



Customer Engagement

CUSTOMER ENGAGEMENT

Taking forward last year's theme of customer connect, this year, the focus of the Company was to leverage and convert this connect established with its customers and Influencers into a deeper customer engagement.

In addition, the Company started commercial supplies from Phase 2 of its new state of the art Hosur factory. This facility has now been approved by most Industrial customers; with this, supplies have commenced for Automotive, Performance Coatings and Powder coatings customers. The Company has also strengthened its R&D facility at its plants by opening another satellite R&D facility at its Hosur plant. All these have helped the Company engage even more strongly with its Industrial customers.

For the Auto refinish customers, the Company commissioned a state-of-the-art training centre at Bawal, Haryana for imparting training on correct usage and application of the KNPL Refinish range.

The Company continued its strategic investments in Information Technology (IT) and use of the same for better service for its customers. The Company continued to leverage the various IT solutions that it has to offer customers more and up to date information through its CRM (Customer Relationship Management) and call centre facilities. The sales team was equipped with better quality of information through analytical tools and dashboards so that they can have a meaningful discussion with the customer. The CRM software is being upgraded to the latest Customer 360 version which will help the Company be future ready and more engaged with its customers and Influencers.

Through regular customer feedback and interaction, the Company strengthened its Depot operations and Logistics with a view to improve Customer service. Transparency and speed was built into the development pipeline and problem resolution process so that the customer gets updated information. The call centre initiative started last year was consolidated.

Painter Loyalty program called Nerolac Preferred Painter (NPP) was further strengthened and in addition a dedicated call centre was set up for Influencers like painters. To engage with Influencers like Architects the Company has launched a program called Archedge.

The Company also engaged with consumers through a host of Digital initiatives over social media platforms like Facebook, YouTube amongst others. KNPL has also leveraged crowd sourcing to get consumer ideas on creation of radio advertisement. With initiatives like these KNPL tries to bring involvement of consumers in the product and brand. In addition, the Company also launched many initiatives like Paint smart workshop, nHance Mobile App and a Welcome Home DVD amongst others.

In order to ensure that its sales force remains aligned and engaged with the customer, the Company has also made huge investments in training and competence building of its sales team through a range of training and development programs.

All these are investments which the Company believes will help keep it engaged with its current and future customers.

DIRECTORS

Dr J. J. IRANI (Chairman)
D. M. KOTHARI (Vice Chairman)
H. M. BHARUKA (Managing Director)
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI (Wholetime Director)
Y. TAKAHASHI
H. NISHIBAYASHI
M. TANAKA

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

- UNION BANK OF INDIA
- STANDARD CHARTERED BANK
- HDFC BANK LTD.
- BNP PARIBAS

AUDITORS

B S R & CO. LLP, MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

NEROLAC HOUSE, GANPATRAO KADAM MARG,
LOWER PAREL, MUMBAI-400 013

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Website: www.nerolac.com

Investors Relations e-mail Id: investor@nerolac.com

Corporate Identity Number (CIN): L24202MH1920PLC000825

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Investors Relations e-mail Id: investor@nerolac.com • Corporate Identity Number (CIN): L24202MH1920PLC000825

NOTICE

NOTICE is hereby given that the Ninety-fourth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400 001 on Friday, 20th June, 2014 at 3.00 p.m. (S.T.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2014 including audited Balance Sheet as at 31st March, 2014 and Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, the vacancy caused by the retiring Director, Dr. J. J. Irani (holding DIN 00311104), who has not sought re-appointment, be not filled in at this meeting or at any adjournment thereof."
4. To appoint a Director in place of Mr. H. Nishibayashi (holding DIN 03169150), who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that subject to ratification by the Shareholders at every Annual General Meeting, B S R & Co. LLP, Chartered Accountants (Registration No. 101248W) be and are hereby appointed as the Auditors of the Company to hold office from the

conclusion of this 94th Annual General Meeting until the conclusion of the 99th Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee".

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 148 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the remuneration of the Cost Auditor, N. I. Mehta & Co., Cost Accountants, for the year ending 31st March, 2015, be and is hereby determined as recommended by the Audit Committee and approved by the Board of Directors."

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. D. M. Kothari (holding DIN 00516431), Director of the Company who retires by rotation at the Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years from the date of this Annual General Meeting."

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2014

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

The instrument of Proxy, in order to be effective, should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.

2. The Board of Directors has recommended for consideration of the Members a dividend of ₹ 11 (110 %) per equity share of the nominal value of ₹ 10 each for the year ended 31st March, 2014.
3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to Items No. 3, 5, 6 and 7 is annexed hereto.
4. The Register of Members and the Share Transfer books of the Company will remain closed from Friday, 13th June, 2014, to Thursday, 19th June, 2014 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
5. Shareholders may be aware that the Companies Act, 2013, permits service of the Notice of the Annual General Meeting through electronic mode. Electronic copy of the Annual Report including Notice of the 94th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Admission Slip and Proxy Form is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) for communication purposes. However, those members who desire to have a physical copy may request for the same. For members who have not registered their e-mail address, physical copies of the Annual Report are being sent in the permitted mode.
6. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs, are requested to register their e-mail IDs with their Depository Participant at the earliest, to enable the Company to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail IDs to the RTA sending an e-mail at

sharepro@shareproservices.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.

7. E-Voting:

In compliance with Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its Shareholders with facility to exercise their right to vote at the 94th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

The Company has signed an agreement with CDSL for facilitating e-voting to enable the Shareholders to cast their vote electronically.

Process for E-Voting –

- i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com
- ii) Now, click on **"Shareholders"** tab to cast your votes.
- iii) Select the Electronic Voting Sequence Number "EVSN" along with **"Kansai Nerolac Paints Limited"** from the drop down menu and click on "SUBMIT" for voting.
- iv) Now, fill up the following details in the appropriate boxes:

User – ID	For shareholders holding shares in Demat Form: (a) For NSDL: 8 Character DP ID followed by 8 Digits Client ID (b) For CDSL: 16 digits beneficiary ID For Shareholders holding shares in Physical Form: Folio Number registered with the Company.
Password*	(1) For shareholders receiving Annual Report through e-mail, Password along with EVSN and User ID will be provided by CDSL for e-voting purpose. (2) For shareholders receiving physical copies of Annual Report, the Password along with EVSN and User ID is mentioned in the Admission Slip.
PAN**	Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department.

* If you are holding shares in Demat form and had logged on to www.evotingindia.com and have

cast your vote earlier for EVSN of any company, then your existing User Id and Password are to be used.

**** Shareholders who have not updated their PAN with the Company/Depository Participants are requested to use Default Character as mentioned below. After entering these details appropriately, click on "SUBMIT".**

Default Character: **NEROLAC123** (for Shareholders not having PAN).

- v) Shareholders holding shares in physical form will have to use the User ID, Password and PAN/ Default character to vote on resolutions for a particular EVSN only and would be taken directly to the voting screen.
- vi) After logging in, Demat shareholders will have to mandatorily change their password. The new password has to be eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character like @, #, \$, %, ^, &, *. This password can be used by Demat holders for all future voting on resolutions of companies in which they are eligible for vote, provided that the company has opted for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Physical shareholders will be provided with a fresh password for every e-voting.
- vii) You can also update your mobile no. and email id in the user profile details of the folio which may be used for sending communication(s) regarding e-voting system in future. The same may be used in case the member forgets the password and it needs to be reset.
- viii) Now you are ready for e-voting as Cast Vote page opens.
- ix) On the voting page, you will see Resolution Description with the options of 'YES/NO' for voting for each of the resolution. Enter the number of shares (which represents number of votes) under YES/NO. The total number of votes in YES and NO taken together should not exceed the total shareholding. A member need not use all his/her votes.
- x) Security holders can also view the e-voting Notice and Resolution details by clicking on the Resolution File Link.
- xi) Cast your vote by selecting appropriate option and click on "SUBMIT" and also "CONFIRM" when prompted.

- xii) Once you have voted on the resolution, you will not be allowed to modify your vote.
- xiii) In case you have any queries or issues regarding e-voting, please contact the Company or Registrar & Share Transfer Agent or send mail to helpdesk.evoting@cdslindia.com or investor@nerolac.com
- xiv) Voting can be exercised only by the shareholder or his/her duly constituted attorney or, in case of bodies corporate, the duly authorized person.
- xv) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPEG format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote through e-mail at chokshiragini@gmail.com with a copy marked to helpdesk.evoting@cdslindia.com without which the vote shall not be treated as valid. The relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) should be mailed before the voting period ends.
- xvi) **E-voting period will commence from Saturday, 14th June, 2014 at 10:01 hrs. and will end on Monday, 16th June, 2014 at 18:00 hrs. During this period shareholders of the Company, holding shares either in physical form or in dematerialised form as on the cutoff date of 16th May, 2014, may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter.**
- xvii) Mrs. Ragini Chokshi, Partner of Ragini Chokshi & Co., Practicing Company Secretary, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner. The Scrutinizer shall within a period not exceeding 3 (three) working days from the conclusion of the e-voting period unblock the votes in the presence of at least 2 (two) witnesses not in the employment of the Company and make a Scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- xviii) The Results shall be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's report shall be placed on the Company's website www.nerolac.com and on the website of CDSL within 2(two) working days of the passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.

Annexure to Notice

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013:

ITEM NO. 3

Dr. J. J. Irani retires by rotation at this Annual General Meeting and is eligible for re-appointment. However he has informed the Board that he does not seek re-appointment. The Board does not propose to fill the vacancy at this meeting or any adjournment thereof.

Hence, as required under Section 152 of the Companies Act, 2013, resolution at item no. 3 is proposed not to fill up the vacancy caused by the retirement of Dr. J. J. Irani.

Dr. J. J. Irani joined the Board of Directors on 29th October, 2002 and has been the Chairman of the Company since 16th July, 2003. The Board has placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Dr. Irani during his association with the Company as a Director and then as the Chairman.

ITEM NO. 5

B S R & Co. LLP, Chartered Accountants (Registration No. 101248W) have been the statutory auditors of the Company since their appointment for the first time at the Annual General Meeting of the Company on 29th June, 2009. In accordance with Section 139 (1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, B S R & Co. are eligible to be appointed as the statutory auditors for a term of 5 years at this Annual General Meeting. Hence the Resolution at Item No. 5 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 5.

ITEM NO. 6

N. I. Mehta & Co., Cost Accountants, were the Cost Auditors of the Company to audit its cost accounting records relating to synthetic resins, paints and varnishes for the year 2013- 2014. In connection with the Cost Audit for the year ending 31st March, 2015, N. I. Mehta & Co. have conveyed their willingness to act as cost auditor of the Company. In terms of Section 148 (3) of the Companies Act, 2013 read with the Companies (Audit and Auditors)

Rules, 2014, the remuneration for the Cost Auditor as recommended by the Audit Committee and approved by the Board of Directors is required to be ratified by the shareholders. Hence the Resolution at Item No. 6 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 6.

ITEM NO. 7

Mr. D. M. Kothari is the Vice-Chairman and a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company on 1st April, 1973.

Mr. D. M. Kothari is a qualified Chartered Accountant by profession and is an authority on the Indian Paints Industry. Mr. Kothari had been in the whole-time employment of the Company for a period of 29 years, till his retirement on 30th April, 1990. During his employment with the Company, Mr. Kothari had an extremely successful tenure as the Managing Director of the Company for a period of 15 years, from 1st April, 1975 to 30th April, 1990, that witnessed the spectacular growth in turnover of the Company by over ten times from about Rs. 14 crores in 1975 to Rs. 147 crores in 1990. During his tenure as the Managing Director, the Company entered into technical and financial collaboration with Kansai Paint Co. Ltd., Japan, which laid the foundation for the Company to be the undisputed leader in the industrial paints business and paved the way for the Company to attaining greater heights. Subsequent to his retirement as the Managing Director, Mr. Kothari was appointed as a Non-Executive Director designated as the Vice-Chairman of the Company from 1st May, 1990, which position he continues to hold on the Board of Directors of the Company.

Mr. Kothari has also been the president/member of several leading trade Associations such as the Indian Paints Association, The Chemicals & Allied Products Export Promotion Council (CAPEXIL), The Indian Chemicals Manufacturers Association (ICMA), The Bombay Chamber of Commerce and Industry (BCCI) and The Federation of Indian Export Organization (FIEO).

Mr. Kothari hold 1084 equity shares in the Company.

Mr. Kothari retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and

any other applicable provisions of the Companies Act, 2013, Mr. Kothari being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of five consecutive years from the date of this Annual General Meeting.

In the opinion of the Board, Mr. Kothari fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company. A copy of the draft letter for appointment of Mr. Kothari as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Kothari as an Independent Director. Accordingly, the Board recommends the Resolution in relation to appointment of Mr. Kothari as an Independent Director, for the approval of the shareholders of the Company.

Except Mr. Kothari, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 7.

Disclosure in terms of Clause 49 (IV)(E)(v) of the Listing Agreement with the BSE and the NSE:

Name of the Director seeking appointment/ re-appointment	Shares held as on 31.3.2014 (Own or held by/ for other persons on beneficial basis)
(1) Mr. D. M. Kothari	1084
(2) Mr. H. Nishibayashi	Nil*

* Mr. H. Nishibayashi is a Nominee of Kansai Paint Co. Ltd., Japan. He does not hold any Share in his personal capacity.

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 94th Annual Report and the Audited Accounts for the year ended 31st March, 2014.

1. Financial Highlights

	1st April, 2013 to 31st March, 2014 ₹ in Million	1st April, 2012 to 31st March, 2013 ₹ in Million
Sales & Operating Revenue.....	37390.18	33756.49
Net Sales/Income from operations (Net of excise and discounts)	31543.54	28566.19
Other Income.....	103.31	163.17
Profit before Interest, Depreciation, Tax and Appropriation.....	3724.18	3524.15
Interest.....	4.51	0.16
Depreciation.....	649.76	471.07
Profit Before Exceptional Item.....	3069.91	3052.92
Exceptional Item (Reversal of excess depreciation in respect of earlier years)	—	1,149.25
Profit Before Tax	3069.91	4202.17
Tax.....	1004.20	1280.35
Profit After Tax	2065.71	2921.82
Balance brought forward from previous year.....	8149.65	6213.57
Balance available for appropriations.....	10215.36	9135.39
Appropriations:		
Proposed Dividend	592.81	592.81
Tax on proposed dividend	100.75	100.75
General Reserve	206.57	292.18
Balance retained in Profit and Loss Account.....	9315.23	8149.65
	10215.36	9135.39

2. Dividend

The Directors recommend for consideration of the Members a dividend of ₹ 11 (110 %) per equity share of the nominal value of ₹ 10 each for the year ended 31st March, 2014 as against ₹ 11.00 per equity share (110%) paid last year.

MANAGEMENT DISCUSSION AND ANALYSIS

[A] INTRODUCTION TO KANSAI NEROLAC PAINTS LTD.

Kansai Nerolac Paints Ltd. (KNPL), a subsidiary of Kansai Paint Co. Ltd., Japan, started as Gahagan Paints and Varnishes Co. Ltd. in the year 1920. Having completed 94 years, Kansai Nerolac has been known as a strong player in the paint industry with high reputation for quality, innovation and brand identity.

It has been the vision of Kansai Nerolac to leverage global technology and serve the customer with superior coating systems and world class solutions.

The Company has 4 manufacturing facilities – at Lote in Maharashtra, Bawal in Haryana, Jainpur in U.P. and the latest state-of-the-art plant at Hosur in Tamil Nadu. The geographical set up of the plants has been advantageous in providing high service levels and supply chain efficiency, thus leading to customer satisfaction. During the year, the Company also inaugurated its new emulsion plant at Jainpur and new polyester resin plant at Lote.



Automatic Filling line at Jainpur

Kansai Nerolac as a Company has always aimed to work in congruence to the customer's needs and demands. In line with its vision, the Company strives to provide customer delight. Towards this end the Company has

over the years developed a variety of products in order to meet customer demand in the Decorative, Automotive, Auto Refinish, Performance Coating and Powder Coating segments of the market.

The Company regularly benchmarks itself against the best in class companies in various sectors across the globe to identify good practices and emerging thought leadership which will add long term value to the various stakeholders. The Company's strategic investments are guided by its vision, to drive long term superior value for all stakeholders.

The Company is recognized as a pioneer of the environment friendly products and in line with its chosen platform of Healthy Home Paints, it shall continue to spread awareness and also develop new environment friendly products with superior quality.



Silo System at Jainpur

The Company is a leader in Industrial Paints. Complete system capability with advanced technological products introduced over the years has been instrumental in sustaining the leadership for industrial business segment. KNPL has always launched products for customers across various market segments which are innovative and technologically superior.

The Company views investment in IT as strategic and believes in using IT as a tool for competitive differentiation. Over the years it has made significant investments in IT which have enabled successful integration of IT with all its operations. This year the Company has invested in HANA from SAP which is likely to yield benefits in the years to come.

In line with our vision of delighting the customers, this year, the focus was on engaging the customers and thus enhancing the value proposition. The Company undertook many initiatives in this regard and built strong relationship with the customers; hence the theme of Customer Engagement.

The organisation has been felicitated with several awards which indicate that KNPL has been appreciated by the entire value chain.

[B] INDUSTRY PROGRESS

The financial year 2013-14 has been challenging. Economic growth declined across all the sectors due to a variety of domestic and external factors. High inflation, fiscal deficit, unfavourable domestic savings and investment rates are some of the factors which have been witnessed during the year. A prolonged period of high interest rates, rising inflation along with a host of unfavourable factors have contributed to a dip in consumer demand.

In this tough operating environment the Company has continued on its path of making strategic investments which will enable the Company to emerge stronger in the times ahead. A number of strategic initiatives were taken focussing on Technology, Brand, product, IT, Supply chain, Processes and people development. These initiatives should lead to sustainable long term benefits.

As on March 2014, the size of the paint industry is estimated at around ₹ 31650 Crores. The Decorative paint segment is expected to be around ₹ 22450 crores; whereas the Industrial segment is expected to be around ₹ 9200 Crores. In the long term paint industry is expected to grow roughly at 1.5 to 2.0 times the GDP.

[C] MARKETING INITIATIVES – OUTLOOK

Marketing is incomplete without involvement of all stakeholders; this year the Company undertook initiatives aimed at deepening the brand engagement with Consumers, Influencers, Institutions and Dealers.

Nerolac's core message of transformation is not only embedded for products but also towards consumer experience. With this thought Nerolac revamped its website www.nerolac.com. The website is essentially developed to cater to the latest technology of tablets and Smartphone devices so as to provide rich experience of colours to the audience. Colours have been reinvented in this website with features like colour picker, paint your home and paint calculator that will help the consumer from choosing shades, to painting the wall and calculate their project cost.



www.nerolac.com

The Company continued its focus on the new formats of retail shopping and opened its third Shoppe in Mumbai by becoming an exclusive paint partner for Encasa. The store has a good clientele of esteemed architects, interior designers and high end consumers.



Encasa Store, Mumbai

The Company also launched its First ever Experience Zone Store at Delhi jointly with a core dealer. This is the first store of its kind as it is just not a Store, but an Experience Zone which gives you a Personal Touch.



Experience Zone, New Delhi

The Umbrella Campaign for Exterior Paints, launched during the year, garnered favourable reviews. The television commercial of the campaign opens with a humongous umbrella being carried around the country, depicting that one can either use a giant umbrella or simply rely on the protection of Nerolac Excel for home.

The television commercial was also dubbed in Malayalam, Tamil, Telugu and Bengali and was aired across national channels.



KNPL always takes a step ahead to serve consumers better; in this time of Digital marketing, consumers seek more information about products and services online. The digital media however cannot compete with one-to-one interaction especially with industry experts who

help in building a dream home for users. With this core thought, the Company has started the initiative of Nerolac Paint Smart, which is a one day interactive workshop in selected cities for benefit of the Consumers. The workshop gives consumers a chance to interact with interior designer, colour consultants, vastu consultants and paint experts to get a snapshot of all their queries.

The Company took another initiative to reach out to consumers directly by collaborating with BBC GoodHomes, one of the leading interior decor magazines who have released their first customised copies for the Company.

Nerolac Home Painting Services initiated its first integrated campaign in Mumbai, Delhi (and NCR), Kolkata, Bangalore and Hyderabad. The campaign was a mix of Print/Radio and Digital medium where prominent spaces have been taken to create more awareness and brand engagement with Nerolac.



Taking innovation to a different level, Nerolac pioneered the launch of the latest colour tool – Nerolac Peel and stick. Nerolac Peel & Stick are paint selection and colour matching chips which can help consumers make a colour choice without the assistance of a painter or damaging their wall. These chips are removable, reusable, and repositionable and are surely set to revolutionise the way sampling is done.

To deepen the impact of the Nerolac brand with painters KNPL strengthened NPP (Nerolac Premium Painters) loyalty program in select markets. The program is aimed at building a pool of quality painters. As a part of program structured training and information about the benefits of using Low VOC paints is imparted to the painters.

To build connect with Architects KNPL has started Arch-edge (Loyalty program). The objective is to build Nerolac as caring brand based on Healthy Home Paints platform. As part of the program meets and webinar are conducted under the theme of Earth Matters in which topics related to sustainability are covered. Architects can upload the pictures of their projects painted with Nerolac products and earn VOC points which can be subsequently redeemed.



In the digital medium KNPL ran various initiatives on colours during festivals. A new app "How deep is your love" was developed for consumers. The Excel umbrella commercial was first launched on Facebook and on YouTube. Our fan base on Facebook is more than 6 lacs now. KNPL has also leveraged crowd sourcing to get consumer ideas on creation of radio advertisement. With initiatives like these KNPL tries to bring involvement of consumers in the product and brand.



For the first time in the paint industry, Nerolac launched a virtual reality application called Nerolac nHance which takes the user beyond print experience as they can select primary combinations on the image with their own fingertips. This App takes the colour guide beyond print for a maximum experience, and highlights the alternative combinations suggested in the Main image as per selection through the App.



Nerolac launched the Welcome Home Happiness DVD as a means of engaging with the consumer. The idea behind the DVD is to provide the consumer content that will engage and inform him about things like how to choose the right product, colours, etc. The DVD takes an interactive approach to help our customers make their house beautiful and of course, Welcome Home Happiness!



Kansai Nerolac is the leader in the Industrial Coatings Market space and it continues to increase its market share in this space. It has extended its close interaction with customers to the areas of Performance coatings which has helped it increase its market share. The Company now serves a vast array of OEM industries with a variety of products.

The continued technology focus from the parent Kansai Paint Co. Ltd., Japan has helped bring the latest technology products to our valued customers. Based on the excellent track record and new technology offerings, Multiple New OEM Business have been awarded for future business prospects. In addition this year our state-of-the-art Hosur plant is now fully operational and has been approved as a factory of supply by our Industrial customers as well.

The industrial team has undertaken the initiative of "Train the customers". The team imparted training, gave colour presentations and also suggested many improvement areas related to painting and safety to Multiple OEMs and Auto ancillaries. The Company also engages deeply with the customer to gain various insights into customer needs and provide solutions which would add to long term value for the customer.

The Company made inroads in Railways business for coaches and wagons. In Performance Coatings Segment, New business and new products were the focus. The Company continues to focus on gaining approvals from large buyers of paint. New products like Direct to metal coatings for Industrial application were also

introduced. The Company has continued on its thrust towards making its performance coatings products available across the Dealer Network. The Company continues to participate and provide thought leadership in leading Industry events and seminars like NACE (National Association of Corrosion Engineers) and SSPC (Society for Surface Protective Coatings). The Company launched Floor Coatings Products during the year with favourable response.

Towards the end of the year, the Company enhanced its market leadership by entering into a long term technical collaboration with Protech Oxyplast of Canada for Powder Coatings. Protech Oxyplast is a leading global player in the powder coating space. The collaboration will help KNPL to bring numerous new technologies in powder coatings to the Indian market.

KNPL achieved quite a few remarkable milestones in the Auto Refinish Segment this year. Retan PG HS Hybrid Eco product range was introduced into the market for premium refinishing. The products are imported from Japan. A state-of-the-art training centre was also commissioned in Bawal, Haryana for imparting training on correct usage and application of our refinish range. A lot of new products, based on global as well as local know-how, were developed and introduced in various refinish segments for the Indian market which were well received. This has helped our customers to achieve better performance with major cost benefits.





[D] OPPORTUNITY AND THREATS

The Company keeps a close track on the various happenings in the business climate, competition, legislations regarding environment and social concerns as well as the emerging opportunities and business risks. The Company continues to deploy best in class technology and processes in various aspects of its operations. These have helped the Company to retain its market share despite significant competition. The Company sees the following as major opportunities and risks.

OPPORTUNITIES

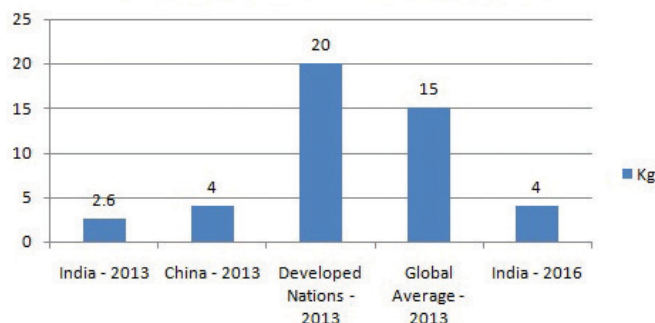
Infrastructure Spending

The interim budget of 2014-15 has raised allocation towards the infrastructure sector by as much as 8.6 per cent. The increase in infrastructure spend will be a boon to the paint industry as it will give a push to Public-private partnerships (PPPs) and increase in paint demand.

Per Capita Paint Consumption

The per capita paint consumption in India is expected to increase from current 2.57 kg level and touch 4 kg in 2016, which is still low as compared to the developed western nations. As our nation develops and modernizes, the per capita paint consumption is bound to increase. Due to the current low per capita consumption of paints in India, there is room for multi-fold growth.

Per Capita Paint Consumption



Vast Auto market

With entry of more foreign players and a slew of new launches being lined up by major OEMs, the auto industry is bound to grow in the country. There is a huge opportunity in the auto-refinish market which the Company can capitalize by leveraging its leadership position in the industrial sector.

Favourable Demographics

India's demographic profile is now in flux and it is changing in a way that is quite favourable to economic growth. Growth of the working-age share of the population and increase in number of nuclear families is fuelling the rise in per capita spent.

THREATS

Raw Material & Crude Oil

Petroleum based products form bulk of the raw materials needed by the industry. The prices of raw material continued to rise during the year. If the price continues to increase, it would create pressure on the bottom line. The Company continues to work on a strategic cost reduction program to off-set this threat.

Currency Volatility

The year saw the Indian currency continuing its volatility and even dipping to its lowest ever level against Dollar and Euro and hence hitting the margins of import dependent companies. If the volatility in the Rupee continues, costs of imported spares, technology royalties, raw material and capital goods can significantly shoot up. The Company has devised a series of internal programs aimed at reducing their impact.

[E] SEGMENT WISE PERFORMANCE

The Company has only one segment of activity named paints, in accordance with the definition of "Segment" as per the Accounting Standard 17 issued by the Institute of Chartered Accountants of India. The performance of the Company is discussed separately in this Report.

[F] RISKS AND CONCERNS

Risk Management is important in an organization which is catering to both industrial and decorative customers. Risk profiling is put in place for all the areas of operations and well integrated in the business cycle.

The Risk Committee periodically meets to monitor the framework set and find ways of mitigating the risks and tracks the action points.

Strategic Risk

Strategic risk relates to Company's future business plans and strategies. The Company has put in systems and processes with respect to customers, products and technology, competition, environment and people's competency and is well equipped to handle any risk which may arise.

Operational risks

New business models, new service offerings, growing volume of operations, have brought risks related to delivery and adherence of SLA (Service Level Agreements) terms and conditions. KNPL with its years of experience has placed in a risk management framework to enhance the review and control mechanisms to ensure contractual terms and conditions.

Legal & Compliance Risk

With increase in geographical spread, KNPL is subjected to multitudes of constantly changing local legislations. There is a risk of non compliance or delay in compliance with statutory requirements. KNPL uses the services of professional consultants to ensure compliance with domestic laws and regulations. We have also implemented tools and processes to ensure internal stakeholders of the Company are aware of statutory requirements.

Financial Risks

The exchange rate between the Indian Rupee and the U.S. Dollar has fluctuated widely in the recent past and may continue to fluctuate significantly in the future. Accordingly, our operating results have been and will continue to be impacted by fluctuations in the exchange rate of the Indian Rupee with the U.S. Dollar along with other foreign currencies.

People Risk

With the industry growing at a fast pace and demand for experienced and trained manpower outstripping supply, the ability to retain existing talent and attract new professional talent assumes crucial importance. The Company has a structured process for potential identification and talent management.

[G] RESEARCH AND DEVELOPMENT

KNPL R&D continued its efforts to ensure technological capabilities and Edge over the competitors by taking long term and short term projects as per market environment.



UV visible spectro photometer

Major thrust areas of R&D are development of new coating products, quality upgrade, development of new shades, development of resins and polymers for paints, VAVE (Value Addition/Value Engineering) activities, process optimization, Raw material standardization, Import substitution and Technical support to our esteemed customers.

The development of new coating products are mainly propelled by the market/customer needs as well as centred on the platform of Healthy Home paints.



Fuming Chamber

The accomplishments by R&D function have been beneficial in sustaining leadership in auto, industrial segment and continuously growing in Deco segment. Few milestones achieved in the year are as follows:

- High Solid base coats for Automobiles, to reduce VOC level and improve productivity.
- Mar Resistant, high durable and wet look Clear Coat for Automobiles.
- Common Primer capable of giving adhesion and Corrosion Resistance on variety of metal substrate.
- Conductive Primer in White Colour capable of painting Plastic substrate electro statically.
- Air dry Water based Monocoat having excellent Corrosion Resistance for Industrial Purpose.
- Exterior water proofing for cementeous substrate.
- Water Base Eco friendly Paint Remover for multiple substrate like Wood, Metal & Masonry Coatings.
- Acrylic Dispersing Agent for Architectural Coatings.
- Glossy emulsion paint for interior.
- Water based Lustre finish.

[H] INFORMATION TECHNOLOGY

Information Technology (IT) has embarked upon its journey towards adoption of next generation technology solutions. As part of this initiative, KNPL has decided to migrate all its SAP solutions on SAP HANA. SAP HANA is a new in memory database platform which can process huge volume of data at lightning speed. This will help in reducing the processing time for key business processes.

It will also help in churning out key MIS on real time basis and enable faster decision making for all the stakeholders. KNPL is also implementing Customer 360, the advanced version of CRM (Customer Relationship Management) with additional capability of integration with mobile devices.

Our focus in making our front line sales team equipped with all the required information has continued this year. Various dashboards were made available to the sales team by leveraging the capability of Analytics. Together with this various sales processes were automated which has enabled them to provide improved service to the customers.

Call centre consolidation was completed in the current year. The new centralized call centre will provide better customer experience to all our dealers. To further improve network uptime and strengthen our WAN network, an alternate connectivity solution was implemented. The thrust of the Company on strengthening the IT security of the Company continued.

[I] PEOPLE

KNPL believes that the most important asset of an organization is its People – they build the organization and determine its growth. In order to create a great working environment KNPL accords priority in providing equal opportunity, health and safety, people development and recognition to its employees.

KNPL is a Performance Oriented Organisation. Through the process of Key Result Areas the organisation performance is aligned with the team goals and individual performances and it provides an opportunity to the employees to stretch themselves and realize their full potential to contribute in the success of the Organization. In addition to the online Performance Management System several dashboards and metrics are implemented which enables the employee and management to track and review performance on a regular frequency and increase transparency at the time of appraisal.

In line with the philosophy of nurturing home grown talent, a strong and transparent Talent Management process is institutionalised so as to ensure that there is a strong Talent Pipeline. This initiative is even extended to the Operators, wherein, plant operators have been promoted to take in supervisory Roles.

Employee development is one of the key focus areas in KNPL. The Organisation believes in investing in people to develop and enhance their capabilities. The organisation

has a competency framework designed for each employee category which is the backbone for most of the people processes like Recruitment, Talent management and mainly Learning and Development. The employees at KNPL are prepared to meet the current and future business objectives by continuous sharpening of their Skills and Competencies through Learning and development. For development of future leaders, Cross functional projects are also assigned to young talent; thus giving them immense opportunities of exposure and growth. The Company is also leveraging its IT capabilities via Knowledge management Portal and thus fostering a work culture wherein employees can learn from each other and help make the Company a learning organization.

KNPL has deployed online induction programs for faster orientation of the new employees and to make them productive in the shortest time span. Functional online testing modules have been introduced on the web based HR system thus setting in a culture of self directed learning. Apart from this, Structured Training inputs through Skill Development Pillar, Management Development Programs (MDPs), Competency Based Training Programs amongst others is also provided.



KNPL believes in the significance of communication and hence listens to the employees' aspirations, expectations and concerns and allows them to give their feedbacks. The management communicates with the employees through various communication tools like in-house magazines & bulletins, employee dialogue called "HR Connect"; Senior Management actively engage with employees through various platforms like employee interaction meeting, Conferences, Town hall meetings, Employee Self Service portal and audio conferencing. Employees are encouraged to participate through a healthy dialogue across such forums creating a sufficient level of transparency within the organization.

Employee Satisfaction Surveys are conducted to understand the pulse of the Company. Surveys conducted last year have indicated a higher level of satisfaction on most of the parameters. A separate survey on Sales and other than Sales was done this year. These insights generated out of these surveys provide the organisation with an opportunity to fine tune plans and programs.

In taking pride about our openness and transparency KNPL has established structures for corporate governance through the Whistle Blower Policy. Kansai Nerolac Paints Ltd, as a professional organization, encourages growth of individuals irrespective of gender, religion, caste or community. Through its policy on Appropriate Social Conduct at Workplace, the organization focuses on ensuring that no preferential or discriminatory treatment is meted out to anyone on grounds of gender. The primary focus of this policy is to ensure a congenial work environment that is free from threat or fear.

The Company has also initiated a Business HR (Human Resource) partnering role for the strategic functions like Sales & Manufacturing. This is born out of the realisation that HR needs to be aligned with the business realities and expectations and add value where required.

HR has leveraged IT through its very robust and user friendly web based HRIS (Human Resource Information System) which caters to all employee related aspects. Employee have access to the system from anywhere in the world. The web based ESS (Employee Self Service) Portal is a very significant tool to share information with the employees and is highly robust for execution of all HR related practices and processes.

There have been three settlements during the year. Grievances and grey areas have been put in focus and resolved amicably. The Union representatives and operators have extended all necessary cooperation in improving the productivity.

With all the above-mentioned initiatives we have been able to retain our key talent.

During the year, the Company has closed its manufacturing activities at its factory in Perungudi, Tamil Nadu and settled the liabilities including voluntary retirement payments.

Employee strength is 2298 as on 31st March, 2014.

(J) AWARDS & RECOGNITION

AWARDS BY EXTERNAL AGENCIES:



- KNPL, Lote was awarded with "Certificate of Merit" from National Safety Council (NSC) Maharashtra chapter, for achieving Zero Accident Frequency Rate in the year 2012.
- KNPL was awarded with "SAP Solution Manager Excellence Awards" in Application and Business Process Operations category by Indus Group.
- SAP awarded KNPL with a "SAP ACE AWARD" for building best In-house team for enabling processes and system improvements derived from "SAP Enterprise Support Services."
- Jainpur plant had been felicitated by Mr. Shivprakash Jaiswal, Union minister of Coal, Government of India, for "Best Safety Practices."
- KNPL Bawal won the silver category Greentech Environment Award 2013 for outstanding achievement in Environment Management from Greentech Foundation.
- KNPL received award in Hardware and Consumable category for Outstanding Contribution to Supply Chain Management from Volvo Eicher Commercial Vehicles in the Annual Supplier Conference 2014.
- Our Nerolac Home Painting Service (NHS) was recipient of the Award for developing a portal that was awarded under Business Intelligence (BI)/ Analytics category in the Information Week EDGE function.
- Reader Digest – brand related

AWARDS BY CUSTOMERS:

- KNPL Bawal won the green vendor development award for commendable performance, for the second consecutive year from Hero Motor Corp Ltd.

- Tata Motors awarded KNP with a Trophy and Special Citation for Distinction at the recently held Vendor Conference at Macau.
- KNPL have received Appreciation Certification from M&M Nashik Plant, for the support extended for availability of Meru Olive Green paint within demanding timelines.
- KNPL was awarded with special "Long Association Award" by Escorts Ltd –Agri Machinery Group.



(K) COMMUNITY DEVELOPMENT

Kansai Nerolac Paints, as an organization, has always been committed to integrity and living the core values of Responsiveness, Innovation, Team orientation, Execution and Simplicity. While conducting business, we have been conscious about engaging all our stakeholders and operating in an ethical manner. This reiterates our commitment to promoting the environment of Corporate Social Responsibility (CSR). To begin with, when we talk about CSR, we maintain the standards of following regulations of human rights, environmental policies, and safe working conditions for all stakeholders. This goes hand in hand with contributing to the society under the four verticals of Environment, Health, Education and Community Development.

Nerolac has imbibed coexistence with the community around it and the saying that 'what we give to society, it gives back to us,' really holds true. Investments have been made in establishing health centres, organizing health camps, financial donation to educational institutions for creating infrastructure with respect to technology, books, and periodicals, working with NGOs for upliftment of the underprivileged and needy, setting up basic amenities for regions around our establishments, besides taking measures for safeguarding the environment.



Many of our CSR activities are carried out in rural areas and smaller towns where we have conducted several medical camps and tree plantation drives. Creating awareness of health, hygiene and environmental conservation will also help to augment sale of our products since KNPL has embarked on the core objective of creating healthy homes through our lead-free, odourless and low-VOC paints.



(L) ENVIRONMENTAL AND INDUSTRIAL SAFETY

Environment Health and Safety (EHS) is one of the important business aspects for KNPL. KNPL has always strived for excellence in sustainable performance and given equal importance to economic aspects, environmental aspects and employees. KNPL has been a leader in Industrial coatings and it serves all major automobile customers.

To deliver on stringent quality expectations, KNPL has installed advanced manufacturing facilities which also help it deliver environment friendly and efficient performance. Adoption of clean technologies like pigging system, zero holdup filters etc. helped it to reduce wastage at source and benefited to minimize losses.

KNPL has always strived to achieve performance beyond compliance and reduce environmental impacts of its processes. Implementation of SAP EHS has been instrumental in efficient EHS performance monitoring across. Monitoring of water balance, energy Balance, air pollution amongst various other parameters is facilitated by SAP EHS.

KNPL has adopted best practices in water management. E.g. Close loop water usage, Rain water harvesting, water usage benchmarking across. KNPL has installed zero liquid discharge at all major facilities. In the last financial year, Bawal plant won the GreenTech award for excellence in environmental management system.

Approach of KNPL towards energy management consists of benchmarking of power consumption, energy audits and Low carbon energy installation. Major KNPL initiatives are installation of solid fuel boilers, solar energy procurement and Wind wheeling.



Employee health and safety is the most important focus of KNPL. Lote plant is awarded with "Certificate of Merit" from National Safety Council (NSC) – Maharashtra chapter for achieving Zero Accident Frequency Rate during last financial year.

The Company strives to improve its safety management system through various initiatives and employee engagement. It has a system of regular fire safety inspection, walk through inspection etc. We believe in identification of risks and preventive measures to achieve excellence in safety. EHS teams conduct Kiken Yochi Training (Hazard prediction) tool & risk assessment at regular intervals at manufacturing sites. Knowledge sharing and horizontal deployment of improvement measures are also facilitated by Knowledge Management portal across. KNPL plants are subjected to external and internal safety audits. An expert team from Kansai Paint Co. Ltd., Japan carry out safety audit of major facilities on a yearly basis.

KNPL has pioneered Green House Gas (GHG) accounting in SAP EHS. It has been accounting "Carbon footprints" on yearly basis and the emission trend has decreased year after year. This has been possible because of our commitment towards establishment of eco-friendly manufacturing system. It has also been engaged in corporate reporting & voluntary Disclosure like the Carbon Disclosure Project and Sustainability report which is published annually and is available on the Company website.

(M) SUPPLY CHAIN

The Company has successfully commissioned Phase 2 operations at its new world class manufacturing unit at Hosur, Tamilnadu. Other Capacity expansions that have come on stream during the year are the Polyester Resin facility and Emulsion manufacturing facility.

In the on-going initiative of implementing Kaizen culture across the Company, Manthan – first Kaizen competition for Head office, Mumbai was launched during the year, thus, extending the Kaizen culture beyond plants and sales. A total of 165 kaizen were received under this drive. Along with the award ceremony, an exhibition of noteworthy kaizen was also held.

The Company took a conscious effort of improving its service to customers. 5S and Muda elimination were implemented at Depots and Head office. Customer Relationship Management (CRM) and Call Centre Management were consolidated and strategy was set to use these platforms to increase customer engagement. SMS service to dealers was also started during the year. All these initiatives will benefit the Company in the long term and help develop a competitive advantage.

In the coming year, the focus would be towards sustenance of the initiatives, started in Last Year, under Business Excellence. Building up analytical capability in the organization would also be a prime focus area in the year.

[N] INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

KNPL has established proper and adequate system of internal control to ensure that all resources are put to optimum use and are well protected against loss, and all transactions are authorised, recorded and reported correctly and there is proper adherence to policies and guidelines, processes in terms of efficiencies and effectiveness. The Company's internal control systems are supplemented by an extensive program of internal audit by an independent firm.

All the transitions are conducted using the IT interface and the business processes are further audited by internal auditors.

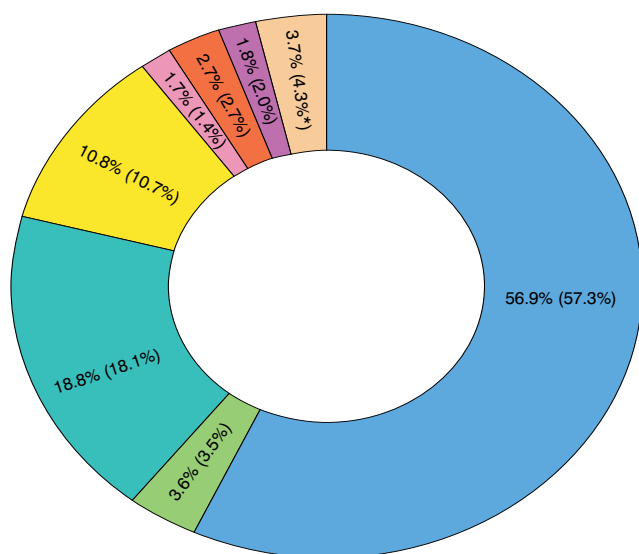
The Company's internal control systems are also periodically tested and certified by the internal auditors. The Audit Committee constituted by the Board constantly reviews the internal control systems.

[O] AFFIRMATIVE ACTION

The Company has adopted a Code of Conduct for affirmative action for the purpose of providing employment opportunities for the socially disadvantaged.



DISTRIBUTION OF INCOME



2013-14

- Materials
- Manpower Cost
- Operating and Other Expenses & Rebates, Discounts, Allowances
- Excise Duty
- Depreciation
- Corporate Tax
- Dividend
- Retained Earnings

* Before exceptional item (net of tax).

Previous year 2012-13 percentage figures are stated in brackets.

[P] FINANCIALS

Sales and operating revenue for the year aggregated to ₹ 37390 Million reflecting a growth of 10.8 % over the previous year.

During the year Indian currency further depreciated against the USD resulting in big impact on the material cost.

The Company continued with its initiatives to reduce procurement cost and to reduce operational costs. These initiatives helped the Company in the current year to keep the operational costs under control and improve the bottom line.

Increase in depreciation is due to capitalisation of Hosur plant in the last quarter of the previous year.

Interest cost was slightly higher due to buyer's credit availed during the year.

Other income was lower at ₹ 103 Million as compared to ₹ 163 Million of the previous year due to utilization of funds invested in mutual funds to finance capital expenditure mainly at Hosur.

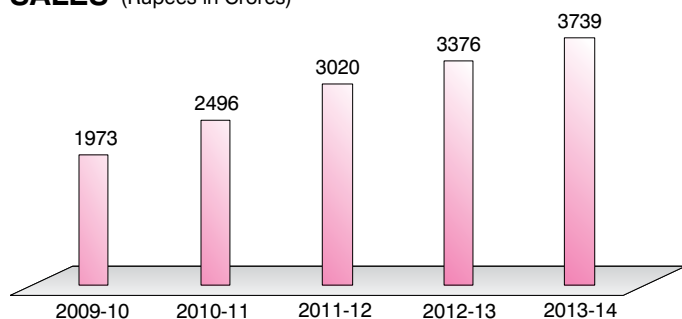
Profit Before Depreciation, Interest and Tax (PBDIT), excluding Other Income, for the year is higher at ₹ 3621 Million compared to ₹ 3361 Million reflecting a growth of 7.7%.

Profit Before Tax (PBT) for the year is ₹ 3070 Million as compared to ₹ 3053 Million for the previous year excluding Exceptional Item in the previous year, viz. reversal of excess depreciation in respect of earlier years due to change in the method of depreciation.

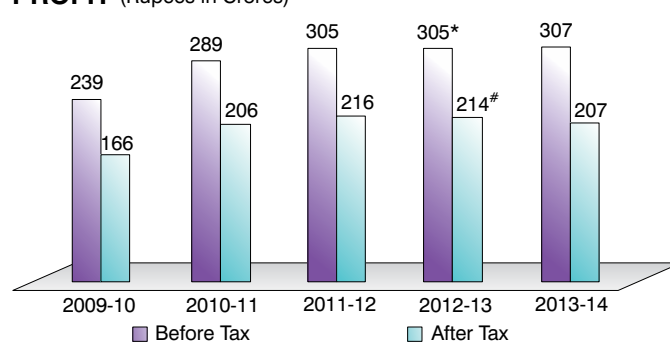
Cautionary Statement

Statements in this Management Discussions and Analysis Report describing the Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

SALES (Rupees in Crores)



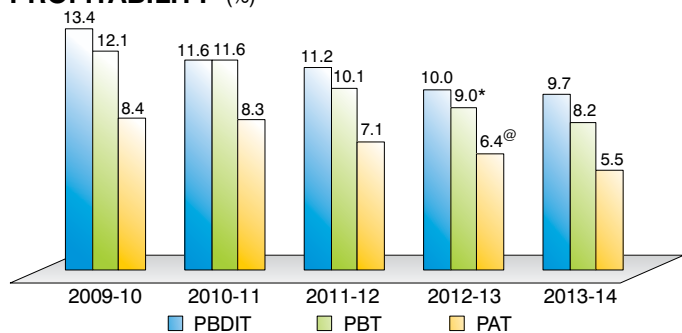
PROFIT (Rupees in Crores)



* Profit before exceptional item.

Profit before exceptional item (net of tax).

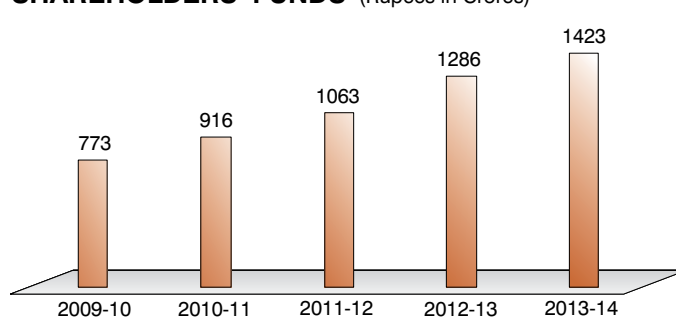
PROFITABILITY (%)



* Before exceptional item.

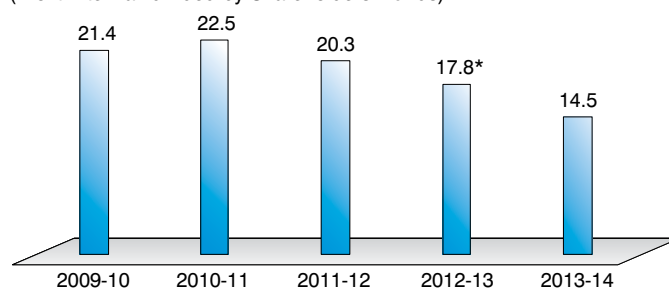
@ Before exceptional item (net of tax).

SHAREHOLDERS' FUNDS (Rupees in Crores)



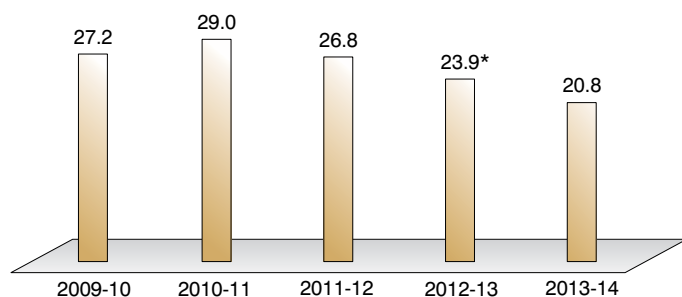
RETURN ON NET WORTH (%)

(Profit After Tax divided by Shareholders' Funds)



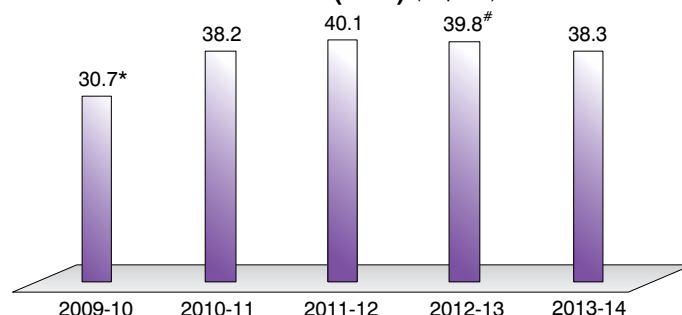
* Before exceptional item (net of tax).

RETURN ON CAPITAL EMPLOYED (%)



* Before exceptional item (net of tax).

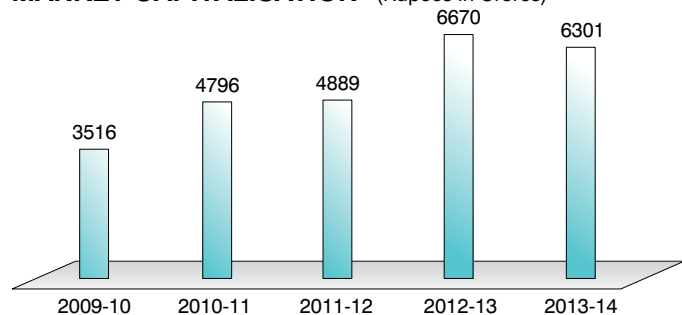
EARNINGS PER SHARE (EPS) (Rupees)



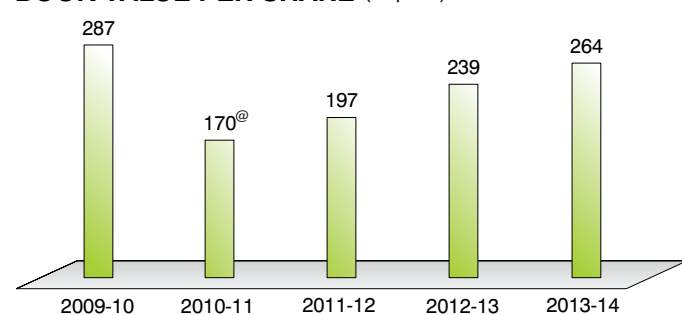
* EPS of 2009-10 has been recalculated consequent to the Bonus Issue in 2010-11.

Before exceptional item (net of tax).

MARKET CAPITALISATION (Rupees in Crores)

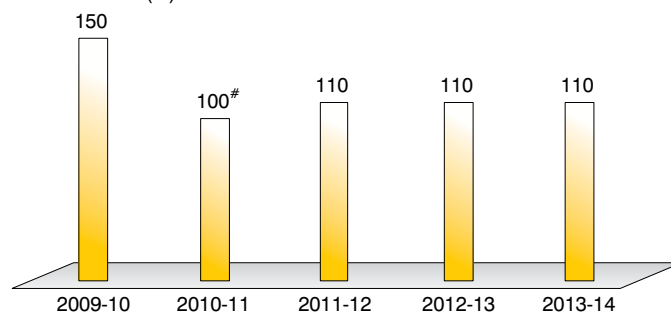


BOOK VALUE PER SHARE (Rupees)



@ After Bonus Issue of 1:1 in 2010-11.

DIVIDEND (%)



On enhanced capital after Bonus Issue of 1:1 in 2010-11

4. Unclaimed Dividend

During the year, dividend amounting to ₹ 0.34 million that had not been claimed by the shareholders for the year ended 31st March, 2006, was transferred to the credit of Investor Education and Protection Fund as required under Section 205A read with Section 205C of the Companies Act, 1956. As on 31st March, 2014, dividend amounting to ₹ 4.84 million has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrars, Sharepro Services (India) Pvt. Ltd., for unclaimed dividend.

5. Collaboration

The Directors record their appreciation for the contribution made and support provided by Kansai Paint Co. Ltd., Japan (Kansai). Kansai continues to provide support on process design, quality improvement, world class technology which has helped the Company in maintaining market leadership in the industrial business including automotive coatings, by servicing existing customers better and adding new lines. Kansai also provides technology for manufacture of architectural coatings.

The Company also has Technical Assistance Agreement with Oshima Kogyo Co. Ltd., Japan, for manufacturing heat resistance coatings, Cashew Co. Ltd., Japan for manufacturing coatings products MICRON TXL SK-1 and Thinner for MICRON and with Protech Chemicals Limited, Canada for manufacturing powder coating products. The Directors record their appreciation for the co-operation from these collaborators.

6. Subsidiary in Nepal

The Company has 8,84,000 equity shares constituting 68% of the paid up equity share capital of Kansai Paints Nepal Pvt. Ltd., Nepal. Pursuant to provisions of section 2(87) of the Companies Act, 2013, as well as section 4 (1) (b) (ii) of the Companies Act, 1956, Kansai Paints Nepal Pvt Ltd. is the subsidiary of our Company.

The Ministry of Corporate Affairs through their General Circular No. 8/ 2014 dated 4th April, 2014 have notified that the financial statements (and documents required to be attached thereto) in respect of financial year 2013-2014 shall be governed by the relevant provisions/schedules/ rules of the Companies Act, 1956.

Pursuant to provisions of Section 212 (8) of the Companies Act, 1956, read with Circular no. 2/ 2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, the Board of Directors of the Company has passed the requisite resolution and consented for not attaching the balance sheet of the subsidiary with the Annual Report of the Company. However the Annual Accounts of the subsidiary and the related detailed information shall be available to the shareholders of our Company as well as the shareholders of the subsidiary seeking such information at any point of time. The annual accounts of the subsidiary company are available for inspection by any shareholder of our Company as well as of the subsidiary company at the registered office of the Company on any working day except Saturday during the business hours of the Company. The consolidated financial statements are presented in this Annual Report.

7. Auditors' Report

The Auditors' Report is clean and there are no qualifications in their Report.

8. Cost Audit

The Company had appointed N.I. Mehta and Co., Cost Accountants, to audit its cost accounting records relating to synthetic resins, paints and varnishes for the financial year 2012-13. The due date for filing the Cost Audit Report with the Ministry of Corporate Affairs was 27th September, 2013. The Cost Audit Report was filed with Ministry of Corporate Affairs on 25th September, 2013.

The Company is seeking the ratification of the Shareholders for the appointment of N.I. Mehta and Co., Cost Accountants as the Cost Auditors of the Company for the financial year 2014-15 vide resolution No. 6 of the Notice of AGM.

9. Directors

In accordance with the Articles of Association of the Company, Dr. J. J. Irani, Mr. D. M. Kothari and Mr. H. Nishibayashi retire by rotation at this Annual General Meeting and are eligible for re-appointment.

Dr. J. J. Irani has informed the Board that he does not seek re-appointment. The Board of Directors has placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Dr. J. J. Irani during his association with the Company as a Director and then as the Chairman.

However Mr. D. M. Kothari and Mr. H. Nishibayashi offer themselves for re-appointment. In terms of Section 149, 150, 152 and other applicable provisions of the Companies Act, 2013, Mr. Kothari being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of five consecutive years from the date of this Annual General Meeting.

Mr. H. Ishino, a nominee of Kansai Paint Co. Ltd., Japan, on the Board, resigned from the Directorship with effect from 31st May, 2013. The Directors have placed on record their sincere appreciation for the very valuable contribution made by Mr. Ishino during his tenure as a Director.

None of the Directors of the Company is disqualified under Section 274(1) (g) of the Companies Act, 1956. As required by law, this position is also reflected in the Auditors' Report.

In accordance with provisions of section 149 of the Companies Act, 2013 and the Listing agreement with the Stock Exchanges, Dr. J. J. Irani, Mr. D. M. Kothari, Mr. P. P. Shah and Mr. N. N. Tata have given a declaration to the Company that they meet the criteria of independence as mentioned in Section 149 (6) of the Companies Act, 2013 read with Clause 49 (I) (A) (iii) of the Listing Agreement.

10. Corporate Governance

As required by the existing Clause 49 VII of the Listing Agreements entered into with the Stock Exchanges, a detailed report on Corporate Governance is given as a part of the Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate of the compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

The Company is in compliance with the Secretarial Standards issued by the Institute of Company Secretaries of India.

11. General Shareholder Information

General Shareholder Information is given in Item No. 9 of the Report on Corporate Governance forming part of the Annual Report.

12. Particulars regarding Employees

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies (Particulars of Employees) Amendment Rules, 2011, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

13. Directors' Responsibility Statement

As stipulated under the provisions contained in Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm as under:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

In accordance with the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India, it is hereby confirmed that proper systems are in place to ensure compliance of all laws applicable to the Company.

14. Energy, Technology Absorption & Foreign Exchange

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosures of particulars in report of the Board of Directors) Rules, 1988, is annexed.

15. Auditors

The Company Auditors, B S R & Co. LLP, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. In accordance with Section 139 (1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, it is proposed to appoint

B S R & Co. as statutory auditors of the Company for a term of 5 consecutive years at this Annual General Meeting.

16. Acknowledgements

Your Directors wish to express their grateful appreciation for the co-operation and support received from customers, parent company, collaborators, vendors, shareholders, financial institutions, banks, regulatory authorities and the society at large.

Deep appreciation is also recorded for the dedicated efforts and contribution of the employees at all levels, as without their focus, commitment and hard work, the Company's consistent growth would not have been possible, despite the challenging environment.

For and on behalf of the Board

J. J. Irani
Chairman

Mumbai, 30th April, 2014

ANNEXURE TO DIRECTORS' REPORT

FORM A

(1) Disclosure of Particulars with respect of Conservation of Energy

A. POWER AND FUEL CONSUMPTION	2013-2014	2012-2013
(1) ELECTRICITY		
(a) Purchased		
Units ('000 KWH)	33999	28555
Total Amount (₹ in Million)	265.40	198.19
Rate/Unit (₹)	7.81	6.94
(b) Own Generation		
Through Diesel Generator		
Units ('000 KWH)	8143	6412
Units per litre of Diesel oil	3.69	3.30
Cost/Unit (₹) (of diesel oil only)	15.51	13.68
(2) HIGH SPEED DIESEL		
Quantity (KL)	4541	4231
Total Amount (₹ in Million)	260.55	195.01
Average Rate (₹)	57.38	46.09
(3) STEAM		
Quantity (MT)	19871	12510
Total Amount (₹ in Million)	37.70	25.29
Average Rate (₹)	1.90	2.02
(4) HEAT		
Quantity (KCAL)	7636	4179
Total Amount (₹ in Million)	28.64	19.93
Average Rate (₹)	3.75	4.77

B. CONSUMPTION PER UNIT OF PRODUCTION

	ELECTRICITY (KWH/TONNE)		HIGH SPEED DIESEL (LT/TONNE)		STEAM (KG/TONNE)		HEAT (KCAL/TONNE)	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Paints	151	134	16	16	71	48	27	16

FORM B

(2) Disclosure of Particulars with respect to Technology Absorption

I. RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company:

- Development of new coatings / paints
- Quality upgradation of existing products
- Development of resins and polymers for paints
- Value engineering
- Process development
- Import substitution.

2. Benefits derived as a result of R & D:

The following new Products have been developed and commercialized:

- Alkyl Phenol Ethoxylate (APEO) Free and Volatile Organic Compounds (VOC) Free machine colorants
- Development of solvent borne alkyd which helped in reducing dispersion time
- Heavy metal free anti corrosive multimetal primer
- Self levelling epoxy floor coating.

3. Further Plan of action:

Development of following:

- Water proofing coating
- 2K Water base Polyurethane (PU) Direct to metal mono coat
- Reduction in cycle time of powder coating polyester resin.

4. Expenditure on R&D

(₹ in Million)

	2013-2014	2012-2013
(a) Capital	1.97	0.11
(b) Recurring	154.95	163.63
(c) Total	156.92	163.74
(d) Total R & D Expenditure as percentage of Sales	0.42	0.49

II. A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Kansai Paint Co. Ltd., Japan

- High durable, good appearance mar resistance clear coat

2. Oshima Kogyo Co. Ltd., Japan

- Heat resistant paints for 2 Wheeler industry

3. Cashew Co. Ltd., Japan

- Interior paints for automobiles.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of expenditure in foreign exchange are given in Notes 22.1, 25.4 and earnings in foreign exchange are given in Note 19.2 of Notes to the Financial Statements.

For and on behalf of the Board

J.J. IRANI
Chairman

Mumbai, 30th April, 2014

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given below:

1. Company's philosophy on Code of Governance

The Company believes in abiding by the Code of Governance so as to be a responsible corporate citizen and to serve the best interests of all the stakeholders, viz., the employees, shareholders, customers, vendors and the society at large. The Company seeks to achieve this goal by being transparent in its business dealings, by disclosure of all relevant information in an easily understood manner, and by being fair to all stakeholders, by ensuring that the Company's activities are managed by a professionally competent and independent Board of Directors.

2. Board of Directors

The strength of Board as on 31st March, 2014 is nine Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are seven Non-Executive Directors, of which four Directors, including the Chairman, are Independent Directors. The number of Independent Directors on the Board is in conformity with the requirement of Clause 49(I)(A) of the Listing Agreement. Three Non-Executive Directors namely, Mr. Y. Takahashi, Mr. H. Nishibayashi and Mr. M. Tanaka are nominees of Kansai Paint Co. Ltd., Japan, promoter company.

Four Board Meetings were held during the year ended 31st March, 2014, i.e. on 4th May, 2013, 25th July, 2013, 1st November, 2013 and 31st January, 2014.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Dr. J. J. Irani	Chairman (Non-Executive and Independent Director)	3	Yes
Mr. D. M. Kothari	Vice Chairman (Non-Executive and Independent Director)	3	Yes
Mr. H. M. Bharuka	Managing Director	4	Yes
Mr. H. Ishino (resigned with effect from 31st May, 2013)	Non-Executive Director	1	No
Mr. P. P. Shah	Non-Executive and Independent Director	4	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	4	Yes
Mr. P. D. Chaudhari	Whole-time Director	4	Yes
Mr. Y. Takahashi	Non-Executive Director	2	No
Mr. H. Nishibayashi	Non-Executive Director	1	Yes
Mr. M. Tanaka	Non-Executive Director	1	No

In terms of General Circular No. 28/2011 dated 20.05.2011 issued by the Ministry of Corporate Affairs, Government of India, every Director of the Company has personally attended at least one Board/Committee of Directors' Meeting in the financial year 2013-14.

Certificates have also been obtained from the Independent Directors confirming their position as Independent Directors on the Board of the Company in accordance with Section 149 of the Companies Act, 2013, read with Clause 49 of the Listing Agreement.

Number of Board of Directors or Board Committees other than Kansai Nerolac Paints Limited in which the Director is a Chairman/Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956/Section 8 of the Companies Act, 2013) is as follows:

Name of the Director	No. of Directorships	No. of Audit Committees and Shareholder's/Investors Grievance Committees* in which Chairman/Member	
		Chairman	Member
Dr. J. J. Irani	3	Nil	Nil
Mr. D. M. Kothari	Nil	Nil	Nil
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. P. P. Shah	11	Nil	8
Mr. N. N. Tata	9	1	2
Mr. P. D. Chaudhari	Nil	Nil	Nil
Mr. Y. Takahashi	Nil	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil	Nil
Mr. M. Tanaka	Nil	Nil	Nil

* As per Sub-clause (I)(C) of Clause 49 of the Listing Agreement.

The number of directorships and the positions held on Board Committees by the directors are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act, 1956 and the Listing Agreement as on 31st March, 2014.

Orientation of newly elected directors and updation strategy

Newly elected directors are given a presentation on the functioning of the Company. Every quarter, reports of the various departments of the Company are circulated among all the directors. These reports give specific particulars of the respective departments. Apart from this, the directors are intimated of the changes as and when they happen. All the functional heads are present at the Audit Committee Meeting of the Company held every quarter. Presentations are also made to the Board of Directors by the functional heads. This ensures that the functional heads can apprise all the directors about the developments in their specific areas.

Access to information

The Vice Chairman of the Company, who is an independent director, has been provided an office at the Corporate Head Office of the Company. He has direct access to the officials of the Company, without the involvement of the CEO. Directors, including independent directors, visit the various manufacturing locations of the Company. They are not necessarily accompanied by the Managing Director. The purpose is to ensure that the independent directors have free and independent access to the Company's officials and records, so that they can form an independent opinion about the state of affairs of the Company.

Apart from this, reports of the audit carried out by the internal auditors and the statutory auditors are circulated to all the directors. Independent audits are also carried out by the parent company, Kansai Paint's auditors.

Monthly Performance Report is also forwarded to the Chairman updating him with the performance on various parameters.

It is ensured that the Board receives qualitative and quantitative information in line with the best management practices adopted.

Code of Conduct for Board of Directors and Senior Management

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of Senior Management. The Code has also been posted on the Company's website www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2014. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

3. Audit Committee

The Audit Committee of the Company has such powers as are detailed under Section 292A of the Companies Act, 1956 and also Clause 49 of the Listing Agreement.

The responsibilities of the Audit Committee include, inter-alia, overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment/removal of external auditors and fixing their remuneration, reviewing the quarterly and annual financial statements before submission to the Board, reviewing the adequacy of the internal audit function including the structure and staffing of the internal audit department, ensuring compliance of internal control systems, reviewing findings of internal investigations, discussing the nature and scope of audit with statutory auditors, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, of non-payment to stakeholders, reviewing the functioning of the Whistle Blower mechanism and a mandatory review of Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by management, management letters/ letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, the appointment, removal and terms of remuneration of the internal auditor and the approval of appointment of CFO.

The members of the Audit Committee are Mr. Pradip P. Shah, Dr. J. J. Irani and Mr. D. M. Kothari.

All the members of the Audit Committee are Non-Executive and Independent Directors. All the members possess sound knowledge of accounts, audit, finance, etc.

Mr. Pradip P. Shah is the Chairman of the Audit Committee.

Mr. G. T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

There were four meetings of the Audit Committee during the year ended 31st March, 2014, i.e. on 4th May, 2013, 25th July, 2013, 1st November, 2013 and 31st January, 2014.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2014
Mr. P. P. Shah	4
Dr. J. J. Irani	3
Mr. D. M. Kothari	3

Besides this, another meeting of the Audit Committee was held on 30th April, 2014 at which meeting, the Audited Annual Accounts for the year ended 31st March, 2014, were placed before the Committee for consideration.

The Internal Auditor and the representatives of the Statutory Auditors also attended the Audit Committee meetings, besides the executives invited by the Audit Committee to be present thereat.

4. Remuneration Committee

The Remuneration Committee decides the remuneration for the Whole-time Directors. The members of the Remuneration Committee are Dr. J. J. Irani and Mr. D. M. Kothari.

Both the members of the Remuneration Committee are Non-Executive Directors. Dr. J. J. Irani, an Independent Director, is the Chairman of the Remuneration Committee.

During the year, the Remuneration Committee held one meeting. Dr. J. J. Irani and Mr. D. M. Kothari attended the meeting.

Remuneration Policy and Remuneration to Directors:

Whole-time Directors:

- The remuneration paid to Whole-time Directors is subject to the limits laid down under Sections 198 and 309 and Schedule XIII to the Companies Act, 1956, and in accordance with the terms of appointment approved by the Shareholders of the Company. The remuneration of the Whole-time Directors is determined by the Remuneration Committee based on factors such as the Company's performance and performance/track record of the Whole-time Directors. The remuneration consists of Salary, Commission, Company's contribution to Provident Fund and Superannuation Fund, House Rent Allowance (HRA), Leave Travel Allowance (LTA) and other perquisites and allowances in accordance with the rules of the Company, applicable from time to time.

- The Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- The Agreement with the Whole-time Director is for a period not exceeding five years at a time. In the event that there is no breach of the terms of the Agreement by the Whole-time Director, but the Company exercises the discretion to terminate his services during the term of his Agreement, without assigning any reason therefor, then and in that event, the Whole-time Director shall be paid a compensation of a sum which shall not exceed the remuneration which he would have earned if he had been in office for the unexpired residue of his term or for three years, whichever is shorter, calculated on the basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold the office or where he held the office for a lesser period than three years during such period.
- Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

The details of remuneration (including perquisites and allowances) paid during the year ended 31st March, 2014 are as follows:

(₹ in Million)

Break-up of Remuneration	Mr. H. M. Bharuka (Managing Director)	Mr. P. D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	7.80	3.12
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	2.10	0.84
HRA, LTA and other perquisites	9.75	3.90
	19.65	7.86
<u>Variable Component</u>		
Commission	18.81	5.08
Company's contribution to Provident Fund (on Commission)	2.26	0.61
	21.07	5.69
Total	40.72	13.55

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Whole-time Director during the previous year ended 31st March, 2013.

Non-Executive Directors

The Non-Executive Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 309 (4) of the Companies Act, 1956, in accordance with the approval granted by the Shareholders for payment of commission to the Non-Executive Directors. The commission payable to Non-Executive Directors is decided by the Board, based on a number of factors including number of Board and Committee meetings attended, individual contribution thereat etc.

The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board or Committee thereof within the limits prescribed under the Companies Act as approved by the Shareholders of the Company.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2014 are as under:
(₹ in Million)

Name of the Director	Sitting Fees			Commission@	Total
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting		
Dr. J. J. Irani	0.03	0.03	0.01	1.80	1.87
Mr. D. M. Kothari	0.03	0.03	0.01	2.40	2.47
Mr. S. M. Datta *	—	—	—	0.40	0.40
Mr. P. P. Shah	0.04	0.04	—	1.50	1.58
Mr. N. N. Tata	0.04	—	—	1.20	1.24

@ Commission paid during the year 2013–14 was for the year ended 31st March, 2013.

* Mr. S. M. Datta resigned as a Director with effect from 31st August, 2012.

Disclosure of Shareholding of Non-Executive Directors as required under Clause 49 (IV)(E)(iv):

Name of the Director	Shares held as on 31.3.2014 (Own or held by/for other persons on a beneficial basis)
Dr. J. J. Irani #*	Nil
Mr. D. M. Kothari #	1084
Mr. P. P. Shah	Nil
Mr. N. N. Tata	Nil
Mr. Y. Takahashi	Nil**
Mr. H. Nishibayashi #	Nil**
Mr. M. Tanaka	Nil**

#* Director retiring by rotation at this AGM but not seeking re-appointment.

Director seeking re-appointment at this Annual General Meeting.

** Nominee of Kansai Paint Co. Ltd., Japan. No share held in personal capacity.

In terms of Clause 49(IV)(G)(ia) of the Listing Agreement, none of the Directors are related to each other.

Notes on Directors seeking appointment/re-appointment as required under Clause 49(IV)(G)(i) of the Listing Agreement entered into with the BSE and the NSE.

Mr. D. M. Kothari

Mr. D. M. Kothari is the Vice-Chairman and a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company on 1st April, 1973.

Mr. D. M. Kothari is a qualified Chartered Accountant by profession and is an authority on the Indian Paints Industry. Mr. Kothari had been in the whole-time employment of the Company for a period of 29 years, till his retirement on 30th April, 1990. During his employment with the Company, Mr. Kothari had an extremely successful tenure as the Managing Director of the Company for a period of 15 years, from 1st April, 1975 to 30th April, 1990, that witnessed a spectacular growth in turnover of the Company by over ten times from about Rs. 14 crores in 1975 to Rs. 147 crores in 1990. During his tenure as the Managing Director, the Company entered into technical and financial collaboration with Kansai Paint Co. Ltd., Japan, which laid the foundation for the Company to be the undisputed leader in the industrial paints business and paved the way for the Company to attaining greater heights. Subsequent to his retirement as the Managing Director, Mr. Kothari was appointed as a Non-Executive Director designated as the Vice-Chairman of the Company from 1st May, 1990, which position he continues to hold on the Board of Directors of the Company.

Mr. Kothari has also been the president/member of several leading trade Associations such as the Indian Paint Association, The Chemicals & Allied Products Export Promotion Council (CAPEXIL), The Indian Chemicals Manufacturers' Association (ICMA), The Bombay Chamber of Commerce and Industry (BCCI) and The Federation of Indian Export Organization (FIEO).

Mr. Kothari holds 1084 equity shares in the Company.

Mr. H. Nishibayashi

Mr. H. Nishibayashi is a Non-Executive Director on the Board of the Company. He is a graduate from Osaka University of Foreign Studies and has expertise in the field of Automotive Coatings Business Marketing.

Mr. Nishibayashi has had a varied experience working abroad in a number of countries. He joined Kansai Paint Co. Ltd., Japan in April 1987 and is General Manager at their International Business Division.

Mr. Nishibayashi is a nominee of Kansai Paint Co. Ltd., Japan, the Company's holding Company.

Mr. Nishibayashi does not hold any shares in the Company in his personal capacity.

5. Shareholders'/Investors' Grievance Committee

- (i) The Members of the Shareholders'/Investors' Grievance Committee are Mr. D. M. Kothari and Mr. H. M. Bharuka. Mr. D. M. Kothari, a non-executive independent director, is the Chairman of the Shareholders'/Investors' Grievance Committee.
- (ii) Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.
- (iii) A summary of various complaints received and cleared by the Company during the year is given below:

Nature of Complaint	Received	Cleared
Non-receipt of Dividend Warrant	1	1
Non-receipt of Share Certificates	Nil	Nil
SEBI/Stock Exchange Letter/ROC	Nil	Nil
Miscellaneous	Nil	Nil
Total	1	1

- (iv) Normally all complaints/queries are disposed off within one week of receipt of the complaint/query. The Company had no complaint pending at the close of the financial year.

6. General Body Meetings:

- (i) The last three Annual General Meetings (AGM) of the Company were held as under:

	Date and Time	Venue
93rd AGM	18th June, 2013, at 3.30 p.m.	Walchand Hirachand Hall, IMC, Mumbai - 400 020.
92nd AGM	19th June, 2012, at 3.30 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.
91st AGM	11th June, 2011, at 11 a.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.

- (ii) One Special Resolution regarding payment of commission to Non-Executive Directors was passed in the last AGM (93rd AGM) out of previous 3 AGMs.
- (iii) No Resolution, requiring Postal Ballot as required by the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 was passed last year.
- (iv) As there was no resolution passed through Postal Ballot, No Scrutinizer was required to be appointed.
- (v) No Special Resolution is proposed to be conducted through Postal Ballot.

7. Disclosures:

- (i) Materially significant related party transactions that may have potential conflict with the interests of the Company at large: None.
- (ii) Non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges, or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil.
- (iii) Whistle Blower Policy:

The internal auditors of the Company have been provided with a separate e-mail address. They are also stationed at the Head Office of the Company as the Company has provided the auditors with a separate office. Any employee of the organization can contact the auditor on the mail or personally.

The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also directly meet the Managing Director and express their grievances/concerns. There are safeguards to ensure that all employee concerns receive due consideration. The Code of Conduct for the Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavour to promote ethical behaviour and to provide an opportunity to employees to report violation of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employees in good faith.

No personnel has been denied access to the Audit Committee.

- (iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. The non-mandatory requirements as stipulated in Annexure I D of Clause 49 of the Listing Agreement on the Code of Corporate Governance have been adopted to the extent and in the manner as stated under the appropriate headings in the Report on Corporate Governance.

CEO/CFO Certification:

A certification from the CEO and CFO in terms of Clause 49(v) of the Listing Agreement was placed before the Board Meeting held on 30th April, 2014 to approve the Audited Annual Accounts for the year ended 31st March, 2014.

8. Means of Communication

- (i) Quarterly Results:
The quarterly results are published in accordance with the requirements of the Listing Agreement of the BSE and the NSE.
- (ii) Newspaper in which results are normally published:
The Economic Times and The Maharashtra Times. Results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Business Standard / Sakal.
- (iii) Any website, where displayed:
www.nerolac.com
- (iv) Whether it also displays official news releases and presentation made to institutional investors or to the analysts:
Relevant information is displayed on the website.
As the financial results of the Company are published in the newspapers and press release issued in newspapers and also displayed on the Company's website, a separately half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM Date, Time and Venue:
Friday, 20th June, 2014 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai – 400 001.
- (ii) Financial Calendar:
- | | |
|---|---------------------|
| | : April-March |
| – Financial reporting for the quarter ending 30th June, 2014 | : End July, 2014 |
| – Financial reporting for the quarter ending 30th September, 2014 | : End October, 2014 |
| – Financial reporting for the quarter ending 31st December, 2014 | : End January, 2015 |
| – Financial reporting for the year ending 31st March, 2015 | : End April, 2015 |
| – Annual General Meeting for the year ending 31st March, 2015 | : End June, 2015 |
- (iii) Dates of Book Closure:
Friday, June 13, 2014 to Thursday, June 19, 2014 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.

(iv) Dividend Payment Date:

On or after 25th June, 2014. Dividend, when declared, will be payable on or after 25th June, 2014 to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 12th June, 2014 and to the Beneficiary holders as per the beneficiary list as on 12th June, 2014 provided by the NSDL and CDSL.

(v) Listing of Stock Exchanges:

The Company's Equity Shares are listed on the BSE and the NSE.

(vi) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

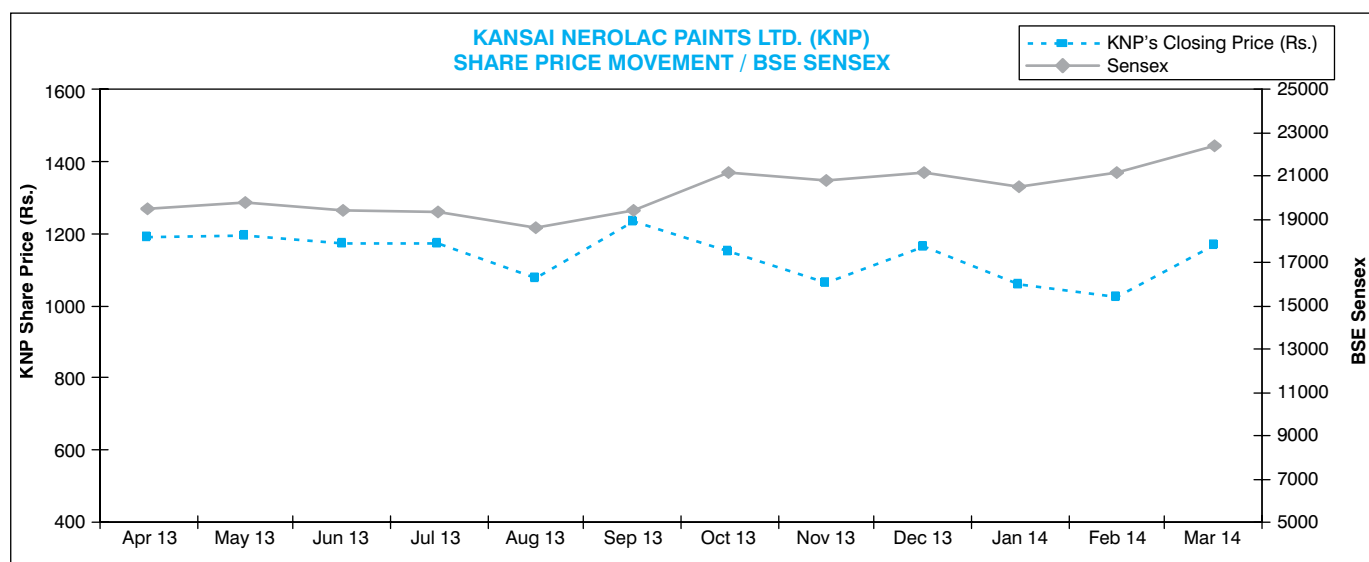
Demat – ISIN Number for NSDL & CDSL : INE531A01016

(vii) Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2014 is furnished below:		
Month	High (Rs.)	Low (Rs.)
April 2013	1,255.00	1,160.00
May 2013	1,265.80	1,161.40
June 2013	1,300.00	1,142.50
July 2013	1,190.10	1,041.00
August 2013	1,180.00	1,040.00
September 2013	1,265.00	1,030.10
October 2013	1,235.80	1,136.60
November 2013	1,210.00	1,035.05
December 2013	1,178.50	1,030.00
January 2014	1,189.00	1,035.00
February 2014	1,086.00	975.25
March 2014	1,198.00	980.50

(viii) Stock Performance

Month	KNP's Closing Price on BSE (Rs.)	Sensex
April 2013	1,190.00	19,504.18
May 2013	1,192.85	19,760.30
June 2013	1,170.45	19,395.81
July 2013	1,172.25	19,345.70
August 2013	1,076.70	18,619.72
September 2013	1,234.55	19,379.77
October 2013	1,151.70	21,164.52
November 2013	1,062.05	20,791.93
December 2013	1,164.95	21,170.68
January 2014	1,057.80	20,513.85
February 2014	1,022.25	21,120.12
March 2014	1,169.15	22,386.27



- (ix) Registrar and Transfer Agents:
Sharepro Services (India) Pvt. Ltd.

Office:

Samhita Warehousing Complex, Plot No. 13AB, 2nd floor,
Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road,
Sakinaka, Andheri (E), Mumbai – 400 072
Tel. No.: 67720300, 67720400 • Fax No.: 28591568

Investor Relation Centre:

912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai – 400 021
Tel. No.: 22881563, 22881568
E-mail: sharepro@shareproservices.com

- (x) Share Transfer System:

After consideration by the Shareholders'/Investors' Grievance Committee, the Share Transfers in physical form are registered and returned within a period of 15 days from the date of receipt in case the documents are complete in all respects. The particulars of movement of shares in the dematerialized mode are also placed before the Shareholders'/Investors' Grievance Committee.

- (xi) Distribution of Shareholding as on 31st March, 2014:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	8,279	82.51	7,36,157	1.37
501 to 1000	714	7.12	5,41,795	1.01
1001 to 2000	520	5.18	7,58,628	1.41
2001 to 3000	178	1.77	4,41,436	0.82
3001 to 4000	137	1.36	4,75,523	0.88
4001 to 5000	46	0.46	2,11,075	0.39
5001 to 10000	76	0.76	5,13,402	0.95
10001 and above	84	0.84	5,02,13,956	93.17
Grand Total	10,034	100.00	5,38,91,972	100.00

Geographical Distribution of Shareholders as on 31st March, 2014

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Co. Ltd., Japan)	1	0.01	3,73,29,760	69.27
FII's, NRIs, OCBs	187	1.86	64,41,668	11.95
IN INDIA				
Mumbai	4,418	44.03	73,53,499	13.65
Ahmedabad	522	5.20	1,65,896	0.31
New Delhi	476	4.75	11,00,958	2.05
Chennai	372	3.71	76,325	0.14
Kolkata	407	4.06	2,66,335	0.49
Pune	432	4.31	2,11,237	0.39
Bengaluru	421	4.20	1,66,672	0.31
Surat	166	1.65	43,241	0.08
Hyderabad	175	1.74	60,036	0.11
Baroda	149	1.48	39,313	0.07
Others	2,308	23.00	6,37,032	1.18
TOTAL	10,034	100.00	5,38,91,972	100.00

Categories of Shareholders as on 31st March, 2014

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoters' Holding		
1.	Promoters		
	Indian Promoters	Nil	Nil
	Foreign Promoters (Kansai Paint Co. Ltd., Japan)	3,73,29,760	69.27
2.	Persons acting in concert	Nil	Nil
	Total A	3,73,29,760	69.27
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	7,53,705	1.40
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	17,49,291	3.25
c.	Foreign Institutional Investors (FIIs)	63,72,057	11.82
	Sub-Total (i)	88,75,053	16.47
4.	Others		
a.	Private Corporate Bodies	33,07,554	6.14
b.	Indian Public	42,71,956	7.92
c.	NRIs/OCBs	69,611	0.13
d.	Any Other (Trusts)	5,350	0.01
e.	Unclaimed Suspense Account	32,688	0.06
	Sub-Total (ii)	76,87,159	14.26
	Total B: (i) + (ii)	1,65,62,212	30.73
	Grand Total: A + B	5,38,91,972	100.00

(xii) Dematerialisation of Shareholding:

98.80% of the paid-up share capital had been dematerialised, as at 31st March, 2014.

(xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

Not Issued.

(xiv) Plant Locations:

The Company's plants, which are operative, are located at:

1. Lote Parshuram, Ratnagiri (Maharashtra)
2. Jainpur, Kanpur Dehat (U.P.)
3. Bawal (Haryana)
4. Hosur (Tamil Nadu)

(xv) Address for correspondence:

Sharepro Services (India) Pvt. Ltd.

Office:

Samhita Warehousing Complex,
Plot No. 13AB, 2nd floor,
Sakinaka Telephone Exchange Lane,
Off Andheri-Kurla Road,
Sakinaka, Andheri (E), Mumbai – 400 072
Tel. No.: 67720300, 67720400
Fax No.: 28591568

Investor Relation Centre:

912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai – 400 021
Tel. No.: 22881563, 22881568
E-mail: sharepro@shareproservices.com

Shareholders can also contact the Secretarial Department at the Registered Office of the Company at:

Nerolac House,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013
Tel. No.: 24992796, 24992807

E-mail ID for Investor Grievances:

The Company has created an e-mail ID for redressal of Investor Complaints named investor@nerolac.com

(xvi) Other Information:

(1) Unclaimed Dividend:

Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividend upto 56th Dividend for the year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in Form No. II to the aforesaid authority.

Pursuant to Section 205A read with 205C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2006 have been transferred to the Investor Education and Protection Fund.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for seven years are to be transferred to the Investor Education and Protection Fund.

(2) Disclosure of details of Unclaimed Shares (under Clause 5A of the Listing Agreement):

In terms of the amended Clause 5A of the Listing Agreement, the Company has followed the prescribed procedure for opening the 'Unclaimed Suspense Account' in respect of the unclaimed physical share certificates. The disclosure of details of the unclaimed suspense account in terms of Clause 5A II(h) of the Listing Agreement are as follows.

	Particulars	No. of Shareholders	No. of Equity Shares of ₹ 10 each
i	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2013	181	33,388
ii	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year	01	700
iii	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	01	700
iv	Aggregate number of shareholders and the outstanding Shares lying in the Unclaimed Suspense Account as on 31st March, 2014	180	32,688

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2014

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and Senior Management for the year ended 31st March, 2014.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Managing Director

Mumbai, 30th April, 2014

Certificate of Compliance with the Corporate Governance requirements under Clause 49 of the Listing Agreement

To the Members of Kansai Nerolac Paints Limited

We have examined the compliance of conditions of corporate governance by Kansai Nerolac Paints Limited ("the Company") for the year ended on 31 March 2014, as stipulated in Clause 49 of the Listing Agreements entered into by the Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Sadashiv Shetty
Partner
Membership No: 048648

Mumbai, 30th April, 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Kansai Nerolac Paints Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2014 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act").

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or errors.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
 - (e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No.: 101248W

Sadashiv Shetty

Partner

Membership No.: 048648

Mumbai, 30th April, 2014

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE TO INDEPENDENT AUDITORS' REPORT – 31 MARCH 2014

With reference to the Annexure referred to in our report of even date, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) According to the information and explanation given to us, the fixed assets are being physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to this programme, some of the fixed assets have been physically verified by the management during the year, and no material discrepancies were noticed on such verification.
(c) Fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.
- ii. (a) The inventory, except stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. (a) The Company has granted loan to one body corporate covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. 63.81 million and the year-end balance of such loan was Rs. 63.81 million.
(b) In our opinion, the rate of interest and other terms and conditions on which loan have been granted to body corporate listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the company.
(c) In the case of loan granted to body corporate listed in the register maintained under Section 301 of the Act, the borrower has been regular in repaying the principal amounts as stipulated and in the payment of interest.
(d) There is no overdue amount of more than Rupees one lakh in respect of loan granted to body corporate listed in the register maintained under Section 301 of the Act.
(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for transactions which are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax,

KANSAI NEROLAC PAINTS LIMITED**ANNEXURE TO INDEPENDENT AUDITORS' REPORT – 31 MARCH 2014** (continued)

Sales-tax/ Value added tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales-tax/ Value added tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute, except as stated below.

(₹ in million)

Name of the Statute/Nature of dues	Period to which the amount relates	Forum where dispute is pending		
		Commissioner	Appellate Authorities & Tribunal	Total Amount
Sales Tax	1980-81	0.03	—	0.03
	1991-92	0.13	—	0.13
	1995-96 to 2009-10	6.01	5.13	11.14
The Central Excise Act, 1944 Tax, Penalty and Interest	1990-91	0.81	—	0.81
	1993-94 to 2003-04	15.11	4.26	19.37

- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institution and debenture holders during the year.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund / nidhi / mutual benefit fund / society.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai, 30th April, 2014

KANSAI NEROLAC PAINTS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2014

₹ in Million

	Note	As at 31st March, 2014	As at 31st March, 2013
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	538.92	538.92
Reserves and Surplus	3	13693.03	12320.88
		14231.95	12859.80
Non-current Liabilities			
Long-term Borrowings	4	517.10	604.85
Deferred Tax Liabilities (Net)	5	658.44	430.63
Long-term Provisions	6	287.88	385.24
		1463.42	1420.72
Current Liabilities			
Trade Payables	7	4407.40	3893.42
Other Current Liabilities	8	1663.36	1648.29
Short-term Provisions	9	785.14	800.04
		6855.90	6341.75
Total		22551.27	20622.27
Assets			
Non-current Assets			
Fixed Assets	10		
Tangible Assets		9048.78	7725.69
Intangible Assets		47.01	19.04
Capital Work-in-progress		481.55	1234.90
		9577.34	8979.63
Non-current Investments	11	330.98	480.98
Long-term Loans and Advances	13	401.45	442.35
		10309.77	9902.96
Current Assets			
Current Investments	12	233.76	125.04
Inventories	14	6456.61	5340.73
Trade Receivables	15	4548.36	4199.89
Cash and Bank Balances	16	548.74	600.66
Short-term Loans and Advances	17	255.17	192.98
Other Current Assets	18	198.86	260.01
		12241.50	10719.31
Total		22551.27	20622.27
Significant Accounting Policies			
	1		
The notes referred to above form an integral part of Financial Statements.			

As per our attached report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

₹ in Million

	Note	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Revenue from Operations			
Sale of Products (Gross).....	19	35404.35	32033.18
Less: Excise Duty.....		4043.30	3638.09
Sale of Products (Net).....		31361.05	28395.09
Other Operating Revenues.....	20	182.49	171.10
Total.....		31543.54	28566.19
Other Income	21	103.31	163.17
Total Revenue		31646.85	28729.36
Expenses			
Cost of Materials Consumed.....	22	20851.16	18985.74
Purchases of Stock-in-trade		1295.26	1022.83
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	23	(806.97)	(582.40)
Employee Benefits	24	1358.77	1181.43
Finance Costs		4.51	0.16
Depreciation and Amortisation.....	10	649.76	471.07
Other Expenses	25	5224.45	4597.61
Total Expenses		28576.94	25676.44
Profit Before Exceptional Item and Tax		3069.91	3052.92
Reversal of excess depreciation in respect of earlier years (Refer Note 10).....		—	1149.25
Profit Before Tax		3069.91	4202.17
Tax Expense			
Current Tax.....		776.39	747.51
Deferred Tax.....		227.81	532.84
Total Income Tax ...		1004.20	1280.35
Profit After Tax		2065.71	2921.82
Earnings per Equity Share before Exceptional Items (Net of Tax) (in ₹)			
Nominal value of share ₹ 10 each (Previous Year: ₹ 10 each)			
Basic and Diluted	28	38.33	39.80
Earnings per Equity Share after Exceptional Items (in ₹)			
Nominal value of share ₹ 10 each (Previous Year: ₹ 10 each)			
Basic and Diluted	28	38.33	54.22
Significant Accounting Policies	1		
The notes referred to above form an integral part of Financial Statements.			

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2014

₹ in Million

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Cash Flow from Operating Activities		
Net Profit Before Tax	3069.91	4202.17
Adjustments for:		
Depreciation and Amortisation.....	649.76	471.07
Depreciation Write Back	—	(1149.25)
Foreign Exchange Loss/(Gain) Unrealised	(23.25)	(4.87)
Provision for Tangible Assets Written Back.....	(0.94)	(1.11)
Profit on Sale of Fixed Assets.....	(28.15)	(6.07)
Profit on Sale of Investments (Net)	(0.15)	(71.49)
Interest Expenditure.....	4.51	0.16
Interest Income	(36.76)	(30.58)
Dividend Income	(36.88)	(41.91)
	528.14	(834.05)
Operating Profit Before Working Capital Changes	3598.05	3368.12
(Increase)/Decrease in Trade and Other Receivables.....	(354.31)	(776.80)
(Increase)/Decrease in Inventories	(1115.88)	(803.63)
(Increase)/Decrease in Trade Payables.....	594.01	1129.56
	(876.18)	(450.87)
Cash Generated from Operations	2721.87	2917.25
Direct Taxes Paid (Net of Refunds)	(829.73)	(680.22)
Net Cash from Operating Activities	1892.14	2237.03
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances).....	(1274.15)	(2805.70)
Sale of Fixed Assets.....	39.22	17.01
Purchase of Investments.....	(10132.98)	(15607.02)
Proceeds from Sale/Redemption of Investments	10174.40	16907.54
Interest Received	32.01	27.91
Dividend Received	36.88	41.91
Net Cash used in Investing Activities	(1124.62)	(1418.35)
Cash Flow from Financing Activities		
Repayment of Borrowings	(121.75)	(55.84)
Interest paid	(4.51)	(0.16)
Loans and Advances to Subsidiary.....	—	(63.81)
(Decrease)/Increase in Unpaid Dividend	0.38	(1.00)
Dividend Paid	(592.81)	(592.81)
Tax on Proposed Dividend	(100.75)	(96.17)
Net Cash used in Financing Activities	(819.44)	(809.79)
Net Increase/(Decrease) in Cash and Cash Equivalents	(51.92)	8.89

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

₹ in Million

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Cash and Cash Equivalents at the beginning of the year, the components being:		
Cash on hand.....	1.16	0.78
Unpaid Dividend Accounts.....	4.46	5.46
Balances with Banks on Current, Margin and Fixed Deposit Accounts.....	595.04	585.53
	600.66	591.77
Cash and Cash Equivalents at the end of the year, the components being:		
Cash on hand.....	0.84	1.16
Unpaid Dividend Accounts.....	4.84	4.46
Balances with Banks on Current, Margin and Fixed Deposit Accounts.....	543.06	595.04
	548.74	600.66
Net Increase/(Decrease) as disclosed above.....	(51.92)	8.89

Note: Figures in brackets are outflows/deductions.

As per our attached report of even date
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN
Company Secretary

P.D. PAI
CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Preparation of Financial Statements

(A) Basis of Presenting Financial Statements

(I) Basis of Accounting

The financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956, and comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the said Act which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act, 2013 (which has superseded section 211(3C) of the Companies Act, 1956, w.e.f. 12th September, 2013).

(II) Use of Estimates

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

(III) Classification of Assets and Liabilities

The Revised Schedule VI to the Companies Act, 1956 requires assets and liabilities to be classified as either Current or Non-current.

(a) An asset shall be classified as current when it satisfies any of the following criteria:

- (i) It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- (ii) It is held primarily for the purpose of being traded;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

(b) All assets other than current assets shall be classified as non-current.

(c) A liability shall be classified as current when it satisfies any of the following criteria:

- (i) It is expected to be settled in the company's normal operating cycle;
- (ii) It is held primarily for the purpose of being traded;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(d) All liabilities other than current liabilities shall be classified as non-current.

(IV) Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

(B) Summary of Significant Accounting Policies

(I) Fixed Assets

- (a) Fixed assets are stated at their original cost of acquisition and installation, less accumulated depreciation, amortisation and impairment losses, if any. Cost comprises of the purchase price and any other directly attributable cost of bringing the asset to its working condition for its intended use.
- (b) Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Preparation of Financial Statements (contd.)

(B) Summary of Significant Accounting Policies (contd.)

(I) Fixed Assets (contd.)

- (c) Depreciation on fixed assets has been provided using straight line method, in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at the higher rate in line with the management's estimates of the useful life/remaining useful life. Pursuant to this policy, in respect of colour dispensers the rate of 20 per cent is applied, which management considers as being representative of the useful economic life of such assets. Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation.

Effective 1 April 2012, the Company has changed the method of providing depreciation from written down value to straight line method. In management's view this change results in more appropriate presentation and gives a systematic basis of depreciation charge, representative of pattern of usage and economic benefits of the assets and provide greater consistency with the depreciation method used by other companies in the paint industry. Accordingly, excess depreciation charged for earlier years upto 31st March, 2012 aggregating ₹ 1149.25 million has been written back and recognized as an exceptional item in the Statement of Profit and Loss in the previous year ended 31st March, 2013. Had the Company continued to use the earlier method of depreciation:

₹ in Million

Particulars	Year ended 31st March, 2013
1. Depreciation charge for the year would have been higher by.....	224
2. Deferred tax expense would have been lower by	446
3. Net profit for the year would have been lower by	927

- (d) Leasehold land is amortised over the primary period of lease.
- (e) Purchase cost and user licence fees for major software are amortised over a period of three years.
- (f) Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the cost of disposal. If at the Balance Sheet date there is an indication that the previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to maximum of depreciable historical cost.
- (g) Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Statement of Profit and Loss in the year in which it is incurred.
- (h) Tangible fixed assets under construction are disclosed as capital work-in-progress.

(II) Investments

- (a) Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments.
- (b) Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments. The determination for diminution is done separately for each individual investment.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Preparation of Financial Statements (contd.)

(B) Summary of Significant Accounting Policies (contd.)

(II) Investments (contd.)

- (c) Current investments, consisting of investments in mutual funds, are stated at lower of cost and fair value, where the net asset value declared by the respective funds is considered as fair value.
- (d) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(III) Inventories

- (a) Stores and spare parts are valued at cost less amounts written down.
- (b) Inventories other than stores and spare parts are valued at the lower of cost and net realisable value after making such provisions as required on account of damaged, unserviceable, inert and obsolete stocks. The comparison of the cost and net realisable value is made on item by item basis.
- (c) Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- (d) Cost has been arrived at on the basis of weighted average method. In case of manufactured inventories and work-in-progress, fixed production overhead are allocated on the basis of normal capacity of production facilities.
- (e) The net realisable value of finished goods and stock-in-trade is determined with reference to the selling prices of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined and it is estimated that the cost of finished products will exceed their net realisable value. In such cases, the materials are valued at replacement cost.

(IV) Provisions and Contingent Liabilities

- (a) A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.
- (b) Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company.
- (c) When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(V) Revenue Recognition

- (a) Sales are recognised in accordance with Accounting Standard 9 i.e. when the seller has transferred to the buyer, the property in the goods, or all significant risk and rewards of their ownership have been transferred to the buyer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods and regarding its collection.
- (b) Sales are inclusive of excise duty and are net of trade discount and product rebate.
- (c) Dividend income is accounted when the right to receive payment is established and known.
- (d) Interest income is recognised on the time proportion basis.
- (e) Revenue from services is recognized on rendering of services to the customers based on contractual arrangements. Revenue is recorded exclusive of Service Tax.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Preparation of Financial Statements (contd.)

(B) Summary of Significant Accounting Policies (contd.)

(VI) Employee Benefits

(a) Short Term Employee Benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits includes salaries and wages, bonus, ex-gratia etc. These are recognised as an expense at an undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.

(b) Post-employment Benefits

(i) Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund managed by the trust set up by the Company or to the Regional Provident Fund Commissioner (RPFC) which are charged to the Statement of Profit and Loss as incurred. In respect of contribution to RPFC, the Company has no further obligations beyond making the contribution, and hence, such employee benefit plan is classified as Defined Contribution Plan. The Company's contribution is recognised as an expense in the the Statement of Profit and Loss.

In respect of contribution to the trust set up by the Company, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan in accordance with the Guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(ii) Superannuation

The eligible employees of the Company are entitled to receive post employment benefits in respect of superannuation fund in which the Company makes annual contribution at a specified percentage of the employees' eligible salary (currently 15 % of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution is recognised as an expense in the Statement of Profit and Loss.

(iii) Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Company has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Company accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss.

(c) Other Long-term Employee Benefits — Compensated Absences

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an independent external actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Statement of Profit and Loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Preparation of Financial Statements (contd.)

(B) Summary of Significant Accounting Policies (contd.)

(VII) Foreign Currency Transactions

- (a) Transactions in foreign currencies are recorded at the exchange rate that approximates the actual rate at the date of the transaction. In respect of monetary assets and liabilities denominated in foreign currencies, exchange differences arising out of settlement are recognised in the Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognised in the Statement of Profit and Loss.
- (b) Premiums or discounts arising at the inception of the forward foreign exchange contracts, other than contracts to hedge a firm commitment or a highly probable forecast transaction, are amortised and recognised in the profit and loss account over the period of the contract. Such forward foreign exchange contract outstanding as at the balance sheet date are converted at the exchange rates prevailing on that date. Exchange differences are recognised in the Statement of profit and loss.

(VIII) Accounting for Derivatives

Forward contracts to which Accounting Standard (AS) 11 - 'The Effect of Change in Foreign Exchange Rates' is applicable, the accounting policy as stated in Note 1 (B) (VII)(b) is followed. In respect of other derivative contracts including forward foreign exchange contracts to which the aforesaid accounting standard is not applicable are marked to market at the rate on the Balance Sheet date. The resultant exchange differences are recognised in the Statement of Profit and Loss.

(IX) Taxation

Tax expense comprises current and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted as at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

(X) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments/receipts are recognised as an expense/income in the Statement of Profit and Loss on a straight-line basis over the lease term.

(XI) Cash and Cash Equivalent

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 2: Share Capital

	As at 31st March, 2014		As at 31st March, 2013	
1. Authorised Share Capital (₹ in Million)		600		600
Par Value per Share (₹)		10		10
Number of Equity Shares		<u>60,000,000</u>		<u>60,000,000</u>
2. Issued, Subscribed and Fully Paid-up (₹ in Million)		538.92		538.92
Par Value per Share (₹)		10		10
Number of Equity Shares		<u>53,891,972</u>		<u>53,891,972</u>
3. Details of Shareholders holding more than 5% of shares:				
	%	No. of Shares	%	No. of Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	69.27	37,329,760	69.27	37,329,760
Others:				
Aberdeen Asset Management Asia Ltd	7.90	4,255,338	7.25	3,905,198
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve		26,945,986		26,945,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:				
Number of shares at the beginning of the year		53,891,972		53,891,972
Issued during the year		—		—
Number of shares at the end of the year		<u>53,891,972</u>		<u>53,891,972</u>

Note 3: Reserves and Surplus

	As at 31st March, 2014		As at 31st March, 2013	
a. Capital Reserve – at the commencement and at the end of the year		3.04		3.04
b. Securities Premium Reserve – at the commencement and at the end of the year		125.55		125.55
c. General Reserve*:				
At the commencement of the year	4042.64		3750.46	
Add: Transfer from Statement of Profit and Loss	<u>206.57</u>		<u>292.18</u>	
		4249.21		4042.64
* Created by transfers of profits as per Companies (Transfer of Profits to Reserves) Rules, 1975. To be utilized as per the provisions of the Companies Act, 1956				
d. Surplus (Profit and Loss balance):				
Opening Balance	8149.65		6213.57	
Add: Profit for the year	<u>2065.71</u>		<u>2921.82</u>	
Less: Proposed Dividend	592.81		592.81	
Less: Tax on Proposed Dividend	100.75		100.75	
Less: Transfer to General Reserve	<u>206.57</u>		<u>292.18</u>	
		9315.23		8149.65
		<u>13693.03</u>		<u>12320.88</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 4: Long-term Borrowings

Deferred Payment Liabilities

	As at 31st March, 2014	As at 31st March, 2013
a. Secured Sales Tax Deferral Loan..... (Secured by a charge on the fixed assets of the factory at Jainpur) Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Outstanding amount is repayable in one annual instalments from the reporting date. Sales Tax Deferral Loan is interest-free. [Current maturity of Sales Tax Deferral Loan of ₹ Nil (2012-2013 ₹ 20.64 Million) is disclosed under 'Other Current Liabilities' — Refer Note 8].	9.00	9.00
b. Unsecured Sales Tax Deferral Loan..... Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in seven annual installments from the reporting date. Sales Tax Deferral Loan is interest-free. [Current maturity of Sales Tax Deferral Loan of ₹ 50.92 Million (2012-2013 ₹ 64.28 Million) is disclosed under 'Other Current Liabilities' — Refer Note 8].	508.10	595.85
	<u>517.10</u>	<u>604.85</u>

Note 5: Deferred Tax (Liabilities)/Assets

Items Covered Under Section 43B.....	67.26	87.97
Provision for Diminution in Value of Fixed Assets	1.68	1.91
Voluntary Retirement Compensation	11.18	1.78
Provision for Doubtful Debts.....	7.33	6.43
Excess of depreciation/amortisation on fixed assets under Income Tax Law over depreciation/amortisation provided in accounts.....	(745.89)	(528.72)
Deferred Tax (Liabilities)/Asset (Net).....	<u>(658.44)</u>	<u>(430.63)</u>

Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 31)	31.40	33.18
Provision for Income Taxes (Net of Advances).....	135.02	147.75
Provision for Fringe Benefit Taxes (Net of Advances)	3.61	3.61
Provision for Indirect Taxes*:		
Opening Balance	200.70	255.36
Add: Provision during the year.....	—	2.24
Less: Utilization/reversal during the year	<u>82.85</u>	<u>56.90</u>
	<u>117.85</u>	<u>200.70</u>
	<u>287.88</u>	<u>385.24</u>

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 117.85 Million (2012-2013 ₹ 200.70 Million) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 7: Trade Payables

	As at 31st March, 2014	As at 31st March, 2013
Trade Payables*	4407.40	3893.42
	<u>4407.40</u>	<u>3893.42</u>

* There are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. This information takes into account only those suppliers who have responded to the enquiries made by the Company for this purpose.

Note 8: Other Current Liabilities

Current Maturities of Long-term Debt (Refer Note 4)	50.92	84.92
Unpaid Dividends*	4.84	4.46
Trade Deposits	341.74	299.99
Capital Creditors	121.91	196.45
Other Payables:		
– in the nature of accrual of expenses	915.17	862.60
– in the nature of statutory dues:		
Employee Related Statutory Obligations	3.28	1.95
Indirect Tax Liabilities	207.98	181.60
Tax Deducted at Source-Payable	17.52	16.32
	<u>228.78</u>	<u>199.87</u>
	<u>1663.36</u>	<u>1648.29</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Note 9: Short-term Provisions

Provision for Compensated Absences (Refer Note 31)	12.60	13.36
Provision for Gratuity (Refer Note 31)	27.30	8.33
Provision for Income Taxes (Net of Advances)	34.18	67.29
Provision for Warranty*:		
Opening Balance	17.50	17.50
Add: Provision during the year	—	—
Less: Utilization during the year	—	—
	<u>17.50</u>	<u>17.50</u>
Proposed Dividend	592.81	592.81
Tax on Proposed Dividend	100.75	100.75
	<u>785.14</u>	<u>800.04</u>

* The Company was selling certain products with warranty of four to seven years. Accordingly, provision has been recognised on the basis of management's expectation of warranty claims on such products.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 10: Fixed Assets

Description	Gross Block				Accumulated Depreciation/ Amortisation				Net Block	
	As at 31st March, 2013	Additions	Deductions	As at 31st March, 2014	As at 31st March, 2013	Additions	Deductions	Adjustment#	As at 31st March, 2014	As at 31st March, 2014
I. Tangible Assets:										
Freehold Land.....	90.91 (90.91)	— (—)	— (—)	90.91 (90.91)	— (—)	— (—)	— (—)	— (—)	— (—)	90.91 (90.91)
Leasehold Land	223.55 (223.55)	— (—)	— (—)	223.55 (223.55)	13.09 (10.82)	2.27 (2.27)	— (—)	— (—)	15.36 (13.09)	208.19 (210.46)
Buildings	3864.75 (2443.18)	342.36 (1432.71)	2.95 (11.14)	4204.16 (3864.75)	509.34 (822.56)	118.06 (69.88)	0.94 (—)	— (383.10)	626.46 (509.34)	3577.70 (3355.41)
Plant and Equipment.....	5029.26 (3551.63)	1432.42 (1483.82)	78.75 (6.19)	6382.93 (5029.26)	1612.23 (1952.22)	305.17 (220.55)	71.70 (7.50)	— (553.04)	1845.70 (1612.23)	4537.23 (3417.03)
Furniture and Fixtures.....	384.32 (349.86)	10.23 (40.19)	4.62 (5.73)	389.93 (384.32)	238.04 (266.47)	31.64 (26.38)	4.42 (5.42)	— (49.39)	265.26 (238.04)	124.67 (146.28)
Vehicles	10.89 (9.17)	4.45 (2.26)	3.05 (0.54)	12.29 (10.89)	4.44 (5.25)	0.88 (0.91)	1.86 (0.54)	— (1.18)	3.46 (4.44)	8.83 (6.45)
Office Equipment	80.76 (69.63)	3.60 (11.50)	2.37 (0.37)	81.99 (80.76)	35.71 (45.35)	3.64 (3.17)	1.77 (0.19)	— (12.62)	37.58 (35.71)	44.41 (45.05)
Assets for Scientific Research*	162.95 (162.84)	1.97 (0.11)	— (—)	164.92 (162.95)	79.86 (113.21)	7.21 (6.17)	— (—)	— (39.52)	87.07 (79.86)	77.85 (83.09)
Assets given on Lease (Refer Note 10.3)	1551.85 (1518.91)	158.15 (138.77)	24.30 (105.83)	1685.70 (1551.85)	1174.95 (1266.25)	151.11 (124.31)	24.30 (105.21)	— (110.40)	1301.76 (1174.95)	383.94 (376.90)
Total	11399.24 (8419.68)	1953.18 (3109.36)	116.04 (129.80)	13236.38 (11399.24)	3667.66 (4482.13)	619.98 (453.64)	104.99 (118.86)	— (1149.25)	4182.65 (3667.66)	9053.73 (7731.58)
Less: Provision for Write Down in Value of Tangible Assets (Refer Note 10.2).....										4.95 (5.89)
Total Tangible Assets										9048.78 (7725.69)
II. Intangible Assets:										
Computer Software.....	70.01 (66.22)	57.75 (3.79)	— (—)	127.76 (70.01)	50.97 (33.54)	29.78 (17.43)	— (—)	— (—)	80.75 (50.97)	47.01 (19.04)
III. Capital Work-in-progress										481.55 (1234.90)
Total Fixed Assets.....	11469.25 (8485.90)	2010.93 (3113.15)	116.04 (129.80)	13364.14 (11469.25)	3718.63 (4515.67)	649.76 (471.07)	104.99 (118.86)	— (1149.25)	4263.40 (3718.63)	9577.34 (8979.63)

* Net block includes Buildings 3.97 Million (2012-2013 4.12 Million), Plant and Equipment 72.07 Million (2012-2013 76.79 Million) and Furniture and Fixtures 1.81 Million (2012-2013 2.18 Million)
Adjustment amount pertains to reversal of excess depreciation in respect of earlier years, due to change in accounting policy [Refer summary of Significant Accounting Policies Note 1 (B) (I) (c)]
Figures in the brackets are the corresponding figures in respect of the previous year.

₹ in Million

Note 10.1

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).....

As at 31st March, 2014	As at 31st March, 2013
52.06	840.51

Note 10.2

The tangible assets at the Company's pigment manufacturing unit at Kavesar and paint manufacturing units at Lower Parel and at Vatwa, have been retired from active use. Accordingly, the fixed assets (other than land) at those manufacturing units had been written down to ₹ 2.22 Million on the basis of valuation reports [balance provision for write down in the value of fixed assets as at the end of the year ₹ 4.95 Million (2012-2013 ₹ 5.89 Million)]. During the year, an amount of ₹ 0.94 Million (2012-2013 ₹. 1.11 Million) has been written back consequent to charge on account of depreciation of an equal amount.

Note 10.3

The Company has given on lease, Colour Dispenser to its dealers. Particulars in respect of such leases are as follows:

- (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 1685.70 Million (2012-2013 ₹ 1551.85 Million) and ₹ 1301.76 Million (2012-2013 ₹ 1174.95 Million) respectively.
- (ii) Depreciation recognised in the Statement of Profit and Loss is ₹ 151.11 Million (2012-2013 ₹ 124.31 Million).
- (b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	₹ in Million	
	As at 31st March, 2014	As at 31st March, 2013
Note 11: Non-current Investments		
Non-current Investments (At cost, fully paid-up)		
A. Trade (Unquoted) – Equity Shares:		
Subsidiary Company		
Kansai Paints Nepal Pvt. Ltd.		
884000 Equity Shares of ₹ 100 each		
(884000 Equity Shares of ₹ 100 each)	78.63	78.63
B. Other than Trade (Unquoted unless otherwise stated):		
(i) Shares, Debentures and Bonds		
(a) Equity Shares:		
National Thermal Power Corporation Limited (Quoted)		
40524 Equity Shares of ₹ 10 each		
(40524 Equity Shares of ₹ 10 each)	2.51	2.51
Equity Shares	81.14	81.14
(b) Debentures and Bonds:		
1. India Infrastructure Finance Company Limited — Nil Units		
(1500, 6.85% Tax-Free Bonds of ₹ 100000 each)	—	150.00
2. Indian Railways Finance Corporation		
1000, 6.30% Tax-Free Bonds of ₹ 100000 each		
(1000, 6.30% Tax-Free Bonds of ₹ 100000 each)	100.00	100.00
3. Indian Railways Finance Corporation		
1000, 6.32% Tax-Free Bonds of ₹ 100000 each		
(1000, 6.32% Tax-Free Bonds of ₹ 100000 each)	100.00	100.00
4. National Highway Authority of India (Quoted)		
24724, 8.20% Tax-Free Bonds of ₹ 1000 each		
(24724, 8.20% Tax-Free Bonds of ₹ 1000 each)	24.72	24.72
5. Power Finance Corporation Ltd. (Quoted)		
14239, 8.20% Tax-Free Bonds of ₹ 1000 each		
(14239, 8.20% Tax-Free Bonds of ₹ 1000 each)	14.24	14.24
6. Indian Railway Finance Corporation Ltd.		
10875, 8.15% Tax-Free Bonds of ₹ 1000 each		
(10875, 8.15% Tax-Free Bonds of ₹ 1000 each)	10.88	10.88
Debentures and Bonds	249.84	399.84
Total Non-current Investments (a+b)	330.98	480.98
Aggregate amount of Quoted Non-current Investments [Market value ₹ 45.26 Million (2012-2013 ₹ 48.27 Million)]	41.47	41.47
Aggregate amount of Unquoted Non-current Investments	289.51	439.51
	330.98	480.98

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 12: Current Investments

Current Investments (At lower of cost and market value)

Mutual Funds (Unquoted)

Growth Option:

1. Birla Sunlife Cash Plus-Regular Plan
146063 Units (and 017 fractions) of ₹ 1000 each [Nil unit]

30.00

—

2. HDFC Cash Management Fund-Savings Plan
1495287 Units (and 974 fractions) of ₹10 each [Nil unit]

40.00

—

3. ICICI Prudential Liquid-Regular Plan
158269 Units (and 669 fractions) of ₹ 100 each [Nil unit]

30.00

—

4. JM Short Term Fund – Nil Units
[1321924 Units (and 559 fractions) of ₹ 10 each]

—

22.17

5. Kotak Banking & PSU Debt Fund
1069814 Units (and 287 fractions) of ₹ 10 each [Nil unit]

30.44

—

6. Religare Credit Opportunities Fund
71015 Units (and 713 fractions) of ₹ 1000 each [Nil unit]

103.32

—

7. Templeton India Low Duration Fund — Nil Units
[3261477 Units (and 361 fractions) of ₹ 1000 each]

—

41.42

8. Templeton India Ultra Short Term Bond Fund — Nil Units
[4022582 Units (and 843 fractions) of ₹ 1000 each]

—

61.45

233.76

125.04

Note 13: Long-term Loans and Advances

Unsecured and Considered Good

To Parties Other Than Related Parties

Capital Advances

36.59

94.56

Security Deposits

87.04

77.48

Income Tax Paid (Net of Provision)

213.79

206.27

Trade Advances.....

0.22

0.23

337.64

378.54

To Related Parties

Loans and Advances to Subsidiary.....

63.81

63.81

401.45

442.35

Note 14: Inventories

Valued at the lower of cost and net realisable value

Raw Materials

1844.35

1659.16

Packing Materials

76.98

65.90

Work-in-progress.....

609.41

434.93

Finished Goods

3779.30

3045.17

Stock-in-trade.....

124.42

115.95

Stores and Spares

22.15

19.62

6456.61

5340.73

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 15: Trade Receivables

	As at 31st March, 2014	As at 31st March, 2013
Overdue for a Period Exceeding Six Months:		
Secured, Considered Good	0.01	18.49
Unsecured, Considered Good	40.11	11.70
Doubtful.....	21.37	18.49
	61.49	48.68
Less: Provision for Doubtful Receivables	21.37	18.49
	40.12	30.19
Other Receivables:		
Secured, Considered Good	0.09	0.11
Unsecured, Considered Good	4508.15	4169.59
Doubtful.....	0.20	1.34
	4508.44	4171.04
Less: Provision for Doubtful Receivables	0.20	1.34
	4508.24	4169.70
	4548.36	4199.89

Note 16: Cash and Bank Balances

Cash and Cash Equivalents:		
Cash on hand.....	0.84	1.16
Cheques on hand.....	158.09	278.11
Banks Balances with Current Account.....	384.97	316.93
	543.90	596.20
Other Bank Balances:		
Unpaid Dividend Accounts.....	4.84	4.46
	548.74	600.66

Note 17: Short-term Loans and Advances

Unsecured, Considered Good		
Trade Advances	150.04	119.55
Employee Advances	4.77	2.15
Prepaid Expenses.....	99.21	64.33
Other Advances	1.15	6.95
	255.17	192.98

Note 18: Other Current Assets

Interest Accrued on Investments and Loans and Advances to Related Party	14.11	9.36
Balances with Indirect Tax Authorities.....	152.82	221.95
Security Deposits.....	31.93	28.70
	198.86	260.01

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31st March, 2014	₹ in Million Year Ended 31st March, 2013
Note 19: Sale of Products		
Sales	37207.69	33585.39
Less: Rebates	1803.34	1552.21
	<u>35404.35</u>	<u>32033.18</u>
Note 19.1: Details of Sales		
Paints	35404.35	32033.18
Note 19.2: Earnings in Foreign Exchange		
FOB Value of Exports	12.93	5.94
Recovery of Freight and Other Charges on Exports	0.55	0.25
Note 20: Other Operating Revenues		
Sale of Scrap	90.85	86.10
Marketing Services Charges	—	16.01
Income from Processing Charges	2.71	1.17
Insurance Claims Received	6.11	8.23
Indirect Tax Settlement/Claims	80.61	57.41
Miscellaneous Income	2.21	2.18
	<u>182.49</u>	<u>171.10</u>
Note 21: Other Income		
Dividend Received		
Current Investments	36.64	41.74
Long Term Investments	0.24	0.17
	<u>36.88</u>	41.91
Interest on Long Term Investments and Loans and Advances to related party	36.76	30.58
Profit on Sale of Investments (Net):		
Current Investments	0.15	0.97
Long Term Investments	—	70.52
	<u>0.15</u>	71.49
Profit on Sale of Fixed Assets	28.15	6.07
Provision for Tangible Assets Written Back (Refer Note 10.2)	0.94	1.11
Miscellaneous Income	0.43	12.01
	<u>103.31</u>	<u>163.17</u>
Note 22: Cost of Materials Consumed		
Raw Material Consumed		
Opening Stock	1659.16	1551.55
Add: Purchase	18842.84	17152.25
Less: Sales	35.38	47.59
Less: Closing Stock	1844.35	1659.16
	<u>18622.27</u>	16997.05
Packing Material Consumed		
Opening Stock	65.90	50.06
Add: Purchase	2239.97	2004.53
Less: Closing Stock	76.98	65.90
	<u>2228.89</u>	1988.69
	<u>20851.16*</u>	<u>18985.74*</u>

* Includes ₹ 12.63 Million (2012-2013 ₹ 23.26 Million) expenditure incurred on Research and Developments.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 22.1: CIF Value of Import

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Raw Materials	6061.78	4914.89
Stores and Spares	19.82	11.94
Finished Products	250.01	249.59
Capital Goods	159.23	108.03

Note 22.2: Raw Material Consumed

	Quantity MT	₹ in Million	Quantity MT	₹ in Million
Pigments, Extenders and Resins	121686	9108.10	118592	8581.41
Organic Acids and Anhydrides	11884	1296.27	11851	1160.75
Solvents, Oils and Fatty Acids	77844	6903.14	74284	6045.55
Others		1314.76		1209.34
		<u>18622.27</u>		<u>16997.05</u>
of which:	%		%	
Imported	36	6626.70	36	6159.66
Indigenous	64	11995.57	64	10837.39
		<u>18622.27</u>		<u>16997.05</u>

Note 23: Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

Opening Stock				
Finished Goods	3045.17		2519.47	
Work-in-progress	434.93		286.00	
Stock-in-trade	115.95		110.93	
		3596.05		2916.40
Less: Closing Stock				
Finished Goods	3779.30		3045.17	
Work-in-progress	609.41		434.93	
Stock-in-trade	124.42		115.95	
		4513.13		3596.05
Add: Excise Duty Related to the Difference Between the Closing Stock and Opening Stock of Finished Goods		110.11		97.25
		<u>(806.97)</u>		<u>(582.40)</u>

Note 24: Employee Benefits

Salaries and Wages	1190.95	1045.86
Contribution to Provident and Other Funds (Refer Note 31)	99.63	75.79
Staff Welfare Expense	68.19	59.78
	<u>1358.77*</u>	<u>1181.43*</u>

* Includes ₹ 105.01 Million (2012-2013 ₹ 106.21 Million) expenditure incurred on Research and Developments.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 25: Other Expenses

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Consumption of Stores and Spare Parts	169.70	170.24
Power and Fuel.....	666.82	454.78
Repairs to Buildings.....	4.27	2.17
Repairs to Machinery.....	76.38	59.52
Freight and Forwarding Charges.....	1308.96	1208.97
Advertisement and Sales Promotion	1142.83	1022.78
Rent.....	159.91	127.05
Rates and Taxes	22.03	18.83
Insurance	29.91	26.58
Cash Discount.....	733.04	664.93
Miscellaneous Expenses	910.60	841.76
	5224.45*	4597.61*

* Includes ₹ 30.10 Million (2012-2013 ₹ 27.74 Million) expenditure incurred on Research and Developments.

Note 25.1: Stores and Spares Consumed

	%	₹ in Million	%	₹ in Million
Imported.....	13	22.84	8	13.81
Indigenous.....	87	146.86	92	156.43
		169.70		170.24

Note 25.2: Payments to Auditors'

Auditors' Remuneration Excluding Service Tax (Included in Miscellaneous Expenses in Note 25)

As Auditor

Statutory Audit.....	2.00	1.80
Report under Section 44AB of the Income-tax Act, 1961 ...	0.35	0.35
Limited Review of Quarterly Results.....	1.60	1.20

In Other Capacity

Certification.....	1.15	1.13
Reimbursements of Expenses.....	0.44	0.46
	5.54	4.94

Note 25.3: Research and Development Expenses

Revenue expenditure on Research and Development recognised in Statement of Profit and Loss is [including depreciation ₹ 7.21 Million (2012-2013 ₹ 6.42 Million)]

154.95 163.63

Note 25.4: Expenditure in Foreign Currencies

Foreign Travel.....	0.58	0.85
Royalties (Net of Tax)	98.81	99.68
Professional and Technical Fees (Net of Tax)	22.91	17.52
Others (Net of Tax)	27.75	30.98
	150.05	149.03

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Million

Note 25.5: Operating Lease Expenses

Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Lease payments recognised in Statement of Profit and Loss.....	4.82	3.91
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year.....	4.61	4.38
Later than one year and not later than five years.....	9.09	10.27
Later than five years	—	—

Note 26: Contingent Liabilities

Claims against the Company not acknowledged as debt:

Notice from Haryana State Industrial and Infrastructure Development Corporation for enhanced costs for Bawal factory land	—	39.01
Corporate guarantee given to HDFC Bank for employee loan	11.16	11.16
	11.16	50.17

Note 27: Remittance in Foreign Currency

Remittance in foreign currency on account of dividend to a non-resident shareholder:

Final dividend on 37,329,760 equity shares for 2012-2013 (37,329,760 equity shares for 2011-2012)	410.63	410.63
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Note 28: Earnings Per Equity Share

Numerator: Profit before Exceptional Items (Net of Tax) (₹ in Million)	2065.71	2144.90
Numerator: Profit after Exceptional Items (₹ in Million)	2065.71	2921.82
Denominator: Weighted average number of Equity Shares.....	53891972	53891972
Basic and Diluted Earnings per Equity Share before Exceptional Items (Net of Tax) (₹).....	38.33	39.80
Basic and Diluted Earnings per Equity Share after Exceptional Items (₹).....	38.33	54.22

Note 29: Derivative Instruments

(A) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company.

(B) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	As at 31st March, 2014 in Million	As at 31st March, 2013 in Million
Amounts Payable in Foreign Currency:	CHF	—	0.06
	EUR	0.23	0.34
	JPY	205.56	192.01
	THB	0.02	0.02
	USD	12.25	11.10

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 29: Derivative Instruments (contd.)

(B) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below (contd.)

	Currency	As at 31st March, 2014 in Million	As at 31st March, 2013 in Million
Advance Payment in Foreign Currency for Supplies:	CHF	0.01	0.57
	EUR	0.34	0.34
	JPY	48.63	97.99
	THB	0.05	0.05
	USD	0.69	1.91

Note 30: Related Party Disclosures

(i) (a) Names of related parties and nature of relationship where control exists are as under:

Holding Company	: Kansai Paint Co., Ltd., Japan
Subsidiary Company	: Kansai Paints Nepal Pvt. Ltd. (w.e.f. 01.10.2012)

(b) Names of other related parties and nature of relationship where there are transactions with related parties:

Fellow Subsidiary Companies	: Kansai Paint Philippines Inc. Kansai Coatings Malaysia SDN. BHD. Kansai Paints Europe Ltd.
-----------------------------	--

Key Management Personnel	: Mr. H. M. Bharuka, Managing Director Mr. P. D. Chaudhari, Wholetime Director
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(ii) Transactions with Related Parties:

Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
					₹ in Million
Royalty Paid					
– Kansai Paint Co., Ltd., Japan.....	101.53 (103.30)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	101.53 (103.30)
Dividend Paid					
– Kansai Paint Co., Ltd., Japan.....	410.63 (410.63)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	410.63 (410.63)
Technical Fees Including Reimbursement of Expenses					
– Kansai Paint Co., Ltd., Japan.....	48.64 (46.53)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	48.64 (46.53)
Sale of Goods					
– Kansai Paint Philippines Inc.....	N.A. (N.A.)	N.A. (N.A.)	13.44 (5.60)	N.A. (N.A.)	13.44 (5.60)
Sale of Raw Materials/Intermediates					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	47.27 (31.22)	N.A. (N.A.)	N.A. (N.A.)	47.27 (31.22)
Sale of Advertising Material					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	0.48 (0.08)	N.A. (N.A.)	N.A. (N.A.)	0.48 (0.08)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

(ii) Transactions with Related Parties (contd.)

₹ in Million

Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
Sale of Fixed Assets					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	0.50 (0.80)	N.A. (N.A.)	N.A. (N.A.)	0.50 (0.80)
Interest Received					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	5.10 (1.31)	N.A. (N.A.)	N.A. (N.A.)	5.10 (1.31)
Royalty Received					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	2.71 (0.94)	N.A. (N.A.)	N.A. (N.A.)	2.71 (0.94)
Loan Given					
– Kansai Paints Nepal Pvt. Ltd.....	N.A. (N.A.)	N.A. (63.81)	N.A. (N.A.)	N.A. (N.A.)	N.A. (63.81)
Reimbursement of Expenses Paid					
– Kansai Coatings Malaysia SDN. BHD.....	N.A. (N.A.)	N.A. (N.A.)	0.67 (0.72)	N.A. (N.A.)	0.67 (0.72)
– Kansai Paints Europe Ltd.....	N.A. (N.A.)	N.A. (N.A.)	0.27 (N.A.)	N.A. (N.A.)	0.27 (N.A.)
Reimbursement of Expenses Receivable					
– Kansai Paint Co., Ltd., Japan	14.12 (15.86)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	14.12 (15.86)
– Kansai Paints Nepal Pvt. Ltd	N.A. (N.A.)	4.34 (2.19)	N.A. (N.A.)	N.A. (N.A.)	4.34 (2.19)
Remuneration*					
– Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	40.76 (37.80)	40.76 (37.80)
– Mr. P. D. Chaudhari, Wholetime Director ...	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	13.85 (12.68)	13.85 (12.68)
(iii) Amounts Outstanding at the Year End:					
Receivable as at Year End					
– Kansai Paint Co., Ltd., Japan	14.12 (15.86)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	14.12 (15.86)
– Kansai Paint Philippines Inc.....	N.A. (N.A.)	N.A. (N.A.)	3.36 (N.A.)	N.A. (N.A.)	3.36 (N.A.)
– Kansai Paints Nepal Pvt. Ltd	N.A. (N.A.)	42.07 (3.99)	N.A. (N.A.)	N.A. (N.A.)	42.07 (3.99)

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

(iii) Amounts Outstanding at the Year End (contd.)

₹ in Million					
Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
Receivable Towards Loan and Interest					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	69.91 (65.12)	N.A. (N.A.)	N.A. (N.A.)	69.91 (65.12)
Payable as at Year End					
– Kansai Paint Co., Ltd., Japan.	5.48 (12.49)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	5.48 (12.49)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	N.A. (N.A.)	0.20 (0.10)	N.A. (N.A.)	0.20 (0.10)

Figures in the brackets are the corresponding figures in respect of the previous year.

* Excludes commission and related contribution to Provident Fund and Superannuation Fund thereon for the year but includes commission and such related contribution thereon for the previous year paid in the current year.

Note: No amounts pertaining to related parties have been provided for as doubtful debts. Also, no amounts have been written off or written back during the year.

Note 31: Employee Benefits

A. Defined Contribution Plan:

Contribution to defined contribution plan, recognised in the Statement of Profit and Loss under Contribution to Provident and Other Funds in Employee Benefits for the year are as under:

	As at 31st March, 2014	As at 31st March, 2013
	₹ in Million	₹ in Million
Employer's Contribution to Regional Provident Fund Commissioner.....	12.33	8.74
Employer's Contribution to Family Pension Fund	14.02	14.26
Employer's Contribution to Superannuation Fund	22.63	19.15

B. Defined Benefit Plan:

(a) Contribution to Provident Fund managed by the Trust set up by the Company:

The Company has contributed ₹ 14.96 Million (2012-2013 ₹ 14.79 Million) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

(i) The details of fund and plan assets position are given below:

₹ in Million					
As at 31st March					
	2014	2013	2012	2011	2010
Plan Assets at the Year End, at Fair Value.....	388.42	374.99	361.35	331.30	300.89
Present Value of Benefit Obligation at the Year End	372.88	366.41	354.64	348.54	311.09
Asset Recognised in the Balance Sheet.....	Nil	Nil	Nil	Nil	Nil

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(a) Contribution to Provident Fund managed by the Trust set up by the Company (contd.)

(ii) The actuarial assumptions used in determining the present value of benefit obligation are as under:

	As at 31st March				
	2014	2013	2012	2011	2010
Discount Rate (%)	9.10	8.00	8.50	8.10	8.10
Guaranteed Interest Rate (%)	8.75	8.50	8.25	9.50	8.50
Expected Average Remaining Working Lives of Employees (Years).....	6.19	7.35	8.23	8.79	9.23

(iii) The major category of plan assets in which the funds are invested by the Provident Fund Trust are as under:

	% of Each to Total Plan Assets	
	As at 31st March, 2014	As at 31st March, 2013
Bonds & Securities of Central Government	14.08	12.90
Bonds & Securities of State Government	12.15	12.40
Bonds & Securities of Public Sector Undertakings.....	23.38	22.72
Special Deposits with Banks	48.80	50.88
Bonds of Financial Institutions.....	1.59	1.10

(b) Gratuity (Funded):

	As at 31st March, 2014	As at 31st March, 2013
	₹ in Million	₹ in Million
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the Beginning of the Year	121.20	119.41
Interest Cost.....	10.91	9.85
Current Service Cost	12.99	12.40
Benefits Paid	(45.30)	(21.21)
Net Actuarial Gain/(Loss)	29.56	0.75
Present Value of Defined Benefit Obligation as at the End of the Year	129.36	121.20
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the Beginning of the Year	112.87	118.16
Expected Return on Plan Assets	9.54	11.33
Net Actuarial Gain/(Loss)	14.17	2.36
Employer's Contribution	10.78	2.23
Benefits Paid	(45.30)	(21.21)
Fair Value of Plan Assets as at the End of the Year	102.06	112.87

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded) (contd.)

ii. Reconciliation of Fair Value of Plan Assets (contd.)

	As at 31st March, 2014 ₹ in Million	As at 31st March, 2013 ₹ in Million
The Company expects to contribute ₹ 27.31 Million to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India.....	100%	100%
Note: The Company is unable to obtain the details of major category of Plan Assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets/(Liabilities) Recognised in the Financial Statement:		
Present Value of Defined Benefit Obligation.....	(129.37)	(121.20)
Fair Value of Plan Assets	102.06	112.87
Net Asset/(Liability) Recognised in Financial Statement	(27.31)	(8.33)
iv. Components of Employer's Expenses:		
Current Service Cost.....	12.99	12.40
Interest Cost	10.91	9.85
Expected Return on Plan Assets	(9.54)	(11.33)
Net Actuarial (Gain)/Loss	15.40	(1.61)
Total Expenses/(Income) recognised in the Statement of Profit and Loss under Contribution to Provident and Other Funds in Employee Benefits	29.76	9.31
v. Actuarial Assumptions:		
Mortality Table.....	Indian Assured Lives Mortality (2006-08)	LIC (1994-96)
Discount Rate	9.00%	8.25%
Expected Rate of Return on Plan Assets	7.55%	8.92%
Salary Escalation	7.50%	7.50%
vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.		

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded) (contd.)

- vii. Net Assets/(Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:

Particulars	Gratuity (Funded) (₹ in Million)				
	As at 31st March				
	2014	2013	2012	2011	2010
1. Present Value of Defined Benefit Obligation.....	(129.37)	(121.20)	(119.41)	(107.46)	101.53
2. Fair Value of Plan Assets	102.06	112.87	118.16	119.19	126.75
3. Funded Status [Surplus/(Deficit)].....	(27.31)	(8.33)	(1.25)	11.73	25.22
4. Net Asset/(Liability).....	(27.31)	(8.33)	(1.25)	11.73	25.22
5. Experience Adjustment Arising on:					
a. Plan Liabilities [Loss/(Gain)].....	29.75	0.75	5.14	(3.11)	(28.67)
b. Plan Assets [Loss/(Gain)].....	(14.17)	(2.36)	(1.55)	8.96	(4.80)

- viii. The above information is certified by the actuary.

(c) Compensated Absences:

The decrease in provision for compensated absences for the year is ₹ 2.54 Million (2012-2013 decrease ₹ 2.82 Million)

Note 32: Segment Reporting

As the Company's business activity falls within a single business segment viz. 'Paints' and the sales substantially being in the domestic market, the Financial Statement are reflective of the information required by Accounting Standard 17 "Segment Reporting", notified under Companies (Accounting Standard) Rules, 2006.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

PARTICULARS OF THE SUBSIDIARY COMPANY, KANSAI PAINTS NEPAL PVT. LTD. FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2014

₹ in Million

	As at/For the Year Ended 31st March, 2014	As at/For the Year Ended 31st March, 2013
Capital	80.60	81.64
Reserves	40.01	15.59
Total Assets	413.10	369.06
Total Liabilities	292.49	271.83
Investments (except investment in Subsidiary)	Nil	Nil
Turnover	304.33	112.15
Profit before Tax	29.54	16.69
Provision for Tax	7.51	2.33
Profit after Tax	22.03	14.36
Proposed Dividend	Nil	Nil
Reporting currency	NPR	NPR
Exchange rate as on closing day of financial year	1 NPR = 0.62 INR	1 NPR = 0.6280 INR

Notes:

1. Previous Year figures are not comparable with figures for current year, as Company has acquired stake in Kansai Paints Nepal Pvt. Ltd. on 1st October, 2012.
2. The assets and liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and the income and expense items are translated at the average rates of exchange for the year.

			For and on behalf of the Board of Directors	
			J.J. IRANI	<i>Chairman</i>
			D.M. KOTHARI	<i>Vice Chairman</i>
			H.M. BHARUKA	<i>Managing Director</i>
			P.P. SHAH	<i>Director</i>
			N.N. TATA	<i>Director</i>
			P.D. CHAUDHARI	<i>Wholetime Director</i>
Mumbai, 30th April, 2014	G.T. GOVINDARAJAN <i>Company Secretary</i>	P.D. PAI <i>CFO</i>		

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
KANSAI NEROLAC PAINTS LIMITED**

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of Kansai Nerolac Paints Limited ('the Company') and its Subsidiary Kansai Paints Nepal Private Limited, herein after referred to as the "Group", which comprise the Consolidated Balance Sheet as at 31 March 2014 and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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 and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements give a true and fair view in conformity with accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date;
and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other matter

We have not audited the financial statements of the subsidiary included in the Consolidated Financial Statements, which constitute assets of ₹ 413.10 million as at 31 March 2014, total revenue of ₹ 304.33 million and net profit of ₹ 22.03 million for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us for the purpose of the consolidation, and our opinion, in so far as it related to the amounts included in respect of the subsidiary, is based solely on reports of the other auditor.

For **B S R & CO. LLP**
Chartered Accountants
Firm's Registration No.: 101248W

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai, 30th April, 2014

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2014

₹ in Million

	Note	As at 31st March, 2014	As at 31st March, 2013
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	538.92	538.92
Reserves and Surplus	3	13717.83	12330.71
		14256.75	12869.63
		38.16	31.11
Minority Interest			
Non-current Liabilities			
Long-term Borrowings	4	570.94	667.46
Deferred Tax Liabilities (Net)	5	661.50	432.71
Long-term Provisions	6	287.88	385.24
		1520.32	1485.41
Current Liabilities			
Short-term Borrowings	7	47.52	80.84
Trade Payables	8	4426.74	3925.97
Other Current Liabilities	9	1714.27	1671.82
Short-term Provisions	10	791.53	800.92
		6980.06	6479.55
Total		22795.29	20865.70
Assets			
Non-current Assets			
Goodwill on Consolidation		22.67	22.67
Fixed Assets	11		
Tangible Assets		9145.63	7820.92
Intangible Assets		47.71	19.87
Capital Work-in-progress		481.55	1234.90
		9674.89	9075.69
Non-current Investments	12	252.35	402.35
Long-term Loans and Advances	14	337.64	378.54
		10264.88	9856.58
Current Assets			
Current Investments	13	233.76	125.04
Inventories	15	6583.32	5483.18
Trade Receivables	16	4682.57	4305.38
Cash and Bank Balances	17	552.69	614.42
Short-term Loans and Advances	18	261.15	198.78
Other Current Assets	19	194.25	259.65
		12507.74	10986.45
Total		22795.29	20865.70
Significant Accounting Policies			
The notes referred to above form an integral part of Financial Statements.			
1			

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholtime Director

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

₹ in Million

	Note	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Revenue from Operations			
Sale of Products (Gross).....	20	35694.47	32138.33
Less: Excise Duty.....		4043.30	3638.09
Sale of Products (Net).....		31651.17	28500.24
Other Operating Revenues.....	21	180.06	170.16
Total.....		31831.23	28670.40
Other Income	22	97.86	161.89
Total Revenue		31929.09	28832.29
Expenses			
Cost of Materials Consumed.....	23	20998.31	19072.32
Purchases of Stock-in-trade.....		1295.26	1022.83
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	24	(804.20)	(613.91)
Employee Benefits	25	1382.77	1192.02
Finance Costs		17.86	6.80
Depreciation and Amortisation.....	11	655.22	473.53
Other Expenses	26	5285.56	4620.31
Total Expenses		28830.78	25773.90
Profit Before Exceptional Item and Tax		3098.31	3058.39
Reversal of excess depreciation in respect of earlier years (Refer Note 11).....		—	1160.45
Profit Before Tax		3098.31	4218.84
Tax Expense			
Current Tax.....		782.88	748.40
Deferred Tax.....		228.82	534.27
Total Income Tax ...		1011.70	1282.67
Profit After Tax Before Minority Interest		2086.61	2936.17
Less: Minority Interest		7.05	4.77
Profit After Tax		2079.56	2931.40
Earnings per Equity Share before Exceptional Items (Net of Tax) (in ₹)			
Nominal value of share ₹ 10 each (Previous Year: ₹ 10 each)			
Basic and Diluted	28	38.59	39.84
Earnings per Equity Share after Exceptional Items (in ₹)			
Nominal value of share ₹ 10 each (Previous Year: ₹ 10 each)			
Basic and Diluted	28	38.59	54.39
Significant Accounting Policies	1		
The notes referred to above form an integral part of Financial Statements.			

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

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For and on behalf of the Board of Directors

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Chairman

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Managing Director

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Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2014

₹ in Million

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Cash Flow from Operating Activities		
Net Profit Before Tax	3098.31	4218.84
Adjustments for:		
Depreciation and Amortisation.....	655.22	473.53
Depreciation Write Back	—	(1160.45)
Foreign Exchange Loss/(Gain) Unrealised	(23.25)	(4.87)
Provision for Tangible Assets Written Back	(0.94)	(1.11)
Profit on Sale of Fixed Assets	(27.80)	(6.06)
Profit on Sale of Investments (Net)	(0.15)	(71.49)
Interest Expenditure.....	17.86	6.80
Interest Income	(31.66)	(29.27)
Dividend Income	(36.88)	(41.91)
	552.40	(834.83)
Operating Profit Before Working Capital Changes	3650.71	3384.01
(Increase)/Decrease in Trade and Other Receivables.....	(383.75)	(783.85)
(Increase)/Decrease in Inventories	(1100.14)	(838.97)
(Increase)/Decrease in Trade Payables.....	608.12	1121.25
	(875.77)	(501.57)
Cash Generated from Operations	2774.94	2882.44
Direct Taxes Paid (Net of Refunds)	(829.80)	(682.13)
Net Cash from Operating Activities.....	1945.14	2200.31
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances)	(1288.97)	(2817.08)
Sale of Fixed Assets.....	46.73	23.86
Purchase of Investments.....	(10132.98)	(15607.02)
Proceeds from Sale/Redemption of Investments	10174.40	16907.54
Interest Received	31.70	27.91
Dividend Received	36.88	41.91
Net Cash used in Investing Activities	(1132.24)	(1422.88)
Cash Flow from Financing Activities		
Repayment of Borrowings.....	(121.51)	(29.87)
Increase/(Decrease) in Short Term Borrowings	(42.08)	(46.56)
Interest paid	(17.86)	(6.80)
Increase/(Decrease) in Unpaid Dividend	0.38	(1.00)
Dividend Paid	(592.81)	(592.81)
Tax on Proposed Dividend	(100.75)	(96.17)
Net Cash used in Financing Activities	(874.63)	(773.21)
Net Increase/(Decrease) in Cash and Cash Equivalents ...	(61.73)	4.22

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

₹ in Million

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Cash and Cash Equivalents at the beginning of the year, the components being:		
Cash on hand.....	13.61	16.91
Unpaid Dividend Accounts.....	4.46	5.46
Balances with Banks on Current, Margin and Fixed Deposit Accounts.....	596.35	587.83
	614.42	610.20
Cash and Cash Equivalents at the end of the year, the components being:		
Cash on hand.....	4.16	13.61
Unpaid Dividend Accounts.....	4.84	4.46
Balances with Banks on Current, Margin and Fixed Deposit Accounts.....	543.69	596.35
	552.69	614.42
Net Increase/(Decrease) as disclosed above	(61.73)	4.22

Note: Figures in brackets are outflows/deductions.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

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For and on behalf of the Board of Directors

J.J. IRANI

Chairman

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Managing Director

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Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies

(A) Basis for Preparation of Consolidated Financial Statements

The Consolidated Financial Statements relate to Kansai Nerolac Paints Ltd ('the Company') and its Subsidiary company, Kansai Paints Nepal Pvt. Ltd. ('the Subsidiary'), a Company incorporated in Nepal in which the Company has 68% equity holding, herein after referred to as the "Group".

Previous Year figures are not comparable with figures for current year, as Company has acquired stake in Kansai Paints Nepal Pvt. Ltd. on 1st October, 2012.

The Financial Statements of the Subsidiary used in the consolidation are drawn upto the same reporting date as that of the Company i.e. for the period from 1st April, 2013 to 31st March, 2014.

The Financial Statements of the Company and the Subsidiary have been prepared under historical cost convention on an accrual basis and comply with accounting principles generally accepted in India.

(B) Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" notified by the Companies (Accounting Standard) Rules, 2006.

The Consolidated Financial Statements have been prepared on the following basis:

- (a) The Financial Statements of the Company and its Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra-group balances, intra-group transactions and unrealised profits or losses have been fully eliminated.
- (b) Goodwill arising on the acquisition of a Subsidiary represents the excess of purchase consideration over the fair value of net assets of the Subsidiary.
Goodwill is initially recognised as an asset at cost and is subsequently measure at cost less any accumulated impairment losses.
- (c) "Minority Interest" represents the amount of equity attributable to minority shareholders at the date on which investment in the Subsidiary is made and its share of movements in the equity since the date the parent Subsidiary relationship came into existence.
- (c) The Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

(C) Use of Estimates

The preparation of Consolidated Financial Statements in conformity with Generally Accepted Accounting Principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of Consolidated Financial Statements and the reported amount of revenue and expenses during the reporting period. Actual results could defer from those estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

(D) Exchange Translation

The Subsidiary has been identified as non-integral operation. Accordingly, the summarised revenue and expense transactions of the Subsidiary at the period end reflected in the Statement of Profit and Loss have been translated into Indian Rupees at average monthly exchange rate. The assets and liabilities in the Balance Sheet have been translated into Indian Rupees at the closing exchange rate at the period end. The resultant exchange gain/loss has been disclosed as Translation Reserve under the Reserve and Surplus.

(E) Classification of Assets and Liabilities

The Revised Schedule VI to the Companies Act, 1956 requires assets and liabilities to be classified as either Current or Non-current.

- (a) An asset shall be classified as current when it satisfies any of the following criteria:
 - (i) It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
 - (ii) It is held primarily for the purpose of being traded;
 - (iii) It is expected to be realized within twelve months after the reporting date; or
 - (iv) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies (contd.)

(E) Classification of Assets and Liabilities (contd.)

- (b) All assets other than current assets shall be classified as non-current.
- (c) A liability shall be classified as current when it satisfies any of the following criteria:
 - (i) It is expected to be settled in the Company's normal operating cycle;
 - (ii) It is held primarily for the purpose of being traded;
 - (iii) It is due to be settled within twelve months after the reporting date; or
 - (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- (d) All liabilities other than current liabilities shall be classified as non-current.

(F) Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

(G) Fixed Assets

- (a) Fixed assets are stated at their original cost of acquisition and installation, less accumulated depreciation, amortisation and impairment losses, if any. Cost comprises of the purchase price and any other directly attributable cost of bringing the asset to its working condition for its intended use.
- (b) Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.
- (c) Depreciation on fixed assets has been provided using straight line method, in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at the higher rate in line with the management's estimates of the useful life/remaining useful life. Pursuant to this policy, in respect of colour dispensers the rate of 20 per cent is applied, which management considers as being representative of the useful economic life of such assets. Assets costing less than ₹ 5000 each are fully depreciated in the year of capitalisation.

Effective 1st April, 2012, the Group has changed the method of providing depreciation from written down value to straight line method. In management's view this change results in more appropriate presentation and gives a systematic basis of depreciation charge, representative of pattern of usage and economic benefits of the assets and provide greater consistency with the depreciation method used by other companies in the paint industry. Accordingly, excess depreciation charged for earlier years upto 31st March, 2012 aggregating ₹ 1160.45 Million has been written back and recognized as an exceptional item in the Consolidated Statement of Profit and Loss in the previous year ended 31st March, 2013. Had the Group continued to use the earlier method of depreciation:

₹ in Million

Particulars

Year Ended 31st March, 2013

1. Depreciation charge for the year would have been higher by.....	226
2. Deferred tax expense would have been lower by	450
3. Net profit for the year would have been lower by.....	943

- (d) Leasehold land is amortised over the primary period of lease.
- (e) Purchase cost and user licence fees for major software are amortised over a period of three years.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies (contd.)

(G) Fixed Assets (contd.)

- (f) Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the cost of disposal. If at the Balance Sheet date there is an indication that the previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to maximum of depreciable historical cost.
- (g) Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Consolidated Statement of Profit and Loss in the year in which it is incurred.
- (h) Tangible fixed assets under construction are disclosed as capital work-in-progress.

(H) Investments

- (a) Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments.
- (b) Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments. The determination for diminution is done separately for each individual investment.
- (c) Current investments, consisting of investments in mutual funds, are stated at lower of cost and fair value, where the net asset value declared by the respective funds is considered as fair value.
- (d) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(I) Inventories

- (a) Stores and spare parts are valued at cost less amounts written down.
- (b) Inventories other than stores and spare parts are valued at the lower of cost and net realisable value after making such provisions as required on account of damaged, unserviceable, inert and obsolete stocks. The comparison of the cost and net realisable value is made on item by item basis.
- (c) Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- (d) Cost has been arrived at on the basis of weighted average method. In case of manufactured inventories and work-in-progress, fixed production overhead are allocated on the basis of normal capacity of production facilities.
- (e) The net realisable value of finished goods and stock-in-trade is determined with reference to the selling prices of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined and it is estimated that the cost of finished products will exceed their net realisable value. In such cases, the materials are valued at replacement cost.

(J) Provisions and Contingent Liabilities

- (a) A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.
- (b) Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Group.
- (c) When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies (contd.)

(K) Revenue Recognition

- (a) Sales are recognised in accordance with Accounting Standard 9 i.e. when the seller has transferred to the buyer, the property in the goods or all significant risk and rewards of their ownership have been transferred to the buyer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods and regarding its collection.
- (b) Sales are inclusive of excise duty and are net of trade discount and product rebate.
- (c) Dividend income is accounted when the right to receive payment is established and known.
- (d) Interest income is recognised on the time proportion basis.
- (e) Revenue from services is recognized on rendering of services to the customers based on contractual arrangements. Revenue is recorded exclusive of Service Tax.

(L) Employee Benefits

(a) Short Term Employee Benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits includes salaries and wages, bonus, ex-gratia etc. These are recognised as an expense at an undiscounted amount in the Consolidated Statement of Profit and Loss of the year in which the related service is rendered.

(b) Post-employment Benefits

(i) Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund managed by the trust set up by the Company or to the Regional Provident Fund Commissioner (RPFC) which are charged to the Consolidated Statement of Profit and Loss as incurred. In respect of contribution to RPFC, the Company has no further obligations beyond making the contribution, and hence, such employee benefit plan is classified as Defined Contribution Plan. The Company's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

In respect of contribution to the trust set up by the Company, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan in accordance with the Guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits. Any obligation in this respect is measured on the basis of independent actuarial valuation.

(ii) Superannuation

The eligible employees of the Company are entitled to receive post employment benefits in respect of superannuation fund in which the Company makes annual contribution at a specified percentage of the employees' eligible salary (currently 15% of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss.

(iii) Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to the vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Company has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC for amounts notified by LIC. The Company accounts for gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year using the projected unit credit method. Actuarial gains and losses are recognised in the Consolidated Statement of Profit and Loss.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies (contd.)

(L) Employee Benefits (contd.)

(c) Other Long-term Employee Benefits — Compensated Absences

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an independent external actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Consolidated Statement of Profit and Loss.

(M) Foreign Currency Transactions

- (a) Transactions in foreign currencies are recorded at the exchange rate that approximates the actual rate at the date of the transaction. In respect of monetary assets and liabilities denominated in foreign currencies, exchange differences arising out of settlement are recognised in the Consolidated Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognised in the Consolidated Statement of Profit and Loss.
- (b) Premiums or discounts arising at the inception of the forward foreign exchange contracts, other than the contracts to hedge a firm commitment or a highly probable forecast transaction, are amortised and recognised in the Consolidated Statement of Profit and Loss over the period of the contract. Such forward foreign exchange contract outstanding as at the Balance Sheet date are converted at the exchange rates prevailing on that date. Exchange differences are recognised in the Consolidated Statement of Profit and Loss.

(N) Accounting for Derivatives

Forward contracts to which Accounting Standard (AS) 11 – ‘The Effect of Change in Foreign Exchange Rates’ is applicable, the accounting policy as stated in Note 1(M)(b) is followed. In respect of other derivative contracts including forward foreign exchange contracts to which the aforesaid accounting standard is not applicable are marked to market at the rate on the Balance Sheet date. The resultant exchange differences are recognised in the Consolidated Statement of Profit and Loss.

(O) Taxation

Tax expense comprises current and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted as at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

(P) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments/receipts are recognised as an expense/income in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

(Q) Cash and Cash Equivalent

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 2: Share Capital

	As at 31st March, 2014		As at 31st March, 2013	
1. Authorised Share Capital (₹ in Million)		600		600
Par Value per Share (₹)		10		10
Number of Equity Shares		60,000,000		60,000,000
2. Issued, Subscribed and Fully Paid-up (₹ in Million)		538.92		538.92
Par Value per Share (₹)		10		10
Number of Equity Shares		53,891,972		53,891,972
3. Details of Shareholders holding more than 5% of shares:				
	%	No. of Shares	%	No. of Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	69.27	37,329,760	69.27	37,329,760
Others:				
Aberdeen Asset Management Asia Ltd.	7.90	4,255,338	7.25	3,905,198
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve		26,945,986		26,945,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.				
Number of shares at the beginning of the year		53,891,972		53,891,972
Issued during the year		—		—
Number of shares at the end of the year		53,891,972		53,891,972

Note 3: Reserves and Surplus

	As at 31st March, 2014		As at 31st March, 2013	
a. Capital Reserve – at the commencement and at the end of the year		3.04		3.04
b. Securities Premium Reserve – at the commencement and at the end of the year		125.55		125.55
c. General Reserve*:				
At the commencement of the year	4042.64		3750.46	
Add: Transfer from Statement of Profit and Loss	206.57		292.18	
		4249.21		4042.64
* Created by transfers of profits as per Companies (Transfer of Profits to Reserves) Rules, 1975. To be utilized as per the provisions of the Companies Act, 1956				
d. Foreign Currency Translation Reserve		1.37		0.25
e. Surplus (Profit and Loss balance):				
Opening Balance	8159.23		6213.57	
Add: Profit for the year	2079.56		2931.40	
Less: Proposed Dividend	592.81		592.81	
Less: Tax on Proposed Dividend	100.75		100.75	
Less: Transfer to General Reserve	206.57		292.18	
		9338.66		8159.23
		13717.83		12330.71

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 4: Long-term Borrowings

Deferred Payment Liabilities:

	As at 31st March, 2014	As at 31st March, 2013
a. Secured Sales Tax Deferral Loan.....	9.00	9.00
(Secured by a charge on the fixed assets of the factory at Jainpur)		
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Outstanding amount is repayable in one annual installments from the reporting date.		
Sales Tax Deferral Loan is interest-free. [Current maturity of Sales Tax Deferral Loan is Nil (2012-2013 ₹ 20.64 Million) is disclosed under 'Other Current Liabilities' — Refer Note - 9].		
b. Unsecured Sales Tax Deferral Loan.....	508.10	595.85
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in seven annual installments from the reporting date.		
Sales Tax Deferral Loan is interest-free. [Current maturity of Sales Tax Deferral Loan of ₹ 50.92 Million (2012-2013 ₹ 64.28 Million) is disclosed under 'Other Current Liabilities' — Refer Note - 9].		
c. Term Loan	21.68	31.40
Term loan from bank are repayable in 72 equal installments starting from financial year 2011-12. Term loan carries an interest of 11%. Term loan from bank is secured against Factory Land & Building at Birta and personal guarantee of Directors of the Subsidiary. [Current maturity of Term loan ₹ 8.27 Million (2012-2013 ₹ 8.37 Million) is disclosed under 'Other Current Liabilities' — Refer Note - 9].		
d. Auto Loan	2.42	1.07
Auto loan from bank are repayable in 48 to 60 equal installments starting from financial year 2008-2009. Auto loan carries an interest of 12% to 14.5%. Auto loan from bank is secured against vehicles. [Current maturity of Auto loan ₹ 1.06 Million (2012-2013 ₹ 0.71 Million) is disclosed under 'Other Current Liabilities' — Refer Note - 9].		
e. Working Capital Loan	29.76	30.14
Working capital loan from other shareholders in the Subsidiary are repayable in 60 equal installments starting from financial year 2015-2016. Working capital loan carries an interest of 8%.		
	570.94	667.46

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 5: Deferred Tax (Liabilities)/Assets

	As at 31st March, 2014	As at 31st March, 2013
Items Covered Under Section 43B.....	67.26	87.97
Provision for Diminution in Value of Fixed Assets	1.68	1.91
Voluntary Retirement Compensation	11.18	1.78
Provision for Doubtful Debts.....	7.33	6.43
Excess of depreciation/amortisation on fixed assets under income tax law over depreciation/amortisation provided in accounts.....	(748.65)	(530.36)
Others	(0.30)	(0.44)
Deferred Tax (Liabilities)/Asset (Net).....	<u>(661.50)</u>	<u>(432.71)</u>

Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 31).....	31.40	33.18
Provision for Income Taxes (Net of Advances).....	135.02	147.75
Provision for Fringe Benefit Taxes (Net of Advances)	3.61	3.61
Provision for Indirect Taxes*:		
Opening Balance	200.70	255.36
Add: Provision during the year.....	—	2.24
Less: Utilization during the year.....	82.85	56.90
	<u>117.85</u>	<u>200.70</u>
	<u>287.88</u>	<u>385.24</u>

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 117.85 Million (2012-2013 ₹ 200.70 Million) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

Note 7: Short-term Borrowings

Working Capital Loans from Banks.....	47.00	72.26
Loan from Other Parties.....	0.52	8.58
	<u>47.52</u>	<u>80.84</u>

Working capital loans from banks are secured by hypothecation of stock-in-trade. The interest rate for these loans ranges from 9% to 12%.

Note 8: Trade Payables

Trade Payables*	4426.74	3925.97
	<u>4426.74</u>	<u>3925.97</u>

* There are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. This information takes into account only those suppliers who have responded to the enquiries made by the Company for this purpose.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 9: Other Current Liabilities

	As at 31st March, 2014	As at 31st March, 2013
Current Maturities of Long-term Debt (Refer Note 4).....	60.24	94.00
Unpaid Dividends*	4.84	4.46
Trade Deposits	341.74	299.99
Capital Creditors	121.91	196.45
Other Payables:		
– in the nature of accrual of expenses	943.70	871.47
– in the nature of statutory dues:		
Employee Related Statutory Obligations	9.02	4.49
Indirect Tax Liabilities	213.23	183.07
Tax Deducted at Source-Payable.....	19.59	17.89
	<u>241.84</u>	<u>205.45</u>
	<u>1714.27</u>	<u>1671.82</u>

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Note 10: Short-term Provisions

Provision for Compensated Absences (Refer Note 31).....	12.60	13.36
Provision for Gratuity (Refer Note 31)	27.78	8.66
Provision for Income Taxes (Net of Advances).....	40.09	67.84
Provision for Warranty*:		
Opening Balance	17.50	17.50
Add: Provision during the year	—	—
Less: Utilization during the year	—	—
	<u>17.50</u>	<u>17.50</u>
Proposed Dividend.....	592.81	592.81
Tax on Proposed Dividend	100.75	100.75
	<u>791.53</u>	<u>800.92</u>

* The Company was selling certain products with warranty of four to seven years. Accordingly, provision has been recognised on the basis of management's expectation of warranty claims on such products.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 11: Fixed Assets

Description	Gross Block					Accumulated Depreciation/ Amortisation					Net Block	
	As at 31st March, 2013	Addition due to Acquisition**	Additions	Deductions	As at 31st March, 2014	As at 31st March, 2013	Addition due to Acquisition**	Additions	Deductions	Adjustment#	As at 31st March, 2014	As at 31st March, 2014
I. Tangible Assets:												
Freehold Land	93.23 (90.91)	— (2.32)	— (—)	— (—)	93.23 (93.23)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	93.23 (93.23)
Leasehold Land.....	223.55 (223.55)	— (—)	— (—)	— (—)	223.55 (223.55)	13.09 (10.82)	— (—)	2.27 (2.27)	— (—)	— (—)	15.36 (13.09)	208.19 (210.46)
Buildings.....	3922.06 (2443.18)	— (55.94)	344.21 (1434.08)	2.95 (11.14)	4263.32 (3922.06)	514.68 (822.56)	— (5.74)	119.99 (70.82)	0.93 (—)	— (384.43)	633.74 (514.68)	3629.58 (3407.38)
Plant and Equipment....	5066.75 (3551.63)	— (35.58)	1436.01 (1485.73)	78.76 (6.19)	6424.00 (5066.75)	1619.55 (1952.22)	— (16.05)	307.03 (221.42)	71.75 (7.50)	— (562.64)	1854.83 (1619.55)	4569.17 (3447.20)
Furniture and Fixtures ..	386.83 (349.86)	— (1.99)	10.68 (40.71)	4.62 (5.73)	392.89 (386.83)	238.99 (266.47)	— (1.28)	31.95 (26.52)	4.42 (5.42)	— (49.86)	266.52 (238.99)	126.37 (147.84)
Vehicles	20.49 (9.17)	— (9.30)	7.94 (2.56)	3.05 (0.54)	25.38 (20.49)	10.28 (5.25)	— (5.07)	2.04 (1.36)	1.86 (0.54)	— (0.86)	10.46 (10.28)	14.92 (10.21)
Office Equipment.....	81.06 (69.63)	— (0.28)	3.63 (11.52)	2.37 (0.37)	82.32 (81.06)	35.76 (45.35)	— (0.16)	3.66 (3.18)	1.78 (0.19)	— (12.74)	37.64 (35.76)	44.68 (45.30)
Assets for Scientific Research*.....	162.95 (162.84)	— (—)	1.97 (0.11)	— (—)	164.92 (162.95)	79.86 (113.21)	— (—)	7.21 (6.17)	— (—)	— (39.52)	87.07 (79.86)	77.85 (83.09)
Colourant Machine	5.20 (—)	— (5.21)	5.37 (6.85)	7.92 (6.86)	2.65 (5.20)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	2.65 (5.20)
Assets given on lease (Refer Note 11.3)	1551.85 (1518.91)	— (—)	158.15 (138.77)	24.30 (105.83)	1685.70 (1551.85)	1174.95 (1266.25)	— (—)	151.11 (124.31)	24.30 (105.21)	— (110.40)	1301.76 (1174.95)	383.94 (376.90)
Total	11513.97 (8419.68)	— (110.62)	1967.96 (3120.33)	123.97 (136.66)	13357.96 (11513.97)	3687.16 (4510.43)	— (28.30)	625.26 (456.04)	105.04 (118.86)	— (1160.45)	4207.38 (3687.16)	9150.58 (7826.81)
Less: Provision for Write Down in Value of Tangible Assets (Refer Note 11.2).....												4.95 (5.89)
Total Tangible Assets												9145.63 (7820.92)
II. Intangible Assets:												
Computer Software	70.90 (66.22)	— (0.48)	57.80 (4.20)	— (—)	128.70 (70.90)	51.03 (33.54)	— (—)	29.96 (17.49)	— (—)	— (—)	80.99 (51.03)	47.71 (19.87)
III. Capital Work-in-progress												481.55 (1234.90)
Total Fixed Assets	11584.87 (8485.90)	— (111.10)	2025.76 (3124.53)	123.97 (136.66)	13486.66 (11584.87)	3738.19 (4515.67)	— (28.30)	655.22 (473.53)	105.04 (118.86)	— (1160.45)	4288.37 (3738.19)	9674.89 (9075.69)

* Net block includes Buildings 3.97 Million (2012-2013 4.12 Million), Plant and Equipment 72.07 Million (2012-2013 76.79 Million) and Furniture and Fixtures 1.81 Million (2012-2013 2.18 Million)

** Gross block and accumulated depreciation of Subsidiary as on 1st October, 2012, being effective date of acquisition.

Adjustment amount pertains to reversal of excess depreciation in respect of earlier years, due to change in accounting policy [Refer summary of Significant Accounting Policies Note 1 (G) (c)]

Figures in the brackets are the corresponding figures in respect of the previous year.

₹ in Million

Note 11.1

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)

As at 31st March, 2014	As at 31st March, 2013
52.06	840.51

Note 11.2

The tangible assets at the Company's pigment manufacturing unit at Kavesar and paint manufacturing units at Lower Parel and at Vatwa, have been retired from active use. Accordingly, the fixed assets (other than land) at those manufacturing units had been written down to ₹ 2.22 Million on the basis of valuation reports [balance provision for write down in the value of fixed assets as at the end of the year ₹ 4.95 Million (2012-2013 ₹ 5.89 Million)]. During the year, an amount of ₹ 0.94 Million (2012-2013 ₹ 1.11 Million) has been written back consequent to charge on account of depreciation of an equal amount.

Note 11.3

The Company has given on lease, Colour Dispenser to its dealers. Particulars in respect of such leases are as follows:

- (i) The gross carrying amount and the accumulated depreciation at the Consolidated Balance Sheet date are ₹ 1685.70 Million (2012-2013 ₹ 1551.85 Million) and ₹ 1301.76 Million (2012-2013 ₹ 1174.95 Million) respectively.
 - (ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 151.11 Million (2012-2013 ₹ 124.31 Million).
- (b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Consolidated Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 12: Non-current Investments

	As at 31st March, 2014	As at 31st March, 2013
Non-current Investments (At cost, fully paid-up)		
Other than Trade (Unquoted unless otherwise stated):		
Shares, Debentures and Bonds		
(a) Equity Shares:		
National Thermal Power Corporation Limited (Quoted)		
40524 Equity Shares of ₹ 10 each		
(40524 Equity Shares of ₹ 10 each)	2.51	2.51
Equity Shares	2.51	2.51
(b) Debentures and Bonds:		
1. India Infrastructure Finance Company Limited – Nil Units		
(1500, 6.85% Tax-Free Bonds of ₹ 100000 each)	—	150.00
2. Indian Railways Finance Corporation		
1000, 6.30% Tax-Free Bonds of ₹ 100000 each		
(1000, 6.30% Tax-Free Bonds of ₹ 100000 each)	100.00	100.00
3. Indian Railways Finance Corporation		
1000, 6.32% Tax-Free Bonds of ₹ 100000 each		
(1000, 6.32% Tax-Free Bonds of ₹ 100000 each)	100.00	100.00
4. National Highway Authority of India (Quoted)		
24724, 8.20% Tax-Free Bonds of ₹ 1000 each		
(24724, 8.20% Tax-Free Bonds of ₹ 1000 each)	24.72	24.72
5. Power Finance Corporation Ltd. (Quoted)		
14239, 8.20% Tax-Free Bonds of ₹ 1000 each		
(14239, 8.20% Tax-Free Bonds of ₹ 1000 each)	14.24	14.24
6. Indian Railway Finance Corporation Ltd.		
10875, 8.15% Tax-Free Bonds of ₹ 1000 each		
(10875, 8.15% Tax-Free Bonds of ₹ 1000 each)	10.88	10.88
Debentures and Bonds.....	249.84	399.84
Total Non-current Investments (a+b)	252.35	402.35
Aggregate amount of Non-current Quoted Investments		
[Market value ₹ 45.26 Million (2012-2013 ₹ 48.27 Million)]	41.47	41.47
Aggregate amount of Non-current Unquoted Investments.....	210.88	360.88
	252.35	402.35

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 13: Current Investments

Current Investments (At lower of cost and market value)

Mutual Funds (Unquoted)

Growth Option:

	As at 31st March, 2014	As at 31st March, 2013
1. Birla Sunlife Cash Plus-Regular Plan 146063 Units (and 017 fractions) of ₹ 1000 each [Nil Unit]	30.00	—
2. HDFC Cash Management Fund-Savings Plan 1495287 Units (and 974 fractions) of ₹ 10 each [Nil Unit]	40.00	—
3. ICICI Prudential Liquid-Regular Plan 158269 Units (and 669 fractions) of ₹ 100 each [Nil Unit]	30.00	—
4. JM Short Term Fund- Nil Units [1321924 Units (and 559 fractions) of ₹ 10 each]	—	22.17
5. Kotak Banking & PSU Debt Fund 1069814 Units (and 287 fractions) of ₹ 10 each [Nil Unit]	30.44	—
6. Religare Credit Opportunities Fund 71015 Units (and 713 fractions) of ₹ 1000 each [Nil Unit]	103.32	—
7. Templeton India Low Duration Fund – Nil Units [3261477 Units (and 361 fractions) of ₹ 1000 each]	—	41.42
8. Templeton India Ultra Short Term Bond Fund – Nil Units [4022582 Units (and 843 fractions) of ₹ 1000 each]	—	61.45
	233.76	125.04

Note 14: Long-term Loans and Advances

Unsecured and Considered Good

Capital Advances	36.59	94.56
Security Deposits	87.04	77.48
Income Tax Paid (Net of Provision)	213.79	206.27
Trade Advances	0.22	0.23
	337.64	378.54

Note 15: Inventories

Valued at the lower of cost and net realisable value

Raw Materials	1891.26	1719.11
Packing Materials	86.05	75.38
Work-in-progress	614.24	437.29
Finished Goods	3844.49	3115.60
Stock-in-trade	124.42	115.95
Stores and Spares	22.86	19.85
	6583.32	5483.18

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 16: Trade Receivables

	As at 31st March, 2014	As at 31st March, 2013
Overdue for a Period Exceeding Six Months:		
Secured, Considered Good.....	0.01	18.49
Unsecured, Considered Good.....	97.87	28.96
Doubtful.....	25.06	22.23
	122.94	69.68
Less: Provision for Doubtful Receivables	25.06	22.23
	97.88	47.45
Other Receivables:		
Secured, Considered Good.....	0.09	0.11
Unsecured, Considered Good.....	4584.60	4257.82
Doubtful.....	0.20	1.34
	4584.89	4259.27
Less: Provision for Doubtful Receivables	0.20	1.34
	4584.69	4257.93
	4682.57	4305.38

Note 17: Cash and Bank Balances

Cash and Cash Equivalents:		
Cash on hand.....	4.16	13.61
Cheques on hand.....	158.09	278.11
Banks Balances with Current Account	385.60	318.24
	547.85	609.96
Other Bank Balance:		
Unpaid Dividend Accounts	4.84	4.46
	552.69	614.42

Note 18: Short-term Loans and Advances

Unsecured, Considered Good		
Trade Advances.....	152.10	122.01
Employee Advances.....	5.55	2.75
Prepaid Expenses	99.70	64.79
Other Advances.....	3.80	9.23
	261.15	198.78

Note 19: Other Current Assets

Unsecured, Considered Good		
Interest Accrued on Investments.....	8.01	8.05
Balances with Indirect Tax Authorities	154.16	222.76
Security Deposits	32.08	28.84
	194.25	259.65

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Note 20: Sale of Products		
Sales	37510.36	33701.00
Less: Rebates	1815.89	1562.67
	<u>35694.47</u>	<u>32138.33</u>
Note 20.1: Details of Sales		
Paints	35694.47	32138.33
Note 21: Other Operating Revenues		
Sale of Scrap	90.85	86.10
Marketing Services Charges.....	—	16.01
Income from Processing Charges.....	—	1.17
Insurance Claims Received	6.11	8.24
Indirect Tax Settlement/Claims Received	80.61	57.41
Miscellaneous Income	2.49	1.23
	<u>180.06</u>	<u>170.16</u>
Note 22: Other Income		
Dividend Received:		
Current Investments	36.64	41.74
Long Term Investments	0.24	0.17
	<u>36.88</u>	<u>41.91</u>
Interest on Long Term Investments	31.66	29.27
Profit on Sale of Investments (Net):		
Current Investments	0.15	0.97
Long Term Investments	—	70.52
	<u>0.15</u>	<u>71.49</u>
Profit on Sale of Fixed Assets	27.80	6.06
Provision for Tangible Assets Written Back (Refer Note 11.2)	0.94	1.11
Foreign Exchange Gain (Net)	—	0.04
Miscellaneous Income	0.43	12.01
	<u>97.86</u>	<u>161.89</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 23: Cost of Materials Consumed

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Raw Material Consumed		
Opening Stock.....	1719.11	1608.48
Add: Purchase.....	18938.72	17238.19
Less: Sales.....	23.33	56.86
Less: Closing Stock.....	1891.26	1719.11
	18743.24	17070.70
Packing Material Consumed		
Opening Stock.....	75.38	59.11
Add: Purchase.....	2265.74	2017.89
Less: Closing Stock.....	86.05	75.38
	2255.07	2001.62
	20998.31*	19072.32*

* Includes ₹ 12.63 Million (2012-2013 ₹ 23.26 Million) expenditure incurred on Research and Developments.

Note 24: Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

Opening Stock		
Finished Goods.....	3115.60	2557.54
Work-in-progress.....	437.29	289.21
Stock-in-trade.....	115.95	110.93
	3668.84	2957.68
Closing Stock		
Finished Goods.....	3844.49	3115.60
Work-in-progress.....	614.24	437.29
Stock-in-trade.....	124.42	115.95
	4583.15	3668.84
Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	110.11	97.25
	(804.20)	(613.91)

Note 25: Employee Benefits

Salaries and Wages	1209.26	1055.91
Contribution to Provident and Other Funds (Refer Note 31)	99.79	75.88
Staff Welfare Expense.....	73.72	60.23
	1382.77*	1192.02*

* Includes ₹ 105.01 Million (2012-2013 ₹ 106.21 Million) expenditure incurred on Research and Developments.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 26: Other Expenses

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
Consumption of Stores and Spare Parts	169.92	170.88
Power and Fuel	668.75	455.63
Repairs to Buildings	4.51	2.43
Repairs to Machinery	77.72	60.95
Freight and Forwarding Charges.....	1315.61	1210.46
Advertisement and Sales Promotion.....	1161.86	1033.33
Rent	164.45	129.27
Rates and Taxes.....	23.31	18.97
Insurance	31.47	27.18
Cash Discount.....	733.04	664.93
Miscellaneous Expenses	934.92	846.28
	5285.56*	4620.31*

* Includes ₹ 30.10 Million (2012-2013 ₹ 27.74 Million) expenditure incurred on Research and Developments.

Note 26.1: Payments to Auditors'

Auditors' Remuneration Excluding Service Tax (Included in Miscellaneous Expenses in Note 26)

As Auditor

Statutory Audit.....	2.15	1.94
Report under Section 44AB of the Income-tax Act, 1961	0.35	0.35
Limited Review of Quarterly Results	1.60	1.20

In Other Capacity

Certification	1.15	1.13
Reimbursements of Expenses	0.44	0.46
	5.69	5.08

Note 26.2: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Consolidated Statement of Profit and Loss is [including depreciation ₹ 7.21 Millions (2012-2013 ₹ 6.42 Millions)].....

154.95 163.63

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Million

Note 26.3: Operating Lease Expenses

Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.

Lease payments recognised in Consolidated Statement of Profit and Loss

Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:

Not later than one year

Later than one year and not later than five years

Later than five years

**Year Ended
31st March,
2014**

Year Ended
31st March,
2013

4.82

3.91

4.61

4.38

9.09

10.27

—

—

Note 27: Contingent Liabilities

Claims against the Company not acknowledged as debt:

Notice from Haryana State Industrial and Infrastructure Development

Corporation for enhanced costs for Bawal factory land

Corporate guarantee given to HDFC Bank for employee loans.....

—

39.01

11.16

11.16

11.16

50.17

Note 28: Earnings Per Equity Share

Numerator: Profit before Exceptional Items (Net of Tax) (₹ in Million).....

2079.56

2147.46

Numerator: Profit after Exceptional Items (₹ in Million)

2079.56

2931.40

Denominator: Weighted average number of Equity Shares

53891972

53891972

Basic and Diluted Earnings per Equity Share before Exceptional Items

(Net of Tax) (₹).....

38.59

39.84

Basic and Diluted Earnings per Equity Share after Exceptional Items (₹)

38.59

54.39

Note 29: Derivatives Instruments

(A) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company

(B) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	As at 31st March, 2014 In Million	As at 31st March, 2013 In Million
Amounts payable in Foreign Currency:	CHF	—	0.06
	EUR	0.23	0.34
	JPY	205.56	192.01
	THB	0.02	0.02
	USD	12.25	11.10
Advance payment in Foreign Currency for supplies:	CHF	0.01	0.57
	EUR	0.34	0.34
	JPY	48.63	97.99
	THB	0.05	0.05
	USD	0.69	1.91

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 30: Related Party Disclosures

(i) (a) Names of related parties and nature of relationship where control exists are as under:

Holding Company : Kansai Paint Co., Ltd., Japan

(b) Names of other related parties and nature of relationship where there are transactions with related parties:

Fellow Subsidiary Companies : Kansai Paint Philippines Inc.
Kansai Coatings Malaysia SDN. BHD.
Kansai Paints Europe Ltd.

Key Management Personnel : Mr. H. M. Bharuka, Managing Director
Mr. P. D. Chaudhari, Wholetime Director

(ii) Transactions with Related Parties:

₹ in Million

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
Royalty Paid				
– Kansai Paint Co., Ltd., Japan	101.53 (103.30)	N.A. (N.A.)	N.A. (N.A.)	101.53 (103.30)
Dividend Paid				
– Kansai Paint Co., Ltd., Japan	410.63 (410.63)	N.A. (N.A.)	N.A. (N.A.)	410.63 (410.63)
Technical Fees Including Reimbursement of Expenses				
– Kansai Paint Co., Ltd., Japan	48.64 (46.53)	N.A. (N.A.)	N.A. (N.A.)	48.64 (46.53)
Sale of Goods				
– Kansai Paint Philippines Inc.	N.A. (N.A.)	13.44 (5.60)	N.A. (N.A.)	13.44 (5.60)
Reimbursement of Expenses Paid				
– Kansai Coatings Malaysia SDN. BHD.....	N.A. (N.A.)	0.67 (0.72)	N.A. (N.A.)	0.67 (0.72)
– Kansai Paints Europe Ltd.	N.A. (N.A.)	0.27 (N.A.)	N.A. (N.A.)	0.27 (N.A.)
Reimbursement of Expenses Receivable				
– Kansai Paint Co., Ltd., Japan	14.12 (15.86)	N.A. (N.A.)	N.A. (N.A.)	14.12 (15.86)
Remuneration*				
– Mr. H. M. Bharuka, Managing Director.....	N.A. (N.A.)	N.A. (N.A.)	40.76 (37.80)	40.76 (37.80)
– Mr. P. D. Chaudhari, Wholetime Director	N.A. (N.A.)	N.A. (N.A.)	13.85 (12.68)	13.85 (12.68)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

				₹ in Million
Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
(iii) Amounts Outstanding at the Year End:				
Receivable as at Year End				
– Kansai Paint Co., Ltd., Japan	14.12 (15.86)	N.A. (N.A.)	N.A. (N.A.)	14.12 (15.86)
– Kansai Paint Philippines Inc.	N.A. (N.A.)	3.36 (N.A.)	N.A. (N.A.)	3.36 (N.A.)
Payable as at Year End				
– Kansai Paint Co., Ltd., Japan	5.48 (12.49)	N.A. (N.A.)	N.A. (N.A.)	5.48 (12.49)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	0.20 (0.10)	N.A. (N.A.)	0.20 (0.10)

Figures in the brackets are the corresponding figures in respect of the previous year.

*excludes commission and related contribution to Provident Fund and Superannuation Fund thereon for the year but includes commission and such related contribution thereon for the previous year paid in the current year.

Note: No amounts pertaining to related parties have been provided for as doubtful debts. Also, no amounts have been written off or written back during the year.

Note 31: Employee Benefits

A. Defined Contribution Plan:

Contribution to defined contribution plan, recognised in the Consolidated Statement of Profit and Loss under Contribution to Provident and Other Funds in Employee Benefits for the year are as under:

	31st March, 2014	31st March, 2013
Employer's Contribution to Regional Provident Fund Commissioner	12.42	8.78
Employer's Contribution to Family Pension Fund	14.02	14.26
Employer's Contribution to Superannuation Fund	22.63	19.15

B. Defined Benefit Plan:

(a) Contribution to Provident Fund managed by the Trust set up by the Company:

The Company has contributed ₹ 14.96 Million (2012-2013 14.79 Million) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(a) Contribution to Provident Fund managed by the Trust set up by the Company (contd.)

(i) The details of fund and plan assets position are given below:

	As at 31st March, 2014	As at 31st March, 2013
Plan Assets at the Year End, at Fair Value.....	388.42	374.99
Present Value of Benefit Obligation at the Year End.....	372.88	366.41
Asset Recognised in the Balance Sheet	Nil	Nil

₹ in Million

(ii) The actuarial assumptions used in determining the present value of benefit obligation are as under:

	As at 31st March, 2014	As at 31st March, 2013
Discount Rate (%)	9.10	8.00
Guaranteed Interest Rate (%)	8.75	8.50
Expected Average remaining working lives of employees (years).....	6.19	7.35

(iii) The major category of plan assets in which the funds are invested by the Provident Fund Trust are as under:

	As at 31st March, 2014	As at 31st March, 2013
Bonds & Securities of Central Government.....	14.08	12.90
Bonds & Securities of State Government	12.15	12.40
Bonds & Securities of Public Sector Undertakings.....	23.38	22.72
Special Deposits with Banks	48.80	50.88
Bonds of Financial Institutions.....	1.59	1.10

% of Each to Total Plan Assets

(b) Gratuity:

	As at 31st March, 2014 ₹ in Million	As at 31st March, 2013 ₹ in Million
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the Beginning of the Year	121.46	119.67
Interest Cost	10.94	9.85
Current Service Cost	13.08	12.40
Benefits Paid.....	(45.30)	(21.21)
Net Actuarial (Surplus)/Deficit	29.66	0.75
Present Value of Defined Benefit Obligation as at the End of the Year ...	129.84	121.46

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (contd.)

	As at 31st March, 2014 ₹ in Million	As at 31st March, 2013 ₹ in Million
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the Beginning of the Year	112.87	118.16
Expected Return on Plan Assets.....	9.54	11.33
Net Actuarial Gain/(Loss)	14.17	2.36
Employer's Contribution.....	10.78	2.23
Benefits paid.....	(45.30)	(21.21)
Fair Value of Plan Assets as at the End of the Year.....	102.06	112.87
The Company expects to contribute ₹ 27.31 Million to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India	100%	100%
Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets/(Liabilities) Recognised in the Balance Sheet:		
Present Value of Defined Benefit Obligation.....	(129.78)	(121.46)
Fair Value of Plan Assets	102.06	112.87
Net Asset/(Liability) Recognised in Balance Sheet	(27.72)	(8.59)
iv. Components of Employer's Expenses:		
Current Service Cost	13.08	12.40
Interest Cost	10.94	9.85
Expected Return on Plan Assets.....	(9.54)	(11.33)
Net Actuarial (Gain)/Loss	15.43	(1.61)
Total Expenses/(Income) recognised in the Consolidated Statement of Profit and Loss under Contribution to Provident and Other Funds in Employee Benefits.....	29.91	9.31
v. Actuarial Assumptions:		
Mortality Table	Indian Assured Lives Mortality (2006-08)	LIC (1994-96)
Discount Rate	9.00%	8.25%
Expected Rate of Return on Plan Assets	7.55%	8.92%
Salary Escalation.....	7.50%	7.50%

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (contd.)

- vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
- b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.
- c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
- vii. Net Assets/(Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:

Particulars	Gratuity ₹ in Million	
	31st March, 2014	31st March, 2013
1. Present Value of Defined Benefit Obligation	(129.78)	(121.46)
2. Fair Value of Plan Assets	102.06	112.87
3. Funded Status [Surplus/(Deficit)]	(27.72)	(8.59)
4. Net Asset/(Liability)	(27.72)	(8.59)
5. Experience Adjustment arising on:		
a. Plan Liabilities [Loss/(Gain)]	29.60	0.75
b. Plan Assets [Loss/(Gain)]	(14.17)	(2.36)

viii. The above information is certified by the actuary.

ix. Figures are only given for last two years since this being a second year of preparation of Consolidated Financial Statements.

(c) Compensated Absences:

The decrease in provision for compensated absences for the year is ₹ 2.54 Million (2012-2013 decrease ₹ 2.82 Million)

Note 32: Segment Reporting

As the Group's business activity falls within a single business segment viz. 'Paints' and the sales substantially being in the domestic market, the Financial Statement are reflective of the information required by Accounting Standard 17 "Segment Reporting", notified under Companies (Accounting Standard) Rules, 2006.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 30th April, 2014

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

Chairman

D.M. KOTHARI

Vice Chairman

H.M. BHARUKA

Managing Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholetime Director

KANSAI NEROLAC PAINTS LIMITED
**SUMMARISED STATEMENT OF PROFIT AND LOSS
OF 15 YEARS**

₹ in Million

Year	Cost of Materials/ Products	Employee Benefits	Other Expenses	Finance Costs	Depreciation and Amortisation	Tax Expense	Profit after Tax	Total Revenue #	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
1999-2000	3208.00	347.89	1167.51	80.92	121.36	123.00	299.84	5348.51	99.48	6.50	19.59	121.58
2000-2001	3428.07	404.97	1352.96	63.73	200.79	105.00	225.78	5781.28	99.48	6.50	14.75	129.10
2001-2002	3603.99	450.18	1269.61	37.29	246.72	100.00	273.55	5981.35	114.79	7.50	17.87	136.11
2002-2003	3887.77	577.09	1338.60	16.47	241.42	162.50	398.38	6622.23	137.74	9.00	26.03	149.34
2003-2004	4567.64	525.07	1488.56	13.20	220.42	308.00	579.61	7702.50	191.31	12.50	37.87	173.11
2004-2005	5315.46	493.05	1611.84	7.68	207.00	453.00	919.58	9007.62	293.34	11.50	36.05†	126.78†
2005-2006	6109.56	559.18	1855.64	7.80	317.76	610.07	1385.90	10845.91	510.15*	20.00*	54.40	159.19
2006-2007	7783.29	595.69	2130.45	9.62	335.57	533.07	1076.59	12464.29	309.88	11.50	39.95	189.91@
2007-2008	8373.17	691.31	2267.52	14.06	396.01	506.00	1197.90	13445.96	323.35	12.00	44.46	220.33
2008-2009	8995.83	733.03	2441.96	18.38	376.05	416.00	985.89	13967.14	323.35	12.00	36.59	242.87
2009-2010	10718.22	750.49	2958.25	12.00	442.60	731.09	1655.01	17267.66	404.19	15.00	30.71^	286.80
2010-2011	14002.45	916.42	3563.40	8.43	493.55	831.48	2059.85	21875.58	538.92	10.00**	38.22	170.00+
2011-2012	17404.13	1069.44	4159.14	0.86	563.53	892.43	2158.85	26248.38	592.81	11.00	40.06	197.28
2012-2013	19426.17	1181.43	4597.61	0.16	471.07	908.02&	2144.90&	28729.36	592.81	11.00	39.80&	224.21&
2013-2014	21339.45	1358.77	5224.45	4.51	649.76	1004.20	2065.71	31646.85	592.81	11.00	38.33	264.09

Net of Rebates & Excise Duty.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of ₹ 8.50 per share.

@ Calculated on number of shares post amalgamation of Polycoat Powders Ltd. with the Company.

^ Re-calculated consequent to the Bonus Issue of 1:1 2010-2011.

** On enhanced Share capital consequent to the Bonus Issue in 2010-2011.

+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

Note: Upto 2001-2002 Net Worth per share includes Revaluation Reserve.



 KANSAI NEROLAC PAINTS LIMITED

A subsidiary of Kansai Paint Co. Ltd, Japan
Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013
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