


# **COLLABORATION**

**Kansai Nerolac Paints Limited**

103<sup>rd</sup> Annual Report 2023



At Kansai Nerolac Paints Limited, we aim to highlight transformative power of collaboration in bringing colour and creativity to life.

We have focussed on empowering our customers, partners, employees and communities throughout the year.

We firmly believe that collaboration holds the key to constructing a sustainable future. It is through collaborative efforts that we can forge a path towards a more equitable and inclusive world, while also fuelling innovation and driving growth.

As an organisation driven by innovation, we have invested in fostering a collaborative culture to promote cross-functional teamwork and sharing of ideas.

This approach has resulted in the development of new technologies, improved business processes, and better understanding of customer needs.

This, in turn, has led us to producing high-quality, innovative products through close collaboration with customers and partners.


In line with our commitment to sustainability, environmental, and social accountability, we have taken active steps towards fulfilling our responsibilities.

We have made strides in areas such as renewable energy, diversity and inclusivity, employee growth, community engagement, and responsible sourcing.

This includes collaborating with suppliers to reduce our carbon footprint, minimising waste and partnering with local communities to promote the responsible use of our products.

We have extended our collaboration to our value chain partners, imparting training and awareness sessions on environmental, social, and governance (ESG) topics as we invite them to embark on our collective sustainability journey. Our internal teams have worked together to promote workforce development, ensuring a collaborative approach to create opportunities for employees. Through these efforts, we strive to foster a culture of continuous learning and growth within our organisation.

As we look ahead, we are confident that our unwavering commitment to collaboration will pave the way for us to generate even greater value for our customers, stakeholders, and communities.



Together, let us harness  
the transformative power  
of collaboration as we  
paint a vibrant canvas of  
endless possibilities!



# 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, 2022 to 31st March, 2023, or the 'reporting period'.



## APPROACH TO REPORTING

The Report takes an integrated approach by providing information on various capitals beyond financial, including natural, intellectual, manufactured, social & relationship, and human capital. It demonstrates the interlinkage of these capitals within the Company's business model to create value for stakeholders while managing risks and material issues.

The Report serves as a comprehensive communication, encompassing financial and non-financial resources, highlighting the Company's value-creation process. It also includes insights into the operating context, strategies, associated risks, and future prospects. Governance-related information is provided to showcase how the Company protects stakeholder interest.

The Report presents both qualitative and quantitative data to enable stakeholders to make informed decisions 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 succinctly and comparably 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 addressing 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 has been assured by M/s Aneja Associates. The assurance has been given against the disclosures' adherence to the GRI's Sustainability Reporting Standards.

# CORPORATE INFORMATION FY 2022-23

## BOARD OF DIRECTORS

**Mr. Pradip Panalal Shah**

Chairman,  
Non-Executive, Independent Director

**Mr. N. N. Tata**

Non-Executive, Independent Director  
(upto 10th August, 2022)

**Mr. Anuj Jain**

Managing Director

**Mr. Hitoshi Nishibayashi**

Non-Executive Director

**Ms. Sonia Singh**

Non-Executive, Independent Director

**Mr. Shigeki Takahara**

Non-Executive Director

**Mr. Takashi Tomioka**

Non-Executive Director

**Mr. Bhaskar Bhat**

Non-Executive, Independent Director  
(from 10th August, 2022)

## 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

NEROLAC HOUSE

Ganpatrao Kadam Marg,

Lower Parel, Mumbai-400 013, Maharashtra.

## CORPORATE OFFICE

28th Floor, A-wing, Marathon Futurex,

N.M. Joshi Marg, Lower Parel,

Mumbai – 400 013, Maharashtra

## TELEPHONE NO.

+91-22-40602500, +91-22-40602501

## CORPORATE WEBSITE

[www.nerolac.com](http://www.nerolac.com)

## INVESTORS RELATIONS

E-mail ID: [investor@nerolac.com](mailto:investor@nerolac.com)

Corporate Identity Number (CIN):

L24202MH1920PLC000825

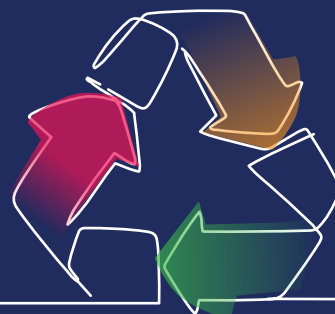
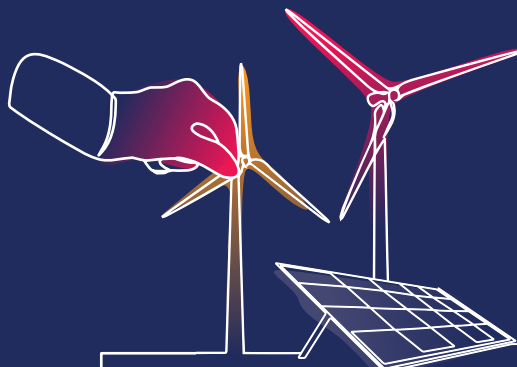


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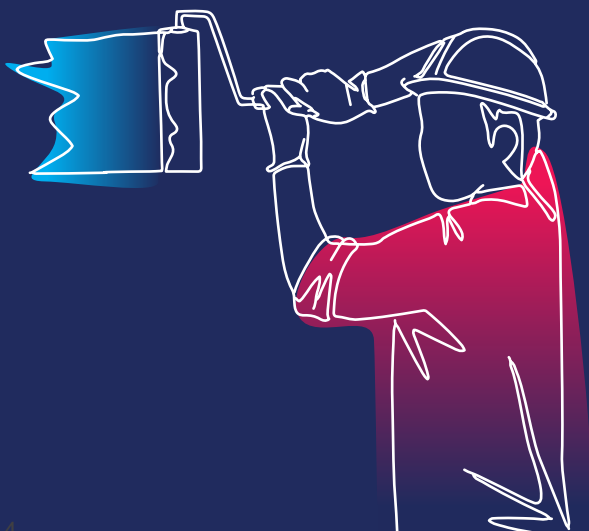
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[www.nerolac.com](http://www.nerolac.com)

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## MESSAGE FROM MANAGING DIRECTOR



I personally believe that culture plays a very important role in shaping the organisations future. We adopted a culture of innovation, collaboration and empowerment and took a series of initiative to build it. Several innovation workshops were conducted with employees at all levels of the organisation.



### Dear Shareholders,

On 31st March, 2023, I completed one year as the MD of KNPL. I would like to express my sincerest appreciation for the support and guidance extended to me during this period. As we move into a new year, it is important to reflect on the challenges we faced and opportunities we created. This annual report stands as a testament to our achievements, offering valuable insights into the current state of our business and outlining our visionary outlook for the future.

### Organisation Philosophy – People

The Company embarked on a transformative journey in the past year, placing its employees at the heart of every endeavour. The core philosophy being that the Company's success is strongly connected with its employees' well-

being and growth. Happy employees are more engaged, more productive, have a positive outlook on one's work, and contribute better to stakeholder satisfaction. Multiple interventions were conducted throughout the year to ensure high employee involvement, participation and engagement in the corporate agenda. As a result, internal surveys indicated a significant uptick in the internal 'Employee Happiness' measured during the year.

### Culture of Innovation, Collaboration & Empowerment

I personally believe that culture plays a very important role in shaping the organisations future. We adopted a culture of innovation, collaboration and empowerment and took a series of initiatives to build it. Several innovation workshops were conducted with employees. Idea generation sessions were conducted and cross-function teams were deployed

to implement the identified ideas. The cross-functional approach led to higher collaboration. During the year, there were several strategy projects identified by the Company. Employees were entrusted with these projects and were empowered to take decisions to drive them. During the process, both the individual employee as well as the team of employees had an experience which capitalised on their expertise and judgement. Thereby increasing their commitment to the organisation and aiding them to feel empowered and motivated.

### Economic & Business Scenario

In the last few years, businesses have experienced both the highs and lows of the macroeconomic situations. Inflation on account of material prices peaked and then started to mellow down during the year. Supply chain challenges eased out, but pockets of disruptions continued. Volatility in currency also played out during the year and witnessed a significant Rupee Vs US Dollar peaking. While crude oil prices continued to decline, the situation seemed volatile due to various geopolitical events playing out.

In India, infrastructure spending, healthy demographics, and push for real estate and housing supported the paint demand. The Automotive industry recovered from chip shortages and exhibited strong demand. Services started emerging as an important element in satisfying end-consumer needs.

### Performance Overview

KNPL experienced robust growth across various segments and successfully expanded its product portfolio, distribution reach, dealer network, and influencer programs.

The Automotive business showcased outstanding demand, while the Performance Coating and Auto Refinish markets also experienced healthy growth.

In the Decorative business, we observed strong demand in the Projects segment and for Wood-finishes, Waterproofing, and Construction chemicals. Additionally, our services offerings was expanded to more cities, receiving a highly positive response from consumers.

Moreover, we made concerted efforts to promote and sell premium products in both the Decorative and Industrial sectors. As a result, our topline recorded an impressive increase of 19%.

On the profitability side, the Company implemented a series of measures. These included judicious cost control measures, collaborative efforts with value chain partners, price increase initiatives, and strategically exiting from low-margin product



## 22.6%

EBITDA

## 29.9%

PAT

## 270%

The board has recommended a dividend of 270% for FY23.

portfolios. As a result of these actions, we achieved significant improvements in financial performance. Notably, our EBITDA witnessed a remarkable growth of 22.6%, while our PAT experienced an impressive surge of 29.9%. Reflecting our strong financial position, the board recommended a dividend of 270% for FY 2022-23.

### The Nerolac Story - Our Strengths

With a rich legacy spanning 100 years, the Company boasts a diverse portfolio of products catering to a wide range of segments within decorative and industrial coatings. Through our painting solutions, we provide 'Beauty and Protection' to everything that a household uses on a daily, be it paints for homes (Interior & exterior, wood finishes), automobiles (4-wheeler, 2-wheeler), consumer durables (fans, microwaves, refrigerators, washing machine), personal use articles (hair clips), and transportation infrastructure (bridges, metro rail). This is why we say 'There is a little bit of Nerolac in everybody's life'.

Nerolac brand is the 2nd strongest brand in the industry. The enduring Nerolac jingle continues to strike a chord with consumers, forging a connection that echoes our illustrious legacy. The Company has strong tie-ups with overseas companies to develop the best solutions for customers. Through relentless innovation, we strive to introduce pioneering products that set new benchmarks in the market. Leveraging Japanese technology, KNPL delivers these distinctive offerings and tailored solutions to cater to the evolving needs of our customers.

### Strategy

In the realm of our Industrial business, where we proudly hold a leadership position, our primary focus is to achieve profitable growth across all the segments we serve.

To drive this objective, we have introduced cutting-edge technologies such as tin-free CED and Medium Solid base coats in the Automotive sector. We have made substantial progress in the new and rapidly growing Electric Vehicle segment.

In the Auto Refinish sector, our emphasis lies on expanding our market share through an extensive network expansion. In Performance and Powder Coatings, multiple initiatives have been planned and launched around expanding our product portfolio based on superior technology. Our access to advanced technology and approvals, facilitated by our association with Kansai Paint, its entities, and other technical collaborators, has enabled us to enter new segments and secure approvals from customers within those segments. We have set a series of initiatives to improve the share of premium products in the portfolio. We have also consciously exited from low-profitable segments. We collaborated with customers to deliver sustainable products that fulfil their unique requirements.

The Company's growth strategy focusses on delivering a unique customer experience through NXTGEN painting service, consultation services, increased engagement with painters, partnerships with architects and interior designers. In Decorative business, we implemented collaborative strategies and invested in various initiatives to strengthen our influencer and distribution network. Under the brand Expressions Paint+, the Company developed unique-to-category products and democratised the segment by launching premium features at popular price points. Our painter engagement programme 'Pragati' was expanded to reach out to more painters and establish deeper connections with them. We launched a unique loyalty programme 'Illuminati' for architects & interior designers. The consumer journey was taken to the next level through our Nxtgen Painting and consultancy services, which provided all services at the doorstep of the consumer with just a click of a button. The Company expanded its geographical reach by adding more retail touchpoints and experience stores - Nxtgen Shoppe.

To establish a deeper connection with consumers, the Company made strategic investments in branding and media campaigns, ensuring a more prominent presence in the market. Various channels were utilised to promote the brand and its products, including TV commercials, print advertisements, outdoor hoardings, OTT platforms, and online advertising. A new TV commercial featuring our brand ambassador Ranveer Singh was launched to promote the Impressions range of products. Additionally, the Company sponsored prestigious events such as the IPL (Indian Premier League) and Indian Idol, further enhancing its brand visibility and reach.

### Creating Digital Assets

The Company has made significant strides in the digital realm by launching multiple digital platforms. These platforms cater to both internal and external stakeholders, enhancing agility, operational efficiencies, visibility, and real-time information for all parties involved.

Through the development of a comprehensive digital ecosystem, the Company offers various applications that deliver a superior experience and enhanced visibility across the entire value chain. Users, including consumers, can track every stage of the painting cycle in their homes, starting from the expression of interest to its completion. Additionally, the Company provides a range of online tools to assist consumers and influencers in making informed decisions, as well as providing training and educational resources.