B S R & Co. LLP
Chartered Accountants

1st Floor, Lodha Excelus
Apollo Mills Compound
N. M. Joshi Marg, Mahalakshmi
Mumbai - 400 011
India

Telephone +91 22 3989 6000
Fax +91 22 3090 2511

**Review report**

# To the Board of Directors of Kansai Nerolac Paints Limited

We have reviewed the accompanying statement of unaudited financial results ('the Statement') of Kansai Nerolac Paints Limited ('the Company') for the quarter ended 30 September 2013 and year to date results for the period 1 April 2013 to 30 September 2013, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

Vijay Bhatt
*Partner*
Membership No: 036647

Mumbai
1 November 2013

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE QUARTER
ENDED 30TH SEPTEMBER 2013

PART I

Rs. in Million

| | Particulars | For the quarter ended | | | For the half year ended | | For the year ended |
|---|---|---|---|---|---|---|---|
| | | 30.09.2013 (Unaudited) | 30.06.2013 (Unaudited) | 30.09.2012 (Unaudited) | 30.09.2013 (Unaudited) | 30.09.2012 (Unaudited) | 31.03.2013 (Audited) |
| | Gross sales / Income | 9400 | 9356 | 8087 | 18756 | 16560 | 33756 |
| 1. | Income from operations | | | | | | |
| a. | Net sales / Income from operations (Net of excise and discounts) | 7810 | 7898 | 6794 | 15708 | 14002 | 28395 |
| b. | Other operating income | 107 | 21 | 29 | 128 | 56 | 171 |
| | Total Income from operations (net) | 7917 | 7919 | 6823 | 15836 | 14058 | 28566 |
| 2. | Expenses | | | | | | |
| a. | Cost of materials consumed | 4995 | 4864 | 4619 | 9859 | 9193 | 18986 |
| b. | Purchase of stock-in-trade | 362 | 260 | 243 | 622 | 468 | 1023 |
| c. | Changes in inventories of finished goods, work-in-progress and stock-in-trade | (106) | 117 | (248) | 11 | (220) | (582) |
| d. | Employee benefits expense | 376 | 316 | 293 | 692 | 586 | 1181 |
| e. | Depreciation and amortisation expense | 161 | 153 | 161 | 314 | 317 | 471 |
| f. | Other expenses | 1373 | 1348 | 1127 | 2721 | 2273 | 4597 |
| | Total expenses | 7161 | 7058 | 6195 | 14219 | 12617 | 25676 |
| 3. | Profit from operations before other income, finance costs and exceptional items (1-2) | 756 | 861 | 628 | 1617 | 1441 | 2890 |
| 4. | Other income | 14 | 37 | 35 | 51 | 102 | 163 |
| 5. | Profit from ordinary activities before finance costs and exceptional items (3+4) | 770 | 898 | 663 | 1668 | 1543 | 3053 |
| 6. | Finance costs | 3 | - | - | 3 | - | - |
| 7. | Profit from ordinary activities after finance costs but before exceptional items (5-6) | 767 | 898 | 663 | 1665 | 1543 | 3053 |
| 8. | Exceptional item | | | | | | |
| | Excess depreciation reversal in respect of earlier years (refer note 2) | - | - | - | - | - | 1149 |
| 9. | Profit from ordinary activities before tax (7+8) | 767 | 898 | 663 | 1665 | 1543 | 4202 |
| 10. | Tax expense | | | | | | |
| a. | Current tax | 156 | 238 | 159 | 394 | 362 | 747 |
| b. | Deferred tax | 94 | 51 | 30 | 145 | 74 | 533 |
| | Total tax expense | 250 | 289 | 189 | 539 | 436 | 1280 |
| 11. | Net Profit from ordinary activities after tax (9-10) | 517 | 609 | 474 | 1126 | 1107 | 2922 |
| 12. | Extraordinary items (net of tax expense) | - | - | - | - | - | - |
| 13. | Net Profit for the period (11-12) | 517 | 609 | 474 | 1126 | 1107 | 2922 |
| 14. | Paid up Equity Share Capital (Face value of Rs.10 each) | 539 | 539 | 539 | 539 | 539 | 539 |
| 15. | Reserves excluding Revaluation Reserves as per balance sheet | | | | | | 12320 |
| 16. | Earnings per share [before exceptional items (net of tax)] (of Rs. 10 each) (not annualised) | | | | | | |
| a. | Basic | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 39.80 |
| b. | Diluted | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 39.80 |
| 17. | Earnings per share (before extraordinary items) (of Rs. 10 each) (not annualised) | | | | | | |
| a. | Basic | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 54.22 |
| b. | Diluted | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 54.22 |
| 18. | Earnings per share (after extraordinary items) (of Rs. 10 each) (not annualised) | | | | | | |
| a. | Basic | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 54.22 |
| b. | Diluted | 9.59 | 11.30 | 8.80 | 20.89 | 20.55 | 54.22 |

KANSAI NEROLAC PAINTS LIMITED

PART II

| | | For the quarter ended | | | For the half year ended | | For the year ended |
|---|---|---|---|---|---|---|---|
| | | 30.09.2013 | 30.06.2013 | 30.09.2012 | 30.09.2013 | 30.09.2012 | 31.03.2013 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| A | PARTICULARS OF SHAREHOLDING | | | | | | |
| 1. | Public Shareholding | | | | | | |
| | - Number of Shares | 16562212 | 16562212 | 16562212 | 16562212 | 16562212 | 16562212 |
| | - Percentage of Shareholding | 30.73 | 30.73 | 30.73 | 30.73 | 30.73 | 30.73 |
| 2. | Promoters and promoter group shareholding | | | | | | |
| a. | Pledged / Encumbered | | | | | | |
| | - Number of shares | Nil | Nil | Nil | Nil | Nil | Nil |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | Nil | Nil | Nil | Nil | Nil | Nil |
| | - Percentage of shares (as a % of the total share capital of the company) | Nil | Nil | Nil | Nil | Nil | Nil |
| b. | Non-encumbered | | | | | | |
| | - Number of shares | 37329760 | 37329760 | 37329760 | 37329760 | 37329760 | 37329760 |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 100 | 100 | 100 | 100 | 100 | 100 |
| | - Percentage of shares (as a % of the total share capital of the company) | 69.27 | 69.27 | 69.27 | 69.27 | 69.27 | 69.27 |

| | Particulars | Quarter ended |
|---|---|---|
| | | 30.09.2013 |
| B | INVESTOR COMPLAINTS | |
| | Pending at the beginning of the quarter | Nil |
| | Received during the quarter | Nil |
| | Disposed of during the quarter | Nil |
| | Remaining unresolved at the end of the quarter | Nil |

KANSAI NEROLAC PAINTS LIMITED

STATEMENT OF ASSETS AND LIABILITIES AS AT 30th SEPTEMBER 2013

Rs in Million

| | | Particulars | Unaudited As at 30.09.2013 | Audited As at 31.03.2013 |
|---|---|---|---|---|
| A | | Equity and Liabilities | | |
| | 1. | Shareholders' Funds | | |
| | | (a) Share Capital | 539 | 539 |
| | | (b) Reserves and Surplus | 13446 | 12320 |
| | | Sub-total - Shareholders' funds | 13985 | 12859 |
| | 2. | Non-current liabilities | | |
| | | (a) Long-term borrowings | 517 | 605 |
| | | (b) Deferred Tax Liabitities (Net) | 576 | 431 |
| | | (c) Long-term provisions | 304 | 385 |
| | | Sub-total - Non-current liabilities | 1397 | 1421 |
| | 3. | Current liabilities | | |
| | | (a) Short-term borrowing | 740 | - |
| | | (b) Trade payables | 3815 | 3894 |
| | | (c) Other current liabilities | 2350 | 1648 |
| | | (d) Short-term provisions | 159 | 800 |
| | | Sub-total - Current liabilities | 7064 | 6342 |
| | | TOTAL - EQUITY AND LIABILITIES | 22446 | 20622 |
| B | | ASSETS | | |
| | 1. | Non-current assets | | |
| | | (a) Fixed assets | 9498 | 8980 |
| | | (b) Non-current investments | 481 | 481 |
| | | (c) Long-term loans and advances | 455 | 442 |
| | | Sub-total - Non-current assets | 10434 | 9903 |
| | 2. | Current assets | | |
| | | (a) Current investments | 364 | 125 |
| | | (b) Inventories | 5313 | 5341 |
| | | (c) Trade receivables | 5057 | 4200 |
| | | (d) Cash and cash equivalents | 505 | 600 |
| | | (e) Short-term loans and advances | 205 | 193 |
| | | (f) Other current assets | 568 | 260 |
| | | Sub-total - Current assets | 12012 | 10719 |
| | | TOTAL - ASSETS | 22446 | 20622 |

Notes:

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 1st November 2013. These results have been subjected to "limited review" by the statutory auditors of the Company.
2. During the quarter ended 31 March 2013, the Company has retrospectively changed its method of providing depreciation on its fixed assets from the 'Written Down Value' to the 'Straight Line' method. Accordingly, excess depreciation charged for earlier years upto 31st March, 2012 aggregating Rs. 1,149 million was written back and recognized as an exceptional item in the results for the quarter ended and the year ended 31st March, 2013. Had the Company reported results for the quarter and half year ended 30th September 2012 based on Straight Line method of depreciation:

Rs in Million

| | Particulars | Quarter ended 30.09.2012 | Half Year ended 30.09.2012 |
|---|---|---|---|
| 1. | Depreciation charge would have been lower by | 50.73 | 95.00 |
| 2. | Deferred tax expense would have been higher by | 16.46 | 30.82 |
| 3. | Net profit for the quarter would have been higher by | 34.27 | 64.18 |

3. During the quarter, the Company has closed its manufacturing activities at its factory in Perungudi, Tamil Nadu and settled the liabilities including voluntary retirement payments.
4. As the Company's business activity falls within a single segment viz. 'Paints' and the sales substantially being in the domestic market, the disclosure requirements of Accounting Standard-17 "Segment Reporting", notified under the Companies (Accounting Standards) Rules, 2006, are not applicable.

For KANSAI NEROLAC PAINTS LIMITED

Place: Mumbai
Date: 1st November, 2013

H. M. BHARUKA
MANAGING DIRECTOR

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