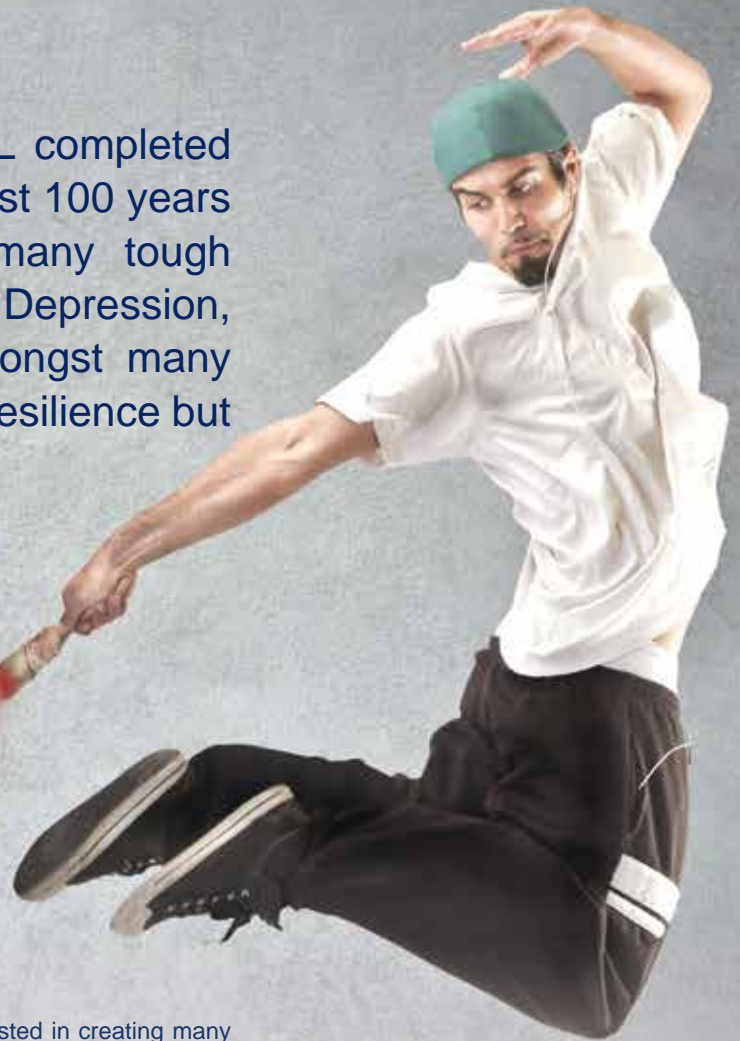




Demonstrating Resilience

On 2nd September, 2020, KNPL completed 100 years of its existence. The last 100 years has been a journey through many tough situations like Pandemics, Great Depression, World War, Financial Crisis amongst many others, which tested not just our resilience but also our resolve.



Through these 100 years, KNPL has persevered and invested in creating many long-term strategic assets while pioneering and bringing to the market many unique and pathbreaking technologically-advanced painting solutions for a variety of surfaces from walls, to automobiles, to infrastructure to appliances just to name a few. In doing so, KNPL has redefined the concept of Care for all types of surfaces in India.

As we embarked into the new millennium, a new challenge in the form of Covid emerged in the past year. Covid severely impacted business operations across the globe. The emerging situation once again challenged and tested us. We responded rapidly by implementing measures aimed at conserving cash, ensuring liquidity while always focussing on stakeholder care. We minimised operational expenses, built flexibility into our operations, launched innovative new products across segments and took steps that demonstrated our commitment towards the well-being of all our stakeholders. Despite all odds, we continued with our investment and expansion plans and ended the year with solid performance and growth.

Our innovative strategy, flexibility and cost optimisation and results have demonstrated KNPL's spirit of RESILIENCE.

Corporate Information

BOARD OF DIRECTORS

- **Mr. Pradip Panalal Shah**
Chairman (Independent Director)
- **Mr. Harishchandra Meghraj Bharuka**
Vice Chairman and Managing Director
- **Mr. Noel Naval Tata**
Non Executive Director (Independent Director)
- **Mr. Anuj Jain**
Executive Director
- **Mr. Hitoshi Nishibayashi**
Non Executive Director
- **Ms. Sonia Singh**
Non Executive Director (Independent Director)
- **Mr. Shigeki Takahara**
Non Executive Director
- **Mr. Takashi Tomioka**
Non Executive Director

COMPANY SECRETARY

Mr. G. T. Govindarajan

BANKERS

- AXIS BANK LTD.
- HDFC BANK LTD.
- ICICI BANK LTD.
- STANDARD CHARTERED BANK

STATUTORY AUDITORS

S R B C & CO LLP, Mumbai

REGISTERED OFFICE

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Website: www.nerolac.com

INVESTORS RELATIONS

E-mail ID: investor@nerolac.com
Corporate Identity Number (CIN): L24202MH1920PLC000825



About the Report

REPORTING PERIOD

Kansai Nerolac Paints Limited (hereafter referred to as 'KNPL' or the 'Company') is pleased to present its 101st Annual Report for the Financial Year 2020-21 (1st April, 2020 to 31st March, 2021, or the 'reporting period').

REPORTING BOUNDARY

The information provided in this Report pertains to the Company and its subsidiaries. The Report takes a broader approach by covering information beyond financial capital to five other capitals – natural, intellectual, financial, manufacturing, social & relationship and human capital. It demonstrates the interlinkage of these capitals and how the company uses them to maximise value creation for itself and all the stakeholders while managing trade-offs, risks and material issues. This Report intends to serve as a concise and all-inclusive communication about the Company's value creation process using both financial and non-financial resources.

STRATEGIC IMPERATIVES

The Report provides insights into the Company's business model, strategies, material issues emanating from stakeholder engagements and its response to it, governance, performance (financial and non-financial) and prospects, in the context of its external environment. Both qualitative and quantitative data have been used to enable stakeholders better understand the Company's business and evaluate its performance for making informed investment decision.

The strategic imperatives were developed in response to matters material to the Company. The Report focusses on material opportunities and risks that significantly impact our businesses and stakeholders, as discussed in the chapter on engaging with stakeholders and materiality assessment.

REPORTING PRINCIPLE

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

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

APPROACH TO MATERIALITY

The Report covers key material issues which have been identified basis various stakeholder engagements, their impact on value-creation process and the Company's approach to address them with a measurable target. This facilitates stakeholders in making informed decisions with regards to their engagement with the Company.

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Message from Vice Chairman and Managing Director



‘At every step of this 100-year journey, we have adapted and transformed, but what has always remained constant is our focus on care and innovation directed at protecting, inspiring and touching lives every day’

Dear Shareholders,

It is with great pleasure that I present to you our 101st Annual Report.

As we turned 100, we encountered one of the toughest years in our history. Despite the crisis situation arising out of the pandemic, it is important to note that your Company has performed well on all fronts.

We accorded the highest priority to human life and safety of all our employees as well as our various stakeholders like vendors, customers, dealers and painters as it worked to meet the challenges and opportunities of the pandemic.

100-YEAR LANDMARK

On 2nd September 2020, Kansai Nerolac Paints Limited (KNPL) marked the historic completion of a century in India. At every step of this 100-year journey, we have adapted and transformed, but what has always remained constant is our focus on care and innovation directed at protecting, inspiring and touching lives every day. Our Core Values have guided the way we conduct ourselves and interact with stakeholders.

RESILIENCE

Nerolac's Spirit of Resilience was put to test in 2020-21.

The year saw unprecedented demand destruction across categories, global supply chain disruptions and considerable volatility in material prices that scaled new highs. Managing this situation and the uncertainty called for Resilience. Nerolites rose to the occasion and demonstrated this spirit of Resilience whether it was in the factories, customer sites, R&D facility or even in the market.

We conducted a sensitivity analysis and stress tested various scenarios due to the pandemic. We identified potential impact areas and worked on agile mitigation strategies. A robust risk mitigation plan to protect the top-line and bottomline was put in place and rigorously tracked at the highest levels of the organisation.

A REVIEW

The first quarter saw unprecedented demand destruction with virtually no sales in Industrial as well as Decorative, even in April, the peak month of the season. However, Decorative demand started to revive in small towns and Tier 3 and Tier 4 markets, which led to a sharp recovery in the second quarter. Demand remained healthy in the subsequent quarters. Industrial demand also recovered towards the end of Q2.

In Decorative, as the market revived, Construction Chemicals also saw strong growth. However, KNPL being a new entrant in this space and in the process of developing product portfolio and distribution, was unable to take the full

benefit of this revival. We were able to close gaps in our product portfolio by the fourth quarter.

Material costs at the start of the year were benign due to low demand, but started moving northward once demand picked up and increased at double digit rate towards the end of year. As the pandemic concurrently affected different parts of the world, many force majeure were announced, that, coupled with disruptions in shipping lines, created several supply chain challenges.

We launched a comprehensive cost management programme across all areas. Good material cost reduction, strong overhead review and control besides focus on assets and people productivity defined our response to the situation. We were able to post a profitability of 17.8% for the year gone by.

NEW THRUST AREAS

In line with our strategy, we focussed on new segments. In Decorative, the focus was on our paint brand Soldier, Construction Chemicals, Adhesives and High-end Wood finishes. In Industrial, we looked at our niche areas in Powder and Performance Coatings, ARF and Coil Coatings.

KNPL had launched its Soldier brand a few years ago to cater to the economy segment of the paint market. The brand has gained good acceptance over the years and will prove to be a vehicle of future growth.

In Construction Chemicals and Adhesives, we are focussed on strengthening the Brand and product range. We launched new products, increased reach and distribution, initiated influencer programmes and approvals from OEMs. These steps will enable us to become a significant player in these markets and participate in growth opportunities over the coming years.

Similarly, in Wood finishes, we entered into a tie-up with Italian company ICRO Coatings, which has a comprehensive range of products. We have invested in branding, distribution and capacity to ensure that we are poised to benefit from opportunities in this market.

In Industrial, we have entered the Sealants and Underbody segment in Automotive. We have chosen to focus on the premium segment in powder coatings as well as functional coatings such as rebar, heat resistant powders and super durable powders. Similarly, in Performance Coatings, we have focussed on high end performance coatings in areas like Bridges, Metros and Pipes. Our products have gained acceptance and poised to become growth drivers over the coming years.

NEW BUSINESS AS AN OPPORTUNITY

Our deep technological leadership has enabled us to work closely with customers to create customised solutions providing better finish, film properties and thickness,

productivity and cost besides energy savings too. We are able to draw on our global technology from across the Kansai Network and work jointly with OEM customers to create long-term product roadmaps, which add value over the long term. Combined with our technical services, we have added value to our differentiated offerings for our customers.

Building on this strength, we drew up aggressive plans during the year to generate additional business across the Industrial segment where we are the leader. Our efforts have borne good results with KNPL gaining market share across Automotive, General Industrial and Powder coatings.

LONG-TERM STRATEGY FOR DECORATIVE

The Decorative market is seeing renewed interest with new and emerging competitors. It is likely to witness intense competition in the years ahead. We have engaged in a formal exercise to revisit our business strategy in terms of elements like new distribution models and unique to category products and services. We have also launched new products on the Health and Hygiene platform this year.

INTERNATIONAL SUBSIDIARIES

Internationally too, the impact of COVID was visible in terms of demand and supply challenges. Although, different markets opened at different times of the year, demand in H1 was impacted significantly. Despite this disruption, our international subsidiaries in Nepal, Bangladesh and Sri Lanka continued to grow from strength to strength with improvement in all areas.

In Bangladesh, the Company was renamed Kansai Nerolac Paints, Bangladesh. A majority of its products have now been converted to the Nerolac Range. The Company has also made a foray in the Industrial Paints Market In Sri Lanka, after numerous challenges, the Company is now in turnaround mode. Our operations in Nepal continue to do well.

OUR NEW BRAND IDENTITY

Last year, we unveiled our new brand identity 'Swirl'. We constantly endeavour to create an environment of 'care' and our new **brand positioning of 'Colours that Care'** resonates with our philosophy of care and accountability. It is an integral part of our identity and a living manifestation of the care that we offer in an ever-changing world. It encompasses all that we are – innovative, inventive, agile and of course, caring.

In keeping with our brand promise, we launched a series of digital films titled 'Aaj Careful toh Kal Colourful' to spread the message that we need to stay home and be careful during the pandemic. We shifted our advertisement strategy

from mass media to a greater focus on digital platforms to better connect with consumers and channel partners during the pandemic.

We also rolled out new packaging with the new brand identity this year.

TECHNOLOGY AND INNOVATION

Kansai Paints, our parent company and a leader in Japan, as well as the entire Kansai group of companies are a rich source of new ideas and technologies. Additionally, our technology partners bring in cutting edge technology. Our close working relationship with suppliers, both in India and globally, has helped us create exciting new technological roadmaps and innovations.

CAPACITY EXPANSION

We have continued with our expansion and investment plan into building new capacities. Capacities were added in several product lines viz. coil coating, CED, wood finish and powder coatings. All this firmly establishes our belief in the Indian Growth Story and demonstrates our resilience during the pandemic crisis.

SUPPLY CHAIN RESILIENCE

We have a robust and responsive supply chain built on a strong IT backbone right from demand generation to fulfilment and closely aligned with our supplier base. During this difficult period, we have laid specific emphasis on improvement of Service levels and OTIF (On time in full) despite the constraints in the environment.

DIGITAL

We have embraced Digital in a big way. We have always believed in leveraging IT to drive business efficiency and better decision making. Our investment in IT infrastructure ensured that we stayed ahead of the curve.

The COVID-19 pandemic provided us an added impetus to drive the identified digital transformation with renewed zeal. We successfully transitioned our entire workforce to the Work from Home (WFH) environment using cloud-based technologies. We have leveraged digital to drive a deeper connect with our employees through a range of applications.

We developed several digital tools for conducting business better and even faster. We launched digital applications for our Sales team, Dealers and Painters. We have used advanced analytics to drive improvements in R&D, Manufacturing and Supply chain. The applications are developed using leading technology such as Artificial intelligence and Machine learning. Digital applications have served to bring in convenience and insights into decision-making at the click of a button.

SUSTAINABILITY

Sustainability has been one of the key focus areas for the Company. This year has seen furthering of these efforts to ensure KNPL is top notch in this area.

Environment

We are dedicated to facilitating society in the conservation of natural resources and environment protection. We have been at the forefront of the Industry in taking a lead on sustainability over the past several years. Our facilities are ISO 14001 and ISO 45001 standards certified. Our rigorous sustainability management measures have resulted in 11 per cent reduction in Specific Water Consumption, 8.5 per cent reduction in Specific Hazardous Waste generation and 13 per cent reduction in emissions (Scope 1, 2 & 3). Our renewable energy consumption contributes 46 per cent of our total energy consumption (power & fuel) and 30 per cent of our total power consumption is from renewable sources. Our sustainability disclosures comply with Global Reporting Initiatives (GRI) 4.0 Standards.

Community

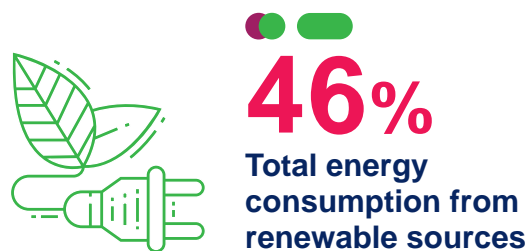
We have engaged in Corporate Social Responsibility (CSR) programmes aimed at societal improvement with a particular emphasis on activities that benefit the disadvantaged and vulnerable sectors of society. We have consistently participated in social initiatives that have led to improvement in livelihoods, healthcare and sanitation facilities, besides educational access in the communities where we operate. Several initiatives were also undertaken for welfare and skill upgradation of our painter community.

STAKEHOLDERS

We ensured that stakeholders' interests are protected during the pandemic crisis. We took several measures for Customers, Suppliers, Dealers and Painters to maintain business continuity and protect their interests and livelihoods. We worked jointly with customers for smooth closure and start-up of operations pre and post lockdown respectively. Every measure was taken to ensure continuity of operations for all stakeholders during the pandemic. For you, our shareholders, we also declared an interim dividend during the year.

PEOPLE

In the staunch belief that our people are a valuable asset in KNPL's progressive odyssey, we are committed to fostering their growth. We continue to invest in improving the competency of our workforce in order to provide further value to our customers. We established a Digital University and introduced several digital resources to help employees improve their capability and competency. We had invested in a variety of internal and external competency and skill programmes including Ivy League programmes to ensure that our staff remain on the cutting edge.



WAY FORWARD

On the back of the vaccine rollout, the Indian economy is projected to expand by double digits. Every industry segment is brimming with optimism. The Paint Industry, on the other hand, is experiencing unprecedented changes. New entrants are making inroads. Smaller and niche players are stepping up their game. Private labels can be created by organised service players. New channel models are surfacing. New regulations are increasing the burden on how we conduct our business. All these factors as well as changes in consumer behaviour necessitate alertness and rapid adaptation to these challenges.

We are re-inventing itself by strengthening every facet of our business from talent, systems, sustainable product design and development to state-of-the-art manufacturing, efficient distribution, and higher service orientation.

We have taken up the task to develop future leaders through empowerment and by creating a lean organisation structure. We have invested in various leadership and competency building programmes designed for our future leaders and senior management.

IN CONCLUSION

The new year has begun with challenges in terms of high inflation and short-term uncertainty over the spread of the COVID-19 pandemic. Price increases in all markets along with the ability of the economy to bounce back fast are critical.

The agility and resilience demonstrated by our people during the pandemic gives me utmost confidence in our company's ability to successfully overcome the challenges in the short term and continue to build a sustainable future over the long term.

H M Bharuka

Vice Chairman and Managing Director

Key Highlights

100TH YEAR MILESTONE



The 2nd of September, 2020 was marked a Red Letter Day for Kansai Nerolac Paints Limited (KNPL) which was written down in history for completing a century of presence in India. KNPL acknowledges the contribution of its parent company Kansai Paints Co. Ltd., overseas partners, painters, dealers, customers and employees for this memorable and enriching journey.

CARE



KNPL's philosophy of Care for its employees, customers, painters, and dealer and to the society at large is well reflected in the various initiatives undertaken during the year.



BRANDING



The organisation's purpose to create an environment for a healthy & beautiful future provided the much-needed impetus to launch its new positioning '**Colours That Care**'. The Company unveiled its new brand identity "Swirl" - a symbol of ensuing positive change and re-evaluation that our brand seeks to encourage within the industry and amongst consumers, thereby creating an environment for transforming the world.

This was launched through a series of digital films titled "**#AajCarefulTohKalColourful**", creating the context of today's times. The Company also rolled out new packaging with the new brand identity.

NEW PACKAGING



Excel Anti Pollution



Excel Anti Peel



Beauty Little Master



Suraksha Dust Resist



Excel Top Guard

ESG (ENVIRONMENT, SOCIAL & GOVERNANCE)

Being a responsible organisation, we adopt a holistic approach towards environmental sustainability. KNPL has been actively working on the sustainability agenda for nearly a decade and has brought ESG at the centre stage of its strategy. It has incorporated ESG parameters from product design stage to product usage stage. KNPL also featured in NSE-ESG report published by NSE.

