

**Audited Financial Statements**  
**of**  
**Kansai Nerolac Paints (Bangladesh) Limited**  
As at and for the year ended 31 March 2024

# **Hoda Vasi Chowdhury & Co**

## **Chartered Accountants**

**Auditor's report to the Group Auditor on the audit of financial information for group audit of Kansai Nerolac Paints (Bangladesh) Limited**

**Year-end: As at and for the year ended 31 March 2024**

**Currency: BDT**

**To: Anil Jobanputra, Partner in charge, S R B C & CO LLP.**

### **Opinion**

We have audited, for the purpose of audit of the consolidated Ind AS financial statements for the year ended 31 March 2024 of Kansai Nerolac Paints Limited, the accompanying financial statements of Kansai Nerolac Paints (Bangladesh) Limited ("the Company") which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that is relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Going Concern**

Without modifying our opinion, we draw attention to note 37 to the financial statements where the management has elaborately described about its financial position, business plan and how the Company will continue as a going concern in the foreseeable future.

### **Key audit matters**

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

### **Revenue**

At the year end the Company reported total revenue of Taka 2,685,353,847. The Company recognizes revenue when a contractual performance obligation is fulfilled by transferring control over the promised goods to a customer provided that collectability of the consideration is probable. Revenue is measured based on the transaction price as in, the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes.

While the risk and rewards are being transferred for the performance obligations at the delivery point and control has passed, there is a risk that the Company might misstate or manipulate sales quantity or price in the financial

statements. There is also a risk that revenue may be overstated or understated through various discounts and incentives.

***How our audit addressed the key audit matter***

We have tested the design and operating effectiveness of key controls focusing on the calculation of discounts, segregation of duties in invoice creation and modification and timing of revenue recognition.

We assessed the reporting environment of the Company as well as other relevant systems supporting the accounting of revenue. We also performed various substantive tests to address the risks associated. We obtained supporting documentation for sales transactions recorded on either side of year end whether revenue was recognized in the correct period. We also reviewed the monthly reporting from stores and depots and assessed them for consistency and checked documentation on sample basis. We tested the revenue recognition against the 5-step model and checked the relevant internal control to verify that there has been no override of control. We have observed the timing of revenue recognition as well as checked the cut-off. Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards.

***Valuation of Inventories***

As at 31 March 2024, the Company held inventories of Taka 407,295,669. Inventory valuation and existence was an audit focus area because of the number of stores/locations that inventory was held at, and the judgment applied in the valuation of inventory to incorporate inventory shrinkage. As described in note 3.5 of the financial statements, inventories consisting of raw materials, packing materials and finished goods are carried at the lower of cost and net realizable value on a weighted average basis and work in process and goods in transit are measured at cost.

***How our audit addressed the key audit matter***

We tested the appropriateness of management's assumptions applied in calculating the value of the inventory. Our audit procedures included evaluating the design and implementation of key inventory controls operating across the Company, including factory production house, warehouse and depots on a sample basis. We have tested the internal controls to monitor or keep track of inventory movement and perform tests of control and other substantive audit procedures. We have examined the correctness of the costing of finished goods and valuation of raw materials, packing materials and spare accessories. Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards.

***Loans and borrowings (Bank overdrafts and Short-term loans)***

At reporting date, the position of bank overdraft and short-term loan amounting to Taka 790 million and Taka 1,056 million respectively (total of Taka 1,847 million) for the Company. In other words, the bank overdraft and short-term loan represent approximately 30% and 40 % respectively (total of 70%) of total liabilities for the Company.

Evidently, the Company is using loans to operate the business and also, to purchase assets. Therefore, it has been considered as key audit area.

***How our audit addressed the key audit matter***

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the loans. Our audit procedures included, among others, the followings:



- Understanding and reviewing the nature and types of loan and borrowings;
- Reviewing the board minutes for arrangements of the loan and borrowings;
- Obtaining the repayment schedules, loan statements and facility offer letters to review terms, debt covenants, interest rates and other conditions associated with the loan and borrowings;
- Reviewing the mortgages, major covenants, guarantees and interest rates etc. attached to the loan and borrowings;
- Recalculating the interest related to loan and borrowings;
- Checking the adjustments or repayments of loan and borrowings through bank statements as per repayment schedule;
- Checking whether there is any overdue payments and penal interests; and
- Finally, assessing the appropriateness and presentation of disclosures against relevant accounting standards. Our procedures above did not identify any issues with regard to the loan and borrowings.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's 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 ISAs will always detect a material misstatement when it exists. Misstatements 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 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 financial statements, including the disclosures, and whether the 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.

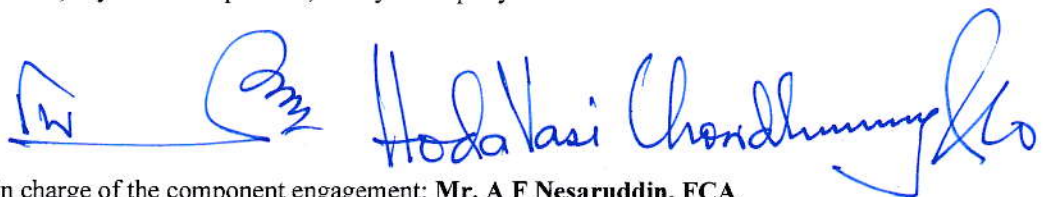
#### **Report on Other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the Company's statement of financial position and the statement of profit or loss and other comprehensive income along with the annexed notes 1 to 37 dealt with by the report are in agreement with the books of account.

#### **Restriction on Use and Distribution**

This report is provided solely for the information and use of S R B C & CO LLP, Mumbai to assist in the audit of Consolidated Ind AS financial statements of Kansai Nerolac Paints Limited as of and for the year ended 31 March 2024 and for any other statutory certificate purpose. It should not be distributed to anyone in Kansai Nerolac Paints Limited, any of its components, or any other party.



Name of partner in charge of the component engagement: **Mr. A F Nesaruddin, FCA**  
Hoda Vasi Chowdhury & Co  
Dhaka, 30 April 2024



**Kansai Nerolac Paints (Bangladesh) Limited  
Statement of Financial Position  
As at 31 March 2024**

		31 March 2024	31 March 2023
	Notes	Taka	Taka
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment - net	05	190,027,037	199,373,626
Intangible assets	06	15,392,270	595,398
Capital work in progress	07	1,205,340	1,205,340
Right-of-use assets	08	32,274,223	44,275,325
		<b>238,898,870</b>	<b>245,449,689</b>
<b>Current assets</b>			
Inventories	09	407,295,669	543,101,652
Trade and other receivables	10	681,875,507	685,234,947
Advances, deposits and prepayments	11	213,990,812	137,197,262
Advance income tax	12	532,859,513	435,724,936
Investment in Fixed Deposit Receipts (FDRs)	13	23,246,442	26,576,207
Cash and cash equivalents	14	34,904,884	60,981,269
		<b>1,894,172,827</b>	<b>1,888,816,273</b>
<b>TOTAL ASSETS</b>		<b>2,133,071,697</b>	<b>2,134,265,962</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	15	1,220,000,000	1,220,000,000
Share money deposits	16	1,247,532	1,247,532
Accumulated loss		(1,766,031,815)	(1,502,324,554)
		<b>(544,784,283)</b>	<b>(281,077,022)</b>
<b>Non-current liabilities</b>			
Employees benefits - non current portion	17	37,356,188	12,250,338
Lease liabilities - non current portion	18	17,194,547	21,035,271
		<b>54,550,734</b>	<b>33,285,609</b>
<b>Current liabilities</b>			
Employees benefits - current portion	17	72,820,445	51,442,560
Lease liabilities - current portion	18	13,104,702	20,929,963
Loan and borrowings	19	1,847,136,657	1,678,360,697
Trade and other payables	20	338,288,526	388,705,585
Accruals	21	256,745,468	164,066,769
Current tax liabilities	22	95,209,448	78,551,801
		<b>2,623,305,246</b>	<b>2,382,057,375</b>
<b>TOTAL LIABILITIES</b>		<b>2,677,855,980</b>	<b>2,415,342,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,133,071,697</b>	<b>2,134,265,962</b>

*These financial statements should be read in conjunction with annexed notes*

Managing Director

Director

As per our report of same date

Dhaka, 30 April 2024

*Hoda Vasi Chowdhury & Co*  
Chartered Accountants

**Kansai Nerolac Paints (Bangladesh) Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 March 2024**

		<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>Notes</b>	<b>Taka</b>	<b>Taka</b>
Revenue	23	2,685,353,847	2,964,489,646
Cost of sales	24	(1,987,113,085)	(2,111,244,561)
<b>Gross profit</b>		<b>698,240,762</b>	<b>853,245,085</b>
Administrative expenses	25	(111,278,661)	(104,328,362)
Selling expenses	26	(613,399,630)	(605,393,521)
Other income	27	22,828,902	21,314,086
<b>Operating (loss)/profit</b>		<b>(3,608,627)</b>	<b>164,837,288</b>
Net finance cost	28	(224,629,487)	(240,344,829)
<b>Net loss before tax</b>		<b>(228,238,114)</b>	<b>(75,507,541)</b>
Income tax expense	29	(16,657,648)	(18,048,049)
<b>Net loss after tax</b>		<b>(244,895,762)</b>	<b>(93,555,590)</b>
Other comprehensive loss		(18,811,499)	(5,101,953)
<b>Total other comprehensive loss for the year</b>		<b>(263,707,261)</b>	<b>(98,657,543)</b>
<b>Earnings per share (EPS)</b>	30	<b>(2.01)</b>	<b>(0.92)</b>

*These financial statements should be read in conjunction with annexed notes*

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Managing Director

As per our report of same date

  
Director

Dhaka, 30 April 2024

  
Chartered Accountants

**Kansai Nerolac Paints (Bangladesh) Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2024**

(Amounts in Taka)

Particulars	Share capital	Share money deposits	Accumulated loss	Total
<b>Balance at 1 April 2023</b>	1,220,000,000	1,247,532	(1,502,324,554)	(281,077,022)
Net loss for the year	-	-	(244,895,762)	(244,895,762)
Other comprehensive loss for the year	-	-	(18,811,499)	(18,811,499)
<b>Balance at 31 March 2024</b>	<b>1,220,000,000</b>	<b>1,247,532</b>	<b>(1,766,031,815)</b>	<b>(544,784,283)</b>
<b>Balance at 1 April 2022</b>	920,000,000	4,013	(1,403,667,011)	(483,662,998)
Share issued during the year	300,000,000	(300,000,000)	-	-
Share money received during the year	-	301,243,519	-	301,243,519
Net loss for the year	-	-	(93,555,590)	(93,555,590)
Other comprehensive loss for the year	-	-	(5,101,953)	(5,101,953)
<b>Balance at 31 March 2023</b>	<b>1,220,000,000</b>	<b>1,247,532</b>	<b>(1,502,324,554)</b>	<b>(281,077,022)</b>

Managing Director

Director



**Kansai Nerolac Paints (Bangladesh) Limited**  
**Statement of Cash Flows**  
**For the year ended 31 March 2024**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>A. Cash flows from operating activities</b>		
Cash receipts from customers and others	2,689,774,600	2,967,694,896
Cash payments to suppliers and employees	(2,730,622,412)	(2,860,489,009)
<b>Cash (used in)/generated from operating activities</b>	<b>(40,847,812)</b>	<b>107,205,887</b>
Income tax paid	(97,134,577)	(105,893,608)
<b>Net cash (used in)/generated from operating activities</b>	<b>(137,982,390)</b>	<b>1,312,279</b>
<b>B. Cash flows from investing activities</b>		
Payment for acquisition of property, plant and equipment	(16,132,687)	(79,841,106)
Proceeds from sale of property, plant and equipment	1,565,011	1,869,785
Payment for acquisition of capital work in progress	-	(110,540)
Encashment/(investment) of short term investments in FDRs	3,329,765	-
Payment for acquisition of intangible assets	(15,120,000)	(700,000)
Interest received on bank deposit	1,503,962	470,628
<b>Net cash used in investing activities</b>	<b>(24,853,949)</b>	<b>(78,311,233)</b>
<b>C. Cash flows from financing activities</b>		
Issuance of new share	-	300,000,000
Increase of share money deposits	-	1,243,519
Proceeds from/repayment of loan and borrowings	168,775,960	(194,164,791)
Lease payment	(32,016,007)	(22,478,587)
<b>Net cash flows from financing activities</b>	<b>136,759,953</b>	<b>84,600,141</b>
<b>D. Net (decrease)/increase in cash and cash equivalents (A+B+C)</b>	<b>(26,076,385)</b>	<b>7,601,187</b>
Cash and cash equivalents at beginning of the year	60,981,269	53,380,082
<b>Cash and cash equivalents at end of the year</b>	<b>34,904,884</b>	<b>60,981,269</b>

*These financial statements should be read in conjunction with annexed notes*

  
Managing Director

  
Director

**Kansai Nerolac Paints (Bangladesh) Limited**  
**Notes to the Financial Statements**  
**As at and for the year ended 31 March 2024**

**01 The Company and its nature of business**

**1.1 Company profile**

Kansai Nerolac Paints (Bangladesh) Limited formerly known as RAK Paints Limited (hereinafter referred to as "the Company"), is a public company limited by shares, was incorporated in Bangladesh under the Companies Act, 1994 vide registration no. C -76335/09 dated 20 April 2009 and currently has its registered office at RAK Tower (12th Floor), Plot No. # 1, Jasimuddin Avenue, Sector # 3, Uttara Model Town, Dhaka-1230. The authorised capital of the Company is Taka 1.5 billion divided into 150 million ordinary shares of Taka 10 each as on 31 March 2024. The paid up capital stands at Taka 1,220 million as on 31 March 2024. The Company started its commercial operation on 02 April 2011.

Pursuant to the provisions of the Companies Act, 1994, the Company applied to the Registrar of Joint Stock Companies and Firms (RJSC) to change the name from RAK Paints Ltd. to Kansai Nerolac Paints (Bangladesh) Limited which was duly approved on 17 August 2020.

**1.2 Nature of business**

The principal activity of the Company is to manufacture all kinds of paint items, hardware equipment, building materials, chemicals and to undertake activities relating to detailed design, procurement of machines and erection and commissioning of paints for the purpose of operating, managing, manufacturing and marketing of said products.

**02 Basis of preparation of financial statements**

**2.1 Basis of accounting**

The financial statements of the Company comprise the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements including a summary of significant accounting policies that have been prepared in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act, 1994 and other applicable laws in Bangladesh.

These financial statements have been prepared on a going concern basis. Unless otherwise specifically mentioned, historical cost principle has been followed for these financial statements.

**2.2 Reporting period**

The Company's financial statements cover from 01 April 2023 to 31 March 2024.

**2.3 Functional and presentation currency**

These financial statements are presented in Bangladeshi Taka, both functional and presentation currency of the Company. Accordingly, all financial information is presented in Taka and rounded off to the nearest Taka unless otherwise indicated.

**2.4 Basis of measurement**

These financial statements have been prepared on a historical cost basis in the statement of financial position except for the inventories, which are measured at cost or net realizable value, whichever is lower.

**2.5 Use of judgments and estimates**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Accordingly, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are stated in the following notes:

	<u>Note references</u>
Property, plant and equipment	: Note - 3.1 and 5
Intangible assets	: Note - 3.2 and 6
Right-of-use assets	: Note - 3.4.1 and 8
Lease liabilities	: Note - 3.4.2 and 18
Provision for trade receivables	: Note - 10.1.1
Current tax liabilities	: Note - 3.9 and 22
Employees benefits	: Note - 3.8 and 17
Contingent liabilities	: Note - 3.12 and 32
Inventories	: Note - 3.5 and 9

### 03 Significant accounting policies

The Company has consistently applied the following accounting policies to all the years presented in these financial statements.

#### 3.1 Property, plant and equipment

##### Initial recognition

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the assets.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

##### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

##### Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful life of each part of an item of property, plant, and equipment. For acquisitions and disposals during the financial year, depreciation is charged from the date of acquisition and up to the date of the disposal, respectively. The rates at which property, plant, and equipment are depreciated are given below:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Factory building	5%
Plant and machinery	10%
Furniture and fixtures	10%
Office equipment	15%
Communication equipment	15%
Electrical installation	10%
Gas pipe line	10%
Tools and appliances	25%
Laboratory equipment	10%
Vehicles	20%

Land is not depreciated as it deemed to have an infinite life.

#### 3.2 Intangible assets

##### Initial recognition

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. An intangible asset is recognised when all the conditions for recognition as per IAS 38 "Intangible assets" are met. The cost of the intangible assets comprises its purchase price, import duties, non-refundable taxes, and any directly attributable cost of preparing the asset for its intended use.

##### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the part will flow to the Company and cost can be measured reliably. All other expenditures are recognised in profit or loss when incurred.



#### **Amortisation**

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the month they are available for use and is generally recognised in profit or loss. The current and comparative rates of amortization on the useful life of assets are as follows:

<u>Category of assets</u>	<u>Rate of amortisation</u>
Graphic software	20%
Color visualize software	20%
SAP software	20%

#### **3.3 Capital work in progress**

Capital work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use at year end and are stated at cost.

#### **3.4 Leases**

##### **Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the underlying assets' right to use.

##### **3.4.1 Right-of-use assets**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

##### **3.4.2 Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

##### **3.4.3 Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Instead, the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **3.5 Basis of valuation of inventories**

Raw and packing materials are measured at the lower of cost or net realisable value, while work in progress and goods in transit are measured at cost. The cost of inventories is based on the above and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Goods in transit represent the cost incurred up to date of the statement of financial position for the items that were not received till the date of the statement of financial position.

<u>Category</u>	<u>Basis of valuation</u>	<u>Method</u>
Raw and packing materials	At the lower of cost or net realisable value	Weighted average cost
Finished goods	At the lower of cost or net realisable value	Weighted average cost
Work in process	At cost	-
Goods in transit	At cost	-

### **3.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.6.1 Financial assets**

Financial assets include cash and cash equivalents, trade and other receivables, and security and other deposits.

##### **Initial recognition**

The Company initially recognises financial assets in its statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

##### **Derecognition**

The Company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### **Initial measurement**

##### **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and all cash deposits with maturities of six months or less that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

##### **ii) Trade and other receivables**

Trade receivables represent the amounts due from the customers for local and exports sales. Trade receivables are stated net of provision for doubtful debts.

Other receivables comprise receivables from scrap sales, commission and FDRs' interest.

##### **Subsequent measurement of financial assets**

The Company classifies its financial assets as subsequently measured at amortised cost.

#### **3.6.2 Financial liabilities**

Financial liabilities include creditors for goods, creditors for expenses, creditors for other finance and accrued expenses.

##### **Initial recognition**

All financial liabilities are recognised initially on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

##### **Derecognition**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

##### **(i) Trade and other payables**

The Company recognises a trade and intercompany payables when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

##### **(ii) Loans and borrowings**

Bank overdrafts that are repayable on demand and short term loans and borrowings are stated at their costs. Short term loans repayable within twelve months from the date of statement of financial position. Those are classified as current liabilities whereas unpaid interest and other charges are classified as current liabilities.



**3.7 Advance from customers**

The amount received from the dealers and corporate clients is booked under 'advance from customers' as 'current liability' at the time of the receipt and treated as 'sale' only when the performance obligations are satisfied.

**3.8 Employees benefits**

The Company maintains a defined benefit plan (gratuity), contribution plan (provident fund), and employees leave encashment benefit for its eligible permanent employees.

**3.8.1 Defined benefit plan (gratuity)**

The Company operates a funded gratuity scheme, provision in respect of which is made covering all its permanent eligible employees. Provision for gratuity payable is calculated by multiplying the number of years served with the last drawn basic monthly salary. A service period of more than eight months with the Company is considered as full year service for gratuity calculation. The employees should complete a minimum of three (3) years on the date of resignation/retirement/termination from the Company. No gratuity benefits shall be paid if the employees do not complete a minimum of three (3) years of services with the Company.

**3.8.2 Defined contribution plan (provident fund)**

Defined contribution plan is a post employment benefit plan. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes the same contribution to the fund.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

**3.8.3 Employee leave encashment**

Employee leave encashment is the benefit provided to employees who have completed 1 (one) year of continuous service in an establishment. The employees shall be allowed, during the following period of 12 months leave with wages for days calculated on the basis of the works of the preceding 12 months at the rate of 1(one) day for every 18 (eighteen) days of work. Notwithstanding anything contained above, an employee shall cease to earn any leave, when the earned leave due to him amounts to 60 (sixty) days.

**3.9 Taxation**

Tax on profit or loss for the year comprises current and deferred tax recognised in profit or loss.

**3.9.1 Current tax**

Provision for the current year's taxation is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provision of the prevailing Finance Act 2023/Income Tax ACT, 2023.

**3.9.2 Deferred tax**

Deferred tax is recognised in compliance with IAS 12 "Income Taxes". Deferred tax arises due to deductible or taxable temporary differences for the events or transactions recognized in the statement of profit or loss and other comprehensive income. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount or reported amount in the statement of financial position. Deferred tax asset or liability is the amount of income tax recoverable or payable in future periods recognized in the current period. The deferred tax asset/income or liability/expense does not create a legal recoverability/liability to and from the income tax authority.

As at 31 March 2023, deferred tax assets amounting to Taka 420,835,679 were not recognised. The Company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will be recovered in the future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the quantum and timing of future taxable income. However, the Company has not recognised any deferred tax assets as at date, considering the uncertainty of its future recoverability.



**3.10 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency using the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of profit or loss and other comprehensive income.

**3.11 Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, an outflow of economic benefits will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**3.12 Contingencies**

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated.

**3.13 Revenue**

Revenue is recognised based on approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Company recognises revenue when it satisfies a performance obligation by transferring promised goods to a customer. Goods are considered as a transfer when the customer obtains control of that goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of return, trade discount, and Value Added Tax (VAT).

**3.14 Borrowing costs**

Borrowing costs are recognised as an expense in the year in which they are incurred unless capitalisation is required under International Accounting Standards (IAS) 23 "Borrowing Costs". No borrowing cost has been capitalised during the year.

**3.15 Finance costs**

Finance costs comprise interest expense on borrowings and exchange loss. Borrowing costs not directly attributable to the acquisition, construction, or production of a qualified asset are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost, depending on whether foreign currency movements are in a net gain or net loss position.

**3.16 Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised on an accrual basis.

**3.17 Statement of cash flows**

Cash flows from operating activities are presented under the direct method as per IAS 7 "Statement of Cash Flows".

**3.18 Events after the reporting date**

Events after the reporting date that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is inappropriate are reflected in the financial statements. In addition, material events after the reporting date that are not adjusting events are disclosed in note 34.

**04 General**

i) Comparative information has been rearranged whenever considered necessary to conform to the current years's presentation; and

ii) Amounts appearing in the financial statements have been rounded off to the nearest Taka. As a result of these rounding off, the totals may not match the sum of individual balances in some instances.

05 Property, plant and equipment - net

Particulars	Cost			Rate %	Accumulated depreciation				Written down value as at 31 March 2024
	Balance as at 1 April 2023	Addition during the year	Disposal during the year		Balance as at 1 April 2023	Charged during the year	Adjustment during the year	Balance as at 31 March 2024	
Land	37,656,283	814,638	-	-	-	-	-	-	38,470,921
Factory buildings	170,554,735	342,389	-	5.0%	79,430,954	8,535,829	-	87,966,783	82,930,341
Plant and machinery	126,731,147	-	-	10.0%	104,305,582	2,956,676	-	107,262,258	19,468,889
Furniture and fixture	19,837,561	6,626,243	1,125,157	10.0%	7,890,663	2,194,821	727,695	9,357,788	15,980,859
Office equipment	34,096,525	7,393,434	395,464	15.0%	18,766,094	4,353,148	234,433	22,884,809	18,209,686
Communication equipment	6,457,954	255,105	44,390	15.0%	4,118,256	736,562	20,689	4,834,128	1,834,541
Electrical installation	21,210,412	60,000	-	10.0%	19,011,706	246,199	-	19,257,905	2,012,507
Gas pipe line	9,079,112	95,922	-	10.0%	8,340,373	168,603	-	8,508,976	666,059
Tool and appliances	17,135,093	245,956	-	25.0%	9,696,804	3,354,551	-	13,051,355	4,329,694
Laboratory equipment	6,923,441	299,000	-	10.0%	2,777,760	658,710	-	3,436,470	3,785,971
Vehicles	34,424,247	-	-	20.0%	30,394,692	1,691,986	-	32,086,678	2,337,569
<b>Total 31 March 2024</b>	<b>484,106,510</b>	<b>16,132,687</b>	<b>1,565,011</b>		<b>284,732,884</b>	<b>24,897,084</b>	<b>982,817</b>	<b>308,647,150</b>	<b>190,027,037</b>
<b>Total 31 March 2023</b>	<b>406,135,189</b>	<b>79,841,106</b>	<b>(1,869,785)</b>		<b>262,362,081</b>	<b>24,157,068</b>	<b>(1,786,264)</b>	<b>284,732,884</b>	<b>199,373,626</b>

5.1 Allocation of depreciation charged

	31 March 2024	31 March 2023
	Taka	Taka
Cost of sales (note - 24)	17,439,861	15,869,336
Administrative expenses (note - 25)	4,191,708	3,817,234
Selling expenses (note - 26)	3,265,514	4,470,498
	<b>24,897,084</b>	<b>24,157,068</b>

		<b>31 March 2024</b>	<b>31 March 2023</b>
		<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>06</b>	<b>Intangible assets</b>		
	<b>Software</b>		
	<b>A. Cost</b>		
	Opening balance	2,512,938	1,812,938
	Addition made during the year	16,800,000	700,000
	<b>Balance at</b>	<b><u>19,312,938</u></b>	<b><u>2,512,938</u></b>
	<b>B. Accumulated amortisation</b>		
	Opening balance	1,917,540	1,772,240
	Amortisation during the year	2,003,128	145,300
	<b>Balance at</b>	<b><u>3,920,668</u></b>	<b><u>1,917,540</u></b>
	<b>C. Written down value (A-B)</b>	<b><u>15,392,270</u></b>	<b><u>595,398</u></b>
<b>07</b>	<b>Capital work in progress</b>		
	Factory Building	<b><u>1,205,340</u></b>	<b><u>1,205,340</u></b>
	The above-noted amount represents cost of survey for constructing a new shade in the factory premises of the Company. However, the construction work is currently discontinued considering current financial conditions. The initial budgeted amount to complete this shed was approximately Taka 159 million.		
<b>08</b>	<b>Right-of-use assets</b>		
	<b>Building</b>		
	<b>A. At cost</b>		
	Opening balance	73,911,850	65,466,323
	Additions made during the year	18,100,219	37,454,175
	Disposals/adjustments during the year	(9,708,116)	(29,008,648)
	<b>Balance at</b>	<b><u>82,303,953</u></b>	<b><u>73,911,850</u></b>
	<b>B. Accumulated depreciation</b>		
	Opening balance	29,636,526	37,189,175
	Charged during the year (note - 8.1)	24,266,785	21,455,998
	Disposals/adjustments during the year	(3,873,581)	(29,008,648)
	<b>Balance at</b>	<b><u>50,029,730</u></b>	<b><u>29,636,526</u></b>
	<b>C. Written down value (A-B)</b>	<b><u>32,274,223</u></b>	<b><u>44,275,325</u></b>
<b>8.1</b>	<b>Allocation of depreciation charged</b>		
	Administrative expenses (note - 25)	9,516,184	9,562,829
	Selling expenses (note - 26)	14,750,602	11,893,170
		<b><u>24,266,785</u></b>	<b><u>21,455,998</u></b>
<b>09</b>	<b>Inventories</b>		
	Raw materials	252,809,340	346,461,268
	Stores and spares	11,954,961	11,919,032
	Packing materials	8,446,966	12,668,591
	Goods-in-transit	-	1,817,407
	Work in process	6,409,639	9,461,693
	Finished goods	116,289,911	151,721,089
	Promotional materials	11,384,852	9,052,572
		<b><u>407,295,669</u></b>	<b><u>543,101,652</u></b>
<b>10</b>	<b>Trade and other receivables</b>		
	Trade receivables (note - 10.1)	678,336,520	677,304,918
	Other receivables (note - 10.2)	3,538,987	7,930,029
		<b><u>681,875,507</u></b>	<b><u>685,234,947</u></b>



	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>10.1 Trade receivables</b>		
Receivables - local	648,433,363	617,241,061
Receivables - export	(160,637)	6,689,309
Receivable from dealer (Tinting)	53,563,795	75,874,548
	<b>701,836,520</b>	<b>699,804,918</b>
Provision for trade receivables (note - 10.1.1)	(23,500,000)	(22,500,000)
	<b>678,336,520</b>	<b>677,304,918</b>
<b>10.1.1 Provision for trade receivables</b>		
Opening balance	22,500,000	19,500,000
Provision made during the year	1,000,000	3,000,000
	<b>23,500,000</b>	<b>22,500,000</b>
<b>10.2 Other receivables</b>		
Receivables from sales of scrap	3,393,687	2,865,135
Accrued interest on FDR	145,300	139,587
Others	-	4,925,307
	<b>3,538,987</b>	<b>7,930,029</b>
<b>11 Advances, deposits and prepayments</b>		
<b>Advances</b>		
Advance to suppliers	147,540,954	51,658,568
Other advances	4,368,491	11,634,579
	<b>151,909,444</b>	<b>63,293,147</b>
<b>Deposits</b>		
Deposit for office rent	419,858	1,460,000
Security deposit for utilities	9,239,527	3,464,043
Margin money	48,462,064	63,402,824
	<b>58,121,448</b>	<b>68,326,867</b>
<b>Prepayments</b>		
Insurance premium	3,959,920	5,434,297
Office rent	-	142,951
	<b>3,959,920</b>	<b>5,577,248</b>
	<b>213,990,812</b>	<b>137,197,262</b>
<b>12 Advance income tax</b>		
AIT on imported goods	372,725,907	326,315,758
AIT on registration and renewal	2,700,231	2,512,731
AIT on interest on bank deposit	585,699	257,107
AIT on sales	156,833,761	106,625,423
AIT on courier services	13,916	13,916
	<b>532,859,513</b>	<b>435,724,936</b>
<b>13 Investment in Fixed Deposit Receipts (FDRs)</b>		
Bank Asia Limited	-	4,482,317
Pubali Bank Limited	19,237,966	18,299,967
One Bank Limited	4,008,476	3,793,923
	<b>23,246,442</b>	<b>26,576,207</b>
*FDRs marked lien by Bank.		
<b>14 Cash and cash equivalents</b>		
Cash in hand	3,222,597	12,599,495
Cash at bank (note - 14.1)	31,682,287	48,381,774
	<b>34,904,884</b>	<b>60,981,269</b>

	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>14.1 Cash at bank</b>		
Current account (note - 14.2)	10,897,028	22,837,917
Short term deposit (STD) - Prime Bank Limited	1,926,269	6,929,792
Mobile Financial Service (MFS)-Dutch Bangla Bank Limited	18,858,990	18,614,065
	<b><u>31,682,287</u></b>	<b><u>48,381,774</u></b>
<b>14.2 Current account</b>		
Pubali Bank Limited	1,013,865	2,542,877
One Bank Limited	87,904	563,350
Dhaka Bank Limited	134,362	1,570,220
Bank Asia Limited	5,660,907	5,376,812
State Bank of India	61,532	240,575
Standard Chartered Bank	30,383	-
Dutch Bangla Bank Limited	3,908,073	12,544,083
	<b><u>10,897,028</u></b>	<b><u>22,837,917</u></b>

**15 Share capital**

**Authorised**

150,000,000 ordinary shares of Taka 10 each

**31 March 2024**  
**Taka**

**1,500,000,000**

**31 March 2023**  
**Taka**

**1,500,000,000**

**Issued, subscribed and paid up**

122,000,000 ordinary shares of Taka 10 each

**1,220,000,000**

**1,220,000,000**

**Percentage of shareholding**

Name of the shareholders	Incorporated in/nationality	Number of shares	Amounts in Taka	Percentage of holding
<b>At 31 March 2024</b>				
Kansai Nerolac Paints Limited	India	67,100,000	671,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	50,722,400	507,224,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	2,088,600	20,886,000	1.71%
Qamar - Uz - Zaman	Bangladeshi	2,088,600	20,886,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.000%
Ariane Massaad	Lebanese	100	1,000	0.000%
		<b>122,000,000</b>	<b>1,220,000,000</b>	<b>100.00%</b>

**At 31 March 2023**

Kansai Nerolac Paints Limited	India	67,100,000	671,000,000	55.00%
S.A.K Ekramuzzaman	Bangladeshi	50,722,400	507,224,000	41.58%
Shaylin Zaman Akbar	Bangladeshi	2,088,600	20,886,000	1.71%
Qamar - Uz - Zaman	Bangladeshi	2,088,600	20,886,000	1.71%
Naeema Jahan Akhter	Bangladeshi	100	1,000	0.00%
Ashik Malek	Bangladeshi	100	1,000	0.00%
Sangam Lal	Indian	100	1,000	0.00%
Ariane Massaad	Lebanese	100	1,000	0.00%
		<b>122,000,000</b>	<b>1,220,000,000</b>	<b>100.00%</b>

- 15.1 The board of directors in its meeting held on 13 March 2019, approved to transfer entire holding of 100 ordinary shares of Ms. Ariane Massaad to Ms. Shaylin Zaman Akbar which has not been effected yet in the absence of any approval from the RJSC.

**16 Share money deposits**

Kansai Nerolac Paints Limited

**31 March 2024**  
**Taka**

**1,247,532**

**31 March 2023**  
**Taka**

**1,247,532**

**16.1 Movement of share money deposit**

Opening balance - Kansai Nerolac Paints Limited

1,247,532

4,013

**Add: Received during the year**

Kansai Nerolac Paints Limited

S.A.K Ekramuzzaman

Mr. Qamar Uz Zaman

Ms. Shaylin Zaman Akbar

-	166,243,519
-	124,728,000
-	5,136,000
-	5,136,000
<b>1,247,532</b>	<b>301,247,532</b>

**Less: Issued to share capital**

Kansai Nerolac Paints Limited

S.A.K Ekramuzzaman

Mr. Qamar Uz Zaman

Ms. Shaylin Zaman Akbar

-	165,000,000
-	124,728,000
-	5,136,000
-	5,136,000
-	300,000,000
<b>1,247,532</b>	<b>1,247,532</b>



	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>17 Employees benefits</b>		
Provident fund (note - 17.1)	39,145,872	23,478,083
Leave encashment (note - 17.2)	33,674,572	27,882,918
Gratuity fund (note - 17.3)	37,356,188	12,331,897
	<b>110,176,633</b>	<b>63,692,898</b>
<b>Employees benefits are segregated as follow:</b>		
Employees benefits - non current portion	37,356,188	12,250,338
Employees benefits - current portion	72,820,445	51,442,560
	<b>110,176,633</b>	<b>63,692,898</b>
<b>17.1 Provident fund</b>		
Opening balance	23,478,083	16,267,140
Add: Provision made during the year	20,864,168	18,648,482
	<b>44,342,251</b>	<b>34,915,622</b>
Less: Contribution transferred during the year	5,196,379	11,437,539
	<b>39,145,872</b>	<b>23,478,083</b>
<b>17.2 Leave encashment</b>		
Opening balance	27,882,918	20,719,552
Add: Addition during the year	9,738,817	9,513,388
	<b>37,621,735</b>	<b>30,232,940</b>
Less: Payment made during the year	3,947,162	2,350,022
	<b>33,674,572</b>	<b>27,882,918</b>
<b>17.3 Gratuity fund</b>		
Opening balance	12,331,897	7,008,500
Add: Addition during the year	29,090,241	8,323,397
	<b>41,422,138</b>	<b>15,331,897</b>
Less: Payment made during the year	4,065,950	3,000,000
	<b>37,356,188</b>	<b>12,331,897</b>
<b>Employees gratuity fund are segregated as follow:</b>		
Non-current portion	37,356,188	12,250,338
Current portion	-	81,559
	<b>37,356,188</b>	<b>12,331,897</b>

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit asset and liability and its components.

	Amounts in Taka			
	Defined benefit obligation		Fair value of asset	
	2024	2023	2024	2023
<b>Balance at 1 April</b>	39,386,678	30,554,014	27,054,781	23,545,514
<b>Included in profit or loss</b>				
Current service cost	10,789,352	6,548,992	-	-
Past service cost	-	-	-	-
Interest expense (income)	3,353,760	2,368,744	3,554,500	2,136,445
<b>Included in OCI</b>	<b>14,143,112</b>	<b>8,917,736</b>	<b>3,554,500</b>	<b>2,136,445</b>
			<b>10,588,612</b>	<b>6,781,291</b>
<b>Remeasurement loss (gain):</b>				
-Actuarial loss (gain) arising from:				
-demographic assumption	-	-	-	-
-financial assumption	(10,744,874)	(6,729,355)	-	-
-experience adjustment	26,001,873	9,694,863	-	-
-return on assets	-	-	(3,554,500)	(2,136,445)
	<b>15,256,999</b>	<b>2,965,508</b>	<b>(3,554,500)</b>	<b>(2,136,445)</b>
			<b>18,811,499</b>	<b>5,101,953</b>
<b>Other</b>				
Contribution paid by the employer	-	-	29,090,241	8,323,397
Increase due to plan combination	-	-	-	-
Benefits paid	(4,820,535)	(3,050,580)	(4,820,535)	(3,050,580)
Other (Employee contribution, taxes, expenses)	-	-	-	-
	<b>(4,820,535)</b>	<b>(3,050,580)</b>	<b>24,269,706</b>	<b>3,509,267</b>
<b>Balance at 31 March</b>	<b>63,966,254</b>	<b>39,386,678</b>	<b>51,324,487</b>	<b>12,641,767</b>

	31 March 2024	31 March 2023
Defined benefit obligation	<u>Taka</u>	<u>Taka</u>
<b>17.4.1 Net Defined Benefit Liability/(Asset) reconciliation</b>		
Balance at 1 April	12,331,897	7,008,500
Defined Benefit Cost included in Profit and loss	10,588,612	6,781,291
Total Remeasurements included in OCI	18,811,499	5,101,953
Amount recognised due to plan combinations	-	-
Employer Contributions	(29,090,241)	(8,323,397)
Other (Employee contribution, taxes, expenses)	-	1,763,550
<b>Balance at 31 March</b>	<b>12,641,767</b>	<b>12,331,897</b>

**17.4.2 Characteristics of defined benefit plans**

Valuation Date	: 31 March 2024.
Sponsoring Employer	: Kansai Nerolac Paints (Bangladesh) Limited.
Type of Plan	: Defined benefit.
Eligibility	: As per the Company Rules / Bangladesh Labour Act 2006.
Vesting Period	: 5 years (Other than Death/ Disability).
Employer's Contribution	: 100%
Member's Contribution	: Nil.
Benefit Basis	: Accrued benefit.
Normal Retirement Benefit	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Disability in Service	: As per the Company Rules / Bangladesh Labour Act 2006.
Benefit on Death, Disability, Early Retirement / Termination/ Resignation / Withdrawal	: As per the Company Rules / Bangladesh Labour Act 2006.
Maximum limit on Benefits	: No Limit.
Gratuity Formula	: $15/26 \times \text{Last drawn salary} \times \text{Number of completed years of service}$
Normal Retirement Age	: 60 Years.
Month of release of annual salary increment	: January.

**17.4.3 Actuarial assumptions**

The followings were the principal actuarial assumptions at the reporting date :

	31 March 2024	31 March 2023
	<u>Rate</u>	<u>Rate</u>
Discount rate	10.00%	9.07%
Future salary growth (Salary escalation)	10.00%	10.00%

Assumptions regarding future mortality have been used based on published statistics and mortality tables. As there is no published mortality table in Bangladesh and hence the Indian Assured Life Mortality rate (2012-14) ultimately based on the mortality experience of assured lives in India is being used as a reasonable approximation. The current longevities underlying the values of the defined obligations at the reporting date was adopted from Indian Life Mortality table.



**17.4.4 Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<u><b>Taka</b></u>	<u><b>Taka</b></u>
Increase of discount rate (1% movement)	(54,403,386)	(33,286,204)
Decrease of discount rate (1% movement)	75,603,414	46,852,400
Increase of future salary growth (1% movement)	75,312,000	46,587,368
Decrease of future salary growth (1% movement)	(54,451,846)	(33,372,241)

Although the analysis does not take of full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

The Company has a funded gratuity scheme recognised by National Board of Revenue (NBR). Contributions to the fund by the Company were recognized in profit and loss of the Company but the value of plan assets and present value of defined benefit obligation were not in the financial statement of the Company till 2019. The fair value of plan assets and present value of defined benefit obligation was first recognized in the financial statements of the Company starting from 2020 as per IAS 19 "Employee Benefits". The amounts were recognised as per Actuarial Valuation Report carried out by professional actuary for the year ended 31 March 2024.

**17.4.5 Maturity profile defined benefit obligations**

	<u><b>Taka</b></u>
Year 1	158,050
Year 2	515,145
Year 3	224,361
Year 4	337,423
Year 5	324,514
Year 6	2,936,812
Year 7	589,219
Year 8	4,896,630
Year 9	762,951
Year 10	1,771,486
Year 11 and onwards	425,684,642

The weighted average duration of the defined benefit obligation is 18.48

	31 March 2024 <u>Taka</u>	31 March 2023 <u>Taka</u>
<b>18 Lease liabilities - leases as lessee</b>		
<b>18.1 Lease liabilities recognised in statement of financial position</b>		
Lease liabilities - non current portion	17,194,547	21,035,271
Lease liabilities - current portion	13,104,702	20,929,963
	<u><b>30,299,249</b></u>	<u><b>41,965,234</b></u>
<b>18.2 Amounts recognised in profit or loss</b>		
Interest on lease liabilities	4,429,803	4,741,736
Depreciation expense	24,266,785	21,455,998
	<u><b>28,696,588</b></u>	<u><b>26,197,734</b></u>
<b>18.3 Amounts recognised in statement of cash flows</b>		
Total cash outflows for leases	<u><b>32,016,007</b></u>	<u><b>22,478,587</b></u>
<b>18.4 Movement in lease payable</b>		
Opening balance	41,965,234	27,310,032
Additions during the year	15,920,219	32,392,053
Interest charged during the year	4,429,803	4,741,736
Payment made during the year	(32,016,007)	(22,478,587)
	<u><b>30,299,249</b></u>	<u><b>41,965,234</b></u>
<b>19 Loan and borrowings</b>		
Bank overdraft (note - 19.1)	790,603,751	794,506,910
Short term borrowings (note - 19.2)	1,056,532,906	883,853,787
	<u><b>1,847,136,657</b></u>	<u><b>1,678,360,697</b></u>
<b>19.1 Bank overdraft</b>		
State Bank of India	307,567,178	306,416,090
Standard Chartered Bank	-	1,859,618
Pubali Bank Limited	411,794,095	408,106,869
Bank Asia Limited	71,242,478	78,124,333
	<u><b>790,603,751</b></u>	<u><b>794,506,910</b></u>
<b>19.2 Short term borrowings</b>		
Bank Asia Limited	16,357,075	25,983,503
One Bank Limited	118,904,806	104,949,135
Pubali Bank Limited	206,182,606	172,921,149
Standard Chartered Bank	-	580,000,000
Parent Company - KNPL	715,088,420	-
	<u><b>1,056,532,906</b></u>	<u><b>883,853,787</b></u>
<b>20 Trade and other payables</b>		
Trade payables	217,877,183	294,742,738
Other payables - intercompany (note - 20.1)	120,411,344	93,962,847
	<u><b>338,288,526</b></u>	<u><b>388,705,585</b></u>
<b>20.1</b>	The Company entered into an agreement with its parent Kansai Nerolac Paints Ltd. to pay royalty at the rate of 1% to 3% on its sales value less Value Added Tax (VAT), Supplimentary Duty (SD), commission and discount on sell of goods. The agreement is effective from 1 January 2019.	

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		31 March 2024	31 March 2023
21	<b>Accruals</b>	<b>Taka</b>	<b>Taka</b>
	TDS and VDS payables	72,110,103	44,652,342
	VAT and SD payable against sales	63,825,089	17,753,891
	Power and Gas	791,254	1,862,193
	Staff cost	16,678,316	36,611,234
	Audit fees	600,000	550,000
	Telephone	-	429,987
	Advertisement	-	1,897,063
	Interest	-	22,375,039
	Others	102,740,706	37,935,019
		<b>256,745,468</b>	<b>164,066,769</b>
22	<b>Current tax liabilities</b>		
	Opening balance	78,551,801	60,503,752
	Add: Addition made during the year	16,657,647	18,048,049
		<b>95,209,448</b>	<b>78,551,801</b>



	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>23 Revenue</b>		
Sales of product - local	3,061,690,273	4,091,588,741
Service revenue	21,587,608	11,695,069
	<b>3,083,277,881</b>	<b>4,103,283,809</b>
Less: Discounts and rebates	(410,943,887)	(1,168,450,855)
	<b>2,672,333,994</b>	<b>2,934,832,955</b>
Sales - export	13,019,853	29,656,691
	<b>2,685,353,847</b>	<b>2,964,489,646</b>
<b>24 Cost of sales</b>		
Raw and packaging material	1,728,351,548	1,824,906,406
Direct labour (note - 24.1)	65,717,283	60,856,976
Direct expenses (note - 24.2)	42,882,496	31,226,576
Other production overhead (note - 24.3)	62,657,516	75,837,265
Movement in work in progress and finished goods	80,310,833	106,209,216
Application charges (SLE)	7,193,410	12,208,122
	<b>1,987,113,085</b>	<b>2,111,244,561</b>
<b>24.1 Direct labour</b>		
Salaries and wages	38,934,898	34,001,420
Overtime	2,235,129	2,549,250
Bonus	3,655,481	5,851,468
Temporary labour wages	12,360,479	10,711,878
Gratuity fund	1,152,148	1,602,483
Provident fund	1,675,275	1,577,386
Leave encashment	1,667,018	1,529,666
Uniform to workers main plant	-	249,368
Staff welfare	4,036,856	2,784,057
	<b>65,717,283</b>	<b>60,856,976</b>
<b>24.2 Direct expenses</b>		
Power, water and gas	12,203,438	11,965,170
Repairs and indirect materials	13,239,196	3,392,070
Depreciation on property, plant and equipment (note - 5.1)	17,439,861	15,869,336
	<b>42,882,496</b>	<b>31,226,576</b>
<b>24.3 Other production overhead</b>		
Demurrage	38,732,712	45,751,221
Insurance	5,266,379	9,686,259
Travelling, hauling and fooding expenses	1,663,292	4,280,168
Rent and rates	984,900	1,150,400
Fuel, toll and vehicle maintenance	1,445,950	1,154,764
Security and safety	2,353,984	3,075,970
Other expenses	12,210,298	10,738,483
	<b>62,657,516</b>	<b>75,837,265</b>

	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>25 Administrative expenses</b>		
Staff cost (note - 25.1)	60,768,764	55,370,025
Telephone, postage and supplies	1,370,807	4,572,666
Office repairs and maintenance (note - 25.2)	13,892,513	7,661,039
Registration and renewal	2,515,747	5,150,989
Legal and professional fees	5,072,090	7,505,801
Audit fees	1,206,500	1,300,000
Vehicle repair and maintenance	1,537,401	827,540
Rent, rates and taxes	1,606,200	1,918,470
Insurance	412,006	223,242
Depreciation on property, plant and equipment (note - 5.1)	4,191,708	3,817,234
Depreciation on right-of-use assets (note - 8)	9,516,184	9,562,829
Security and guard expenses	-	71,680
Bank charges	7,143,322	5,537,977
Others	2,045,419	808,870
	<b>111,278,661</b>	<b>104,328,362</b>
<b>25.1 Staff cost</b>		
Salaries and wages	46,584,206	42,043,444
Overtime	17,690	9,314
Bonus	4,259,954	4,768,370
Leave encashment	1,504,339	1,625,258
Gratuity fund	1,787,100	1,348,886
Provident fund	1,826,437	1,276,315
Staff welfare and fooding expenses	1,322,210	2,256,359
Hotel, conveyance, tour and ticket	2,776,829	1,852,507
Foreign technician expenses	690,000	189,572
	<b>60,768,764</b>	<b>55,370,025</b>
<b>25.2 Office repairs and maintenance</b>		
Repairs and maintenance	11,102,129	5,431,418
Electricity, gas and water	2,790,384	2,229,621
	<b>13,892,513</b>	<b>7,661,039</b>
<b>26 Selling expenses</b>		
Staff cost (note - 26.1)	255,845,817	227,072,369
Advertisement	30,739,559	33,445,491
Royalty	26,448,496	29,313,241
Telephone, postage and supplies	5,984,198	7,015,660
Registration and renewal	1,245,464	256,848
Freight and transportation/delivery expenses	69,561,635	85,783,655
Business promotion	135,315,578	143,507,496
Travel, entertainment and others	34,593,670	26,866,112
Security and guard expenses	8,189,376	7,089,400
Rent, rates and taxes	3,246,557	2,765,888
Vehicle repairs and maintenance	13,442,097	13,715,184
Other repairs and maintenance (note - 26.2)	4,834,380	5,967,363
Bad and doubtful debts	3,933,558	6,085,846
Depreciation on property, plant and equipment (note - 5.1)	3,265,514	4,470,498
Amortization on intangible assets (note - 6)	2,003,128	145,300
Depreciation on right-of-use assets (note - 8)	14,750,602	11,893,170
	<b>613,399,630</b>	<b>605,393,521</b>

	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>26.1 Staff cost</b>		
Salaries and wages	186,415,012	165,219,220
Bonus and incentive	33,755,527	34,781,439
Gratuity fund	6,839,494	270,075
Provident fund	6,930,372	6,470,540
Leave encashment	6,567,460	6,358,464
Insurance	1,490,030	-
Fooding expenses and others	13,847,922	13,972,631
	<u><b>255,845,817</b></u>	<u><b>227,072,369</b></u>
<b>26.2 Other repairs and maintenance</b>		
Electricity, gas and water	1,584,201	1,369,774
Other maintenance	3,250,179	4,597,589
	<u><b>4,834,380</b></u>	<u><b>5,967,363</b></u>
<b>27 Other income</b>		
Sales of scrap	7,750,876	9,873,065
(Loss)/gain on sale of property, plant and equipment	(393,833)	715,193
Indent commission	15,471,859	10,725,828
	<u><b>22,828,902</b></u>	<u><b>21,314,086</b></u>
<b>28 Net finance cost</b>		
Interest income	1,503,962	470,628
Finance cost (note - 28.1)	(226,133,449)	(240,815,457)
	<u><b>(224,629,487)</b></u>	<u><b>(240,344,829)</b></u>
<b>28.1 Finance cost</b>		
Interest expenses	165,950,006	167,705,824
Interest on lease	4,429,803	4,741,736
Foreign exchange loss	55,753,640	68,367,897
	<u><b>226,133,449</b></u>	<u><b>240,815,457</b></u>
<b>29 Income tax expense</b>		
Current tax expense	<u><b>16,657,648</b></u>	<u><b>18,048,049</b></u>

As per the applicable tax law, the Company has to pay tax at the rate applicable to it subject to a minimum tax which is higher of (a) regular tax calculated on the income from regular sources or (b) at the rate of 0.60% of total gross receipts or (c) tax deducted at source for export and at the time of sale u/s 89 (as covered u/s 163) of the Income Tax Act 2023. As tax calculated on gross receipts is higher, we have considered the tax calculated on the gross receipts as tax expenses during the period of income year.



**30 Earnings per share (EPS)**

Basic Earnings per share ("EPS") is computed by dividing the net profit/(loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>30.1 Basic earnings per share (EPS)</b>		
The computation of earnings per share is given below:		
Earnings attributable to the ordinary shareholders	(244,895,762)	(93,555,590)
Weighted average number of ordinary shares outstanding during the year (note - 30.1.1)	122,000,000	101,534,247
	<b><u>(2.01)</u></b>	<b><u>(0.92)</u></b>

**30.1.1 Weighted average number of ordinary shares outstanding**

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days the shares are outstanding as a proportion of the total number of days in the year.

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b><u>No of share</u></b>	<b><u>No of share</u></b>
Issued ordinary shares	122,000,000	92,000,000
Effect of share issued during the year	-	9,534,247
<b>Weighted average number of ordinary shares</b>	<b><u>122,000,000</u></b>	<b><u>101,534,247</u></b>

**30.2 Diluted earnings per share**

No diluted earnings per share are required to be calculated for the year as there were no potentially dilutive ordinary shares during the year. Therefore, both basic and diluted earnings per share are the same.

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b><u>Number</u></b>	<b><u>Number</u></b>
<b>31 Number of employees engaged for drawing remuneration</b>		
Disclosure as per requirement of schedule XI Part II of Para 3 is as follows:		
(a) Above Taka 3,000 per month	364	361
(b) Below Taka 3,000 per month	-	-
	<b><u>364</u></b>	<b><u>361</u></b>

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>32 Contingent liabilities</b>		
Letter of credit	192,802,378	354,051,871
Bank guarantee (local)	73,038,972	88,328,947
Income tax demand for assessment year 2013-2014	3,737,500	17,205,713
Penalty Order U/s 124 for assessment year 2019-2020	521,291	521,291
	<b><u>270,100,141</u></b>	<b><u>460,107,822</u></b>

**33 Capital expenditure commitment**

There were no capital expenditure commitments at the year ended 31 March 2024 (31 March 2023: Nil).

**34 Events after the reporting date**

No material events had occurred after the reporting year to the date of issue of these financial statements, which could affect the values stated in the financial statements.

**35 Related party transactions**

**35.1 Parent and ultimate controlling party**

Kansai Nerolac Paints Limited, India, has 55% shareholdings of the Company. As a result, the Company's parent and ultimate controlling party are Kansai Nerolac Paints Limited, India.

**35.2 Key management personnel compensation**

Key management personnel compensation comprised the following:

(Amounts in Taka)

Nature of related party transactions	Transaction for the year		Balance outstanding	
	DR.	CR.	31 March 2024	31 March 2023
Short-term employees benefits	17,401,994	17,161,194	(1,490,000)	(1,730,800)

Compensation of the Company's key management personnel includes salaries and benefits, fees, accommodation facilities, and non-cash benefits.

**35.3 Other related party transactions**

(Amounts in Taka)

Name of party	Nature of related party transactions	Transaction for the year		Balance outstanding	
		DR.	CR.	31 March 2024	31 March 2023
Transactions with parent company					
Kansai Nerolac Paints Limited, India	Royalty	26,448,496	-	(120,411,344)	(93,962,847)
	Loan	715,088,420	-	(715,088,420)	-
Transactions with other related parties (under common control)					
Mohammad Trading	Purchase	49,305,571	49,312,233	6,662	-
Speedway International	C&F Agent	47,935,986	47,218,856	(919,339)	(202,209)
Sky Bird Travels Private Ltd.	Travel Agency		3,500	-	(3,500)
Mr Qamar Uz Zaman	Advance	-	-	(1,174,484)	(1,174,484)
Mr SAK Ekramuzzaman	Rent	446,133	446,133	-	-
Star Porcelain Private Ltd.	Sales	1,815,000	268,432	361,551	1,908,119
	(Promotional Items)	7,807,417	7,641,274	(442,269)	(276,126)
Star Ceramics Private Ltd.	Sales	-	317,274	371,707	54,433
Rakeen Development Co. BD Ltd.	Sales	3,587,822	2,677,212	2,989,089	3,899,699
	Depot Rent and Expenses	-	-	(632,608)	(632,608)
Wizemanns Boggie Consultants Pvt. Ltd.	Service Provider	40,000	40,000	-	-
RAK Mosfly Bangladesh Pvt. Ltd.	Sales	-	-	191,261	191,261
	Advance	-	280,873	280,873	-
RAK Ceramics Bangladesh Ltd.	Sales	1,826,960	1,621,384	271,704	477,280
RAK Security & Services Pvt. Ltd.	Security Services provider	10,362,360	9,334,071	(1,779,249)	(750,960)
Palli Properties Pte Ltd.	Sales	-	4	-	(4)
	Service Provider	16,364,213	16,651,551	-	(287,338)
Pelikan Plastic & Packaging Pvt. Ltd.	Packaging Material Supplier	14,937,207	14,273,811	(1,536,594)	(873,199)
Kansai Nerolac Paints Limited, India	Purchase	1,896,018	5,029,248	-	(3,133,230)
	Commission	9,213,388	7,122,119	2,834,039	4,925,307
M/s Ekramuzzaman	Purchase	-	24,115	-	(24,115)
	Service	-	137,940	-	(137,940)
		907,074,990	162,400,031	(834,677,422)	(90,002,463)

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current or prior year of allowances for expected losses in respect of amounts owed by related parties.

**36 Financial risk management**

The Company's Board of directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Board is assisted in its oversight role by Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

**36.1 Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to financial assets fails to meet its contractual obligations and arises principally from the Company's trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

	31 March 2024	31 March 2023
	<u>Taka</u>	<u>Taka</u>
<b>Financial assets</b>		
Trade and other receivables	681,875,507	685,234,947
Cash and cash equivalents	34,904,884	60,981,269
	<u><b>716,780,391</b></u>	<u><b>746,216,216</b></u>

**Aging of financial assets**

The exposure to credit risk for trade debtors at the end of the reporting year:

Trade receivables	678,336,520	677,304,918
Other receivables	3,538,987	7,930,029
	<u><b>681,875,507</b></u>	<u><b>685,234,947</b></u>

**Aging of trade receivables**

Past due 1-30 days	240,421,241	226,429,189
Past due 31-60 days	158,163,095	87,999,774
Past due 61-90 days	47,694,689	66,522,397
Past due 91-180 days	87,092,798	90,236,945
Past due over 180 days	168,464,697	228,616,613
	701,836,520	699,804,918
Allowances for expected losses	(23,500,000)	(22,500,000)
	<u><b>678,336,520</b></u>	<u><b>677,304,918</b></u>

The movement of allowances for expected losses in trade and other receivables during the year was as follows:

Opening balance	22,500,000	19,500,000
Provision made during the year	1,000,000	3,000,000
	<u><b>23,500,000</b></u>	<u><b>22,500,000</b></u>

**Aging of cash and cash equivalents**

Cash in hand	3,222,597	12,599,495
Cash at banks	31,682,287	48,381,774
	<u><b>34,904,884</b></u>	<u><b>60,981,269</b></u>



**37 Going concern**

The accumulated loss and net equity of the Company as at the year end appear Taka 1,766,031,815 and Taka 544,784,283 respectively.

The financial statements have been prepared on a going concern basis (notwithstanding above mentioned facts) which the directors believe to be appropriate as the Company has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of its operations. The Company is likely to make a profit during the financial year based on the Company's business plan. As per management assessment, there are no material uncertainties related to events or conditions which may cast significant doubt upon Company's ability to continue as a going concern. Kansai Nerolac Paints Limited (the Company's immediate holding company) has indicated that for at least 12 months from the date of approval of the financial statements, it will continue to make available such funds as are needed by the Company. The management considers that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.