

**Component Auditor Clearance: Audit of the Component's Financial Information -
Opinion Clearance Memorandum**

**Independent Auditor's Report on Special Purpose Financial Information
Prepared for Consolidation Purposes**

From: Crowe Horwath Macro Auditoria, São Paulo, Brazil

Date: May 3, 2017

Subject: Component Audit of *Pulvitec do Brasil Ind. Com. Colas e Adesivos Ltda* for the Year
Ended 31st March, 2017

To: Mr. Byram P Shroff
Deloitte Haskins and Sells, Mumbai, India.

In accordance with the instructions in your letter dated **February 7, 2017**, we have audited, for purposes of your audit of the consolidated financial statements of ***Pidilite Industries Limited***, the accompanying reporting package of *Pulvitec do Brasil Ind. Com. Colas e Adesivos Ltda* as of **March 31, 2017** and for the year then ended.

Management's Responsibility for the Special Purpose Financial Information

Management is responsible for the preparation of this special purpose financial information and in accordance with presentation and disclosure requirements of *Pidilite Industries Limited*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the special purpose financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. This special purpose financial information has been prepared solely to enable *Pidilite Industries Limited* to prepare its consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. As requested, our audit procedures also included the additional procedures identified in your instructions. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the special purpose financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and in accordance with instructions in your letter dated **February 7, 2017**, the accompanying special purpose financial information for *Pulvitec do Brasil Ind. Com. Colas e Adesivos Ltda* as of 31st March, 2017 and for the year then ended gives a true and fair view and presentation and disclosure requirements of Pidilite Industries Limited Group.

In accordance with your instructions referred above and as a result of the audit procedures performed by us, we enclose the following:

- Group reporting questionnaire
- Audit summary memorandum
- Control deficiencies form
- Numeric misstatements form
- Disclosure deficiencies form
- Management letter
- Subsequent events form
- Summary of Adjustments
- Issues for Inclusion in the Group Written Representation Letter
- Other reportable matters

We have previously communicated the following items to you per your instructions:

- Acknowledgement of Group Referral Instructions
- Early Warning Report
- Planning Memorandum
- Issues for inclusion in the Group auditor's communication with legal counsel
- Communication of related parties identified by the Component Auditor
- Understanding the Component Auditor Questionnaire Template

Restriction on Use and Distribution

This special purpose financial information has been prepared for purposes of providing information to Pidilite Industries Limited to enable it to prepare the consolidated financial statements of the group. The financial information may, therefore, not be suitable for another purpose.

May 3, 2017.



Fábio Pestilli de Lima – Manager CRC1SP304076/O-9
(Manager on the engagement)
São Paulo, Brazil



Sérgio Ricardo de Oliveira – Partner CRC1SP186.070/O-8
(Partner on the engagement)
São Paulo, Brazil


Particulars	Note	As at 31st March 2017		As at 31st March 2016	
		BRL	REF	BRL	REF
ASSETS					
1. Non-current assets					
(a) Property, Plant and Equipment	<u>18</u>	2.369.530	✓	2.279.809	✗
(b) Capital work-in-progress	<u>18</u>	33.862	✓	-	✗
(c) Investment Property		-		-	
(d) Goodwill	<u>18 a</u>	5.258.866	✓	5.258.866	✗
(e) Other Intangible assets	<u>18 a</u>	102.229	✓	118.892	✗
(f) Intangible assets under development	<u>18 a</u>	139.414	✓	-	✗
(g) Biological Assets other than bearer plants		-		-	
(h) Financial Assets (Non Current)					
(i) Investments		-		-	
(ii) Trade receivables		-		-	
(iii) Loans		-		-	
(iv) Others	<u>10</u>	1.409.783	✓	2.350.738	✗
		1.409.783		2.350.738	
(i) Deferred tax assets		-		-	
(j) Other Non current Non financial Assets	<u>11</u>	324.457	✓	409.342	✗
		9.638.141		10.417.647	
2. Current Assets					
(a) Inventories	<u>12</u>	5.617.932	✓	5.527.133	✗
(b) Financial Assets (Current)					
(i) Investments		-		-	
(ii) Trade receivables	<u>13</u>	13.467.272	✓	14.338.022	✗
(iii) Cash and cash equivalents	<u>14</u>	460.726	✓	1.059.350	✗
(iv) Bank balance other than (iii) above		-		-	
(v) Loans	<u>15</u>	66.044	✓	30.392	✗
(vi) Others (Financial Assets Current assets)	<u>16</u>	457.005	✓	411.963	✗
		14.451.047		15.839.727	
(c) Current Tax Assets (net)		-		-	
(d) Other current assets	<u>17</u>	1.353.638	✓	994.173	✗
		21.422.618		22.361.033	
TOTAL ASSETS		31.060.759		32.778.681	
EQUITY AND LIABILITIES					
Equity					
(a) Equity share capital	<u>3</u>	69.460.777	✓	69.460.777	✗
(b) Other Equity	<u>4</u>	-54.728.509	✓	-55.027.055	✗
Minority Interests		-		-	
Total Equity		14.732.269		14.433.722	
LIABILITIES					
1. Non-current liabilities					
(a) Financial Liabilities					
(i) Borrowings		-		-	
(ii) Trade payables		-		-	
(iii) Other financial liabilities		-		-	
		-		-	
(b) Provisions	<u>5</u>	1.726.312	✓	2.133.817	✗
(c) Deferred tax liabilities (Net)		-		-	
(d) Other non-current liabilities		-		-	
		1.726.312		2.133.817	
2. Current Liabilities					
(a) Financial Liabilities					
(i) Borrowings	<u>6</u>	5.220.490	✓	8.233.596	✗
(ii) Trade payables	<u>7</u>	2.305.008	✓	4.704.516	✗
(iii) Other financial liabilities	<u>8</u>	5.607.871	✓	2.468.160	✗
		13.133.370		15.406.272	
(b) Other current liabilities	<u>9</u>	1.468.809	✓	804.869	✗
(c) Provisions	<u>13</u>	-		-	
(d) Current tax liabilities (net)		-		-	
		14.602.179		16.211.141	
Total Liabilities		16.328.490		18.344.959	
TOTAL		31.060.759	(a)	32.778.681	
		-0		-0	

Letras explicativas

(a) Total assets are R\$ 32,572,683 recorded in the balance sheet, however, the amount shown above R\$ 31,060,759, shows a variation of R\$ 1,511,924 corresponding to the statement of the balances considered in note "9. Other Current Non Financial liability "with active and passive null effect.

Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ✗ According to the trial balance "P & L" Indian Gaap on 03-31th-2017
- ✗ According to the trial balance "BR Gaap" on 03-31th-2016
- ✗ According to the trial balance "P & L" Indian Gaap on 03-31th-2016


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STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars	Note	April 16- March 17		April 15- March 16	
		BRL	REF	BRL	REF
INCOME					
Revenue from operations (Gross)	<u>19</u>	48.378.268	✓	51.732.276	✗
Less : Excise Duty		-		-	
Revenue from operations (Net)		48.378.268		51.732.276	
Other Income	<u>20</u>	464.027	✓	1.334.082	✗
Total Income		48.842.296		53.066.358	
EXPENSES					
Cost of material consumed	<u>21</u>	22.785.394	☑	25.013.259	☒
Purchases of Stock-in-Trade (Traded goods)		-		-	
Changes in inventories of Finished Goods	<u>22</u>	-122.646	✓	1.136.335	✗
Work-in-Progress and Stock-in-Trade		-		-	
Employee Benefits Expense	<u>23</u>	10.009.101	☑	10.946.624	☒
Finance Costs	<u>24</u>	1.706.173	✓	2.779.294	✗
Depreciation and Amortization Expense	<u>25</u>	541.696	✓	547.602	✗
Other Expenses	<u>26</u>	13.521.979	☑	14.454.853	☒
Direct Man Power and Site Expense		-		-	
Total Expenses		48.441.696		54.877.966	
Profit/(loss) before Exceptional Items and Tax		400.600		-1.811.609	
(Add) / Less : Exceptional Items (net)		-		-	
Profit before Tax		400.600		-1.811.609	
Tax Expense					
Current Tax		102.053	✓	-	✗
Deferred Tax		-		-	
Net Tax expense		102.053		-	
Profit/(loss) for the year		298.546	✓	-1.811.609	✗
Other Comprehensive Income		-		-	
Total Comprehensive Income		298.546		-1.811.609	
Profit transferred to Balance Sheet		298.546		-1.811.609	

Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ☑ According to the trial balance "P & L" Indian Gaap on 03-31th-2017
- ✗ According to the trial balance "BR Gaap" on 03-31th-2016
- ☒ According to the trial balance "P & L" Indian Gaap on 03-31th-2016


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Particulars	Note	As at 31st March 2017		As at 31st March 2016	
		BRL	REF	BRL	REF
3. Equity Share Capital					
Authorised Share Capital :					
Equity Shares 75000000 BRL each 1		75.000.000	Y	75.000.000	Y
TOTAL					
Issued, Subscribed and Paid up Share Capital :					
Equity Shares 69460777 BRL each 1		69.460.777	Y	69.460.777	Y
TOTAL		69.460.777		69.460.777	
4. Reserves and Surplus					
Surplus in Statement of Profit and Loss					
Balance as per last financial statements (Surplus)		(55.027.055)	✓	(53.215.446)	✗
Add: Net Profit/(Net Loss) for the year		298.546	✓	(1.811.609)	✗
Less:					
Tax on proposed equity dividend		-		-	
Final Equity Dividend		-		-	
Transferred to:					
General Reserve		-		-	
Closing balance (Surplus)		(54.728.509)		(55.027.055)	
Total Reserves		(54.728.509)		(55.027.055)	
5. Long-Term Provisions					
Provision for Employee Benefits:					
Others		1.726.312	✓	2.133.817	✗
TOTAL		1.726.312		2.133.817	
6. Short-Term Borrowings					
Loan repayable on demand from banks					
Secured Working Capital Loan (Cash Credit accounts)		5.220.490	✓	8.233.596	✗
TOTAL		5.220.490		8.233.596	
7. Trade Payables - Current					
Trade Payables					
Total outstanding dues of creditors other than micro enterprises and small enterprises		2.305.008	✓	4.704.516	✗
TOTAL		2.305.008		4.704.516	
8. Other Current Financial Liability					
Accrued liabilities for expenses		2.439.471		2.468.160	✗
Loans from Related parties		3.168.400		-	
TOTAL		5.607.871	✓	2.468.160	
9. Other Current Non financial liability					
Statutory remittances		738.627		450.417	
Employee related liabilities		720.286		336.349	
Advance from customers		9.896		18.104	
TOTAL		1.468.809	✓	804.869	✗
		-		-	
	Note	April 16- March 17		April 15- March 16	
		BRL		BRL	
10. Other Non-current Financial Assets					

Security Deposit	1.409.783	✓	2.350.738	✗
TOTAL	1.409.783		2.350.738	
11. Other Non-current Non-financial assets				
Prepaid Expenses.	21.592		27.216	
Advance Payment of Taxes (Net of Provisions)	302.865		382.125	
TOTAL	324.457	✓	409.342	✗
12. Inventories				
Raw Material and Packing Material	3.488.681		3.520.529	
Work-in-Process	124.073		74.605	
Finished Goods.	2.005.178		1.932.000	
TOTAL	5.617.932	✓	5.527.133	✗
13. Trade Receivables				
Outstanding for period exceeding six months from the date they were due for payment				
Less : Provision for doubtful debts (exceeding 6 months)	(498.243)		(291.778)	
Total (A)	(498.243)		(291.778)	
Other Trade Receivables - considered good				
- Unsecured, considered good	13.965.514		14.629.801	
Total (B)	13.965.514		14.629.801	
TOTAL (A+B)	13.467.272	✓	14.338.022	✗
14. Cash and Cash Equivalents				
Cash and Cash Equivalents				
Cash on Hand	2.500		2.500	
Balance with banks				
In Current Account	458.226		1.056.850	
	460.726	✓	1.059.350	✗
Earmarked Account				
TOTAL	460.726		1.059.350	
15. Short Term Loans & Advances				
Loans and Advances to Employees and Others	66.044	✓	30.392	✗
Total	66.044		30.392	
16. Other Current financial Assets				
Other Receivables	457.005		411.963	
TOTAL	457.005	✓	411.963	✗
17. Other Current Non financial Assets				
Balances with Government Authorities	464.744		499.195	
Advances to vendors:	277.457		139.398	
Prepaid Expenses	374.240		280.680	
Other Short Term Loans and Advances	237.198		74.900	
TOTAL	1.353.638	✓	994.173	✗

Ticks

- Y Balance in accordance with the social contract
- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ✗ According to the trial balance "BR Gaap" on 03-31th-2016


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Particulars	Note	April 16- March 17		April 15- March 16	
		BRL	REF	BRL	REF
19. Revenue From Operations					
Revenue From Operations (Gross)					
Sale of Products					
Finished Goods		48.378.268	✓	51.732.276	*
TOTAL (A)		48.378.268		51.732.276	
Other operating revenues					
Revenue from operations (Gross) (A+B)		48.378.268		51.732.276	
TOTAL		48.378.268		51.732.276	
20. Other Income					
Interest on:					
Others.		-		-	
Other Non-Operating Income:					
Miscellaneous Income		464.027	✓	1.334.082	*
Total		464.027		1.334.082	
21. Cost of Materials Consumed					
Opening Stocks		3.520.529		3.126.796	
Add: Purchases		22.753.547		25.406.991	
Less: Closing Stock		3.488.681		3.520.529	
Raw materials consumed (including packing materials)		22.785.394	✓	25.013.259	*
22. Change in Inventories of Finished goods /work in progress					
Inventories at end of the year					
Work-in-Progress		124.073		74.605	
Finished Goods		2.005.178		1.932.000	
(A)		2.129.251		2.006.605	
Inventories at beginning of the year					
Work-In-Progress (Opening Inv)		74.605		105.428	
Finished Goods (Opening Inv)		1.932.000		3.037.512	
(B)		2.006.605		3.142.940	
(B)-[A]		(122.646)		1.136.335	
TOTAL		(122.646)	✓	1.136.335	*
23. Employee Benefits Expense					
Salaries and Wages		9.309.860	☑	10.186.382	☑
Staff Welfare Expenses		699.240	☑	760.242	☑
Total		10.009.101		10.946.624	
24. Finance Costs					
Interest expense on:					
Borrowings		1.706.173	✓	2.779.294	*
TOTAL		1.706.173		2.779.294	
25. Depreciation and Amortization					
Depreciation on tangible assets		505.664		513.546	
Amortization of Intangible Assets		36.032		34.055	
Total		541.696	✓	547.602	*
26. Other Expenses					
Power and Fuel		510.586	☑	715.744	☑
Repairs :					
Others:		422.715		414.614	
		422.715	☑	414.614	☑
Rent		1.623.733	☑	1.734.839	☑
Rates and Taxes		64.661	☑	65.172	☑
Travelling and Conveyance Expenses		587.449	☑	684.103	☑
Communication Expenses		299.562	☑	304.285	☑
Insurance		312.519	☑	327.631	☑
Consumption of Stores and Spares		373.176	☑	620.454	☑
Clearing, Forwarding and Octroi Duty		2.068.984	☑	3.573.166	☑
Water Charges		57.081	☑	40.456	☑
Legal, Professional and Consultancy fees		1.014.748	☑	(1.222.968)	☑
Advertisement and Publicity		562.547	☑	515.165	☑
Printing and Stationery		63.162	☑	57.813	☑
Provision for Doubtful Debts		898.276	☑	285.628	☑
Sales commission		2.210.936	☑	2.403.592	☑
Payments to Auditor		154.000	☑	157.112	☑
Net loss on foreign currency transactions and translation		(186.365)	☑	271.934	☑
Miscellaneous expenses		2.484.208	☑	3.506.111	☑
Total		13.521.979		14.454.853	

Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ☑ According to the trial balance "P & L" Indian Gaap on 03-31th-2017
- * According to the trial balance "BR Gaap" on 03-31th-2016
- ☑ According to the trial balance "P & L" Indian Gaap on 03-31th-2016


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Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
 Schedule 18: Fixed Assets annexure for Pulvitec as at 31-Mar-2017

18. Property, plant and equipment	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Capital work in progress	Total
Gross Block						
Opening Balance	9.039.815	200.715	241.668	-	-	9.482.198
Additions	609.933	-	6.084	-	33.862	649.879
Disposals/Transfers	278.391	2.779	6.157	-	-	287.326
Reclass for held for sale	7.622	-7.980	358	-	-	0
Closing Balance	9.378.980	189.956	241.953	-	33.862	9.844.751
Accumulated Depreciation						
Opening Balance	6.812.273	170.838	219.279	-	-	7.202.390
Additions	499.159	7.872	5.143	-	-	512.175
Disposals/Transfers	266.868	2.556	3.781	-	-	273.206
Reclass for held for sale	-6.338	6.341	-3	-	-	0
Closing Balance	7.038.227	182.494	220.638	-	-	7.441.359
Net Block	2.340.753	7.462	21.315	-	33.862	2.403.392

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Schedule 18: Fixed Assets annexure for Pulvitec as at 31-Mar-2016

18. Property, plant and equipment	Plant & equipment	Furniture & fixtures	Office equipment	Vehicles	Capital work in progress	Total
Gross Block						
Opening Balance	9.007.514	201.148	248.869,69	-	-	9.457.532
Additions	150.081	-	326,03	-	-	150.407
Disposals/Transfers	117.780	433	7527,99	-	-	125.741
Reclass for held for sale	-	-	0	-	-	-
Closing Balance	9.039.815	200.715	241.668	-	-	9.482.198
Accumulated Depreciation						
Opening Balance	6.427.458	162.945	221.534,61	-	-	6.811.938
Additions	500.724	8.326	5213,69	-	-	514.264
Disposals/Transfers	115.909	433	7469,65	-	-	123.812
Reclass for held for sale	-	-	-	-	-	-
Closing Balance	6.812.273	170.838	219.279	-	-	7.202.390
Net Block	2.227.542	29.877	22.389	-	-	2.279.808

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Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- * According to the trial balance "BR Gaap" on 03-31th-2016



Pulvítec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
 Schedule :18 a : Intangible Assets Schedule for Pulvítec as at 31-Mar-2017

18 a. Other Intangible Assets	Trademark	Computer Software	Technical Knowhow Fees	Goodwill	Intangible assets under development	Total
Cost						
Opening Balance	-	387.386		22.611.546		22.998.931
Additions	-	20.648			139.414	160.061,93
Disposals/Transfers	-	45.534				45.533,98
Closing Balance	-	362.500	-	22.611.546	139.414	23.113.459
Accumulated Amortisation						
Opening Balance	-	268.494		17.352.679		17.621.173
Amortisation charge for the year	-	36.032	-	-	-	36.032,00
Disposals/ Transfers	-	44.255	-	-	-	44.254,56
Closing Balance	-	260.271	-	17.352.679	-	17.612.950
Net Block	-	102.229	-	5.258.866	139.414	5.500.509

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Schedule :18 a : Intangible Assets Schedule for Pulvítec as at 31-Mar-2016

18 a. Other Intangible Assets	Trademark	Computer Software	Technical Knowhow Fees	Goodwill	Intangible assets under development	Total
Cost						
Opening Balance	-	397.857		22.611.546		23.009.403
Additions	-	10.139				10.139
Disposals/Transfers	-	20.610				20.610
Closing Balance	-	387.386	-	22.611.546	-	22.998.931
Accumulated Amortisation						
Opening Balance	-	255.017		17.352.679		17.607.697
Amortisation charge for the year	-	34.055	-	-	-	34.055
Disposals/ Transfers	-	20.578	-	-	-	20.578
Closing Balance	-	268.494	-	17.352.679	-	17.621.173
Net Block	-	118.892	-	5.258.866	-	5.377.759

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Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ✗ According to the trial balance "BR Gaap" on 03-31th-2016



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Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.
Disclosure for Contigent liability as at 31st March,2017

Particular	As at 31st March, 2017	REF	As at 31st March, 2016
CONTINGENT LIABILITIES NOT PROVIDED FOR			
1. Claims against the Company not acknowledged as debt Liabilities Disputed - Appeals filed with respect to : Income Tax on account of Disallowances / Additions Withholding Tax due, relating to Employees Sales Tax on account of Rebate / Classification Excise Duty on account of Valuation / Cenvat Credit ESIC Contribution on account of applicability Other Claims against the Company not acknowledged as debts Others (Specify Nature)	3.772.487	Summary Of Litigation	2.696.409
2. Guarantees Guarantees Given by the bankers on behalf of the Company Corporate Guarantees Others (Specify Nature)	-		-
3. Other money for which the company is contingently liable Letters of Credit for Imports Others (Specify Nature) Estimated amount of contracts remaining to be executed on capital account [net of advances]. Estimated amount of contracts remaining to be executed on other account [net of advances].	-		-

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Sr. No:	Particulars	No of Open Litigation Process	Litigation Amount	GL code	GL Description	Provável	Prov as on Mar 2017	Remarks
1	Civil and Commercial	10	771.855	2.1.1.80.020	PROVISAO CONTINGENCIA CIVEL	353.025	237.254	<p>The Provision in books is made for all those wherein the possibility of success is low</p> <p>Majority of the processes are those which were decided not to be settled under ICMS PEP / Refis because we have strong case. Old provision to be retained for other litigation.</p> <p>No addition required as provision in this and adhoc provision in 2.1.1.80.017 is much more than expected liability</p> <p>Adhoc Provision of BRL 195 K was created in Mar' 2015 for any unexpected liability. Later on we did not move this to 2.1.1.80.004 as our auditor insisted that provision for labour litigations should be only basis estimated liability discussed with Ferraz and our legal staff.</p>
2	Tax Litigations	5	7.148.109	2.1.1.80.013	PROVISAO CONTINGENCIAS TRIBUTARIAS	185.981	207.633	
3	Labour Litigations	13	1.350.908	2.1.1.80.004	PROV CONTING TRABALHISTA	835.910	707.060	
				2.1.1.30.009	PROCESSO TRABALHISTA A PAGAR		598.587	
				2.1.1.80.017	CONTINGENCIA INSS CONSULTORIA TERCEIROS			
	TOTAL		9.270.912			1.384.916	1.600.365	

Contingent Liability

Civil		534.841
Tax	6.940.456	
Settled under Refis	1.636.905	
Non Cash	2.261.155	3.042.396
Labour Litigations		195.250
		3.772.487

Ticks

- According to the considerations made by India and in accordance with the responses of the company's lawyers.
- Probable causes of loss, already provisioned in the accounts.
- Agreements already executed to pay.


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Note :A

Pulvitec do Brasil Indústria e Comércio de Colas e Adesivos Ltda.

Notes forming parts of accounts

Corporate information

Pulvitec do Brasil Ind. e Com. de Colas e Adesivos Ltda. (the "Company" or "Pulvitec") is a limited liability company, located at Avenida Presidente Altino, 2468, São Paulo, incorporated for the main purpose of manufacturing and selling various products such as adhesives, sealants, construction and paint chemicals, art materials, resins and organic pigments. The products are applied in several segments, and are commercialized in both domestic and foreign markets

Significant Accounting Policies

Basis of Preparation of Financial Statements

The financial statements as of March 31, 2017 were prepared in accordance with accounting practices adopted in Brazil, which are comprised of pronouncements issued by the Brazilian Accounting Regulator (CPC), and approved by the Brazilian Accounting Council (CFC). The Company adopted the technical pronouncement SME - Accounting for Small and Medium- Sized Entities issued by the Brazilian Accounting Regulator (NBC 19.41). The financial statements are presented in Brazilian Reais, which is also the functional currency of the Company

Use of Estimates

The preparation of the financial statements requires Management to make judgments, estimates and adopt assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the balance sheet date. Assets and liabilities subject to estimates and assumptions include the useful life of property, plant and equipment, impairment of assets, deferred tax assets, provision for uncertain tax positions, labor and civil risks, and the financial instruments.

Accounting estimates and assumptions

The main assumptions relate to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the balance sheet date, which may result in different amounts upon settlement. The financial statements were prepared based on various evaluation bases used in the accounting estimates. The accounting estimates considered in the preparation of the financial statements were based on objective and subjective factors, and Management's judgment to determine the adequate value to be recorded in the financial statements. Significant items subject to such estimates and assumptions include provision for impairment losses, allowance for doubtful accounts, deferred tax assets, provision for contingencies, financial instruments measurement.

Settlement of transactions involving such estimates may result in amounts significantly different from the carrying value recorded in the financial statements, due to the probabilistic treatment inherent to the estimate process.

The Company reviews its estimates and assumptions annually.

The financial statements were prepared using the historical cost as their basis

Revenue recognition

The revenue from sales of goods is recognized when the significant risks and the ownership benefits of the goods are transferred to the purchaser, to the extent that economic benefits will probably be generated for the Company, and can be measured reliably. Therefore, the Company adopts as its revenue recognition policy the date on which the product is delivered to the purchaser under CIF contracts and in FOB contracts when the products are handed to purchaser transporter. Revenue is not recognized when there is significant uncertainty regarding its realization.

Cash and cash equivalents and financial investments

Cash and cash equivalents substantially include demand deposits and bank deposit certificates under resale agreements, denominated in Brazilian Reais, with high market liquidity and maturity that does not exceed 90 days or in regard to which there are no penalties or other restrictions for the immediate redemption thereof. The financial investments are classified under "financial assets measured at fair value through profit or loss".

Accounts receivable from clients

They are stated at present value, if significant, and realization value. Allowance for doubtful accounts is recorded



at an amount considered sufficient by Management to cover estimated losses on realization of credits that do not have general guarantee

Property, plant and equipment

1. **Property, Plant and equipment** - They are recorded at acquisition or construction cost, plus interest and other financial charges incurred during construction. Depreciation is calculated on a straight-line basis, according to the useful life of the asset, at the rates mentioned by regulatory authority. All repair and maintenance costs are recognized in the statement of operations when incurred.

The Company chose not to restate property, plant and equipment items at fair value on the transition date, taking into account that: (i) the method of cost less provision for impairment is the best one to state the property, plant and equipment of the Company; (ii) the Company has effective control over property, plant and equipment items that enables the determination of the estimated useful life of assets, and (iii) the depreciation rates used fairly represent the useful life of assets, which allows us to conclude that the property, plant and equipment value is close to the fair value.

A fixed asset is written-off when sold or when no future economic benefit is expected from its sale or use. Any gains or losses resulting from the disposal of assets (calculated as the difference between the net sale value and the carrying value) are recorded in the statement of operations for the period in which it is disposed of.

2. **Assessment of recoverable amount of assets (impairment test)** - Management annually revises the net book value of the assets for the purpose of assessing events or changes in the operating or technological economic circumstances that may indicate impairment or loss of their recoverable amount. When such evidence is identified and the net book value exceeds the recoverable amount, a provision for impairment is set up, adjusting the net book value to the recoverable amount. Intangible assets with indefinite useful life have their recovery of value annually tested, regardless of indication of loss of the amount.

3. **Intangible assets** - Goodwill is determined at the acquisition date and represents the excess of purchase price over the proportion of the underlying book value, based on the interest in the equity acquired. The company amortised Goodwill till 2014. Subsequently the goodwill is tested for impairment every year.

4. **Other current and non-current assets and liabilities** - Assets are recognized in the balance sheets when it is probable that future economic benefits will be generated on behalf of the Company and their cost or value can be measured reliably. Liabilities are recognized on an accrual basis at their known or estimated amounts and when the Company has a legal or constructive obligation as result of an event in the past, the settlement of which is expected to result in an outflow of economic benefits. They are increased, when applicable, by the corresponding charges and inflation or translation adjustments. The provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur within the following twelve months. Otherwise, they are stated as non-current assets and liabilities. Where applicable, current and non-current liabilities are recorded at present value based on interest rates that reflect the term, currency and risk of each transaction

Foreign Currency Transactions

(a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

(b) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

(c) Non monetary foreign currency items are carried at cost.

(d) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

Investments

Current investments are carried at lower of cost or quoted/ fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

Inventories

Inventory items are stated at average acquisition or production cost, not exceeding their market value. The provision for slow-moving or obsolete inventories is recorded when considered necessary by Management. The fixed costs related to the capacity which is not used due to a production volume lower than normal are considered

...as expenses for the year.

Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account.

Provisions and contingencies

The Company is a party to various lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits, in which it is probable that an outflow of resources will be made to settle the contingencies, and a reliable estimate can be made. The assessment of the likelihood of loss includes evaluation of available evidence, hierarchy of Laws, available case laws, most recent court decisions, and their relevance in the legal system, as well as the opinion of external legal counsel. The provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations, findings of tax audits, or additional exposures identified based on new issues or court decisions.

Contingent liabilities to which losses are considered possible are only disclosed in a note to financial statements, and those to which losses are considered remote are not accrued for or disclosed.

Contingent assets are recognized only when there are real guarantees or favorable final court decisions. Contingent assets with probable favorable decisions are only disclosed in the notes

Income tax and social contribution tax on net income

Taxes on income in Brazil comprise Federal income tax (25%) and social contribution tax (9%), as recorded in the statutory accounting records, for entities under the taxable profit regime, for which the composite statutory rate is 34%. When applicable, deferred taxes are provided on all temporary tax differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts.

Deferred tax assets are recognized to the extent that future taxable profit is expected to be available to be used to offset temporary differences.

Deferred tax assets arising from net operating losses have no expiration dates, though offset is restricted to 30% of annual taxable profit. In the event realization of deferred tax assets is not considered probable, no amount is recorded

Statement of cash flows

Statements of cash flows are prepared and presented in accordance with accounting pronouncement CPC No. 03 (R2) - Statement of Cash Flows, issued by the CPC

Operating cycle

Based on the varied nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has considered its operating cycle for the purpose of classification of its assets and liabilities as current and non-current.

Related Party

Company discloses all the outstanding liabilities under Trade Payables to related party under current liabilities.



Terms of Borrowings as at 31st March-2017

The company has a working capital facility with Citi Bank. Terms of the borrowing is enumerated in below table.

Trade Receivable and movement in Provision for doubtful debt:

Particulars	mar/17	REF	mar/16	REF	mar/15
Trade Receivables (Unsecured – Considered Good unless stated otherwise)					
Less than six month from due date	13,386,644		13,900,998		13,912,985
Over Six months from due date	578,870		728,802		344,218
	13,965,514		14,629,801		14,257,203
Less: Provision for Doubtful Trade Receivables*	498,243		291,778		259,796
TOTAL	13,467,272	✓	14,338,022	✗	13,997,407

* Movement in Provision for Doubtful Debt

Particulars	mar/17		mar/16		mar/15
Opening Balance	291,778		259,796		194,144
Additional provision during the year (net of reversal)	898,276		285,628		193,292
Write off during the year	-691,812		-253,645		-127,640
Closing Balance	498,243	✓	291,778	✗	259,796

Note:2

Long term Provision

Particulars	As at 1 April 2015	Additions	Utilisation/reversal	As at 31 March, 2016
Provision for Employee related claims	1,653,546	-	671,138	982,408
Provision for regulatory tax and civil claims	444,707	706,702	-	1,151,409
Total	2,098,253	706,702	671,138	2,133,817

Particulars	As at 1 April 2016	Additions	Utilisation/reversal	As at 31 March, 2017
Provision for Employee related claims	982,408	317,054	275,348	1,024,115
Provision for regulatory tax and civil claims	1,151,409	27,842	477,054	702,197
Total	2,133,817	344,897	752,402	1,726,312 (a)

Note:3

Assets under operating Lease:

Company leases office space and Manufacturing facilities under cancelable and non Cancelable operating lease agreements that are renewable on periodic basis. Details of contractual payment under non cancelable leases are given below.

Particulars	Amount (BRL)	
	2016-17	2015-16
Lease rent Charged during the year	979,278	993,992
	⊖	
Within one Financial Year	778,800	1,077,600
Later than one year but not later than 5 years	960,000	298,800
Later than 5 years	-	-
Total minimum lease payments	1,738,800	1,376,400

Explanatory letters

(a) Accrued balance in the accounting in the amount of R\$ 1,231,768. Variation of R\$ 494,544 corresponding to Refis considered by Indian Gaap

Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- ✗ According to the trial balance "BR Gaap" on 03-31th-2016
- ⊖ According to the rental expenses recorded in the period

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Note:4

Terms of Borrowings:

The company has availed working capital facility with Citi Bank and same is guaranteed by Pidilite Industries Limited (Guarantee as at 31st March, 2017 is US \$ 2.4 Mn and USD \$ 3.1 Mn as at 31st March, 2016. Details of terms of borrowing/Term Loan as on year end is given below.

Nature of Borrowing	Maturity Date	Coupon/Interest Rate	31st March-2017		31st March-2016		31st March-2015			
			Maximum Permissible limit	Amount utilised	REF	Maximum Permissible limit	Amount utilised	REF	Maximum Permissible limit	Amount utilised
Term Loan										
Citibank	17/07/2017	1,70 % p/m	2400000 US \$	3.170.490	ex	3100000 US \$	6.246.215	x	2400000 US \$	2.829.920
Citibank	03/07/2017	1,70 % p/m		2.167.169	ex		1.141.000	x		
Citibank - Finimp Ningbo/MRK	26/04/2016	4,617391% p/y					639.043	x		
Citibank - Finimp MRK	22/07/2016	3,913043% p/y					194.732	x		
Citibank - Finimp Fluorine	22/07/2016	3,913043% p/y								
Pidilite International PTE LTD	25/05/2017	4,00% p/annum	-	1.606.487	✓	-	-	-	-	322.092
Pidilite International PTE LTD	08/06/2017	4,00% p/annum		1.606.487	✓					
Bill discounting Itaú Bank	Due date on invoices	avg 2,8% p/m	5.000.000			6.500.000	12.605		6.500.000	4.994.388
Bill discounting Tribanco Bank	Due date on invoices	avg 2,8% p/m	-	-		-	-		-	683.617
TOTAL Borrowing/Term Loan				8.550.634			8.233.596			8.830.018

Ticks

- ✓ According to the trial balance "BR Gaap" on 03-31th-2017
- x According to the trial balance "BR Gaap" on 03-31th-2016
- ex According to the answers of circularization of banks.

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