in India, and it also operates in Nepal, Sri Lanka and Bangladesh through acquisitions and joint ventures.

KNPL caters to customers through products and solutions in Decorative and Industrial Coatings. In Industrial, while the traditional thrust has been on Automotive, KNPL now has a sizeable presence in Performance Coatings and has also expanded its portfolio to include new solutions through Floor Coatings, Transportation Coatings, Coil Coatings, rebar coatings and super-durable powders. The last few years has also seen a strong push in the Auto Refinish segment. In Decorative, KNPL now has been able to cross a threshold level with its new brand Soldier which was introduced a few years ago and it has entered into segments like Adhesives and Construction Chemicals. The Company is also aggressively targeting the wood coatings segment. All this is helping KNPL move towards a better portfolio of products and offerings to the market.

The Company has been aggressively augmenting capacity to match its expanding portfolio of offerings. This year commercial production started at its new state-of-the-art Industrial Coatings plant at Sayakha, Gujarat and work is in process to set up two state-of-the-art new plants equipped with modern production technologies at Amritsar in Punjab and Visakhapatnam in Andhra Pradesh.

The Company has increased its impetus on research and has commenced operations at its world-class R&D facility at Vashi, Navi Mumbai. These new plants and R&D facilities will strengthen the capability of KNPL to innovate and serve its customers better.

State-of-the-art plant at Sayakha, Gujarat

With its focus of being an environmentally conscious brand, broad based product range, innovative product introductions besides focus on brand building and distribution has helped KNPL being recognized as a strong brand in the decorative paint market. In the industrial coatings space, the consistent efforts towards customer satisfaction, technology, quality, service and value engineering, have ensured a leading position for the Company. KNPL has time and again been trusted by the bluest of blue players of the Automobile Industry as a reliable partner to service their paint requirements.

Continuing to leverage IT for strategic benefits, the Company has forayed into Machine Learning technologies, becoming the first paint Company in India to do so using the SAP Leonardo platform. The Company has sought to integrate Robotic Process Automation (RPA) into its operations.

The Company has chosen Mr. Ranveer Singh to be the new face of the Brand. Ranveer was found to be a perfect fit as his versatility as an actor, coupled with his bold personality and effervescent energy, which resonates well with the Nerolac brand. The Company has signed up with Mr. Tamim Iqbal, the leading cricketer of Bangladesh as its Brand Ambassador in Bangladesh.

The year was a water-shed year for KNPL. KNPL adopted inorganic growth as part of its growth strategy by making acquisitions in related product lines. As part of the strategy, the acquisitions of Marpol a pioneer in Powder Coatings and a leading powder coating player in the Indian powder coating market, RAK Paints in Bangladesh having a diverse product range in both Decorative and Industrial markets, as well as Perma Construction Aids Pvt. Ltd. with a product range encompassing water-proofing, adhesives, epoxy and admixtures in the construction chemical space were completed.

B. Industry progress

The Indian Paint Industry currently valued at around ₹ 50,000 Crores is poised to grow at a healthy rate and is expected to reach around ₹ 70,000 Crores by 2021-22. There is a strong co-relation between the Indian Paint Industry and the GDP growth of the country historically.

The Government is expected to continue with its reforms agenda, with policy decisions to come in sectors like infrastructure and power. These reforms would provide great impetus to the economy as well as to the paint industry.

Decorative paints segment is expected to continue the growth momentum. The fiscal incentives given by the government to the housing sector are steps which will aid the paint industry going forward.

The year 2018-19 has been positive yet challenging for the industry as a whole.

One of the notable events of the year was the reduction of GST rates from 28% to 18% and is expected to be positive and is a breather for the paint industry.

The year was marked by high inflationary pressures on account of crude oil as well as high volatility in forex. Though there has been some respite in crude in the second half of the year, the reduction has not offset the inflationary pressures witnessed in the first half. Volatility in forex continued through out the year.

C. Financials

Financial Highlights

A summary of the Company's standalone financial results for the year ended 31st March, 2019 (FY 2018-19) vis-a-vis standalone financial results for the previous year FY 2017-18, is as under:

₹ In Crores

	FY 2018-19	FY 2017-18
Gross Sales and Other Operating Income	5682.28	5197.77
Net Sales and Other Operating Income	5173.62	4737.01
Profit before Interest, Depreciation and Tax	742.00	789.77
Less: Depreciation and Amortisation	90.47	75.79
Profit Before Interest and Tax	651.53	713.98
Add: Other Income	61.88	72.42
Profit Before Tax	713.41	786.40
Less: Tax (Including deferred tax)	246.06	270.00
Profit After Tax	467.35	516.40
Other Comprehensive Income (Net of Tax)	0.92	(1.09)
Total Comprehensive Income for the year	468.27	515.31

Gross Sales and other operating income for the year aggregated to ₹ 5,682.28 Crores as compared to ₹ 5,197.77 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 12.5% over the previous year.

Depreciation for the year is at ₹ 90.47 Crores as against ₹ 75.79 Crores in the previous year which is higher compared to the previous year due to capitalization of Sayakha project. Other Income was lower at ₹ 61.88 Crores as compared to ₹ 72.42 Crores for the previous year. Reduction is due to surplus funds utilised for new projects.

The Company had taken various initiatives to reduce material cost and operational costs.

These initiatives helped the Company in the current year to keep the operational costs under control and compensate inflation.

Profit Before Depreciation, Interest and Tax (PBDIT) for the year is lower at ₹ 742.00 Crores compared to ₹ 789.77 Crores last year reflecting a degrowth of 6.1%. Profit Before Tax (PBT) for the year is ₹ 713.41 Crores as compared to ₹ 786.40 crores of the previous year which is a degrowth of 9.3% over previous year.

The Company spent ₹ 13.45 Crores towards Corporate Social Responsibility compared to ₹ 11.01 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.

No amount is proposed to be transferred to any reserves.

Dividend

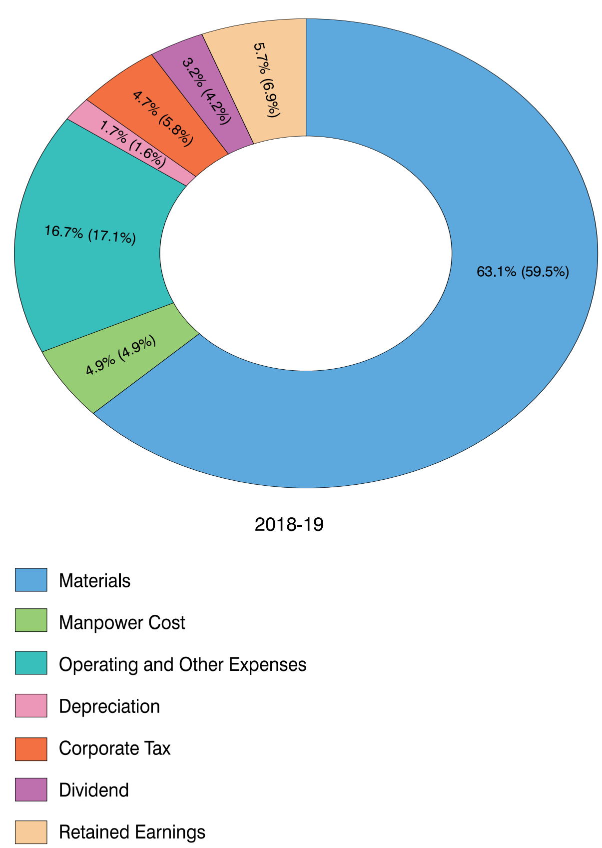
The Directors recommend a normal dividend of ₹ 2.60 (260%) per Equity Share of the face value of ₹ 1 each for the year under review, for consideration of the Members. This compares with a dividend of ₹ 2.60 per share (260%) per Equity Share of the face value of ₹ 1 each, declared previous year.

Key Financial Ratios

Key Ratios	FY 2018-19	FY 2017-18	Change (%)	Explanation, if required
Debtors Turnover (No of Days)	40	37	(8.11)	—
Inventory Turnover (No of Days)	103	98	(5.10)	—
Interest Coverage Ratio	—	—	—	Not applicable
Current Ratio	2.80	2.97	(5.72)	—
Debt Equity Ratio	0.00	0.01	—	Repayment as per schedule
Operating Profit Margin (%)	14.3%	17.2%	(16.86)	—
Net Profit Margin (%)	9.0%	11.3%	(20.35)	—
Return on Net Worth	13.6%	16.5%	(17.58)	—

Distribution of Income

(net of discounts, rebates and excise duty)

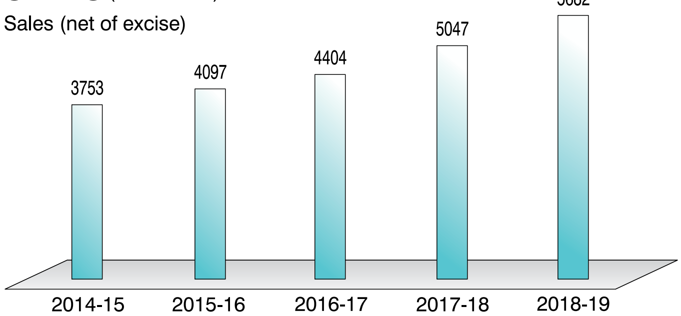


Previous year 2017-18 percentage figures are stated in brackets.

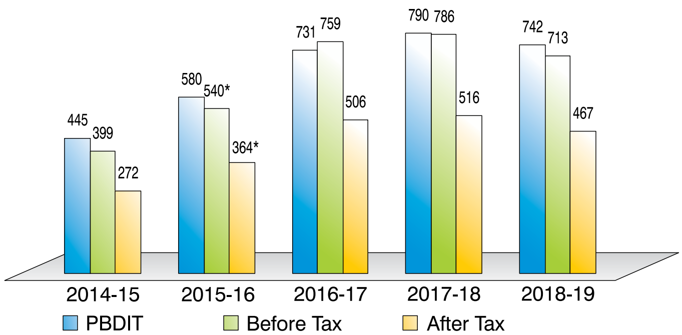
Graphs

SALES (₹ in Crores)

Sales (net of excise)



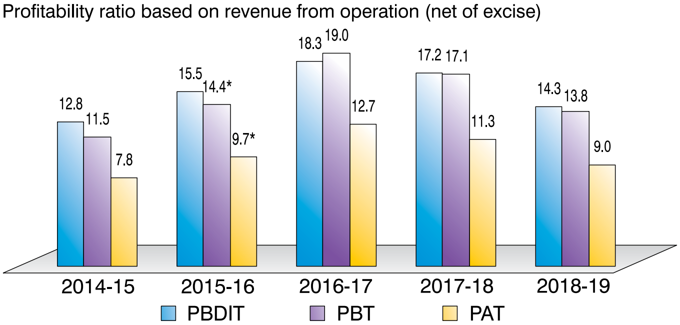
PROFIT (₹ in Crores)



*before exceptional item

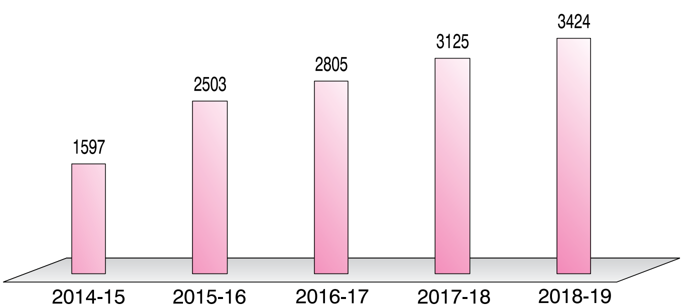
PROFITABILITY (%)

Profitability ratio based on revenue from operation (net of excise)



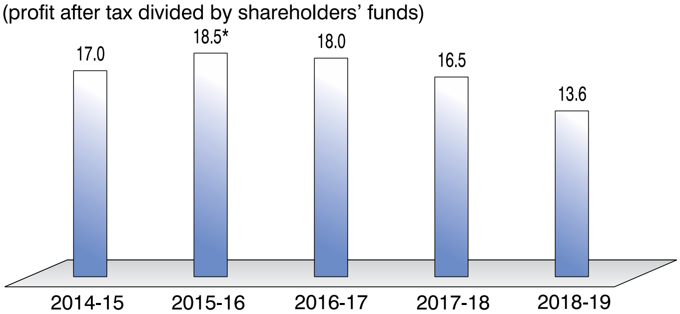
* before exceptional item

SHAREHOLDERS' FUNDS (₹ in Crores)



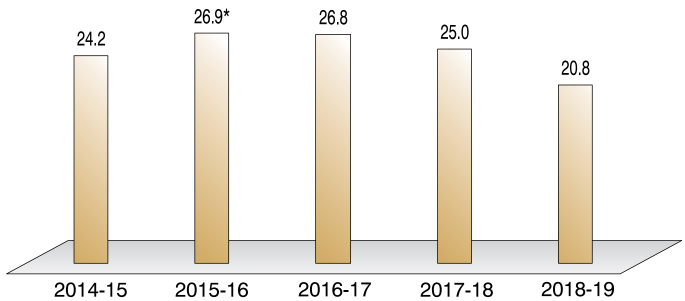
RETURN ON NET WORTH (%)

(profit after tax divided by shareholders' funds)



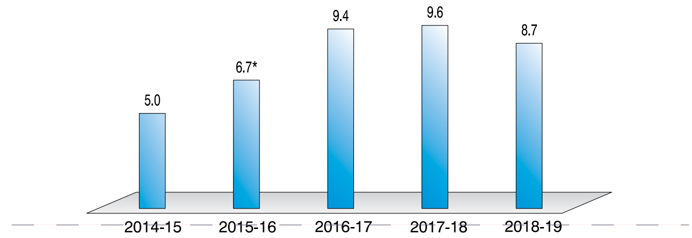
* before exceptional item

RETURN ON CAPITAL EMPLOYED (%)



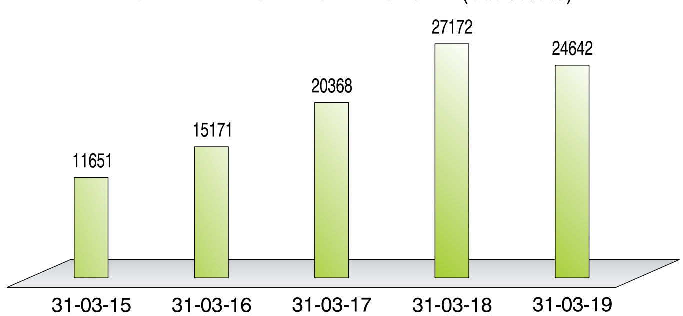
*before exceptional item

EARNINGS PER SHARE (EPS) (₹)

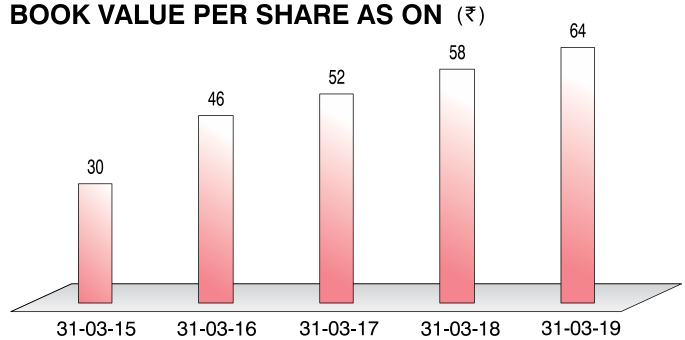


*before exceptional item
EPS for all the years has been calculated considering face value of share as ₹ 1 each.

MARKET CAPITALISATION AS ON (₹ in Crores)

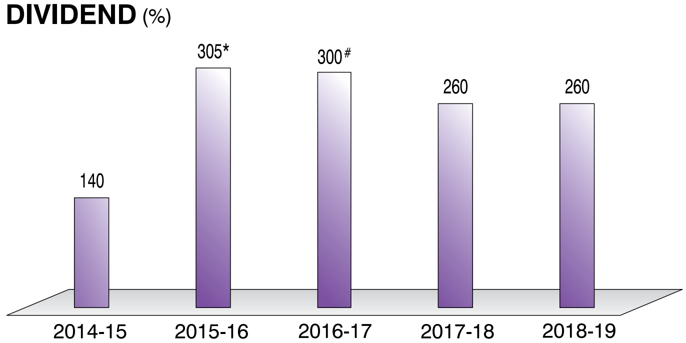


BOOK VALUE PER SHARE AS ON (₹)



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

DIVIDEND (%)



* includes special dividend of 125%
# includes special dividend of 50%

Subsidiaries and Consolidated Financial Statements

In terms of the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Board has approved a Policy for determining material subsidiaries. The same is also available on the website of the Company at www.nerolac.com.

Further, in terms of the said policy, the Company does not have a material subsidiary.

Indian Subsidiaries

a. Marpol Private Limited

In April 2018, our Company acquired 100% equity shareholding in Marpol Private Limited, Goa ("Marpol"), one of the leading companies in powder coating business, for an aggregate consideration of ₹ 34.12 Crores.

After acquisition, many actions were taken to improve turnover and profitability. For the year 2018-19, the turnover of Marpol was ₹ 68.90 Crores. (FY 2017-18: ₹ 59.40 Crores) and Profit After Tax (PAT) was ₹ 1.69 Crores [FY 2017-18: (₹ 7.48) Crores].

b. Acquisition of Perma Construction Aids Private Limited

After the closure of the year under review, in the month of April 2019, the Company acquired 100% equity shareholding in Perma Construction Aids Private Limited ("Perma"), which manufactures and sells construction chemicals, for an aggregate consideration of ₹ 29.10 Crores. Necessary disclosures regarding the acquisition were made to BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

Perma has a diverse product range encompassing water-proofing, adhesives, epoxy, admixtures etc. and this acquisition will increase the Company's product offerings in construction chemicals business, thereby enabling it to expand its product portfolio in construction chemicals.

c. Merger of Indian subsidiaries with the Company

The Board, at its meeting held on 2nd May, 2019, accorded its in-principle approval to the merger of Marpol and Perma, both wholly-owned subsidiaries of the Company, with the Company, subject to necessary statutory approvals from various regulatory authorities.

The aforesaid merger shall provide benefits of synergy, economies of scale, growth and expansion to the Company. More information in this regard will be provided to the Shareholders, from time to time, vide appropriate means of communication, including disclosures to BSE and NSE.

Overseas Subsidiaries:

a. Operations in Nepal

For the year under review, the turnover of KNP Japan Private Limited, the subsidiary of our Company in Nepal, increased to ₹ 84.51 Crores as compared to ₹ 64.14 Crores for the previous year. Profit Before Tax has increased to ₹ 13.99 Crores as compared to ₹ 9.05 Crores in the previous year. Profit After Tax has increased to ₹ 11.52 Crores as compared to ₹ 6.51 Crores in the previous year.

b. Operations in Sri Lanka

The turnover of our subsidiary in Sri Lanka, Kansai Paints Lanka Private Limited for the year under review was ₹ 12.11 Crores as compared to ₹ 8.06 Crores during the previous year. The Company incurred a loss of ₹ 10.88 Crores during the year under review as compared to loss of ₹ 6.83 Crores during the previous year.

As informed to the Shareholders in 2016-17 the Company had set up a green-field plant in Sri Lanka to manufacture and sell paints. Generally green-field projects take some time to stabilise and generate profits. We expect operations to stabilise over a two year period.

c. Operations in Bangladesh

In July 2018, our Company acquired 55% equity shareholding in RAK Paints Limited, Bangladesh ("RAK"), for an aggregate consideration of ₹ 42.17 Crores (BDT 50.41 Crores).

After acquisition, during the year under review, the turnover of RAK was ₹ 93.04 Crores. EBITDA for the year was ₹ 0.19 Crores and PAT (₹ 9.65) Crores. After acquisition, our Company initiated a lot of cost reduction activities and turned around RAK from EBITDA loss to EBITDA positive.

Consolidated financial statements of the Company as on 31st March, 2019, are prepared in accordance with applicable Accounting Standards and form a part of this Annual Report. All the subsidiaries of the Company as on 31st March, 2019, i.e. all the subsidiaries except Perma which was acquired in April 2019, have been considered in the preparation of consolidated financial statements.

Further a separate statement in Form AOC-1, containing the salient features of the respective financial statements of subsidiaries of the Company, forms part of this Annual Report. Also, Annual Audited Financial Statements of all subsidiaries of the Company are available on the website of the Company i.e. www.nerolac.com.

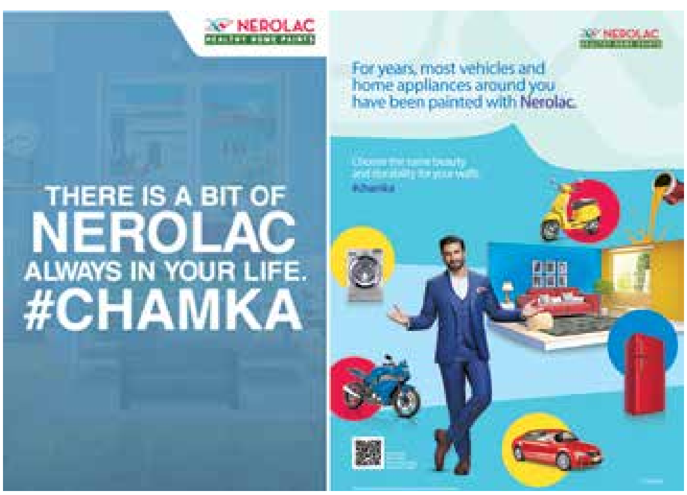
D. Segment wise performance

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.

E. Marketing

Decorative

KNPL continued its strong media presence that it had started a few years ago by launching many high decibel campaigns in various formats during the year. These ensured high visibility of the brand. During the year, KNPL signed up Mr. Ranveer Singh as the new brand ambassador. Brand building activity was augmented by strong initiatives on the ground together with a thrust on improved reach and distribution.



Little Bit of Nerolac with Brand Ambassador Ranveer Singh

KNPL continued its association with IPL for the year 2018, and partnered with Delhi Daredevils and SunRisers Hyderabad. Many branding and consumer involvement activities were carried out as part of this campaign. Nerolac extended its association with cricket by getting associated with the Asia Cup.

Amongst the new campaigns created were a new TV Campaign for Excel Mica Marble, #BachpanwalaGhar campaign, and 'There is a little bit of Nerolac in your life' campaign. These campaigns were well received. This was accompanied by innovative campaign like murals in Kolkata during Durga Pooja, activities during Kumbh Mela and airport activity during Diwali at Kolkata airport.

Durga Mural for Shera Para Shera Pujo

Activities at Kumbh Mela

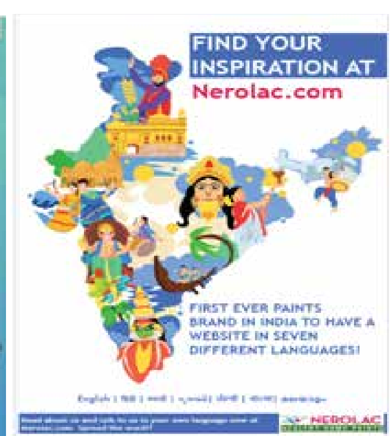
Left - Asia Cup 2018; Right - IPL 2018 Nerolac 12th Man

Influencers are another key stakeholder in the Decorative market. KNPL organized "Nerolac Painter Parivar Mela" for painters and their families. This was one of its kind unique activity which helped create a strong emotional connect and bonding in the minds of the painter and the painter's family. 'Nerolac Pragati Express' an innovative mobile training academy for the painter – where a mobile van went across eight different cities in the state was launched during the year.

Building mind-space with consumers was taken to next level. Two new services for consumers were launched. One a Chatbot service, whereby consumers can chat with KNPL or by scanning a QR code and another, a virtual reality tool "Colour my space" to visualize the home in different colors to make an informed choice. In addition, new color tools like Colour Symphony of Kerala, Impressions Ideaz Designer Guide, Impression & Exterior Emulsion Shade Card were launched. The nerolac website www.nerolac.com was made available in 7 different languages. Colour Trails a theme-based photo walk whereby people from all walks of life could participate along with influencers and photographers to take pictures around the city was also launched. During the year the Company continued a strong connect with consumers through digital and social media platform.

Kansai Nerolac teamed up with popular Indian music director Pritam's musical platform JAM8 to roll out a rendition to Nerolac's iconic jingle as a song, across India titled 'Ghar Ki Raunak'. It is the first time that the jingle has been recreated into a song and has been sung in 8 different languages. This created a lot of buzz and impact with lots of banners and takeovers. Multiple

Nerolac Pragati Express



Left – Colour my Space (Virtual Reality tool); Right – Website in 7 regional languages

Colour Trails

consumer touch points like Music apps (Hungama, Saavn etc.), audio banners and radio spots were used to reach out to consumers.

Many new products were launched during the year. Impressions Ultra HD and Ultra Fresh under Brand Impressions were launched. The Company has also enhanced its wood coating offerings through the launch of the premium Gloria range of products.

KNPL entered the space of application tools through the launch of Soldier Brushes as well as Soldier Rollers. The Company has forayed into Adhesives under the brand name Nerofix. This has been launched in the markets of U.P. The portfolio of Construction Chemicals has been significantly enhanced by the acquisition of Perma Construction.

Industrial

Acquisition of new businesses for strengthening our leadership has been a part of our core strategy. Key focus was on bagging the repeat business from esteemed clients and winning new businesses.

KNPL has continued its legacy of providing high quality, cost effective, and sustainable solutions to its automotive customers. Best supplier awards from key OEMs for consecutive years reflect our commitment in this direction.

Leveraging on all our strengths in Automotive Coatings technology, we were able to reaffirm our leadership position with technologies such as High solid coatings (reducing VOC – Volatile Organic Compounds) and value for money products having unique property of maintaining coating performance at lower thickness, like Monocoat metallics and DTM (Direct to Metal) anticorrosive coatings (reduction in number of coats on vehicle).

KNPL has come up with a state-of-the-art brand new R&D Centre at Vashi, Navi Mumbai. The new R&D center is one-of-its-kind, with world class facilities. This will help cater to the creation of next generation solutions and enhance responsiveness. The Company proactively presents technological advancements in paints and

New Products – Wonderwood Gloria, Impressions Ultra HD, Nerofix Adhesive paint processes, current and upcoming colour trends to its customers. Keeping in view the emerging technologies standards of product and process of our automotive customers, a new state-of-the-art paint manufacturing unit in Sayakha (Gujarat) commenced commercial production.

A pioneer in the practice of providing technical service on customer production lines, KNPL went the extra mile by giving its customers value additions and value engineering ideas. This has helped our customers in improving quality and reducing cost. Our pan India technical service team provides best in class, on the line technical service in the industry. The team also provided valuable trainings to customers.

In the High Performance Coatings, the Company made a foray into the Coil Coatings and Floor Coatings. The offering has been well received and is gaining traction with customers. We continue to work closely with organizations like NACE, SSPC and CII.

In General Industrial Coatings, the Company introduced many new products for various OEM customers which have helped provide growth impetus.

We continue to gain market share in powder coating business. The Company has launched products in the Rebar Powders segment which is expected to grow further in times to come.

KNPL has taken major strides in growing the Auto Refinish Paints segments and has been gaining market share. The Company has been strengthening its offerings in the Premium PU business and is associating with a number of authorised Body Shops. The year also saw the launch of Nerokan mixing machine, a compact PU tinting system for the trade channel. KNPL has inaugurated its second training centre at Hosur for training body shop customers in South India.

Newly launched Nerokan Mixing machine

Workshop for bodyshop personnel at Model Training Centre, Hosur

F. Research and development

R&D constantly strives to bring cutting edge technology in paints and polymers to our customers.

The new R&D facility is equipped with many new Labs and is well equipped with Automatic Robotic Bell applicator to simulate the actual automotive painting line application conditions and to test the products beforehand so as to have faster launch of new product on continuous and automotive production lines. This is supported by a modern Instrumentation and Analytical Lab which has the latest equipment for conducting high end analysis of different paints and polymers.

This year the architectural group focused on bringing in products with air purifying properties and expansion of our water proofing capability. Apart from maintaining lead content less than 90 ppm and eco-friendly products under Healthy Home paints platform, Impressions Ultra Fresh which captures indoor air pollutants and free formaldehyde, thus making the air cleaner, was launched. Additionally Impressions Ultra HD which is a superior variant with radiant sheen, low VOC and fast drying was launched.

New R&D Facility

To strengthen our water proofing range, we have launched Excel Top-guard consisting of base coat and Top coat with enhanced water proofing, crack bridging and anti-carbonation properties.

With significant thrust in powder coating, the focus was on developing functional coatings. We have introduced Rebar coating for concrete, reinforcing rebar to enhance structural stability in powder coating and super durable powder as per AAMA 2604 & Qualicoat Class 2.

G. Supply chain

Year 2018-19 has been a year of uncertainty in crude oil prices, exchange rates, coupled with trade wars at global levels and stricter environmental norms globally.

The Supply Chain team at KNPL has been abreast with the global challenge and has been able to strike a right balance in the VUCA (volatility, uncertainty, complexity and ambiguity) world with strong focus on sustainable solution and green initiatives.

Change in packing to more sustainable types, like from HDPE barrels to tankers for raw materials, elimination of low thickness plastic wrapping material for movement of direct and indirect materials and moving towards accepting digital invoice for incoming material reducing paper usage are some of the initiatives taken towards reducing our carbon footprint and helping us create a greener planet.

Making use of government schemes like DPD (Direct port delivery) for prompt container movement from ports, AEO facility, clearing import cargo at ICD (Inland Container Depot) in close proximity to our manufacturing locations, amongst others has immensely helped us optimize our operations.

Augmented focus has been on tracking price drivers of key raw materials resulting in buying raw materials at the right time so as to gain maximum cost advantage. Also IT driven reports that help in tracking the same have been implemented.

Vendor meet was organized wherein KNPL's top management and Supply Chain team shared the organization's Vision 2020 and their expectations from the vendor partners and also appreciated their contribution in the organization's growth story.

H. Information Technology

Machine Learning, IOT, Business Process Automation technologies, ChatBot, Cloud and Security were the core themes around which various IT initiatives were aligned during the year. Leveraging its existing SAP footprint, the capabilities of Cloud, Machine Learning (ML), Analytics and ChatBot, were leveraged to build an intelligent sales App for the frontline team. This App uses various ML algorithms to gain deeper understanding into the data and also study various trends and data patterns. It will provide 360-degree recommendation to the frontline sales team and will help them serve the customers efficiently. These new capabilities will gradually be embedded in all business processes.

KNPL is also working on adapting emerging business process automation technologies to automate standard and repetitive business processes using robotic process automation. This will help to gain quantum improvement in response time, 24X7 support, accuracy and consistency. Using advanced analytics and digitisation, various processes in the areas of manufacturing, sales, supply chain and finance were re-engineered to enhance the effectiveness.

Looking at the ever changing IT environment and to remain protected against the security threats and risks, KNPL continued with various security bolstering initiatives like conducting cyber security audit and implementing auto monitoring security tools.

I. People

At KNPL, employees are a central element of the organization. Employees contribute towards organization's goals by their skills and competencies. With advancements in technology, the significance of people gets augmented multi-fold. Various interventions 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 communication systems formally and informally. Interactive sessions like open house with top management are also conducted at Plants. Employees are apprised of KNPL initiatives through internal monthly Impressions newsletter, Conferences and 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. Daily performance dashboard is available to all the employees and it enables every employee to remain focused 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 centers are being conducted to objectively evaluate the managerial potential of select personnel. In addition to the same, launch of Talent Management and Succession Planning process has been critical to develop internal talent and to support higher business growth.

In order to drive corporate objectives with regard 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 organization 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. KNPL also has a "Code of conduct to regulate, monitor and report trading by insiders" and a "Code of practices and procedures for fair disclosure of Unpublished Price Sensitive Information" to address the related requirements for the same.

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 2997 as on 31st March, 2019.

Learning Conference was held in Mumbai for all Managers in the month of June. All the Functional Heads communicated the performance of the Company and their respective functions in the current financial year, future plan and direction the organization has undertaken. Management spoke about KNPL's performance which is being talked about and the air of increased optimism both internally and externally which is driving KNPL towards a better future. Keeping this in mind KNPL adopted "Rising Kansai, Rising Nerolac" as the theme of the conference.

Learning Conference 2018, Mumbai

J. Community development

KNPL works on the philosophy of positive contribution for the development of the society by acting as a good neighbour, considerate of others, playing the role of good corporate citizen with passion and compassion.

It also has a vision to strive to be a responsible corporate by proactively partnering in the environmental, social and economic development of the communities through the use of innovative technologies, products as well as activities beyond normal business.

The Company undertakes CSR initiatives with a focus on the betterment of the community giving major emphasis on activities for the benefit of the poor and needy segments of the society. The Company aims at overall national development in general and at community development in specific.

Involvement of the Company's employees working at all locations in CSR initiatives helps in creating a sense of pride amongst them, in addition to creating a positive image for the Company.

As a responsible organization, the Company consciously addresses the social needs, giving more preference to the local areas where it operates under various Program heads. These Programs can be broadly divided as under:

- **Rural Development / Community Development** – The objective is to reach to the grass root citizens by providing basic facilities and amenities in the villages near to the plant locations/depot locations. Bus pick up shed, borewells, solar street lights, water coolers, drinking water pipe lines are some of the initiatives taken under the said Program.
- **Preventive Health care & Sanitation** – Objective is to provide facilities that improve general health care and sanitation. This include health camps, providing toilets in villages, common public places and schools, providing dust bins, various initiatives and awareness sessions under "Swachh Bharat Abhiyan".
- **Promoting Education** – In order to enhance the educational level and to promote education in rural area, the Company undertakes various activities in the schools near to the plants and depots. The important activities are construction of class rooms, Labs, providing computers, solar lights, drinking water facility, providing educational material such as projectors, benches and desks, inverter etc.
- **Ensuring Environmental Sustainability** – The Company is committed for its support to preserve natural resources and in ensuring clean environment. The Company has undertaken many projects that will help to maintain ecology. A few to mention are plantation, development and maintenance of parks, painting etc.
- **Livelihood & Skill Enhancement** – KNPL organizes capacity/skill enhancement initiatives through sessions that help the professionals to improve their skill level. The objective is to provide skilled personnel to the society and contributing for overall skill development at national level.

KNPL's sincere efforts for the upliftment of the society and its contribution towards India's rural, educational, social and environmental growth and prosperity shall be continued in future as well.

K. Affirmative action

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

Cleanliness drive – Swachh Bharat Abhiyan

L. Environment, Health & Safety

At KNPL, Environment, Health & Safety (EHS) is not just a business initiative for complying with regulations and industry standards, but also a noble means for the Company to be a better environmental steward and to provide its employees with a safe and healthy workplace. Last year, the Company focused on increasing safety awareness among employees and contract workers through Online Safety Test and Safety Competitions. Also, Safety Training Kiosk System with customized safety training modules on machine safety and static charge prevention were installed at all the plants to reinforce safe behaviour in employees and contract workers. A dedicated effort was made to make the work environment safer and a new system, "Safety-Concern" was created and launched. With the help of this system, employees are able to log any unsafe condition/ unsafe act they observe at the workplace into the system and assign responsibilities to relevant authority/ department for proper and timely resolution of that particular concern. Our esteemed industrial customers appreciated our efforts towards EHS excellence during their visits and audits.

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.

Left - Classroom Construction at Govt School, Thoduthepalli; Right - Infrastructure support for Caramel School, Hosur

Inauguration of Model Training Centre, Hosur

KNPL continued with its water conservation agenda and took several conservation measures to reduce its water footprint. 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. During the year, initiatives to reuse the condensate water and RO (reverse osmosis) reject water for different purposes were implemented. In coming years, focus would be on increasing the efficiency of cooling towers and reuse of blow down water.

Solid waste management is another key focus area. Major focus is on reuse of sample resin and cleaning solvent in the process in order to reduce the generation of distillation sludge. Recovery and reuse of material sticking losses at various stages of manufacturing has been achieved through installation of de-dusting machines. Also, bio-composting machine has been installed in one of the manufacturing sites to recycle the bio-degradable wastes as manure for gardening.

As a part of energy security, KNPL invested in solar projects across all plant locations and in wind and biomass energy projects at its Hosur location. Last year, scope of renewable energy increased even further due to the substitution of diesel with bio-fuels in thermopac boilers. With this, major proportion of process heat and steam is now being produced through renewable energy.

M. Opportunities and threats

Opportunities

- **Economic Policies**

  Reduction in GST rates for paints is a step in the right direction for the industry as a whole. In addition a thrust on infrastructure and housing is beneficial for the industry.

- **Rural Thrust**

  The interim budget for 2019-20 has focused on increased spending towards agriculture and farmer welfare by 20%. This will increase income in the hands of the rural consumer and hence be an opportunity for growth.

Left - Safety Training Kiosk; Right - Training of Contract Workmen via Safety Training Kiosk

- **Environment consciousness**

  The growing consciousness on environment is an opportunity. The Company has Healthy Home Paints as a central theme. Product and process innovations introduced have 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 renewable energy.

- **Niche Markets**

  Niche markets represent an opportunity for the Company to leverage its technical and distribution strengths. The Company has forayed into the market of niche products – unrepresented and paint-related segments.

Threats

- **Geopolitical situation**

  Trade frictions are beginning to materialize, with the USA and China locked in a retaliatory trade war. In addition, there is the threat of sanctions which has an impact on crude. India, being an integral part of the global trade network, will have to remain wary.

- **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.

- **Climate change**

  Indications of a late monsoon, on the lines of the previous year, point towards a slower than normal rural economic growth. A normal monsoon can aid not only the agricultural sector but the rural economy.

N. 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.

- **Strategic Risk**

  Strategic risk relates to the Company's future business plans and strategies. The Company has put in systems and processes with respect to customers, products and technology, competition, environment and people's competency and is well equipped to handle any risk which may arise.

- **Operational Risk**

  New business models, new service offerings, growing volume of operations, have brought risks related to delivery and adherence of SLA (Service Level Agreements) terms and conditions. KNPL with its years of experience has placed in a risk management framework to enhance the review and control mechanisms to ensure contractual terms and conditions.

- **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 a Compliance Tool which is dynamically updated to ensure awareness of compliance with domestic laws and regulations. KNPL has also implemented tools and processes to ensure internal stakeholders of the Company are aware of statutory requirements.

- **Financial Risks**

  The exchange rate between the Indian Rupee and the U.S. Dollar has fluctuated widely in the recent past and may continue to fluctuate significantly in the future. Imports content being significant for KNPL, volatility in exchange rates has an impact on the bottom line of the Company.

- **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 minimize commodity risks.

- **People Risk**

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

O. Outlook

The Company expects decorative business to continue its momentum. However, in the industrial business, the Company expects the growth momentum to be subdued in the immediate future though it is hopeful for a good momentum for the year as a whole. Prediction of near normal monsoon, growth in the agriculture sector and reduced interest rates in the economy should provide necessary impetus for growth.

P. 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 of the Company 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 the 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 bench marked 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.

Q. Awards and recognitions

Awards by External Agencies

- KNPL won the prize for "Best of Best Practices" held between all Kansai Paints subsidiaries across the world by KPJ.

- Kansai Nerolac Paints was named as one of the 40 most valuable Indian brands of 2019 by Interbrand, one of the world's leading brand consultancies.

- Bawal plant team won Gold awards in 2 categories in the Kaizen conclave Delhi chapter, organized by "Quality Circle Forum of India". Over 45 companies participated in the event.

- Jainpur team won the second runners-up position in 30th Qualtech Prize competition organized by QIMPRO.

Jainpur Plant team at the 30th Qualtech Prize competition organized by QIMPRO

- Mr. H. M. Bharuka was awarded with the prestigious ICC D.M. Trivedi Lifetime achievement award for contribution to Indian Chemical Industry.

- Economic Times recognized Kansai Nerolac as one of the Best brands in 2018-19.

Economic Times recognized Kansai Nerolac as one of the Best brands

Awards by Customers

- KNPL was selected by Bharat Heavy Electricals Limited (BHEL), Boiler Auxiliaries Plant – Ranipet as one of the nominees for Award in recognition of the excellent services rendered by KNPL. The certificate was received in Chennai at the annual vendor meet of BHEL.
- KNPL received the "Best Supplier" award at the Honda Motorcycle & Scooters India vendor conference held at Gurgaon.

Cautionary Statement

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

2. Directors' Responsibility Statement

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

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are not material departures;

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

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the

KNPL awarded "Best Supplier" by Honda Motorcycle & Scooters India

Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

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

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

3. Collaboration

The Directors record their appreciation for the contribution made and support provided by Kansai Paint Co. Ltd., Japan (KPJ), our holding company. 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.

4. New Projects

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

The Company's paint manufacturing unit at Sayakha Industrial Estate in Gujarat became operational during the financial year. Also, the R&D Centre at Vashi, Navi Mumbai has commenced its operations during the year under review.

At Goindwal Sahib near Amritsar in Punjab, all construction activities of the unit have been completed and is likely to commence operations during the current financial year. At Achutapuram, Visakhapatnam district in Andhra Pradesh, the project is in the planning stage.

5. Directors

During the year under review, Mr. Anuj Jain was appointed as a Whole-time Director for a period of 5 years with effect from 1st April, 2018 to 31st March, 2023, in terms of the approval of the Shareholders at the 98th Annual General Meeting held on 21st June, 2018. There was no change in Directors of the Company other than the above.

In terms of the provisions of the Act and the Articles of Association of the Company, Mr. Hidenori Furukawa and Mr. Anuj Jain would be liable to retire by rotation at the ensuing 99th Annual General Meeting and being eligible offer themselves for re-appointment.

None of the Directors are disqualified for appointment/re-appointment under Section 164 of the Act. As required by law, this position is also reflected in the Auditors' Report.

All the Independent Directors on the Board have given a declaration of their independence to the Company as required under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. In the opinion of the Board, they fulfil the conditions of independence as specified in the Act and the SEBI Listing Regulations and are independent of the management.

Details with respect to the composition of the Board, the meetings of the Board held during the year and the attendance of the Directors thereat have been provided separately in the Annual Report, as a part of the Report on Corporate Governance.

For the year ended 31st March, 2019, Mr. H. M. Bharuka, Vice Chairman and Managing Director, received a remuneration of ₹ 77.57 Lakhs during the year as a Non-Executive Director of Kansai Paint Co. Ltd., Japan.

6. Key Managerial Personnel

Consequent to the appointment of Mr. Anuj Jain as a Whole-time Director with effect from 1st April, 2018, the Company has the following Key Managerial Personnel in terms of Section 203 of the Act : Mr. H. M. Bharuka, Vice Chairman and Managing Director, Mr. Anuj Jain, Executive Director, Mr. P. D. Pai, Chief Financial Officer and Mr. G. T. Govindarajan, Company Secretary.

7. Board Evaluation

In terms of the applicable provisions of the Act, the SEBI Listing Regulations, Nomination and Remuneration Committee and the Board of Directors have approved a framework, which lays down a structured approach, guidelines and processes to be adopted for carrying out an evaluation of the performance of all the Directors, the Board as a whole and its Committees. The evaluation process has been separately explained in this Annual Report, as a part of the Report on Corporate Governance.

During the year under review, the Board carried out the evaluation of its own performance and that of its Committees and the individual Directors and the evaluation results, as collated and presented, were noted by the Board.

8. Audit Committee

The Company has an Audit Committee in place, duly constituted in terms of the provisions of Section 177 of the Act, as follows:

Names of the Members	Designation
Mr. P. P. Shah (Chairman of the Audit Committee)	Chairman and Independent Director
Mr. N. N. Tata	Independent Director
Mrs. Brinda Somaya	Independent Director

The recommendations made by the Audit Committee to the Board, from time to time during the year under review, have been accepted by the Board.

Other details with respect to the Audit Committee such as its terms of reference, the meetings of the Audit Committee and attendance thereat of the members of the Committee, are separately provided in this Annual Report, as a part of the Corporate Governance Report.

Further, detailed information with respect to the other Committees of the Board is also provided in this Annual Report, as a part of the Corporate Governance Report.

9. Statutory Auditors

B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), were appointed as the Statutory Auditors of the Company, for a period of 5 years from the 94th AGM till the ensuing 99th AGM. Their appointment, as Statutory Auditors of the Company, was ratified by the Shareholders at the 98th AGM held on 21st June, 2018, in terms of the then applicable provisions of Section 139(1) of the Act read with the Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report on the Financial Statements (Standalone and Consolidated) of the Company for the year under review, "with an unmodified opinion", as given by the Statutory Auditors, is disclosed in the Financial Statements forming part of this Annual Report. The Auditors' Report is clean and there are no qualifications in their Report. Also, no frauds in terms of the provisions of Section 143(12) of the Act have been reported by the Statutory Auditors in their report for the year under review.

The Notes to the Financial Statements (Standalone and Consolidated) are self-explanatory and do not call for any further comments.

Further, the term of B S R & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company, will expire at the ensuing 99th AGM to be held on 21st June, 2019. In terms of the applicable provisions of the Act, they will not be eligible for re-appointment as Statutory Auditor of the Company, since they have completed two terms of 5 consecutive years.

Accordingly, as per the recommendation of the Audit Committee, the Board has appointed S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), as the Statutory Auditors of the Company, to hold office for a period of 5 years from the ensuing 99th AGM till the 104th AGM, subject to the approval of the Shareholders at the ensuing 99th AGM. Business with respect to the same forms part of the Notice of the ensuing 99th AGM of the Company.

The Company has received a certificate from S R B C & CO LLP, Chartered Accountants, confirming that they are not disqualified from being appointed as Statutory Auditors of the Company.

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

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act, are separately disclosed in this Annual Report, as a part of the notes to the Financial Statements.

11. Related Party Transactions

All Related Party Transactions entered into during the year under review were approved by the Audit Committee and the Board of Directors, from time to time and the same are disclosed in the Financial Statements of the Company for the year under review. Further, pursuant to the provisions of the Act and the SEBI Listing Regulations, the Board of Directors has, on recommendation of its Audit Committee, adopted a Policy on Related Party Transactions and the said policy is available on the website of the Company i.e. www.nerolac.com.

In terms of the provisions of Section 188(1) of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the SEBI Listing Regulations, all contracts/ arrangements/ transactions entered into by the Company with its related parties, during the year under review, were in the ordinary course of business of the Company and on an arm's length basis. There were no material Related Party transactions during the year. Accordingly, Form No. AOC-2, prescribed under the provisions of Section 134(3)(h) of the Act and Rule 8 of the Companies (Accounts) Rules, 2014, for disclosure of details of Related Party Transactions, which are "not at arm's length basis" and also which are "material and at arm's length basis", is not provided as an annexure to this Report as it is not applicable.

12. Corporate Governance

The Company is in full compliance with the requirements and disclosures that have to be made in terms of the requirements of Corporate Governance specified in SEBI Listing Regulations.

Further, in terms of the provisions of Schedule V(C) of the SEBI Listing Regulations, a detailed Report on Corporate Governance, together with a Certificate from the Statutory Auditors of the Company confirming compliance with the requirements of Corporate Governance as specified in SEBI Listing Regulations, forms part of this Annual Report.

13. Remuneration Policy

The Board of Directors has adopted a Policy which deals with (i) criteria for determining qualifications, positive attributes and independence of a Director, and (ii) Remuneration Policy for Directors, Key Managerial Personnel and other employees ("Remuneration Policy").

The features of the Remuneration Policy are as follows:

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, architecture, technical, marketing, manufacturing, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, while determining the Board composition.
- A director shall be a person of integrity, who possesses relevant expertise and experience. He shall uphold ethical standards of integrity and probity and act objectively and constructively. He shall exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.
- An Independent director should meet the requirements of the Act and the SEBI Listing Regulations, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Act.
- The objective of the policy is to have a compensation framework that will reward and retain talent.
- The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.
- Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.

- For Directors, the Performance Pay will be linked to achievement of Business Plan.
- For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.
- The above will take into consideration industry performance, customer performance and overall economic environment.
- For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall Company performance.

The Remuneration Policy is also available on the website of the Company at https://nerolac.com/financial/policies.html#scroll.

14. Risk Management Policy

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

The Risk Management Framework of the Company comprises of Risk Management Committee and the Risk Officers.

The Risk Management Committee was re-constituted by the Board of Directors, at its meeting held on 29th January, 2019, in terms of the amended provisions of Regulation 21 of SEBI Listing Regulations, as follows:

Names of the Members	Designation
Mr. H. M. Bharuka (Chairman of the Risk Management Committee)	Vice Chairman and Managing Director
Mr. Anuj Jain	Executive Director
Mr. Jason Gonsalves	Chief Risk Officer

The functional Heads are the Risk Officers of their respective functions. The Board and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals.

The functions of the Risk Management Committee include preparation of company-wide framework for risk management, fixing roles and responsibilities, communicating the risk management objective, giving direction for managing cyber security, drawing action plan and allocating resources, determining criteria for defining major and minor risks, deciding strategies for escalated major risk areas, updating company-wide Risk register and preparing MIS report for review of Audit Committee.

The Risk Management Framework aims to:

(a) address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective.

(b) establish the risk appetite.

(c) be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication.

(d) seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response.

(e) reduce surprises and losses, foresee opportunities and improve deployment of resources.

(f) develop a mechanism to manage risks.

Systems and processes are set through the Risk Management framework, to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively. Clearly defined work profiles and assigned responsibilities are well at place, throughout the organization, at all levels and all functions, ensuring smooth flow of information across various levels within the organization.

15. Vigil Mechanism - Whistle Blower Policy

The Company has a Whistle Blower Policy to report genuine concerns and grievances. The policy provides adequate safeguards against victimisation of persons who use the Whistle Blower mechanism. Details with respect to implementation of the Whistle Blower Policy are separately disclosed in this Annual Report, as a part of the Report of Corporate Governance. The same is also available on the website of the Company at https://nerolac.com/financial/policies.html#scroll.

16. Corporate Social Responsibility

The Board of Directors has constituted a Corporate Social Responsibility ("CSR") Committee in terms of the provisions of Section 135 of the Act, as follows ;

Names of the Members	Designation
Mr. H. M. Bharuka (Chairman of the CSR Committee)	Vice Chairman and Managing Director
Mr. N. N. Tata	Independent Director
Mr. Anuj Jain	Executive Director

The functions of the CSR Committee are to:

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the CSR policy of the Company from time to time.

The Board has also framed a CSR Policy for the Company, on the recommendations of the CSR Committee and the same is available on the website of the Company at https://nerolac.com/financial/policies.html#scroll.

The Annual Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, is annexed to this Report as Annexure 1.

17. Dividend Distribution Policy

The Dividend Distribution Policy of the Company has been formulated to ensure compliance with the provisions of Regulation 43A of SEBI Listing Regulations.

The Board of Directors will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors as mentioned in this policy before declaring dividend in any financial year.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

The Dividend (including interim and/or final) for any financial year shall be declared or paid by the Company for any financial year out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of the 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.

18. Prevention of Sexual Harassment at workplace

In line with the provisions of the Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act"), the Company has adopted a "Policy on Appropriate Social Conduct at Workplace". The policy is applicable for all employees of the organization, which includes corporate office, branches, depots and manufacturing locations etc. The policy is applicable to non-employees as well i.e. business associates, vendors, trainees etc.

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 did not receive any complaints of sexual harassment and no cases were filed under the POSH Act.

19. General Shareholder Information

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

20. Particulars regarding Employees Remuneration

Disclosure comprising particulars with respect to the remuneration of directors and employees, as required to be disclosed in terms of the provisions of Section 197(12) of the Act and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as Annexure 2.

21. Conservation of Energy, Technology Absorption & Foreign Exchange

The statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required in terms of Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed to this Report as Annexure 3.

22. Share Capital

The paid up Equity Share Capital as at 31st March, 2019 stood at ₹ 53.89 Crores. During the year under review, the Company did not issue any Equity Shares. Further, the Company has not issued any convertible securities or shares with differential voting rights nor has granted any stock options or sweat equity or warrants.

23. Extract of the Annual Return

An Extract of the Annual Return in Form No. MGT-9, as required in terms of the provisions of Section 92(3) of the Act and the Companies (Management and Administration) Rules, 2014, is annexed to this Report as Annexure 4 and in terms of the provisions of Section 134(3)(a) of the Act, the same is also available on the website of the Company i.e. www.nerolac.com.

24. Details of Unclaimed Suspense Account

Details pertaining to Unclaimed Suspense Account of the Company are separately disclosed in this Annual Report, as a part of the General Shareholder Information.

25. Transfer to Investor Education and Protection Fund ("IEPF")

Transfer of Unclaimed Dividend to IEPF

During the year under review, dividend amounting to ₹ 11.89 Lakhs that had not been claimed by the shareholders for the year ended 31st March, 2011, was transferred to the credit of IEPF as required under Sections 124 and 125 of the Act.

Unclaimed dividend as on 31st March, 2019

As on 31st March, 2019, dividend amounting to ₹ 197.57 lakhs has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar and Share Transfer Agents of the Company i.e. TSR Darashaw 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, 2018 (date of the last Annual General Meeting) on the website of the Company, www.nerolac.com. The same are also available on the website of the Ministry of Corporate Affairs, www.mca.gov.in.

Transfer of Equity Shares

As required under Section 124 of the Act, 1,73,830 Equity Shares, in respect of which dividend has not been claimed by the members for seven consecutive years or more, have been transferred by the Company to the IEPF Authority during the financial year 2018-19. Details of such shares transferred have been uploaded on the website of the Company, www.nerolac.com. The same are also available on the website of the Ministry of Corporate Affairs, www.mca.gov.in.

26. Secretarial Audit

Pursuant to the provisions of Section 204 of the Act, the Company had appointed JHR & Associates, Company Secretaries, as the Secretarial Auditor for the year under review, to conduct the Secretarial Audit of the Company.

The Secretarial Audit Report for the year under review issued by JHR & Associates is annexed to this Report as Annexure 5. There is no qualification or adverse remark in their Report.

Further, in terms of the provisions of the Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 issued by SEBI, the Company has obtained the Annual Secretarial Compliance Report, thereby confirming compliance of the applicable SEBI Regulations and circulars/guidelines issued thereunder, on behalf of the Company.

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

27. Cost Audit

In terms of the provisions of Section 148 of the Act, the Company had appointed D. C. Dave and Co., Cost Accountants (Registration No. 000611), as the Cost Auditor to conduct an audit of its Cost Accounting Records for the financial year 2017-18, pertaining to products of the Company as required by the law. The Cost Audit Report submitted by the Cost Auditor for the previous year, was clean and there was no qualification in their Report. The same was duly filed with Ministry of Corporate Affairs on 27th September, 2018.

The Company had re-appointed D. C. Dave & Co., Cost Accountants, as the Cost Auditor for the year ended 31st March, 2019, and the Cost Audit Report when submitted by them, will be duly filed with Ministry of Corporate Affairs.

Further, the Company has re-appointed D. C. Dave & Co., Cost Accountants, as the Cost Auditor for the Financial Year 2019-20, to conduct an audit of its Cost Accounting Records pertaining to said products, at a remuneration of ₹ 2,50,000 plus Goods and Service tax and out of pocket expenses. The Company is seeking the approval of the Shareholders by means of ratification, for the remuneration to be paid to D. C. Dave & Co. vide Resolution No. 6 of the Notice of the ensuing Annual General Meeting.

Certificate from D. C. Dave & Co., Cost Accountants, has been received to the effect that their appointment as Cost Auditor, if made, would be in accordance with the limits specified under Section 141 of the Act and Rules framed thereunder.

28. Business Responsibility Report

A Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective, as required in terms of the provisions of Regulation 34(2)(f) of SEBI Listing Regulations, separately forms part of this Annual Report.

29. Acknowledgements

Your Directors wish to express their grateful appreciation for the co-operation and support received from customers, parent company, collaborators, vendors, investors, 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 for their focus, commitment and hard work in driving the consistent growth of the Company.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, May 2, 2019

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2018-19

1.	**A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be taken and a reference to the web link to the CSR Policy and projects or programmes**	:	Given separately as a part of this Report.
	Weblink	:	https://www.nerolac.com/financial/policies.html
2.	**Composition of the CSR Committee**	:	Mr. H. M. Bharuka, *Vice Chairman and Managing Director* Mr. N. N. Tata, Independent Director Mr. Anuj Jain, *Executive Director*
3.	**Average net profit of the Company for the three immediately preceding financial years**	:	₹ 667.36 Crores
4.	**Prescribed CSR Expenditure (two per cent of the amount as in Item 3 above)**	:	₹ 13.35 Crores
5.	**Details of CSR expenditure during the year**		
	a. Total amount to be spent for the Financial Year	:	₹ 13.45 Crores
	b. Amount unspent, if any	:	NIL
	c. Manner in which amount spent during the Financial Year	:	Given separately as a part of this Report.
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount on CSR	:	Not Applicable
7.	Responsibility Statement of the CSR Committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company	:	The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

H. M. Bharuka
Vice Chairman and Managing Director
(Chairman of the CSR Committee)

Mumbai, 2nd May, 2019

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 2018-19

	Sr. No.	CSR Projects / 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 Reporting Period (₹ in Lacs)	Actual Amount Spent: Direct or through Implementing Agency (₹ in Lacs)
A.	1.	Advanced Open Training in Painting	**Livelihood & Skill Enhancement Program**	In various states such as Punjab, M.P., Kerala, Karnataka, Gujrat, Rajasthan,Andhra Pradesh, Delhi, Goa, Puducherry, Tamil Nadu, Maharashtra, Telangana, U.P., Bihar, Odisha, Uttarakhand, Haryana, Assam, Himachal Pradesh, Chhatisgarh, J&K, Jharkhand, M.P., West Bengal	640.00	617.15	617.15	617.15
	2.	Creation of Model Training Centre with NSDC	**Livelihood & Skill Enhancement Program**	Hosur, Tamil Nadu	60.00	76.16	76.16	76.16
	3.	Mobile Training Academy	**Livelihood & Skill Enhancement Program**	Maharashtra	50.00	51.02	51.02	51.02
		Sub-total			**750.00**	**744.33**	**744.33**	**744.33**
B.	1.	Health Camp for villagers	**Preventive Health Care & Sanitation**	Bawal	1.00	1.20	1.20	1.20
	2.	Health awareness sessions and distribution of Sanitary napkins	**Preventive Health Care & Sanitation**	Bawal	1.00	0.85	0.85	0.85
	3.	Construction of Toilets in School in Mohanpur	**Preventive Health Care & Sanitation**	Bawal	2.00	1.65	1.65	1.65
	4.	Health Camps for villagers	**Preventive Health Care & Sanitation**	Hosur	1.00	2.94	2.94	2.94
	5.	Donation for Dialysis machine	**Preventive Health Care & Sanitation**	Hosur	3.00	5.31	5.31	5.31
	6.	Construction of Toilets in Samanapalli school	**Preventive Health Care & Sanitation**	Hosur	6.00	5.80	5.80	5.80
	7.	Health Camps for villagers	**Preventive Health Care & Sanitation**	Lote	2.00	3.76	3.76	3.76
	8.	Swachh Bharat Abhiyan	**Preventive Health Care & Sanitation**	Lote	1.00	0.17	0.17	0.17
	9.	Health Camps for villagers	**Preventive Health Care & Sanitation**	Jainpur	1.00	4.02	4.02	4.02
	10.	Construction of Toilets in Primary School	**Preventive Health Care & Sanitation**	Jainpur	1.00	3.69	3.69	3.69
	11.	Health Camp for villagers	**Preventive Health Care & Sanitation**	Sayakha	1.00	1.87	1.87	1.87
	12.	Swachh Bharat Abhiyan	**Preventive Health Care & Sanitation**	Sayakha	1.00	0.07	0.07	0.07
	13.	Construction of Toilet,Saladra School	**Preventive Health Care & Sanitation**	Sayakha	1.00	0.90	0.90	0.90
	14.	Installation of RO system	**Preventive Health Care & Sanitation**	Sayakha	1.00	1.02	1.02	1.02
	15.	Distribution of Dust Bins	**Preventive Health Care & Sanitation**	Goindwal Sahib	1.00	1.79	1.79	1.79
	16.	Swachh Bharat Abhiyan	**Preventive Health Care & Sanitation**	Goindwal Sahib	1.00	0.34	0.34	0.34
	17.	Activities under Swachh Bharat Abhiyan near Depots	**Preventive Health Care & Sanitation**	In various states such as Punjab, M.P., 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, M.P., West Bengal	85.00	127.32	127.32	127.32
		Sub-total			**110.00**	**162.70**	**162.70**	**162.70**
C.	1	Benches,Lights, Fixtures etc. in Park	**Rural Development / Community Development**	Bawal	5.00	4.00	4.00	4.00

PROGRAM WISE CSR DETAILS 2018-19

	Sr. No.	CSR Projects / 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 Reporting Period (₹ in Lacs)	Actual Amount Spent: Direct or through Implementing Agency (₹ in Lacs)
	2.	Installation of Solar lights in nearby villages	**Rural Development / Community Development**	Bawal	10.00	11.72	11.72	11.72
	3.	Construction of Bore well	**Rural Development/ Community Development**	Bawal	3.00	2.47	2.47	2.47
	4.	Providing Projector, Sound system and civil work at People gathering place	**Rural Development/ Community Development**	Hosur	4.00	3.53	3.53	3.53
	5.	Help to Gaja Cyclone victims	**Rural Development/ Community Development**	Hosur	1.00	1.02	1.02	1.02
	6.	Providing Gym equipment in Gunadhe village	**Rural Development/ Community Development**	Lote	2.00	1.35	1.35	1.35
	7.	Annapurna Project under Rural Women empowerment	**Rural Development / Community Development**	Lote	6.00	6.00	6.00	6.00
	8.	Installation of Water Coolers at Public Places near civil court, city court, fire office in Kanpur	**Rural Development/ Community Development**	Jainpur	3.00	2.65	2.65	2.65
	9.	Construction of Community Hall	**Rural Development/ Community Development**	Sayakha	6.00	5.00	5.00	5.00
	10.	Development of sports complex for rural youth	**Rural Development/ Community Development**	Sayakha	5.00	3.15	3.15	3.15
	11.	Construction of community Hall, Ankot	**Rural Development/ Community Development**	Sayakha	5.00	7.67	7.67	7.67
	12.	Development of Public spot at Tralsi	**Rural Development/ Community Development**	Sayakha	3.00	1.70	1.70	1.70
	13.	Construction of community Hall, Rahad	**Rural Development / Community Development**	Sayakha	5.00	8.41	8.41	8.41
	14.	Donation to Rotary club for community development	**Rural Development/ Community Development**	Sayakha	1.00	0.25	0.25	0.25
	15.	Contribution for Mass marriages of poor families	**Rural Development/ Community Development**	Sayakha	1.00	0.68	0.68	0.68
	16.	Providing wheel chairs to poor people	**Rural Development/ Community Development**	Sayakha	1.00	0.48	0.48	0.48
	17.	Contribution for the Marathon held for National Integrity	**Rural Development/ Community Development**	Goindwal Sahib	4.00	2.47	2.47	2.47
	18.	Support during Kerala flood	**Rural Development/ Community Development**	Kerala	15.00	29.88	29.88	29.88
	19.	Developing Area in and around Dadar Station (Central)	**Rural Development/ Community Development**	Mumbai	45.00	23.33	23.33	23.33
	20.	Installation of water proof LED lights, Levelling, providing benches, Painting etc at public places	**Rural Development/ Community Development**	Vizag and Chandigarh	15.00	21.56	21.56	21.56
		Sub-total			**140.00**	**137.32**	**137.32**	**137.32**

PROGRAM WISE CSR DETAILS 2018-19

	Sr. No.	CSR Projects / 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 Reporting Period (₹ in Lacs)	Actual Amount Spent: Direct or through Implementing Agency (₹ in Lacs)
D.	1.	Installation of Solar system at Jaliyawas and Bhith	**Promoting Education**	Bawal	18.00	9.99	9.99	9.99
	2.	Construction of Stage and Passage	**Promoting Education**	Bawal	7.00	3.53	3.53	3.53
	3.	Construction of Class room at Thoduthepalli School	**Promoting Education**	Hosur	18.00	10.73	10.73	10.73
	4.	Construction of Class room at Somanapalli School	**Promoting Education**	Hosur	15.00	10.94	10.94	10.94
	5.	Smart Class room facility at Carmel school	**Promoting Education**	Hosur	10.00	6.14	6.14	6.14
	6.	Class room renovation at Moranapalli school	**Promoting Education**	Hosur	4.00	2.16	2.16	2.16
	7.	Construction of bore well at Samanapalli school	**Promoting Education**	Hosur	2.00	0.95	0.95	0.95
	8.	Providing Computers to schools in Lote, Chiplun	**Promoting Education**	Lote	3.00	2.77	2.77	2.77
	9.	Providing Educational material at Moravane school	**Promoting Education**	Lote	2.00	0.36	0.36	0.36
	10.	Providing desks / benches in Primary school	**Promoting Education**	Jainpur	3.00	2.11	2.11	2.11
	11.	Creative Workshop with Sachetan group	**Promoting Education**	Sayakha	2.00	1.41	1.41	1.41
	12.	Providing Inverter in school at Kalrav	**Promoting Education**	Sayakha	1.00	0.31	0.31	0.31
	13.	Construction of Compound wall in School at Vagara	**Promoting Education**	Sayakha	5.00	4.06	4.06	4.06
		Sub-total			**90.00**	**55.46**	**55.46**	**55.46**
E.	1.	Painting in various Schools in Kochi after flood	**Ensuring Environmental Sustainability**	Kochi	15.00	13.99	13.99	13.99
	2.	Painting in various schools in Sikkim	**Ensuring Environmental Sustainability**	Sikkim	35.00	29.09	29.09	29.09
	3.	Painting in School in Tijara, Rajasthan	**Ensuring Environmental Sustainability**	Rajasthan	2.00	0.47	0.47	0.47
	4.	Donation to K. J. Research Foundation, Chennai	**Ensuring Environmental Sustainability**	Chennai	100.00	100.00	100.00	100.00
	5.	Beautification near R&D centre, Mahape	**Ensuring Environmental Sustainability**	Mumbai	3.00	1.82	1.82	1.82
	6.	Painting of Govt. School in Bhatsana	**Ensuring Environmental Sustainability**	Bawal	3.00	2.15	2.15	2.15
	7.	Painting in School in Khandora	**Ensuring Environmental Sustainability**	Bawal	5.00	4.39	4.39	4.39
	8.	Painting in High School at Moranapalli	**Ensuring Environmental Sustainability**	Hosur	5.00	3.49	3.49	3.49

PROGRAM WISE CSR DETAILS 2018-19

	Sr. No.	CSR Projects / 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 Reporting Period (₹ in Lacs)	Actual Amount Spent: Direct or through Implementing Agency (₹ in Lacs)
	9.	Painting in High School at Chiplun	**Ensuring Environmental Sustainability**	Lote	5.00	4.62	4.62	4.62
	10.	Maintenance of garden near Jainpur Plant	**Ensuring Environmental Sustainability**	Jainpur	3.00	1.90	1.90	1.90
	11.	Beautification and tree Plantation near Plant	**Ensuring Environmental Sustainability**	Sayakha	10.00	5.25	5.25	5.25
	12.	Donation to Govt's Sujalam Sufalam Jal Abhiyan	**Ensuring Environmental Sustainability**	Sayakha	5.00	5.00	5.00	5.00
	13.	Beautification and levelling of Pond	**Ensuring Environmental Sustainability**	Sayakha	2.00	1.25	1.25	1.25
	14.	Rain water Harvesting project in Dhunda village	**Ensuring Environmental Sustainability**	Goindwal Sahib	4.00	34.57	34.57	34.57
	15.	Theme Park in Goindwal	**Ensuring Environmental Sustainability**	Goindwal Sahib	3.00	26.97	26.97	26.97
		Sub-total			**200.00**	**234.96**	**234.96**	**234.96**
F.	1.	Donation to Museum in Chiplun	**Restoration of Buildings and Sites of Historical Importance**	Lote	45.00	10.00	10.00	10.00
		Sub-total			**45.00**	**10.00**	**10.00**	**10.00**
		Grand Total			**1,335.00**	**1,344.77**	**1,344.77**	**1,344.77**

Implementing Agencies for CSR activities:

1. Preksha Foundation, Indore
2. K.J. Research Foundation, Chennai
3. Rotary Club, Chiplun
4. Dishantar Sanstha, Chiplun
5. Sachetan Group, Kota

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 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

(a) The ratio of the remuneration of each Director to the Median Remuneration of the Employees of the Company for the financial Year 2018-19 and

(b) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the Financial Year.

Sr. No.	Name of Director / KMP and Designation	Remuneration of Director / KMP for Financial Year 2018-19 (₹ in Lacs)	Percentage Increase in Remuneration for the Financial Year 2018-19	Ratio of Remuneration of each Director/ KMP to the Median Remuneration of Employees
1.	Mr. P. P. Shah Chairman (Non-Executive and Independent Director)	43.50	19.83	6.32
2.	Mr. D.M Kothari @ Vice Chairman (Non-Executive and Independent Director)	10.00	–	1.45
3.	Mr. H.M Bharuka # Vice Chairman and Managing Director	701.79	16.85	102.00
4.	Mr. N.N. Tata (Non-Executive and Independent Director)	38.75	23.41	5.63
5.	Mr. M. Tanaka Non-Executive Director	*	–	–
6.	Mr. H. Furukawa Non-Executive Director	*	–	–
7.	Mrs. Brinda Somaya (Non-Executive and Independent Director)	23.50	49.68	3.42
8.	Mr. K. Kato Non-Executive Director	*	–	–
9.	Mr. Anuj Jain ^ Whole-time Director	174.41	–	25.35
10.	Mr. P.D. Pai Chief Financial Officer	89.04	13.34	12.94
11.	Mr. G.T. Govindarajan Company Secretary	56.50	12.61	8.21

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 2018-19 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.

@ 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. Commission paid to Mr. Kothari in the year 2018-19 was for the period upto which he was an independent director during the year 2017-18.

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.

^ Mr. Anuj Jain was appointed as a Whole-time Director of the Company from 1st April, 2018.

* 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.

(c) The Median Remuneration of Employees (MRE) of the Company for the year increased by 7.89% compared to the previous financial year.

(d) The number of permanent employees on the rolls of the Company is 2997 as on 31st March, 2019.

(e) Average percentage increase made in the salaries of employee other than key managerial personnel in the last Financial Year was 8.11%. The percentage increase in remuneration of key managerial personnel was 19.54%. The increase in remuneration is determined based on the performance by the employees of the Company.

(f) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

(g) The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Companies Act, 2013 ("the Act") read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of the report. Further, the report and the accounts are being sent to the Members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any Member interested in obtaining a copy of the same may write to the Company Secretary.

None of the employees listed in the said annexure is a relative of any director of the Company.

There was no employee either throughout the financial year or part thereof who was in receipt of remuneration which, in the aggregate, was in excess of that drawn by the Managing Director or Whole-time Director and who held by himself or along with his spouse or dependent children, not less than two percent of the equity shares of the Company.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2019.

Annexure 3 to the Board's Report

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as prescribed under Rule 8(3) of the Companies (Accounts) Rules, 2014

A. Conservation of Energy

As part of the Company's agenda of migrating towards Renewable sources of Energy, both in Heat and Power, the Company has adopted various measures which has helped the Company to increase its Green foot print, thereby reducing the dependency on fossil fuels as well as keeping the Energy costs under control.

(i) Steps taken or impact on conservation of energy

Energy efficient Chilling at Jainpur Factory:

As a Technology upgrade, the Company has switched over from conventional scroll type as well as reciprocating type Chillers to Energy Efficient Chillers having Ozone friendly refrigerant gas with minimum impact on environment. With this upgrade, the Company has accrued energy cost savings of ₹ 26 Lacs in FY 2018-19.

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

- The Company has migrated to environment friendly Biofuel in lieu of High Speed Diesel for Heaters and Boilers at the factories of the Company at Lote, Jainpur and Bawal. This has helped the Company in reducing the dependency on fossil fuels as well as saving on fuel costs.
- The Company has signed a Power Purchase Agreement with Orient Green Power Ltd. for sourcing environmental friendly Wind Power at Hosur factory, thereby reducing the dependency of the Company on Grid Power as well as saving on power cost. Under this arrangement, the Company has sourced 38.98 Lacs units of Wind Power in FY 2018-19. This has helped reduce the carbon emissions by 19.5 Lac KG.
- Going ahead, the Company has also completed documentation requirements for sourcing additional Wind Power to the tune of 20 Lac units per annum under similar Group Captive mode at Hosur factory. This shall further boost Company's Green footprint and optimize the energy costs.
- Plans are in place for the capital investment in Wind Power generation, both in the states of Tamil Nadu as well as Gujarat.

(iii) Capital investment on above projects: ₹ 1.70 Crores.

B. Technology Absorption

(i) Efforts made towards technology absorption

Following activities carried out in Research and Development:

— Development of new products for Automotive, performance coating and Decorative segments

— Innovative shade development for OEM industry

— Upgradation of processes for cycle time reduction and energy saving

— Localization of intermediates for automotive coating

— Green initiatives

— Formulation optimization by value engineering

— Import substitution of raw materials

— Joint projects with vendor for mutual benefit

— Technical support to overseas subsidiaries for new product development, value engineering, alternate / new raw material development etc.

(ii) Benefits derived like product improvement, cost reduction, product development or import substitution

— Impressions Ultra HD radiant sheen luxury emulsion

— Impressions Ultra Fresh rich crème luxury emulsion

— In-house development of Speciality Dispersing agent

— Fast drying pigmented PU primer 2:1

— Gloria colour PU: Development of shades in wood coating variants using CCD tinters

— Isolator for wood: Development of product – a barrier coat to block tannin migration and shrinkage in wood (Teak, Rose wood, MDF etc.)

— Water based wood filler: Developed under Gloria brand 3 variants of wood filler Walnut, Teak & White

— CED LB 1000 Kai Grey

— Flow control additive for Ornamental CED application

— Direct to metal monocoat (DTM) for Pre-engineered Buildings, Genset and Bus body.

— Zero bake painting system for tractor chassis

— High Solid Common clear suitable for application on water based and solvent based base coat.

— High Durable monocoat for 3 Wheeler Industry & Commercial Vehicle

— High performance casting sealer for tractor chassis

— High Solid clear coat for 4 Wheeler bumpers with superior finish

— Coatings for FRP water Pipelines – polyurethane coating

— Inter Penetrating network (IP Net) technology based coating system for concrete structure of Metros and Flyovers

— Coil coating – Appliance product ROHS compliance product

— Coil Coating – Zero T product

— Silicon modified Coil coating

— Wrinkle finish / Wood finish coil coating

— Monocoat coil coating

— High Reflection coating for lighting industries

— Heat Resistance coating for engine block

— Powder Top Coat for Automotive 4 wheeler coatings

(iii) Details of imported technology (imported during last three years reckoned from the beginning of the financial year):

a. Details of technology imported

Particulars	Year of Import
1K Super Anti Corrosive Primer	2016-17
Acrylic and Epoxy RED CED	2016-17
Super Durable Aluminum Extrusion	2016-17
High Performance 3C-1B Primer	2017-18
Special 3210 Conductive Primer for 4 wheeler customer	2017-18
Resin for Monocoat Metallic Paint System	2017-18
Novel grind resin for F1 pigment paste for CED paint application	2018-19
Acrylic resin for Acrylic CED paint	2018-19
Coatings for Musical instruments	2018-19
Flouro resin Celatect technology product	2018-19
HR 600 based on Protech Technology	2018-19

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.

(iv) Expenditure incurred on Research and Development

(₹ in Crores)

	Particulars	FY 2018-19	FY 2017-18
(a)	Capital	**46.66**	0.55
(b)	Recurring	**27.44**	24.34
(c)	Total	**74.10**	24.89

C. Foreign Exchange earnings and outgo

Foreign Exchange earnings during the year ₹ 7.84 Crores (2017-18: ₹ 5.08 Crores)

Foreign Exchange outgo during the year ₹ 1210.35 Crores (2017-18: ₹ 1111.63 Crores)

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2019.

Annexure 4 to the Board's Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2019

[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 24936296 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	2(87)
3.	Kansai Paints Lanka (Private) Ltd. No. 146, Dawson Street, Colombo-02.	PV 107458	—	Subsidiary	60	2(87)
4.	RAK Paints Ltd. House 05, Road 1/A, Sector 4, Uttara, Dhaka 1230, Bangladesh	C-76335	—	Subsidiary	55	2(87)
5.	Marpol Private Limited Panandiker Chambers, 1st Floor, M.L. Furtado Road, Margao, Goa-403601, India.	U24222GA1983 PTC000532	AACCM2018D	Subsidiary	100	2(87)

(Continued)

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 Governments(s)	—	—	—	—	—	—	—	—	—
(d) Bodies Corporate	—	—	—	—	—	—	—	—	—
(e) Financial Institutions / Banks	—	—	—	—	—	—	—	—	—
(f) Any Other (Trust)	—	—	—	—	—	—	—	—	—
Sub-Total (A) (1):-	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
(2) Foreign									
(a) NRIs - Individuals	—	—	—	—	—	—	—	—	—
(b) Other Individuals	—	—	—	—	—	—	—	—	—
(c) Bodies Corporate	40,41,35,898	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 and Promoter Group (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	2,38,73,937	13,150	2,38,87,087	4.43	3,10,35,947	9,000	3,10,44,947	5.76	1.33
(b) Financial Institutions / Banks	74,478	0	74,478	0.01	47,527	0	47,527	0.01	-0.01
(c) Central Government	—	—	—	—	—	—	—	—	—
(d) State Government(s)	—	—	—	—	—	—	—	—	—
(e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
(f) Insurance Companies	2,51,95,166	0	2,51,95,166	4.68	2,20,42,608	0	2,20,42,608	4.09	-0.58
(g) Foreign Institutional Investors	25,690	0	25,690	0.00	2,149	0	2,149	0.00	0.00
(h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
(i) Foreign Portfolio Investors (Corporate)	3,32,58,702	0	3,32,58,702	6.17	2,50,37,676	0	2,50,37,676	4.65	-1.53
(i -1) Any Other (Alternate Investment Funds)	16,11,915	0	1611915	0.30	46,13,662	—	46,13,662	0.86	0.56
Sub-Total (B) (1):-	**8,40,39,888**	**13,150**	**8,40,53,038**	**15.60**	**8,27,79,569**	**9,000**	**8,27,88,569**	**15.36**	**-0.23**
(2) Non-Institutions									
(a) Bodies Corporate									
(i) Indian	37,62,590	48,590	38,11,180	0.71	45,07,821	48,140	45,55,961	0.85	0.14
(ii) Overseas	—	—	—	—	—	—	—	—	—
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	3,18,01,925	37,61,380	3,55,63,305	6.60	3,32,56,293	31,02,730	3,63,59,023	6.75	0.15
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	82,36,855	3,02,840	85,39,695	1.58	80,20,195	1,02,500	81,22,695	1.51	-0.08
(c) Any Other (specify)									
(i) Non Resident Indians	13,84,346	22,400	14,06,746	0.26	19,52,351	16,120	19,68,471	0.37	0.10
(ii) Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
(iii) Foreign Nationals	—	—	—	—	—	—	—	—	—
(iv) Clearing Members	5,89,704	0	5,89,704	0.11	4,80,971	0	4,80,971	0.09	-0.02
(v) Trusts	4,00,719	0	4,00,719	0.07	2,85,982	0	2,85,982	0.05	-0.02
(vi) Foreign Bodies	—	—	—	—	—	—	—	—	—
(vii) Unclaimed Suspense Account	2,69,730	0	2,69,730	0.05	1,90,500	0	1,90,500	0.04	-0.01
(viii) NBFC'S	1,49,705	0	1,49,705	0.03	31,650	0	31,650	0.01	-0.02
Sub-total (B) (2):-	**4,65,95,574**	**41,35,210**	**5,07,30,784**	**9.41**	**4,87,25,763**	**32,69,490**	**5,19,95,253**	**9.65**	**0.23**
Total Public Shareholding (B) = (B)(1)+(B)(2)	**13,06,35,462**	**41,48,360**	**13,47,83,822**	**25.01**	**13,15,05,332**	**32,78,490**	**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)	**53,47,71,360**	**41,48,360**	**53,89,19,720**	**100.00**	**53,56,41,230**	**32,78,490**	**53,89,19,720**	**100.00**	**0.00**

(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 Promoter's Shareholding

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date	Reason	Increase / decrease in Shareholding	Cummulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		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**	**01-04-2018**	—		**40,41,35,898**	**74.99**
	At the end of the year	**40,41,35,898**	**74.99**	**31-03-2019**	—	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 (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
1.	Aditya Birla Sun Life Trustee Private Limited Account							
	At the beginning of the year	**85,48,227**	**1.59**	20.04.2018	Purchase	3,49,875	88,98,102	1.65
				29.06.2018	Purchase	27,182	89,25,284	1.66
				12.10.2018	Purchase	3,34,000	92,59,284	1.72
				26.10.2018	Purchase	2,52,500	95,11,784	1.76
				23.11.2018	Purchase	45,000	95,56,784	1.77
				30.11.2018	Purchase	27,000	95,83,784	1.78
				14.12.2018	Purchase	17,633	96,01,417	1.78
				21.12.2018	Purchase	1,00,800	97,02,217	1.80
				28.12.2018	Purchase	64,800	97,67,017	1.81
				31.12.2018	Purchase	21,600	97,88,617	1.82
				04.01.2019	Purchase	50,400	98,39,017	1.83
				11.01.2019	Purchase	46,800	98,85,817	1.83
				18.01.2019	Purchase	52,200	99,38,017	1.84
				25.01.2019	Purchase	48,600	99,86,617	1.85
				01.02.2019	Purchase	45,000	1,00,31,617	1.86
				08.02.2019	Purchase	77,850	1,01,09,467	1.88
				15.02.2019	Purchase	65,250	1,01,74,717	1.89
				22.02.2019	Purchase	54,702	1,02,29,419	1.90
				01.03.2019	Purchase	57,086	1,02,86,505	1.91
				08.03.2019	Purchase	49,500	1,03,36,005	1.92
				15.03.2019	Purchase	93,700	1,04,29,705	1.94
				22.03.2019	Purchase	76,500	1,05,06,205	1.95
				31.03.2019	Purchase	90,661	1,05,96,866	1.97
	At the end of the year	**1,05,96,866**	**1.97**					

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
2.	Franklin Templeton Mutual Fund Account							
	At the beginning of the year	**42,24,270**	**0.78**	06.04.2018	Purchase	50,000	42,74,270	0.79
				13.04.2018	Purchase	3,71,218	46,45,488	0.86
				20.04.2018	Purchase	50,000	46,95,488	0.87
				08.06.2018	Purchase	20,000	47,15,488	0.87
				29.06.2018	Purchase	5,00,000	52,15,488	0.97
				06.07.2018	Purchase	4,16,878	56,32,366	1.05
				28.09.2018	Purchase	4,00,000	60,32,366	1.12
				12.10.2018	Purchase	2,50,000	62,82,366	1.17
				26.10.2018	Purchase	1,00,000	63,82,366	1.18
				16.11.2018	Purchase	3,68,032	67,50,398	1.25
				14.12.2018	Sale	-7,191	67,43,207	1.25
				21.12.2018	Sale	-17,809	67,25,398	1.25
				01.02.2019	Purchase	1,00,000	68,25,398	1.27
	At the end of the year	**68,25,398**	**1.27**					
3.	The New India Assurance Company Limited							
	At the beginning of the year	**48,38,661**	**0.90**	19.10.2018	Purchase	22,500	48,61,161	0.90
				26.10.2018	Purchase	1,77,500	50,38,661	0.93
				14.12.2018	Purchase	46,132	50,84,793	0.94
				21.12.2018	Purchase	146	50,84,939	0.94
				31.03.2019	Purchase	1,50,000	52,34,939	0.97
	At the end of the year	**52,34,939**	**0.97**					
4.	ICICI Prudential Life Insurance Company Limited							
	At the beginning of the year	**84,87,342**	**1.57**	06.04.2018	Purchase	29,680	85,17,022	1.58
				13.04.2018	Sale	-86,683	84,30,339	1.56
				20.04.2018	Purchase	79,606	85,09,945	1.58
				27.04.2018	Sale	-4,165	85,05,780	1.58
				04.05.2018	Sale	-3,73,233	81,32,547	1.51
				11.05.2018	Purchase	1,29,542	82,62,089	1.53
				18.05.2018	Purchase	1,94,396	84,56,485	1.57
				25.05.2018	Purchase	9,003	84,65,488	1.57
				01.06.2018	Purchase	20,859	84,86,347	1.57
				14.06.2018	Purchase	1,26,634	86,12,981	1.60
				21.06.2018	Purchase	4,490	86,17,471	1.60

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
				22.06.2018	Purchase	4,418	86,21,889	1.60
				29.06.2018	Purchase	22,431	86,44,320	1.60
				06.07.2018	Purchase	42,590	86,86,910	1.61
				13.07.2018	Purchase	1,67,995	88,54,905	1.64
				20.07.2018	Sale	-13,943	88,40,962	1.64
				27.07.2018	Sale	-81,959	87,59,003	1.63
				03.08.2018	Sale	-38,153	87,20,850	1.62
				10.08.2018	Sale	-2,26,626	84,94,224	1.58
				17.08.2018	Purchase	1,21,020	86,15,244	1.60
				24.08.2018	Purchase	4,260	86,19,504	1.60
				31.08.2018	Purchase	11,518	86,31,022	1.60
				21.09.2018	Sale	-18,371	86,12,651	1.60
				28.09.2018	Sale	-42,442	85,70,209	1.59
				05.10.2018	Sale	-1,01,295	84,68,914	1.57
				12.10.2018	Sale	-6,03,125	78,65,789	1.46
				19.10.2018	Sale	-1,25,038	77,40,751	1.44
				26.10.2018	Sale	-2,15,843	75,24,908	1.40
				02.11.2018	Sale	-1,57,881	73,67,027	1.37
				09.11.2018	Sale	-97,434	72,69,593	1.35
				16.11.2018	Sale	-1,50,667	71,18,926	1.32
				23.11.2018	Sale	-1,82,117	69,36,809	1.29
				30.11.2018	Sale	-4,23,202	65,13,607	1.21
				07.12.2018	Sale	-28,900	64,84,707	1.20
				21.12.2018	Sale	-1,140	64,83,567	1.20
				28.12.2018	Sale	-9,847	64,73,720	1.20
				31.12.2018	Purchase	3,234	64,76,954	1.20
				04.01.2019	Sale	-10,164	64,66,790	1.20
				11.01.2019	Sale	-18,958	64,47,832	1.20
				18.01.2019	Sale	-9,823	64,38,009	1.19
				25.01.2019	Sale	-19,288	64,18,721	1.19
				01.02.2019	Sale	-2,70,997	61,47,724	1.14
				08.02.2019	Sale	-2,23,298	59,24,426	1.10
				15.02.2019	Sale	-1,03,089	58,21,337	1.08
				22.02.2019	Sale	-27,440	57,93,897	1.08
				01.03.2019	Sale	-79,515	57,14,382	1.06
				08.03.2019	Sale	-125	57,14,257	1.06

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
				15.03.2019	Sale	-3,08,730	54,05,527	1.00
				22.03.2019	Sale	-1,68,466	52,37,061	0.97
				31.03.2019	Sale	-1,19,345	51,17,716	0.95
	At the end of the year	**51,17,716**	**0.95**					
5.	HDFC Standard Life Insurance Company Limited							
	At the beginning of the year	**47,71,240**	**0.89**	06.04.2018	Purchase	1,50,000	49,21,240	0.91
				13.04.2018	Sale	-21,348	48,99,892	0.91
				11.05.2018	Sale	-17,662	48,82,230	0.91
				18.05.2018	Sale	-1,20,157	47,62,073	0.88
				25.05.2018	Sale	-85,149	46,76,924	0.87
				01.06.2018	Sale	-6,930	46,69,994	0.87
				21.06.2018	Sale	-2,620	46,67,374	0.87
				06.07.2018	Sale	-54,832	46,12,542	0.86
				13.07.2018	Sale	-27,309	45,85,233	0.85
				27.07.2018	Sale	-1,224	45,84,009	0.85
				10.08.2018	Purchase	10,533	45,94,542	0.85
				17.08.2018	Sale	-32,000	45,62,542	0.85
				28.09.2018	Purchase	75,000	46,37,542	0.86
				12.10.2018	Purchase	1,25,000	47,62,542	0.88
				26.10.2018	Purchase	58,024	48,20,566	0.89
				02.11.2018	Purchase	41,976	48,62,542	0.90
				09.11.2018	Sale	-9,800	48,52,742	0.90
				16.11.2018	Sale	-1,51,351	47,01,391	0.87
				23.11.2018	Sale	-23,649	46,77,742	0.87
				30.11.2018	Sale	-3,75,000	43,02,742	0.80
				14.12.2018	Sale	-614	43,02,128	0.80
				21.12.2018	Sale	-45,486	42,56,642	0.79
				11.01.2019	Purchase	13,549	42,70,191	0.79
				18.01.2019	Purchase	92,551	43,62,742	0.81
				25.01.2019	Purchase	15,000	43,77,742	0.81
				01.02.2019	Purchase	1,50,000	45,27,742	0.84
				08.02.2019	Purchase	11,069	45,38,811	0.84
				15.02.2019	Purchase	25,000	45,63,811	0.85
				22.02.2019	Purchase	50,000	46,13,811	0.86
				01.03.2019	Purchase	14,591	46,28,402	0.86

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
				08.03.2019	Purchase	1,17,352	47,45,754	0.88
				15.03.2019	Purchase	47,994	47,93,748	0.89
				22.03.2019	Purchase	68,689	48,62,437	0.90
				31.03.2019	Purchase	1,07,281	49,69,718	0.92
	At the end of the year	**49,69,718**	**0.92**					
6.	DSP Equity Fund							
	At the beginning of the year	**26,06,628**	**0.48**	13.04.2018	Purchase	51,077	26,57,705	0.49
				20.04.2018	Purchase	1,10,000	27,67,705	0.51
				27.04.2018	Purchase	1,12,418	28,80,123	0.53
				04.05.2018	Purchase	80,058	29,60,181	0.55
				18.05.2018	Sale	-50,861	29,09,320	0.54
				29.06.2018	Purchase	1,00,000	30,09,320	0.56
				06.07.2018	Purchase	1,19,760	31,29,080	0.58
				20.07.2018	Purchase	16,261	31,45,341	0.58
				10.08.2018	Purchase	1,73,316	33,18,657	0.62
				17.08.2018	Purchase	68	33,18,725	0.62
				21.09.2018	Purchase	1,18,700	34,37,425	0.64
				28.09.2018	Purchase	1,28,307	35,65,732	0.66
				26.10.2018	Purchase	1,00,000	36,65,732	0.68
				02.11.2018	Purchase	1,25,018	37,90,750	0.70
				09.11.2018	Purchase	1,56,236	39,46,986	0.73
				07.12.2018	Purchase	3,43,996	42,90,982	0.80
				14.12.2018	Purchase	198	42,91,180	0.80
				21.12.2018	Sale	-31,031	42,60,149	0.79
				01.02.2019	Purchase	12,000	42,72,149	0.79
				08.02.2019	Purchase	58,975	43,31,124	0.80
				15.03.2019	Purchase	35,717	43,66,841	0.81
	At the end of the year	**43,66,841**	**0.81**					
7.	Sundaram Mutual Fund Account							
	At the beginning of the year	**8,58,547**	**0.16**	11.05.2018	Purchase	9,82,058	18,40,605	0.34
				18.05.2018	Purchase	77,513	19,18,118	0.36
				25.05.2018	Purchase	1,36,555	20,54,673	0.38
				01.06.2018	Purchase	65,000	21,19,673	0.39
				08.06.2018	Purchase	40,000	21,59,673	0.40
				13.07.2018	Purchase	18,501	21,78,174	0.40

Sr. No.	Name of the Shareholders	Shareholding at the beginning of the year (01-04-2018) / At the end of the year (31-03-2019)		Date wise increase/decrease in shareholding during the year		Increase / Decrease in Shareholding	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	Date	Reason for increase/ decrease		No. of Shares	% of total Shares of the Company
				10.08.2018	Purchase	3,49,789	25,27,963	0.47
				17.08.2018	Purchase	38,945	25,66,908	0.48
				14.09.2018	Sale	-11,479	25,55,429	0.47
				21.09.2018	Sale	-6,666	25,48,763	0.47
				12.10.2018	Purchase	1,020	25,49,783	0.47
				26.10.2018	Purchase	93,790	26,43,573	0.49
				30.11.2018	Purchase	3,21,181	29,64,754	0.55
				07.12.2018	Purchase	32,673	29,97,427	0.56
				14.12.2018	Purchase	30,000	30,27,427	0.56
				21.12.2018	Purchase	5,863	30,33,290	0.56
				28.12.2018	Purchase	4,000	30,37,290	0.56
				11.01.2019	Purchase	5,000	30,42,290	0.56
				18.01.2019	Purchase	3,97,731	34,40,021	0.64
				22.03.2019	Purchase	23,000	34,63,021	0.64
	At the end of the year	**34,63,021**	**0.64**					
8.	General Insurance Corporation Of India							
	At the beginning of the year	**30,00,000**	**0.56**					
	At the end of the year	**30,00,000**	**0.56**					
9.	The Oriental Insurance Company Limited							
	At the beginning of the year	**31,34,103**	**0.58**	06.04.2018	Sale	-20,000	31,14,103	0.58
				20.04.2018	Sale	-19,000	30,95,103	0.57
				27.04.2018	Sale	-6,000	30,89,103	0.57
				01.02.2019	Sale	-1,352	30,87,751	0.57
				15.02.2019	Sale	-18,047	30,69,704	0.57
				01.03.2019	Sale	-80,035	29,89,669	0.55
				08.03.2019	Sale	-61,436	29,28,233	0.54
				15.03.2019	Sale	-1,88,024	27,40,209	0.51
				22.03.2019	Sale	-1,06,584	26,33,625	0.49
	At the end of the year	**26,33,625**	**0.49**					
10.	Carnegie Indienfond							
	At the beginning of the year	**19,72,665**	**0.37**					
	At the end of the year	**19,72,665**	**0.37**					

Notes:

(1) In terms of SEBI Circular bearing Ref. No. SEBI/HO/CFD/CMD/CIR/P/2017/128 dated December 19, 2017, the Company has consolidated the number of shares held by each shareholder on basis of their PAN in the records of the Company, to the extent possible.

(2) Details of the shareholders acting as persons in concert including their shareholding as at the end of the year:

Sr. No.	Name	PAN	No. of Shares	% of total Shares of the Company
1	Aberdeen Emerging Markets Smaller Companies Fund A Series of The Aberdeen Institutional Commingled Funds, LLC	AAJCA7971Q	8,05,180	0.15
2	Aberdeen New India Investment Trust PLC	AACCN4928M	11,07,696	0.21
3	Aberdeen Asian Smaller Companies Investment Trust PLC	AAACA7241C	19,59,420	0.36
4	Aberdeen Global-Emerging Markets Smaller Companies Fund	AAGCA0785P	7,88,684	0.15
5	Aberdeen Global-Asian Smaller Companies Fund	AAFCA9270L	24,64,237	0.46
	Total		**71,25,217**	**1.33**

The Shareholding of the Aberdeen group at the beginning of the year was 1,31,70,980 Equity Shares representing 2.44% of the total shares of the Company.

(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. Anuj Jain				
	At the beginning of the year	13,560	0.003	13,560	0.003
	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	13,560	0.003	13,560	0.003

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	Deposits	Total Indebtedness
Indebtedness at the beginning 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**
Change in Indebtedness during the financial year					
•	Addition	—	—	—	—
•	Reduction	—	8.62	—	8.62
Net Change		**—**	**(8.62)**	**—**	**(8.62)**
Indebtedness at the end of the financial year					
(i)	Principal Amount	—	9.71	—	9.71
(ii)	Interest due but not paid	—	—	—	—
(iii)	Interest accrued but not due	—	—	—	—
	Total (i+ii+iii)	**—**	**9.71**	**—**	**9.71**

VI. REMUNERATION OF 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	**Anuj Jain**	
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	325.33	93.84	419.17
	(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 under Section 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	319.00	66.00	385.00
	— as % of profit	0.45%	0.09%	0.54%
	— others (specify)	0.00	0.00	0.00
5.	Others, please specify			
	Employee Provident Fund & Superannuation Contribution	57.06	14.17	71.23
	Total (A)	**701.79**	**174.41**	**876.20**
	Ceiling as per the Act	3,511.20	3,511.20	7,022.40

B. Remuneration to other Directors:

(₹ in Lacs)

Sr. No.	Particulars of Remuneration	Name of the Directors				Total Amount
		P. P. Shah	**D. M. Kothari#**	**N. N. Tata**	**B. Somaya**	
1.	**Independent Directors**					
	Fee for attending Board/Committee Meetings	3.50	—	3.75	3.50	10.75
	Commission	40.00	10.00	35.00	20.00	105.00
	Others, specify					
	Total (1)	**43.50**	**10.00**	**38.75**	**23.50**	**115.75**
2.	**Other Non-Executive Directors**					
	Fee for attending Board/Committee Meetings	—	—	—	—	—
	Commission	—	—	—	—	—
	Others, specify	—	—	—	—	—
	Total (2)	—	—	—	—	—
	Total B = 1 + 2	**43.50**	**10.00**	**38.75**	**23.50**	**115.75**
	Total Managerial Remuneration (A) + (B)					**991.95**
	Overall Ceiling as per the Act					7,724.64

\# 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. Commission paid to Mr. Kothari in the year 2018-19 was for the period upto which he was an independent director during the year 2017-18.

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	51.52	84.32	135.84
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	1.27	0.40	1.67
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	—	—	—
2.	Stock option	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission			
	— as % of profit	—	—	—
	— others (specify)	—	—	—
5.	Others, please specify			
	Employee Provident Fund & Superannuation Contribution	3.71	4.32	8.03
	Total (A)	**56.50**	**89.04**	**145.54**

VII. PENALTIES / PUNISHMENTS/COMPOUNDING OF OFFENCES:

There were no penalties, punishments, compounding of offences for the year ended 31st March, 2019.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 2nd May, 2019

Annexure 5 to the Board's Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

[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 2019, 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, 2019 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, and Overseas Direct Investment.

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during audit period) ;

   d. The 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.

There are no laws which specifically apply to the type of activities undertaken by the Company.

We have also examined compliance with the applicable clauses of the following:-

i. Secretarial Standards issued by The Institute of Company Secretaries of India as in force from time to time.

ii. The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited.

During the period under review the Company has generally filed forms / returns within stipulated time period and has accordingly 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 atleast 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, 2019

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 2018-19 is to be read along with this letter.

Management's Responsibility

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.

Auditor's Responsibility

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.

Disclaimer

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, 2019

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

a. The strength of Board as on 31st March, 2019 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)(a) and (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.

b. Five Board Meetings were held during the year ended 31st March, 2019, i.e. on 2nd May, 2018, 14th June, 2018, 20th July, 2018, 22nd October, 2018 and 29th January, 2019. The last Annual General Meeting of the Company was held on 21st June, 2018.

The Board of Directors as on 31st March, 2019, and their attendance at the Board Meeting and the last Annual General Meeting of the Company :

Name of the Director	Category of Directorship in the Company	No. of Board Meetings Attended	Attendance at the last AGM
Mr. P. P. Shah	Chairman (Non-Executive and Independent Director)	5	Yes
Mr. H. M. Bharuka	Vice Chairman and Managing Director	5	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	5	No
Mr. M. Tanaka	Non-Executive Director	5	No
Mr. H. Furukawa	Non-Executive Director	5	No
Mrs. B. Somaya	Non-Executive and Independent Director	5	Yes
Mr. K. Kato	Non-Executive Director	5	Yes
Mr. Anuj Jain[#]	Whole-time Director	5	Yes

\# Mr. Anuj Jain was appointed as a Whole-time Director of the Company for a period of five years commencing from 1st April, 2018.

Every Director has personally attended at least one Board/Committee of Directors' Meeting in the financial year 2018-19.

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 Regulations 16(1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

c. 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) and their category of directorship as on 31st March, 2019, 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. M. Tanaka	Nil	Nil	Nil
Mr. H. Furukawa	Nil	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil	Nil
Mr. K. Kato	Nil	Nil	Nil
Mr. Anuj Jain	Nil	Nil	Nil

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

Directorship in Listed Entities other than Kansai Nerolac Paints Limited and the category of directorship as on 31st March, 2019, is as follows:

Name of the Director	Names of Listed Entities	Category of Directorship
Mr. P. P. Shah	BASF India Ltd.	Non-Executive - Independent Director
	KSB Ltd. (Formerly KSB Pumps Ltd.)	Non-Executive - Independent Director
	Pfizer Ltd.	Non-Executive - Independent Director
	Sonata Software Ltd.	Non-Executive - Independent Director-Chairperson
	Tata Investment Corporation Ltd.	Non-Executive - Independent Director
	Grindwell Norton Ltd.	Non-Executive - Independent Director - Chairperson
Mr. H. M. Bharuka	Nil	Nil
Mr. N. N. Tata	Trent Ltd.	Non-Executive - Non Independent Director - Chairperson
	Voltas Ltd.	Non-Executive - Non Independent Director - Chairperson
	Tata Investment Corporation Ltd.	Non-Executive - Non Independent Director - Chairperson
	Titan Company Ltd.	Non-Executive - Nominee Director
Mr. M. Tanaka	Nil	Nil
Mr. H. Furukawa	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil
Mr. K. Kato	Nil	Nil
Mr. Anuj Jain	Nil	Nil

d. Number of meetings of the Board of Directors held and dates on which held – As given in Clause 2 (b) above.

e. 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, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations as on 31st March, 2019.

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.

f. **Disclosure of Shareholding of Non-Executive Directors:**

Name of the Director	Shares held as on 31.3.2019 (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.

g. **Orientation of newly elected directors and updation strategy**

Newly elected directors are given a presentation on the functioning of the Company. Every quarter, reports of the various departments of the Company are circulated among all the directors. These reports give specific particulars of the respective departments. Apart from this, the directors are intimated of the changes as and when they happen. All the functional heads are present at the Audit Committee Meeting of the Company held every quarter. Presentations are also made to the Board 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, 2019. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

h. **A Chart / Matrix setting out the skills / expertise / competence of the Board of Directors**

Competency is defined as the experience, knowledge, skills, attitudes, values and beliefs of the person (member).

The list of core skills / expertise / competencies identified by the Board of Directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the Board are as follows:

Name	Age	Qualifications	Industry Experience	Expertise
Mr. P. P. Shah	66	B.Com., Chartered Accountant, Cost Accountant, MBA (Harvard Business School)	Finance, Investments, Projects and Consultancy	Business Strategy, Financial Analyst
Mr. H. M. Bharuka	58	B.Com., Cost Accountant	Engineering, Paint	Business Strategy
Mr. N. N. Tata	62	Graduate from University of Sussex, International Executive Programme at INSEAD Business School	Marketing, Administration and Investments	Business Strategy
Mr. M. Tanaka	62	Graduate from Department of Applied Chemistry, Department of Engineering, Doshisha University, Japan	Paint	Production & Technical
Mr. H. Furukawa	60	Graduate of Engineering, Osaka University, Japan	Paint	Production & Technical
Mrs. B. Somaya	69	B. Arch. (Mumbai), M.A. (USA), Ph.D. (h.c.)	Architecture	Architect and Urban Conservationist
Mr. K. Kato	58	Graduate of Waseda University, Dept of Politics & Economy, Faculty of Economy, Japan	Paint	Marketing & Business Administration
Mr. Anuj Jain	50	B.Sc., MMS	Paint	Sales, Marketing

Competencies:

Competency	Definition
Strategic Expertise	Ability to understand, review and guide Strategy by analyzing the Company's competitive position and benchmarking taking into account market and industry trends
Business and Financial Acumen	Demonstrate Techno-Commercial and Business perspective Ability to comprehend, interpret and guide on Financial Statements, Audit Committee presentations and matters of business
Risk Management	Experience in providing guidance on major risks, compliances and various legislations
Building High Performance Teams	Build and nurture talent to create strong and competent future business leaders
Industry Knowledge	Experience in similar industries
IT – Digital Acumen	Ability to understand, support and guide the Digital strategy in the organization with respect to AI, IOT, MI, Robotics, Big Data Analytics

Personal Qualities:

Personal Quality	Definition
Integrity	Fulfilling a Director's duties and responsibilities, putting the organization's interests above personal interests, acting ethically
Curiosity and Courage	Must have the curiosity to ask questions and the courage to persist in asking or to challenge management and fellow board members where necessary
Interpersonal skills	Must work well in a group, listen well, be tactful but able to communicate his/her point of view frankly
Instinct	Good business instincts and acumen, ability to get the crux of the issue quickly
An Active Contributor	The member must be one who participates and contributes actively and must allocate quality time to the organization's affairs

i. The Board of Directors hereby confirms that in its opinion, the Independent Directors of the Company fulfill the conditions as specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations and are independent of the management.

j. Detailed reasons for the resignation of an Independent Director who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided – No Independent Director has resigned during the year.

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, 2018.

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, 2019, i.e. on 2nd May, 2018, 20th July, 2018, 22nd October, 2018 and 29th January, 2019.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2019
Mr. P. P. Shah	4
Mr. N. N. Tata	4
Mrs. Brinda Somaya	4

Besides this, another meeting of the Audit Committee was held on 2nd May, 2019 at which meeting the Audited Annual Accounts for the year ended 31st March, 2019, 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 performance of Independent Directors and the Board,

iii. devising a policy on Board diversity,

iv. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

v. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

vi. recommend to the Board, all remuneration, in whatever form, payable to senior management.

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. Tata, the Chairman of the Committee could not attend the last Annual General Meeting held on 21st June, 2018, and accordingly he had given the authorization that any member of the Committee could act on his behalf at the last Annual General Meeting, in accordance with Section 178(7) of the Companies Act, 2013.

There were two meetings of the Nomination & Remuneration Committee during the year ended 31st March, 2019, i.e. on 2nd May, 2018 and 22nd October, 2018.

Name of the Director	Number of Nomination & Remuneration Committee Meetings attended during the year ended 31st March, 2019
Mr. N. N. Tata	2
Mr. P. P. Shah	2
Mrs. Brinda Somaya	2

Besides this, another meeting of the Committee was held on 2nd May, 2019 to determine the remuneration to be paid to Executive Directors and senior management, 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 2018-19 are as follows:

(₹ in lacs)

Break-up of Remuneration	**Mr. H. M. Bharuka (Vice Chairman and Managing Director)**	**Mr. Anuj Jain (Whole-time Director)**
Fixed Component		
Salary	144.00	39.60
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	18.78	6.25
HRA, LTA and other perquisites	180.00	49.50
	342.78	95.35
Variable Component		
Commission	319.00	66.00
Company's contribution to Provident Fund (on Commission)	38.28	7.92
	357.28	73.92
Total	**700.06**	**169.27**

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.

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, 2013.

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 2018-19.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2019 are as under:

(₹ in lacs)

Name of the Director	Sitting Fees					Commission@	Total
	Board Meeting	Audit Committee Meeting	NRC* Meeting	CSR Committee** Meeting	Independent Directors Meeting		
Mr. P. P. Shah	1.25	1.00	0.50	—	0.75	40.00	43.50
Mr. D. M. Kothari#	—	—	—	—	—	10.00	10.00
Mr. N. N. Tata	1.25	1.00	0.50	0.25	0.75	35.00	38.75
Mrs. Brinda Somaya	1.25	1.00	0.50	—	0.75	20.00	23.50

* NRC: Nomination and Remuneration Committee.

** CSR Committee: Corporate Social Responsibility Committee.

@ Commission paid during the year 2018–19 was for the year ended 31st March, 2018.

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. Commission paid to Mr. Kothari in the year 2018-19 was for the period upto which he was an Independent Director during the year 2017-18.

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, 2013, every Independent Director has been issued a letter of appointment containing the terms and conditions of his/her appointment. The terms and conditions of appointment have been posted on the website of the Company at https://nerolac.com/financial/policies.html.

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Regulation 25 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, three separate meetings of the Independent Directors were held during the year. Two meetings of the independent directors were with the Internal Auditors and the Statutory Auditors of the Company, one on 2nd May, 2018 and the other on 22nd October, 2018. There was one meeting only amongst the Independent Directors on 29th January, 2019.

All the meetings of the Independent Directors held during the year were without the attendance of Non-independent Directors and members of management.

The Independent Directors at their meetings also consider:

a. Review of the performance of the Non-Independent Directors and the Board as a whole;

b. Review of the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-Executive Directors;

c. Assessing the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Name of the Director	Number of meetings of the Independent Directors attended during the year ended 31st March, 2019
Mr. N. N. Tata	3
Mr. P. P. Shah	3
Mrs. Brinda Somaya	3

Another meeting of the Independent Directors was held on 2nd May, 2019, with the Internal Auditors and the Statutory Auditors of the Company.

Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of all the meetings of Independent Directors. The Independent Directors discussed matters pertaining to the management of the Company and functioning of the Board and presented their views to the Managing Director for appropriate action.

6. Stakeholders' Relationship Committee

In our Company, the Stakeholders' Grievance Committee is known by the name of Stakeholders' Relationship Committee. The Committee considers and resolves the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.

(i) The Members of the Stakeholders' Relationship Committee are Mrs. Brinda Somaya, Mr. H. M. Bharuka and Mr. Anuj Jain.

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

Mrs. Brinda Somaya, Chairperson of the Stakeholders' Relationship Committee, was present at the last Annual General Meeting held on 21st June, 2018.

(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 FY 2018-19 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	3	3
Miscellaneous	0	0
Total	**3**	**3**

(iv) Normally all complaints/queries are disposed off expeditiously. The Company had no complaint pending at the close of the financial year.

7. General Body Meetings:

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

	Date and Time	Venue
98th AGM	21st June, 2018 at 11.00 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001
97th AGM	21st 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

(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 Special Resolution was passed last year through Postal Ballot.

(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.

9. General Shareholder Information

a) AGM: Date, Time and Venue:

Friday, 21st June, 2019 at 11.00 a.m. at Walchand Hirachand Hall, 4th Floor, IMC Chamber of Commerce & Industry, IMC Building, IMC Marg, Churchgate, Mumbai - 400020.

b) Financial Calendar:

Financial Calendar:	:	April – March
– Financial reporting for the quarter ending 30th June, 2019	:	End July, 2019
– Financial reporting for the quarter ending 30th September, 2019	:	End October, 2019
– Financial reporting for the quarter ending 31st December, 2019	:	End January, 2020
– Financial reporting for the year ending 31st March, 2020	:	End April, 2020
– Annual General Meeting for the year ending 31st March, 2020	:	End June, 2020

c) Dates of Book Closure:

Saturday, 15th June, 2019 to Friday, 21st June, 2019 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

Dividend Payment Date:

On or after 26th June, 2019.

Dividend, when declared, will be payable on or after 26th June, 2019 to those members whose names are registered as such in the Register of Members of the Company as on 14th June, 2019 and to the Beneficiary holders as per the beneficiary list as on 14th June, 2019 provided by the NSDL and CDSL.

d) Listing of Stock Exchanges:

The Company's Equity Shares are listed on the BSE and the NSE.

BSE Limited Phiroze Jeejeeebhoy Towers, Dalal Street, Mumbai - 400 001	**National Stock Exchange of India Ltd.** Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051

The annual listing fees of the BSE and the NSE have been paid.

e) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

Demat – ISIN Number for NSDL & CDSL: INE531A01024

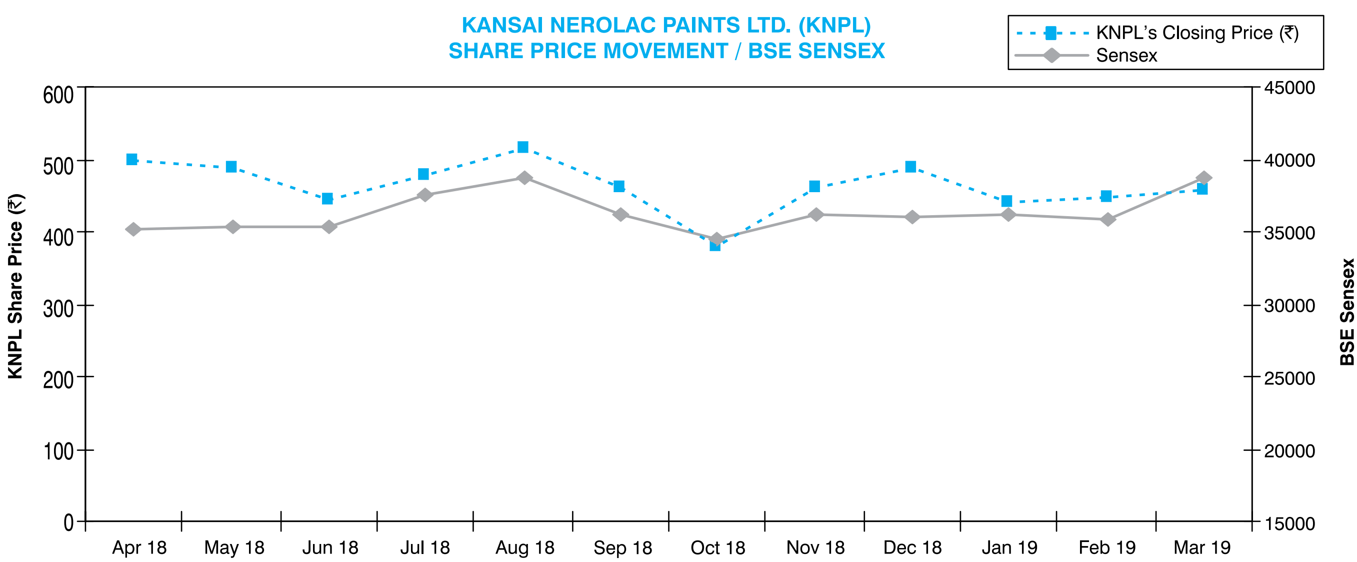
f) Market Price Data: High, Low during each month in last financial year

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2019 is furnished below:

Month	High (₹)	Low (₹)
April 2018	511.95	479.05
May 2018	530.00	483.50
June 2018	515.00	439.00
July 2018	505.00	437.50
August 2018	540.45	471.00
September 2018	521.00	420.45
October 2018	460.00	343.40
November 2018	469.00	371.55
December 2018	493.40	425.75
January 2019	502.20	413.95
February 2019	477.70	428.85
March 2019	487.50	431.50

g) Stock performance of Kansai Nerolac Paints Ltd. (KNPL) in comparison to broad based indices such as BSE Sensex, CRISIL index etc.:

Month	KNPL's Closing Price on BSE (₹)	S&P BSE Sensex
April 2018	499.90	35,160.36
May 2018	489.15	35,322.38
June 2018	443.10	35,423.48
July 2018	477.15	37,606.58
August 2018	516.80	38,645.07
September 2018	459.35	36,227.14
October 2018	379.40	34,442.05
November 2018	459.60	36,194.30
December 2018	489.30	36,068.33
January 2019	440.75	36,256.69
February 2019	447.35	35,867.44
March 2019	457.25	38,672.91



h) The securities of the Company have never been suspended from trading.

i) Registrar and Share Transfer Agents:
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

j) 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.

However, as per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from 1st April, 2019 unless the securities are held in the dematerialised form with the depositories. Therefore, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

k) Distribution of Shareholding as on 31st March, 2019:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	46,771	86.98	45,13,725	0.84
501 to 1000	2,415	4.49	18,99,038	0.35
1001 to 2000	1,477	2.75	22,87,258	0.43
2001 to 3000	551	1.02	14,12,583	0.26
3001 to 4000	460	0.86	16,14,400	0.30
4001 to 5000	280	0.52	13,12,924	0.24
5001 to 10000	739	1.37	55,57,172	1.03
10001 and above	1,079	2.01	52,03,22,620	96.55
Grand Total	**53,772**	**100.00**	**53,89,19,720**	**100.00**

Geographical Distribution of Shareholders as on 31st March, 2019

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA Foreign Collaborator (Kansai Paint Co. Ltd., Japan)	1	0.01	40,41,35,898	74.99
FII, NRI, OCB, FPI – Corp.	2,510	4.67	2,70,08,296	5.01
IN INDIA				
Mumbai	15,726	29.25	8,22,51,898	15.26
New Delhi	2,694	5.01	65,63,705	1.22
Ahmedabad	1,865	3.47	16,96,959	0.32
Bangalore	2,947	5.48	20,20,652	0.37
Pune	3,407	6.33	22,84,539	0.42
Kolkata	1,724	3.21	32,77,547	0.61
Chennai	1,975	3.67	7,57,227	0.14

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Hyderabad	1,342	2.49	7,40,927	0.14
Surat	504	0.94	3,96,751	0.07
Vadodara	688	1.28	3,74,975	0.07
Jaipur	498	0.92	3,52,145	0.07
Others	17,891	33.27	70,58,201	1.31
TOTAL	**53,772**	**100.00**	**53,89,19,720**	**100.00**

Categories of Shareholders as on 31st March, 2019

	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	3,10,44,947	5.76
b.	Banks, Financial Institutions, Insurance Companies, Alternate Investment Funds (Central/State Govt. Institutions / Non-Government Institutions)	2,67,03,797	4.96
c.	Others (Foreign Portfolio – Corp.)	2,50,37,676	4.65
d.	Foreign Institutional Investors (FIIs)	2,149	0.00
	Sub-Total (i)	**8,27,88,569**	**15.36**
4.	Others		
	Private Corporate Bodies	47,45,252	0.88
	Indian Public	4,44,81,718	8.25
	NBFCs	31,650	0.01
	NRIs/OCBs	19,68,471	0.37
	Any Other (Trusts)	2,85,982	0.05
	Unclaimed Suspense Account	1,90,500	0.04
	IEPF	2,91,680	0.05
	Sub-Total (ii)	**5,19,95,253**	**9.65**
	Sub-Total (B) = (i) + (ii)	**13,47,83,822**	**25.01**
	Grand Total	**53,89,19,720**	**100.00**

l) Dematerialisation of Shareholding and Liquidity:

99.39 % of the paid-up share capital had been dematerialised, as at 31st March, 2019.

Particulars of trading on the Company's shares for the Financial year 2018-19:

Stock Exchange	No. of Trades	No. of Shares
BSE	1,33,012	42,96,896
NSE	18,93,734	4,94,31,949

The particulars of Promoter holding as against Non-Promoter holding in the Company is as given in Clause 9(k) of "General Shareholder Information" of this Corporate Governance Report.

m) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments: Not Issued.

n) Commodity price risk or foreign exchange risk and hedging activities:

With reference to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated November 15, 2018, on disclosures regarding commodity risks by listed entities, the Company is actively working on mitigating commodity risks and foreign exchange risks.

Commodity Risk

There are several raw materials which are directly driven by crude oil. These are monitored on regular basis using pricing trends and forecast from internationally reputed news agencies. The Company has not hedged commodities on the exchange, however appropriate coverage is taken on rising trends and inventory is cut in declining trends. 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 London Metal Exchange (LME) are used to check on trends. Additionally, import data is tracked to compare average import prices and buying prices. Accordingly, appropriate actions are taken to minimise commodity risks.

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 to understand the forex trend. Critical events such as rate changes by US Fed, RBI is closely monitored. Coverage of currency – approximately 80% payments are in USD and approximately 15% in Yen. We try and cover forward exposure to an extent depending upon movement of currencies and forward premium. Also, option strategies are evaluated depending on market situation. Please refer to Note 38(B)(iv) of Notes to the Standalone Financial Statements towards exposure to currency risk.

o) Plant Locations:

The Company's plants, which are operative, are located at:

1. Lote Parshuram, Ratnagiri, Maharashtra
2. Jainpur, Kanpur Dehat, Uttar Pradesh
3. Bawal, Haryana
4. Hosur, Tamil Nadu
5. Sayakha, Gujarat

p) 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.

q) List of all credit ratings obtained by the Company:

Sr. No.	Particulars	Amount (₹ in Crores)	Rating Agency	Rating
1.	Cash Credit *	160	CRISIL	Long Term Rating – CRISIL AAA / Stable
2.	Commercial Paper	30	CRISIL	CRISIL A1+
3.	Non-Convertible Debentures	10	CRISIL	CRISIL AAA / Stable

* Interchangeable with buyer's credit, working capital loan, letter of credit, and bank guarantee.

10. Disclosures:

a) Related Party Transactions:

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (Listing 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 Standalone 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 in place a Policy on dealing with Related Party Transactions and on Materiality of Related Party Transactions, which has been posted on the website of the Company at https://nerolac.com/financial/policies.html.

b) Non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges, or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil.

c) Vigil mechanism and Whistle Blower Policy:

The Company has a Whistle blower Policy in place. 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 at https://nerolac.com/financial/policies.html.

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.

d) 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-paras (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-paras (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.

e) 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

f) Disclosure of commodity price risks and commodity hedging activities:

This has been discussed under Clause 9(n) of this Corporate Governance Report.

g) Details of utilization of funds raised through Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32 (7A):

There was no Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32 (7A).

h) A Certificate has been received from JHR & Associates, Practicing Company Secretaries, that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities Exchange Board of India / Ministry of Corporate Affairs or any such Statutory Authority.

i) Disclosure of instances along with the reasons, where the Board of Directors had not accepted any recommendation of any Committee of the Board which is mandatorily required, in the financial year 2018-19, provided that the clause shall only apply where recommendation of / submission by the committee is required for the approval of the Board of Directors and shall not apply where prior approval of the relevant committee is required for undertaking any transaction under these Regulations:

There was no instance during the financial year 2018-19, where the Board of Directors had not accepted the recommendation of any Committee of the Board which it was mandatorily required to accept.

j) Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the Statutory Auditor and all entities in the network firm/network entity of which the Statutory Auditor is a part:

Please refer Note 31.1 on Payments to Auditors in standalone financial statements for total payment / accrual of fees charged by B S R & Co. LLP. Other than that, Statutory Auditors of the Company have not provided any service to the Company or its subsidiaries.

k) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

a. number of complaints filed during the financial year 2018-19: Nil

b. number of complaints disposed of during the financial year 2018-19: Nil

c. number of complaints pending as on end of the financial year 2018-19: Nil

l) 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, 2019 to approve the Audited Annual Accounts for the year ended 31st March, 2019.

m) Risk Management:

In terms of Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has a Risk Management Committee and Risk Management Framework in place, the details of which are provided in the Board's report.

n) 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 as replaced by Section 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2011 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 2010-11 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, 2018	108	2,69,730 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	2	1,020 Equity Shares of ₹ 1 each
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	2	1,020 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	48	78,210 Equity Shares of ₹ 1 each
e)	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2019	58	1,90,500 Equity Shares of ₹ 1 each
f)	It is hereby confirmed that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.		

For and on behalf of the Board

P. P. SHAH
Chairman

Mumbai, 2nd May, 2019

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, 2019.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Vice Chairman and Managing Director

Mumbai, 2nd May, 2019

Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and 2018

To the Members of Kansai Nerolac Paints Limited

1. This certificate is issued in accordance with the terms of our agreement dated 10 July 2018 and addendum to the engagement letter dated 12 April 2019.

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 2019 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 and 2018 ('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 2019.

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) I, 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
ICAI Firm Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149
UDIN: 19105149AAAABE9948

Mumbai
2 May 2019

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, 2018 to 31st March, 2019
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 three subsidiaries abroad, namely KNP Japan Private Limited in Nepal, Kansai Paints Lanka Private Limited in Srilanka and RAK Paints Private Limited In Bangladesh.
   (b) Number of National Locations:
   - Manufacturing Facilities: 5
   - R&D Centre: 1
   - Depot/Sales Locations: 104
   - Distribution Centres: 4
   - 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): ₹ 5,682.28 crores
3. Total Profit after Taxes: ₹ 467.35 crores
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%): 2.88%
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 2018-19, our Company, Kansai Nerolac Paints Ltd. (KNPL) had four 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	Senior 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 marginalized
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://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf	https://www.nerolac.com/pdf_test/modules/pdfupload/pdf_file/Business-Responsibility-Report.pdf
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.

(c) The Company publishes the Sustainability Report and starting from 2018-19, 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 Governance structure as well as 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. Suppliers are also sensitized about the Company's code of conduct.

It is the Company's policy to provide full, fair, accurate, timely disclosures to the statutory authorities and stock exchanges where the Company is listed. The Company is conscious of price sensitive information in accordance to SEBI (Prohibition of Insider Trading) Regulations 2015.

How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

KNPL has 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 3 shareholder complaints which were answered and resolved satisfactorily. During the year, KNPL received 1 complaint under the Whistle blower mechanism, which is under investigation.

Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. The Company's products in Decorative are Heavy metal Free and are Low VOC. In Automotive the products are heavy metal free. The Company is moving its automotive products to higher solids from conventional solid products.

KNPL continues to conduct research and introduce sustainable products and solutions for its customers. Some of its latest offerings in the current year are:

Impression Ultra Fresh: To making our efforts for cleaner environment, we have launched a Product Impressions Ultra Fresh which Captures indoor air Pollutants and free Formaldehyde thus making the air Cleaner thus contributing to Sustainability. This Product was launched in 2018 and is the latest edition in our endeavours for Healthy Home Paints.

Low cure Coatings for HCV Segment: In Automotive heavy commercial vehicles segment, the Company has developed innovative painting system, which can be cured at ambient conditions at about 30°C from current baking conditions of 80°C for 30 Min. With this customers will save energy thus reduction in carbon footprint.

High Solid Coatings: Our initiative of implementation of high solid coating system/reduction in number of coats (without affecting coating performance) to reduce VOC continues and under this category following activities are done e.g.

(a) Monocoat metallic system which eliminated one extra clear coat application, developed for 2 wheeler industry.

(b) Development of DTM technology products (Direct To Metal) which eliminates use of primer coat application.

Coatings for reduction in waste generation: In the area of reduction in waste generation through process modification, we have developed suitable coatings for Barrel Industry due to which entire pretreatment operation using Iron Phosphating was eliminated resulting in reduction waste sludge generation and energy conservation while effectively improving the productivity.

Low VOC Coatings for Pre Engineered Building segment: Development of Low VOC Product for Industrial buildings (PEB) – The product Neromastic HB CTG has been introduced with Low VOC (less than 200 gms per ltr). The product also works as monocoat which reduces the one coat in the system. i.e. Instead of Primer plus Topcoat it acts as monocoat system. This increases the productivity. This will save one coat application, and in turn will reduce material consumption besides saving on inventory.

Rebar Coatings: In Powder Coating which itself is a Low VOC, ecofriendly system our Focus was on Rebar Coatings. Concrete is the third-largest contributor to carbon dioxide emissions, after automobiles and coal-fuelled power plants. Cement manufacturing alone is responsible for roughly 5% of global CO_2 emissions. Concrete also makes up the largest proportion of construction and demolition waste, and represents about a third of all landfill waste. The need is to reduce usage of concrete in building/structures. KNPL's newly commercialized FBE Rebar coating would enhance the life of buildings and would help to bring down usage of concrete thus contributing towards a clean Environment.

Powder coating for two wheelers: KNPL is an active partner and is participating in the new trend of coating automotive two wheelers with powder coating which makes it a Low VOC system.

For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) *Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?*

KNPL as part of its Sustainability Agenda continues to make progress on measurement of carbon footprint index (Kg of CO_2 equivalent per 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.

Products are designed without POP's, which are Synthetic organic chemicals which are persistent in environment, accumulate in food chain and are known for their acute toxicity.

Paint production is done by KNPL on flexible production lines with multiple brands produced on same line. In addition, common infrastructure is used for production and distribution of different paints. So, there is practical difficulty in isolating data on resource utilization for above mentioned products.

Through a combination of 104 plus depots and IT systems, KNPL has ensured that kilometers travelled by the finished goods are minimized. 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.

Details of benefits for individual products are covered in the information provided against each product.

(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

Mono-coat and DTM system: 50% reduction during usage by consumer over equivalent set of product previous year.

Low cure solutions: Reduction in energy due to curing at ambient temperature.

Coatings for waste reduction: Elimination of iron phosphating due to process modification.

Low VOC coatings: reduction in VOC content and elimination of 50% of usage over equivalent set of products used previously.

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 minimize 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, majority of 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 four of its facilities. For all New project expansions zero effluent discharge facility is part of plant design. 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%

Various initiatives and focus approach have helped to reduce specific waste generation year on year.

Principle 3 : Businesses should promote the well being of all its employees.

Please indicate the Total number of employees.

Kansai Nerolac Paints believe in creating an environment which nurtures growth internally and empowers our employees with ownership. The Company had 2997 employees as on 31st March 2019.

We, at KNPL believe in enhancing capabilities of our employees, and employees being the most critical assets, various programs that ensure upgrading of skills and competencies are delivered to the employees, which in-turn enhance them at delivering the best to their ability. KNPL has deep rooted core values to which all the employees are connected. Further to the same at KNPL there are also defined Competency/Skill Frameworks for all the employees across all the cadres.

The culture being open and transparent, having a two way communication is always emphasized in the organization. There are various forums which are designed for the employees to get familiarized through the organizational agendas. This helps the organization to facilitate smooth communication through various channels, which are through meetings, conference, Monthly newsletter, Corporate Communications, Letters from MD, showcasing of various quarterly results are some of the communication channels used.

We strive to improve ourselves constantly, and hence we believe that our employees are our great resource and leverage the same in receiving information and getting insights. At KNPL, we participate in various external and internal surveys to gain the insights of the employees. This gives pulse of the organization on various insights and also helps our employees freely express their thoughts.

We at KNPL, as a professional organization, encourage growth of individual, irrespective gender, religion, caste or community nor with any disability differentiation. The same is also emphasized through our policies, code of conduct guidelines etc. At KNPL we have an Appropriate Social Conduct at workplace Policy.

The Company has provided various cross functional problem resolving platform; this platform allows the employees to write down their issues in various operating areas and ensures that within 72 hours the issues are addressed to the respective employees. The Company has also institutionalized a connect program with various employee groups around the year wherein various employee concerns are discussed in a transparent manner.

KNPL holds a philosophy that encourages compassion and a vision that has tremendous foresight, the way ahead has been charted for success and growth. Our belief in them provides us with the firm foundation to build our business and it serves as a blueprint to guide us as we surge ahead. We believe that magic happens when people come together with a shared mission, clear strategy and shared values.

At Kansai Nerolac Paints, we believe in offering careers and not just jobs to our employees. Our employees are the pulse of the organization; hence it has always been an effort to create atmosphere of **"trust, confidence and transparency."**

We have a transparent appraisal system which delivers on philosophy to be transparent with the employees. A process has been designed in order to simplify the business plans into an assessment framework called Contest, which helps the employees to focus on the actions which are in the sphere of the particular individual. Functional Dashboards are initiatives and enablers that help achieve targets set out in the consolidated business plan. Contest framework links Company goals to an individual in a transparent and visible manner. Each and every individual thus is able to see how their unique role contributes to the achievement of the Company objective. Employee can review his/her performance on a regular month on month basis through system generated dashboards.

At manufacturing plants various investments are made towards occupational health & safety of the employees. KNPL invests largely in the occupational health and safety towards the employees in various manufacturing plants. We comply with all the statutory norms with respect to depots and manufacturing plants towards the protection and well being of the employees. Various methods (Risk assessment, KYT, Competitions, etc) are adopted to proactively identify potential risks or hazards. Mitigation plan for such potential risk is put-in place immediately for strengthening the safe work environment.

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 subsidized food, bus service, medical check-up amongst others for its workmen. The Company also provides mediclaim facility to employees.

At manufacturing locations, programs like investment opportunities, career options, health & hygiene practices etc are held for employees and their family members. Industry experts are also invited for sharing their knowledge and experience for the benefit of its employees.

The Company has also invested in IT/Automation in a big way to reduce the stress and strain in repetitive jobs and processes. Various investments are also made in Occupational Health and Safety to reduce strain on the job.

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

Total number of employees hired on temporary/contractual/casual basis: 2654.

Please indicate the Number of permanent women employees.

The number of permanent women employees: 54

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 **24%** of the permanent employees of the Company **= 709/2997 (Operators/Total Manpower) → 23.6%**

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	82.8
Permanent Women Employees	73
Casual/Temporary/Contractual employees	82.5

Safety Training	Percentage (%)
Permanent	75.7
Permanent Women Employees	82
Casual/Temporary/Contractual employees	71.7

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. The Company has various initiatives in place for covering local communities in and around the plants. Constructions of toilets, proving dustbins, conducting health camps and medical facilities, building classrooms, beautification of the surroundings, plantation of trees, construction of bore well and providing pipelines for water are some of the activities that the Company engages in.

The Company also conducts training programs for people engaged in the painting profession to enhance their skills and capability.

Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and 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 actively tracks contractor obligations to ensure necessary payments to contract employees. It 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. The Company practices occupational safety, employee health and well-being and respect for environment in its day to day operations. 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.

Sustainability is an important agenda for KNPL and as such, it has a well-established sustainability program. The need to develop an integrated approach to measure, manage and report its environmental impacts is well acknowledged. The Company has been disclosing various initiatives under the same in accordance with the GRI guidelines for the last 7 years in its sustainability report which is available on the website and also is a part of the Annual Report. In addition an environmental dashboard is published on the website.

KNPL understands the changing needs of customers and continuously upgrades them on new technologies and products which are environment friendly. Various value engineering activities for its Automotive Customers and jointly explore projects which help in reducing energy needs is done regularly. The tagline of Healthy Home Paints for its Decorative Products was adopted to show its commitment towards environment. Most of the decorative paint processing is through closed loop manufacturing technologies to cause minimal wastage. The 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 nurtures a culture of environment conservation that emphasizes on meticulous monitoring of resource use and encourages innovations that aids in reducing the dependency on natural resources. Over the years, there has been work carried out towards improving the carbon and water footprint while optimally utilizing natural resources. There are defined processes and systems in order to identify, quantify and reduce the impacts on the environment, including the carbon, water, energy and waste footprint. An Occupational Health, Safety & Environment (OHS&E) Policy is in place which is communicated to all employees. The OHS&E 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 and can also be accessed at https://nerolac.com/corporate-sustainability/environmental-performance.html

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

Yes, the Company has a formal mechanism to identify and assess potential environmental risks, a detail of which 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 improving its environmental footprint. Though no project is registered under Clean Development Mechanism, emission reduction initiatives have been covered in the Sustainability Report section of the 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.

Increased renewable energy portfolio, installation of LED lights, reduction of carbon footprint, reduction and reuse of waste generated, zero discharge at plants, rain water harvesting and use of natural sunlight are amongst the various initiatives undertaken 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 and these are being monitored continuously through online monitoring systems installed at all the manufacturing sites of KNPL.

Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

None.

Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

The Company engages with the public and regulatory bodies in a responsible manner. It participates in the same on a need basis. The Company is a member of the following trade associations:

- Employers Federation of India
- Bombay Management Association
- Indian Chemical Council
- Indian Paint Association
- Bombay Chamber of Commerce
- Maharashtra Economic Development Council

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 ₹ 13.45 crores was spent towards various CSR projects during the financial year 2018-19.

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 technical and production teams work together to ensure that a customer's concern is successfully resolved. If needed teams from Kansai Paints, Japan is also involved.

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.

Company also carries out value engineering regularly with its industrial customers for the benefit of customer and society.

KNPL has institutionalised a mechanism to get feedback from its automotive OEM customers as regards the Technical Sales Service personnel working at their site. KNPL also conducts trainings and workshops for customer personnel on various paint and application related topics.

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

Mumbai, 2nd May, 2019

Vice Chairman and Managing Director

DECORATIVE RANGE

OTHERS

INDUSTRIAL RANGE

Automotive Coatings

Applications in Industries -
Passenger Vehicles, Commercial Vehicles, Tractors

Products
Heavy metal free automotive products, Intermediate coat/Primer Surfacers,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

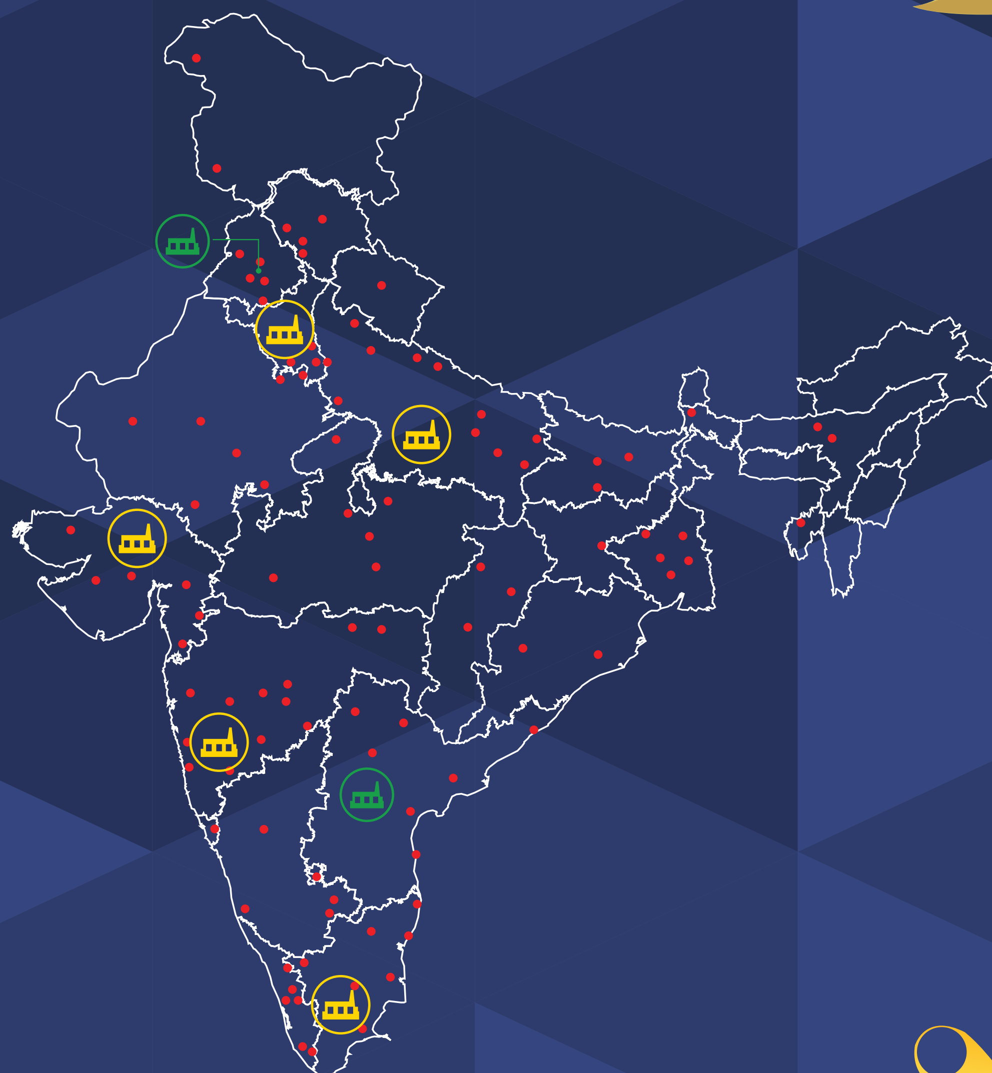
Applications in Industries -
Refrigerator, Washing Machine, Microwave, Fans, Air Conditioner, Light Fixtures, Electriccal Equipments, Auto ancillary

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, Metal Industries, Fertilizer Industries, Infrastructure, Cement Industry, 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, Polysiloxanes Coating, Floor Coating



5 Strategically located plants
(Jainpur - UP, Bawal - Haryana, Hosur - TN,
Lote - Maharashtra, Sayakha - Gujarat)

2 Upcoming plants
(Punjab & Andhra Pradesh)

104 Depots pan India
24000+ Dealer network


NEROLAC
HEALTHY HOME PAINTS
Power of Unmatched Brightness
The brightest impression you'll ever have on your walls.
ULTRA HD
HIGH DEFINITION COLOURS
NEROLAC
ULTRA-LOW ODOUR
IMPRESSIONS
ULTRA HD
RADIANT SHEEN LUXURY EMULSION
Ultra-low odour
VOC
Ultra-low VOC
Faster drying

SUSTAINABILITY REPORT

Message from the Vice Chairman and Managing Director

Dear Stakeholders,

It gives me immense pleasure to present our second integrated Annual Report which includes Sustainability Report for the financial year 2018-19. Through this Sustainability Report, we share our Company's overall strategy, policies and performance against specific economic, environmental and social goals and metrics.

Over the past year, as you will see in this progress update, we have made solid strides in our sustainability journey and we remain committed to doing even better. Our innovative marketing campaigns led us to push growth momentum in decorative business. Industrial sector continued to grow in niche market segments and bolster industrial business. Company also worked upon environmental and social sustainability aspects of business. KNPL exercised stewardship in all major aspects of sustainability and strengthened due diligence.

Product stewardship: At KNPL, priority is to safely and responsibly manufacture our products in a way that minimizes use of energy and natural resources. Our strategies have been directed towards environment friendly product innovations which have helped in reduction of water and energy consumption, air emissions and waste. It has helped the Company to offer innovative and sustainable products to valued customers.

Safety stewardship: The Company believes that a safe and healthy work environment is a prerequisite for ensuring employee well-being, and adopting best practices in occupational health & safety bears a direct impact on the Company's overall performance. As a part of Safety excellence, we launched "Safety Concern" portal wherein the employees and contractors log concerns regarding unsafe acts/ conditions present in the workplace which are then eliminated through necessary actions on timely basis. Company continued its focus on fire risk due to static charge and deployed "Earth Rite" systems in critical solvent handling area as a part of safety controls. Last year, we strengthened our training system and brought about training automation through implementation of training kiosks at all our facilities.

Environmental stewardship: At KNPL, focus has been on "reduce, re-use & recycle" programmes in our manufacturing units which have reduced material losses and hazardous waste generation. Company has been proactive in order to reduce its environmental footprints from. Company has strategically focussed on water reduction at source and invested in dry or close loop process technologies to curtail water consumption. All our major manufacturing sites are installed with zero liquid discharge units. Online stack and effluent monitoring systems have been installed at all the sites. We are continuously increasing renewable energy contribution in our overall energy consumption.

Serving Society: KNPL believes in co-existence of business and society. KNPL has been engaging with local communities and organizations to contribute towards social benefits. Our efforts have been focussed around Health, Education, Environment and Community development in collaboration with local stakeholders like government agencies, institutions amongst others.

Lastly, I am proud of the manner in which this report has come about through coordination and partnership across the organisation. KNPL is committed to build an organisation that is sensitive, vibrant and geared towards building a better tomorrow with the help of all the stakeholders.

H. M. Bharuka
Vice Chairman and Managing Director

Report Profile, Scope and Boundary

This report aims to disclose sustainability performance of Kansai Nerolac Paints Limited (KNPL) as per Global Reporting Initiative (GRI) Standards for financial year 2018-19. (1st April, 2018 – 31st March, 2019). This report has been prepared in accordance with the GRI Standards: Core option. Sustainability report is compiled and published every year based on GRI reporting principles i.e. Balance, Comparability, Accuracy, Timeliness, Clarity, and Reliability. This is eighth consecutive sustainability report and first time it is being published as per the GRI Standards instead of GRI G4.0 Guidelines. It is being published in an integrated manner along with Annual Financial Report and Business Responsibility Report (BRR). References to GRI disclosures 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. 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 and further distributed.

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

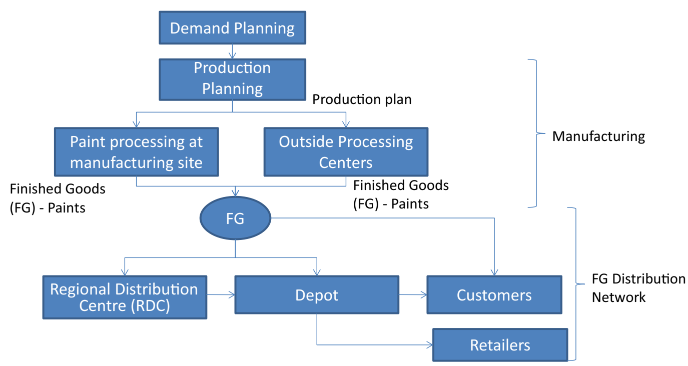
The Corporate office of KNPL is at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400013, Maharashtra, INDIA.

This report covers KNPL operations in India through its four manufacturing facilities located at Lote, Bawal, Hosur & Jainpur. A new manufacturing facility at Sayakha, Gujarat and a new Research & Development Centre at Vashi, Mumbai have been commissioned last year. 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 the previous sustainability report.

KNPL SUPPLY CHAIN

KNPL supply chain is vertically integrated and is illustrated in the diagram below. KNPL has a wide range of Industrial as well as Decorative customers under its gamut. Planning and Distribution part of supply chain differs for these two major groups of customers. For Industrial customers, planning is carried out as per "Make to Order" philosophy, while for decorative customers planning is carried out based on forecasted demand and they are served through the company's wide distribution network.

Planning phase provides production plan as the output which in turn provides input for the manufacturing team in terms of finished goods to be produced and for the purchase department in terms of raw materials to be procured to fulfill the demand. The Company has a supplier base of more than 500 material suppliers which consists of raw material and packaging material vendors. Out of these, around 350 are local suppliers which undergo frequent audits by the KNPL team. Purchasing of required materials and manufacturing of paint is carried out as per production plan. This is followed by distribution to customers through the distribution network.



KNPL MEMBERSHIP

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

KNPL is also committed to and comply with the following External standards/principles:

- ISO 9001: 2015 – All plants
- ISO 14001: 2015 – All plants
- OHSAS 18001 – All plants
- IATF 16949: 2016 – All plants

STAKEHOLDER MANAGEMENT

Management Discussion & Analysis (MDA) section and disclosure on principle 4 of the Business Responsibility Report (BRR) cover KNPL's engagement with its stakeholders. While these sections of the Annual Report cover engagement activities with Customers, Influencers, Employees, Shareholders, Investors and Local Communities, information on engagement activities with Suppliers and Regulatory Authorities are covered in this section.

Suppliers

KNPL understands that suppliers are critical to its success in the market and in earning profits and as such they're at the heart of many of the organization's processes and activities. Proper and effective vendor management provides KNPL with strategic advantage over its competitors. So, the company considers its vendors as its business partners and hence appropriate vendor engagement and development platforms have been developed. To deliver quality paint products, it is necessary to receive consistent quality from the raw materials vendors. To manage objectives of quality raw materials, timely delivery & other development initiatives, KNPL has adopted Best Vendor Performance Management System. To emphasize on these aspects, KNPL Quality Assurance team assesses vendor performance on quarterly basis followed by audit of critical vendors. Vendor audit is based on multiple criteria such as Quality performance, ISO 9001 certification, ISO 14001 certification, OHSAS 18001, Factories Act etc. 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 – Factory license renewal, Explosive license, Hazardous Waste authorization, Pollution control board clearance, Air & Water Consent renewal
3. Safety – Availability and accessibility of fire fighting equipments and their controls. Availability of Material Safety Data Sheets (MSDS) for materials
4. Level of awareness and training related to safety, quality and emergency procedures of operating people.
5. Sustainability and green initiatives
6. Safety and housekeeping standards

For better collaboration with the vendors, KNPL has adopted Nerolac portal to facilitate supply chain visibility of order processing. KNPL also engages with its vendors for joint improvement projects.

Regulatory Authorities

KNPL acknowledges the key role of all levels of government and legislative bodies in promoting sustainable development. It further acknowledges efforts and progress made at the local and sub-national levels, and recognizes the important role that such authorities play in implementing sustainable development. KNPL interacts and communicates with various government authorities such as Pollution Control Boards (PCBs), State Industrial Development Centre (SIDC), Ministry of Environment, Forest and Climate Change either directly or through industrial associations as per requirements. For various government approvals such as consent to operate, Environmental clearance, Fire NOC, company representatives interacts with government officials as and when required. Company expresses its views and suggestions on various government gazettes through industry associations like Indian Paint Association (IPA) amongst others.

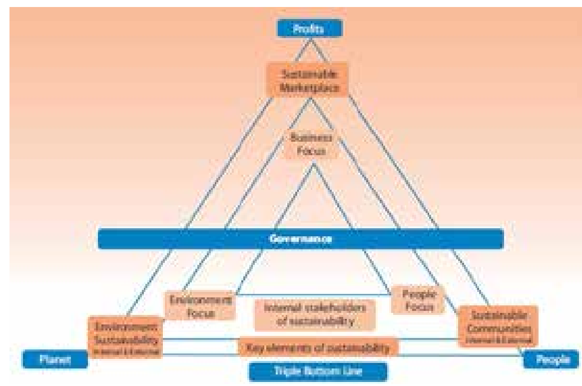
Materiality Aspects and Scope

Material Aspects	Materiality and Scope for KNPL
GRI 200 – ECONOMIC	
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.
Anti Corruption	KNPL has well established code of conduct and whistle blower mechanism to address corruption related risks.
Anti-competitive Behavior	KNPL complies with all applicable regulations and compliances with respect to anti-competitive behavior and doesn't entertain any such practices that prevent or limit competition.
GRI 300 – ENVIRONMENT	
Materials Energy Water & Effluents Biodiversity Emissions Effluents and waste Environmental Compliance	Environmental performance is an important component of triple bottom line performance. It is necessary for an organization to reduce environmental impacts of its operation through efficient manufacturing processes and by adopting cleaner technologies. It is need of the hour to efficiently use natural resources like water, materials etc. while reducing wastes, emissions and effluents. KNPL has always been keen on development of eco-friendly products and technologies to help reduce its impact during paint application. Special care is taken in order not to impact negatively, the bio-diversity of the area around the manufacturing sites. 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. KNPL complies with all applicable regulations and compliances with respect to Environment. Grievance mechanism has been established accordingly.

Material Aspects	Materiality and Scope for KNPL
GRI 300 – SOCIAL	
Employment	Employees are an important asset to organization.
Labor/ 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. This is documented in the organization's Occupational Health, Safety & Environment (OHS&E) Policy. Grievance mechanism has been established accordingly.
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.
Diversity and equal opportunity	KNPL is an equal opportunity employer.
Human Rights	A strong commitment to human rights is an integral part of KNPL ethics and principle. All employees, including security personnel, are sensitized to human rights as part of their orientation program. KNPL complies with all applicable regulations and standards with respect to human rights. Grievance mechanism has been established accordingly.
Local Communities	In today's era, it is important to be a good corporate citizen and neighbor 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.
Public Policy	KNPL maintains strict apolitical stance and neither spends on lobbying nor in donations to political blocks.
Customer health and safety	KNPL products have gained popularity as Healthy Home paints in market. It has introduced and pioneered low VOC paints with no added lead in Indian markets.
Marketing and Labeling	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 eco labels.
Customer Privacy	KNPL maintains customer privacy in terms of sharing and publishing of customer details.
Socio-Economic Compliance	KNPL ensures strict compliance with all applicable regulations in the social and economic area.
Supplier Assessment for Environment, Social Impact & Labor Practices	
Supplier assessment and due diligence is important aspect for sustainability. KNPL exercises it through supplier audits on various aspects such as ISO 14001, OHSAS 18001 certifications, statutory compliance amongst others.	

SUSTAINABILITY APPROACH

KNPL embodies the philosophy of building sustainable business that is firmly rooted in the community and demonstrate care for the environment. Towards this, KNPL has adopted the 'triple bottom-line' approach and recognizes People, Planet and Profit as the central pillars of corporate sustainability.



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.

The Company does not spend on lobbying and maintains an entirely apolitical stance. The Company does not support any specific political party or candidate for political office. Nor does it offer or give any company funds or property as donations to any political party, candidate or campaign. 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 Vice-Chairman cum Managing Director, Management Committee and departmental heads as the case may be. The economic decision making responsibility with respect to daily business is assigned to the Vice-Chairman cum Managing Director, Management Committee and Departmental Heads and so on. Management committee forms the highest governance body of organization under the aegis of Vice-Chairman cum Managing Director. Management committee members are responsible for economic decisions with respect to areas under their purview. These are approved by Vice-Chairman cum 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 Vice-Chairman cum Managing Director and Board of Directors. Annual expenditure is divided into two major categories – Capex (Capital Expenditure) and Revenue Expenditure.

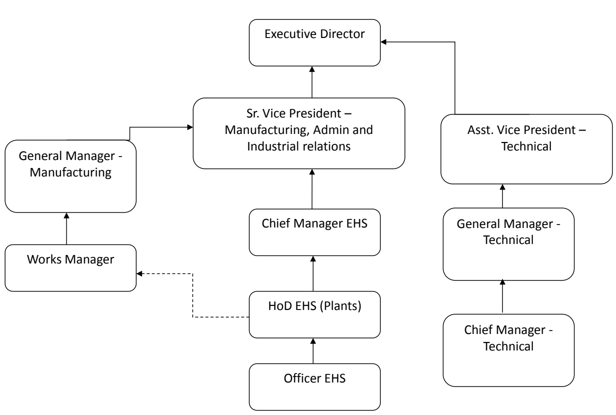
Environmental Aspects

In today's business scenario, businesses are expected to play a key role in addressing environmental sustainability challenges through means such as compliance with environmental norms and corporate social responsibility initiatives amongst others. At KNPL, environmental sustainability principles in overall operations and planning are the integral part of organizational strategy. As a part of being a responsible corporate citizen, KNPL continuously strive to reduce its ecological footprint by identifying material areas and focusing on each of them strategically.

The Company has consistently managed and improved its environmental performance. KNPL is sensitive of its role both as a user of natural resources and as a responsible producer of chemical based products for society. KNPL has defined processes and systems in order to identify, quantify and reduce the impacts on the environment, including the carbon, water, energy and waste footprint. The Company is always keen on adopting cleaner technologies to reduce its environmental footprints. Most of the decorative paint processing is through close loop manufacturing technologies to cause minimal wastage. Upcoming sections deal with the Company's progress on the efforts to manage water, energy and material resources.

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. Plant EHS Team headed by the EHS HoD (Head of Department) ensures environmental compliance and process controls at the manufacturing sites with the help of the Manufacturing team. Corporate EHS team guides plant EHS teams for accomplishment of environmental objectives of the organization. Environment review meetings are conducted on monthly basis at respective plant locations where Works Manager acts as the Chairperson and EHS head acts as Secretary.



Annual Business Plan is prepared at the start of each financial year and with the guidance of the top management, the environment related goals and targets are set for the coming year and are periodically reviewed. Executive Director guides environmental agenda of organization through EHS review meeting at head office in presence of Senior VP - Manufacturing, Admin & Industrial Relations, GM Manufacturing, Chief Manager EHS & Central Engineering. The Review Meeting is organized periodically at head office.

While all products of KNPL meet or exceed the environmental expectations mandated by the law of the land, the Company keeps adding greener products to its portfolio to serve a two-pronged objective of achieving excellence in green manufacturing and to constantly develop safe products for the consumers. The Company has been able to successfully develop green products and its application technologies for its customers because of its Technical team which plays a key role in development of sustainable products for customers.

Precautionary Approach

As a responsible corporate citizen, KNPL continues to anticipate and manage risks in the face of uncertainties and challenges. In order to address these challenges, best practices have been embedded into KNPL's operations on the basis of which, the Company strives to maximize the efficiency of use of natural resources in its business. KNPL supports the precautionary principle as defined in principle 15 of 'The Rio Declaration on Environment and Development' and is keen on adopting new emerging practices and approaches to cater to the precautionary approach. KNPL's 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

While leveraging these opportunities, KNPL has also identified risks posed by climate change. Mitigation plan has been developed to address these risks. At all manufacturing plants, systems have been implemented to identify and manage risks and emergencies for which detailed procedures and plans have been made. All employees actively participate in the implementation of emergency preparedness.

Environmental Sustainability Risks

New developments in Environmental standards and Laws require organizations to modify and upgrade their operating practices to pursue certain defined standards. At KNPL, legal updates subscription communicates draft government notifications on timely basis. The Company also liaises with government bodies on draft notifications through industry associations such as IPA. Based on external factors and liaison, 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.

Environment conservation and Climate Change are the pressing issues today. The Company identifies these risks through various data available on government websites, sustainability assessment platforms such as CDP, GRI based sustainability reports amongst others. 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 sets very exacting standards in environmental management and establishes comprehensive indicators to track performance in these areas. 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. Environmental risks in operations are identified through aspect – impact study of processes and are addressed through control measures and environmental management programs.

Customers are taking cautious steps toward purchase of environment friendly products and services as a part of their supply chain due diligence. As such, environment and health friendly products are major themes in product marketing. KNPL takes it as an opportunity to gain competitive advantage through development of eco friendly products and technologies.

Environment and climate change related risks

Risk Driver & Description	Potential impact	Expected Timeframe	Likely cost of management	Management method
Regulation on water consumption Regulation regarding groundwater usage has been released. 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. 5. NOC from CGWA for ground water usage.
Emission Monitoring Regulations on fugitive emissions, storm drain water and solvent losses have already been 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. Self monitoring for compliance. 2. Installation of technologies to capture fugitive emissions, reduction of solvent losses and reuse to the extent possible. 3. Increasing the height of stack and chimneys as per regulation.
Regulation on Plastic usage & waste generation Regulations on recovering plastic wastes from the market and/or having agreements with govt. recognized plastic recovery organizations (PROs) for managing plastic wastes may come in the future. Also, some states have regulations for the ban of usage of plastics < 50 micron. It may extend to other states.	Increased operation cost	1 to 2 years	In process of mapping the quantity of plastic wastes generated in the market and per unit cost charged by the PROs to recover these wastes.	1. Mapping of plastic waste generation to be done. 2. EHS department to coordinate with PROs for plastic waste recovery. 3. Action plan to be developed for reduction at source. 4. Replacement of plastic packing materials with reusable/recyclable material. 5. Purchase department to coordinate with suppliers for the fulfillment of obligations.
Chemical regulation Chemical regulations such as REACH, RoHS are prevalent in other countries. 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.
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

Environment and Safety Expenditure

Last year, the Company spent around Rs. 16.9 crores capital expenditure on EHS requirements at existing plants. It includes procurement and up-gradation of assets for environmental monitoring, effluent treatment, water conservation, energy efficiency, harnessing renewable energy, emergency preparedness and safety equipment. There had been Rs. 3.09 crores of revenue expenditure on EHS requirements at the existing plants.

Material and Waste Management

A significant portion of the net revenues is spent on procuring raw material and packing material. Material efficiency allows reducing resource consumption and saving cost. Higher material wastage implies greater expenditure for treatment of waste and effluents. Quality raw material procurement and its minimized 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	2018-19
Pigments, Extenders and Resins (in MT)	125722	146114	169546	185715	195973
Organic acids and anhydrides (in MT)	13551	15097	17560	18529	20058
Solvent oils and fatty acids (in MT)	79906	87741	95467	95822	100051

With larger production batch sizes and improved material addition accuracy, material wastage is being reduced to low levels. In order to further reduce material wastage, the Company is increasingly promoting automation and has implemented close loop manufacturing processes in most of its decorative operations. Wherever feasible, process parameters are monitored through SCADA controls to exercise strict control on material additions. 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 has strengthened its material recovery and reuse initiatives as well; specifically material losses due to sticking in supplied packaging. TiO2 recovery machines have been setup across all plants in order to recover sticking TiO2 in the bags. Through this initiative, approximately 26.4 tons of TiO2 (worth Rs. 38.5 Lakhs) were recovered. It is being tracked through system and reuse is ensured. 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. Implementation of reusable cartridge in the filtration process has helped reduce cartridge waste in industrial processes. In resin manufacturing, nitrogen purging is being implemented for reducing the wastage through sticking resin. Cleaning solvents of all major resins are reused in the next batch of same resins and losses are being kept at the minimal. Pumping facilities have been installed to transfer the waste dirty solvent from Resin section to Solvent Recovery Unit for distillation of waste solvent. In paint section, system controls have been implemented to ensure reuse of paint filled in part filled cans in the next compatible batch of paint. In product development, suitable coating system has been developed for Barrel Industry which eliminated entire pretreatment operation resulting in reduction waste sludge generation.

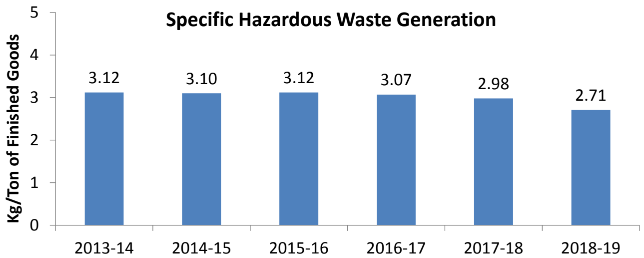
Ti02 recovery machine

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, Storage and Disposal Facilities (TSDFs). No hazardous waste is transported (imported or exported) internationally from the sites. In last financial year, there have not been any cases of significant spillage at any of our manufacturing sites.

Under new initiative, automatic compost machine has been installed at Bawal plant and the canteen waste is being converted to manure. The food waste is composted into raw manure within 15 minutes and then stored in the racking system for further composting. The bio-compost thus formed is being used in gardening. This project is now planned to be executed at other KNPL facilities.

Automatic compost machine at Bawal

Last year, KNPL achieved 9% reduction in its specific hazardous waste generation as compared to FY 2017-18. Specific hazardous waste generation stood at 2.71 Kg/ Ton of Finished Goods. The Company has been able to reduce its hazardous waste generation over the years as can be seen in the adjoining graph.



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

Raw Material Procurement and Due Diligence

The Company has a supplier base of more than 500 material suppliers. Out of these, close to 350 are local suppliers. The Company tries to source its raw materials from local vendors to the maximum 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	2018-19
Imported	40	46	42	45	42
Indigenous	60	54	58	55	58

KNPL evaluates local vendors through a comprehensive audit system during factory visit as a part of due diligence with respect to its raw material supply. During audits vendors are accessed on various parameters related to quality, productivity, statutory compliances, environment, health and workplace safety. Vendors are provided due support for improvement in above mentioned areas. Last year, in total 34 vendors were audited, out of which 7 were raw material vendors and 27 were packaging material vendors. Last year, 17 new vendors were introduced out of which 11 were audited and evaluated. Most of packing materials are sourced from suppliers within 10 km radius of production sites to minimize transportation and associated environmental impacts. Also, as per State Governments' notification regarding ban on usage of plastics of less than 50 micron density, Hosur and Lote plants coordinated with their respective vendors and achieved 100% compliance to the new regulation. Being pro-active, other plants have also prepared action plans for complying with this regulation, if brought about by their respective states in future. Going forward, the Company will continue to strengthen the mechanism for supplier due diligence and their confirmation on compliance.

Water Management

Water use across various sectors in India is rapidly increasing. It is estimated that water demand for agriculture, industrial and domestic uses in the coming decades will only be on the rise. In such a scenario, it becomes imperative for KNPL as an organization to ensure that it takes every measure possible to manage its usage, limit its wastage and conserve water to the maximum extent.

In KNPL, the primary areas where water gets used in the manufacturing facilities are:

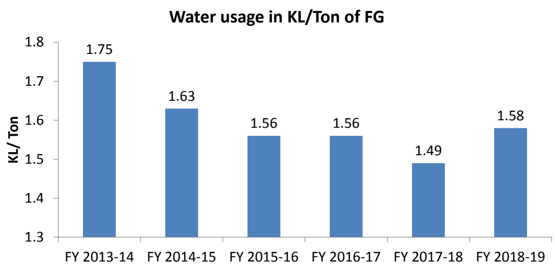
1. As raw material in paint products
2. In utilities such as steam-boilers, cooling towers and chilling plants
3. Cleaning of process equipment
4. Landscaping/horticulture development
5. Domestic purposes

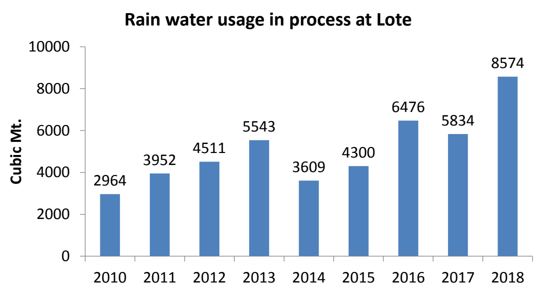
The Company is committed to minimizing its water footprint and reducing the freshwater consumption by reusing as much water as possible in its processes, through initiatives like rainwater-harvesting and waste-water treatment. None of the manufacturing sites are located in water stress area as per government regulations (Central Groundwater Authority). KNPL is compliant with all local and national laws related to effluent discharge. KNPL's environmental focus gets highlighted by being zero discharge across all its plants.

In order to achieve water sustainability various efforts are made & implemented by KNPL in its premises. Key water conservation initiatives are as below –

1. Reuse of RO reject for pallet cleaning, boiler ash quenching and domestic purposes.
2. Provision of usage of cooling tower blow down in Effluent Treatment Plant.
3. Installation of roof top rain water harvesting facility.

4. Reuse of condensate as boiler feed and as cooling tower make up water.
5. Installation of softener plant to reduce RO reject.
6. Installation of dry screw vacuum pump in place of water base vacuum pump.
7. Provision of water reducer and orifice at each water tap.
8. Preventive maintenance of steam traps.





The Company has been able to reduce its water consumption over the years since 2013-14. Specific water consumption i.e. water consumption/Ton of Finished Goods (FG) is as shown in the following chart. Specific water consumption increased last year due to installation of new water intensive intermediate product manufacturing facility at Hosur plant and three chillers were added to the Jainpur plant for operational efficiency.

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		Water Consumed (in Mega Lt.)	
		All Area	Areas with water stress
SIDC (State Industrial Development Corporation)	Freshwater (<1000mg/ lt TDS)	166.15	0
	Other Water (>1000mg/ lt TDS)	0	0
Ground Water	Freshwater(<1000mg/ lt TDS)	340.5	0
	Other Water (>1000mg/ lt TDS)	0	0
Total Water consumption	Freshwater + Other water	506.65	0

Effluent Treatment

All manufacturing facilities of KNPL are zero liquid discharge facilities. At all manufacturing sites, domestic and industrial effluents are treated separately. Domestic effluent is treated in STP which is reused for toilet flushing and gardening purposes inside the plant. Industrial effluent generated from processes such as floor washing, equipment cleaning etc. is treated in ETP followed by treatment through Reverse Osmosis (RO) and Multiple 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 MEE is also reused in processes to ensure 100% recycling of treated water. RO reject is reused in pallet cleaning and boiler ash quenching. RO reject having TDS (total dissolved solids) < 1900 ppm is reused for domestic purposes. The Company is committed to installation of zero liquid discharge set up at its all forthcoming greenfield project sites.

Energy Management

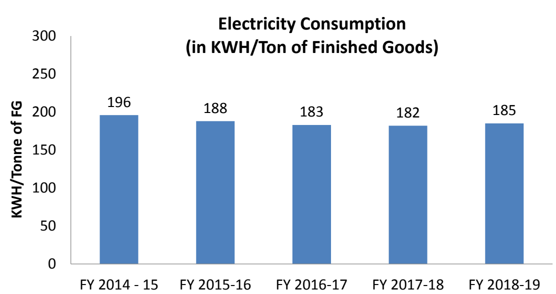
Energy is one of the most imperative aspects of an organization's technological progress. Efficient use of energy and its saving is essential for sustainable development. With a significant proportion of the carbon footprint of KNPL coming from energy consumption, energy efficiency has been identified as a key focus area and KNPL is committed towards reducing its energy footprint.

KNPL has been following two pronged approach to overcome this sustainability challenge. While measures are being taken to reduce energy consumption and enhance per watt productivity, KNPL is also diversifying its energy mix to cut emissions and dependence on fossil fuels. The Company measures progress in energy management through key indicators of specific power consumption, specific fuel consumption and percentage of renewable energy.

The Company looks to responsibly manage and conserve energy by improving the efficiency of the production processes. All manufacturing facilities put their best efforts to reduce the specific fuel consumption and specific power consumption and track both total and specific consumptions on a daily basis. Energy audits have been conducted at all the manufacturing units and findings of the audits are being implemented.

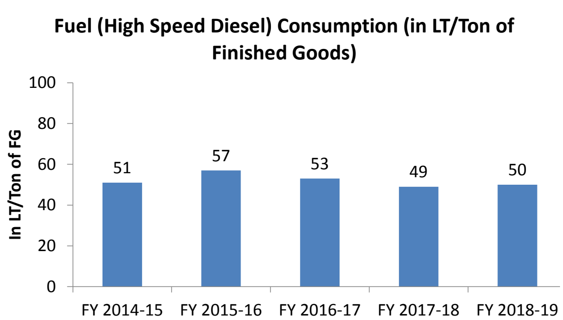
Specific Power Consumption:

Method of Calculation: Specific power consumption is ratio of electricity consumed (from all sources) to total paint production at respective facilities 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.



Specific Fuel Consumption:

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



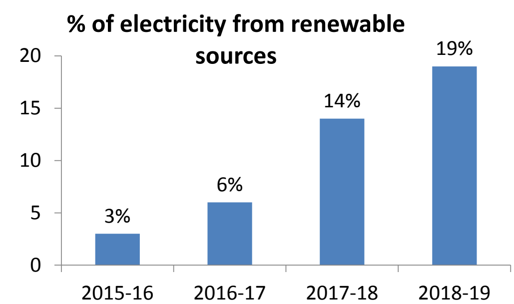
The adjoining table gives snapshot of electricity consumed inside KNPL during 2018-19. It covers electricity consumption at manufacturing sites and head office. 85634 GJ of energy was consumed outside the organization. The scope of energy consumed outside the organization is same as that for calculating the Scope 3 GHG emissions which is described in the section ahead. Scope 3 emissions measured in tones of CO_2 equivalent has been converted into giga-joules of energy consumed.

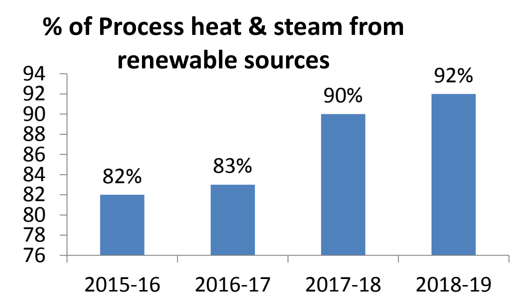
Sources of Electricity	Electricity (in MWH)
Grid Energy	46625
Diesel Generator set	1532
Wind energy	3899
Solar energy	3277
Biomass based electricity	3350
Total Electricity consumed	**58683**

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	32117 Tons
Total heat consumption	197604 Lac Kcal

The graphs below show how the Company has increased its energy consumption through renewable energy sources over the year.





Various other projects have been implemented which have helped the Company to progress further in its energy security agenda. These projects have and will help the Company to increase its energy consumption efficiency and renewable energy proportion in coming years.

No.	Projects Implemented	Renewable energy harnessed/ Energy saved per annum
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 plant	1313 Lac Kcal load shifted from Diesel to renewable fuel
5	Diesel fired thermopac load shifted to renewable Bio-fuel	890 Lac Kcal load shifted from Diesel to renewable fuel
6	Provision of group captive power(wind energy) and 3rd party power(biomass energy) at Hosur plant	84 Lac Units

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

No.	Description of Project	Potential Renewable Energy Capacity	Activity Type
1	Captive wind turbine at Hosur & Lote plants	3.2 MWH	Low carbon energy
2	Solar Power capacity addition at Bawal & Hosur plants and other upcoming facilities	4.9 MWH	Low carbon energy

GHG Emissions

KNPL is keen to diversify its energy mix and supply source with renewable energy to the best possible extent. It allows the plants to be increasingly self-reliant in their energy needs as well as reduce the carbon footprint. By FY 20-21, KNPL is targeting 35% of its energy consumption through renewable energy sources. As such, KNPL has been able to reduce emissions in the last few years by use of alternate fuel, improving energy efficiency and enhancing renewable energy portfolio. 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	• Captive power generation from DG • HSD consumption in boilers	KNPL India operations
Scope 2 GHG Emissions: Indirect GHG emissions	• Power imported from grid	KNPL India operations
Scope 3 GHG Emissions: Other Indirect emissions	• Finished goods transport • Employee commuting • Business travel (Air travel)	KNPL India operations

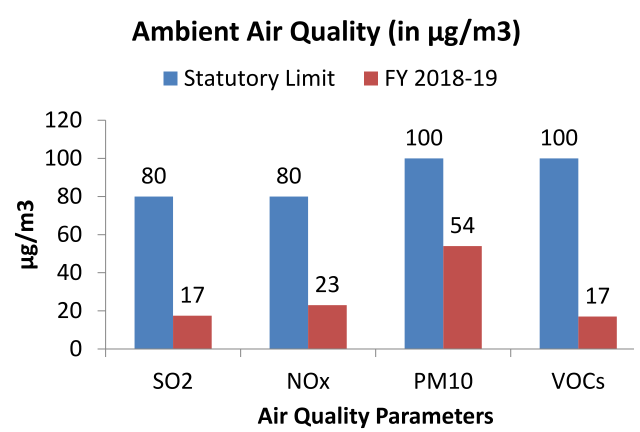
Methodology followed

The Company has been accounting GHG emissions through its customized GHG accounting tool, wherein various data such as fuel and electricity consumption, transportation data and employees' travel data among others are collated and further converted to CO_2 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
2018-19	4111	40672	6733	51516	0.16

Air Emissions

Air pollution, primarily caused by vehicular and industrial emissions, has become a major public health issue in recent times. Despite sustained efforts by the government in the form of stricter emissions norms on industries and improving vehicular emissions standards, air pollution continues to remain a challenge in India with 13 out of 92 cities falling in poor or below poor air quality categories.



Air monitoring at KNPL is focused on volatile organic compounds (VOCs), NOx and SOx emissions, with emissions being monitored and controlled as required. NOx and SOx emissions have a significant impact on local air quality because of their potential contribution to acidification and smog formation, while VOCs are proven to be carcinogenic. As such, 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 and noise level amongst others at designated locations in the factories. Air pollution control devices such as cyclone, scrubbers have been installed at stacks to filter air emission before discharge into ambient atmosphere. As per State Pollution Control Boards (SPCBs) directives, Online stack monitoring system have been installed at Bawal, Hosur and Sayakha plants for continuous monitoring and capturing of any deviations. Pollutant loads discharged through the factories are 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, 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 having 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.

Biodiversity

KNPL is committed to conserving biodiversity. All products whether they are water-soluble paints with high dependency on water or they are solvent-based paints depending on petrochemical industries affect biodiversity. The Company understands this influence and deems sustainable management of biodiversity a necessity for mitigating negative impact and reducing dependencies. All operational facilities are located in the State Industrial Development Corporation area and no need arose for the resettlement of local communities. 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 the expansions projects 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. Though it is not a significant step towards protection or restoration of any biodiversity rich habitat, KNPL's initiative towards tree plantation has created manmade small eco-system which serves as habitat for native fauna.

Social Aspects

Employment

The Company's ability to attract, develop, motivate, and retain talent is critical to business success. It is the people that make KNPL exceptional, both in driving world-class performance as well as in enhancing its reputational capital. Over the years, the Company has developed comprehensive systems and strategies to nurture a superior talent pool that is inspired by the organization's ethos. The total number of employees as on March 31, 2019, was 2997. There has been no significant variation in the workforce number in the reported period. Also, a break-up of the workforce by region and gender is presented below.

Permanent Employees

Gender wise Distribution	Nos.	%
Male	2943	98.2
Female	54	1.8
Grand Total	2997	

Temporary Employees

Gender wise Distribution	Nos.	%
Male	149	94.3
Female	9	5.7
Grand Total	158	

Zone wise Distribution	Nos.	%
West	712	23.7
North	1115	37.2
South	973	32.5
East	197	6.6
Grand Total	2997	

Zone wise Distribution	Nos.	%
West	70	44.3
North	58	36.7
South	15	9.5
East	15	9.5
Grand Total	158	

Full Time Employees

Gender wise Distribution	Nos.	%
Male	2943	98.2
Female	54	1.8
Grand Total	2997	

Part Time Employees

Gender wise Distribution	Nos.	%
Male	0	
Female	0	
Grand Total	0	

Details on employee hiring and employee turnover during last financial year are mentioned in tables below. Total 647 employees were hired, while 509 employees resigned or retired in 2018-19. Rate of hiring stood at 22% while employee turnover rate stood at 17%.

New Employee Hiring Details				Employee Turnover Details		
Age wise Distribution	**Nos.**	**%**		**Age wise Distribution**	**Nos.**	**%**
< 30 years	343	53		< 30 years	180	35.4
30-50 years	304	47		30-50 years	306	60.1
> 50 years	0			> 50 years	23	4.5
Grand Total	647			Grand Total	509	
Gender wise Distribution	**Nos.**	**%**		**Gender wise Distribution**	**Nos.**	**%**
Male	633	97.8		Male	501	98.4
Female	14	2.2		Female	8	1.6
Grand Total	647			Grand Total	509	
Zone wise Distribution	**Nos.**	**%**		**Zone wise Distribution**	**Nos.**	**%**
West	139	21.5		West	106	20.8
North	211	32.6		North	173	34
South	225	34.8		South	171	33.6
East	72	11.1		East	59	11.6
Grand Total	647			Grand Total	509	

Benefits provided to full time employees are mentioned in other section of annual report. In FY 2018-19, total 54 employees (Male: 0; Female: 54) were entitled for parental leave and 2 female employees availed the said leave. Both the employees were still on leave at the time of the publication of this report. In FY 2017-18, there was no case of employee joining organization after Maternity Leave.

Employee Training and Development

Nerolac is committed to achieving a culture of excellence through learning and development function and the creation of an organization which is ready for the future. The focus is to provide employees with a broad range of training opportunities and a learning environment which is business centric whereby the employees are developed as leaders and are prepared to meet current & future business objectives through deployment of a “pull” strategy rather than a “push” strategy. The outlook is to create a continuous education framework, increasing longevity in the organization by providing opportunities of exposure to a gamut of skills & invoke entrepreneurial ability in employees & providing a platform to increase social connects.

Employees are encouraged to broaden their horizon through training programs as well as other employee engagement forums such as departmental contact programs, coffee with HR, virtual on boarding, idea management program, performance contests & dashboards, etc.

Categories of Training:

1. **Induction Training** – Induction training is designed in a way to integrate new employees into the company and make them understand the systems and procedures followed by the organization. This practice helps new employees to settle down quickly in the new work environment.
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 based skilling needs are identified and delivered through Training systems identified over the journey of employee. 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 & 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** – is a training program which 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** – is an internal program 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. The program is broken into 5 modules covering Sales Management as a subject with relevant theory and illustrations. The program also covers a session on 'Influencing Skills'.

d. **People Manager Program** is an internal program designed to build high performance teams, improve delegation and managerial abilities along with an intention to improve retention.

e. **Corporate Grooming Programs** are designed to build confidence, bring change in the social & professional personalities of the participants & enable them with formal ways of communication.

During last financial year, training in terms of man-hours per employee has been calculated as 6.95.

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 incidents of discrimination.

Employee engagement is achieved by involving employees in initiatives and laying out of the future direction which are in line with the Company's vision, thus creating common interest and a sense of shared purpose among employees. Learning and long term growth of employees are addressed by providing opportunities of upgrading skill & building capabilities at each stage of the employee cycle. Various **"Departmental Connect"** programs help the organisation to connect with employees at all levels in order to decide the yearly goals and objectives and define necessary KPIs (Key Performance Indicators).

Employee HR portal **"Workline"** is available as a platform for employees to connect with the organization. KNPL employees receive feedback on their performances at regular intervals through Workline. Workline is a gateway for the Company's employees to access policies and organization related information. Whistle blower policy and Code of Conduct of the Company have been shared on "Workline". The portal has also been used as a platform for communicating the launch of new vision, mission and core values. Apart from being an organizational connect tool, Workline is also used for managing several employee related processes like travel management, leave and attendance management system among others.

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

KNPL believes that employees and workers are at the core of its business. Their health and safety are of paramount importance to the Company. As a responsible organization, KNPL is committed to conducting operations that ensure health & safety of all the people working and follow industry accredited best practices on health & safety. Not only does the Company comply with all local and applicable statutory requirements, but also makes arrangements for training of employees, contractors, vendors and other stakeholders about occupational health and safety. The Company provides health insurance to all the employees and organizes frequent health camps addressing major non-work-related health risks including both physical and mental health-related risks for all its employees and workers.

All manufacturing sites have an established Occupational Health & Safety Management System based on OHSAS 18001 which is regularly audited by an external agency. All the employees and workers are covered by the system and the Company ensures workers' 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. Quarterly Safety committee meeting at plant level acts as platform to take feedback and consultation from workforce representatives related to work-related hazards and hazardous situations. Other occupational and health related parameters are discussed and relevant information are communicated. Plant works manager acts as chairman in this meeting to preside over and guide discussion.

A formal structure of hazard identification and risk minimization is in place with competent people from production, engineering and EHS (Environment, Health & Safety) departments being the part of this structure. Hazard identification and risk assessment (HIRA) has been done for every activity through a structured HIRA format. Also, regular Kiken-Yochi Training exercise is conducted on the shop-floor by departmental teams for identifying work related hazards and assessing the risks. Based on these studies and past incidents, certain hazards like static charge, fire, chemicals and release of stored hazardous energy have been identified as serious hazards and specialized Danger Experience Training Program is conducted for these specific work-related hazards. Apart from this emergency preparedness and fire fighting training are also provided to the employees and workers. Regular workplace monitoring is ensured to detect any shop-floor hazards which may pose risks of work related ill health. All the risks are mitigated using the hierarchy of controls. Work related incidents are investigated and corrective & preventive measures are implemented and compliance is audited regularly. Occupational Health Centers (OHC) along with competent medical team are maintained at all the sites as per Factories Act, 1948 and are audited regularly by plant EHS team. Health check-up are conducted for employees and workers as per regulatory norms. Government certified Factory Medical Officer has been employed at all manufacturing sites who regularly check the health of employees and workers.

Last year focus was on increasing safety awareness by ensuring 100% participation of employees in the Online Safety Test developed and propagated by the Corporate Safety Team. People scoring less than a pre-defined score were re-trained and re-test was organized. Also, Safety Training Kiosk System with customized safety training modules on machine safety and static charge prevention were installed at all the plants. It helped in training all the employees and contract workers in a timely and efficient manner and reinforcing safe behavior in them.

Various safety competitions like Hose Drill Competition, Spot-the-Hazard Competition, KYT (Kiken-Yochi Training) Competitions and Quiz Competitions amongst others were organized in plants in order to popularize safe work practices and behavior. It helped to strengthen "Safety First" culture through employee participation at all levels. Various mock drills were conducted, some in collaboration with the Government Authorities like NDRF, in order to prepare the employees and workers to respond quickly, calmly and safely in case of any emergencies.

At KNPL, safety is a way of life and all the employees are committed towards achieving "ZERO" incident at the workplace. Going forward with this commitment, a dedicated effort was made to make the work environment safer and a new system, "ZSafety-Concern" was created and launched. With the help of this system, employees are able to log any unsafe condition/unsafe act they observe at the workplace into the system and assign responsibilities to relevant authority/department for proper and timely resolution of that particular concern. ZSafety-Concern is designed keeping in mind the concept of "Employee Engagement" in the field of safety. Each and every employee is responsible for the safety of his workplace and ZSafety-Concern empowers the employees to highlight the safety concerns prevailing in their workplace to relevant authorities and get them resolved.



In order to strengthen the safety systems and procedures in the plants, Corporate EHS Team conducted Quarterly Safety Audits and scores were provided. Corrective & preventive actions were taken against the non-compliances. Also, Plant EHS Teams conducted Daily Walk-around Inspection of a particular section of the plant as per the monthly schedule. During the inspections, unsafe acts/conditions of the shop-floor are highlighted to the section in-charge in real time. Same is discussed the next day in the morning meeting.

In coming year, the Company has planned on conducting HAZOP studies and Leak Detection & Repair (LDAR) tests at all its manufacturing sites in order to strengthen the process safety. The Company will also be undergoing transition from OHSAS 18001 standard to ISO 45001 standard as the later has been released in place of OHSAS 18001 which has been scrapped.

The Company continued its operations with zero fatality and zero frequency and severity rates (calculated based on 1,000,000 hours worked) in last year as well. As a result, KNPL achieved 47.77 Million man-hours without any LTI (Lost Time Injury). 13 minor injuries (10 to workers and 3 to employees) occurred last year while no work-related ill health was reported.

Product Responsibility

KNPL strives to develop, design and deliver high quality products that are safe for humans and have minimal environment impact. Product safety across the range is an overriding concern for the Company.

As a pioneer in the paint industry, KNPL consistently search for alternative materials and processes that are environment friendly and safe, during product design, manufacturing and application.

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 which makes them eco-friendly. Due to various measures taken proactively before time, the Company is fully compliant to and in line with regulation related to lead content in paint products. Last year, KNPL went a step further in its endeavor to provide "Healthy Home Paints" and introduced a new product, **"Impressions Ultra Fresh"**, which is capable of absorbing indoor air pollutants including free formaldehyde and making the air cleaner and safer for customers.

In Industrial products, the Company is focusing on implementing technologies which provide benefit in terms of VOC reduction and solvent losses during application. The Company has implemented high solid coating system which has reduced the number of coatings without affecting the quality and performance, thus achieving VOC reduction. Automotive products are free from substances of concern and are designed without the use of POPs (Persistent Organic Pollutants).

KNPL has a dedicated Research & Development (R&D) team, focused on creating innovative and sustainable products and solutions for the customers and meeting global standards. Details of innovative products are published as part of the Business Responsibility Report (BRR).

Product information about the physical dimensions and/or chemical compositions is provided through the product labels/pack declaration and/or catalogues.

Round the clock information of the products is available on Company's website and at the call centre. 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 are also provided:

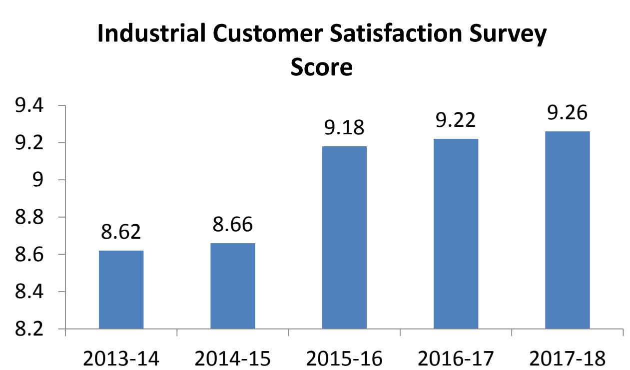
- Content, with regard to substances that might produce Environmental/Social impacts
- Safe use of Product
- Environmental/Social impact of product

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 disposal methods as per applicable norms in India. There have not been any incidents of non compliance with regulations and voluntary codes concerning product and service information and labeling.

KNPL believes in advertising its products and improving market image on its own merits without encroaching on others by any unethical means. The Company engages only reputed advertising agencies that are members of "The Advertising Standard Council of India" (ASCI) and follows guidelines provided by ASCI for its marketing communications voluntarily. There has been no incident of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship. Also, no legal actions have been reported regarding anti-competitive behavior and violations of anti-trust and monopoly legislation.

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 an 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 and none of the products are banned in the market. No fines or penalties are incurred considering KNPL compliance with all legislation related to products and services. There has been no incident of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services. Also, in last financial year, there have not been any complaints regarding breach of customer privacy and losses of customer data.

Human Rights

A strong commitment to human rights is an integral part of KNPL's business ethics. KNPL supports the fundamental human rights in all its operational activities and complies with the law of the land. All new employees are given training on KNPL code of conduct as well as whistle blower policy. Security personnel at all the manufacturing sites and head office are trained in required policies and procedures of organization and aspects of human rights that are relevant to Company's operations. All KNPL policies regarding ethics and integrity have been well communicated through **"Workline"** portal. The Company ensures compliance with statutory provisions related to child labor. There is no risk of forced or compulsory labor with respect to any of the manufacturing facilities. The Company did not receive any complaint related to child labor, forced labor or sexual harassment during last year. Also, the Company did not receive any complaint from local community with respect to violation of human rights.

A proponent of equal opportunities, recruitment at KNPL is solely based on merit and ability. Systems are in place to ensure that the work environment across KNPL is free from discrimination in any form, whether it is compensation, training and employee benefits, caste, religion, disability, gender, sexual orientation, race, color, ancestry, marital status or affiliation with a political, religious or union organization or majority/minority group. There has not been any incident of discrimination in the Company. KNPL recognizes and respects the right of its employees to exercise freedom of association and collective bargaining. Healthy industrial relations are maintained at KNPL through a process of inclusive participation and collective bargaining with trade unions at all the manufacturing plants. All of KNPL plants have labor unions to facilitate collective bargaining process. Collective bargaining agreements at all the 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 organization's progress, its expectations from employees including workers. Monthly meeting with union management also help address issues pertaining to management as well as employment. All issues with respect to labor 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.

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

Corporate Social Responsibility

Board of Directors

⇩

Corporate Social Responsibility (CSR) Committee

⇩

CSR Sub-committee for execution

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.

	Programs undertaken under CSR Activities
I	**Livelihood & Skill Enhancement** KNPL is one of the major employers in its area of operations and as such KNPL perceives itself as an important contributor in the socio-economic development of the nearby communities. Training is imparted to unemployed youth to generate the opportunity of employment and to enhance the skill level of current job holders to make skilled manpower available in the society.
II	**Preventive Health Care and Sanitation** The objective is to promote preventive health care, to carry out various activities under Swachh Bharat Abhiyan, to improve general health condition and sanitation particularly in the vicinity of the Plants. The project of constructing Girls' toilets in the schools is driven vigorously.
III	**Rural/Community Development** KNPL's aim is to provide basic infrastructure/facilities to the rural community living in the nearby area of the plants in order to improve their basic living status, thus helping us to perform our role of being a good Corporate Citizen.
IV	**Promoting Education** In order to promote Education, KNPL tries to help and assist various Educational Institutes, mostly situated near to our Plants. The assistance is provided in ways like providing educational materials including computers, construction of class rooms & labs, painting of the schools and providing drinking water facility amongst others.
V	**Ensuring Environmental Sustainability** KNPL's manufacturing sites shares the environmental resources with its nearby communities and use them for its operations. Hence it is KNPL's continuous endeavor to preserve natural resources for ecological balance and to provide clean environment. KNPL has undertaken various initiatives within its boundaries in the field of water conservation, air emissions and use of clean energy, details of which are already shared in this report in previous sections. Other initiatives like various beautification projects, plantation activities are carried out to sustain Environmental balance.
VI	**Restoration of Buildings and Sites of Historical Importance** The Company makes efforts to protect the National Heritage sites, art and culture and to promote and develop traditional arts and handicrafts.

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GRI 400: Social Standard Series			
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404: Training and Education 2016	103	SR	100, 109
	404-1	SR	110
	404-2	SR	109
	404-3	SR	110
405: Diversity and Equal Opportunity 2016	103	SR, BRR	86, 100
	405-1	BRR	86
	405-2	SR	110
406: Non-discrimination 2016	103	SR	110
	406-1	SR	110
******407 – 412********	103	SR	100, 113
407: Freedom of Association and Collective Bargaining 2016	407-1	SR	114
408: Child Labor 2016	408-1	SR	113
409: Forced or Compulsory Labor 2016	409-1	SR	113
410: Security Practices 2016	410-1	SR	113
411: Rights of Indigenous Peoples 2016	411-1	SR	113
412: Human Rights Assessment 2016	412-1	SR	108
	412-2	SR	113
	412-3	NR	–
413: Local Communities 2016	103	SR	100
	413-1	SR	112, 114
	413-2	SR	108, 114
414: Supplier Social Assessment 2016	103	SR	100
	414-1	SR	104
	414-2	NR	–
415: Public Policy 2016	103	SR	100
	415-1	SR	100
416: Customer Health and Safety 2016	103	SR	100, 113
	416-1	NR	–
	416-2	SR	113
417: Marketing and Labeling 2016	103	SR	112
	417-1	SR	113
	417-2	SR	113
	417-3	SR	113
418: Customer Privacy 2016	103	SR	113
	418-1	SR	113
419: Socio-economic Compliance 2016	103	SR, BRR	83, 100
	419-1	SR, BRR	83, 113-114

SR - Sustainability Report

CG - Corporate Governance Report

MDA - Management Discussion and Analysis

BRR - Business Responsibility Report

NR - Not Reported

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

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, 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 notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibility for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Key Audit Matter	How the matter was addressed in our audit
Revenue is measured based on transaction price, which is the consideration, adjusted for rebates, discounts, incentives and scheme allowances. As disclosed in Note 1.12 to the standalone financial statements, revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods. **Accrual for rebates, discounts and scheme allowances** Revenue is recognised net of rebates, discounts, incentives, scheme allowances and estimated sales returns owed to the customers based on the arrangement with customers. The recognition and measurement of rebates, discounts, incentives and schemes allowances, including establishing an appropriate accrual at year end, involves significant judgement and estimates, particularly the expected level of claims of each of the customers. The value of rebates, discounts, incentives and schemes allowances together with the level of judgement involved make its accounting treatment a significant matter for our audit.	Our audit procedures included following: – Understanding the process followed by the management for the purpose of identifying and determining the amount of provision of accrual for rebates discounts, incentives and scheme allowances; – Considering the appropriateness of the Company's accounting policies regarding revenue recognition as they relate to accounting for rebates, discounts, incentives and scheme allowances; – Testing the Company's process and controls over the calculation of rebates, discounts, incentives and scheme allowance; – Selecting a sample of revenue transactions and scheme circulars to re-check that rebates, discounts, incentives and scheme allowance were calculated in accordance with the eligibility criteria mentioned in the scheme circulars; – Selecting a sample of claims submitted by customers along with claim form and verifying it with the accrual made in the books of account; and – Considering the assumptions and judgements used by the Company in calculating rebates, discounts, incentives and schemes allowances, including the level of expected claims, by reviewing historical trends of claims.

Key Audit Matters (continued)

Investment in subsidiaries

The Key Audit Matter	How the matter was addressed in our audit
The carrying amount of the investments in subsidiaries held at cost less impairment as set out in Note 5 to the standalone financial statements represents 2.5% of the Company's total assets. **Recoverability of investments in subsidiaries undertaking** We do not consider the valuation of these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgment, except for the investment valuations based on projected cash flows which involve significant estimates and judgment, due to the inherent uncertainty involved in forecasting future cash flows.	Our audit procedures included the following: – Comparing the carrying amount of investments with the relevant subsidiary balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; – For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries earnings or discounted cash flow analysis; – Testing the assumptions and understanding the cash flows based on our knowledge of the Company and the markets in which the subsidiaries operate; and – Considering the adequacy of disclosures in the financial statements relating to the valuation of investments in subsidiaries.

Other Information

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors is responsible for the matters stated in Section 134(5) of the Act, with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and 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. 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 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 financial statements, Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstaments can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, to the extent applicable.

(A) 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;

Report on Other Legal and Regulatory Requirements (continued)

(c) the standalone balance sheet, 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 dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid standalone 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 2019 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act; and

(f) with respect to the adequacy of the internal financial controls with reference to the standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) 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 financial statements – Refer Note 32 to the standalone 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 2019; and

iv. The disclosures in the standalone 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 in these standalone financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No.: 105149

Mumbai, 2 May 2019

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2019

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2019, 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 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 financial statements, are held in the name of the Company and 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 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 explanations given to us and based on the audit procedures conducted by us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to guarantees provided and investments made by the Company. The Company has not granted loans nor provided any security during the year to the parties covered under Sections 185 and 186 of the Act. Accordingly, compliance under Section 185 and 186 of the Act in respect of granting of loans and providing securities is not applicable to the Company.

(v) 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 Income-tax, Provident fund, Employees' State Insurance, Duty of customs, Goods and Services tax, Cess, 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 the Profession tax have generally been regularly deposited during the year with the appropriate authorities, though there have been slight delays in 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 Income-tax, Provident fund, Employees' State Insurance, Duty of customs, Goods and Services tax, Profession tax, Cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable. Also, refer note 32 (c) to the standalone financial statements.

(b) According to the information and explanations given to us, there are no dues of Income-tax, Duty of customs, Duty of excise, Sales-tax, Service tax, Value added tax and Goods and Services tax as at 31 March 2019, 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
The Central Excise Act, 1944	Tax, Penalty and Interest	0.19	—	2000-01	Commissioner (Appeals)
		0.06	0.01	2012-16	CESTAT
Sales Tax and Value Added Tax	Tax, Penalty and Interest	13.56	6.76	1980-81; 1991-92; 2006-17	Asst. Commissioner
		31.13	5.09	1991-92; 1995-96; 2001-02; 2004-18	Deputy Commissioner
		2.71	1.21	1996-97; 2004-06; 2007-12; 2013-14	Addl. Commissioner
		8.00	1.14	2001-02; 2003-04; 2005-07; 2008-09; 2010-17; 2018-19	Joint Commissioner
		2.11	0.37	2001-03; 2004-06; 2007-10; 2011-12; 2013-14; 2015-16	Senior Addl. Commissioner (Revision Board)
		0.05	—	2002-03	Joint Commissioner (Appeal)
		0.03	—	2006-07	Commissioner
		0.68	0.1	2014-15	Senior Addl. Commissioner
The Finance Act, 1994	Tax, Penalty and Interest	9.26	0.71	2009-16	CESTAT
		1.11	0.08	2015-17	Commissioner

(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 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 2019

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2019

Report on the Internal Financial Controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph (A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of Kansai Nerolac Paints Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to standalone financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal controls with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 with respect to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. 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 with reference to standalone financial statements were established and maintained and whether 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 with respect to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with respect to standalone financial statements included obtaining an understanding of internal financial controls with respect to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone 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 with reference to standalone financial statements.

Meaning of Internal Financial Controls with reference to Standalone Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include 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 with reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No.: 105149

Mumbai, 2 May 2019

KANSAI NEROLAC PAINTS LIMITED

STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2019

₹ in Crores

	Note	As at 31st March, 2019		As at 31st March, 2018	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1312.19**		1004.28	
Capital Work-in-progress		**314.69**		343.09	
Investment Property	3	**0.18**		0.18	
Other Intangible Assets	4	**3.54**		2.12	
			1630.60		1349.67
Financial Assets:					
Investments	5	**108.93**		25.81	
Loans	6	**13.27**		11.26	
			122.20		37.07
Current Tax Assets (Net)			**155.68**		80.07
Other Non-current Assets	7		**235.27**		70.42
Total Non-current Assets			**2143.75**		1537.23
Current Assets					
Inventories	8		**1052.77**		805.76
Financial Assets:					
Investments	9	**195.56**		519.96	
Trade Receivables	10	**674.02**		675.69	
Cash and Cash Equivalents	11	**78.88**		60.51	
Bank Balances other than Cash and Cash Equivalents	12	**2.49**		300.40	
Loans	13	**4.58**		3.32	
Other Financial Assets	14	**7.13**		27.02	
			962.66		1586.90
Other Current Assets	15		**146.74**		137.97
Total Current Assets			**2162.17**		2530.63
Total Assets			**4305.92**		4067.86
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**3370.58**		3071.23	
Total Equity			**3424.47**		3125.12
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**3.40**		9.71	
Deferred Tax Liabilities (Net)	19	**105.10**		80.42	
Total Non-current Liabilities			**108.50**		90.13
Current Liabilities					
Financial Liabilities:					
Trade Payables	20				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**17.83**		—	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**614.03**		683.58	
		631.86		683.58	
Other Financial Liabilities	21	**103.50**		114.35	
		735.36		797.93	
Other Current Liabilities	22	**19.87**		29.88	
Provisions	23	**14.41**		21.13	
Current Tax Liabilities (Net)	24	**3.31**		3.67	
Total Current Liabilities			**772.95**		852.61
Total Liabilities			**881.45**		942.74
Total Equity and Liabilities			**4305.92**		4067.86
Significant Accounting Policies	1				
The notes referred to above form an integral part of Standalone Financial Statements	2-41				

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, 2019

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

	Note	Year ended 31st March, 2019		Year ended 31st March, 2018	
Income					
Revenue from Operations	25		**5173.62**		4737.01
Other Income	26		**61.88**		72.42
Total Income			**5235.50**		4809.43
Expenses					
Cost of Materials Consumed	27	**3241.77**		2674.88	
Purchases of Stock-in-trade		**258.74**		213.64	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	28	**(197.98)**		(114.45)	
Excise Duty on Sale of Goods		**—**		150.44	
Employee Benefits Expense	29	**255.38**		226.56	
Depreciation and Amortisation Expenses	30	**90.47**		75.79	
Other Expenses	31	**873.71**		796.17	
Total Expenses			**4522.09**		4023.03
Profit Before Tax			**713.41**		786.40
Tax Expense					
Current Tax		**221.87**		268.21	
Deferred Tax		**24.19**		1.79	
Total Tax Expense			**246.06**		270.00
Profit for the Year			**467.35**		516.40
Other Comprehensive Income					
Items that will not be reclassified to Standalone Statement of Proflt and Loss					
(a) Remeasurement of Employee Defined Benefit Liability		**1.41**		(1.67)	
(b) Income tax relating to items that will not be reclassified to Standalone Statement of Profit and Loss		**(0.49)**		0.58	
Total Other Comprehensive Income (net of tax)			**0.92**		(1.09)
Total Comprehensive Income for the Year			**468.27**		515.31
Earnings per Equity Share (of ₹ 1 each):					
Basic and Diluted (in ₹)	33		**8.67**		9.58
Significant Accounting Policies	1				
The notes referred to above form an integral part of Standalone Financial Statements	2-41				

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, 2019

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

STANDALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2017	**53.89**
Changes in Equity Share Capital during 2017-2018	—
Balance as at the 31st March, 2018	**53.89**
Changes in Equity Share Capital during 2018-2019	—
Balance as at the 31st March, 2019	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	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 Employee Defined Benefit Liability	—	—	—	(1.67)	(1.67)
Deferred Tax on Remeasurement of Employee 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 the 31st March, 2018	**0.30**	**12.56**	**487.67**	**2570.70**	**3071.23**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2018	**0.30**	**12.56**	**487.67**	**2570.70**	**3071.23**
Profit for the Year	**—**	**—**	**—**	**467.35**	**467.35**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.41	1.41
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.49)	(0.49)
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**0.92**	**0.92**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**468.27**	**468.27**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	**—**	**—**	**(168.92)**	**(168.92)**
Balance as at the 31st March, 2019	**0.30**	**12.56**	**487.67**	**2870.05**	**3370.58**

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, 2019

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Cash Flow from Operating Activities				
Profit Before Tax		**713.41**		786.40
Adjustments for:				
Depreciation and Amortisation Expenses	**90.47**		75.79	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(1.44)**		(4.94)	
Unrealised Foreign Exchange Gain (Net)	**(4.29)**		(0.86)	
Profit on Sale of Current Investments (Net)	**(22.52)**		(30.04)	
Interest Income	**(17.28)**		(20.43)	
Dividend Income	**(1.95)**		(2.62)	
Loss/(Profit) on Sale of Property, Plant and Equipment (Net)	**0.10**		(0.03)	
Provisions for Doubtful Debts and Bad Debts	**2.43**		1.16	
Provisions no longer required	**(5.50)**		—	
		40.02		18.03
Operating Profit Before Working Capital Changes		**753.43**		804.43
(Increase) in Trade and Other Receivables	**(49.15)**		(171.00)	
(Increase) in Inventories	**(247.01)**		(114.45)	
(Increase)/Decrease in Trade Payables, Other Financial Liabilities and Provisions	**(49.02)**		131.72	
		(345.18)		(153.73)
Cash Generated from Operations		**408.25**		650.70
Direct Taxes Paid (Net of Refunds)		**(297.84)**		(273.33)
Net Cash Flows generated from Operating Activities		**110.41**		377.37
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)	**(523.51)**		(333.22)	
Proceeds from Sale of Property, Plant and Equipment	**0.22**		0.06	
Purchase of Investments in Subsidiaries	**(82.87)**		(3.76)	
Purchase of non-current Investments	**(0.23)**		—	
Purchase of Current Investments	**(16747.07)**		(25135.61)	
Proceeds from Sale/Redemption of Current Investments	**17095.41**		25181.36	
Interest Received	**17.28**		20.43	
Dividend Received	**1.95**		2.62	
Proceeds from Fixed Deposits on Maturity	**324.32**		113.35	
Net Cash Flows generated/(used in) from Investing Activities		**85.50**		(154.77)
Cash Flows from Financing Activities				
Repayment of long-term Borrowings	**(8.62)**		(10.45)	
Dividend Paid	**(140.12)**		(161.68)	
Dividend Distribution Tax Paid	**(28.80)**		(33.83)	
Net Cash Flows (used in) Financing Activities		**(177.54)**		(205.96)
Net Increase in Cash and Cash Equivalents		**18.37**		16.64

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

₹ in Crores

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Cash and Cash Equivalents at beginning 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
Cash and Cash Equivalents at end of the year, the components being:				
Cash on hand	**0.12**		0.06	
Cheques on hand	**25.03**		29.23	
Balances with Banks on Current, Margin and Fixed Deposit Accounts	**52.89**		30.56	
Effect of exchange rate fluctuation	**0.84**		0.66	
		78.88		60.51
Net Increase as disclosed above		**18.37**		16.64

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2019	31st March, 2018
Opening Balances		
Long-term Borrowing	**18.33**	28.78
Movements		
Long-term Borrowing	**(8.62)**	(10.45)
Closing Balances		
Long-term Borrowing	**9.71**	18.33

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

Mumbai, 2nd May, 2019

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

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.

The Standalone Financial Statements for the year ended 31st March, 2019 have been reviewed by the Audit Committee and approved by the Board of Directors at their meetings held on 2nd May, 2019.

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.

Details of the Company's Accounting Policies are included in Note 1.

2. Functional and Presentation currency

The Standalone Financial Statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise indicated.

3. Basis of measurement

The Standalone Financial Statements have been prepared on the historical cost basis except for investments in mutual funds, non-trade equity shares, bonds and provision for employee defined benefit plans, which are measured at fair values at the end of each reporting period.

4. Use of estimates and judgements

Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the Standalone 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 Standalone Financial Statements and the reported amounts of the revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amount recognised in the financial statements.

Discount rate used to determine the carrying amount of the Company's employee 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 Standalone 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 equires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

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.

C. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 has notified the following new and amendments to Ind AS which the Company has not applied as they are effective for annual period beginning on or after 1 April 2019.

Ind AS 116 – Leases

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company has completed an initial assessment of the potential impact on its Standalone Financial Statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the Standalone Financial Statements in the period of initial application is not reasonably estimable as at present.

The Company does not expect this standard to have significant impact on the Standalone Financial Statements.

Following impacts are expected:

— the total assets and liabilities on the balance sheet will increase with a decrease in net total assets, due to the depreciation of right of use assets being on a straight-line basis whilst the lease liability reduces by the principal amount of repayments;

— Interest expense will increase due to the unwinding of the effective interest rate implicit in the lease liability. Interest expense will be greater earlier in a lease's life, due to the higher principal value, causing profit variability over the term of lease. This effect may be partially mitigated due to the number of leases held by the Company at various stages of their terms; and

— operating cash flows will be higher and financing cash flows will be lower, as repayment of the principal portion of all lease liabilities will be classified as financing activities.

In addition to the above, the following amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Standalone Financial Statements:

— Amendments to Ind AS 103, Business Combinations, and Ind AS 111, Joint Arrangements: This interpretation clarifies how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

— Amendments to Ind AS 109, Financial Instruments: amendments relating to the classification of particular prepayable financial assets.

— Amendments to Ind AS 12, Income Taxes, clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity. Further Appendix C, uncertainty over income tax treatments has been added to clarify how entities should reflect uncertainties over income tax treatments, in particular when assessing the outcome a tax authority might reach with full knowledge and information if it were to make an examination.

— Amendment to Ind AS 19, Employee Benefits - The amendment to Ind AS 19 clarifies that on amendment, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions – i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement. This amendment also clarifies that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. The entity then determines the effect of the asset ceiling after plan amendment, curtailment or settlement. Any change in that effect is recognized in other comprehensive income (except for amounts included in net interest).

— Amendments to Ind AS 23, Borrowing Costs, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction.

— Amendments to Ind AS 28, Investments in Associates and Joint Ventures: When applying the equity method, a non-investment entity that has an interest in an investment entity associate or joint venture can elect to retain the fair value accounting applied by the associate or joint venture to its subsidiaries. Venture capital and other qualifying organizations can elect to measure investments in associates or joint ventures at fair value through profit or loss instead of applying the equity method. The amendments clarify that both these elections apply for each investment entity associate or joint venture separately.

The Company does not expect this standard to have significant impact on 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, 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 recognised in the Standalone Statement of Profit and Loss unless it is included in the carrying amount of another asset.

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 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).

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.

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 amortisation and accumulated impairment, if any.

Research and Development

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure incurred on research of an internal project is recognised as an expense in Standalone Statement of Profit and Loss, when it is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. An intangible asset arising from development is recognised if, and only if, the following criteria are met:

(a) it is technically feasibile to complete the intangible asset so that it will be available for use or sale.

(b) the Company intends to complete the intangible asset and use or sell it.

(c) the Company has ability to use or sell the intangible asset.

(d) the Company can demonstrate how the intangible asset will generate probable future economic benefits.

(e) the Company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) the Company has ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(b) Subsequent Expenditure

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

(c) Amortisation

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

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

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

6. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Company's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in Standalone Statement of Profit and Loss.

Once assets classified as held-for-sale, then Property, Plant and Equipment, Investment Property and Other Intangible Assets are no longer required to be depreciated or amortised.

7. Employee Benefits

(a) Short-term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

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.

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 recongnised as a reduction in the amount of inventories recongnised as an expense in the period in which reversal occurs.

(d) Valuation of Spare parts, stand-by equipments and servicing equipments

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

9. Cash and Cash Equivalents

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

10. Government Grants

Government grants are assistance by government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not be recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in Statement of Profit and Loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

11. Provisions and Contingent Liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

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

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch / delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Company has adopted Ind AS 115 Revenue from contracts with customers, with effect from April 1, 2018. Ind AS 115 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts.

The Company has adopted Ind AS 115 using the cumulative effect method whereby the effect of applying this standard is recognised at the date of initial application (i.e. 1 April, 2018). Accordingly, the comparative information in the Standalone Statement of Profit and Loss is not restated. Impact on adoption of Ind AS 115 is not material.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 109 – Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Dividend Income

Dividend income is recognised when right to receive payment is established and it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

13. Foreign Currency Transactions

Functional currency is the currency of the primary economic environment in which the Company operates whereas presentation currency is thecurrency in which the financial statements are presented. Indian Rupee is the functional as well as presentation currency for the Company.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Financial Statements are recognised in the Standalone Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Standalone Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Standalone Statement of Profit and Loss.

Note 1: Significant Accounting Policies (contd.)

14. Taxation

Income tax

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

Current tax

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

Deferred tax

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

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

b. taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

15. Lease

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 terms of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Note 1: Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is measured at

— amortised cost;

— Fair Value through Other Comprehensive Income (FVOCI) – debt investment;

— Fair Value through Other Comprehensive Income – equity investment; or

— FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Standalone Statement of Profit and Loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Standalone Statement of Profit and Loss. Any gain or loss on derecognition is recognised in Statement of Profit and Loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Standalone Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to Standalone Statement of Profit and Loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in Standalone Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to Standalone Statement of Profit and Loss.

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.

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.

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 Accounting Standards.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company recognises impairment loss for a cash-generating unit if, and only if, the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit. The Company allocates impairment loss of cash-generating units first to the carrying amount of goodwill allocated to the cash-generating units, if any, and then, to the other assets of the cash-generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised accordingly.

20. Measurement of fair values

A number of the Companies accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

21. Investment in Subsidiaries

A subsidiary is an entity that is controlled by the Company.

The Company accounts for the investments in equity shares of subsidiaries at cost in accordance with Ind AS 27 – Separate Financial Statements.

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	**As at 31st March, 2019**
Freehold Land	68.71	—	—	**68.71**	—	—	—	—	**68.71**
	(42.36)	(26.35)	—	(68.71)	(—)	(—)	(—)	(—)	(68.71)
Leasehold Land	46.77	2.34	—	**49.11**	3.12	0.48	—	**3.60**	**45.51**
	(46.77)	(—)	(—)	(46.77)	(2.64)	(0.48)	(—)	(3.12)	(43.65)
Buildings	436.49	149.90	—	**586.39**	107.18	15.35	—	**122.53**	**463.86**
	(430.96)	(5.53)	(—)	(436.49)	(94.29)	(12.89)	(—)	(107.18)	(329.31)
Plant and Equipments	764.08	160.38	0.47	**923.99**	301.72	37.68	0.38	**339.02**	**584.97**
	(700.34)	(63.74)	(—)	(764.08)	(269.63)	(32.09)	(—)	(301.72)	(462.36)
Furniture and Fixtures	16.98	1.85	—	**18.83**	13.60	0.75	—	**14.35**	**4.48**
	(15.91)	(1.08)	(0.01)	(16.98)	(12.93)	(0.68)	(0.01)	(13.60)	(3.38)
Vehicles	1.02	0.05	0.45	**0.62**	0.57	0.08	0.22	**0.43**	**0.19**
	(1.05)	(—)	(0.03)	(1.02)	(0.49)	(0.08)	(—)	(0.57)	(0.45)
Office Equipments	10.63	1.24	0.02	**11.85**	9.09	0.66	0.02	**9.73**	**2.12**
	(9.99)	(0.64)	(—)	(10.63)	(8.42)	(0.67)	(—)	(9.09)	(1.54)
Computers	38.57	4.87	—	**43.44**	29.83	4.88	—	**34.71**	**8.73**
	(36.74)	(3.40)	(1.57)	(38.57)	(27.50)	(3.90)	(1.57)	(29.83)	(8.74)
Assets for Scientific Research*	26.25	46.66	—	**72.91**	12.21	2.32	—	**14.53**	**58.38**
	(25.70)	(0.55)	(—)	(26.25)	(11.03)	(1.18)	(—)	(12.21)	(14.04)
Assets on Operating Lease	279.22	30.33	—	**309.55**	207.12	27.19	—	**234.31**	**75.24**
(Refer Note 2.5)	(246.35)	(32.87)	(—)	(279.22)	(183.71)	(23.41)	(—)	(207.12)	(72.10)
Total Tangible Assets	**1688.72**	**397.62**	**0.94**	**2085.40**	**684.44**	**89.39**	**0.62**	**773.21**	**1312.19**
	(1556.17)	(134.16)	(1.61)	(1688.72)	(610.64)	(75.38)	(1.58)	(684.44)	(1004.28)

* Net block includes Buildings ₹ 25.88 Crores (2017-2018 ₹ 0.34 Crores), Plant and Equipment ₹ 26.83 Crores (2017-2018 ₹ 13.50 Crores) and Furniture and Fixtures ₹ 5.67 Crores (2017-2018 ₹ 0.20 Crores).

2.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2.2. No items of Property, Plant and Equipment were pledged as security for liabilities during any part of the current and comparative period.

2.3. Nil amount of borrowing costs is capitalised during the current and comparative period.

2.4. Nil amount of impairment loss is recognised during the current and comparative period.

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

(a) (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 309.55 Crores (2017-2018 ₹ 279.22 Crores) and ₹ 234.31 Crores (2017-2018 ₹ 207.12 Crores) respectively.

(ii) Depreciation recognised in the Standalone Statement of Profit and Loss is ₹ 27.19 Crores (2017-2018 ₹ 23.41 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.

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	**As at 31st March, 2019**
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**	3.29	—	—	**3.29**	**0.10**
	(3.39)	(—)	(—)	(3.39)	(3.29)	(—)	(—)	(3.29)	(0.10)
Total Investment Property	**3.47**	—	—	**3.47**	**3.29**	—	—	**3.29**	**0.18**
	(3.47)	(—)	(—)	(3.47)	(3.29)	(—)	(—)	(3.29)	(0.18)

3.1. Figures in the brackets are the corresponding figures in respect of the previous year.

3.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

3.3. Nil amount of impairment loss is recognised during the current and comparative periods.

3.4. During the financial year, no rental income was generated from the investment properties whereas direct operating expenses of ₹ 0.18 Crores (2017-2018 ₹ 0.18 Crores) were incurred and recorded as expense in the Standalone Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1381.20 Crores (2017-2018 ₹ 1381.20 Crores).

Fair Value Hierarchy

The fair value of investment property has been determined by external independent property valuers, having appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The fair value measurement for all of the Investment Property has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Description of Valuation Technique used:

The 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, 2018	Additions	Deductions	**As at 31st March, 2019**	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	**As at 31st March, 2019**
Software	15.39	2.50	—	**17.89**	13.27	1.08	—	**14.35**	**3.54**
	(13.75)	(1.64)	(—)	(15.39)	(12.86)	(0.41)	(—)	(13.27)	(2.12)
Total Other Intangible Assets	**15.39**	**2.50**	**—**	**17.89**	**13.27**	**1.08**	—	**14.35**	**3.54**
	(13.75)	(1.64)	(—)	(15.39)	(12.86)	(0.41)	(—)	(13.27)	(2.12)

4.1. Figures in the brackets are the corresponding figures in respect of the previous year.

4.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

4.3. Nil amount of impairment loss is recognised during the current and comparative periods.

₹ in Crores

Note 5: Non-current Investments

	As at 31st March, 2019	As at 31st March, 2018
Investments in Equity Instruments:		
I. Subsidiary Companies at Cost (Unquoted)		
KNP Japan Private Limited 8,84,000 Equity Shares of NPR 100 each (8,84,000 Equity Shares of NPR 100 each)	**7.87**	7.87
Kansai Paints Lanka (Private) Limited 5,40,00,000 Equity Shares of LKR 10 each (3,00,00,000 Equity Shares of LKR 10 each)	**23.61**	17.23
Marpol Private Limited [w.e.f. 7 April, 2018] 29,95,200 Equity Shares of ₹ 10 each	**34.32**	—
RAK Paints Limited [w.e.f. 17 July, 2018] 3,41,00,000 Equity Shares of BDT 10 each	**42.17**	—
II. Others at FVTPL		
National Thermal Power Corporation Ltd. (Quoted) 48,628 Equity Shares of ₹ 10 each (40,524 Equity Shares of ₹ 10 each)	**0.66**	0.69
Paints and Coatings Skill Council (Unquoted) 10 Equity Shares of ₹ 25,000 each (10 Equity Shares of ₹ 25,000 each)	**0.02**	0.02
8.49% National Thermal Power Corporation (NTPC) (Quoted) 40,524 Non Convertible Debentures of ₹ 10 each	**0.05**	—
Beta Wind Farm Pvt. Ltd. (Unquoted) 1,21,821 Equity Shares of ₹ 10 each (Nil Equity Shares of ₹ 10 each)	**0.23**	—
Total Non-current Investments	**108.93**	25.81
Aggregate book value of quoted investments	**0.71**	0.69
Aggregate market value of quoted investments	**0.71**	0.69
Aggregate amount of unquoted investments	**108.22**	25.12
Aggregate amount of impairment in value of investments	**Nil**	Nil

Note 6: Loans

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Security Deposits	**13.27**	11.26
	13.27	11.26

Note 7: Other Non-current Assets

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Capital Advances	**204.48**	70.42
Prepaid Expenses	**11.46**	—
Balances with Indirect Tax Authorities	**19.33**	—
	235.27	70.42

Note 8: Inventories

	As at 31st March, 2019	As at 31st March, 2018
Raw Materials [Including goods-in-transit of ₹ 2.11 Crores (2017-2018 ₹ Nil)]	**347.24**	299.87
Packing Materials	**11.94**	11.14
Work-in-progress	**92.67**	65.04
Finished Goods	**546.62**	395.29
Stock-in-trade	**49.14**	30.12
Stores and Spares	**5.16**	4.30
	1052.77	805.76

No inventories were pledged as security for liabilities during the current and comparable period.

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of inventory recognised as an expense during the period was ₹ 3302.53 Crores (2017-2018 ₹ 2774.07 Crores).

₹ in Crores

Note 9: Current Investments

		As at 31st March, 2019	As at 31st March, 2018
(A)	Investments in Bonds at FVTPL (Quoted):		
1	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)	**2.69**	2.75
2	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)	**1.54**	1.57
3	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)	**1.17**	1.19
4	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)	**6.17**	5.97
5	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)	**2.74**	2.66
	Total Investments in Bonds	**14.31**	14.14
(B)	Mutual Funds at FVTPL (Unquoted):		
	Growth Option:		
1	Aditya Birla Sunlife Banking & PSU Debt Fund Nil Units of ₹ 10 each (1,36,15,922 Units (and 07 fractions) of ₹ 10 each)	**—**	71.37
2	Aditya Birla Sunlife Interval Income Fund Nil Units of ₹ 10 each (89,54,034 Units (and 464 fractions) of ₹ 10 each)	**—**	20.16
3	Aditya Birla Sun Life Money Manager Fund - Direct 16,11,415 (and 915 fractions) of ₹ 100 each (Nil Units of ₹ 100 each)	**40.56**	—
4	Axis Liquid Fund - Direct 1,20,738 Units (and 691 fractions) of ₹ 1000 each (Nil Units of ₹ 1000 each)	**25.03**	—
5	BNP Paribas Overnight Fund Nil Units of ₹ 10 each (1,87,725 Units (and 021 fractions) of ₹ 1000 each)	**—**	50.08
6	DSP Black Rock FMP - Series 222 - 3M Nil Units of ₹ 10 each (1,50,00,000 Units of ₹ 10 each)	**—**	15.12
7	HDFC FMP 92D FEBRUARY 2018 (1) - Series 39 Nil Units of ₹ 10 each (2,50,00,000 Units of ₹ 10 each)	**—**	25.18
8	HDFC Ultra Short Term Fund - Direct 3,58,19,392 Units (and 813 fractions) of ₹ 10 each (Nil Units of ₹ 100 each)	**37.52**	—
9	ICICI Prudential FMP - Series 82 - 103 Days Plan O Nil Units of ₹ 10 each (3,00,00,000 Units of ₹ 10 each)	**—**	30.20
10	ICICI Prudential Money Market Fund - Direct 9,62,781 Units (and 561 fractions) of ₹ 100 each (Nil Units of ₹ 100 each)	**25.05**	—
11	Kotak FMP Series 218 - 92 Days Nil Units of ₹ 10 each (2,50,00,000 Units of ₹ 10 each)	**—**	25.19
12	Kotak Low Duration Fund Nil Units of ₹ 1000 each (2,32,749 Units (and 795 fractions) of ₹ 1000 each)	**—**	50.98
13	L&T Ultra Short Term Fund - Direct 80,43,111 Units (and 075 fractions) of ₹ 10 each (Nil Units of ₹ 10 each)	**25.05**	—
14	Reliance Medium Term Fund Plan Nil Units of ₹ 10 each (1,65,25,712 Units (and 978 fractions) of ₹ 10 each)	**—**	61.48

₹ in Crores

Note 9: Current Investments (contd.)

		As at 31st March, 2019	As at 31st March, 2018
(B) Mutual Funds at FVTPL (Unquoted) (contd.):			
Growth Option (contd.):			
15	Reliance Fixed Horizon Fund - XXXVI - Series 4 Nil Units of ₹ 10 each (5,00,00,000 Units of ₹ 10 each)	—	50.41
16	Reliance Quarterly Interval Fund - Series II Nil Units of ₹ 10 each (1,68,43,239 Units (and 966 fractions) of ₹ 10 each)	—	40.43
17	Reliance Quarterly Interval Fund - Series III Nil Units of ₹ 10 each (1,40,62,620 Units (and 851 fractions) of ₹ 10 each)	—	20.12
18	Tata Liquid Fund - Direct 30,651 (and 016 Units of ₹ 1000 each) (Nil Units of ₹ 1000 each)	**9.03**	—
19	Tata Liquid Fund - Growth 64,884 (and 417 Units of ₹ 1000 each (Nil Units of ₹ 1000 each)	**19.01**	—
20	UTI Treasury Advantage Fund Nil Units of ₹ 1000 each (1,45,014 Units (and 467 fractions) of ₹ 1000 each)	—	35.00
21	UTI Fixed Interval Income Fund - V Nil Units of ₹ 10 each (47,25,094 Units (and 029 fractions) of ₹ 10 each)	—	10.10
	Total Investments in Mutual Fund (Growth Option)	**181.25**	505.82
	Total Current Investment (A + B)	**195.56**	519.96
	Aggregate book value of quoted investments	**14.31**	14.14
	Aggregate market value of quoted investments	**14.31**	14.14
	Aggregate amount of unquoted investments	**181.25**	505.82
	Aggregate amount of impairment in value of investments	**Nil**	Nil

₹ in Crores

Note 10: Trade Receivables

	As at 31st March, 2019		As at 31st March, 2018	
Secured, Considered Good		—		—
Unsecured, Considered Good*#@$		**674.02**		675.69
Significant increase in Credit Risk		—		—
Credit Impaired	**16.83**		14.40	
Loss Allowance	**(16.83)**		(14.40)	
		—		—
		674.02		675.69

* includes ₹ 1.38 Crores (2017-2018 ₹ 0.93 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 ₹ 0.86 Crores (2017-2018 ₹ 0.42 Crores) receivable from subsidiary company – Kansai Paints Lanka (Private) Limited, private company in which director of the Company is a director

@ includes ₹ 5.00 Crores (2017-2018 ₹ Nil) receivable from subsidiary company – Marpol Private Limited, private company in which director of the Company is a director

$ includes ₹ 0.40 Crores (2017-2018 ₹ Nil) receivable from subsidiary company – RAK Paints Limited, company in which director of the Company is a director

₹ in Crores

Note 11: Cash and Cash equivalents

	As at 31st March, 2019	As at 31st March, 2018
Cash on hand	**0.12**	0.06
Cheques on hand	**25.03**	29.23
Banks Balances	**53.73**	31.22
	78.88	60.51

Note 12: Bank Balance other than Cash and Cash equivalents

	As at 31st March, 2019	As at 31st March, 2018
Unclaimed/Unpaid Dividend Accounts	**1.97**	1.01
Fixed Deposit with Bank*	**0.52**	299.39
	2.49	300.40

* Including deposit under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain, ₹ 625 only (2017-2018 ₹ 298.89 Crores)

Note 13: Loans

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Security Deposits	**4.58**	3.32
	4.58	3.32

Note 14: Other Current Financial Assets

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Fixed Deposit with SBI*	**—**	25.45
Other Receivable #	**7.13**	1.57
	7.13	27.02

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

\# Includes ₹ 1.83 Crores (2017-2018 ₹ 1.57 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.

Note 15: Other Current Assets

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Balances with Indirect Tax Authorities	**66.72**	85.25
Trade Advances	**64.12**	38.24
Prepaid Expenses	**14.04**	6.77
Other Receivable	**1.86**	7.71
	146.74	137.97

Note 16: Share Capital

	As at 31st March, 2019	As at 31st March, 2018
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

	% (2019)	No. of Shares (2019)	% (2018)	No. of Shares (2018)
Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898

	As at 31st March, 2019	As at 31st March, 2018
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium	**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:

	As at 31st March, 2019	As at 31st March, 2018
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.

₹ in Crores

Note 17: Other Equity

	Capital Reserve	Securities Premium	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 Employee Defined Benefit Liability	—	—	—	(1.67)	(1.67)
Deferred Tax on Remeasurement of Employee 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**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2018	**0.30**	**12.56**	**487.67**	**2570.70**	**3071.23**
Profit for the Year	**—**	**—**	**—**	**467.35**	**467.35**
Other Comprehensive Income:					
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.41	1.41
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.49)	(0.49)
Total Other Comprehensive Income for the Year, net of tax	**—**	**—**	**—**	**0.92**	**0.92**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**468.27**	**468.27**
Transaction with Owners in their Capacity as Owners, recorded directly in equity:					
Dividends	—	—	—	(140.12)	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	(28.80)
	—	**—**	**—**	**(168.92)**	**(168.92)**
Balance as at 31st March, 2019	**0.30**	**12.56**	**487.67**	**2870.05**	**3370.58**

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Employee Defined Benefit Liability	**As at 31st March, 2019**	As at 31st March, 2018
Opening Balance	**(10.75)**	(9.66)
Remeasurement of Employee Defined Benefit Liability, net of tax	**0.92**	(1.09)
Closing Balance	**(9.83)**	(10.75)

Capital Reserve

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

Securities Premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

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 2017-2018, the Directors had recommended and Shareholders had approved a normal dividend of 260% (₹ 2.60 per share), which has been accounted in current year. For the year 2018-2019, the Directors have recommended dividend of (₹ 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 (2017-2018 ₹ 140.12 Crores) alongwith dividend distribution tax of ₹ 28.80 (2017-2018 ₹ 28.80 Crores) have not been recognised as liabilities.

₹ in Crores

Note 18: Borrowings

	As at 31st March, 2019	As at 31st March, 2018
Deferred Payment Liabilities		
a. Unsecured Sales Tax Deferral Loan	**3.40**	9.71
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 two annual installments from the reporting date.		
Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 6.31 Crores (2017-2018 ₹ 8.62 Crores) is disclosed under 'Other Financial Liabilities' – Refer Note 21].		
	3.40	9.71

Note 19: Income Taxes

	Year ended 31st March, 2019	Year ended 31st March, 2018
A. The major components of income tax expense for the year are as under:		
(i) Income tax recognised in the Standalone Statement of Profit and Loss		
Current tax:		
In respect of current year	**221.87**	268.21
Deferred tax:		
In respect of current year	**24.19**	1.79
Income tax expense recognised in the Standalone Statement of Profit and Loss	**246.06**	270.00
(ii) Income tax expense recognised in Other Comprehensive Income (OCI)		
Deferred tax expense on remeasurements of employee defined benefit plans	**(0.49)**	0.58
Income tax expense recognised in Other Comprehensive Income (OCI)	**(0.49)**	0.58
B. Reconciliation of tax expense and the accounting profit for the year is as under:		
Profit before tax	**713.41**	786.40
Income tax expense calculated at 34.944% (2017-2018 34.608%)	**249.29**	272.71
Tax effect on non-deductible expenses	**5.01**	4.17
Effect of Incentive tax credits	**(7.95)**	(3.69)
Effect of Income that is exempted from tax	**(0.34)**	(0.84)
Others	**0.05**	(2.35)
Total	**246.06**	270.00
Tax expense as per Standalone Statement of Profit and Loss	**246.06**	270.00

The tax rate used for reconciliation above is the corporate tax rate of 34.944% (2017-2018 34.608%) payable by corporate entities in india on taxable profits under indian tax law.

₹ in Crores

C. The major components of deferred tax (liabilities)/assets arising on account of timing differences are as follows:

Particulars	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet	Balance Sheet	Statement of Profit and Loss	OCI	Balance Sheet
	01.04.2018	**2018-2019**	**2018-2019**	**31.03.2019**	**01.04.2017**	**2017-2018**	**2017-2018**	**31.03.2018**
Difference between written down value/capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961.	(108.02)	(28.62)	—	(136.64)	(101.16)	(6.86)	—	(108.02)
Tax adjustment on account on indexation of freehold land	14.15	1.03	—	15.18	12.27	1.88	—	14.15
Expense claimed for tax purpose on payment basis	6.95	0.70	—	7.65	5.54	1.41	—	6.95
Provision for doubtful debts and Advances	4.99	0.90	—	5.89	4.59	0.40	—	4.99
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act, 1961 over 5 years)	0.02	0.01	—	0.03	0.30	(0.28)	—	0.02
Remeasurement benefit of employee defined benefit plans through OCI	3.08	—	(0.49)	2.59	2.50	—	0.58	3.08
Net fair value gain on investment in through FVTPL	(1.59)	1.79	—	0.20	(3.25)	1.66	—	(1.59)
Deferred tax (expense)/income Net Deferred tax (liabilities)	**(80.42)**	**(24.19)**	**(0.49)**	**(105.10)**	(79.21)	(1.79)	0.58	(80.42)

₹ in Crores

Note 20: Trade Payables

	As at 31st March, 2019	As at 31st March, 2018
Trade Payables:		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 39)	**17.83**	—
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**614.03**	683.58
	631.86	683.58

Note 21: Other Financial Liabilities

	As at 31st March, 2019	As at 31st March, 2018
Current Maturities of Long-term Borrowings (Refer Note 18)	**6.31**	8.62
Unclaimed/Unpaid Dividends*	**1.97**	1.01
Trade Deposits	**71.37**	63.14
Creditors for Capital Goods	**23.85**	41.58
	103.50	114.35

* There are no amounts due and outstanding to be transferred to Investor Education and Protection Fund.

Note 22: Other Current Liabilities

	As at 31st March, 2019	As at 31st March, 2018
Other Statutory Obligations*	**8.42**	19.24
Trade Receivables with Credit Balance	**11.45**	10.64
	19.87	29.88

* Includes payable toward GST, TDS and Employee Related Statutory Obligations.

₹ in Crores

Note 23: Provisions

	As at 31st March, 2019		As at 31st March, 2018	
Provision for Compensated Absences (Refer Note 35)		**11.36**		10.56
Provision for Gratuity (Refer Note 35)		**0.78**		2.80
Provision for Indirect Taxes:				
Opening Balance	**7.77**		7.77	
Add: Provision during the year	**—**		—	
Less: Reversal during the year	**5.50**		—	
		2.27		7.77
Provision for Warranty#:				
Opening Balance	**—**		0.25	
Add: Provision during the year	**—**		—	
Less: Reversal during the year	**—**		0.25	
		—		—
		14.41		21.13

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.

₹ in Crores

Note 24: Current Tax Liabilities (Net)

	As at 31st March, 2019	As at 31st March, 2018
Current Tax Liabilities (Net)	**3.31**	3.67
	3.31	3.67

₹ in Crores

Note 25: Revenue from Operations

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Sale of Products (including excise duty)				
Sales		**5647.52**		5180.79
Less: Discounts and Rebates		**508.66**		460.76
Total Sale of Products		**5138.86**		4720.03
Other Operating Revenues				
Sale of Scrap	**17.06**		12.25	
Others	**17.70**		4.73	
		34.76		16.98
Revenue from Operations		**5173.62**		4737.01

Note 25.1: Disaggregation of revenue from contracts with customers

The Company derives revenue from sale of products from following major segments:

₹ in Crores

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**4776.69**	4417.97
(A)	**4776.69**	4417.97
Trading		
India	**362.17**	302.06
(B)	**362.17**	302.06
(C) = (A) + (B)	**5138.86**	4720.03
2) Other operating revenues:		
Sale of Scrap	**17.06**	12.25
Others	**17.70**	4.73
(D)	**34.76**	16.98
Total Revenue (C) + (D)	**5173.62**	4737.01
Major Product lines		
Paints	**5138.86**	4720.03
	5138.86	4720.03
Major Product lines		
Upon shipment	**—**	—
Upon delivery	**5138.86**	4720.03
	5138.86	4720.03
Reconciliation of revenue from contract with customer:		
Revenue from contracts with customer as per the contract price	**5647.52**	5030.35
Adjustments made to contract price on account of:		
a) Discounts and Rebates	**(508.66)**	(460.76)
b) Other Operating Revenue	**34.76**	16.98
c) Excise duty on Sale of Goods	**—**	150.44
Revenue from contracts with customer as per the Standalone Statement of Profit and Loss	**5173.62**	4737.01

₹ in Crores

Note 26: Other Income

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Dividend Income				
Dividend from Investment in Equity Shares through FVTPL	1.95		1.66	
Dividend from Mutual Funds recognised through FVTPL	—		0.96	
		1.95		2.62
Interest Income				
Interest on Loans and Fixed Deposit at amortised cost	15.67		19.65	
Interest on Bonds recognised through FVTPL	1.00		0.78	
Interest on Income tax refund	0.61		—	
		17.28		20.43
Profit on Sale of Current Investments (Net)		22.52		30.04
Fair Value Gain on Financial Instruments recognised through FVTPL		1.44		4.94
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment	0.06		0.04	
Foreign Exchange Gain (Net)	13.46		11.24	
Insurance Claims Received	1.69		2.86	
Miscellaneous Income	3.48		0.25	
		18.69		14.39
		61.88		72.42

Note 27: Cost of Materials Consumed

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Raw Material Consumed				
Opening Stock	299.87		226.45	
Add: Purchase	2924.11		2429.81	
Less: Sales	9.96		6.40	
Less: Closing Stock	347.24		299.87	
		2866.78		2349.99
Packing Material Consumed				
Opening Stock	11.14		9.90	
Add: Purchase	375.79		326.13	
Less: Closing Stock	11.94		11.14	
		374.99		324.89
		3241.77*		2674.88*

*Includes ₹ 1.82 Crores (2017-2018 ₹ 1.94 Crores) expenditure incurred on Research and Development

Note 28: Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Opening 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	
		490.45		451.54
Less: Closing Stock				
Finished Goods	546.62		395.29	
Work-in-progress	92.67		65.04	
Stock-in-trade (in respect of goods acquired for trading)	49.14		30.12	
		688.43		490.45
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods		—		(75.54)
		(197.98)		(114.45)

₹ in Crores

Note 29: Employee Benefits Expense

	Year ended 31st March, 2019	Year ended 31st March, 2018
Salaries and Wages (Refer Note 34)	**223.26**	203.20
Contribution to Provident and Other Funds (Refer Note 35)	**18.85**	13.50
Staff Welfare Expense	**13.27**	9.86
	255.38*	226.56*

*Includes ₹ 17.53 Crores (2017-2018 ₹ 16.97 Crores) expenditure incurred on Research and Developments

Note 30: Depreciation and Amortisation Expenses

	Year ended 31st March, 2019	Year ended 31st March, 2018
Depreciation on Property, Plant and Equipment (Refer Note 2)	**89.39**	75.38
Amortisation on Other Intangible Assets (Refer Note 4)	**1.08**	0.41
	90.47*	75.79*

*Includes ₹ 2.32 Crores (2017-2018 ₹ 1.18 Crores) depreciation and amortisation expenses on Research and Developments

Note 31: Other Expenses

	Year ended 31st March, 2019	Year ended 31st March, 2018
Consumption of Stores and Spare Parts	**29.14**	24.07
Power and Fuel	**82.90**	75.38
Repairs to Buildings	**0.36**	0.71
Repairs to Machinery	**12.43**	10.40
Freight and Forwarding Charges	**266.74**	224.53
Advertisement and Sales Promotion	**260.98**	275.14
Rent	**38.73**	31.45
Rates and Taxes	**2.09**	3.17
Insurance	**4.41**	4.00
Miscellaneous Expenses	**175.93**	147.32
	873.71*	796.17*

*Includes ₹ 5.77 Crores (2017-2018 ₹ 4.25 Crores) expenditure incurred on Research and Development

Note 31.1: Payments to Statutory Auditors'

	Year ended 31st March, 2019	Year ended 31st March, 2018
Auditors' Remuneration excluding taxes (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	**0.24**	0.10
Reimbursements of Expenses	**0.04**	0.03
	0.75	0.60

Note 31.2: Research and Development Expenses

	Year ended 31st March, 2019	Year ended 31st March, 2018
Revenue Expenditure on Research and Development recognised in Standalone Statement of Profit and Loss	**27.44**	24.34

₹ in Crores

	Year ended 31st March, 2019	Year ended 31st March, 2018
Note 31.3: 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	**0.96**	0.79
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	**0.90**	0.82
Later than one year and not later than five years	**1.80**	2.16
Later than five years	**—**	—

Note 32: Contingent Liabilities and Commitments (to the extent not provided for)

	Year ended 31st March, 2019	Year ended 31st March, 2018
A. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	**8.42**	7.29
Sales Tax	**13.97**	—
The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 8.42 Crores (2017-2018 ₹ 7.29 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)	**123.57**	152.21
B. Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**2.55**	2.55
Corporate guarantee given to Bank for loan taken by Kansai Paints Lanka (Private) Limited – Subsidiary Company	**13.85**	—
	162.36	162.05

C. Contribution to Provident Fund as per Supreme Court Judgment

The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal.

In view of the management, the liability for the period from date of the SC order to 31 March 2019 is not significant. Further, the pending decision on the subject review petition and directions from the EPFO, the impact for the past period, if any, is not ascertainable and consequently no effect has been given in the accounts.

Note 33: Earnings Per Equity Share

	Year ended 31st March, 2019	Year ended 31st March, 2018
Numerator:		
Profit attributable to Equity Shareholders (₹ in Crores)	**467.35**	516.40
Denominator:		
Weighted Average Number of ordinary shares at the beginning and end of the year	**53,89,19,720**	53,89,19,720
Basic and Diluted Earnings Per Equity Share (in ₹)	**8.67**	9.58

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
	2018-2019	2017-2018			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing Paints and Coatings	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate holding company of Kansai Nerolac Paints Limited.

Subsidiary Companies

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2018-2019	2017-2018			
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	**68**	68	Subsidiary	Manufacturing Paints and Coatings	Nepal
Kansai Paints Lanka (Private) Limited	**60**	60	Subsidiary	Manufacturing Paints and Coatings	Sri Lanka
Marpol Private Limited (w.e.f. 7 April, 2018)	**100**	—	Subsidiary	Manufacturing Paints and Coatings	India
RAK Paints Limited (w.e.f. 17 July, 2018)	**55**	—	Subsidiary	Manufacturing Paints and Coatings	Bangladesh

Fellow Subsidiary Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints and Coatings	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints and Coatings	Malaysia
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints and Coatings	Turkey
Kansai Plascon Kenya Ltd	Fellow Subsidiary	Manufacturing Paints and Coatings	Kenya

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mrs. Brinda Somaya, Director (5) Mr. Anuj Jain, Wholetime Director, (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

₹ in Crores

Note 34: Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations

Transaction Type	Relation	2018-2019	2017-2018
Sale of finished goods/Intermediates			
— Marpol Private Limited	Subsidiary	**4.76**	—
— Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.18**	1.51
— Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	**—**	0.79
— Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**1.36**	0.48
Purchase of Goods			
— Marpol Private Limited	Subsidiary	**6.33**	—
Dividend Paid			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**105.08**	121.24
Dividend Income			
— KNP Japan Private Limited	Subsidiary	**1.93**	1.66
Royalty Expense			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**16.81**	16.20
Technical Fees Including Reimbursement of Expenses			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**2.20**	1.33
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**0.12**	0.11
Royalty Income			
— KNP Japan Private Limited	Subsidiary	**0.78**	0.61
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.20**	0.08
— RAK Paints Limited	Subsidiary	**0.40**	—
Corporate guarantee given for			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**13.85**	—
Income from Corporate guarantee issued			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**0.03**	—
Equity Investment			
— Kansai Paints Lanka (Private) Limited	Subsidiary	**6.38**	3.76
— Marpol Private Limited	Subsidiary	**34.32**	—
— RAK Paints Limited	Subsidiary	**42.17**	—

₹ in Crores

Note 34: Related Party Disclosures (contd.)

Transaction with related parties and Disclosure as per Regulation 53(f) of SEBI (Listing Obligation and disclosure requirement) Regulations (contd.)

Transaction Type	Relation	2018-2019	2017-2018
Interest Income			
— KNP Japan Private Limited	Subsidiary	—	0.09
Reimbursement of Expenses Recovered			
— Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	1.35	1.20
— KNP Japan Private Limited (Included in Note 29)	Subsidiary	0.64	0.60
— Kansai Paints Lanka (Private) Limited (Included in Note 29)	Subsidiary	0.21	0.34
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	1.35	1.20
— KNP Japan Private Limited*	Subsidiary	3.21	2.51
— Kansai Paints Lanka (Private) Limited*	Subsidiary	0.86	0.42
— Marpol Private Limited*	Subsidiary	5.00	—
— RAK Paints Limited*	Subsidiary	0.40	—
— Kansai Paint Philippines Inc.	Fellow Subsidiary	—	—
— Kansai Plascon Kenya Ltd	Fellow Subsidiary	0.36	0.24
Payable as at Year End			
— Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	0.74	0.11
— Marpol Private Limited	Subsidiary	0.62	—
— Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.05	0.05
Corporate guarantee given for			
— Kansai Paints Lanka (Private) Limited	Subsidiary	13.85	—
Key Management Personnel			
— Employee benefits		10.21	10.44

Related Party Transactions:
Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

	Relation	2018-2019	2017-2018
***Maximum outstanding during year**			
— KNP Japan Private Limited	Subsidiary	2.16	0.91
— Kansai Paints Lanka (Private) Limited	Subsidiary	0.17	0.42
— Marpol Private Limited	Subsidiary	1.12	—
— RAK Paints Limited	Subsidiary	0.40	—

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, 2019	Year ended 31st March, 2018
Employer's contribution to Regional Provident Fund Commissioner	**2.63**	1.69
Employer's contribution to Family Pension Fund	**3.79**	3.30
Employer's contribution to Superannuation Fund	**6.48**	5.01

B. Defined Benefit Plans:

a. Gratuity

The following tables setout the funded status of the gratuity plans and the amounts recognised in the Company's Financial Statements as at 31st March, 2019 and 31st March, 2018:

₹ in Crores

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**34.93**	33.34
Current Service Cost	**3.05**	2.88
Interest Expense	**2.59**	2.25
Benefit Payments from Plan Assets	**(2.49)**	(3.84)
Remeasurements - Actuarial (gains)/losses	**(1.22)**	0.30
Defined Benefit Obligation at year end	**36.86**	34.93
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**32.13**	26.81
Interest Income	**2.53**	2.24
Employer Contributions	**3.70**	8.29
Benefit Payments from Plan Assets	**(2.49)**	(3.84)
Remeasurements – Return on plan assets excluding amounts included in interest income	**0.19**	(1.37)
Fair Value of Plan Assets at year end	**36.08**	32.13
Net (Liability)	**(0.78)**	(2.80)

Components of Defined Benefit Cost recognized in the Standalone Statement of Profit and Loss under Employee Benefit Expense:

₹ in Crores

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Current Service Cost	**3.05**	2.88
Net Interest Cost	**0.06**	0.01
Defined Benefit Cost recognised in the Standalone Statement of Profit and Loss	**3.11**	2.89

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, 2019	Year ended 31st March, 2018
Actuarial (gains)/losses on Defined Benefit Obligation	**(1.22)**	0.30
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**(0.19)**	1.37
Defined Benefit Cost recognised in the Statement of Other Comprehensive Income	**(1.41)**	1.67

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

Particulars	Valuation Date	
	31st March, 2019	31st March, 2018
Discount Rate	**7.70%**	7.70%
Salary Escalation	**7.50%**	7.50%
Weighted average duration of the Defined Benefit Obligation (years)	**13.11**	12.78

Sensitivity Analysis:

Discount Rate, Salary Escalation Rate and Withdrawal Rate are significant actuarial assumptions. The change in the Present Value of Defined Benefit Obligation for a change of 100 Basis Points from the assumed assumption is given below:

₹ in Crores

Scenario	31st March, 2019	31st March, 2018
Under Base Scenario	**36.86**	34.93
Salary Escalation – Up by 1%	**40.03**	37.89
Salary Escalation – Down by 1%	**34.04**	32.31
Withdrawal Rates – Up by 1%	**36.87**	34.79
Withdrawal Rates – Down by 1%	**36.83**	35.08
Discount Rates – Up by 1%	**34.07**	32.52
Discount Rates – Down by 1%	**40.07**	37.71
Expected Rate of Return on Planned Asset	**7.70%**	7.70%

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2019		31st March, 2018	
Attained Age	Male	Female	Male	Female
20	**0.09%**	**0.09%**	0.09%	0.09%
25	**0.09%**	**0.09%**	0.10%	0.10%
30	**0.10%**	**0.10%**	0.11%	0.11%
35	**0.12%**	**0.12%**	0.13%	0.13%
40	**0.17%**	**0.17%**	0.18%	0.18%
45	**0.26%**	**0.26%**	0.29%	0.29%
50	**0.44%**	**0.44%**	0.49%	0.49%
55	**0.75%**	**0.75%**	0.79%	0.79%
60	**1.12%**	**1.12%**	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 ₹ 0.78 Crores (2017-2018 ₹ 2.80 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 ₹ 2.13 Crores (2017-2018 ₹ 2.09 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.

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, 2019	As at 31st March, 2018
Plan assets at period end, at fair value	**63.97**	58.78
Present value of benefit obligation at period end	**63.27**	57.07
Asset recognised in balance sheet	**Nil**	Nil

The plan assets have been primarily invested in Government Securities which comprises of Special Deposit Schemes (SDS), State Development Loans (SDLs) and Government Bonds.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

₹ in Crores

Particulars	As at 31st March, 2019	As at 31st March, 2018
Discount Rate (%)	**7.75**	7.70
Guaranteed Interest Rate (%)	**8.65**	8.55
Expected Average Remaining Working Lives of Employees (Years)	**8.13**	8.37

c. Compensated Absences

Amount of ₹ 2.02 crores (2017-2018 ₹ 3.36 crores) has been recognised in the Standalone Statement of Profit and Loss as an expense for compensated absences.

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 ₹ 13.45 Crores (2017-2018 ₹ 11.03 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities).

(a) Gross amount required to be spent by the Company during the year : ₹ 13.35 Crores.

(b) Amount spent during the year on:

₹ in Crores

	In Cash	Yet to be paid in cash	Total
(i) Construction / acquisition of any asset	—	—	—
(ii) On purposes other than (i) above	13.45	—	13.45

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 - at Amortised Cost	Level 1	Level 2	Level 3	Total
Financial Assets measured at Fair Value							
Non-current Assets: Investments (Note 5)	**2019**	**0.96**	**107.97**	**0.71**	—	**0.25**	**0.96**
	2018	0.71	25.10	0.69	—	0.02	25.81
Current Assets: Investments (Note 9)	**2019**	**195.56**	—	—	**195.56**	—	**195.56**
	2018	519.96	—	—	519.96	—	519.96
Financial Assets not measured at Fair Value							
Non-current Assets: Loans (Note 6)	**2019**	—	**13.27**	—	—	**13.27**	**13.27**
	2018	—	11.26	—	—	11.26	11.26
Current Assets: Trade Receivables (Note 10)	**2019**	—	**674.02**	—	—	—	**674.02**
	2018	—	675.69	—	—	—	675.69
Current Assets: Cash and Cash Equivalent (Note 11)	**2019**	—	**78.88**	—	—	—	**78.88**
	2018	—	60.51	—	—	—	60.51
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 12)	**2019**	—	**2.49**	—	—	—	**2.49**
	2018	—	300.40	—	—	—	300.40
Current Assets: Loans (Note 13)	**2019**	—	**4.58**	—	—	—	**4.58**
	2018	—	3.32	—	—	—	3.32
Current Assets: Other Financial Assets (Note 14)	**2019**	—	**7.13**	—	—	—	**7.13**
	2018	—	27.02	—	—	—	27.02
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 18)	**2019**	—	**3.40**	—	—	**3.40**	**3.40**
	2018	—	9.71	—	—	9.71	9.71
Current Liabilities: Trade Payable (Note 20)	**2019**	—	**631.86**	—	—	—	**631.86**
	2018	—	683.58	—	—	—	683.58
Current Liabilities: Other Financial Liabilities (Note 21)	**2019**	—	**103.50**	—	—	—	**103.50**
	2018	—	114.35	—	—	—	114.35

(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.

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.

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2019	31st March, 2018
Balance at the beginning of the year	**14.40**	13.24
Loss allowance measured at lifetime expected credit losses	**2.43**	1.16
Balance at the end of the year	**16.83**	14.40

Financial Instruments and Cash Deposits

Credit risks from balances with banks and financial institutions is managed by the Company's Treasury Department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturities of Financial Liabilities

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years and above	Total
Borrowings	**31-03-2019**	—	—	—	**6.31**	**3.40**	—	**9.71**
	31-03-2018	—	—	—	8.62	9.71	—	18.33
Trade Payables	**31-03-2019**	—	**631.86**	—	—	—	—	**631.86**
	31-03-2018	—	683.58	—	—	—	—	683.58
Other Financial Liabilities	**31-03-2019**	**73.34**	**23.85**	—	—	—	—	**97.19**
	31-03-2018	64.15	41.58	—	—	—	—	105.73

Note 38: Financial Instruments: Fair Values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(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	Total
Trade Receivables	**31-03-2019**	**—**	**—**	**—**	**—**	**—**	**—**	**1.51**	**1.51**
	31-03-2018	—	—	—	—	—	—	1.93	1.93
Trade Advances	**31-03-2019**	**0.14**	**0.31**	**3.20**	**0.77**	**—**	**—**	**2.64**	**7.06**
	31-03-2018	0.37	43.61	0.89	0.10	0.03	0.01	13.91	58.92
Financial Liabilities									
Trade Payables	**31-03-2019**	**(0.10)**	**(2.66)**	**(13.63)**	**—**	**—**	**—**	**(126.46)**	**(142.85)**
	31-03-2018	(0.13)	(6.76)	(20.89)	—	(0.03)	—	(121.61)	(149.42)
Net exposure to Foreign Currency Risk (Liabilities)	**31-03-2019**	**0.04**	**(2.35)**	**(10.43)**	**0.77**	**—**	**—**	**(122.31)**	**(134.28)**
	31-03-2018	0.24	36.85	(20.00)	0.10	—	0.01	(105.77)	(88.57)

(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, 2019				
CHF (5% movement)	—	—	—	—
EURO (5% movement)	(0.12)	0.12	(0.08)	0.08
JPY (5% movement)	(0.52)	0.52	(0.34)	0.34
USD (5% movement)	(6.12)	6.12	(3.98)	3.98
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

(C) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other Non-current assets: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	– Forecast Annual revenue growth – Forecast EBIDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBIDA margin.
Current investments – in mutual funds	The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.	Not applicable	Not applicable

Note 38: Financial Instruments: Fair Values and Risk Management (contd.)

(C) Valuation techniques and significant unobservable inputs (contd.)

Carrying amounts of cash and cash equivalents, trade receivables, loans, trade payables and other financial liabilities as at 31st March, 2019 and 31st March, 2018 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 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

		As at 31st March, 2019	As at 31st March, 2018
(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	17.83	—
	Interest due on above	—	—
(ii)	Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	—	—
(iii)	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	—	—
(iv)	The amount of interest accrued and remaining unpaid at the end of each accounting year	—	—
(v)	Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	—	—

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 40:

The details of loans, guarantees and investments under Section 186 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

(i) Details of Investments made are given in Note 5.

(ii) There are no Loans given by the Company in accordance with section 186 of the Companies Act, 2013 read with rules issued thereunder.

(iii) Details of Guarantees issued by the Company in accordance with Section 186 of the Companies Act, 2013 read with rules issued thereunder.

₹ in Crores

Name of the party	Relationship	As at 31st March, 2019	As at 31st March, 2018
Kansai Paints Lanka (Private) Limited (in respect of loan taken from bank)	Subsidiary Company	13.85	—

Note 41:

Consequent to the issuance of "Guidance Note on Division II - Ind AS schedule III the Companies Act, 2013" certain items of Standalone Financial Statements have been regrouped/reclassified.

As per our attached report of even date
For **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, 2019

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts Rules, 2014)

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ASSOCIATE COMPANIES / JOINT VENTURES

PART "A" : Subsidiaries

₹ in Crores

Name of Subsidiary	Period	The date since when subsidiary was acquired	Reporting Currency	Share Capital	Reserves and Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend	Extent of Shareholding (in percentage)
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)	**2018-19**	1st October, 2012	NPR	**8.17**	**28.55**	**57.62**	**20.68**	**Nil**	**84.51**	**13.99**	**2.47**	**11.52**	**2.84**	**68%**
	2017-18			8.17	19.76	47.98	20.05	Nil	64.14	9.05	2.54	6.51	2.41	68%
Kansai Paints Lanka (Private) Limited	**2018-19**	30th July, 2015	LKR	**39.36**	**(18.80)**	**40.31**	**22.19**	**Nil**	**12.11**	**(10.88)**	**Nil**	**(10.88)**	**Nil**	**60%**
	2017-18			28.05	(8.93)	39.96	20.84	Nil	8.06	(6.83)	Nil	(6.83)	Nil	60%
Marpol Private Limited(5)	**2018-19**	7th April, 2018	INR	**3.00**	**6.27**	**35.43**	**26.16**	**Nil**	**68.88**	**1.98**	**0.29**	**1.69**	**Nil**	**100%**
RAK Paints Limited(5)	**2018-19**	17th July, 2018	BDT	**51.87**	**(77.92)**	**87.47**	**112.92**	**Nil**	**93.04**	**(8.95)**	**0.70**	**(9.65)**	**Nil**	**55%**

Notes:

1. The assets and liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and income and expense items are translated at average rates of exchange for the year.
2. The reporting period of KNP Japan Pvt. Ltd, Kansai Lanka Paints Pvt. Ltd. and Marpol Pvt. Ltd. are same as that of holding company i.e.1st April, 2018 to 31st March, 2019. For RAK Paints Ltd., Bangladesh, reporting period is from 1st July, 2018 to 31st March, 2019.
3. Names of subsidiaries which are yet to commence operations as at 31st March, 2019 - Nil
4. Names of subsidiaries which have been liquidated or sold during the year - Nil
5. Details relating to acquisition of Marpol Pvt. Ltd. and RAK Paints Ltd. is disclosed under Note 43 of Consolidated Financial Statements.

Since the company does not have any Associates or Joint Ventures, information pertaining to Part "B" to this form relating to Associates and Joint Ventures is not given.

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH *Chairman* DIN 00066242

H.M. BHARUKA *Vice Chairman and Managing Director* DIN 00306084

N.N. TATA *Director* DIN 00024713

BRINDA SOMAYA *Director* DIN 00358908

ANUJ JAIN *Wholetime Director* DIN 08091524

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

Mumbai, 2nd May, 2019

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

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kansai Nerolac Paints Limited (hereinafter referred to as ‘the Holding Company’) and its subsidiaries KNP Japan Private Limited, Kansai Paints Lanka (Private) Limited, Marpol Private Limited and RAK Paints Limited (the Holding Company and its subsidiaries are together referred to as the "Group"), which comprise the consolidated balance sheet as at 31 March 2019, 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, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (‘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 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditors’ Responsibility for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with provisions of the Act. We believe that the audit evidence we have obtained and the 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 opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Key Audit Matter	How the matter was addressed in our audit
Revenue is measured based on transaction price, which is the consideration, adjusted for rebates, discounts, incentives and scheme allowances. As disclosed in Note 1.12 to the consolidated financial statements, revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods. **Accrual for rebates, discounts and scheme allowances** Revenue is recognised net of rebates, discounts, incentives, scheme allowances and estimated sales returns owed to the customers based on the arrangement with customers. The recognition and measurement of rebates, discounts, incentives and schemes allowances, including establishing an appropriate accrual at year end, involves significant judgement and estimates, particularly the expected level of claims of each of the customers. The value of rebates, discounts, incentives and schemes allowances together with the level of judgement involved make its accounting treatment a significant matter for our audit.	Our audit procedures included following: — Understanding the process followed by the management for the purpose of identifying and determining the amount of provision of accrual for rebates discounts, incentives and scheme allowances; — Considering the appropriateness of the Group's accounting policies regarding revenue recognition as they relate to accounting for rebates, discounts, incentives and scheme allowances; — Testing the Group's process and controls over the calculation of rebates, discounts and scheme allowance; — Selecting a sample of revenue transactions and scheme circulars to re-check that rebates, discounts, incentives and scheme allowance were calculated in accordance with the eligibility criteria mentioned in the scheme circulars; — Selecting a sample of claims submitted by customers along with claim form and verifying it with the accrual made in the books of account; and — Considering the assumptions and judgements used by the Group in calculating rebates, discounts, incentives and schemes allowances, including the level of expected claims, by reviewing historical trends of claims.

Impairment testing of goodwill

The Key Audit Matter	How the matter was addressed in our audit
The Group's intangible assets comprised goodwill on consolidation. As required by Ind AS - 36 'Impairment of Assets', the Group annually tests the amount of goodwill for impairment where indicators of impairment exist using a discounted cash flow model to estimate the recoverable value. This impairment test is significant to our audit because the assessment process is complex and judgement is based on assumptions such as expected growth rate, expected profitability and future market or economic conditions. Due to significance of amount involved this was considered as key audit matter.	Our audit procedures in respect of impairment testing of goodwill included the following: — Review the appropriateness of management's basis to identify relevant CGUs for which Goodwill is being tested; — Testing the mathematical accuracy of the discounted cash flow model and evaluation of the assumptions and methodologies used by the Group; — In respect of forecasts, we: • Assessed the subsidiaries current year actual results in comparison with prior year forecasts to assess forecast accuracy; • Assessed the Group's assumptions for growth rate in the impairment model in comparison to economic and industry forecast; and • Assessed the discount rates through comparing the cost of capital for the Group with comparable business. — We assessed the adequacy of the Group's disclosures of those assumptions used for impairment testing of goodwill.

Other Information

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work done / audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit / loss 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 each company 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 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 financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and 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 (Holding Company and subsidiaries) or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstaments can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (Holding Company and subsidiaries) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for direction, supervision and performance of the audit of the financial information of such entities. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Matters

a) We have not audited the financial statements of KNP Japan Private Limited, Kansai Paints Lanka (Private) Limited, Marpol Private Limited and RAK Paints Limited whose financial statements reflect total assets of Rs 220.83 crores as at the 31 March 2019, total revenue of Rs 259.10 crores and net cash outflow flows amounting to Rs 11.41 crores for the year ended on that date, as considered in the consolidated financial statements. These standalone financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of 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 three 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 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 Holding Company and audited by us.

Our opinion above on the consolidated 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

(A) As required by Section 143 (3) of the Act, based on our audit and on the consideration of reports of other auditors on separate financial statements and other financial information of such subsidiaries, as were audited by other auditors, 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 financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated 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), consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) in our opinion, the aforesaid consolidated 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 of the Holding Company as on 31 March 2019 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act; and

(f) with respect to adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary company incorporated in India and operating effectiveness of such controls, refer to our separate report in "Annexure A".

(B) 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 financial statements and also the other financial information of the subsidiaries, as noted in the 'Other Matters' paragraph:

i. the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 35 to the consolidated financial statements;

ii. 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; and

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India during the year ended 31 March 2019.

INDEPENDENT AUDITORS' REPORT (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

(C) With respect to the matter to be included in the Auditors' Report under Section 197 (16) of the Act:

In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of its subsidiary company incorporated in India which was not audited by us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. The subsidiary company incorporated in India did not pay any remuneration to its directors during the year.

The Ministry of Corporate Affairs has not prescribed other details under Section 197 (16) of the Act which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai, 2 May, 2019

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2019

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph (A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of Kansai Nerolac Paints Limited ("the Holding Company") as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary company incorporated in India (the Holding Company and its subsidiary company incorporated in India together referred to as the "Group') as of that date.

In our opinion, the Holding Company and such subsidiary company incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The respective company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary company incorporated in India, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2019 (Continued)

Inherent Limitations of Internal Financial Controls with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matters

Our aforesaid report under clause (i) of sub-section 3 of Section 143 of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to the subsidiary company incorporated in India, is based solely on the report of the auditors of the subsidiary company incorporated in India.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai, 2 May, 2019

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2019

₹ in Crores

	Note	As at 31st March, 2019		As at 31st March, 2018	
ASSETS					
Non-current Assets					
Property, Plant and Equipment	2	**1404.52**		1030.72	
Capital Work-in-progress		**316.35**		345.98	
Investment Property	3	**0.18**		0.18	
Goodwill on Consolidation	4A	**19.58**		2.27	
Other Intangible Assets	4B	**40.79**		2.37	
			1781.42		1381.52
Financial Assets:					
Investments	5	**0.96**		0.71	
Loans	6	**14.16**		12.21	
			15.12		12.92
Current Tax Assets (Net)			**165.71**		80.07
Other Non-current Assets	7		**235.29**		70.42
Total Non-current Assets			**2197.54**		1544.93
Current Assets					
Inventories	8		**1111.06**		829.18
Financial Assets:					
Investments	9	**195.56**		519.96	
Trade Receivables	10	**755.58**		702.64	
Cash and Cash Equivalents	11	**93.37**		63.21	
Bank Balances other than Cash and Cash Equivalents	12	**2.82**		300.40	
Loans	13	**5.22**		3.32	
Other Financial Assets	14	**5.30**		25.55	
			1057.85		1615.08
Other Current Assets	15		**151.44**		140.73
Total Current Assets			**2320.35**		2584.99
Total Assets			**4517.89**		4129.92
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	16	**53.89**		53.89	
Other Equity	17	**3362.44**		3078.43	
Equity attributable to Equity holders of the Holding Company		**3416.33**		3132.32	
Non-controlling interests	17	**20.09**		16.38	
Total Equity			**3436.42**		3148.70
Liabilities					
Non-current Liabilities					
Financial Liabilities:					
Borrowings	18	**4.35**		9.71	
Provisions	19	**0.02**		0.13	
Deferred Tax Liabilities (Net)	20	**126.67**		81.38	
Total Non-current Liabilities			**131.04**		91.22
Current Liabilities					
Financial Liabilities:					
Borrowings	21	**96.51**		16.83	
Trade Payables	22				
Total Outstanding dues of Micro Enterprises and Small Enterprises		**17.83**		—	
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**675.55**		699.87	
		693.38		699.87	
Other Financial Liabilities	23	**104.61**		115.07	
		894.50		831.77	
Other Current Liabilities	24	**34.87**		32.73	
Provisions	25	**16.25**		21.14	
Current Tax Liabilities (Net)	26	**4.81**		4.36	
Total Current Liabilities			**950.43**		890.00
Total Liabilities			**1081.47**		981.22
Total Equity and Liabilities			**4517.89**		4129.92
Significant Accounting Policies	1				
The notes referred to above form an integral part of Consolidated Financial Statements	2-46				

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, 2019

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

	Note	Year ended 31st March, 2019		Year ended 31st March, 2018	
Income					
Revenue from Operations	27		**5424.32**		4808.52
Other Income	28		**60.52**		70.91
Total Income			**5484.84**		4879.43
Expenses					
Cost of Materials Consumed	29	**3404.80**		2717.66	
Purchases of Stock-in-trade		**258.74**		213.83	
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	30	**(201.78)**		(117.93)	
Excise Duty on Sale of Goods		**—**		150.44	
Employee Benefits Expense	31	**283.41**		235.08	
Finance Costs	32	**9.97**		0.67	
Depreciation and Amortisation Expenses	33	**106.28**		77.07	
Other Expenses	34	**926.63**		815.65	
Total Expense			**4788.05**		4092.47
Profit Before Tax			**696.79**		786.96
Tax Expense					
Current Tax		**225.54**		270.72	
Deferred Tax		**23.59**		2.49	
Total Tax Expense			**249.13**		273.21
Profit for the year			**447.66**		513.75
Other Comprehensive Income					
(i) items that will not be reclassified to Consolidated Statement of Profit and Loss					
(a) Remeasurement of Employee Defined Benefit Liability		**1.51**		(1.55)	
(b) Income tax relating to items that will not be reclassified to Consolidated Statement of Profit and Loss		**(0.51)**		0.58	
Net Other Comprehensive Income not to be reclassified subsequently to Consolidated Statement of Profit and Loss			**1.00**		(0.97)
(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		**(0.79)**		(0.07)	
(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			**(0.79)**		(0.07)
Other Comprehensive Income (net of taxes)			**0.21**		(1.04)
Total Comprehensive Income for the year			**447.87**		512.71
Profit attributable to:					
Owners of the Holding Company		**452.75**		514.40	
Non-controlling interests		**(5.09)**		(0.65)	
Profit for the year			**447.66**		513.75
Other Comprehensive Income attributable to:					
Owners of the Holding Company		**0.18**		(1.07)	
Non-controlling interests		**0.03**		0.03	
Other Comprehensive Income for the year			**0.21**		(1.04)
Total Comprehensive Income attributable to:					
Owners of the Holding Company		**452.93**		513.33	
Non-controlling interests		**(5.06)**		(0.62)	
Total Comprehensive Income for the year			**447.87**		512.71
Earnings per Equity Share (of ₹ 1 each):					
Basic and Diluted (in ₹)	36		**8.40**		9.55
Significant Accounting Policies	1				
The notes referred to above form an integral part of Consolidated Financial Statements	2-46				

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, 2019

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

A. Equity Share Capital

Balance as at 1st April, 2017	**53.89**
Changes in Equity Share Capital during 2017-2018	—
Balance as at the 31st March, 2018	**53.89**
Changes in Equity Share Capital during 2018-2019	—
Balance as at the 31st March, 2019	**53.89**

B. Other Equity

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2017	**0.30**	**12.56**	**487.67**	**2260.70**	**(0.62)**	**2760.61**	**15.25**	**2775.86**
Profit for the year as per Consolidated Statement of Profit and Loss	**—**	**—**	**—**	**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 Employee Defined Benefit Liability	—	—	—	(1.59)	—	(1.59)	0.04	(1.55)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.58	—	0.58	—	0.58
Other Comprehensive Income, (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:								
Issue of Share Capital	—	—	—	—	—	—	2.50	2.50
Dividends	—	—	—	(161.68)	—	(161.68)	(0.75)	(162.43)
Dividend Distribution Tax	—	—	—	(33.83)	—	(33.83)	—	(33.83)
	—	**—**	**—**	**(195.51)**	**—**	**(195.51)**	**1.75**	**(193.76)**
Balance as at 31st March, 2018	**0.30**	**12.56**	**487.67**	**2578.58**	**(0.68)**	**3078.43**	**16.38**	**3094.81**

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2018	**0.30**	**12.56**	**487.67**	**2,578.58**	**(0.68)**	**3,078.43**	**16.38**	**3,094.81**
Profit for the year as per Consolidated Statement of Profit and Loss	**—**	**—**	**—**	**452.75**	**—**	**452.75**	**(5.09)**	**447.66**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(0.79)**	**(0.79)**	**—**	**(0.79)**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.47	—	1.47	0.04	1.51
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.50)	—	(0.50)	(0.01)	(0.51)
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**0.97**	**(0.79)**	**0.18**	**0.03**	**0.21**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**453.72**	**(0.79)**	**452.93**	**(5.06)**	**447.87**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	4.37	4.37
Dividends	—	—	—	(140.12)	—	(140.12)	—	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	3.57	3.57
Other Adjustments	—	—	—	—	—	—	0.83	0.83
	—	**—**	**—**	**(168.92)**	**—**	**(168.92)**	**8.77**	**(160.15)**
Balance as at 31st March, 2019	**0.30**	**12.56**	**487.67**	**2863.38**	**(1.47)**	**3362.44**	**20.09**	**3382.53**

As per our attached report of even date
For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

ANIRUDDHA GODBOLE
Partner
Membership No. 105149
Mumbai, 2nd May, 2019

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2019

₹ in Crores

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Cash Flow from Operating Activities				
Profit Before Tax		**696.79**		786.96
Adjustments for:				
Depreciation and Amortisation Expenses	**106.28**		77.07	
Fair Value Gain on Financial Instruments recognised through FVTPL	**(1.44)**		(4.94)	
Unrealised Foreign Exchange Gain (Net)	**(4.29)**		(0.86)	
Profit on Sale of Investments (Net)	**(22.52)**		(30.04)	
Interest Income	**(17.55)**		(20.34)	
Dividend Income	**(0.02)**		(0.96)	
Finance Costs	**9.97**		0.69	
Loss/(Profit) on Sale of Property, Plant and Equipment (Net)	**0.10**		(0.03)	
Provision for Doubtful Debts and Bad Debts	**9.08**		2.87	
Provision no longer required	**(5.50)**		—	
		74.11		23.46
Operating Profit Before Working Capital Changes		**770.90**		810.42
(Increase) in Trade and Other Receivables	**(81.90)**		(187.45)	
(Increase) in Inventories	**(258.96)**		(125.98)	
(Decrease)/Increase in Trade Payables, Other Financial Liabilities and Provisions	**(19.39)**		139.42	
		(360.25)		(174.01)
Cash Generated from Operations		**410.65**		636.41
Direct Taxes Paid (Net of Refunds)		**(310.73)**		(276.39)
Net Cash Flows from Operating Activities		**99.92**		360.02
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)	**(527.07)**		(344.47)	
Proceeds from Sale of Property, Plant and Equipment	**2.29**		1.33	
Purchase of Non-current Investments	**(0.23)**		—	
Purchase of Current Investments	**(16,747.07)**		(25135.61)	
Proceeds from Sale/Redemption of Current Investments	**17,095.46**		25181.36	
Payments for Acquisition of Subsidiaries (Refer Note 43)	**(76.49)**		—	
Interest Received	**17.55**		20.34	
Dividend Received	**0.02**		0.96	
Proceeds from Fixed Deposits on Maturity	**323.99**		113.35	
Net Cash Flows generated/(used in) Investing Activities		**88.45**		(162.74)
Cash Flow from Financing Activities				
Repayment of Non-Current Borrowings	**(7.75)**		(10.32)	
Repayment of Current Borrowings	**(36.25)**		—	
Proceeds from Non-Current and Current Borrowings	**—**		14.94	
Finance Costs	**(9.97)**		(0.69)	
Dividend Paid	**(140.12)**		(161.68)	
Dividend Distribution Tax Paid	**(28.80)**		(33.83)	
Net Cash Flows (used in) Financing Activities		**(222.89)**		(191.58)
Net (Decrease) / Increase in Cash and Cash Equivalents		**(34.52)**		5.70

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

₹ in Crores

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Cash and Cash Equivalents at Beginning 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	
Bank Overdrafts and Cash Credit (Refer Note 21)	**(1.89)**		—	
Effect of exchange rate fluctuation	**0.66**		0.61	
		61.32		55.62
Cash and Cash Equivalents at end of the year the components being:				
Cash on hand	**2.28**		0.10	
Cheques on hand	**25.03**		29.23	
Balances with Banks on Current, Margin and Fixed Deposit Accounts (Inclusive of balances taken over on acquisition of subsidiaries)	**65.22**		33.22	
Bank Overdrafts and Cash Credit (Refer Note 21)	**(66.57)**		(1.89)	
Effect of exchange rate fluctuation	**0.84**		0.66	
		26.80		61.32
Net (Decrease) / Increase as disclosed above		**(34.52)**		5.70

Debt Reconciliation Statement in accordance with Ind AS 7

	31st March, 2019	31st March, 2018
Opening Balances		
Non-Current Borrowing	**18.33**	28.65
Current Borrowings (Excluding Bank Overdrafts and Cash Credit)	**14.94**	—
Movements		
Non-Current Borrowing (Note iii)	**(6.89)**	(10.32)
Current Borrowings (Excluding Bank Overdrafts and Cash Credit) (Note iv)	**15.00**	14.94
Closing Balances		
Non-Current Borrowing	**11.44**	18.33
Current Borrowings (Excluding Bank Overdrafts and Cash Credit)	**29.94**	14.94

Notes:

i. Figures in brackets are outflows/deductions.

ii. The above Cash Flow Statement is prepared under the "Indirect Method" as set out in the Indian Accounting Standards (Ind AS-7) – Statement of Cash Flows.

iii. The movement of Non-Current Borrowing includes Borrwings acquired of ₹ 0.86 Crore during the year (Refer Note 43).

iv. The movement of Current Borrowing includes Borrwings acquired of ₹ 51.25 Crores during the year (Refer Note 43).

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, 2019

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

A. Corporate Information

Kansai Nerolac Paints Limited (the "Holding Company") is a public limited company domiciled in India and incorporated under the provisions of the Companies Act. The Holding Company's shares are listed on National Stock Exchange and Bombay Stock Exchange. The registered office of the Holding Company is located at Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013. The Holding Company is principally engaged in the manufacturing of Paints.

Kansai Paints Co., Ltd. is immediate and ultimate Holding Company of Kansai Nerolac Paints Limited. and is based and listed in Japan.

The Consolidated Financial Statements relate to the Holding 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 Holding Company has 68% equity holding, Kansai Paints Lanka (Private) Limited, a company incorporated in Sri Lanka in which the Holding Company has 60% equity holding, Marpol Private Limited, a company incorporated in India in which the Holding Company has 100% equity holding (w.e.f. 7 April, 2018) and RAK Paints Limited, a company incorporated in Bangladesh in which the Holding Company has 55% equity holding (w.e.f. 17 July, 2018), hereinafter referred to as the "Group".

The Consolidated Financial Statements for the year ended 31st March, 2019 have been reviewed by the Audit Committee and approved by the Board of Directors of the Holding Company at their meetings held on 2nd May, 2019.

B. Basis of Preparation

1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (ther 'Act') and other relevant provisions of the Act.

Details of Group's Accounting Policies are included in Note 1.

2. Functional and Presentation Currency

The Consolidated Financial Statements are presented in Indian Rupees (INR), which is also the Group's functional currency. All amounts have been rounded-off to the nearest crores, unless otherwise indicated.

3. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for investments in mutual funds, non-trade equity shares, bonds and employee defined benefit plans, which are measured at fair values at the end of each reporting period.

4. Use of Estimates and Judgements

Critical accounting judgments and key sources of estimation uncertainty:

The preparation of the Consolidated Financial Statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures as at date of the Consolidated Financial Statements and the reported amounts of the revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

(ii) Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash generating unit or groups of cash-generating units which are benefitting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes.

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management’s best estimate about future developments.

(iii) Critical Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amount recognised in the Consolidated Financial Statements.

Discount rate used to determine the carrying amount of the Groups’s employees defined benefit obligation.

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

B. Basis of Preparation (contd.)

(iii) Critical Judgments (contd.)

Contingences and Commitments

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

(iv) Key sources of Estimation Uncertainty

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

Useful lives of Property, Plant and Equipment

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

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 equires use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Allowances for Inventories

Management reviews the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the Consolidated Financial Statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the Consolidated Financial Statements.

C. Recent Accounting Pronouncement

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 has notified the following new and amendments to Ind AS which the Group has not applied as they are effective for annual period beginning on or after 1 April 2019.

Ind AS 116 – Leases

The Group is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Group has completed an initial assessment of the potential impact on its Consolidated Financial Statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the Consolidated Financial Statements in the period of initial application is not reasonably estimable as at present.

The Group does not expect this standard to have significant impact on the Consolidated Financial Statements.

Following impacts are expected:

— the total assets and liabilities on the consolidated balance sheet will increase with a decrease in net total assets, due to the depreciation of right of use assets being on a straight-line basis whilst the lease liability reduces by the principal amount of repayments;

— Interest expense will increase due to the unwinding of the effective interest rate implicit in the lease liability. Interest expense will be greater earlier in a lease's life, due to the higher principal value, causing profit variability over the term of lease. This effect may be partially mitigated due to the number of leases held by the Group at various stages of their terms; and

— operating cash flows will be higher and financing cash flows will be lower, as repayment of the principal portion of all lease liabilities will be classified as financing activities.

In addition to the above, the following amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Consolidated Financial Statements:

— Amendments to Ind AS 103, Business Combinations, and Ind AS 111, Joint Arrangements: This interpretation clarifies how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

— Amendments to Ind AS 109, Financial Instruments: amendments relating to the classification of particular prepayable financial assets

— Amendments to Ind AS 12, Income Taxes, clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity. Further Appendix C, uncertainty over income tax treatments has been added to clarify how entities should reflect uncertainties over income tax treatments, in particular when assessing the outcome a tax authority might reach with full knowledge and information if it were to make an examination.

C. Recent Accounting Pronouncement (contd.)

— Amendment to Ind AS 19, Employee Benefits - The amendment to Ind AS 19 clarifies that on amendment, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions – i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement. This amendment also clarifies that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. The entity then determines the effect of the asset ceiling after plan amendment, curtailment or settlement. Any change in that effect is recognized in other comprehensive income (except for amounts included in net interest).

— Amendments to Ind AS 23, Borrowing Costs, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction.

— Amendments to Ind AS 28, Investments in Associates and Joint Ventures: When applying the equity method, a non-investment entity that has an interest in an investment entity associate or joint venture can elect to retain the fair value accounting applied by the associate or joint venture to its subsidiaries. Venture capital and other qualifying organizations can elect to measure investments in associates or joint ventures at fair value through profit or loss instead of applying the equity method. The amendments clarify that both these elections apply for each investment entity associate or joint venture separately.

D. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Holding Company and its subsidiaries as at 31st March, 2019. Subsidiaries are entities controlled by the Holding Company. The Holding Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Non-controlling Interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in non-controlling interests having a deficit balance. Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the Investments to the extent of the Holding Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that their is no evidence of impairment.

Note 1: Significant Accounting Policies

1. Classification of Assets and Liabilities

Schedule III to the Act, requires assets and liabilities to be classified as either current or non-current.

(a) An asset shall be classified as current when it satisfies any of the following criteria:

(i) it is expected to be realised in, or is intended for sale or consumption in, the Group’s normal operating cycle;

(ii) it is held primarily for the purpose of being traded;

(iii) it is expected to be realised within twelve months after the reporting date; or

(iv) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

(b) All assets other than current assets shall be classified as non-current.

(c) A liability shall be classified as current when it satisfies any of the following criteria:

(i) it is expected to be settled in the Group’s normal operating cycle;

(ii) it is held primarily for the purpose of being traded;

(iii) it is due to be settled within twelve months after the reporting date; or

(iv) the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(d) All liabilities other than current liabilities shall be classified as non-current.

Note 1: Other Significant Accounting Policies (contd.)

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, rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is included in the cost of an item of Property, Plant and Equipment.

The cost of a self-constructed item of Property, Plant and Equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Tangible Property, Plant and Equipment under construction are disclosed as Capital Work-in-progress. Item of Capital Work-in-progress is carried at cost using the principles of valuation of item of Property, Plant and Equipment till it is ready for use, the manner in which intended by management.

(b) Subsequent Measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(c) Depreciation

The depreciable amount of an item of Property, Plant and Equipment is allocated on a systematic basis over its useful life. The Group provides depreciation on the straight line method. The Group believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is generally recognised in the Consolidated Statement of Profit and Loss unless it is included in the carrying amount of another asset.

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

Asset Class	Useful Lives (in years) – as per Companies Act, 2013	Useful Lives (in years) – as estimated by the Group
Buildings	30-60	20-60
Plant and Equipments	10-20	10-25
Furniture and Fixtures	10	10-15
Vehicles	10	5-10
Office Equipments	5	5-10
Computers	3-6	3-6
Assets for Scientific Research	10-20	20
Assets on Operating Lease	NA	5
Tools and Appliances	10	4

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed off).

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.

Note 1: Other Significant Accounting Policies (contd.)

4. Investment Property

(a) Recognition and Measurement

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

An Investment Property is measured initially at its cost. The cost of an Investment Property comprises its purchase price and any directly attributable expenditure. After initial recognition, the Group chooses the cost model and carries the investment properties at the cost less accumulated depreciation and accumulated impairment, if any.

(b) Depreciation

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

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

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

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

(c) Fair Value

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

(d) Gain or loss on Disposal

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

5. Other Intangible Assets

(a) Recognition and Measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially measured at its cost and then carried at the cost less accumulated impairment, if any.

Research and Development

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure incurred on research of an internal project is recognised as an expense in Consolidated Statement of Profit and Loss, when it is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. An intangible asset arising from development is recognised if, and only if, the following criteria are met:

(a) it is technically feasibile to complete the intangible asset so that it will be available for use or sale.

(b) the Group intends to complete the intangible asset and use or sell it.

(c) the Group has ability to use or sell the intangible asset.

(d) the Group can demonstrate how the intangible asset will generate probable future economic benefits.

(e) the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) the Group has ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(b) Subsequent Expenditure

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

Note 1: Other Significant Accounting Policies (contd.)

5. Other Intangible Assets (contd.)

(c) Amortisation

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

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

Asset Class	Useful Lives (in years) – as estimated by the Group
Software	3-5
Non-Compete	5
Brand and Technical Knowhow	5
Customer Relationships	5

6. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in Consolidated Statement of Profit and Loss.

Once classified as held-for-sale, then Property, Plant & Equipment, Investment Property and Other Intangible Assets are no longer required to be amortised or depreciated.

7. Employee Benefits

(a) Short-term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

(b) Post-Employment Benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

(i) Provident and Family Pension Fund

The eligible employees of the Group are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Group make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund managed by the trust set up by the Group, or to the Regional Provident Fund Commissioner (RPFC) which are charged to the Consolidated Statement of Profit and Loss as incurred.

In respect of contribution to RPFC, the Group has no further obligations beyond making the contribution, and hence, such employee benefit plan is classified as Defined Contribution Plan. The Group's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

In respect of contribution to the trust set up by the Group, since the Group is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(ii) Superannuation

The eligible employees of the Group are entitled to receive post employment benefits in respect of superannuation fund in which the Group makes annual contribution at a specified percentage of the employees' eligible salary (currently 15% of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Group has no further obligations beyond making the contribution. The Group's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

Note 1: Other Significant Accounting Policies (contd.)

7. Employee Benefits (contd.)

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Consolidated Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Gratuity

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Group has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Group accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised as Other Comprehensive Income or Loss.

Provident Fund Trust

In respect of contribution to the trust set up by the Group, since the Group is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan. Any obligation in this respect is measured on the basis of independent actuarial valuation

(C) Other Long-term Employee Benefits - Compensated Absences:

The Group provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Group makes provision for compensated absences based on an independent actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Consolidated Statement of Profit and Loss.

8. Inventories

(a) Measurement of Inventory

The Group measures its inventories at the lower of cost and net realisable value.

(b) Cost of Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned by weighted average cost formula. The Group uses the same cost formula for all inventories having a similar nature and use to the Group.

Note 1: Other Significant Accounting Policies (contd.)

8. Inventories (contd.)

(c) Net Realisable Value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is ascertained for each item of inventories with reference to the selling prices of related finished products.

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

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

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

(d) Valuation of Spare parts, stand-by equipments and servicing equipments

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

9. Cash and Cash Equivalents

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

10. Government Grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not be recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in Consolidated Statement of Profit and Loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

11. Provisions and Contingent Liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on technical evaluation, historical warranty data and a weighting of all possible outcomes by their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

Note 1: Other Significant Accounting Policies (contd.)

12. Revenue Recognition

Sale of Goods

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch/delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances,price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

The Group has adopted Ind AS 115 Revenue from contracts with customers, with effect from April 1, 2018. Ind AS 115 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts.

The Group has adopted Ind AS 115 using the cumulative effect method whereby the effect of applying this standard is recognised at the date of initial application (i.e. 1 April, 2018). Accordingly, the comparative information in the Consolidated Statement of Profit and Loss is not restated.

Impact on adoption of Ind AS 115 is not material.

Interest Income

Interest income is recognised using the effective interest method as set out in Ind AS 39 - Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Dividend Income

Dividend income is recognised when right to receive payment is established and it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

13. Foreign Currency Transactions

Functional currency is the currency of the primary economic environment in which the Group operates whereas presentation currency is the currency in which the Consolidated Financial Statements are presented. Indian Rupee is the functional as well as presentation currency for the Group.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Consolidated Financial Statements are recognised in the Consolidated Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Consolidated Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Consolidated Statement of Profit and Loss.

14. Taxation

Income tax

Income tax comprises current and deferred tax. It is recognised in Consolidated Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current tax

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

Note 1: Other Significant Accounting Policies (contd.)

14. Taxation (contd.)

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. Lease

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.

(b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

— amortised cost;

— Fair Value through Other Comprehensive Income (FVOCI) – debt investment;

— Fair Value through Other Comprehensive Income – equity investment; or

— FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Note 1: Other Significant Accounting Policies (contd.)

16. Financial Instruments (contd.)

(b) Classification and subsequent measurement (contd.)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment- by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets: Subsequent Measurement and Gains and Losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Consolidated Statement of Profit and Loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is recognised in Consolidated Statement of Profit and Loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Consolidated Statement of Profit and Loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Consolidated Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Consolidated Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Consolidated Statement of Profit and Loss.

(c) Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Consolidated Statement of Profit and Loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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.

Note 1: Other Significant Accounting Policies (contd.)

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, the Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on liftime expected credit loss at each reporting date, right from its initial recognition.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Impairment of Non-Financial Assets

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

The Group assesses at the end of each reporting period whether there is any indication that an asset is impaired. In assessing whether there is any indication that an asset may be impaired, the Group considers external as well as internal source of information. If any such indication exists, the Group estimates the recoverable amount for the individual asset. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Accounting Standards.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset’s cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group recognises impairment loss for a cash-generating unit if, and only if, the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit. The Group allocates impairment loss of cash-generating units first to the carrying amount of goodwill allocated to the cash-generating units, if any, and then, to the other assets of the cash-generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised accordingly.

20. Measurement of Fair Values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Note 1: Other Significant Accounting Policies (contd.)

20. Measurement of Fair Values (contd.)

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.

21. Business Combinations

Business combinations (other than common control business combinations)

In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in the Consolidated Statement of Profit and Loss.The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

If a business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the Consolidated Statement of Profit and Loss or OCI, as appropriate.

Common control transactions

Business combinations involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts.

(ii) No adjustments are made to reflect fair values, or recognise any new assets and liabilities. Adjustments are only made to harmonise accounting policies.

(iii) The financial information in the Consolidated Financial Statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the Consolidated Financial Statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.

(iv) The balance of the retained earnings appearing in the Consolidated Financial Statements of the transferor is aggregated with the corresponding balance appearing in the Consolidated Financial Statements of the transferee or is adjusted against general reserve.

(v) The identity of the reserves are preserved and the reserves of the transferor become reserves of the transferee.

(vi) The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

Note 2: Property, Plant and Equipment

₹ in Crores

Description	Gross Block						Accumulated Depreciation						Net Block
	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2019**	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2019**	**As at 31st March, 2019**
Freehold Land	68.94	21.78	—	—	(0.03)	**90.69**	—	—	—	—	—	**—**	**90.69**
	(42.59)	(—)	(26.35)	(—)	(—)	(68.94)	(—)	(—)	(—)	(—)	(—)	(—)	(68.94)
Leasehold Land	46.77	10.48	2.33	—	—	**59.58**	3.12	0.06	0.69	—	—	**3.87**	**55.71**
	(46.77)	(—)	(—)	(—)	(—)	(46.77)	(2.64)	(—)	(0.48)	(—)	(—)	(3.12)	(43.65)
Buildings	453.81	24.36	150.80	—	(0.66)	**628.31**	108.97	5.59	17.14	—	(0.09)	**131.61**	**496.70**
	(436.78)	(—)	(17.03)	(—)	(—)	(453.81)	(95.58)	(—)	(13.39)	(—)	(—)	(108.97)	(344.84)
Plant and Equipments	773.98	39.93	162.43	0.47	(0.47)	**975.40**	303.50	24.51	42.39	0.38	(0.18)	**369.84**	**605.56**
	(704.12)	(—)	(69.86)	(—)	(—)	(773.98)	(270.98)	(—)	(32.52)	(—)	(—)	(303.50)	(470.48)
Furniture and Fixtures	17.34	1.67	1.90	—	(0.02)	**20.89**	13.68	1.09	0.87	—	—	**15.64**	**5.25**
	(16.12)	(—)	(1.23)	(0.01)	(—)	(17.34)	(12.99)	(—)	(0.70)	(0.01)	(—)	(13.68)	(3.66)
Vehicles	2.94	6.14	0.27	1.06	(0.07)	**8.22**	1.82	2.25	1.21	0.60	(0.03)	**4.65**	**3.57**
	(2.53)	(—)	(0.45)	(0.04)	(—)	(2.94)	(1.57)	(—)	(0.26)	(0.01)	(—)	(1.82)	(1.12)
Office Equipments	11.13	2.11	1.46	0.02	(0.01)	**14.67**	9.24	1.32	0.82	0.02	(0.01)	**11.35**	**3.32**
	(10.47)	(—)	(0.66)	(—)	(—)	(11.13)	(8.54)	(—)	(0.70)	(—)	(—)	(9.24)	(1.89)
Computers	39.44	0.95	4.98	—	(0.05)	**45.32**	30.14	0.77	5.20	—	(0.01)	**36.10**	**9.22**
	(36.95)	(—)	(4.06)	(1.57)	(—)	(39.44)	(27.71)	(—)	(4.00)	(1.57)	(—)	(30.14)	(9.30)
Assets for Scientific Research*	26.25	—	46.67	—	—	**72.92**	12.21	—	2.32	—	—	**14.53**	**58.39**
	(25.70)	(—)	(0.55)	(—)	(—)	(26.25)	(11.03)	(—)	(1.18)	(—)	(—)	(12.21)	(14.04)
Assets on Operating Lease (Refer Note 2.6)	279.22	—	30.33	—	—	**309.55**	207.12	—	27.21	—	—	**234.33**	**75.22**
	(246.35)	(—)	(32.87)	(—)	(—)	(279.22)	(183.71)	(—)	(23.41)	(—)	(—)	(207.12)	(72.10)
Colourant Machine	0.70	—	1.47	1.65	0.01	**0.53**	—	—	—	—	—	**—**	**0.53**
	(0.48)	(—)	(1.49)	(1.27)	(—)	(0.70)	(—)	(—)	(—)	(—)	(—)	(—)	(0.70)
Tools and Appliances	—	0.69	0.01	0.22	(0.01)	**0.47**	—	0.04	0.11	0.03	(0.01)	**0.11**	**0.36**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Total Tangible Assets	**1720.52**	**108.12**	**402.65**	**3.42**	**(1.32)**	**2226.55**	**689.80**	**35.63**	**97.96**	**1.03**	**(0.33)**	**822.03**	**1404.52**
	(1568.86)	(—)	(154.55)	(2.89)	(—)	(1720.52)	(614.75)	(—)	(76.64)	(1.59)	(—)	(689.80)	(1030.72)

*Net block includes Buildings ₹ 25.88 Crores (2017-2018 ₹ 0.34 Crores), Plant and Equipment ₹ 26.83 Crores (2017-2018 ₹ 13.50 Crores) and Furniture and Fixtures ₹ 5.67 Crores (2017-2018 ₹ 0.20 Crores).

2.1. Figures in the brackets are the corresponding figures in respect of the previous year.

2.2. Term loans from Banks (Refer Note 18) is secured by hypothecation of Vehicles in above consist net block amounting to ₹ 3.07 Crores (2017-18 ₹ Nil).

2.3. Borrowings from Banks (Refer Note 21) is secured by Pledge of assets in above amount consist of net block for Freehold Land- ₹ 21.78 Crores (2017-18 ₹ Nil), Buildings ₹ 9.16 Crores (2017-18 ₹ Nil).

2.4. Nil amount of borrowing costs is capitalised during the financial year.

2.5. Nil amount of impairment loss is recognised during the financial year.

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

(a) (i) The gross carrying amount and the accumulated depreciation at the Consolidated Balance Sheet date are ₹ 309.55 Crores (2017-2018 ₹ 279.22 Crores) and ₹ 234.33 Crores (2017-2018 ₹ 207.12 Crores) respectively.

(ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 27.21 Crores (2017-2018 ₹ 23.41 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.

Note 3: Investment Property

₹ in Crores

Description	Gross Block				Accumulated Depreciation				Net Block
	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	As at 1st April, 2018	Additions	Deductions	**As at 31st March, 2019**	**As at 31st March, 2019**
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**	3.29	—	—	**3.29**	**0.10**
	(3.39)	(—)	(—)	(3.39)	(3.29)	(—)	(—)	(3.29)	(0.10)
Total Investment Property	**3.47**	**—**	**—**	**3.47**	**3.29**	**—**	**—**	**3.29**	**0.18**
	(3.47)	(—)	(—)	(3.47)	(3.29)	(—)	(—)	(3.29)	(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 (2017-2018 ₹ 0.18 Crores) were incurred and recorded as expense in the Consolidated Statement of Profit and Loss.

3.5. Total fair value of Investment Property is ₹ 1381.20 Crores (2017-2018 ₹ 1381.20 Crores).

Fair Value heirarchy

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 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: Intangible Assets

₹ in Crores

4A. Goodwill on Consolidation

Description	Gross Block					Accumulated Amortisation					Net Block
	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	**As at 31st March, 2019**	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	**As at 31st March, 2019**	**As at 31st March, 2019**
For KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited).	2.27	—	—	—	**2.27**	—	—	—	—	—	**2.27**
	(2.27)	(—)	(—)	(—)	(2.27)	(—)	(—)	(—)	(—)	(—)	(2.27)
For RAK Paints Ltd	—	17.31	—	—	**17.31**	—	—	—	—	—	**17.31**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Total Goodwill on consolidation	**2.27**	**17.31**	—	—	**19.58**	—	—	—	—	—	**19.58**
	(2.27)	(—)	(—)	(—)	(2.27)	(—)	(—)	(—)	(—)	(—)	(2.27)

4B. Other Intangible Assets

Description	Gross Block						Accumulated Amortisation						Net Block
	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2019**	As at 1st April, 2018	Additions on Acquisition of Subsidiaries	Additions	Deductions	Translation Difference	**As at 31st March, 2019**	**As at 31st March, 2019**
Software	15.75	0.41	2.55	—	(0.01)	**18.70**	13.38	0.23	1.19	—	0.02	**14.82**	**3.88**
	(13.84)	(—)	(1.91)	(—)	(—)	(15.75)	(12.95)	(—)	(0.43)	(—)	(—)	(13.38)	(2.37)
Customer Relationship	—	20.12	—	—	—	**20.12**	—	—	3.02	—	—	**3.02**	**17.10**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Brand and Technical Knowhow	—	7.88	—	—	—	**7.88**	—	—	1.58	—	—	**1.58**	**6.30**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Non-Compete	—	16.04	—	—	—	**16.04**	—	—	2.53	—	—	**2.53**	**13.51**
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Total Other Intangible Assets	**15.75**	**44.45**	**2.55**	**—**	**(0.01)**	**62.74**	**13.38**	**0.23**	**8.32**	**—**	**0.02**	**21.95**	**40.79**
	(13.84)	—	(1.91)	—	—	(15.75)	(12.95)	—	(0.43)	—	—	(13.38)	(2.37)

4.1. Figures in the brackets are the corresponding figures in respect of the previous year.

4.2. Nil amount of borrowing costs is capitalised during the current and comparative periods.

4.3. Nil amount of impairment loss is recognised during the current and comparative periods.

₹ in Crores

Note 5: Non-current Investments

	As at 31st March, 2019	As at 31st March, 2018
Investments in Equity Instruments:		
Others at FVTPL		
National Thermal Power Corporation Ltd. (Quoted) 48,628 Equity Shares of ₹ 10 each (40,524 Equity Shares of ₹ 10 each)	**0.66**	0.69
Paints and Coatings Skill Council (Unquoted) 10 Equity Shares of ₹ 25,000 each (10 Equity Shares of ₹ 25,000 each)	**0.02**	0.02
8.49% National Thermal Power Corporation (NTPC) (Quoted) 40,524 Non Convertible Debentures of ₹ 10 each	**0.05**	—
Beta Wind Farm Pvt Ltd. (Unquoted) 1,21,821 Equity Shares of ₹ 10 each (Nil Equity Shares of ₹ 10 each)	**0.23**	—
Total Non-current Investments	**0.96**	0.71
Aggregate book value of quoted investments	**0.71**	0.69
Aggregate market value of quoted investments	**0.71**	0.69
Aggregate amount of unquoted investments	**0.25**	0.02
Aggregate amount of impairment in value of investments	**Nil**	Nil

Note 6: Loans

Unsecured and Considered Good:		
Security Deposits	**14.16**	12.21
	14.16	12.21

Note 7: Other Non-current Assets

Unsecured and Considered Good:		
Capital Advances	**204.48**	70.42
Prepaid Expenses	**10.43**	—
Balances with Indirect Tax Authorities	**20.38**	—
	235.29	70.42

Note 8: Inventories

Raw Materials [including goods-in-transit of ₹ 2.11 crores (2017-2018 ₹ Nil)]	**374.38**	312.77
Packing Materials	**14.17**	12.67
Work-in-progress	**94.22**	65.08
Finished Goods	**570.39**	403.93
Stock-in-trade	**49.14**	30.12
Stores and Spares	**8.76**	4.61
	1111.06	829.18

Inventories amounting to ₹ 41.16 Crores (2017-18 ₹ 8.84 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21).

Nil amount of inventories were written down to net realisable value during the current and comparable period. Similarly, Nil amount of reversal of write down was accounted during the current and comparable periods.

Cost of Inventory recognised as an expense during the period was ₹ 3461.76 Crores (2017-2018 ₹ 2813.56 Crores)

₹ in Crores

Note 9: Current Investments

	As at 31st March, 2019	As at 31st March, 2018
(A) Investments in Bonds at FVTPL (Quoted):		
1 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)	**2.69**	2.75
2 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)	**1.54**	1.57
3 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)	**1.17**	1.19
4 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)	**6.17**	5.97
5 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)	**2.74**	2.66
Total Investments in Bonds	**14.31**	14.14
(B) Mutual Funds at FVTPL (Unquoted): Growth Option:		
1 Aditya Birla Sunlife Banking & PSU Debt Fund Nil Units of ₹ 10 each (1,36,15,922 Units (and 007 fractions) of ₹ 10 each)	**—**	71.37
2 Aditya Birla Sunlife Interval Income Fund Nil Units of ₹ 10 each (89,54,034 Units (and 464 fractions) of ₹ 10 each)	**—**	20.16
3 Aditya Birla Sun Life Money Manager Fund - Direct 16,11,415 (and 915 fractions) of ₹ 100 each (Nil Units of ₹ 100 each)	**40.56**	—
4 Axis Liquid Fund - Direct 1,20,738 Units (and 691 fractions) of ₹ 1000 each (Nil Units of ₹ 1000 each)	**25.03**	—
5 BNP Paribas Overnight Fund Nil Units of ₹ 1000 each (1,87,725 Units (and 021 fractions) of ₹ 1000 each)	**—**	50.08
6 DSP Black Rock FMP – Series 222 – 3M Nil Units of ₹ 10 each (1,50,00,000 Units of ₹ 10 each)	**—**	15.12
7 HDFC FMP 92D FEBRUARY 2018 (1) – Series 39 Nil Units of ₹ 10 each (2,50,00,000 Units of ₹ 10 each)	**—**	25.18
8 HDFC Ultra Short Term Fund - Direct 3,58,19,392 Units (and 813 fractions) of ₹ 10 each (Nil Units of ₹ 100 each)	**37.52**	—
9 ICICI Prudential FMP - Series 82 - 103 Days Plan O Nil Units of ₹ 10 each (3,00,00,000 Units of ₹ 10 each)	**—**	30.20
10 ICICI Prudential Money Market Fund - Direct 9,62,781 Units (and 561 fractions) of ₹ 100 each (Nil Units of ₹ 100 each)	**25.05**	—
11 Kotak FMP Series 218 - 92 Days Nil Units of ₹ 10 each (2,50,00,000 Units of ₹ 10 each)	**—**	25.19
12 Kotak Low Duration Fund Nil Units of ₹ 1000 each (2,32,749 Units (and 795 fractions) of ₹ 1000 each)	**—**	50.98
13 L&T Ultra Short Term Fund - Direct 80,43,111 Units (and 075 fractions) of ₹ 10 each (Nil Units of ₹ 10 each)	**25.05**	—
14 Reliance Medium Term Plan Fund Nil Units of ₹ 10 each (1,65,25,712 Units (and 978 fractions) of ₹ 10 each)	**—**	61.48

Note 9: Current Investments (contd.)

₹ in Crores

	As at 31st March, 2019	As at 31st March, 2018
(B) Mutual Funds at FVTPL (Unquoted) (contd.):		
Growth Option (contd.):		
15 Reliance Fixed Horizon Fund - XXXVI - Series 4 Nil Units of ₹ 10 each (5,00,00,000 Units of ₹ 10 each)	—	50.41
16 Reliance Quarterly Interval Fund - Series II Nil Units of ₹ 10 each (1,68,43,239 Units (and 966 fractions) of ₹ 10 each)	—	40.43
17 Reliance Quarterly Interval Fund - Series III Nil Units of ₹ 10 each (1,40,62,620 Units (and 851 fractions) of ₹ 10 each)	—	20.12
18 Tata Liquid Fund - Direct 30,651 (and 016 Units of ₹ 1000 each) (Nil Units of ₹ 1000 each)	**9.03**	—
19 Tata Liquid Fund - Growth 64,884 (and 417 Units of ₹ 1000 each (Nil Units of ₹ 1000 each)	**19.01**	—
20 UTI Treasury Advantage Fund Nil Units of ₹ 1000 each (1,45,014 Units (and 467 fractions) of ₹ 1000 each)	—	35.00
21 UTI Fixed Interval Income Fund - V Nil Units of ₹ 10 each (47,25,094 Units (and 029 fractions) of ₹ 10 each)	—	10.10
Total Investments in Mutual Fund (Growth Option)	**181.25**	505.82
Total Current Investment (A + B)	**195.56**	519.96
Aggregate book value of quoted investments	**14.31**	14.14
Aggregate market value of quoted investments	**14.31**	14.14
Aggregate amount of unquoted investments	**181.25**	505.82
Aggregate amount of impairment in value of investments	**Nil**	Nil

₹ in Crores

Note 10: Trade Receivables

	As at 31st March, 2019		As at 31st March, 2018	
Secured, Considered Good		—		—
Unsecured, Considered Good		**755.58**		702.64
Significant increase in Credit Risk		—		—
Credit Impaired	**26.80**		17.72	
Loss Allowance	**(26.80)**		(17.72)	
		—		—
		755.58		702.64

Trade Receivables amounting to ₹ 48.17 Crores (2017-18 ₹ 6.44 Crores) were hypothecated as security for Borrowings from Banks (Refer Note 21).

₹ in Crores

Note 11: Cash and cash equivalents

	As at 31st March, 2019	As at 31st March, 2018
Cash on hand	**2.28**	0.10
Cheques on hand	**25.03**	29.23
Banks Balances	**66.06**	33.88
	93.37	63.21

Note 12: Bank Balance other than Cash and cash equivalents

	As at 31st March, 2019	As at 31st March, 2018
Unclaimed/Unpaid Dividend Accounts	**1.97**	1.01
Fixed Deposit with Bank *	**0.85**	299.39
	2.82	300.40

* Including deposit under Capital Gain Accounts Scheme, 1988 in respect of long-term capital gain, ₹ 625 only (2017-2018 ₹ 298.89 Crores)

Note 13: Loans

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good:		
Security Deposits	**5.22**	3.32
	5.22	3.32

Note 14: Other Current Financial Assets

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good		
Fixed Deposit with SBI *	**—**	25.45
Other Receivable	**5.30**	0.10
	5.30	25.55

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

Note 15: Other Current Assets

	As at 31st March, 2019	As at 31st March, 2018
Unsecured and Considered Good		
Balances with Indirect Tax Authorities	**69.30**	87.26
Trade Advances	**64.85**	38.53
Prepaid Expenses	**14.90**	7.10
Other Receivable	**2.39**	7.84
	151.44	140.73

Note 16: Share Capital

	As at 31st March, 2019	As at 31st March, 2018
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:	% (2019)	No. of Shares (2019)	% (2018)	No. of Shares (2018)
Parent and Ultimate Holding Company:				
Kansai Paint Co., Ltd., Japan	**74.99**	**40,41,35,898**	74.99	40,41,35,898

	As at 31st March, 2019	As at 31st March, 2018
4. Aggregated number of bonus share issued during the period of five years immediately preceding the reporting date by capitalisation of security premium	**Nil**	Nil

5. The Holding Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Holding Company, the holders of equity shares will be entitled to receive the residual assets of the Holding 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:

	As at 31st March, 2019	As at 31st March, 2018
Number of shares at the beginning of the year	**53,89,19,720**	53,89,19,720
Issued during the year	**—**	—
Number of shares at the end of the year	**53,89,19,720**	53,89,19,720

7. Capital Management

For the purpose of the Group's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the levels of dividends to equity shareholders.

As at March 31, 2019, the Group has only one class of equity shares. In order to maintain or achieve an optimal structure, the Group allocates its capital for distribution as dividend or re-investment into business based on its long term financial plans.

The Group monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.

	As at 31st March, 2019	As at 31st March, 2018
Non-current Borrowings (₹ in Crores)	4.35	9.71
Current Borrowings (₹ in Crores)	96.51	16.83
Current Maturity of Non-Current Borrowings (₹ in Crores)	7.09	8.62
Gross Debt (₹ in Crores)	**107.95**	**35.16**
Less : Cash and Cash Equivalent (₹ in Crores)	93.37	63.21
Less : Other Bank Deposits (₹ in Crores)	0.85	0.50
Adjusted Net Debt (₹ in Crores)	**13.73**	**(28.55)**
Total Equity (₹ in Crores)	3436.42	3148.70
Adjusted Net Debt - Equity Ratio	**0.004**	**(0.009)**

₹ in Crores

Note 17: Other Equity

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2017	**0.30**	**12.56**	**487.67**	**2260.70**	**(0.62)**	**2760.61**	**15.25**	**2775.86**
Profit for the year as per Consolidated Statement of Profit and Loss	**—**	**—**	**—**	**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 Employee Defined Benefit Liability	—	—	—	(1.59)	—	(1.59)	0.04	(1.55)
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	0.58	—	0.58	—	0.58
Other Comprehensive Income, (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:								
Issue of Share Capital	—	—	—	—	—	—	2.50	2.50
Dividends	—	—	—	(161.68)	—	(161.68)	(0.75)	(162.43)
Dividend Distribution Tax	—	—	—	(33.83)	—	(33.83)	—	(33.83)
	—	**—**	**—**	**(195.51)**	**—**	**(195.51)**	**1.75**	**(193.76)**
Balance as at 31st March, 2018	**0.30**	**12.56**	**487.67**	**2578.58**	**(0.68)**	**3078.43**	**16.38**	**3094.81**

₹ in Crores

	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total attributable to owners of the Company	Attributable to NCI	Total
Balance as at 1st April, 2018	**0.30**	**12.56**	**487.67**	**2,578.58**	**(0.68)**	**3,078.43**	**16.38**	**3,094.81**
Profit for the year as per Consolidated Statement of Profit and Loss	**—**	**—**	**—**	**452.75**	**—**	**452.75**	**(5.09)**	**447.66**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(0.79)**	**(0.79)**	**—**	**(0.79)**
Other Comprehensive Income:								
Remeasurement of Employee Defined Benefit Liability	—	—	—	1.47	—	1.47	0.04	1.51
Deferred Tax on Remeasurement of Employee Defined Benefit Liability	—	—	—	(0.50)	—	(0.50)	(0.01)	(0.51)
Other Comprehensive Income, (net of tax)	**—**	**—**	**—**	**0.97**	**(0.79)**	**0.18**	**0.03**	**0.21**
Total Comprehensive Income for the Year	**—**	**—**	**—**	**453.72**	**(0.79)**	**452.93**	**(5.06)**	**447.87**
Transaction with Owners in their Capacity as Owners:								
Issue of Share Capital	—	—	—	—	—	—	4.37	4.37
Dividends	—	—	—	(140.12)	—	(140.12)	—	(140.12)
Dividend Distribution Tax	—	—	—	(28.80)	—	(28.80)	—	(28.80)
Fair Value on Acquisition attributable to NCI	—	—	—	—	—	—	3.57	3.57
Other Adjustments	—	—	—	—	—	—	0.83	0.83
	—	**—**	**—**	**(168.92)**	**—**	**(168.92)**	**8.77**	**(160.15)**
Balance as at 31st March, 2019	**0.30**	**12.56**	**487.67**	**2863.38**	**(1.47)**	**3362.44**	**20.09**	**3382.53**

Analysis of Accumulated OCI, Net of Tax

₹ in Crores

Remeasurement of Employee Defined Benefit Liability	**As at 31st March, 2019**	As at 31st March, 2018
Opening Balance	**(10.63)**	(9.66)
Remeasurement of Employee Defined Benefit Liability, net of tax	**1.00**	(0.97)
Closing Balance	**(9.63)**	(10.63)

Foreign Currency Translation Reserve	**As at 31st March, 2019**	As at 31st March, 2018
Opening Balance	**(0.68)**	(0.62)
Exchange differences on translation of foreign operations	**(0.79)**	(0.06)
Closing Balance	**(1.47)**	(0.68)

Note 17: Other Equity (contd.)

Capital Reserve

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

Securities Premium

Securities Premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

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 Consolidated Statement of Profit and Loss.

Foreign Currency Translation Reserve

These comprise of all exchange differences arising from translation of financial statements of foreign subsidiaries.

Dividend

For the year 2017-2018, the Directors had recommended and Shareholders had approved a normal dividend of 260% (₹ 2.60 per share), which has been accounted in current year. For the year 2018-2019, 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 (2017-2018 ₹ 140.12 Crores) alongwith dividend distribution tax of ₹ 28.80 Crores (2017-2018 ₹ 28.80 Crores) have not been recognised as liabilities.

₹ in Crores

Note 18: Borrowings

	As at 31st March, 2019	As at 31st March, 2018
a. Deferred Payment Liabilities		
Unsecured Sales Tax Deferral Loan	**3.40**	9.71
Package Scheme of Incentive allowed the Group to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection.		
Outstanding amount is repayable in two annual installments from the reporting date.		
Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 6.31 Crores (2017-2018 ₹ 8.62 Crores) is disclosed under 'Other Financial Liabilities' – Refer Note 23].		
b. Term loans from Banks	**0.95**	—
The Group has obtained secured Term loans from Banks at interest rate of 12%-13% p.a. (2017-18 Nil) secured by hypothecation of Vehicles for the purpose of acquistion of such vehicles. The Term Loans will be repayable by equal monthly installment till June 2023. [Current maturity of Term loans from Banks of ₹ 0.78 Crores (2017-2018 Nil) is disclosed under 'Other Financial Liabilities' – Refer Note 23].		
	4.35	9.71

Note 19: Provisions

Provision for Gratuity (Refer Note 38)	**0.02**	0.13
	0.02	0.13

Note 20: Income Taxes

	Year ended 31st March, 2019	Year ended 31st March, 2018
A. The major components of income tax expense for the year are as under:		
(i) Income tax recognised in the Consolidated Statement of Profit and Loss		
Current tax:		
In respect of current year	**225.54**	270.72
Deferred tax:		
In respect of current year	**23.59**	2.49
Income tax expense recognised in the Consolidated Statement of Profit and Loss	**249.13**	273.21
(ii) Income tax expense recognised in OCI		
Deferred tax expense on remeasurements of Employee defined benefit plans	**(0.51)**	0.58
Income tax expense recognised in OCI	**(0.51)**	0.58

₹ in Crores

Note 20: Income Taxes (contd.)

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

	Year ended 31st March, 2019	Year ended 31st March, 2018
Profit before tax	**696.79**	786.96
Income tax expense calculated at 34.944% (2017-2018 34.608%)	**243.49**	272.35
Tax effect on non-deductible expenses	**2.77**	4.64
Effect of Incentive tax credits	**(7.95)**	(3.69)
Effect of Income that is exempted from tax	**(0.34)**	(0.84)
Impact of Tax on Special Rate	**3.70**	—
Impact of Tax on different rates on components	**1.48**	—
Impact of Tax on loss components	**3.80**	—
Deferred tax on undistributed profits	**2.13**	—
Others	**0.05**	0.75
Total	**249.13**	273.21
Tax expense as per Consolidated Statement of Profit and Loss	**249.13**	273.21

The tax rate used for reconciliation above is the corporate tax rate of 34.944% (2017-2018 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**	**Deferred Tax on Acquisition of Subsidiaries**	**Statement of Profit and Loss**	**OCI**	**Balance Sheet**	**Balance Sheet**	**Statement of Profit and Loss**	**OCI**	**Balance Sheet**
	01.04.2018	**2018-2019**	**2018-2019**	**2018-2019**	**31.03.2019**	**01.04.2017**	**2017-2018**	**2017-2018**	**31.03.2018**
Difference between written down value / capital work in progress of Property, Plant and Equipment as per the books of accounts and Income Tax Act,1961.	(108.28)	(0.17)	(28.41)	—	(136.86)	(101.42)	(6.86)	—	(108.28)
Tax adjustment on account on indexation of freehold land	14.15	—	1.03	—	15.18	12.27	1.88	—	14.15
Expense claimed for tax purpose on payment basis	4.31	—	0.70	—	5.01	2.93	1.38	—	4.31
Provision for doubtful debts and Advances	4.99	—	0.90	—	5.89	4.59	0.40	—	4.99
Voluntary Retirement Scheme (VRS) expenditure (allowed in Income Tax Act 1961 over 5 years	0.02	—	0.01	—	0.03	0.30	(0.28)	—	0.02
Remeasurement benefit of the employee defined benefit plans through OCI	5.69	—	—	(0.51)	5.18	5.11	—	0.58	5.69
Deferred Tax on Distributable Accumulated Reserves of subsidiaries	(0.67)	—	(1.46)	—	(2.13)	—	(0.67)	—	(0.67)
Deferred tax Liability due to Purchase Price Allocation Adjustment	—	(21.02)	1.85	—	(19.17)	—	—	—	—
Net fair value gain on investment in through FVTPL	(1.59)		1.79	—	0.20	(3.25)	1.66	—	(1.59)
Deferred tax (expense)/income Net Deferred tax (liabilities)	(81.38)	(21.19)	(23.59)	(0.51)	(126.67)	(79.47)	(2.49)	0.58	(81.38)

₹ in Crores

Note 21: Borrowings

	As at 31st March, 2019		As at 31st March, 2018	
From Banks				
a. Term Loans *	**29.94**		8.70	
b. Overdrafts and Cash Credit #	**66.57**		1.89	
		96.51		10.59
From Other Body Corporate		**—**		6.24
		96.51		16.83

* The Group has obtained Term Loans from Banks at interest rates of 12.00%-13.73% p.a. (2017-18 13.05% p.a.) to fund short-term requirements, secured by personal guarantee of local directors incase of foreign subsidiaries and hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8). These term loans are repayable within 180 days from date of issue of such term loans.

The Group has obtained Overdrafts and Cash Credit facilities from Banks at interest rates of 9.35%-13.73% p.a. (2017-18 12.80% p.a.) for working capital requirements, secured by personal guarantee of local directors incase of foreign subsidiaries, corporate guarantee by the Holding Company (Refer Note 35), hypothecation of trade receivable (Refer Note 10) and inventories (Refer Note 8), pledging of Freehold Land and Building (Refer Note 2.3). These facilities are repayable on demand.

From Other Body Corporate

To support the working capital requirement, the Group had obtained short-term loan at Nil (2017-2018 14.30% p.a.) from local shareholders and the same has been repaid during the year.

Note 22: Trade Payables

	As at 31st March, 2019	As at 31st March, 2018
Trade Payables		
Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 42)	**17.83**	—
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	**675.55**	699.87
	693.38	699.87

Note 23: Other Financial Liabilities

Current Maturities of Long-term Borrowings (Refer Note 18(b))	**7.09**	8.62
Unclamied/Unpaid Dividends*	**1.97**	1.73
Trade Deposits	**71.70**	63.14
Creditors for Capital Goods	**23.85**	41.58
	104.61	115.07

* There are no amounts due and outstanding to be transferred to Investor Education and Protection Fund.

Note 24: Other Current Liabilities

Other Statutory Obligations*	**21.71**	21.86
Trade Receivables with Credit Balance	**13.16**	10.87
	34.87	32.73

* Includes payable toward Indirect Taxes and Employee Related Statutory Obligations.

₹ in Crores

Note 25: Provisions

	As at 31st March, 2019		As at 31st March, 2018	
Provision for Compensated Absences (Refer Note 38)		**11.86**		10.56
Provision for Gratuity (Refer Note 38)		**2.12**		2.81
Provision for Indirect Taxes:				
Opening Balance	**7.77**		7.77	
Add: Provision during the year	**—**		—	
Less: Reversal during the year	**5.50**		—	
		2.27		7.77
Provision for Warranty#:				
Opening Balance	**—**		0.25	
Add: Provision during the year	**—**		—	
Less: Reversal during the year	**—**		0.25	
		—		—
		16.25		21.14

The Holding 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)

	As at 31st March, 2019	As at 31st March, 2018
Current Tax Liabilities (Net)	**4.81**	4.36
	4.81	4.36

Note 27: Revenue from Operations

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Sale of Products (including excise duty)				
Sales		**5948.87**		5280.10
Less: Discounts and Rebates		**560.40**		487.91
Total Sale of Products		**5388.47**		4792.19
Other Operating Revenues				
Sale of Scrap	**17.35**		12.29	
Others	**18.50**		4.04	
		35.85		16.33
Revenue from Operations		**5424.32**		4808.52

₹ in Crores

Note 27: Revenue from Operations (contd.)

Note 27.1: Disaggregation of revenue from contracts with customers

The Company derives revenue from sale of products from following major segments:

₹ in Crores

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
1) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
India	**4776.69**	4417.97
Asia (Other than India)	**249.61**	72.16
(A)	**5026.30**	4490.13
Trading		
India	362.17	302.06
(B)	362.17	302.06
(C) = (A) + (B)	**5388.47**	4792.19
2) Other operating revenues:		
Sale of scrap and empties	**17.35**	12.29
Others	**18.50**	4.04
(D)	**35.85**	16.33
Total Revenue (C) + (D)	**5424.32**	4808.52
Major Product lines		
Paints	**5388.47**	4792.19
	5388.47	4792.19
Sales by performance obligations		
Upon shipment	**—**	—
Upon delivery	**5388.47**	4792.19
	5388.47	4792.19
Reconciliation of revenue from contract with customer:		
Revenue from contracts with customer as per the contract price	**5948.87**	5129.66
Adjustments made to contract price on account of:		
a) Discounts and Rebates	**(560.40)**	(487.91)
b) Other Operating Revenue	**35.85**	16.33
c) Excise duty on Sale of Goods	**—**	150.44
Revenue from contracts with customer as per the Consolidated Statement of Profit and Loss	**5424.32**	4808.52

₹ in Crores

Note 28: Other Income

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Dividend Income				
Dividend from Equity Shares recognised through FVTPL		**0.02**		—
Dividend from Mutual Funds recognised through FVTPL		—		0.96
Interest Income				
Interest on Loans and Fixed Deposit at amortised cost	**15.94**		19.56	
Interest on Bonds recognised through FVTPL	**1.00**		0.78	
Interest on Income Tax Refund	**0.61**		—	
		17.55		20.34
Profit on Sale of Current Investments (Net)		**22.52**		30.04
Fair Value Gain on Financial Instruments recognised through FVTPL		**1.44**		4.94
Other Non-operating Income				
Profit on Sale of Property, Plant and Equipment	**0.06**		0.04	
Foreign Exchange Gain (Net)	**13.46**		11.25	
Insurance Claims Received	**1.72**		2.86	
Miscellaneous Income	**3.75**		0.48	
		18.99		14.63
		60.52		70.91

Note 29: Cost of Materials Consumed

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Raw Material Consumed				
Opening Stock	**312.77**		232.08	
Add: Purchase	**3063.26**		2476.76	
Add: Adjustments due to Acquisition of Subsidiaries	**19.01**		—	
Less: Sales	**10.12**		9.84	
Less: Closing Stock	**374.38**		312.77	
		3010.54		2386.23
Packing Material Consumed				
Opening Stock	**12.67**		10.74	
Add: Purchase	**395.39**		333.36	
Add: Adjustments due to Acquisition of Subsidiaries	**0.37**		—	
Less: Closing Stock	**14.17**		12.67	
		394.26		331.43
		3404.80		2717.66

Note 30: Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

	Year ended 31st March, 2019		Year ended 31st March, 2018	
Opening Stock				
Finished Goods	**403.93**		393.45	
Work-in-progress	**65.08**		44.92	
Stock-in-trade (in respect of goods acquired for trading)	**30.12**		18.37	
		499.13		456.74
Less: Closing Stock				
Finished Goods	**570.39**		403.93	
Work-in-progress	**94.22**		65.08	
Stock-in-trade (in respect of goods acquired for trading)	**49.14**		30.12	
		713.75		499.13
Add: Adjustment due to Acquisition of Subsidiaries		**12.84**		—
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods		—		(75.54)
		(201.78)		(117.93)

₹ in Crores

Note 31: Employee Benefits Expense

	Year ended 31st March, 2019	Year ended 31st March, 2018
Salaries and Wages	**248.63**	210.31
Contribution to Provident and Other Funds (Refer Note 38)	**20.27**	13.56
Staff Welfare Expense	**14.51**	11.21
	283.41	235.08

Note 32: Finance Costs

	Year ended 31st March, 2019	Year ended 31st March, 2018
Interest on Bank Borrowings	**9.89**	0.67
Net Foreign Exchange Loss on borrowings (considered as finance cost)	**0.08**	—
	9.97	0.67

Note 33: Depreciation and Amortisation Expenses

	Year ended 31st March, 2019	Year ended 31st March, 2018
Depreciation on Property, Plant and Equipment (Refer Note 2)	**97.96**	76.64
Amortisation on Other Intangible Assets (Refer Note 4)	**8.32**	0.43
	106.28	77.07

Note 34: Other Expenses

	Year ended 31st March, 2019	Year ended 31st March, 2018
Consumption of Stores and Spare Parts	**30.80**	24.09
Power and Fuel	**86.76**	75.79
Repairs to Buildings	**0.66**	0.77
Repairs to Machinery	**13.02**	10.60
Freight and Forwarding Charges	**275.23**	227.29
Advertisement and Sales Promotion	**278.34**	285.68
Rent	**40.96**	32.37
Rates and Taxes	**2.40**	3.37
Insurance	**5.29**	4.46
Miscellaneous Expenses	**193.17**	151.23
	926.63	815.65

Note 34.1: Payments to Statutory Auditors'

	Year ended 31st March, 2019	Year ended 31st March, 2018
Auditors' Remuneration excluding taxes (Included in Miscellaneous Expenses in Note 34)		
As Auditors		
Statutory Audit	**0.37**	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	**0.25**	0.10
Reimbursements of Expenses	**0.04**	0.05
	0.88	0.66

₹ in Crores

Note 35: Contingent Liabilities and commitments (to the extent not provided for)

	Year ended 31st March, 2019	Year ended 31st March, 2018
A. Claims against the Company not acknowledged as debt:		
Excise and Service Tax	**8.70**	7.29
Sales Tax	**14.57**	—
Income Tax	**2.56**	—
The Group has made adequate provisions in the accounts for claims against the Group related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totaling to ₹ 8.70 Crores (2017-2018 ₹ 7.29 Crores) from the Excise/Service Tax Authorities, in respect of disallowance of Excise/Service Tax Cenvat Credit. In addition, the Group is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Group's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Group's operation and financial position.		
B. Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	**123.57**	152.21
C. Corporate guarantee		
Corporate guarantee given to Bank for employee loans	**2.55**	2.55
Corporate guarantee given to Bank for loan taken by Kansai Paints Lanka (Private) Limited – Subsidiary Company	**13.85**	—
D. Others Commitment		
Unexpired Letter of Credit	**6.17**	—
Bank Guarantee	**0.07**	—
	172.04	162.05

E. Contribution to Provident Fund as per Supreme Court Judgment

The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal.

In view of the management, the liability for the period from date of the SC order to 31 March 2019 is not significant. Further, the pending decision on the subject review petition and directions from the EPFO, the impact for the past period, if any, is not ascertainable and consequently no effect has been given in the accounts.

Note 36: Earnings Per Equity Share

	Year ended 31st March, 2019	Year ended 31st March, 2018
Numerator:		
Profit attributable to Equity shareholders (₹ in Crores)	**452.75**	514.40
Denominator:		
Weighted Average Number of ordinary shares at the beginning and end of the year	**53,89,19,720**	53,89,19,720
Basic and diluted earnings per Equity Share (in ₹)	**8.40**	9.55

Note 37: Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its Financial Statements

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Parent and ultimate controlling entity

Name	% Shareholding		Type	Principal Activities	Place of Incorporation
	2018-19	2017-18			
Kansai Paints Co., Ltd.	**74.99**	74.99	Parent and ultimate controlling entity	Manufacturing Paints and Coatings	Japan

Kansai Paints Co., Ltd. is the immediate and ultimate Holding Company of Kansai Nerolac Paints Limited.

Fellow Subsidiaries Companies

Name	Type	Principal Activities	Place of Incorporation
Kansai Paint Philippines Inc.	Fellow Subsidiary	Manufacturing Paints and Coatings	Philippines
Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	Manufacturing Paints and Coatings	Malaysia
Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	Manufacturing Paints and Coatings	Turkey
Kansai Plascon Kenya Ltd	Fellow Subsidiary	Manufacturing Paints and Coatings	Kenya

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Key management personnel includes (1) Mr. P. P. Shah, Chairman (2) Mr. H. M. Bharuka, Vice Chairman and Managing Director, (3) Mr. N. N. Tata, Director (4) Mrs. Brinda Somaya, Director (5) Mr. Anuj Jain, Wholetime Director, (6) Mr. P. D. Pai, CFO and (7) Mr. G. T. Govindarajan, Company Secretary.

Note 37: Related Party Disclosures (contd.)

₹ in Crores

Transaction with related parties:

Transaction Type	Relation	2019	2018
Sale of finished goods/Intermediates			
– Kansai Paint Philippines Inc.	Fellow Subsidiary	**2.18**	1.51
– Kansai Altan Boya Sanayi Ve Ticaret A.S.	Fellow Subsidiary	**—**	0.79
– Kansai Plascon Kenya Ltd.	Fellow Subsidiary	**1.36**	0.48
Dividend Paid			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**105.08**	121.24
Royalty Expense			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**16.81**	16.20
Technical Fees Including Reimbursement of Expenses			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**2.20**	1.33
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	0.12	0.11
Reimbursement of Expenses Receivable			
– Kansai Paint Co., Ltd., Japan (Included in Note 14)	Parent and ultimate controlling entity	**1.35**	1.20
Amount of outstanding balances, including commitments in settlement			
Receivable as at Year End			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**1.35**	1.20
– Kansai Plascon Kenya Ltd	Fellow Subsidiary	**0.36**	0.24
Payable as at Year End			
– Kansai Paint Co., Ltd., Japan	Parent and ultimate controlling entity	**0.74**	0.11
– Kansai Paint Asia Pacific SDN.BHD.	Fellow Subsidiary	**0.05**	0.05
Key Management Personnel			
– Employee benefits		**10.21**	10.44

Related Party Transactions:
Related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

Note 38: Employee Benefits

A. Defined Contribution Plans:

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 Expense for the year are as under:

₹ in Crores

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Employer's contribution to Relevant Provident Fund Authority	**3.75**	1.73
Employer's contribution to Family Pension Fund	**3.79**	3.30
Employer's contribution to Superannuation Fund	**6.48**	5.01

Note 38: Employee Benefits (contd.)

₹ in Crores

B. Defined Benefit Plans:

a. Gratuity

The following tables setout the funded status of the gratuity plans and the amounts recognised in the Consolidated Financial Statements as at 31 March, 2019 and 31 March, 2018:

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Change in Defined Benefit Obligation		
Defined Benefit Obligation at the beginning	**35.05**	33.54
Current Service Cost	**3.64**	2.91
Interest Expense	**2.60**	2.26
Benefit Payments from Plan Assets	**(2.73)**	(3.96)
Remeasurements – Actuarial (gains)/losses	**(1.32)**	0.30
Increase due to effect of acquisition of subsidiaries	**1.83**	—
Defined Benefit Obligation at year end	**39.07**	35.05
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning	**32.12**	26.81
Interest Income	**2.53**	2.24
Employer Contributions	**3.72**	8.29
Benefit Payments from Plan Assets	**(2.49)**	(3.85)
Remeasurements – Return on plan assets excluding amounts included in interest income	**0.19**	(1.37)
Increase/(Decrease) due to effect of business acquisition	**0.86**	—
Fair Value of Plan Assets at year end	**36.93**	32.12
Net (Liability)	**(2.14)**	(2.93)

Components of Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss under Employee Benefit Expense:

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Current Service Cost	**3.64**	2.91
Net Interest Cost	**(0.19)**	0.02
Defined Benefit Cost recognised in the Consolidated Statement of Profit and Loss	**3.45**	2.93

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

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Actuarial (gains)/losses on Defined Benefit Obligation	**(1.32)**	0.18
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**(0.19)**	1.37
Defined Benefit Cost recognised in the Consolidated Statement of Other Comprehensive Income	**(1.51)**	1.55

₹ in Crores

Note 38: Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

a. Gratuity (contd.)

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

Particulars	Valuation Date 31st March, 2019	Valuation Date 31st March, 2018
Discount Rate	**7.45% to 12.00%**	7.70%
Salary Escalation	**7.00% to 10.00%**	7.50%
Weighted average duration of the defined benefit obligation (years)	**4 to 18**	13

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, 2019	31st March, 2018
Under Base Scenario	**39.07**	35.05
Salary Escalation – Up by 1%	**40.09**	38.02
Salary Escalation – Down by 1%	**34.09**	32.42
Withdrawal Rates – Up by 1%	**36.90**	34.91
Withdrawal Rates – Down by 1%	**36.86**	35.20
Discount Rates – Up by 1%	**34.12**	32.63
Discount Rates – Down by 1%	**40.13**	37.84
Expected Rate of Return on Planned Asset	**7.70%**	7.70%

Maturity Profile of Defined Benefit Obligations

Mortality Table	31st March, 2019		31st March, 2018	
Attained Age	Male	Female	Male	Female
20	**0.09%**	**0.09%**	0.09%	0.09%
25	**0.09%**	**0.09%**	0.10%	0.10%
30	**0.10%**	**0.10%**	0.11%	0.11%
35	**0.12%**	**0.12%**	0.13%	0.13%
40	**0.17%**	**0.17%**	0.18%	0.18%
45	**0.26%**	**0.26%**	0.29%	0.29%
50	**0.44%**	**0.44%**	0.49%	0.49%
55	**0.75%**	**0.75%**	0.79%	0.79%
60	**1.12%**	**1.12%**	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 Holding Company contributes all ascertained liabilities towards gratuity to the fund maintained by the Life Insurance Corporation of India. Other companies in the Group have not funded their liabilites.

The Group expects to contribute ₹ 2.14 Crores (2017-2018 ₹ 2.94 Crores) to the fund during the subsequent accounting year.

Note 38: Employee Benefits (contd.)

B. Defined Benefit Plans (contd.)

b. Provident fund (Managed by the Trust set up by the Group)

The Holding Company has contributed ₹ 2.13 Crores (2017-2018 ₹ 2.09 Crores) to the Provident Fund Trust. The Holding Company has an obligation to fund any shortfall on the yield of the trust's investments over the guaranteed interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors and in most cases the actual return earned by the Holding Company has been higher in the past years. The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the below provided assumsptions there is no shortfall.

The details of fund and plan asset position are given below:

₹ in Crores

Particulars	As at 31st March, 2019	As at 31st March, 2018
Plan assets at period end, at fair value	**63.97**	58.78
Present value of benefit obligation at period end	**63.27**	57.07
Asset recognised in balance sheet	**Nil**	Nil

The plan assets have been primarily invested in Government Securities which comprises of Special Deposit Schemes (SDS), State Development Loans (SDLs) and Government Bonds.

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

₹ in Crores

Particulars	As at 31st March, 2019	As at 31st March, 2018
Discount Rate (%)	**7.75**	7.70
Guranteed Interest Rate (%)	**8.65**	8.55
Expected Average Remaining Working Lives of Employees (Years)	**8.13**	8.37

The Group other than the Holding Company in India contributes all ascertained liabilities towards provident fund as per rules and regulations inforce in respective countries amounting to ₹ 0.96 Crores (2017-18 ₹ 0.07 Crores) to respective provident authority.

c. Compensated Absenses

Amount of ₹ 2.04 Crores (2017-2018 ₹ 3.36 Crores) has been recognised in the Consolidated Statement of Profit and Loss as an expense for compensated absences.

Note 39: Segment Reporting

The Management Committee of the Holding 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 Holding 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 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".

As the Group mainly caters to the domestic market in India, the total overseas turnover is 4.63% (2017-18 1.51%) of the total turnover of the Group, which is insignificant and thus a separate geographical segment information has not been given in the Consolidated Financial Statements.

₹ in Crores

Note 40: Operating Lease Expense

	As at 31st March, 2019	As at 31st March, 2018
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 are obtained for use by employees on operating lease for a lease term of three to five years		
Lease payments recognised in Consolidated Statement of Profit and Loss	**0.96**	0.79
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not Later than One Year	**0.90**	0.03
Later than one year and not later than five years	**1.80**	2.95
Later than five years	**—**	—

Note 41: 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)	**2019**	**0.96**	**—**	**0.71**	**—**	**0.25**	**0.96**
	2018	0.71	—	0.69	—	0.02	0.71
Current Assets: Investments (Note 9)	**2019**	**195.56**	**—**	**—**	**195.56**	**—**	**195.56**
	2018	519.96	—	—	519.96	—	519.96
Financial Assets not measured at Fair Value							
Non-current Assets: Loans (Note 6)	**2019**	**—**	**—**	**—**	**—**	**14.16**	**14.16**
	2018	—	—	—	—	12.21	12.21
Current Assets: Trade Receivables (Note 10)	**2019**	**—**	**755.58**	**—**	**—**	**—**	**755.58**
	2018	—	702.64	—	—	—	702.64
Current Assets: Cash and Cash Equivalent (Note 11)	**2019**	**—**	**93.37**	**—**	**—**	**—**	**93.37**
	2018	—	63.21	—	—	—	63.21
Current Assets: Bank Balances other than Cash and Cash Equivalent (Note 12)	**2019**	**—**	**2.82**	**—**	**—**	**—**	**2.82**
	2018	—	300.40	—	—	—	300.40
Current Assets: Loans (Note 13)	**2019**	**—**	**5.22**	**—**	**—**	**—**	**5.22**
	2018	—	3.32	—	—	—	3.32
Current Assets: Other Financial Assets (Note 14)	**2019**	**—**	**5.30**	**—**	**—**	**—**	**5.30**
	2018	—	25.55	—	—	—	25.55
Financial Liabilities not measured at Fair Value							
Non-current Liabilities: Borrowings (Note 18)	**2019**	**—**	**—**	**—**	**—**	**4.35**	**4.35**
	2018	—	—	—	—	9.71	9.71
Current Liabilities: Borrowings (Note 21)	**2019**	**—**	**96.51**	**—**	**—**	**—**	**96.51**
	2018	—	16.83	—	—	—	16.83
Current Liabilities: Trade Payable (Note 22)	**2019**	**—**	**693.38**	**—**	**—**	**—**	**693.38**
	2018	—	699.87	—	—	—	699.87
Current Liabilities: Other Financial Liabilities (Note 23)	**2019**	**—**	**104.61**	**—**	**—**	**—**	**104.61**
	2018	—	115.07	—	—	—	115.07

(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 analyse 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.

Note 41: 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 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.

₹ in Crores

Movement in expected credit loss allowance on trade receivable	31st March, 2019	31st March, 2018
Balance at the beginning of the year	**17.72**	14.85
Loss allowance measured at lifetime expected credit losses	**9.08**	2.87
Balance at the end of the year	**26.80**	17.72

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.

Maturities of Financial Liabilities:

The table below analyse the Company's financial liabilities into relevant maturing grouping based on their contractual maturities:

₹ in Crores

Financial Liabilities	Year ended	On demand	Upto 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years and above	Total
Borrowings (Non-Current and Current)	**31-03-2019**	**69.01**	**18.51**	**11.12**	**6.68**	**4.37**	**0.01**	**109.70**
	31-03-2018	3.22	11.14	2.47	8.49	9.71	—	35.03
Trade Payables	**31-03-2019**	**—**	**693.38**	**—**	**—**	**—**	**—**	**693.38**
	31-03-2018	—	699.87	—	—	—	—	699.87
Other Financial Liabilities (including current maturities)..........	**31-03-2019**	**74.55**	**30.06**	**—**	**—**	**—**	**—**	**104.61**
	31-03-2018	73.49	41.58	—	—	—	—	115.07

(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.

Note 41: Financial Instruments: Fair values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

Exposure to Currency Risk:

The summary quantitative data about the Group's exposure to currency risk is as follows:

₹ in Crores

Financial Assets		CHF	EURO	JPY	SGD	GBP	ZAR	USD	Total
Trade Receivables	**31-03-2019**	**—**	**—**	**—**	**—**	**—**	**—**	**1.67**	**1.67**
	31-03-2018	—	—	—	—	—	—	1.93	1.93
Trade Advances	**31-03-2019**	**—**	**—**	**—**	**—**	**—**	**—**	**6.75**	**6.75**
	31-03-2018	0.37	43.61	0.89	0.10	0.03	0.01	13.91	58.92
Financial Liabilities									
Trade Payables	**31-03-2019**	**(0.72)**	**(3.01)**	**(16.34)**	**(0.25)**	**—**	**—**	**(131.59)**	**(151.91)**
	31-03-2018	(0.13)	(6.76)	(20.89)	—	(0.03)	—	(122.78)	(150.59)
Net exposure to Foreign Currency Risk (Liabilities)	**31-03-2019**	**(0.72)**	**(3.01)**	**(16.34)**	**(0.25)**	**—**	**—**	**(123.17)**	**(143.49)**
	31-03-2018	0.24	36.85	(20.00)	0.10	—	0.01	(106.94)	(89.74)

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, 2019				
CHF (5% movement)	(0.04)	0.04	(0.02)	0.02
EURO (5% movement)	(0.15)	0.15	(0.10)	0.10
JPY (5% movement)	(0.82)	0.82	(0.53)	0.53
USD (5% movement)	(6.16)	6.16	(4.01)	4.01
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

Interest Rate Risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

Exposure to interest rate risk

The Group's interest rate risk arises from borrowings and finance lease obligations. Borrowings issued at fixed rates and finance lease obligations exposes to fair value interest rate risk. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

₹ in Crores

Particulars	**As at 31st March, 2019**	As at 31st March, 2018
Fixed-Rate Instruments		
Financial Assets	**0.85**	324.84
Financial Liabilities	**93.86**	1.89
Net Liabilities/(Assets)	**93.01**	(322.95)
Variable-Rate Instruments		
Financial Liabilities	**3.60**	14.94
	3.60	14.94

Note 41: Financial Instruments: Fair values and Risk Management (contd.)

(B) Financial Risk Management (contd.)

(iv) Market Risk (contd.)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

₹ in Crores

Particulars	100 bps increase	100 bps decrease
31st March 2019		
Variable-Rate Instruments	—*	—*
Cash Flow Sensitivity (net)	**—**	**—**
31st March 2018		
Variable-Rate Instruments	0.01	(0.01)
Cash Flow Sensitivity (net)	**0.01**	**(0.01)**

* Sensitivity of Variable-Rate instruments with 100 bps increase/(decrease) is ₹ 42,898.34/(42,898.34). As all figures are rounded to ₹ Crores, so the above sensitivity shows ₹ Nil amount of increase/(decrease)

(C) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other Non-current assets: Investment measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	– Forecast Annual revenue growth – Forecast EBIDA growth margin – Risk adjustment discounted rate	Generally, a changes in the annual revenue growth rate is accompanied similar change in EBIDA margin.
Current investments – in mutual funds	The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.	Not applicable	Not applicable

The Group determined the fair value measurements of investments – unquoted categorised in Level 2 based on price agreed in a sale transaction between unrelated parties.

Carrying amounts of cash and cash equivalents, trade receivables, loans, trade payables and other financial liabilities as at 31st March, 2019 and 31st March, 2018 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 42:

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under for the year 2018-19, to the extent the Company has received intimation from the "Suppliers" regarding their status under the Act.

₹ in Crores

		As at **31st March, 2019**	As at 31st March, 2018
(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	17.83	—
	Interest due on above	—	—
(ii)	Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	—	—
(iii)	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	—	—
(iv)	The amount of interest accrued and remaining unpaid at the end of each accounting year	—	—
(v)	Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	—	—

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 43: Business Combinations

(a) Acquisition of Marpol Private Limited

On 7th April 2018, the Group acquired 100% ownership interest in a subsidiary registered in India. Acquisition of the subsidiary is accounted for using the acquisition method of accounting.

Management of the Group has obtained fair valuation of all the assets and liabilities acquired and identification of intangible on the date of acquisition. Based on the valuation obtained, management has allocated the consideration to the assets acquired and liabilities assumes and intangible assets identified. Remaining amount is transferred to goodwill.

Consideration transferred

The following table summarises the acquisition date fair value of major class of consideration transferred:

Particulars	**₹ in Crores**
Cash	34.32
Total consideration	**34.32**

There are no contingent consideration pending to be payable.

Acquisition-related costs

The Group incurred acquisition related cost ₹ 0.24 Crores. These costs have been included in legal and professional fees under other expenses.

Note 43: Business Combinations (contd.)

(a) Acquisition of Marpol Private Limited (contd.)

Identifiable assets acquired and liabilities assumed and Goodwill

The following table summarises the acquisition date fair value of assets acquired, fair value of the consideration transferred:

Description	₹ in Crores
Property, Plant and Equipment	29.54
Other Intangible Asset	0.10
Marpol Brand and Technical Knowhow	7.88
Non-compete	2.50
Investments	0.05
Inventories	9.21
Trade receivables	12.08
Cash and cash equivalents	4.45
Loans	0.19
Other Non-Current/Current Assets	1.22
Long-term Borrowings	(0.10)
Deferred Tax Liability	(8.70)
Short-term Borrowings	(14.86)
Trade payables	(8.37)
Other financial liabilities	(0.31)
Other Current Liabilities	(0.46)
Provisions	(0.10)
Total identifiable net assets acquired	**34.32**
Purchase Consideration	**34.32**
Goodwill	**—**

The gross contractual amounts and the fair value of trade receivables acquired is ₹ 12.08 Crores. None of the trade receivables are credit impaired and it is expected that the full contractual amounts will be recoverable.

Measurement of fair values

Assets acquired	Valuation technique
Property, plant and Equipment	Market comparison method technique and cost technique
Customer Relationship	Multi period excess earnings method(MPEEM): The medthod takes residual approach to estimating the income that an intangible is expected to generate.It starts with the total expected income streams for a business or group of assets as a whole and deducts charges for all other assets used to generate income with intangible asset under review during its economic life,
Non-Compete	With or Without Mathod under the Income Approach: This method computes the value income differential an asset will generate relative to its absence.
Inventories	Market Comparison Method : The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(b) Acquisition of RAK Paints Limited, Bangladesh

On 17th July 2018, the Group acquired 55% ownership interest in the subsidiary registered in Bangladesh. Acquisition of the subsidiary is accounted for using the acquisition method of accounting.

Management of the Group has obtained fair valuation of all the assets and liabilities acquired and identification of intangible on the date of acquisition. Based on the valuation obtained, management has allocated the consideration to the assets acquired and liabilities assumes and intangible assets identified. Remaining amount is transferred to goodwill.

Note 43: Business Combinations (contd.)

(b) Acquisition of RAK Paints Limited, Bangladesh (contd.)

Consideration transferred

The following table summarises the acquisition date fair value of major class of consideration transferred:

Particulars	₹ in Crores
Cash	**42.17**
Total consideration	**42.17**

Acquisition-related costs

The Group incurred acquisition related cost ₹ 0.39 Crores. These costs have been included in legal and professional fees under other expenses.

Identifiable assets acquired and liabilities assumed and Goodwill

The following table summarises the acquisition date fair value of assets acquired, fair value of the consideration transferred, share of NCI and goodwill:

Description	₹ in Crores
Property, Plant and Equipment	42.94
Other Intangible Asset	0.08
Customer Relationships	20.12
Non-Compete	13.54
Non-Current Receivables	0.48
Inventories	24.94
Trade receivables	25.67
Cash and cash equivalents	3.05
Advance, Deposit and Pre-payments	5.12
Advance Corporate Income Tax	8.00
Long-term Borrowings	(1.37)
Deferred Tax Liability	(13.16)
Short-term Borrowings	(66.16)
Provision for employee benefits	(3.41)
Trade and other payables	(24.16)
Provision for Expenses	(6.42)
Provision for Income Tax	(0.83)
Total identifiable net assets acquired	**28.43**
Share of NCI in total net assets	**3.57**
Purchase Consideration	**42.17**
Goodwill	**17.31**

The gross contractual amounts and the fair value of trade receivables acquired is ₹ 25.67 Crores. None of the trade receivables are credit impaired and it is expected that the full contractual amounts will be recoverable. Goodwill on acquisition was ₹ 17.31 Crores and it is not expected to be deductible for tax purpose.

Measurement of fair values

Assets acquired	Valuation technique
Property, plant and Equipment	Market comparison method technique and cost technique.
Customer Relationship	Multi Period Excess Earnings Method (MPEEM): The medthod takes residual approach to estimating the income that an intangible is expected to generate.It starts with the total expected income streams for a business or group of assets as a whole and deducts charges for all other assets used to generate income with intangible asset under review during its economic life.
Non-Compete	With or Without Mathod under the Income Approach: This method computes the value income differential an asset will generate relative to its absence.
Inventories	Market Comparision Method : The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Note 44: Impairment of Goodwill (Refer with Note 4A)

(a) RAK Paints Limited, Bangladesh

The business was taken over by Kansai Nerolac Paints Limited on 17th July 2018. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows.The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	**Year ended 31st March, 2019**
Discount Rate	10.13%
Terminal Value Growth Rate	3.00%
Sales Growth Rate	15.00%

The discount rate for the year 2018-19 was post tax measure estimated based on the weighted-average cost of capital, with the possible debt leveraging of 56% at a market interest rate of 7.15%.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

(b) KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited)

The business was taken over by Kansai Nerolac Paints Limited on 1st October 2012. The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows.The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	**Year ended 31st March, 2019**	Year ended 31st March, 2018
Discount Rate	12.29%	12.28%
Terminal Value Growth Rate	5.00%	5.00%
Sales Growth Rate	12.00%	12.00%

The discount rate for the year 2018-19 and 2017-18 was post tax measure estimated based on the weighted-average cost of capital. with the no debt leveraging as it is debt-free entity.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with future growth as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

Note 45: Disclosures as required under Schedule III to the Companies Act 2013 with respect to Consolidated Financial Statements

(a) As at and for the year ended 31 March, 2019

Name of the entity in the Group	As at 31 March, 2019 Net assets*		For the year ended 31 March, 2019 Share in profit or loss		For the year ended 31 March, 2019 Share in other comprehensive income		For the year ended 31 March, 2019 Share in total comprehensive income	
	As % of consolidated net assets	₹ Crores	As % of consolidated profit or loss	₹ Crores	As % of consolidated other comprehensive income	₹ Crores	As % of consolidated total comprehensive income	₹ Crores
Holding Company								
Kansai Nerolac Paints Limited	99.65%	3424.47	104.40%	467.35	438.10%	0.92	104.55%	468.27
Subsidiaries								
Indian								
Marpol Private Limited	0.27%	9.27	0.38%	1.69	0.00%	—	0.38%	1.69
Foreign								
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited).....................	1.07%	36.94	2.57%	11.52	38.10%	0.08	2.59%	11.60
Kansai Paints Lanka (Private) Limited	0.53%	18.12	-2.43%	(10.88)	0.00%	—	-2.43%	(10.88)
RAK Paints Limited	-0.74%	(25.45)	-2.16%	(9.65)	0.00%	—	-2.15%	(9.65)
Total Eliminations/Adjustments	**-0.78%**	**(26.93)**	**-2.76%**	**(12.37)**	**0.00%**	**—**	**-2.76%**	**(12.37)**
Exchange differences on translation of foreign operations	0.00%	—	0.00%	—	-376.19%	(0.79)	-0.18%	(0.79)
Total	**100.00%**	**3436.42**	**100.00%**	**447.66**	**100.00%**	**0.21**	**100.00%**	**447.87**

(b) As at and for the year ended 31 March, 2018

Name of the entity in the Group	As at 31 March, 2018 Net assets*		For the year ended 31 March, 2018 Share in profit or loss		For the year ended 31 March, 2018 Share in other comprehensive income		For the year ended 31 March, 2018 Share in total comprehensive income	
	As % of consolidated net assets	₹ Crores	As % of consolidated profit or loss	₹ Crores	As % of consolidated other comprehensive income	₹ Crores	As % of consolidated total comprehensive income	₹ Crores
Holding Company								
Kansai Nerolac Paints Limited	99.25%	3125.12	100.52%	516.40	104.81%	(1.09)	100.51%	515.31
Subsidiaries								
Foreign								
KNP Japan Private Limited (formerly known as Kansai Paints Nepal Private Limited).....................	0.89%	27.93	1.27%	6.51	-11.54%	0.12	1.29%	6.63
Kansai Paints Lanka (Private) Limited	0.61%	19.12	-1.33%	(6.83)	0.00%	—	-1.33%	(6.83)
Total Eliminations/Adjustments	**-0.75%**	**(23.47)**	**-0.45%**	**(2.33)**	**0.00%**	**—**	**-0.45%**	**(2.33)**
Exchange differences on translation of foreign operations	0.00%	—	0.00%	—	6.73%	(0.07)	-0.01%	(0.07)
Total	**100.00%**	**3148.70**	**100.00%**	**513.75**	**100.00%**	**(1.04)**	**100.00%**	**512.71**

* Net assets = total assets minus total liabilities

Note 46:

Consequent to the issuance of "Guidance Note on Division II - Ind AS schedule III the Companies Act, 2013" certain items of Consolidated Financial Statements have been regrouped/reclassified.

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, 2019

G.T. GOVINDARAJAN
Company Secretary
ACS No. 8887

P.D. PAI
CFO

For and on behalf of the Board of Directors of Kansai Nerolac Paints Limited

P.P. SHAH	*Chairman*	DIN 00066242
H.M. BHARUKA	*Vice Chairman and Managing Director*	DIN 00306084
N.N. TATA	*Director*	DIN 00024713
BRINDA SOMAYA	*Director*	DIN 00358908
ANUJ JAIN	*Wholetime Director*	DIN 08091524

Mumbai, 2nd May, 2019

SUMMARISED STANDALONE STATEMENT OF PROFIT AND LOSS OF 15 YEARS

₹ in Crores

Year	Total Revenue #	Cost of Materials/ Products	Employee Benefits Expenses	Other Expenses	Finance Costs	Depreciation and Amortisation Expenses	Tax Expense	Profit after Tax	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2004-2005	900.76	531.55	49.31	161.18	0.77	20.70	45.30	91.95	29.33	11.50	36.05 †	126.78 †
2005-2006	1084.59	610.96	55.92	185.56	0.78	31.78	61.01	138.58	51.02 *	20.00 *	54.40	159.19
2006-2007	1246.43	778.33	59.57	213.05	0.96	33.56	53.31	107.65	30.99	11.50	39.95	189.91 @
2007-2008	1344.60	837.32	69.13	226.75	1.41	39.60	50.60	119.79	32.34	12.00	44.46	220.33
2008-2009	1396.71	899.58	73.30	244.20	1.84	37.61	41.60	98.58	32.34	12.00	36.59	242.87
2009-2010	1726.77	1071.82	75.05	295.83	1.20	44.26	73.11	165.50	40.42	15.00	30.71 ^	286.80
2010-2011	2187.56	1400.25	91.64	356.34	0.84	49.36	83.15	205.98	53.89	10.00 **	38.22	170.00 +
2011-2012	2624.84	1740.41	106.94	415.91	0.09	56.35	89.24	215.90	59.28	11.00	40.06	197.28
2012-2013	2872.94	1942.62	118.14	459.76	0.02	47.11	90.80 &	214.49 &	59.28	11.00	39.80 &	224.21 &
2013-2014	3174.35	2133.95	135.88	532.10	0.45	64.98	100.42	206.57	59.28	1.10 ~	3.83 $	26.41 $
2014-2015	3570.85	2364.44	143.30	596.50	0.02	67.69	127.23	271.67	75.45	1.40 ~	5.04 $	29.63 $
2015-2016	3765.88	2348.36	170.11	640.08	—	67.72	176.10	363.51 &	164.37	3.05 ^^	6.65 &	46.44
2016-2017	4097.29	2342.95	198.12	727.31	—	69.49	253.48	505.94	161.67 £	3.00 £	9.39	52.06
2017-2018	4658.99	2774.07	226.56	796.17	—	75.79	270.00	516.40	140.12 £	2.60 £	9.58	57.99
2018-2019	**5235.50**	**3302.53**	**255.38**	**873.71**	—	**90.47**	**246.06**	**467.35**	**140.12** £	**2.60** £	**8.67**	**63.55**

Net of Rebates & Excise Duty upto 2014-2015, from 2015-2016, net of Rebates and Discounts.

† 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 Polycoat Powders Ltd. with the Company.

^ Re-calculated consequent to the Bonus Issue of 1:1 2010-2011.

**On enhanced Share Capital consequent to the Bonus Issue in 2010-2011.

+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

$ Re-calculated consequent to the subdivision of Equity Share of face value of ₹ 10 each to 10 (ten) equity shares of ₹ 1 each

~ Consequent to the subdivision of Equity Share

^^Includes Special Dividend of ₹ 1.25 per share.

£ The dividend proposed by the Directors is subject to approval of shareholders at the annual general meeting. The proposed dividend alongwith dividend distribution tax have not been recognised as liabilities.

Figures from financial year 2015-2016 are Ind AS compliant.

NEROLAC

HEALTHY HOME PAINTS

KANSAI NEROLAC PAINTS LIMITED

A SUBSIDIARY OF KANSAI PAINT CO. LTD., JAPAN

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