B S R & Co.
(Registered)
Chartered Accountants

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

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

Auditor's Report on the financial results of Kansai Nerolac Paints Limited pursuant to Clause 41 of Listing Agreement

To Board of Directors of Kansai Nerolac Paints Limited

We have audited the accompanying annual financial results of Kansai Nerolac Paints Limited ('the Company') for the year ended 31 March 2013, attached herewith, being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement 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. Attention is drawn to the fact that the figures for the quarter ended 31 March 2013 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year except for the effect of the adjustments arising pursuant to change in accounting policy made by the Company with respect to method of depreciation for the quarter ended 31 March 2013. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results up to the end of the third quarter which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of the annual financial results which have been prepared in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and to the best of our information and according to the explanations given to us these financial results:

(i) are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and

(ii) give a true and fair view of the net profit and other financial information for the year ended 31 March 2013.

Auditor's Report on the financial results of Kansai Nerolac Paints Limited pursuant to Clause 41 of Listing Agreement *(Continued)*

Kansai Nerolac Paints Limited

Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of clause 35 of the Listing Agreement and found the same to be correct.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
4 May 2013

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR
ENDED 31ST MARCH 2013

PART I

Rs. in Million

		Particulars	STANDALONE					CONSOLIDATED
			For the quarter ended			For the year ended		For the year ended
			31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.03.2012	31.03.2013
			(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
		Gross sales / Income	8091	9105	7736	33756	30199	33878
1.		Income from operations						
	a.	Net sales / Income from operations (Net of excise and discounts)	6757	7636	6625	28395	25859	28500
	b.	Other operating income	85	30	43	171	147	170
		Total Income from operations (net)	6842	7666	6668	28566	26006	28670
2.		Expenses						
	a.	Cost of materials consumed	4953	4840	4715	18986	16969	19072
	b.	Purchase of stock-in-trade	236	319	274	1023	918	1023
	c.	Changes in inventories of finished goods, work-in-progress and stock-in-trade	(499)	137	(316)	(582)	(482)	(614)
	d.	Employee benefits expense	292	303	271	1181	1069	1192
	e.	Depreciation and amortisation expense (Refer Note 2)	129	120	163	471	564	473
	f.	Other expenses	1103	1221	994	4597	4159	4620
		Total expenses	6214	6940	6101	25676	23197	25766
3.		Profit from operations before other income, finance costs and exceptional items (1-2)	628	726	567	2890	2809	2904
4.		Other income	33	28	82	163	243	162
5.		Profit from ordinary activities before finance costs and exceptional items (3+4)	661	754	649	3053	3052	3066
6.		Finance costs	-	-	-	-	1	7
7.		Profit from ordinary activities after finance costs but before exceptional items (5-6)	661	754	649	3053	3051	3059
8.		Exceptional item						
		Excess depreciation reversal in respect of earlier years (Refer Note 2)	1149	-	-	1149	-	1160
9.		Profit from ordinary activities before tax (7+8)	1810	754	649	4202	3051	4219
10.		Tax expense						
	a.	Current tax	213	172	215	747	860	748
	b.	Deferred tax	370	58	(15)	533	32	534
		Total tax expense	583	230	200	1280	892	1282
11.		Net Profit from ordinary activities after tax (9-10)	1227	524	449	2922	2159	2937
12.		Extraordinary items (net of tax expense)	-	-	-	-	-	-
13.		Net Profit for the period (11-12)	1227	524	449	2922	2159	2937
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	10093	12330
16.		Earnings per share [before exeptional items (net of tax)] (of Rs. 10 each) (not annualised)						
	a.	Basic	8.35	9.72	8.33	39.80	40.06	39.93
	b.	Diluted	8.35	9.72	8.33	39.80	40.06	39.93
17.		Earnings per share (before extraordinary items) (of Rs. 10 each) (not annualised)						
	a.	Basic	22.77	9.72	8.33	54.22	40.06	54.50
	b.	Diluted	22.77	9.72	8.33	54.22	40.06	54.50
18.		Earnings per share (after extraordinary items) (of Rs. 10 each) (not annualised)						
	a.	Basic	22.77	9.72	8.33	54.22	40.06	54.50
	b.	Diluted	22.77	9.72	8.33	54.22	40.06	54.50

KANSAI NEROLAC PAINTS LIMITED

PART II

			For the quarter ended			For the year ended	
			31.03.2013	31.12.2012	31.03.2012	31.03.2013	31.03.2012
			(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
A		PARTICULARS OF SHAREHOLDING					
1.		Public Shareholding					
		- Number of Shares	16562212	16562212	16562212	16562212	16562212
		- Percentage of Shareholding	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
		- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil
		- Percentage of shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil
	b.	Non-encumbered					
		- Number of shares	37329760	37329760	37329760	37329760	37329760
		- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	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

	Particulars	Quarter ended
		31.03.2013
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 31ST MARCH 2013

Rs in Million

		Particulars	Standalone (Audited)		Consolidated (Audited)
			As at	As at	As at
			31.03.2013	31.03.2012	31.03.2013
A		Equity and Liabilities			
	1.	Shareholders' Funds			
		(a) Share Capital	539	539	539
		(b) Reserves and Surplus	12320	10093	12330
		Sub-total - Shareholders' funds	12859	10632	12869
	2.	Minority Interest	-	-	31
	3.	Non-current liabilities			
		(a) Long-term borrowings	605	690	668
		(b) Deferred Tax Liabitities (Net)	431	-	433
		(c) Long-term provisions	385	432	385
		Sub-total - Non-current liabilities	1421	1122	1486
	4.	Current liabilities			
		(a) Trade payables	3894	2682	3926
		(b) Other current liabilities	1648	1813	1672
		(c) Short-term provisions	800	732	801
		(d) Short-term borrowing	-	-	81
		Sub-total - Current liabilities	6342	5227	6480
		TOTAL - EQUITY AND LIABILITIES	20622	16981	20866
B		ASSETS			
	1.	Non-current assets			
		(a) Goodwill	-	-	23
		(b) Fixed assets	8980	5578	9076
		(c) Non-current investments	481	439	402
		(d) Deferred tax assets (net)	-	102	-
		(e) Long-term loans and advances	442	436	379
		Sub-total - Non-current assets	9903	6555	9880
	2.	Current assets			
		(a) Current investments	125	1396	125
		(b) Inventories	5341	4537	5483
		(c) Trade receivables	4200	3588	4305
		(d) Cash and cash equivalents	600	592	614
		(e) Short-term loans and advances	193	128	199
		(f) Other current assets	260	185	260
		Sub-total - Current assets	10719	10426	10986
		TOTAL - ASSETS	20622	16981	20866

Notes:

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 4th May, 2013.
2. During the current quarter, the Company has retrospectively changed its method of providing depreciation on its fixed assets from the 'Written Down Value' to the '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 Rs. 1,149 million has been 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 continued to use the earlier method of depreciation:

Rs in Million

	Particulars	Quarter ended		Year ended
		31.03.2013	31.12.2012	31.03.2013
1.	Depreciation charge for the quarter/year would have been higher by	77	52	224
2.	Deferred tax expense would have been lower by	398	17	446
3.	Net profit for the quarter/year would have been lower by	828	35	927

3. Figures for the quarter ended 31 March 2013 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year except for the effect of the adjustments arising pursuant to change in accounting policy made by the Company with respect to method of depreciation for the quarter ended 31 March 2013. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.
4. During the current quarter, second phase of Hosur plant commenced commercial production.
5. 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.
6. Comparative for the consolidated results have not been presented being first year of acquisition of subsidiary by the company.
7. The Directors have recommended a dividend of 110% (Rs 11 per share) compared to 110% (Rs. 11 per share) last year.
8. Figures of previous year/ period have been rearranged to conform with current year's/ period's presentation, wherever applicable.

For KANSAI NEROLAC PAINTS LIMITED

Place: Mumbai
Date: 4th May, 2013

H. M. BHARUKA
MANAGING DIRECTOR

Visit us at: www.nerolac.com