



## KOKUYO CAMLIN LIMITED

Regd. Office : 48/2, Hilton House, Central Road,  
MIDC, Andheri (East), Mumbai - 400 093. INDIA  
Tel.: 91-22-6655 7000 Fax : 91- 22-2836 6579  
E-mail : info@kokuyocamlin.com  
Website : www.kokuyocamlin.com  
CIN - L24223MH1946PLC005434

12<sup>th</sup> February, 2025

The Secretary,  
**BSE Limited**  
Corporate Relationship Department  
1<sup>st</sup> Floor, New Trading Ring  
Rotunda Building  
P.J.Towers, Dalal Street, Fort,  
Mumbai-400 001

**Scrip Code : 523207**

The Manager  
Listing Department  
**National Stock Exchange of India  
Limited**  
Exchange Plaza, Bandra-Kurla  
Complex  
Bandra (East)  
Mumbai – 400 051

**Symbol : KOKUYOCLN**

Dear Sir/Madam,

**Sub: Outcome of Board meeting - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015**

This is to inform that the Board of Directors of the Company at their meeting held today i.e. 12<sup>th</sup> February, 2025, has inter alia, noted the report submitted by M/s. PricewaterhouseCoopers Pvt. Ltd. (Investigation Agency) in connection with the forensic review of irregularities in the inventory management procedures, in one of the factories of the Company.

The detailed disclosures as required under Regulation 30 of the Listing Regulations read with SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated 13<sup>th</sup> July, 2023 in this regard, is enclosed as **Annexure I**.

The meeting of the Board of Directors commenced at 4:10 pm and concluded at 5:05 pm.

You are requested to take the same on record and treat the same as compliance of applicable SEBI Regulations.

The aforesaid information is also being placed on the website of the Company at [www.kokuyocamlin.com](http://www.kokuyocamlin.com)

Thanking you.

Yours Faithfully,

**FOR KOKUYO CAMLIN LIMITED**

**VIPUL BHOY**  
**COMPANY SECRETARY & COMPLIANCE OFFICER**



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### Annexure I

This is in relation to the forensic audit suo-moto, initiated by the Company through PricewaterhouseCoopers Pvt. Ltd. ('Investigation Agency' or 'PwC'), in furtherance to the observations of the irregularities in the inventory management procedures, in one of the factories of the Company, which was intimated to the stock exchanges on 7<sup>th</sup> November, 2024, pursuant to regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors at its meeting held today i.e. 12<sup>th</sup> February, 2025, noted the report submitted by PwC (as attached) in the aforesaid matter. The report was first placed before the Audit Committee meeting held today for its observations and thereafter placed before the Board for noting.

According to the forensic review undertaken for the period from April, 2021 to September 2024, there was an involvement of few employees of the Company and some of the Job workers in manipulation of the operational documents and erroneous recording of production entries leading to irregularities in inventory management. Some of the employees have confessed to having received kickbacks from vendors. Apart from this, instances of conflict of interest and violation of company's code of conduct have also been reported. These events were found to have led to fraud against the Company. The financial impact recognised due to misstated entries and manipulation of records is estimated to Rs.2144.27 Lacs. The management is in the process of determining the possible impact of the discrepancy on the prior period's financial results.

The management has taken cognizance of the observations made in the report. The management will be taking appropriate disciplinary actions, which may include termination, against the employees and vendors involved. The restructuring of the said factory operations has been done to tighten the controls. Restricted access controls have been implemented for alleged employees. The management shall undertake physical security risk assessment and basis the findings, appropriate actions shall be taken.

Further, the management has appointed an external SAP consultant to review the existing production process in SAP and recommend actions to be taken, towards strengthening controls and streamlining SAP processes with respect to job workers operations. We expect this to be completed over the next 4-5 months.

We trust the disclosure as provided in this document provided necessary information as required under applicable SEBI regulations. The management has taken the appropriate steps to strengthen the governance & controls and to leverage IT capabilities to further drive efficiencies. The Company is committed to uphold highest standards of corporate governance and to protect the interests of its stakeholders.

# Kokuyo Camlin Limited

## Report of findings

Private and Confidential

11 February 2025



11 February 2025

Kokuyo Camlin Limited  
48/2, Hilton House, MIDC Central Road,  
Marol MIDC Industry Estate, Andheri East,  
Mumbai, Maharashtra 400093

**Subject: Project Camel - Fact finding review**

Dear Mr. Nilesh Choudhary (Chief Financial Officer),

Our Services were performed and this Report of findings (“Deliverable”) is prepared in accordance with the Engagement Letter (‘EL’ or ‘contract’) dated 06 November 2024, between Kokuyo Camlin Limited (‘KCL’ or ‘Company’ or ‘you’) and PricewaterhouseCoopers Private Limited (‘PwC’ or ‘we’ or ‘us’) and is subject to the terms and conditions included therein.

Our work was limited to the specific procedures and analysis described herein and was based on information compiled through 06 February 2025. Accordingly, changes in circumstances or information newly available after this date could affect the findings outlined in this Report of findings.

This Report of findings is prepared solely for your information and is intended for distribution only to KCL and may not be relied upon by other parties (‘Third Party’), except as mentioned in the Engagement Letter and Addendum Letter. Neither this Report of findings nor its contents may be distributed to, discussed with, or otherwise disclosed to any Third Party, except as mentioned in the Engagement Letter and Addendum Letter, without the prior written consent of PwC. We accept no responsibility or liability to a Third Party to whom this Report of findings may be shown or in whose hands it may come.

We appreciate the opportunity to assist you with this matter. If you have any questions or would like to discuss this Report of findings, please do not hesitate to contact me via email at [darshan.patel@pwc.com](mailto:darshan.patel@pwc.com)

Yours sincerely,

**Darshan Patel**

Partner

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Background, scope and approach



# Background, Scope and Approach

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## **Background:**

- In September 2024, Kokuyo Camlin Limited (“KCL” or “Company”) identified a variance between the physical inventory and the book inventory at its Tarapur plant. The variance identified constituted various inventory components, including Raw Materials (“RM”), Packaging Materials (“PM”), Semi-Finished Goods (“SFG”), and Finished Goods (“FG”). The Company sought assistance of PricewaterhouseCoopers Private Limited (‘PwC’ or ‘we’ or ‘us’) to perform a fact-finding review to identify key reasons for these discrepancies.

## **Scope and approach:**

- **Forensic review of data and transactions related to variance noted in inventory:**  
Undertake process discussions with stakeholders for obtaining an understanding of the inventory management process and internal controls in place. Review the internal reports, SAP adjustment entries, performing data analytics and obtain supporting documentation for outlier transactions.
- **Review Electronically Stored Information (ESI) of Target Employees:**  
Forensically imaged the laptop of Target Employees, attempted to recover deleted electronic documents, undertook keyword-based searches and reviewed electronic documents /items to corroborate the red flags or uncover new information pertinent to the investigation.
- **Interviews :**  
Conducted interviews with Target Employees and vendor (third parties) as agreed with the KCL.

**Review period: 01 April 2021 to 30 September 2024.**



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## Notice to Reader



# Notice to Reader

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- Our services were performed, and this Report of findings was prepared in accordance with the Engagement Letter dated 06 November 2024 and is subject to the terms and conditions included therein.
- Our work was limited to the specific procedures performed and was based on information compiled until 06 February 2025. Accordingly, changes in circumstances or newly available information after this date could affect the findings outlined in this Report of findings.
- This Report of findings is prepared solely for your information and is intended for distribution only to KCL. This Report of findings may not be relied upon by other parties (“Third Party”), except as mentioned in the Engagement Letter and Addendum Letter. Neither this Report of findings nor its contents may be distributed to, discussed with, or otherwise disclosed to any Third Party, except as mentioned in the Engagement Letter and Addendum Letter, without the prior written consent of PwC. We accept no responsibility or liability to a Third Party to whom this Report of findings may be shown or in whose hands it may come.
- The procedures performed under this fact-finding review do not constitute an audit or examination or a review in accordance with generally accepted auditing standards or attestation standards. Accordingly, PwC will not provide an attestation or opinion or other form of assurance pursuant to generally accepted auditing standards or attestation standards of the Institute of Chartered Accountants of India.
- This Report of findings and its contents are not intended in any way to provide any kind of legal advice, opinion, interpretation, views etc. and the Report of findings should be read in that light and is not to be used as substitute for legal advice. We make no representations regarding questions of legal interpretation and cannot render legal advice. KCL should consult with legal attorneys with respect to any legal matters or items that require legal interpretation including Indian laws, rules or regulations.
- We have relied on the data and explanations provided by KCL and in no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by any person to whom we make information requests. We did not audit or otherwise verify the information supplied in connection with this engagement, from whatever source obtained, except as may be specified in this Report of findings.
- Where appropriate, we have obtained and verified underlying documents (such as gate entry records, batch sheets, delivery challans, invoices, among others.) on a sample basis, led by specific analytical procedures. Kindly note that these samples may not be representative of the entire population.
- PwC conducted tests on specific internal controls identified during execution of our work steps and did not evaluate all controls related to the Inventory Management process.
- During forensic imaging of the laptops, an attempt was made to recover the deleted data to the extent possible. However, all data could not be recovered.



# 3

## Summary of findings

# Summary of findings (1/3)

- As per the quarterly financial results of KCL for the quarter ended 30 September 2024, the Management of KCL reported variance in physical inventory of approx. INR 22.73 Crores at its Tarapur plant.
- During process walkthrough it was noted that there is no dedicated material code in SAP for recording mixed shade damaged crayon sticks. When these materials are received from job workers, a reversal entry for semi-finished goods (SFG) is recorded rather than recording SFG consumption. This process inadvertently increases the SFG inventory in SAP, rather than accurately reflecting the SFG consumption and corresponding scrap generation.
- Based on data analytics performed on SAP data for the period 01 April 2021 to 30 September 2024, it was noted that the total amount of unrecorded SFG consumption entries aggregates to INR 10.55 Crores. These entries were identified using the PO number associated with the scrap generation entries in SAP and mapping the same with the corresponding SFG material consumption entries in SAP. Out of the total INR 10.55 Crores, we were able to trace unrecorded SFG entries amounting to INR 7.62 Crores with the scrap generation entries and the physical variance report provided by Management of KCL.
- Summary of the analysis of the inventory variance is presented below:

Particulars	Reference	INR in Crores
Total inventory variance as per quarterly financial statements of KCL for the period ended 30 September 2024.	(A)	22.73
The total amount of unrecorded SFG consumption entries identified during data analytics	(B)	10.55
Amount of unrecorded SFG consumption entries traceable in inventory variance report (provided by KCL)	(C = subset of B)	7.62
Balance unexplained/unreconciled inventory variance (includes potential fraudulent activities and other findings - refer page 10 for more details)	(D = A - C)	15.11

# Summary of findings (2/3)

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- The below mentioned discrepancies may have contributed to the inventory variation of approx. INR 15.11 Crores. (i.e. INR 22.73 Crores – INR 7.62 Crores):

## Section A: Discrepancies linked to potential fraudulent activities

- 1. Erroneous/fraudulent recording of production and consumption entries in SAP** – Multiple instances were noted during analysis of SAP data, wherein the consumption quantities and / or production quantities were either not recorded or were partially recorded in SAP. While reviewing the sample physical batch sheets it was noted that the output and input quantity mentioned on the physical batch sheet were incorrectly recorded in SAP, with instances of both under-recording and over-recording. A KCL employee confessed to entering fictitious production and consumption entries in SAP either using the credentials of other employees or instructing his two (2) junior team members.
- 2. Manipulation of gate entry records** - Irregularities were noted in the factory gate inward and outward records, such as cancellations, overwriting, non-sequential recording of entries, incorrect dates, indicating potential manipulation. Furthermore, gate entry records were not maintained in the physical register for materials received from the job workers at Tarapur factory (i.e. Unit 1 and 2). Seven (7) KCL employees and two (2) job worker employees acknowledged that the sample gate entry records were manipulated.
- 3. Duplicate entry and manipulation of delivery challans** – Multiple instances were noted during analysis of SAP data, wherein material inward (GRN) entry was recorded with the same delivery challan number pertaining to the same vendors, but on different dates. Additionally, the delivery challans for the inward entry of mold scrap received from various job workers at Unit 3 were noted to be written in identical handwriting and in a sequential order. Seven (7) KCL employees and two (2) job worker employees acknowledged that the sample delivery challans records presented to them during interviews had been manipulated.
- 4. Kickback received from vendors** - Three (3) KCL employees acknowledged receiving favors in the form of cash and gifts from KCL vendors.
- 5. Relationship between KCL employees and job workers** - The immediate family members of two (2) KCL employees were employed as job workers for the company.

# Summary of findings (3/3)

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## Section B: Other findings

- 1. Recording consumption quantity as per Bill of Material (BoM) instead of actual quantity** - Analysis of the sample data on raw material consumption showed that in the 97% of the cases the consumption quantities were as per the quantity specified in BoM. We were informed that the actual output quantities and input quantities were not documented in the batch sheets, rather SAP entries that were made based on BoM.
- 2. No independent data maintained by vendor management team** - The vendor management team maintains a planning v/s production MIS which captures the actual production data from SAP. No separate data tracker or independent database available for recording the actual production and/or consumption details.
- 3. No independent data maintained by Job Workers** - No separate data tracker or independent database available for monitoring the materials being produced or processed at job worker's location.
- 4. Unavailability of batch sheets and varied material usage pattern** - Batch sheets pertaining to 2021 were not available because they had been disposed off. During FG and SFG production, either new materials, mold scrap, or a combination of both were used and no separate tagging for tracking category of material used is maintained.
- 5. Potential conflict of interest** - Due to unauthorized sharing of SAP credentials with employees of job workers, a potential conflict of interest arises as the inventory management / payment to the job worker is based on the SAP entries recorded by the job workers.

# Thank you

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