



Broadening horizons for a
Sustainable future

Broadening horizons for a Sustainable future

AT KANSAI NEROLAC PAINTS LIMITED (KNPL), WE AIM TO BUILD “A FUTURE WITH A FUTURE”.

A sustainable future for an organisation is one in which it can achieve the best possible balance between The 3 P's **People, Planet and Profit**. Here at KNPL, we focus on protecting and nurturing this triple bottomline.

As we enter the second century of our journey, we have increased our efforts to promote a people-centric culture by expanding the horizons of collaboration, innovation and empowerment in the organisation.

In addition to the above, another horizon that we are committed to consistently contribute to the society through our CSR initiatives. We believe by doing so, we make significant contribution to the United Nations Sustainable Development Goals (UN SDGs).

We continue to instil an advanced sustainability culture in the organisation. We have been persistently stretching the limits of sustainability in the industry and have been a front-runner in reporting its ESG disclosures on global platforms. In order to further our sustainable development strategy, we majorly focus on water positivity, increase contribution of energy from renewable sources, reduction in carbon footprints, reduction in hazardous waste generation and sustainable sourcing of raw materials.

Over the years, we have built an innovation-driven organisation and have created several technology differentiators to offer unique and environment-friendly products and solution to our customers. We have broadened our product portfolio and expanded our service network to meet the evolving needs and preferences of our customers.

Our progressive paradigm of innovation and sustainability has always led to:

- Better profits for our investors
- Nurturing and progressive culture for our internal stakeholders
- Planet-friendly process and products for environment sustainability

Corporate Information

BOARD OF DIRECTORS

Mr. Pradip Panalal Shah

Chairman (Independent Director)

Mr. Harishchandra Meghraj Bharuka

Vice Chairman and Managing Director
(Up to 31st March, 2022)

Mr. Noel Naval Tata

Non-Executive Director
(Independent Director)

Mr. Anuj Jain

Managing Director
(From 01st April, 2022)
Executive Director
(Up to 31st March, 2022)

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

CHIEF FINANCIAL OFFICER

Mr. P. D. Pai

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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INVESTORS RELATIONS

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Corporate Identity Number (CIN):
L24202MH1920PLC000825

About the Report

REPORTING PERIOD, SCOPE AND BOUNDARY

This Report contains the financial and non-financial information of Kansai Nerolac Paints Limited (hereafter referred to as 'KNPL' or the 'Company') and its subsidiaries for the period 1st April, 2021 to 31st March, 2022, or the 'reporting period'.

APPROACH TO REPORTING

The Report takes a broader approach of integrated reporting by covering information beyond financial capital to five other capitals – natural, intellectual, manufacturing, social & relationship and human capital.

Through this Report, we demonstrate the inter-linkage of these capitals and how the Company uses them in its business model 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.

The Report further provides insights into the Company's operating context, the strategies along with risks associated in achieving them and expectation of prospects and performance. Governance-related inputs have been covered to provide insights on how the Company protects value and interests of stakeholders.

To make the Report inclusive and enable stakeholder better evaluate our performance and prospects, both qualitative and quantitative data have been captured. This will help them make informed decision regarding their engagement with the Company.

REPORTING PRINCIPLE

The financial and statutory information presented in this Report complies with the 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 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 succinct and comparable manner to enhance the Report's value for all stakeholders. The assumptions, exclusions and restatements have been included wherever applicable. Further, the Report also follows the content and guiding principles guidelines of Integrated Reporting framework by the International Integrated Reporting Council (IIRC).

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.

ASSURANCE

Assurance on selective non-financial disclosures of KNPL have been assured by M/s Aneja Associates. The assurance has been given against the disclosures' adherence to the GRI's Sustainability Reporting Standards.

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

Farewell note from Mr. H. M. Bharuka

Dear Shareholders,

After 36 years of service, which include 21 years as Managing Director of KNPL, I have superannuated from the position of Vice Chairman and Managing Director on 31st March, 2022.

In the last 21 years, the Company has grown in leaps and bounds year after year winning admiration across stakeholders.

We have created a resilient organisation, and in the process made Nerolac a brand to reckon with. We have strategically invested in building state-of-the-art manufacturing plants, superior IT and digital platforms, strong corporate governance culture along with a caring value system for employees and society.

I now pass the baton to our Executive Director Mr. Anuj Jain. Anuj has been with KNPL for the past three decades having joined as a Management Trainee.

Do join me in wishing him good luck

H. M. Bharuka

Message from Managing Director

Mr. Anuj Jain



Dear Shareholders,

I humbly assume the august office of the Managing Director of this great organisation. I am honoured and excited to be given this opportunity to lead and serve Kansai Nerolac Paints Limited and I am committed to raise our core strengths of resilience and excellence.

I want to share my sincere thanks to Mr. Bharuka for creating an extremely strong and vibrant organisation.

With great pleasure, I deliver our 102nd Annual Report to you.

Organisation Philosophy

The Company aspires to make its human capital the core of the business strategy. It endeavours to develop a culture of collaboration and partnerships. The aim is to focus on

the integrated potential by creating an organisation built on openness, collaboration, innovation, and empowerment. The Company will continue to invest in a variety of initiatives towards empowering people at all levels to create a committed organisation, and in the process, create great value for all stakeholders.

Economic & Business Scenario

In the year under review, the economic scenario witnessed a roller coaster ride. In the first quarter towards the end of April and throughout May, the industry saw muted volumes due to curbs imposed on account of the second wave of COVID - 19 infections. The second and third quarter witnessed good demand momentum in the decorative segment. However, the automotive paint demand was affected by shortage of semiconductor chips. Material costs

continued to increase due to rising crude oil and chemical prices which resulted in an unprecedented inflation. As a result, finished goods costs rose significantly during the year. In the fourth quarter, the world witnessed another crisis in the form of war between Russian and Ukraine. This led to crude oil prices reaching record highs, thus impacting prices of chemicals and petrochemicals. Overall, the business environment was extremely uncertain and volatile.

Performance Overview

Amidst the challenges, KNPL continued to expand its horizons by offering new products and solutions, expand its distribution network and enter new business segments, resulting in top line growth of 24.7%. Due to steep inflation in material prices, the Company's EBITDA is down by 23.3%. Hence, we sought price increases across all product segments. In the Decorative segment, the price increase has been sufficient to offset the inflation. However, in the Industrial segment, the price increases have been insufficient and short of countering the inflation.

The Board had declared and paid an interim dividend of 125% and proposed final dividend of 100%, aggregating to 225% for the FY 2021-22.

Brand Proposition

In March this year, KNPL launched its new brand expression "PAINT+". The "+" here stands for our commitment to provide our consumers with unique and additional product features. The features built into our products offer benefits that resonate with emerging consumer needs and preferences. We have also brought back the classic Nerolac jingle to revive the soul of KNPL's advertisements and media campaigns. Both these initiatives will strengthen the Company's market position in the decorative segment in the coming year.

Technology & Innovation

KNPL has a strong R&D set-up with cutting-edge technologies in diverse business segments and coating applications. Our parent company, Kansai Paint Co., Ltd., Japan and the entire Kansai group of companies is a rich source of knowledge to upgrade our technical know-how. Our collaborations and tie-ups with our overseas partners add to our intellectual capital and assets. We work closely with our customers to develop customised solutions. Development of sustainable and environment-friendly products and solutions is a key focus area for the R&D team.

New Thrust Areas

KNPL has ventured into new business segments in the recent years including construction chemicals, wood-finish,

adhesives, rebar coatings, pipe coating, coil coatings to name a few. The Company witnessed strong growth in these segments. The Company has expanded the product portfolio, distribution reach, dealer network and enhanced influencer programmes. Various international product certifications like REACH and WRAS helped us in business proliferations.

Capacity Expansion and our Spread

We have invested in our manufacturing capabilities with backward-integrated plants across the country. These plants have in-house resin and emulsion manufacturing capabilities. During the year, we added resin facility in Sayakha and emulsion manufacturing facility in Amritsar (Goindwal Sahib). Both these investments will bring in operational efficiency and cut down logistics cost. KNPL has a manufacturing footprint that is spread across the country and provides next-door services to its institutional clients. We have created a distribution network of 99 depots and 7 distribution centres to cater to our dealer network in the decorative business.

Supply Chain Resilience

From raw material supplies to demand fulfilment, we have a robust and responsive supply chain that is built on a strong IT backbone. The team has done a phenomenal job in ensuring continuity of supplies and ensured business continuity for its customers despite numerous supply and logistics challenges. KNPL focussed on ensuring higher OTIF (On Time in Full) for our industrial customers and commissioned new distribution centres for higher reach and service.

Digitalisation & Information Technology

With the launch of multiple digital platforms, the organisation has made rapid progress in the digital arena. It has launched several digital applications for both internal stakeholder i.e. Employees and external stakeholders i.e. Dealer, Influencer and Customers. These initiatives were deployed across the organisation to enhance agility, operational efficiencies, visibility and real-time information.

During the year, KNPL upgraded its IT infrastructure with enhanced disaster recovery capabilities. We focussed on governance and built sensitivity on cyber security amongst employees. We also conducted the external verification and Vulnerability Analysis during the year.

Care

I would like to offer my sincere condolences to all who have suffered untimely bereavements because of the COVID-19 pandemic. This year, the second wave's health consequences were far more severe. Despite this, we did our

best to contain the spread of virus by providing our workers and employees with vaccination drives and distribution of safety equipment.

People

As a testimony to the initiatives taken towards making KNPL a congenial workplace, we were recognised as a “Great Place to Work” by the Great Place to Work institute for the 2nd time. The first certification was given in the year 2019, and the second was given in the relevant year 2021.

Integration

We have successfully integrated our subsidiaries, Marpol Private Limited (“Marpol”) and Perma Construction Aids Private Limited (“Perma”), allowing us to derive significant benefits from synergies that have resulted in better operational efficiencies, market penetration, and product mix for the Powder Coating and Construction Chemicals business.

Sustainability

Strategy & Materiality

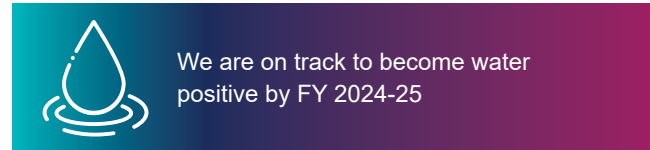
Sustainability has been one of the key focus areas for KNPL. This year has seen furthering of these efforts to ensure KNPL is topnotch in this area. KNPL practices sustainable growth with a focus on protecting and nurturing our triple bottomline – People, Planet and Profit. As part of this strategy, we are focussed on de-carbonisation, resource use, Quality of life, Diversity and Governance as key materiality areas. We are on track to become water positive by FY 2024-25.

Climate Change

We have reduced our carbon footprint in terms of energy usage and increasing the share of renewable energy. We have created a framework for climate change management with Board oversight. As part of this initiative, we are working on inventorisation of Scope 3 emissions, Task Force on Climate-related Financial Disclosures (TCFD) and adopting Science Based Targets. We have also undertaken third-party assurance for our sustainability initiatives in this year.

Community

Community service and giving back to the society is an integral part of KNPL’s growth strategy. CSR initiatives promote social growth with a focus on the vulnerable and disadvantaged section of the community. We encourage and promote employee participation in CSR initiatives which



inculcates an individual feeling of social responsibility while also strengthening the Company’s community focus.

International Subsidiaries

In the international business too, there were similar challenges as seen in the domestic side with unprecedented material price inflation coupled with supply challenges. Price increases were targeted to offset the inflation. Focussed cost reduction initiatives were undertaken to sustain margins. New product launches, marketing campaign, distribution expansion, CCD penetration and influencer programs initiatives too were undertaken during the year. Best practices in areas of productivity and sustainability were driven across all the subsidiaries.

Our international subsidiaries Bangladesh, Nepal and Sri Lanka have shown true resilience and have posted strong topline growths. However, Sri Lanka is facing an economic crisis, which has impacted business activity and peoples’ day-to-day lives. Under these circumstances, the Company has taken measures to safeguard its business interest and its employees.

Into the Future & Way Forward

We have embarked on a journey to place its people at centre of our strategy. We believe that by taking the “people first” approach, we can create a positive and transparent workplace culture. A positive workplace culture leads to high performance, both individually and organisation-wide. KNPL will foster a culture of collaboration, innovation and empowerment to create value for the organisation and its stakeholders.

In conclusion

Moving forward, the global economic scenario is changing with a more hopeful future ahead. We continue to strengthen our core and broaden our horizons into the multiple facets of the organisation. We are marching forward with our People, Planet and Profit approach to create a sustainable tomorrow.

Anuj Jain

Managing Director

Key Highlights

BRANDING

This year, KNPL envisioned its new brand expression of “PAINT+”.

PAINT+ is a testament to our commitment to offer world-class products with added features. The “+” represents our promise to provide products that go beyond standard market offerings. It exemplifies our dedication to leverage our Japanese expertise and legacy of over 100 years in becoming the brand that goes beyond colour and finish.

NEROLAC PAINT+

ESG

KNPL has put environmental, social, and governance (ESG) at the forefront of its strategy. It has been a front-runner in ESG disclosures. Global ESG Indices such as S&P Global and FTSE have assessed the ESG performance of KNPL.

In 2021, Corporate Sustainability Assessment (CSA) has ranked KNPL in the top quartile of the S&P ESG Index in the chemical space. KNPL was also ranked No. 1 in the paint industry and in top quartile in manufacturing space in the CRISIL ESG Compendium launched in 2021.

