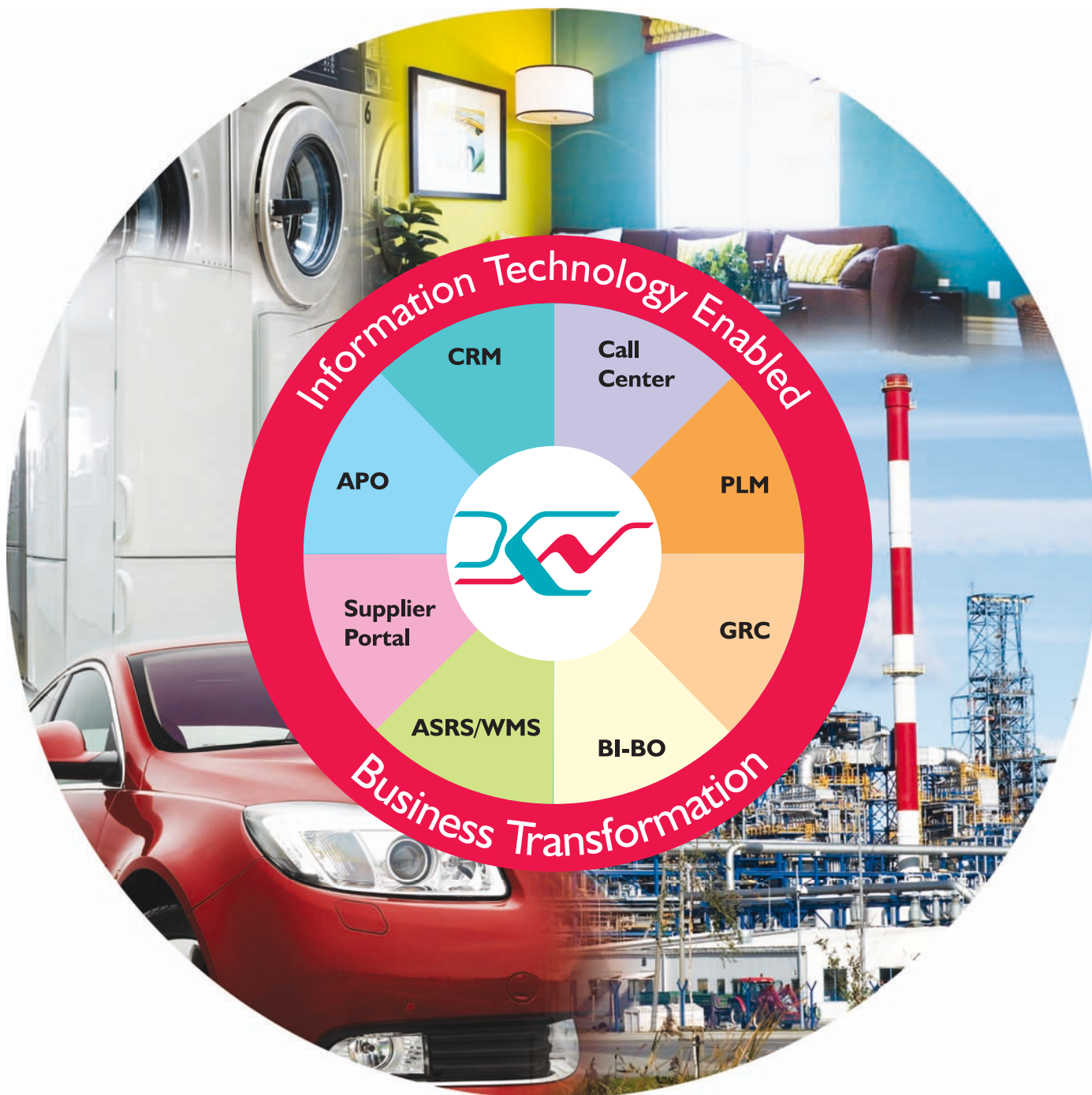




Information Technology Enabled Business Transformation

It has always been the vision of Kansai Nerolac Paints Limited (KNPL) to leverage technology to create world class products and solution to ensure that our stakeholders get the best. One of the most important technologies that KNPL has leveraged in the last decade or so has been Information Technology. In the past decade, KNPL has successfully implemented products like ERP, Supply Chain Management (SCM), Data warehousing and a slew of portals around knowledge management, suppliers, sales force, Technical services and employees.

Investments in IT Solutions need involvement of business and senior management since they are transformational and involve change in mindset, culture and work styles. In the slow-down of calendar year 2009, KNPL saw an opportunity to engage the organization and in the process bring about far reaching cultural changes which would make KNPL future ready and capable of delivering high value to stake holders. With this in mind, KNPL took a very strategic decision of making investments in a range of next generation IT Business Solutions. KNPL felt that during the slow down there would be resource availability and management bandwidth to successfully nurture and implement these packages.

This initiative represented KNPL's most ambitious Business driven – IT Initiative in its history. What sets this initiative apart is its unique transformational capability. It involved the implementation of a parallel set of IT solutions in every possible operational area of the company, be it core day to day operations,

supply chain management, Finance, Manufacturing, Sales and marketing, Technical, Governance, HR and of course IT.

With this implementation, the company is seeing transformation in the manner of functioning w.r.t product development, manufacturing, warehousing, field force functioning, marketing, customer handling, work processes, knowledge retention, business decision making, controls & governance and appraisals amongst others. This initiative has ensured that the benefits of Information Technology has now touched every facet of the organization and has enabled and enriched the work of every person within the organization, right down to the front line personnel in various functions.

These initiatives have strengthened operations and controls. However, the single biggest benefit has been that they have helped the company develop a range of system generated dashboards. These dashboards, which are sent to individual manager's mail boxes before the start of the day, have helped provide transparency and performance vis-a-vis defined benchmarks into all aspects of operational performance. They have also helped bring focus purely into decision-making and actions. Hence the theme for this year's annual report is, 'IT Enabled Business Transformation'.



DIRECTORS

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

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

UNION BANK OF INDIA
STANDARD CHARTERED BANK
BANK OF TOKYO - MITSUBISHI UFJ, LTD
HDFC BANK LTD.
BNP PARIBAS

AUDITORS

B S R & CO., MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

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



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Key Highlights of the year



- Golden Peacock Innovative Product/Service of the Year Award for Nerolac Impressions Ecoclean



- 5 Stars awarded to the Lote and Jainpur plants by the British Safety Council 5 Star Safety Audit



- Nerolac Excel Total with Heat Guard Technology as the 'Product of the year 2011' in the paints category



KANSAI NEROLAC PAINTS LIMITED

Notice

NOTICE is hereby given that the Ninety-first Annual General Meeting of the Shareholders of KANSAI NEROLAC PAINTS LIMITED will be held at the 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 Saturday, 11th June, 2011 at 11 a.m. (S.T.) to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. H. Ishino, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N.N. Tata, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. P.D. Chaudhari, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to authorise the Audit Committee to fix their remuneration.

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. The instrument appointing a proxy, in order to be effective, must be duly filled, stamped and signed and must reach the Company at its registered office not less than forty-eight hours before the commencement of the meeting.

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

Name of Director seeking appointment / re-appointment	Shares held as on 31.3.2011 (Own or held by / for other persons on beneficial basis)
(1) Mr. H. Ishino	Nil*
(2) Mr. N.N. Tata	Nil
(3) Mr. P.D. Chaudhari	20

* Mr. H. Ishino is a Nominee of Kansai Paint Co. Ltd., Japan, the promoter Company. He does not hold any share in his personal capacity.

For and on behalf of the Board

Registered Office:
"Nerolac House"
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013

J.J. IRANI
Chairman

Dated: 28th April, 2011





Directors' Report

Dear Members,

Your Directors' are pleased to present the 91st Annual Report and the Audited Accounts for the year ended 31st March, 2011.

1. Financial Highlights

	1st April, 2010 to 31st March, 2011	1st April 2009 to 31st March, 2010
	Rs. in lacs	Rs. in lacs
Gross Sales	249319.23	197170.53
Net Sales/Income from operations (Net of excise and discounts)	213873.02	170638.36
Other Income	2346.09	2038.21
Profit before Interest, Depreciation, Tax and Appropriation	31396.34	28406.91
Interest	84.28	119.99
Depreciation	4935.48	4425.98
Profit Before Exceptional Item	26376.58	23860.94
Profit on Sale of Associate Company	2536.65	—
Profit Before Tax	28913.23	23860.94
Tax	8314.78	7310.89
Profit After Tax	20598.45	16550.05
Balance brought forward from previous year	37320.73	27143.88
Balance available for appropriations	57919.18	43693.93
Appropriations:		
Proposed dividend	5389.20	4041.89
Tax on proposed dividend	874.26	671.31
General Reserve	2059.85	1660.00
Balance retained in Profit and Loss Account	49595.87	37320.73
	57919.18	43693.93

2. Dividend

The Directors recommend for consideration of the Members a dividend of Rs. 10 (100 %) per equity share of the nominal value of Rs. 10 each for the year ended 31st March, 2011 on the enhanced share capital after the Bonus Issue of 1:1 in June 2010 as against Rs. 15.00 per equity share (150%) paid last year.

3. Issue of Bonus Shares

During the year, the Company issued Bonus Shares in the proportion of one New Equity Share for every one Equity Share held. The approval of the Shareholders for the issue of Bonus Shares was obtained by means of postal ballot.



4. Management Discussion and Analysis



(A) About the Company

Kansai Nerolac Paints Ltd. (KNPL), a subsidiary of Kansai Paint, Japan was established in the year 1920. It is the second largest coating company in India and the market leader in Industrial Coatings. Having completed 90 years of existence, KNPL has established itself as a well known brand with a strong recall proposition.

KNPL has a pan-India presence and serves its customers through its 74 sales locations and 5 factories. The manufacturing operations extend across India and are located in Bawal in Haryana, Lote in Maharashtra, Jainpur in UP, Chennai and Hosur in Tamil Nadu. The proximity of the plants to the customers' base has offered logistic advantage and enabled high service levels.

For the Industrial Coatings, KNPL has a series of products in the Automotive, Powder and Liquids domain. A series of innovative product launches and service capabilities like Just In Time (JIT) have been some of the key enablers for sustaining the leadership. For the Decorative business, the organization is known for its innovative products and services and has many firsts to its credit like launch of low Volatile Organic Compound (VOC), low odour and lead free (no added lead) paints.

The organization, through the course of the last decade had benchmarked itself against the practices of several organizations and devised the Mission for all the business segments. A series of initiatives with long term strategic implications on the organization had been undertaken in all the functions.

KNPL has always propagated innovation, use of technology and value engineering. It has continuously demonstrated leadership traits and challenged the way business is done in the Decorative as well as Industrial segments.



Capacity enhancements, operational excellence, higher service delivery, reduced inventory has been the agenda for Supply chain function. In order to meet the industry requirements, capacity expansions took place at Jainpur and Hosur. KNPL got statutory clearances for expanding the plant capabilities and commissioning at Hosur. This will be helpful in catering to future customer demands.

Huge investments in IT interventions are indicative of the organization's focus on exploiting the power of Information Technology as a strategic differentiator. The initiatives undertaken will be the catalysts for transformation in the way transactions are done, data is analyzed, decisions are made and customer demands are fulfilled.

The organization has been awarded with several accolades in all functional areas of Products, Services and Governance which indicate that KNPL has been appreciated by the entire value chain.

(B) Industry Progress

In the year 2010-11, the Indian economy has seen good growth. Demand across various key end user segments be it housing, automobiles, consumer durables has been robust. The paint industry as a whole is expected to have grown by 22% in 2010-11. During the year KNPL has grown by 26%. Growth across all segments has been encouraging.

Through the investments and implementation of various IT packages and other strategic interventions, the organization has leveraged its brand, product range, reach, delivery capabilities, infrastructural support and operational controls to achieve the desired growth momentum.





As an outcome, KNPL has been able to focus on the decorative and non auto liquid business, while consolidating its leadership in the Automotive and powder coatings business.

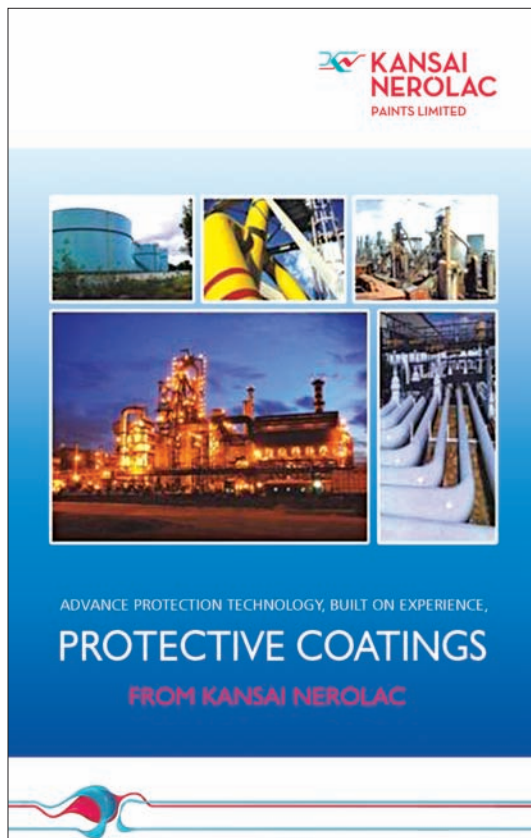
The year also saw high inflation which put cost pressures on the Industry and the company. The company has through a series of internal measures of operational efficiencies tried to minimize the impact. In the Decorative business the company was able to pass on the cost increases to a certain extent. However, in the Industrial business, passing on the cost impact continues to be a challenge. This has had an impact on the bottom line growth for the company.

As far as the market for paints segment for India is concerned, the long term fundamentals are sound and the industry is expected to grow at about 12-13% annually over the next five years.

Despite the long term positive growth prospects in the Indian Economy, there have been signs of tightening interest rates, increasing inflation, political uncertainties and rising commodity and oil prices. These along with the instability in the policy making process, cost pressures and market uncertainties have made the business environment very challenging for the year and years ahead. While KNPL has taken various measures to meet the challenges, it maintains a cautious view about the near future both in terms of top-line and bottom-line growth.

The industry size for paints is estimated at Rs. 24,000 crores wherein the organized sector accounts for 65% while the remaining is with the unorganized sector comprising of around two thousand small scale paint units. The decorative paints segment accounts for Rs. 18000 crores while industrial accounts for Rs. 6000 crores of the total paint market.





(C) Marketing Initiatives – Outlook

In Decorative, KNPL has taken a lead in the Industry of positioning paints as a means of contributing towards the well being of society. So in an industry which has traditionally always positioned paints as being a medium of joy and happiness, KNPL has sought to position paints on the platform of Health & environment, personal and Societal. With this in mind it has launched a campaign of Healthy Home Paints.

To take this forward the company has chosen Mr. Shahrukh Khan to be the face of the brand and has adopted the tagline 'Kuchh Change Karein, Chalo Paint Karein'.

KNPL's approach is visible by the series of strategic initiatives taken through the launch of Environment friendly, low VOC in addition to the lead free (no added lead) products launched earlier along with increased market visibility through campaigns around this platform. The "Nerolac" jingle has been brought back in a renewed avatar in the advertisement campaigns initiated this year.

To reach the consumers directly, company is now connected to the consumers through social networking media like Facebook and Twitter. This is a good platform to connect with the end consumers directly and can be used as an important tool for all kinds of communication.

As pioneers in creating awareness for Healthy Home Paints which are lead free, low VOC and odourless, the Nerolac Impressions Eco Clean television campaigns, aired on all leading channels, aim at creating healthy homes for the consumers. This affirms the seriousness of the company towards 'Painting a greener tomorrow'.





KNPL has a number of firsts to its credit and it has again been the pioneer in setting up Customer Care Executives at all depots to propagate customer focus and service levels. In addition, a call center service was introduced at Delhi to ensure continued and quick response to customers in the Decorative business. This is being rolled out to other zones as well.

For the consumers of today, it is important to make the process of buying paint an involved experience wherein they can touch and feel the products. These aspects have been catered by the opening of more Nerolac Colour Stylers in select zones.

Considering the current trend of the customers being engaged while buying paints, several promotional programs have been conducted to endorse the Impression Style zone outlets. These shops provide an end to end solution, beginning from helping the consumers to choose the right kind of paint and finishes, to how the product will look in their homes. In order to increase the footfalls in these outlets, a series of events involving the customers have taken place.

KNPL also participated at Acetech 2011, one of the largest architecture, building and construction expositions in the country, wherein the theme showcased was 'safe and Green products.'

During the year, focus has been on new dealer openings, placement of computerized color dispensing machines, reaching out to new sites, contractors and establishing corporate tie ups. Many awareness campaigns through Excel Total Heat Guard, 'Impressions – Dikhao Apne Rang', 'Star Meets Star', engagement of dealers in display contest for Beauty and Suraksha, and participation in Green Clubs have taken place.





Performance of KNPL is commendable in the Auto, Powder Coatings and Liquids business segments as well, and the potential for growth is high.

In the Automotive business the organization has extensively focused on building and sustaining excellence in quality, relationships, delivery and product upgrades. This has been beneficial in maintaining the aggressive growth of existing lines and acquiring new ones. The company is also pursuing approvals with European Auto Majors. The company is also re-focusing on the Auto refinish business and a series of initiatives have been undertaken.

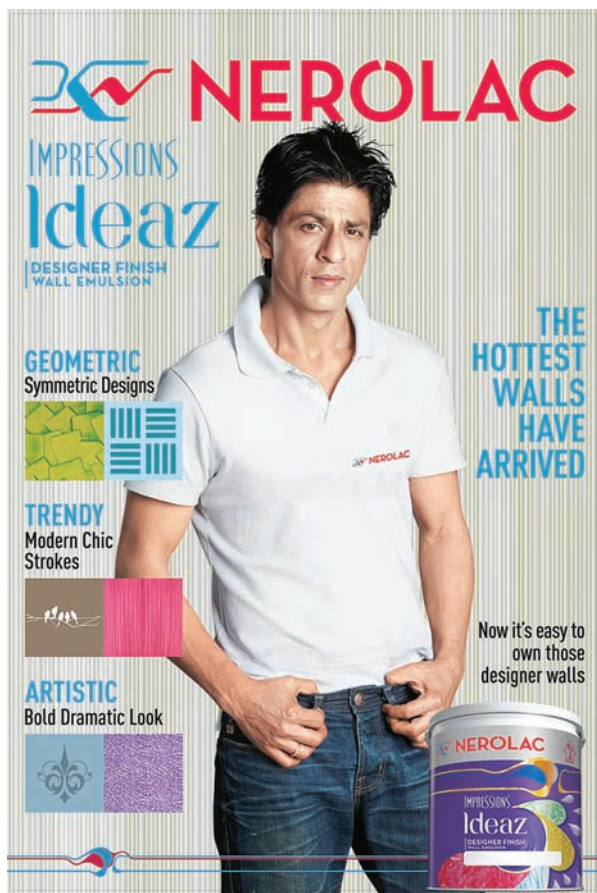
The company regularly conducts customer satisfaction surveys with its automotive customers to understand standing with customers and using the feedback as key input to undertaking structured initiatives. As a part of the marketing initiatives, color presentations were made to various customers. The industrial marketing team also participated in various industry meets.

During the year, KNPL has maintained its technology leadership through introduction of new products and technologies at Key Original Equipment Manufacturers (OEMs). The year saw the introduction of High solid paints having low VOC at a key OEM. KNPL also introduced the next generation of Cathodic Electro Deposition primer (CED) with high throw power.

KNPL has also made significant in-roads in the Heat resistant Coating Automotive business. The year also saw the introduction and commercialization of Rapguard – transit protection films for vehicles by KNPL for some of the Automotive customers. These films protect the paint film when cars are transported.

In the Non auto business, KNPL has invested in efforts aimed at promoting the Nerolac brand for Non Automotive Liquid Coatings. The Non Automotive





liquid coatings are used in a variety of OEM / Consumer goods and Engineering Goods industries as well as Infrastructure segments like Oil and Gas, Power, metals amongst others. KNPL participated in various Industry forums as well had advertisements in trade journals aimed at Key end user segment. This has helped create visibility for the Nerolac brand in the targeted end user industry. The efforts will be continued in the year to come.

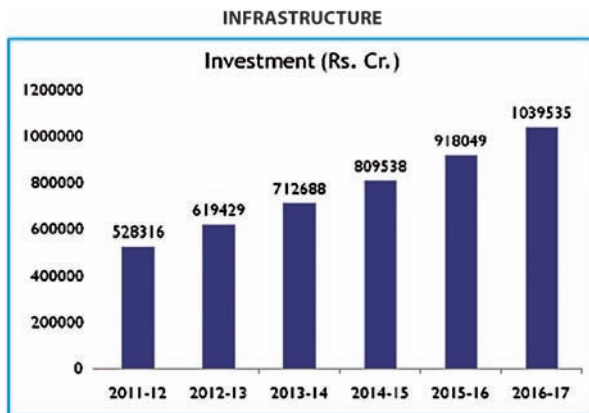
KNPL has also strengthened its product offering in these segments and has leveraged its strength in Automotive to offer solutions to the OEM segment. New technology products have been offered in the Electrical segment. Similarly Industry specific solutions have been offered for Infrastructure segments. KNPL has also been making in-roads in the huge maintenance market.

In Powder Coatings, KNPL has built on its market leadership through the successful commercialization (for the first time in India) of low bake powders as well as fast cure powders. These powders offer significant advantage in terms of productivity and cost saving to the customer. Similarly, KNPL has been promoting a range of niche powders like anti microbial powders to certain OEMs.

There is a huge potential of growth in the Non Auto business segment. The division is geared to take on the segment and establish more customers with its varied products.

During the course of the year, KNPL has been awarded business of CED, Top Coats and Pre treatment chemicals at new customers. This indicates that KNPL is valued as a full system supplier and the position is further strengthened in the industrial sector.





Source: Planning commission report on investment in infrastructure

(D) Opportunities and Threats

The world is not yet completely out of the economic recession. There have been alarming signals, and fears of double recession materializing cannot be ruled out. KNPL has been vigilant and agile and is prepared to meet the challenges.

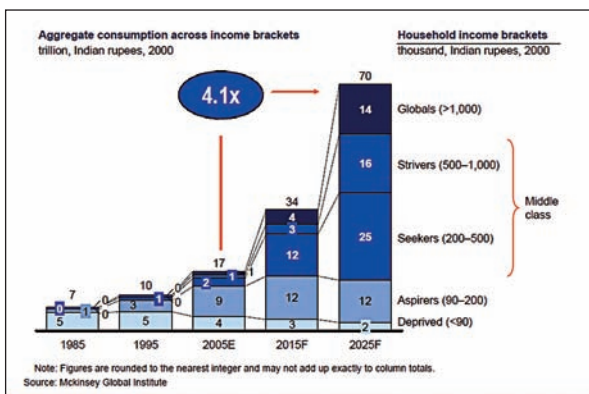
The strategy has been defined to understand the needs of the customers and align the offering vis-a-vis products, product mix, services levels, quality, delivery along with the innovative use of latest technology in IT and other areas. This has enabled the organization to cater to the needs of the consumers in the Decorative and Industrial segments.

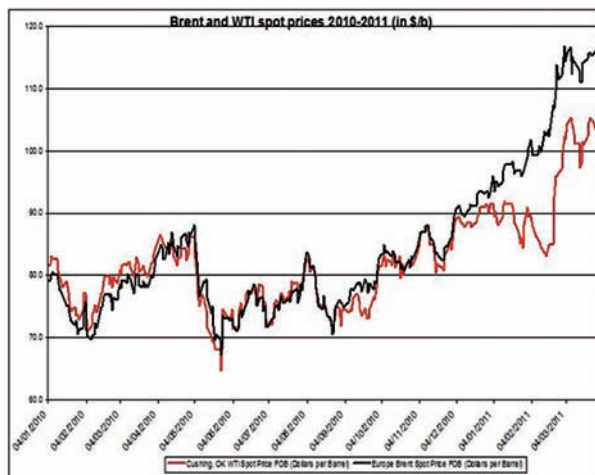
GDP growth, infrastructure and consumer spend, favorable demographics, introduction of GST amongst others are indicators that the future is bright for the paint industry. The company has outlined a set of initiatives to take advantage of the future.

Environmental regulation is rapidly gaining momentum. KNPL is prepared to face with Eco friendly products as well as working on its manufacturing and procurement processes.

The year ahead appears challenging with the volatility in the market, increased and new competition, fluctuating foreign exchange, rising interest rates, inflation, rising crude oil prices, and natural disasters.

KNPL is geared to meet the challenges. IT is being used to ensure that organization risks are well evaluated without losing out on flexibility. Business managers are empowered with better decision making tools. Inflationary pressures are being met through new products being offered to customers to create a compelling value proposition and thus hedge on cost, price increases and cost reduction. This has gone hand in hand with the internal cost control measures.





(E) Segment Wise Performance

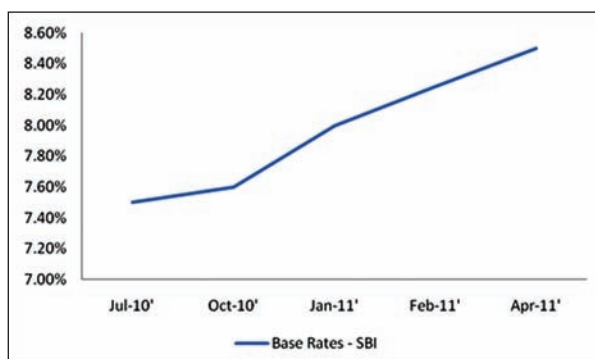
The company has only one segment of activity, named "paints", in accordance with the definition of "Segment" as per the Accounting Standard 17 issued by the Institute of Chartered Accountants of India. The performance of the company is discussed separately in this Report.

(F) Risks and Concerns

KNPL has identified function wise risk areas along with its probability and severity of the effects. A detailed Enterprise Risk Management (ERM) Framework has been put in place wherein the risks are identified and the ways in which they can be mitigated have been highlighted.

The Risk Committee periodically meets for monitoring the framework, progress on projects identified for extenuating risks and the status of action points.

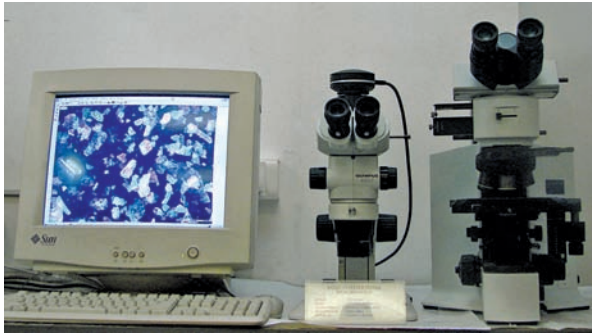
The variations in the economic conditions, rising cost of crude oil and other raw materials, demand generations, political instability, environmental hazards, may affect business. Therefore the business cannot be risk free and it has to be prepared to face them with an action plan.



Governance, Risk and Control (GRC) access control, a SAP product, has been implemented. This tool helps in strengthening the access rights within the SAP environment through risk analysis and remediation. In addition the company has a strong Internal Audit process based on predefined performance levels, wherein controls are audited periodically.

The Company continues to focus on proper inventory planning, maintaining quality standards, productivity and working capital management. In addition the





company continues to leverage technology to create differentiation in the market place.

KNPL with the strong brand equity amongst consumers, superior innovative products, service backup, strong distribution network and follow up mechanisms, is geared for facing the business reality.

(G) Research and Development

Innovative products, quality enhancements and superior technology have been the salient features of KNPL's Research and Development department. Focus for the function has been on standardization of raw materials, optimization of processes, value engineering support to the esteemed customers and optimization of formulations.

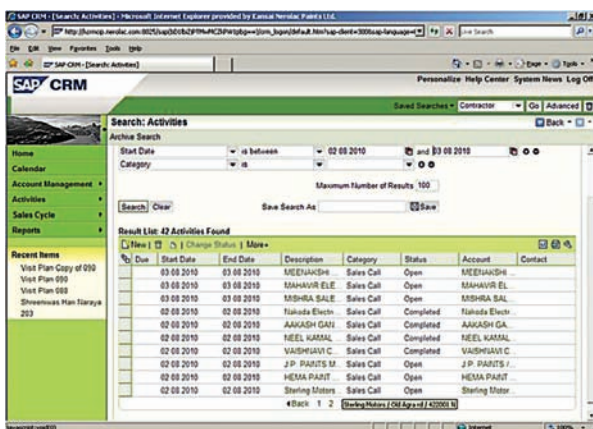
Path breaking innovations have been accomplished in :

- Golden Peacock Innovative Product/Service Award for Impressions Ecoclean ultra luxury Emulsion (Low VOC).
- Commissioning of water based primers for Industrial purposes.
- Introduced high solids base coats to reduce VOC and improved productivity at customers' end.

The accomplishments by R & D function have been beneficial in sustaining the leadership role in the industrial/auto business divisions and pioneering series of first for the decorative sector. All the products introduced have been built on the premise of creating healthy home paints.

KNPL would like to acknowledge the co-operation and guidance received from the technical team of Kansai Paint Co. Ltd., Japan, the parent Company. This has helped KNPL maintain its technical leadership in terms of product technology.





(H) Information Technology

KNPL has made huge investments in IT initiatives and that will serve as the real enabler for cultural transformation. The existing set up has been further enhanced by the implementation of many new technologies aimed at simplifying business processes while maintaining controls and empowering managers.

During the year, the business driven SAP initiative saw the completion of the functional enhancements of the core ECC (ERP) platform along with the Business Intelligence and Supply Chain Platforms.

Also, during the year the company has completed the implementation of products like Business Objects, New Product Development, Workflows, Knowledge Management, Document Management, Adobe forms, GRC (Governance, Risk and Control), MII (Manufacturing Intelligence and Integration), along with Business Communication Manager (BCM) and Customer Relationship Manager (CRM). The company has also launched a new Supplier Portal for its suppliers. In addition to streamline IT operations the company has also implemented TDMS (Test Data Migration Server), Extended Solution Manager and Solution Manager.

The implemented projects have advantages attached to their implementation. Besides operational improvements they would also help the organization respond to the customer in a differentiated manner. In addition, a number of system controls have been put in, which will strengthen the governance mechanism within the organization. Document management system will aid in moving towards a paper-less office. Workflows in combination with some of the products will help in faster decision making and automation of certain tasks. In addition a slew of exception based MIS using Business Intelligence and Business Objects will aid in changing the way review is done in the organization.





CRM will help in greater customer centricity. All this will also aid in improving organizational productivity.

The IT interface will change the way all operations are carried out. Every business division has been impacted by the interventions. The effective use of these interventions will essentially go a long way in bringing about a change in the way the company functions.

(I) Human Resources

KNPL values its people as being the most valuable asset. The organization is young, vibrant and has been actively investing in people related initiatives.

KNPL is committed to empowering its employees to perform well and also to develop a transparent career progression process. Over the years the company has evolved a Competency framework for its employees. The competency framework helps employees know what is expected from them at every level in the organization. After successfully rolling it out to the managerial cadre of the organization, this year the framework has been extended to the officers across the company. The competency framework has also helped to identify specific training needs of employees, and suitable programs have been developed and rolled out which help employees, achieve the desired competencies for their roles.



One of the key highlights of the year was the introduction of on-line performance management system. With this KNPL took a big step in ensuring complete transparency from KRA setting to evaluation and feedback. The system ensures that there is a system based sign-off by each employee and the superior concerned without which the process does not move forward. By integrating the competency framework with the Performance appraisal system, the





system ensures that the training needs are captured in consultation with the employees. Another highlight this year was the introduction of the online mode of issue of annual appraisal letters. This initiative has helped in faster closure of the appraisal process, increasing transparency and also in the process making the appraisal process environmentally friendly due to the saving of a lot of paper.

In order to ensure that employees have the specific functional skill sets to perform their job effectively, this year an online testing portal was introduced. This portal facilitates an employee to take a series of tests which make him aware of areas he needs to develop skills. This initiative KNPL believes will help a person become effective on the job faster.

During the year KNPL has fine tuned its training processes to provide inputs to employees based on the competency framework covering areas like leadership development, emotional intelligence and entrepreneurship amongst others. These are through a mix of in-house and external programs. KNPL strongly encourages its employees to work on cross functional programs as part of the employee development process. KNPL has also over the years institutionalized its skill development training to its field force and manufacturing personnel. KNPL also has a very active participation of its work-force through kaizens.



KNPL has a strong employee dialogue process called HR Connect. This process facilitates the interaction of senior management with employees across all levels. The process brings out employee aspirations and serves as a dialogue mechanism. KNPL uses inputs from HR Connect to improve on its HR processes.

KNPL has also been actively involved in building collaboration with academia through a series of joint





projects on contemporary topics impacting business. In addition, KNPL also facilitates study tours of its facilities by students as well as actively engages with technical and management institutions.

In addition KNPL has been ensuring that it has HR interventions for employee engagement and welfare.

The industrial relations across all KNPL plants have been peaceful throughout the year.

Employee strength is 2220 as on 31st March, 2011.



(J) Awards & Recognition

KNPL has been awarded a series of awards and recognition in various fields. The Awards given by the External Agencies are :

- BSC 5 Star Safety Audit : 5 Stars awarded to Lote and Jainpur plants
- Silver Certificate of Merit Award by Frost and Sullivan for Lote Plant
- Silver Certificate Merit Award by Frost and Sullivan for Jainpur Plant
- Golden Peacock Innovative Product/Service of the Year Award for Nerolac Impressions Ecoclean



The Awards by Customers are:

- Nerolac Excel Total with heat guard technology as the 'Product of the year 2011' in the paints category
- "Outstanding Company in Paints & Coatings sector for the year 2010 in EPC World Awards 2010"





(K) Community Development

KNPL has been associated with Corporate Social Responsibility activities across all locations. The Mission and philosophy of this function is "To contribute positively to the development of the society, by acting as a good neighbour, considerate of others, playing the role of a good corporate citizen with passion and compassion."

Hence the CSR activities undertaken by the organization essentially focus on four core areas of Environment, Health, Education and Community Development.

Under the Health realm, Medical health camps and Eye check up have been conducted for Senior citizens and underprivileged people at plants across Bawal, Lote, Jainpur and Perungudi wherein volunteers from the company facilitated the events. The health awareness programs have not been restricted to just factories.

For community development, the company provided Hand Pumps in nearby villages of Jainpur factory. Initiatives like distribution of bags for the school children were aimed at helping the needy. Similar activities of providing drinking water facilities and creating the infrastructure for basic facilities like overhead tanks and fans were initiated at Hosur plant.

Development of External green belt and tree plantation outside the Bawal and Hosur factories respectively have been undertaken as a part of Environment initiative. KNPL has also supported several organizations through financial assistance or participation in activities undertaken for Hemophilia Society, Multiple Sclerosis Society of India, Concern India foundation, DEEDS, Society for vocational rehabilitation.

The work done by the Company in the area of Corporate Social Responsibility (CSR) and Environment, Health and Safety (EHS) have been separately published as the Corporate Social Responsibility Report and Environmental Report.



(L) Environmental and Industrial Safety

The organization has aggressively demonstrated its commitment towards the larger issues of environment across the globe. KNPL gives immense importance to health and safety of its employees with due obligation to conservation of the environment and its correlation with achieving corporate goals.

The company is ISO 14000 & OHSAS 180001 certified and the plants are certified by the British Safety Council. A lot of attention is being given of carbon emission, waste management, product safety and employee health. The company has taken up implementation of ERP from SAP for Environment, Health and Safety which has three modules of employee well being, product safety and environment compliance.

Environment sustainability has been the essence through rain water harvesting, energy efficiency improvements and wastage reduction. Focus is now on mitigating environmental hazards of emission of green house gases, volatile organic content, liquid effluents at the manufacturing locations.

KNPL has completed the study for estimation of the Carbon and water footprint across the organization. In addition the study has helped map out initiatives which will help the company reduce these footprints. The company is also embarking of implementation of an advanced IT system on Environment health and safety in the next financial year.

Release of care bulletins focus on educating the employees on environmental hazards and the steps that can be taken for its prevention. Safety training imparted on Fire safety included inputs on use of fire extinguishers and hydrants, methods of controlling them and preventive measures to be taken at the shop





floor. Employee involvement is also evident in the celebration of Environment Conservation week and World Safety Day .

The Company has been one of the pioneers in publishing the Environmental Report annually.

(M) Internal Control Systems and their adequacy

KNPL has adopted various internal control measures to ensure that all transactions are under the purview of Corporate Governance.

All business transactions are conducted using the SAP ERP R /3 system. The Governance, Risk and Control (GRC)SAP Module has been rolled out for effective transactions and better controls.

All business processes and systems are audited by the Internal Auditor, Aneja Associates as per the Internal Audit Plan in addition to the statutory audits. Compliance towards J Sox audits has also been institutionalised and the company is IFRS compliant. The recommendations arising out of the various audits are taken on board at the Audit Committee meetings of the Board and are tracked and reported for implementation.

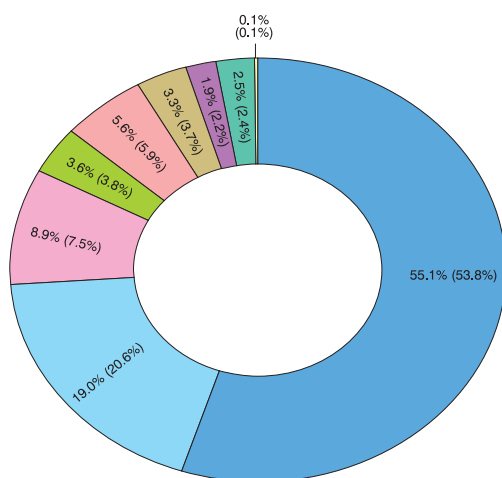
Statutory compliances for all functions are monitored through individual KRAs and Balanced Score Cards.

(N) 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



2010-11

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

Previous year 2009-10 percentage figures are stated in brackets.

* Dividend includes Tax on proposed dividend.

(O) Financials

Gross sales for the year aggregated to Rs. 2493 crores reflecting a growth of 26.4% over the previous year. Sales net of excise duty grew by 25.3%.

Profit for the year was driven by robust growth in decorative and industrial sales.

Overall raw material inflation was very high. Increase in raw material prices was driven by increase in crude oil prices.

Depreciation is higher due to full impact of the water based plant at Hosur commissioned in the last quarter of 09-10. Current year's depreciation is at Rs. 49.35 crores as compared to Rs. 44.26 crores of the previous year.

Interest was lower at Rs. 0.84 crores as compared to Rs. 1.20 crores of the previous year due to effective cash management.

Other income was higher at Rs. 48.83 crores (09-10 Rs. 20.38 crores) due to profit on sale of investments. During the year company's investment in Nipa Chemicals Ltd. was sold to Nihon Parkerizing Co. Ltd., Japan at a profit of Rs. 25.37 crores.

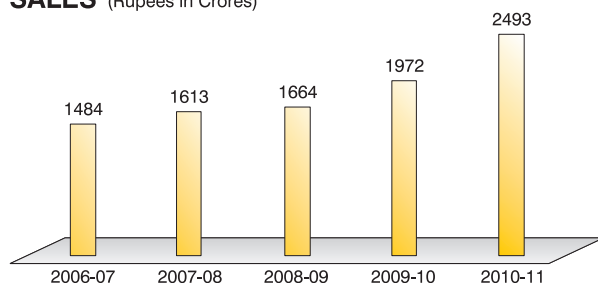
Profit Before Tax (PBT) is higher at Rs. 289.13 crores as compared to Rs. 238.61 crores of the previous year reflecting a growth of 21.1%.

Cautionary Statement:

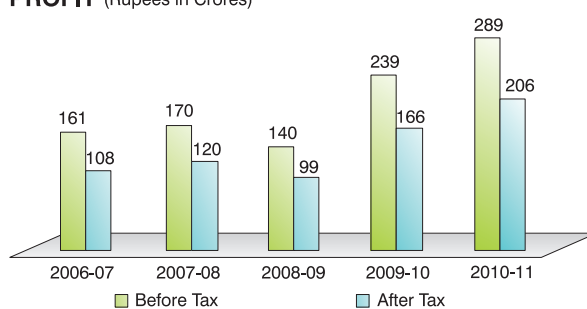
Statements in this Management Discussion and Analysis Report describing the Company's objectives, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.



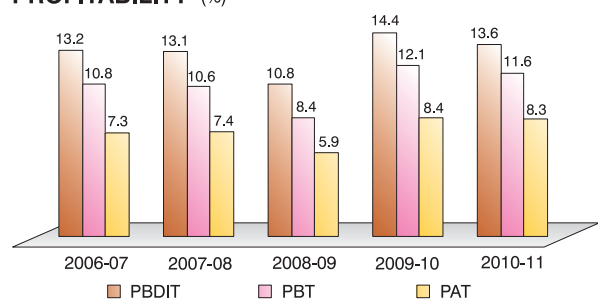
SALES (Rupees in Crores)



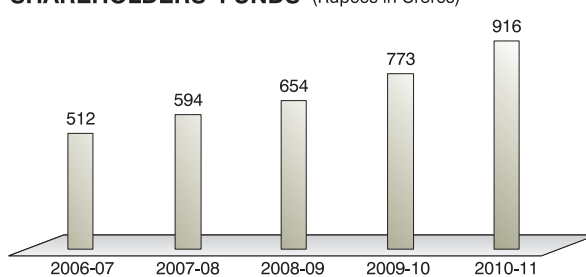
PROFIT (Rupees in Crores)



PROFITABILITY (%)

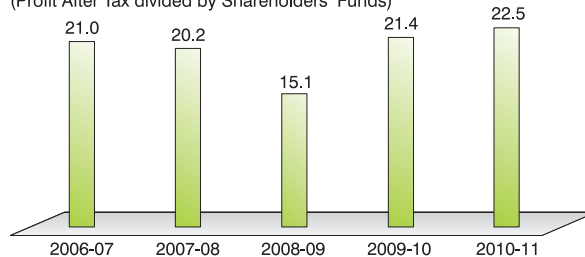


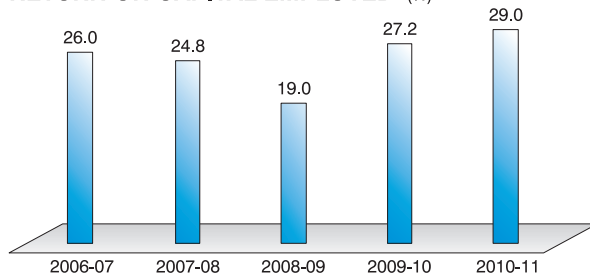
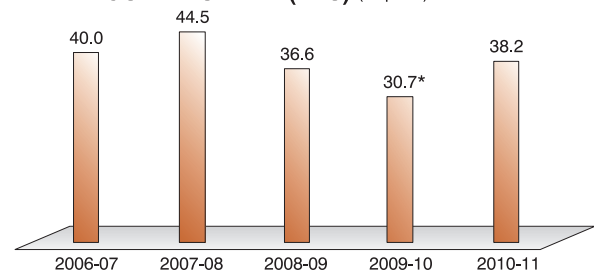
SHAREHOLDERS' FUNDS (Rupees in Crores)



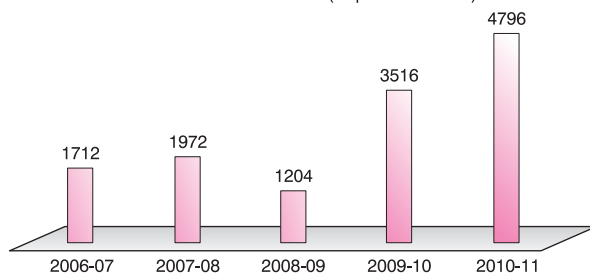
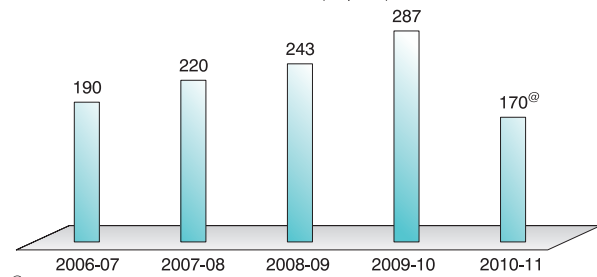
RETURN ON NET WORTH (%)

(Profit After Tax divided by Shareholders' Funds)

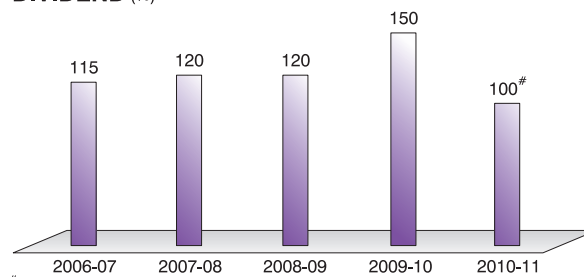


RETURN ON CAPITAL EMPLOYED (%)

EARNINGS PER SHARE (EPS) (Rupees)


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

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



5. Fixed Deposits

The Company has not accepted any Fixed Deposits (FD) during the year. The Company has refunded all the deposits, which were due for payment as on 31st March, 2011. During the year, unclaimed deposits amounting to Rs.0.85 lacs were transferred to the credit of the Investor Education and Protection Fund (IEPF) as required under Section 205C of the Companies Act, 1956.

6. Unclaimed Dividend

During the year, dividend amounting to Rs. 1.31 lacs that had not been claimed by the shareholders for the year ended 31st March, 2003, 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, 2011, dividend amounting to Rs. 43.60 lacs 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.

7. 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 and with PPG International Performance Coatings & Finishes, USA (formerly Ameron International Performance Coatings and Finishes) for High Performance Coatings. The Directors record their appreciation for the co-operation from these collaborators.

8. Auditors' Report

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

9. Directors

In accordance with the Articles of Association of the Company, Mr. H. Ishino, Mr. N. N. Tata and Mr. P. D. Chaudhari retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Y. Tajiri, a nominee of Kansai Paint Co. Ltd., Japan, on the Board, resigned from the Directorship with effect from 30th July, 2010. The Directors have placed on record their sincere appreciation for the very valuable contribution made by Mr. Tajiri during his tenure as a Director. With effect from 30th July, 2010, Mr. H. Nishibayashi, a nominee of Kansai Paint Co. Ltd., Japan, has been appointed on the Board in the casual vacancy caused by the resignation of Mr. Y. Tajiri.

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.



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 the 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 care of 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, M/s B S R & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

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, 28th April, 2011



ANNEXURE TO DIRECTORS' REPORT**FORM A****(1) Disclosure of Particulars with respect of Conservation of Energy**

A. POWER AND FUEL CONSUMPTION	2010-11	2009-10
(1) ELECTRICITY		
(a) Purchased		
Units ('000KWH)	24393	20147
Total Amount (Rs. in lacs)	1335.05	956.23
Rate/Unit (Rs.)	5.47	4.75
(b) Own Generation		
Through Diesel Generator		
Units ('000KWH)	6112	6578
Units per litre of Diesel oil	3.43	3.40
Cost/Unit (Rs.)(of diesel oil only)	10.56	10.09
(2) LIGHT DIESEL OIL AND HIGH SPEED DIESEL		
Quantity (KL)	2361	2376
Total Amount (Rs. in lacs)	931.86	813.65
Average Rate (Rs.)	39.46	34.24
(3) STEAM		
Quantity (MT)	10657	5342
Total Amount (Rs. in lacs)	202.57	98.29
Average Rate (Rs.)	1.90	1.84
(4) HEAT		
Quantity (KCH)	822	—
Total Amount (Rs. in lacs)	30.17	—
Average Rate (Rs.)	3.67	—

B. CONSUMPTION PER UNIT OF PRODUCTION

	ELECTRICITY (KWH/TONNE)		LIGHT DIESEL OIL HIGH SPEED DIESEL (LT/TONNE)		STEAM (KG/TONNE)		HEAT (KCH/TONNE)	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Paints, Varnishes, Enamels and Powder Coatings (including Synthetic Resins for captive use)	130	131	10	12	45	26	3	—

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 products have been developed

Patents applied:

- Ultraviolet radiation curable ink composition for inkjet application on the coated plastic/metal automotive parts for decoration and text printing purpose, in various colours. Apart from Eco-friendly, these inks are cost effective.

Eco-Friendly products:

The following product categories have been made NO VOC and LOW ODOUR

- Premium Exterior Emulsion Paint
- Super Premium Interior Emulsion Paint

The following Products have been developed and commercialized

- Economy interior Emulsion Paint
- Mid tier Superior smooth finish Emulsion Paint
- Lead Free Paint system for commercial vehicles
- Mar resistant clear coat for passenger cars
- 2C-B Solid Colours painting systems for commercial vehicles

3. Further Plan of action:

Development of following:

- High Solids 3 wet System (primer-base coat-clear coat)
- High Solids Primer
- Coating for automotive OEM interior plastic components
- Super durable high end exterior emulsion paint

4. Expenditure on R & D:

	(Rs. in lacs)	
	2010-11	2009-10
(a) Capital	37.02	72.91
(b) Recurring	1151.01	1146.85
(c) Total	1188.03	1219.76
(d) Total R & D Expenditure as percentage of total turnover	0.48	0.62

II. A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Kansai Paint Co. Ltd., Japan.
 - Non Aqueous dispersions – Rheological agents have been successfully localised at plants.
2. Oshima Kogyo Company Ltd., Japan.
 - Key raw materials for Heat resistant paints were studied for feasibility for indigenisation.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of expenditure in foreign exchange and earnings in foreign exchange are given in Notes No. II (13) and II (14) respectively in Schedule 'R' of the audited accounts of the Company.

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 28th April, 2011

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, 2011 is ten Directors. The Board comprises Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are eight Non-Executive Directors, of which five 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. H. Ishino, Mr. Y. Takahashi and Mr. H. Nishibayashi are nominees of Kansai Paint Co. Ltd., Japan, promoter company.

Four Board Meetings were held during the year ended 31st March, 2011, i.e. on 3rd May, 2010, 30th July, 2010, 29th October, 2010 and 27th January, 2011.

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)	4	Yes
Mr. D.M. Kothari	Vice Chairman (Non-Executive and Independent Director)	3	Yes
Mr. H.M. Bharuka	Managing Director	4	Yes
Mr. S.M. Datta	Non-Executive and Independent Director	4	Yes
Mr. Y. Tajiri (resigned with effect from 30th July, 2010)	Non-Executive Director	1	No
Mr. H. Ishino	Non-Executive Director	1	Yes
Mr. P.P. Shah	Non-Executive and Independent Director	4	Yes
Mr. N.N. Tata	Non-Executive and Independent Director	2	Yes
Mr. P.D. Chaudhari	Whole-time Director	4	Yes
Mr. Y. Takahashi	Non-Executive Director	Nil	No
Mr. H. Nishibayashi (appointed with effect from 30th July, 2010)	Non-Executive Director	1	N.A.

Certificates have also been obtained from the Independent Directors confirming their position as Independent Directors on the Board of the Company in accordance with the Voluntary Guidelines on Corporate Governance issued by the Ministry of Corporate Affairs, Government of India.

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) is as follows:

Name of the Director	No. of Directorships	No. of Audit Committees and Shareholders'/Investors' Grievance Committees* in which Chairman/Member	
		Chairman	Member
Dr. J.J. Irani	10	Nil	1
Mr. D.M. Kothari	Nil	Nil	Nil
Mr. H.M. Bharuka	Nil	Nil	Nil
Mr. S.M. Datta	13	3	4
Mr. H. Ishino	Nil	Nil	Nil
Mr. P.P. Shah	14	1	6
Mr. N.N. Tata	8	1	2
Mr. P.D. Chaudhari	Nil	Nil	Nil
Mr. Y. Takahashi	Nil	Nil	Nil
Mr. H. Nishibayashi	Nil	Nil	Nil

* 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 and the Listing Agreement.

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, 2011. 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 292 A 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, 2011, i.e. on 3rd May, 2010, 30th July, 2010, 29th October, 2010 and 27th January, 2011.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2011
Mr. P.P. Shah	4
Dr. J.J. Irani	4
Mr. D.M. Kothari	3

Besides this, another meeting of the Audit Committee was held on 28th April, 2011 at which meeting the Audited Annual Accounts for the year ended 31st March, 2011, 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 the event, the Whole-time Director shall be paid a compensation of a sum equivalent to monthly average of the total annual remuneration actually earned by the Whole-time Director in the year immediately preceding the year in which such termination takes place multiplied by number of months comprised in the remainder of the term of his Agreement as has remained unexpired.

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, 2011 are as follows:

(Rs. in lacs)

Break - up of Remuneration	Mr. H.M. Bharuka (Managing Director)	Mr. P.D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	54.00	21.60
Company's contribution to Provident Fund and Superannuation Fund	14.58	5.83
HRA, LTA and other perquisites	67.50	27.00
	136.08	54.43
<u>Variable Component</u>		
Commission	126.00	33.60
Company's contribution to Provident Fund and Superannuation Fund (on Commission)	34.02	9.07
	160.02	42.67
Total	296.10	97.10

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund and Superannuation 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, 2010.

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 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, 2011 are as under:

(Rs. in lacs)

Name of the Director	Sitting Fees			Commission@	Total
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting		
Dr. J.J. Irani	0.40	0.40	0.10	18.00	18.90
Mr. D.M. Kothari	0.30	0.30	0.10	24.00	24.70
Mr. S.M. Datta	0.40	—	—	12.00	12.40
Mr. P.P. Shah	0.40	0.40	—	15.00	15.80
Mr. N.N. Tata	0.20	—	—	12.00	12.20

@ Commission paid during the year 2010-11 was for the year ended 31st March, 2010.

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

Name of the Director	Shares held as on 31.3.2011 (Own or held by/for other persons on a beneficial basis)
Dr. J.J. Irani	Nil
Mr. D.M. Kothari	3020
Mr. S.M. Datta	Nil
Mr. H. Ishino #	Nil**
Mr. P.P. Shah	Nil
Mr. N.N. Tata #	Nil
Mr. Y. Takahashi	Nil**
Mr. H. Nishibayashi	Nil**

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

Director seeking re-appointment at this Annual General Meeting.

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. H. Ishino

Mr. H. Ishino is a Non-Executive Director on the Board of the Company. Mr. Ishino is a Graduate of the Faculty of Law, Tokyo University and MBA of the Wharton School of University of Pennsylvania, USA. Mr. Ishino is an expert in the field of Marketing.

Mr. Ishino is a Senior Managing Director of Kansai Paint Co, Ltd., Japan.

Mr. Ishino is a Nominee Director of Kansai Paint Co. Ltd., Japan, the Company's holding Company.

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

Mr. N.N. Tata

Mr. N.N. Tata is a Non-Executive Director on the Board of the Company. Mr. Tata is a graduate of Sussex University (UK) and INSEAD. He is the Managing Director of Tata International Limited and director of various Tata companies. He is a member of the Board of Governance of IIM Ahmedabad.

Mr. Tata is a member of the Board of Directors of the following Companies (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956):

Trent Limited, Landmark Limited, Titan Industries Limited, Voltas Limited, Tata Investment Corporation Limited, Trent Hypermarket Limited, Tata International Limited and Drive India Enterprise Solutions Limited.

Mr. Tata is the Chairman of the following Board Committees (other than Kansai Nerolac Paints Limited) as required for the purposes of the Listing Agreement:

Shareholders'/Investors' Grievance Committee of Voltas Limited.

Mr. Tata is a member of the following Board Committees (other than Kansai Nerolac Paints Limited) as required for the purposes of the Listing Agreement:

Audit Committee of Trent Limited and Trent Hypermarket Limited.

Mr. Tata does not hold any shares in the Company.

Mr. P.D. Chaudhari

Mr. P.D. Chaudhari, B.E. (Production), MMS, is the Director – Supply Chain & Auto Division and is a Whole-time Director on the Board of the Company.

Mr. Chaudhari holds 20 shares in the Company.

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	5	5
Non-receipt of Share Certificates	1	1
SEBI/Stock Exchange Letter/ROC	2	2
Miscellaneous	2	2
Total	10	10

- (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
90th AGM	17th June, 2010, at 3.30 p.m.	Walchand Hirachand Hall, IMC, Mumbai - 400 020.
89th AGM	29th June, 2009, at 3.30 p.m.	M.C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.
88th AGM	24th June, 2008, at 3.30 p.m.	Walchand Hirachand Hall, IMC, Mumbai - 400 020.

- (ii) One Special Resolution was passed at the 88th Annual General Meeting.
- (iii) One Ordinary Resolution for increase in the Authorised Share Capital and alteration of Memorandum of Association of the Company, One Special Resolution for alteration of the Articles of Association of the Company and One Ordinary Resolution for issue of Bonus shares in the ratio of 1:1 was passed through postal ballot in June 2010, in accordance with the procedure prescribed under the Companies (passing of resolution by postal ballot) Rules, 2001.
- (iv) Mrs. Ragini K. Chokshi, Partner, Ragini Chokshi & Co., Company Secretaries, Mumbai was the Scrutinizer for the Postal Ballot as stated in (iii) above.
- (v) No Resolution, requiring Postal Ballot as required by the Companies (passing of resolution by postal ballot) Rules, 2001, has been placed for Shareholders' approval at this Annual General Meeting.

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 of 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 ID 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 of 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 28th April, 2011 to approve the Audited Annual Accounts for the year ended 31st March, 2011.

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 in 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:

Saturday, 11th June, 2011 at 11.00 a.m. at M.C.Ghia Hall, Bhogilal Hargovindas Buiding, 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, 2011	: End July, 2011
– Financial reporting for the quarter ending 30th September, 2011	: End October, 2011
– Financial reporting for the quarter ending 31st December, 2011	: End January, 2012
– Financial reporting for the year ending 31st March, 2012	: End April, 2012
– Annual General Meeting for the year ending 31st March, 2012	: End June, 2012

(iii) Dates of Book Closure:

Saturday, June 4, 2011 to Friday, June 10, 2011 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.

(iv) Dividend Payment Date:

On or after 16th June, 2011. Dividend, when declared, will be payable on or after 16th June, 2011 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 3rd June, 2011 and to the Beneficiary holders as per the beneficiary list as on 3rd June, 2011 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

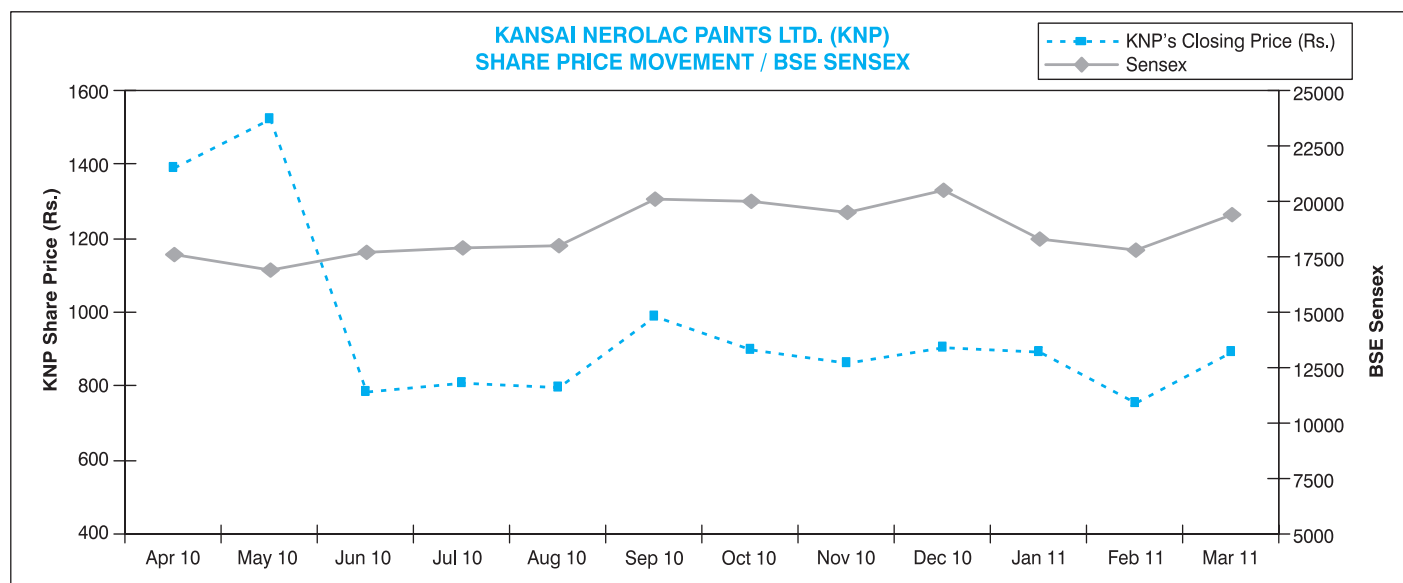
Demat – ISIN Number for NSDL & CDSL : INE531A01016

(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, 2011 is furnished below:		
Month	High (Rs.)	Low (Rs.)
April 2010	1499.90	1280.00
May 2010	1550.05	1350.00
June 2010	1694.40	765.05
July 2010 [@]	825.00	740.00
August 2010	855.00	790.00
September 2010	1020.00	734.20
October 2010	1055.00	885.00
November 2010	958.00	830.00
December 2010	920.50	850.00
January 2011	910.00	881.25
February 2011	894.00	720.00
March 2011	973.95	736.05

(viii) Stock Performance

Month	KNP's Closing Price on BSE (Rs.)	Sensex
April 2010	1388.90	17558.71
May 2010	1523.00	16944.63
June 2010 [@]	784.85	17700.90
July 2010	806.05	17868.29
August 2010	798.75	17971.12
September 2010	986.40	20069.12
October 2010	898.05	20032.34
November 2010	864.65	19521.25
December 2010	901.20	20509.09
January 2011	892.50	18327.76
February 2011	752.40	17823.40
March 2011	889.95	19445.22

[@] Ex-Bonus price after Record Date for Bonus Issue – 24th June, 2010.

(ix) Registrar and Transfer Agents:

Sharepro Services (India) Pvt. Ltd.

Office:

Samhita Complex, Plot No. 13AB, Off Andheri- Kurla Road, Sakinaka, Mumbai-400 072

Tel. No.: 67720300, 67720400 • Fax No.: 28508927, 28591568

Investors Relation Centre:

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400 021

Tel. No.: 67720700, 67720709 • Fax No.: 22825484

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, 2011:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	7682	80.19	7,86,311	1.46
501 to 1000	784	8.18	5,92,613	1.10
1001 to 2000	567	5.92	8,34,850	1.55
2001 to 3000	194	2.03	4,79,674	0.89
3001 to 4000	146	1.52	5,04,294	0.94
4001 to 5000	53	0.55	2,43,312	0.45
5001 to 10000	88	0.92	5,94,123	1.10
10001 and above	66	0.69	4,98,56,795	92.51
Grand Total	9580	100.00	5,38,91,972	100.00

Geographical Distribution of Shareholders as on 31st March, 2011

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	198	2.07	32,47,336	6.03
IN INDIA				
Mumbai	4201	43.85	98,99,519	18.37
Ahmedabad	535	5.59	1,75,217	0.32
Delhi	464	4.84	14,91,693	2.77
Chennai	353	3.69	87,552	0.16
Kolkata	417	4.35	4,36,209	0.80
Pune	378	3.95	2,04,349	0.38
Bengaluru	368	3.84	1,73,735	0.32
Surat	138	1.44	41,417	0.08
Hyderabad	167	1.74	70,713	0.13
Baroda	144	1.50	41,801	0.08
Others	2216	23.13	6,92,671	1.29
TOTAL	9580	100.00	5,38,91,972	100.00

Categories of Shareholders as on 31st March, 2011

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoter's 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
	Sub-Total	3,73,29,760	69.27
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	2,27,512	0.42
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	24,52,819	4.55
C.	Foreign Institutional Investors (FIIs)	31,88,959	5.92
	Sub-Total	58,69,290	10.89
4.	Others		
	Private Corporate Bodies	59,80,618	11.10
	Indian Public	46,48,577	8.62
	NRIs/OCBs	58,377	0.11
	Any Other (Trusts)	5,350	0.01
	Sub-Total	1,06,92,922	19.84
	Grand Total	5,38,91,972	100.00

(xii) Dematerialisation of Shareholding:

98.40% of the paid-up share capital had been dematerialised, as at 31st March, 2011.

(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, Ramabai Nagar (Kanpur Dehat), U.P.
3. Perungudi, Chennai, Tamil Nadu
4. Bawal, Haryana
5. Hosur, Tamil Nadu

(xv) Address for correspondence:

Sharepro Services (India) Pvt. Ltd.

Office:

Samhita Warehousing Complex,
Plot No. 13AB, 2nd floor,
Off Andheri-Kurla Road,
Sakinaka, Andheri (East),
Mumbai-400 072

Tel. No.: 67720300, 67720400

Fax No.: 28508927, 28591568

Investor Relation Centre:

912, Raheja Centre,
Fress Press Journal Road,
Nariman Point,
Mumbai-400 021

Tel. No.: 67720700, 67720709

Fax No.: 22825484

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

Unclaimed Dividend:

Pursuant to Section 205 A 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 205 A read with 205 C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2003 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 and the Shareholders will not be able to claim any unpaid dividend from the said Fund or from the Company thereafter.

For and on behalf of the Board

J.J. IRANI
Chairman

Mumbai, 28th April, 2011

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, 2011.

For Kansai Nerolac Paints Limited

H.M. Bharuka
Managing Director

Mumbai, 28th April, 2011

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 2011, 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.**
Chartered Accountants
Firm's Registration No: 101248W

VIJAY MATHUR
Partner
Membership No: 046476

Mumbai
28 April 2011

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

We have audited the attached Balance Sheet of Kansai Nerolac Paints Limited ('the Company') as at 31 March 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of 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 these books;
- (c) the Balance Sheet, the Profit and Loss Account 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
- (e) on the basis of written representations received from the directors of the Company as at 31 March 2011 and taken on record by the board of directors, we report that none of the director is disqualified as on 31 March 2011 from being appointed as a director of the Company under clause (g) of sub-section (1) of section 274 of the Act; and
- (f) 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 the accounting principles generally accepted in India;
 - i. in case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - ii. in case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

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

VIJAY MATHUR
Partner
Membership No.: 046476

Mumbai
Date : 28 April 2011

**ANNEXURE TO AUDITORS' REPORT – 31 MARCH 2011
TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED**

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) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed in respect of assets verified during the year.
(c) Fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.
- ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
(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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- 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. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system in respect of these areas.
- 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 lacs 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. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act and the rules framed there under/ the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- 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, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Investor Education and Protection Fund, Employees' State Insurance, Cess, 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, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

There were no dues on account of Cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

(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, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

(Rs. in lacs)

Name of the Statute / Nature of dues	Period to which the amount relates	Forum where dispute is pending		
		Commissionerate	Appellate Authorities & Tribunal	Total Amount
Various State Sales Tax Acts and	1980-81	0.33	—	0.33
Central Sales Tax Act, 1956 /	1991-92	1.25	—	1.25
Tax, Penalty and Interest	1995-96 to 2009-10	60.65	51.53	111.98
The Central Excise Act, 1944 /	1990-91	8.05	—	8.05
Tax, Penalty and Interest	1993-94 to 2003-04	151.08	42.55	193.63

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 and financial institutions. The Company did not have any outstanding dues to any 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 had 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 material fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & CO.**
Chartered Accountants
Firm's Registration No.: 101248W

VIJAY MATHUR
Partner
Membership No.: 046476

Mumbai
Date : 28 April 2011

KANSAI NEROLAC PAINTS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	As at 31st March, 2011		As at 31st March, 2010	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. SOURCES OF FUNDS					
1. Shareholders' funds :					
a. Share capital.....	A	5389.20		2694.60	
b. Reserves and surplus.....	B	86227.50		74587.10	
			91616.70		77281.70
2. Loan funds :					
a. Secured loans.....	C	811.41		3353.28	
b. Unsecured loans.....	D	7436.99		7645.19	
			8248.40		10998.47
Total			99865.10		88280.17
II. APPLICATION OF FUNDS					
1. Fixed assets :	E				
a. Gross block.....		67527.75		63767.44	
b. Less : Depreciation and amortisation.....		39624.00		34735.42	
c. Net block.....		27903.75		29032.02	
d. Less : Provision for write down in value of fixed assets [Refer Note II(3) on Schedule 'R']		83.02		99.46	
		27820.73		28932.56	
e. Add : Capital work in progress		7516.47		969.52	
f. Add : Advances for capital expenditure		2840.99		673.31	
			38178.19		30575.39
2. Investments	F		37182.28		40153.72
3. Deferred tax asset (Net) [Refer Note II(24) on Schedule 'R']			1341.30		1152.30
4. Current assets, loans and advances :					
a. Inventories	G	35410.25		24744.44	
b. Sundry debtors	H	26025.99		23236.62	
c. Cash and bank balances.....	I	3969.06		4108.25	
d. Loans and advances	J	5023.15		4109.30	
		70428.45		56198.61	
5. Less : Current liabilities and provisions :					
a. Liabilities.....	K	36354.37		30432.44	
b. Provisions	L	10910.75		9367.41	
		47265.12		39799.85	
Net current assets			23163.33		16398.76
Total			99865.10		88280.17
Notes to the Accounts	R				

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

VIJAY MATHUR

Partner

Membership No. 046476

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

J.J. IRANI

D.M. KOTHARI

H.M. BHARUKA

S.M. DATTA

N.N. TATA

P.P. SHAH

P.D. CHAUDHARI

Chairman

Vice Chairman

Managing Director

Director

Director

Director

Wholetime Director

Mumbai : 28th April, 2011

KANSAI NEROLAC PAINTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	Year ended 31st March, 2011		Year ended 31st March, 2010	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. INCOME					
a. Sales [Per Note II(18) on Schedule 'R']		236574.64		185613.14	
Less: Excise duty		22701.62		14974.78	
Net sales			213873.02		170638.36
b. Other income	M		2346.09		2038.21
			216219.11		172676.57
II. EXPENDITURE					
a. Cost of materials / products	N	140024.53		107182.23	
b. Employees' remuneration and benefits	O	9164.20		7504.89	
c. Operating and other expenses	P	35634.04		29582.54	
d. Depreciation and amortisation	E	4935.48		4425.98	
e. Interest and finance charges (Other than on fixed loans)		84.28		119.99	
			189842.53		148815.63
III. PROFIT BEFORE EXCEPTIONAL ITEM AND TAXATION			26376.58		23860.94
Profit on sale of long term trade investment [Refer Note II(28) on Schedule 'R']			2536.65		—
IV. PROFIT BEFORE TAXATION			28913.23		23860.94
V. PROVISION FOR TAXATION					
a. Current tax		8503.78		7488.86	
b. Deferred tax [Refer Note II(24) on Schedule 'R']		(189.00)		(92.72)	
c. Short / (excess) tax provision for earlier year		—		(85.25)	
			8314.78		7310.89
VI. PROFIT AFTER TAX			20598.45		16550.05
Add: Balance brought forward			37320.73		27143.88
VII. BALANCE AVAILABLE FOR APPROPRIATIONS			57919.18		43693.93
Less: Appropriations :					
a. Proposed dividend		5389.20		4041.89	
b. Tax on proposed dividend		874.26		671.31	
c. General reserve		2059.85		1660.00	
			8323.31		6373.20
VIII. BALANCE CARRIED TO BALANCE SHEET			49595.87		37320.73
Notes to the Accounts	R				
Basic, as well as diluted, earnings per Equity Share (Nominal Value per Equity Share: Rs. 10) [Refer Note II(23) on Schedule 'R']			Rs. 38.22		Rs. 30.71

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

VIJAY MATHUR
Partner

Membership No. 046476

G.T. GOVINDARAJAN
Company Secretary

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Chairman

Vice Chairman

Managing Director

Director

Director

Director

Wholetime Director

Mumbai : 28th April, 2011

KANSAI NEROLAC PAINTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>				
Net Profit before tax.....		28913.23		23860.94
Adjustments for:				
Depreciation and amortisation.....	4935.48		4425.98	
Foreign exchange loss / (gain) unrealised.....	(88.57)		(63.84)	
Loss on sale / write off of fixed assets.....	2.92		1.17	
Provision for write down in value of fixed assets written back	(16.44)		(18.99)	
Profit on sale of fixed assets.....	(3.78)		(0.43)	
Loss on sale / redemption of investments	12.83		2.04	
Profit on sale / redemption of investments.....	(232.36)		(421.62)	
Profit on sale of long term trade investment	(2536.65)		—	
Interest and finance charges	84.28		119.99	
Interest income	(192.98)		(277.79)	
Dividend income	(1640.44)		(1215.93)	
		324.29		2550.58
Operating profit before working capital changes		29237.52		26411.52
(Increase) / Decrease in trade and other receivables.....	(3661.22)		(2149.55)	
(Increase) / Decrease in inventories	(10665.81)		(7681.05)	
(Increase) / Decrease in trade payables.....	6105.64		6168.81	
		(8221.39)		(3661.79)
Cash generated from operations		21016.13		22749.73
Direct taxes paid (net of refunds)		(7959.09)		(7703.47)
Net cash generated from operating activities.....		13057.04		15046.26
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>				
Purchase of fixed assets (Including adjustments on account of capital work-in-progress and capital advances).....	(12676.04)		(7569.90)	
Proceeds from sale of fixed assets.....	10.14		0.55	
Purchase of investments	(280426.12)		(289157.35)	
Proceeds from sale / redemption of investments.....	283581.25		278865.76	
Proceeds from sale of long term trade investment	2572.51		—	
Tax expense on investment	(499.65)		—	
Interest received	150.98		355.67	
Dividend received	1640.44		1215.93	
Net cash used in investing activities		(5646.49)		(16289.34)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>				
Repayment of borrowings.....	(542.02)		(390.59)	
(Increase) / Decrease in cash credit from banks	(2209.80)		2026.24	
Interest and finance charges paid	(84.42)		(120.41)	
Dividend paid.....	(4042.19)		(3230.76)	
Additional Income-tax on distributed profits.....	(671.31)		(549.54)	
Net cash used in financing activities.....		(7549.74)		(2265.06)
Net Increase / (Decrease) in cash and cash equivalents		(139.19)		(3508.14)

KANSAI NEROLAC PAINTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (contd.)

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Cash and cash equivalents at beginning of the year, the components being:				
Cash on hand	10.80		4.69	
Balances with banks on current, margin and fixed deposit accounts	4097.45		7611.70	
		4108.25		7616.39
Cash and cash equivalents at end of the year the components being:				
Cash on hand	7.78		10.80	
Balances with banks on current, margin and fixed deposit accounts	3961.28		4097.45	
		3969.06		4108.25
Net Increase / (Decrease) as disclosed above		(139.19)		(3508.14)

Notes: 1. Figures in brackets are outflows / deductions.

2. Previous year's figures have been regrouped and rearranged wherever necessary.

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

VIJAY MATHUR

Partner

Membership No. 046476

G.T. GOVINDARAJAN
Company Secretary

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For and on behalf of the Board of Directors

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Director

P.D. CHAUDHARI

Wholetime Director

Mumbai : 28th April, 2011

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : A

Share Capital

Authorised :

6,00,00,000 (2009-2010 3,00,00,000) Equity Shares of Rs. 10 each.....

Issued, Subscribed and Paid-up :

5,38,91,972 (2009-2010 2,69,45,986) Equity shares of Rs. 10 each fully paid-up

[Of the above :

a. 14,81,820 Equity shares of Rs. 10 each are allotted as fully paid-up pursuant to contracts / arrangements for consideration other than cash;

b. 14,38,320 Equity shares of Rs. 10 each fully paid-up are allotted to the shareholders of the erstwhile Polycoat Powders Limited pursuant to the scheme of amalgamation sanctioned by the High Court of judicature at Bombay, for consideration other than cash; and

c. 4,25,65,302 (2009-2010 1,56,19,316) Equity shares of Rs. 10 each are allotted as fully paid-up by way of bonus shares by capitalisation of Share premium, Profits and Reserves].

3,73,29,760 (2009-2010 1,86,64,880) Equity shares are held by the holding company Kansai Paints Co., Ltd., Japan

Total

As at
31st March, 2011

Rs. in lacs

6000.00

5389.20

5389.20

As at
31st March, 2010

Rs. in lacs

3000.00

2694.60

2694.60

Schedule : B

Reserves and Surplus

Capital reserve

Share premium account :

As per last balance sheet

Less : Issue of bonus shares

General reserve :

As per last balance sheet

Add: Transfer from profit and loss account

Surplus being balance in profit and loss account

Total

As at
31st March, 2011

Rs. in lacs

Rs. in lacs

30.37

3950.14

2694.59

1255.55

33285.86

2059.85

35345.71

49595.87

86227.50

As at
31st March, 2010

Rs. in lacs

Rs. in lacs

30.37

3950.14

—

3950.14

31625.86

1660.00

33285.86

37320.73

74587.10

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : C

Secured Loans

Sales tax deferral, secured by a charge on the fixed assets of the factory at Jainpur [Including Rs. 414.11 lacs (2009-2010 Rs. 422.08 lacs) due within one year].....

Cash credit from banks, secured by hypothecation of stocks and book debts

Total.....

As at
31st March, 2011

Rs. in lacs

811.41

—

811.41

As at
31st March, 2010

Rs. in lacs

1143.48

2209.80

3353.28

Schedule : D

Unsecured Loans

Sales tax deferral [Including Rs. 329.68 lacs (2009-2010 Rs. 185.58 lacs) due within one year].....

Total.....

As at
31st March, 2011

Rs. in lacs

7436.99

7436.99

As at
31st March, 2010

Rs. in lacs

7645.19

7645.19

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule : E

Fixed Assets

Rs. in lacs

Description	Cost				Depreciation and Amortisation				Net Block	
	As at 31st March, 2010	Additions during the year	Deductions during the year	As at 31st March, 2011	As at 31st March, 2010	Additions during the year	Deductions during the year	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
I. Tangible assets :										
1. Freehold land	909.09	—	—	909.09	—	—	—	—	909.09	909.09
2. Leasehold land.....	2235.53	—	—	2235.53	62.87	22.68	—	85.55	2149.98	2172.66
3. Buildings.....	17046.35	472.45	—	17518.80	6147.52	974.67	—	7122.19	10396.61	10898.83
4. Building for scientific research.....	44.76	—	—	44.76	43.27	0.15	—	43.42	1.34	1.49
5. Plant and machinery	22122.19	936.83	47.11	23011.91	12868.78	1947.10	39.00	14776.88	8235.03	9253.41
6. Plant and machinery for scientific research	1394.85	31.20	—	1426.05	904.38	70.14	—	974.52	451.53	490.47
7. Laboratory equipment.....	851.09	71.63	—	922.72	446.93	59.97	—	506.90	415.82	404.16
8. Furniture, fittings and equipment.....	3408.94	322.79	1.38	3730.35	2505.06	309.14	1.11	2813.09	917.26	903.88
9. Furniture, fittings and equipment for scientific research	36.84	5.81	—	42.65	34.90	0.33	—	35.23	7.42	1.94
10. Electrical installation.....	3268.56	97.55	—	3366.11	1578.30	246.13	—	1824.43	1541.68	1690.26
11. Electrical installation for scientific research.....	4.09	—	—	4.09	4.09	—	—	4.09	—	—
12. Vehicles	86.77	0.15	7.69	79.23	53.36	8.70	6.79	55.27	23.96	33.41
13. Colour dispensers	12137.52	1507.46	—	13644.98	10030.75	1215.62	—	11246.37	2398.61	2106.77
Total tangible assets.....	63546.58	3445.87	56.18	66936.27	34680.21	4854.63	46.90	39487.94	27448.33	
Previous year	54198.44	9376.44	28.30	63546.58	30336.45	4370.77	27.01	34680.21		28866.37
II. Intangible assets :										
Software	220.86	370.62	—	591.48	55.21	80.85	—	136.06	455.42	165.65
Total intangible assets.....	220.86	370.62	—	591.48	55.21	80.85	—	136.06	455.42	
Previous year	—	220.86	—	220.86	—	55.21	—	55.21		165.65
Total.....	63767.44	3816.49	56.18	67527.75	34735.42	4935.48	46.90	39624.00	27903.75	
Previous year	54198.44	9597.30	28.30	63767.44	30336.45	4425.98	27.01	34735.42		29032.02
Less : Provision for write down in value of fixed assets									83.02	99.46
Sub-total.....									27820.73	28932.56
Add : Capital work in progress.....									7516.47	969.52
Add : Advances for capital expenditure									2840.99	673.31
Total.....									38178.19	30575.39

Note : Buildings include Rs. 0.20 lac (2009-2010 Rs. 0.20 lac) representing value of fully paid shares in co-operative societies.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F

Investments

Long Term Investments (At cost, fully paid-up)

A. Government Securities (Unquoted) :

National Savings Certificate VIII Issue	0.01	0.01	0.01
		0.01	0.01

B. Trade (Unquoted) – Equity Shares :

Associate Company

Nipa Chemicals Limited

None Equity Shares of Rs. 10 each.....	—	—	35.86
			35.86

C. Other than Trade (Unquoted unless otherwise stated) :

(i) Shares, Debentures and Bonds

(a) Equity Shares (Quoted) :

National Thermal Power Corporation Limited

40,524 Equity Shares of Rs. 10 each

25.12

25.12

(b) Debentures and Bonds (Quoted) :

1. India Infrastructure Finance Company Limited
1,500, 6.85% Tax-Free Bonds of Rs. 1,00,000 each..

1500.00

1500.00

2. Indian Railways Finance Corporation
1,000, 6.30% Tax-Free Bonds of Rs. 1,00,000 each..

1000.00

1000.00

3. Indian Railways Finance Corporation
1,000, 6.32% Tax-Free Bonds of Rs. 1,00,000 each..

1000.00

—

3500.00

2500.00

(ii) Mutual Funds

(a) Dividend Option :

1. ICICI Prudential Equity & Derivatives Fund
18,74,414 Units (and 246 fractions) of Rs. 10 each ...

200.00

200.00

200.00

200.00

(b) Growth Option :

1. Birla Sunlife Fixed Term Plan – Series CE
50,00,000 Units of Rs. 10 each

500.00

—

2. Birla Sunlife Short Term Opportunities Fund
None Units of Rs. 10 each

—

3644.57

3. Birla Sunlife Floating Rate Fund
None Units of Rs. 10 each

—

802.70

4. Birla Fixed Term Plan – Series CI
50,00,733 Units of Rs. 10 each

500.07

—

5. Birla Fixed Term Plan – Series CL
10,00,000 Units of Rs. 10 each

100.00

—

6. BNP Paribas Fixed Term Fund – Series 20A
10,00,000 of Rs. 10 each

100.00

—

7. BNP Paribas Fixed Term Fund – Series 20C
50,00,000 of Rs. 10 each

500.00

—

8. DSP Blackrock FMP – 13M – Series 2
20,00,000 Units of Rs. 10 each

200.00

200.00

9. DSP Blackrock FMP – 12M – Series 9
50,00,000 Units of Rs. 10 each

500.00

—

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F (contd.)

Long Term Investments (At cost, fully paid-up) (contd.)

C. Other than Trade (Unquoted unless otherwise stated) (contd.)

(ii) Mutual Funds (contd.)

(b) Growth Option (contd.)

	As at 31st March, 2011		As at 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
10. DSP Blackrock FMP – 12M – Series 10 50,01,574 Units of Rs. 10 each	500.16		—	
11. DSP Blackrock FMP – 12M – Series 12 10,00,338 Units of Rs. 10 each	100.03		—	
12. Fidelity Fixed Maturity Plan – Series 3 – Plan F 50,00,695 Units (and 104 fractions) of Rs. 10 each ...	500.07		—	
13. Fidelity Fixed Maturity Plan – Series 4 – Plan F 60,00,000 Units of Rs. 10 each	600.00		—	
14. HDFC Fixed Maturity Plan 370D Nov 10(1) 30,00,890 Units of Rs. 10 each	300.09		—	
15. ICICI Prudential Fixed Maturity Plan – Series 55A 1,00,08,639 Units of Rs. 10 each	1000.86		—	
16. ICICI Prudential Fixed Maturity Plan – Series 53A 30,00,405 Units of Rs. 10 each	300.04		—	
17. ICICI Prudential MIP 20,23,578 Units (and 300 fractions) of Rs. 10 each.	242.51		289.91	
18. IDFC Fixed Maturity Plan – Series 37 10,00,000 Units of Rs. 10 each	100.00		—	
19. JM – Arbitrage Advantage Fund 28,26,734 Units (and 256 fractions) of Rs. 10 each.	300.00		300.00	
20. JP Morgan India Fixed Maturity Plan – Series 1 1,00,00,000 Units of Rs. 10 each	1000.00		—	
21. JP Morgan India Fixed Maturity Plan – Series 1 50,00,000 Units of Rs. 10 each	500.00		—	
22. Kotak Fixed Maturity Plan – Series 9 1,00,10,048 Units of Rs. 10 each	1001.00		—	
23. Kotak Fixed Maturity Plan – Series 30 50,00,844 Units of Rs. 10 each	500.08		—	
24. Kotak Fixed Maturity Plan – Series 43 20,00,000 Units of Rs. 10 each	200.00		—	
25. Reliance Regular Savings Fund None Units of Rs. 10 each	—		1400.00	
26. Reliance Fixed Horizon Fund – XIII – Series 1 None Units of Rs. 10 each	—		500.00	
27. Reliance Fixed Horizon Fund – XVI – Series 1 20,00,297 Units (and 145 fractions) of Rs. 10 each .	200.03		—	
28. Reliance Fixed Horizon Fund – XVII – Series 7 1,50,00,000 Units of Rs. 10 each	1500.00		—	
29. Religare Fixed Maturity Plan Series IV – Plan F 50,00,000 Units of Rs. 10 each	500.00		—	
30. Tata Fixed Income Portfolio Fund Scheme B2 1,49,78,174 Units (and 026 fractions) of Rs. 10 each.	1510.38		—	
31. UTI Annual Interval Plan IV 50,00,736 Units (and 843 fractions) of Rs. 10 each.	500.07		—	
Mutual Fund (Growth Option).....	13755.39		7137.18	
Mutual Fund (Total).....	13955.39		7337.18	
Other than Trade (Total).....	17480.51		9862.30	
Long Term Investments (Total).....	17480.52		9898.17	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F (contd.)

Current Investments (At lower of cost and market value)

(i) Mutual Funds

(a) Dividend Option :

	As at 31st March, 2011		As at 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
1. Birla Sunlife Interval Income Fund – Series 1 1,03,35,155 Units (and 891 fractions) of Rs. 10 each.	1033.53		1000.13	
2. Birla Sunlife Short Term FMP – Series 5 10,00,170 Units of Rs. 10 each	100.02		1000.08	
3. BNP Paribas Fixed Term Fund – Series 21A 1,00,00,000 Units of Rs. 10 each	1000.00		—	
4. DSP Blackrock Fixed Maturity Plan – Series 28 20,00,000 Units of Rs. 10 each	200.00		—	
5. DSP Blackrock Fixed Maturity Plan – Series 29 1,00,00,000 Units of Rs. 10 each	1000.00		—	
6. DSP Blackrock Fixed Maturity Plan – Series 30 50,00,000 Units of Rs. 10 each	500.00		—	
7. DSP Blackrock Fixed Maturity Plan – Series 32 50,00,899 Units (and 585 fractions) of Rs. 10 each.	500.09		—	
8. Fidelity Fixed Maturity Plan – Series 5 – Plan B 51,58,937 Units (and 011 fractions) of Rs. 10 each.	515.89		—	
9. Fidelity Fixed Maturity Plan – Series 5 – Plan D 10,00,000 Units of Rs. 10 each	100.00		—	
10. ICICI Prudential Interval Fund V – Plan A 19,99,260 Units (and 274 fractions) of Rs. 10 each.	200.00		—	
11. ICICI Prudential Interval Fund – Half Yearly 71,93,505 Units (and 502 fractions) of Rs. 10 each.	719.35		—	
12. IDFC Fixed Maturity Plan – Half Yearly Series 12 1,01,50,732 Units (and 687 fractions) of Rs. 10 each.	1015.07		—	
13. JP Morgan India Short Term Income Fund None Units of Rs. 10 each	—		1000.00	
14. JP Morgan India Fixed Maturity Plan – Series 1 50,00,000 Units of Rs. 10 each	500.00		—	
15. Kotak Quarterly Interval Plan – Series 4 None Units of Rs. 10 each	—		500.00	
16. ICICI Prudential Medium Term Plan Premium Plus None Units of Rs. 10 each	—		686.49	
17. IDFC FMP – Half Yearly Series 9 – Plan A None Units of Rs. 10 each	—		1004.88	
18. LIC MF Interval Fund – Series 2 None Units of Rs. 10 each	—		1000.00	
19. Reliance Quarterly Interval Fund – Series II 51,45,159 Units (and 673 fractions) of Rs. 10 each.	514.74		—	
20. Reliance Quarterly Interval Fund – Series III 1,06,19,529 Units (and 583 fractions) of Rs. 10 each.	1062.44		1000.00	
21. Religare FMP – Series V – Plan F 90,00,000 Units of Rs. 10 each	900.00		—	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F (contd.)

Current Investments (At lower of cost and market value) (contd.)

(i) Mutual Funds (contd.)

(a) Dividend Option (contd.)

	As at 31st March, 2011		As at 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
22. Religare Active Income None Units of Rs. 10 each.....	—		900.68	
23. Religare Credit Opportunities Fund 98,55,696 Units (and 796 fractions) of Rs. 10 each.	1000.18		1863.23	
24. Tata Fixed Income Portfolio Fund – Scheme C3 None Units of Rs. 10 each	—		500.04	
25. Tata Fixed Maturity Plan Series 30 – Scheme A 50,00,000 Units of Rs. 10 each	500.00		—	
26. Tata Fixed Maturity Plan – Series 28 – Scheme B 20,00,000 Units of Rs. 10 each	200.00		—	
27. UTI Fixed Income Interval Fund – Series II – Plan V None Units of Rs. 10 each	—		1005.80	
28. UTI Fixed Income Interval Fund – Series II – Plan VI None Units of Rs. 10 each	—		900.52	
29. UTI Fixed Income Interval Fund – Series – III None Units of Rs. 10 each	—		1000.08	
Mutual Fund (Dividend Option).....	11561.31		13361.93	

(b) Growth Options:

1. Birla Sun Life Cash Plus 12,74,591 Units (and 653 fractions) of Rs. 10 each.	200.00		—	
2. Birla Sun Life Ultra Short Term Fund None Units of Rs. 10 each	—		300.04	
3. BNP Paribas Overnight Fund 6,64,067 Units (and 947 fractions) of Rs. 10 each ..	100.00		—	
4. BNP Paribas Money Plus Fund 34,03,777 Units (and 439 fractions) of Rs. 10 each.	504.58		—	
5. DSP Blackrock Liquidity Fund 7,125 Units (and 205 fractions) of Rs. 1000 each ...	100.00		—	
6. DSP Blackrock Floating Rate Fund None Units of Rs. 10 each	—		100.01	
7. DWS Ultra Short Term Fund 86,58,287 Units (and 785 fractions) of Rs. 10 each.	1000.49		—	
8. Fidelity Cash Fund 7,52,995 Units (and 0378 fractions) of Rs. 10 each.	100.00		—	
9. Fidelity Ultra Short Term Debt Fund 32,94,039 Units (and 6977 fractions) of Rs. 10 each .	403.72		200.02	
10. HDFC Cash Management Fund 4,88,128 Units (and 710 fractions) of Rs. 10 each ..	100.00		—	
11. ICICI Prudential Banking and PSU Debt Fund None Units of Rs. 10 each	—		3015.38	
12. ICICI Prudential Ultra Short Term Plan None Units of Rs. 10 each	—		1069.29	

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Current Investments (At lower of cost and market value) (contd.)

(b) Growth Option (contd.)

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KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F (contd.)

Sr. Scheme Name No.	No. of Units	Face Value	Cost of Acquisition Rs. in lacs
Investments purchased and sold during the year other than shown above : (Unquoted, fully paid up)			
1. Birla Sunlife Cash Manager	121,063,329.777	10.00	12,110
2. Birla Sunlife Cash Plus	144,739,911.913	10.00	14,502
3. Birla Sunlife Floating Rate Fund	33,118,646.147	10.00	3,318
4. Birla Sunlife Quarterly Interval Series 4	5,073,147.500	10.00	507
5. Birla Sunlife Savings Fund	32,975,306.762	10.00	3,300
6. Birla Sunlife Short Term Opportunities Fund	46,867,977.360	10.00	4,693
7. Birla Sunlife Ultra Short Term Fund	68,602,559.926	10.00	6,864
8. BNP Paribas Fixed Term Fund Ser 19C	10,000,000.000	10.00	1,000
9. BNP Paribas Money Plus	5,043,086.838	10.00	505
10. BNP Paribas Overnite Fund	51,062,617.980	10.00	5,108
11. DSP Black Rock Liquidity Fund	770,523.697	1,000.00	7,708
12. DSP Black Rock Money Manager Fund	130,359.310	1,000.00	1,305
13. DSP Blackrock Fixed Maturity Plan - 3M Series 18	3,000,000.000	10.00	300
14. DSP Blackrock Fixed Maturity Plan - 3M Series 19	5,000,000.000	10.00	500
15. DSP Blackrock Fixed Maturity Plan - 3M Series 20	4,000,000.000	10.00	400
16. DSP Blackrock Fixed Maturity Plan - 3M Series 21	5,000,000.000	10.00	500
17. DSP Blackrock Fixed Maturity Plan - 3M Series 22	2,000,000.000	10.00	200
18. DSP Blackrock Fixed Maturity Plan - 3M Series 23	10,000,000.000	10.00	1,000
19. DSP Blackrock Fixed Maturity Plan - 3M Series 24	5,000,000.000	10.00	500
20. DSP Blackrock Floating Rate Fund	999,305.240	10.00	100
21. DWS Insta Cash Plus Fund	3,979,930.755	10.00	400
22. DWS Ultra Short Term Fund	9,986,775.209	10.00	1,000
23. Fidelity Cash Fund	101,273,491.040	10.00	10,357
24. Fidelity FMP Series 2 - Plan A	4,016,696.281	10.00	402
25. Fidelity FMP Series 2 - Plan B	10,001,008.208	10.00	1,000
26. Fidelity FMP Series 3 - Plan B	5,000,000.000	10.00	500
27. Fidelity FMP Series 3 - Plan C	4,077,322.762	10.00	408
28. Fidelity FMP Series 3 - Plan D	10,152,007.127	10.00	1,015
29. Fidelity FMP Series 4 - Plan A	10,000,000.000	10.00	1,000
30. Fidelity FMP Series 4 - Plan B	5,158,936.799	10.00	516
31. Fidelity FMP Series 4 - Plan C	6,077,322.656	10.00	608
32. Fidelity FMP Series 4 - Plan D	10,152,007.381	10.00	1,015
33. Fidelity Ultra Short Term Debt Fund	47,243,301.955	10.00	4,727
34. Fortis Fixed Term Fund Series 18B	10,000,000.000	10.00	1,000
35. HDFC Cash Management Fund	4,985,908.937	10.00	500
36. HDFC Cash Management Fund - Savings Plan	2,821,449.146	10.00	300
37. HDFC FMP 35D August 2010 (3) - Dividend - Series XIV	3,000,323.587	10.00	300
38. HDFC Liquid Fund Premium Plan	15,511,285.458	10.00	1,902
39. HDFC Liquid Fund-Dividend	5,884,112.318	10.00	600
40. ICICI Prudential Banking and PSU Debt Fund	41,179,616.503	10.00	4,133
41. ICICI Prudential Flexible Income Plan	2,460,528.271	100.00	2,602
42. ICICI Prudential Floating Rate Plan D	2,016,683.520	100.00	2,017
43. ICICI Prudential Interval Fund I Quarterly Interval Plan	5,150,056.487	10.00	515
44. ICICI Prudential Interval Fund II Quarterly Interval Plan C	5,082,842.941	10.00	508

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : F (contd.)

Sr. No.	Scheme Name	No. of Units	Face Value	Cost of Acquisition Rs. in lacs
	Investments purchased and sold during the year other than shown above : (Unquoted, fully paid up)			
45.	ICICI Prudential Interval Fund IV Quarterly Interval Plan B	18,739,960.453	10.00	1,874
46.	ICICI Prudential Liquid Super Institutional Plan	4,800,384.905	100.00	4,801
47.	ICICI Prudential Ultra Short Term Plan	10,753,453.480	10.00	1,078
48.	IDFC Cash Fund	9,498,555.452	10.00	950
49.	IDFC Fixed Maturity Quarterly Series-59	10,255,171.060	10.00	1,026
50.	IDFC Money Manager Fund - Investment Plan B	15,089,227.780	10.00	1,511
51.	IDFC Savings Advantage Fund - Plan A	352,772.862	1,000.00	3,528
52.	IDFC Ultra Short Term Fund	10,086,682.248	10.00	1,013
53.	JM High Liquidity Fund	3,994,051.423	10.00	400
54.	JM High Liquidity Fund	23,987,036.059	10.00	2,403
55.	JM Money Manager Fund Super Plan	28,230,306.399	10.00	2,826
56.	JP Morgan India Liquid Fund	110,441,796.778	10.00	11,053
57.	JP Morgan India Treasury Fund	99,454,951.320	10.00	9,954
58.	Kotak Flexi Debt Scheme Institutional	70,035,545.032	10.00	7,037
59.	Kotak Floater Long Term	30,463,223.571	10.00	3,071
60.	Kotak Floater Short Term	40,046,080.699	10.00	4,051
61.	Kotak Liquid Fund	48,672,732.971	10.00	5,952
62.	Kotak Quarterly Interval Plan Series 3	10,116,422.362	10.00	1,013
63.	Kotak Quarterly Interval Plan Series 6	17,114,162.404	10.00	1,713
64.	Kotak Quarterly Interval Plan Series 7	10,616,633.897	10.00	1,063
65.	LIC MF Liquid Fund	9,108,814.345	10.00	1,000
66.	LIC MF Floating Rate Fund	213,253,416.993	10.00	21,325
67.	LIC MF Savings Plus Fund	183,767,630.621	10.00	18,377
68.	Reliance Liquid Fund	39,925,824.651	10.00	6,104
69.	Reliance Liquid Fund - Cash Plan	21,576,852.410	10.00	2,404
70.	Reliance Medium Term Fund	4,393,452.339	10.00	751
71.	Reliance Money Manager Fund	20,014.521	1,000.00	200
72.	Reliance Monthly Interval Fund - Series I	10,082,291.423	10.00	1,008
73.	Reliance Monthly Interval Fund - Series II	10,174,668.186	10.00	1,018
74.	Religare Liquid Fund	44,085,769.440	10.00	5,401
75.	Religare Ultra Short Term Fund	17,092,931.607	10.00	1,712
76.	Tata Fixed Income Portfolio Fund Scheme A2	25,089,302.398	10.00	2,509
77.	Tata Fixed Income Portfolio Fund Scheme B2	15,080,014.483	10.00	1,510
78.	Tata Floater Fund	19,646,834.125	10.00	1,972
79.	Tata Liquid Super High Investment Fund	287,182.483	1,000.00	3,201
80.	Templeton India Treasury Management Account	259,898.530	1,000.00	2,601
81.	Templeton India Ultra Short Term Bond Fund	10,037,477.386	10.00	1,005
82.	UTI Fixed Income Interval Fund - Half Yearly Interval Plan - II	10,622,335.367	10.00	1,062
83.	UTI Fixed Income Interval Fund - Monthly Interval Plan - II	5,000,581.450	10.00	500
84.	UTI Fixed Income Interval Fund - Quarterly Interval Plan - Series I	9,261,849.382	10.00	926
85.	UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan VII	10,445,726.621	10.00	1,045
86.	UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan IV	3,047,617.671	10.00	305
87.	UTI Floating Rate Fund - Short Term Plan	171,817.369	1,000.00	1,719
88.	UTI Liquid Cash Plan Institutional	255,075.389	1,000.00	2,600
89.	UTI Money Market Mutual Fund	338,952.725	1,000.00	3,401

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : G

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Inventories		
Stores and spare parts.....	194.56	196.12
Stock in trade		
Raw materials [Including in-transit Rs. Nil (2009-2010 Rs. 113.30 lacs)].....	11670.12	8067.06
Packing materials	446.68	403.88
Stock in process	2420.57	2021.82
Finished products	20678.32	14055.56
Total.....	35410.25	24744.44

Schedule : H

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Sundry Debtors		
Outstanding for more than six months :		
Secured	—	—
Unsecured		
Considered good	222.66	242.25
Considered doubtful	61.53	—
	284.19	242.25
Other Debts (Considered good) :		
Secured	19.96	1.08
Unsecured	25783.37	22993.29
	25803.33	22994.37
Less: Provision for doubtful debts	61.53	—
Total.....	26025.99	23236.62

Schedule : I

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Cash and Bank balances		
Cash on hand	7.78	10.80
With scheduled banks - current account [Refer Note II(4) on Schedule 'R'].....	3961.28	4097.45
Total.....	3969.06	4108.25

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

Schedule : J

Loans and Advances

(Unsecured, considered good)

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Advances recoverable in cash or in kind or for value to be received [Refer Note II(5) on Schedule 'R']	1721.15	1573.23
Advance payment of tax net of provisions (other than deferred tax and fringe benefit tax).....	2020.30	2020.30
Advance payment of fringe benefit tax net of provisions	42.39	42.39
Balance with central excise, customs, port trust etc.....	1239.31	473.38
Total.....	5023.15	4109.30

Schedule : K

Current Liabilities

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Acceptances	1185.75	982.25
Sundry creditors [Refer Notes II(6) and II(7) on Schedule 'R']	35125.02	29404.40
Unclaimed dividend	43.60	43.90
Unclaimed fixed deposits.....	—	1.75
Unclaimed interest on fixed deposits.....	—	0.14
Total.....	36354.37*	30432.44*

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

Schedule : L

Provisions

	As at 31st March, 2011 Rs. in lacs	As at 31st March, 2010 Rs. in lacs
Taxation net of advances (other than deferred tax and fringe benefit tax).....	1380.06	1335.01
Fringe benefit tax net of advances.....	36.11	36.11
Proposed dividend.....	5389.19	4041.89
Tax on proposed dividend.....	874.26	671.31
Indirect taxes [Refer Note II(25)(a) on Schedule 'R']	2553.57	2663.58
Provision for warranties [Refer Note II(25)(b) on Schedule 'R']	175.00	150.00
Provision for compensated absences.....	502.56	469.51
Total.....	10910.75	9367.41

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2011**

Schedule : M

Other Income

Income from investments :

Dividend from trade investments (long term).....	99.23	47.78
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Dividend from other than trade investments :

Long term	—	40.86
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Current	1541.21	1127.29
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1541.21	1168.15
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Interest on other than trade investments (Gross) [Tax deducted at source Rs. 1.02 lac (2009-2010 Rs. 1.23 lacs)]....	192.98	156.05
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Interest on deposits, advances and others (Gross) [Tax deducted at source Rs. Nil (2009-2010 Rs. 38.10 lacs)]	—	121.74
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Profit on sale of fixed assets.....	3.78	0.43
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Profit on sale / redemption of investments :

Long term	178.44	268.11
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Current	53.92	153.51
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232.36	421.62
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Provision for write down in value of fixed assets written back consequent to charge on account of depreciation [Refer Note II(3) on Schedule 'R')].....	16.44	18.99
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Insurance and other claims	90.21	57.65
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Indirect tax claims.....	145.16	9.01
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Lease rentals	9.24	20.76
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Miscellaneous income	15.48	16.03
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Total.....	2346.09	2038.21
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KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2011**

Schedule : N

Cost of Materials / Products

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Raw materials consumed :				
Opening stock.....	8067.06		5160.53	
Add: Purchases.....	126934.10		96510.26	
	135001.16		101670.79	
Less: Sales.....	24.93		37.23	
	134976.23		101633.56	
Less: Closing stock	11670.12		8067.06	
		123306.11		93566.50
Packing materials consumed :				
Opening stock.....	403.88		358.83	
Add: Purchases.....	16782.40		13370.09	
	17186.28		13728.92	
Less: Closing stock	446.68		403.88	
		16739.60		13325.04
Adjustment for stock :				
Opening stock :				
Stock in process	2021.82		1419.36	
Finished products	14055.56		9926.32	
	16077.38		11345.68	
Add: Purchase of finished products	6253.47		4297.86	
	22330.85		15643.54	
Less: Closing stock :				
Stock in process	2420.57		2021.82	
Finished products	20678.32		14055.56	
	23098.89		16077.38	
		(768.04)		(433.84)
Excise duty related to the difference between the closing stock and opening stock		746.86		724.53
Total.....		140024.53*		107182.23*

* Includes Rs. 66.91 lacs (2009-2010 Rs. 181.97 lacs) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Schedule : O

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rs. in lacs	Rs. in lacs
Employees' Remuneration and Benefits		
Salaries, wages, bonus, commission and other related expenses ..	8204.60	7109.14
Company's contribution to provident fund and other funds		
[Refer Notes II (26) on Schedule 'R']	578.53	89.75
Workmen and staff welfare expenses.....	381.07	306.00
Total.....	9164.20*	7504.89*

* Includes Rs. 770.11 lacs (2009-2010 Rs. 693.85 lacs) expenditure incurred on Research and Development

Schedule : P

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rs. in lacs	Rs. in lacs
Operating and Other Expenses		
Stores and spare parts consumed	1571.39	1011.85
Power and fuel.....	3344.84	2615.75
Processing charges.....	748.20	657.51
Repairs and maintenance :		
Plant and machinery.....	472.27	363.53
Buildings.....	31.44	45.63
Others.....	130.57	172.16
	634.28	581.32
Consignment, freight and forwarding charges.....	9180.85	7434.16
Advertising and selling expenses	8211.15	6796.39
Provision for warranties	25.00	90.00
Rent.....	769.07	659.17
Rates and taxes.....	94.92	81.77
Water charges	53.93	44.96
Surcharge on sales tax.....	33.21	172.33
Insurance.....	185.51	149.15
Commission to non-wholetime directors		
[Refer Note II(10) on Schedule 'R']	100.00	100.00
Directors sitting fees	3.00	2.30
Cash discount.....	4919.84	4015.84
Donations	25.00	25.00
Travelling and conveyance expenses	1461.11	1184.80
Loss on sale of investments :		
Long term	—	0.41
Current.....	12.83	1.63
	12.83	2.04
Loss on sale / write off of fixed assets.....	2.92	1.17
Bad debts	42.73	133.86
Provision for doubtful debts	61.53	—
Lease rentals.....	38.55	44.00
I. T. related expenses	511.92	683.06
Royalty.....	1018.31	814.13
Professional fees	434.17	465.97
Miscellaneous.....	2149.78	1816.01
Total.....	35634.04*	29582.54*

* Includes Rs. 243.37 lacs (2009-2010 Rs. 190.83 lacs) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED

**COMPUTATION OF NET PROFITS IN ACCORDANCE WITH SECTION 309 (5) READ WITH
SECTION 349 OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2011**

Schedule : Q

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Profit after tax as per profit and loss account		20598.45		16550.05
Add : Directors' remuneration [inclusive of directors' commission Rs. 218.70 lacs (2009-2010 Rs. 160.56 lacs)].....	435.46		358.14	
Commission to non-wholetime directors.....	100.00		100.00	
Directors sitting fees	3.00		2.30	
Loss on sale of investments	12.83		2.04	
Provision for taxation	8314.78		7310.89	
		8866.07		7773.37
		29464.52		24323.42
Less: Profit on sale / redemption of Investments	2769.01		421.62	
Provision for write down in value of fixed assets written back consequent to charge on account of depreciation.....	16.44		18.99	
		2785.45		440.61
		26679.07		23882.81
(a) Commission to wholetime directors restricted to amount provided.....		218.70		160.56
(b) Commission to non-wholetime directors, @ 1% of net profits, restricted to amount provided [Refer Note II(10) on Schedule 'R']		100.00		100.00
Total.....		318.70		260.56

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R

Notes to the Accounts

I. Significant Accounting Policies

(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.

(ii) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in India, requires management to make estimate 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 defer from those estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

(iii) Fixed Assets

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.

(iv) Borrowing Costs

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.

(v) Depreciation

(a) Depreciation is provided on the written down value method 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 based on the management's estimates of the useful life / remaining useful life. Pursuant to this policy, in respect of colour dispensers the rate of depreciation applied is 45 per cent, which management considers as being representative of the useful economic life of such assets.

(b) Leasehold land and leasehold improvements are amortised over the primary period of lease.

(c) Purchase cost and user licence fees for major software are amortised over a period of three years.

(vi) Impairment

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. 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.

(vii) Investments

(a) 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.

(b) Current investments, consist of investments in mutual funds, are stated at lower of cost and fair value where net asset value declared by the respective funds is considered as fair value.

(c) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

I. Significant Accounting Policies (contd.)

(viii) Inventories

- (a) Stores and spare parts are valued at cost less amounts written down.
- (b) Stock in trade comprising of raw materials, packing materials, stock in process and finished goods 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 has been arrived at on the basis of weighted average method.
- (d) The net realisable value of stock in process 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.

(ix) Revenue Recognition

- (a) Sales are recognised in accordance with Accounting Standard 9 viz. when the seller has transferred to the buyer, the property in the goods, for a price, or significant risk and rewards of ownership have been transferred to the buyer.
- (b) Sales are inclusive of excise duty, processing charges, sale of scrap and income from services 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.

(x) Employee Benefits

(a) Short term employee benefits :

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(b) Post-employment benefits :

1. 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 profit and loss account 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.

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.

2. 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 to Defined Contribution Plan is charged to profit and loss account as incurred.

3. 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. Actuarial gains and losses are recognised in the profit and loss account.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

I. Significant Accounting Policies (contd.)

(x) 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 actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the profit and loss account.

(xi) Research and Development

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 profit and loss account in the year in which it is incurred.

(xii) 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 profit and loss account. 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 profit and loss account.

(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 profit and loss account.

(xiii) 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 (xii) (b) above 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 profit and loss account.

(xiv) 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.

(xv) 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.

(xvi) 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 profit and loss account on a straight-line basis over the lease term.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	8043.00	2019.11
2. (a) Guarantee issued in favour of Nipa Chemicals Limited, an erstwhile associate company, in respect of funded and non-funded facilities provided by banks	110.00	110.00
(b) Claims against the Company not acknowledged as debts.....	390.12	390.12
3. The fixed 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 Rs. 22.20 lacs on the basis of valuation reports [balance provision for write down in value of fixed assets as at the end of the year Rs. 83.02 lacs (2009-2010 Rs. 99.46 lacs)]. During the year, an amount of Rs. 16.44 lacs (2009-2010 Rs. 18.99 lacs) has been written back consequent to charge on account of depreciation of an equal amount.		
4. Cash and bank balances with scheduled banks on current account include amounts held in foreign currency	—	70.05
5. Advances recoverable in cash or in kind include interest accrued on investment	49.24	7.24
6. 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.	—	—
7. Sundry creditors include overdrawn bank / book balances in the ordinary course of business	9.20	28.55
8. Revenue expenditure on Research and Development charged to the profit and loss account is [Including depreciation Rs. 70.62 lacs (2009-2010 Rs. 80.20 lacs)]	1151.01	1146.85
9. The amount of exchange differences (net) credited / (debited) to the profit and loss account is	181.13	513.04
10. Managerial remuneration to the managing director and a wholetime director [inclusive of contribution to provident and other funds Rs. 46.65 lacs (2009-2010 Rs. 59.88 lacs), perquisites and other allowances Rs. 94.50 lacs (2009-2010 Rs. 76.50 lacs), commission Rs. 218.70 lacs (2009-2010 Rs. 160.56 lacs) as per Schedule 'Q'].....	435.46	358.14
(The above do not include contribution to gratuity fund and provision for compensated absences as such contribution / provision is made on a global basis.)		
Commission to non-wholetime directors as per Schedule 'Q'.....	100.00	100.00
Directors sitting fees.....	3.00	2.30

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
11. Auditors' remuneration excluding service tax (included in miscellaneous expenses in Schedule P)		
Audit fee	15.25	15.25
Report under Section 44AB of the Income-tax Act, 1961.....	3.50	3.50
Company law matters	0.36	0.18
Other services	13.08	13.32
12. Remittance in foreign currency on account of dividend to a non-resident shareholder:		
Final dividend on 1,86,64,880 Equity Shares for 2009-2010 (1,86,64,880 Equity Shares for 2008-2009)	2799.73	2240.00
13. (i) Value of imports calculated on C.I.F. basis (excluding value of imported items locally purchased):		
(a) Raw materials	35264.92	27125.47
(b) Stores and spares	194.32	75.73
(c) Finished products.....	2061.76	1003.26
(d) Capital goods.....	130.90	75.78
(ii) Expenditure in foreign currencies; (on accrual basis)		
(a) Foreign travel	12.44	6.05
(b) Royalties (net of tax).....	881.04	694.08
(c) Professional and technical fees.....	215.72	319.59
(d) Others (net of tax)	77.61	36.26
14. Earnings in foreign exchange; (on accrual basis)		
(i) FOB Value of exports.....	64.41	62.23
(ii) Recovery of freight, insurance and other charges on exports.....	2.95	3.12
15. The Company has made monthly payments aggregating Rs. 9.40 lacs (2009-2010 Rs. 9.40 lacs) towards post retirement arrangements to former wholetime directors.		

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

	31st March, 2011		31st March, 2010	
	Quantity MT	Value Rs. in lacs	Quantity MT	Value Rs. in lacs
16. Raw materials consumed:				
(i) Pigments, extenders and resins	107874	61559.69	89948	48688.24
(ii) Organic acids and anhydrides	10118	7086.84	8561	5861.29
(iii) Solvents, oils and fatty acids	73354	46436.42	60790	32038.12
(iv) Others.....		8223.16		6978.85
		123306.11		93566.50
of which:	Value %	Value Rs. in lacs	Value %	Value Rs. in lacs
Imported	36	43932.64	36	33972.18
Indigenous	64	79373.47	64	59594.32
	100	123306.11	100	93566.50
17. Stores and spares consumed:	Value %	Value Rs. in lacs	Value %	Value Rs. in lacs
Imported	13	211.04	10	97.26
Indigenous	87	1360.35	90	914.59
	100	1571.39	100	1011.85

18. Quantitative information with regard to the goods manufactured / traded by the Company is as follows:

	Installed capacity per annum		Production	Opening Stock		Purchases		Closing Stock		Sales	
Products	Unit	Quantity	Quantity	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs
Paints, varnishes, enamels and powder coatings	MT	220800 (210220)	190023 (163368)	20660 (15481)	14055.56 (9926.32)	28647 (20407)	6253.47 (4297.86)	26527 (20660)	20678.32 (14055.56)	231959 (193052)	248102.23 (196147.48)
Synthetic resins	MT	86500 (85300)	44822 (40699)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Pretreatment chemicals	MT	2400* (2400)*	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Processing charges											147.59 (96.65)
Others (Including sale of scrap and agency commission)											1069.41 (926.40)
Total					14055.56 (9926.32)		6253.47 (4297.86)		20678.32 (14055.56)		249319.23 (197170.53)
Less: Rebates, discounts, allowances, etc.											12744.59 (11557.39)
										TOTAL	236574.64 (185613.14)

* used for processing goods on behalf of Nipa Chemicals Limited, an erstwhile associate company.

(a) Figures in brackets are in respect of the previous year.

(b) Installed capacity has been certified by the Works Manager and accepted by the Auditors without verification, being a technical matter.

(c) Production does not include goods processed outside. Sales, opening stock and closing stock include goods processed and purchased from outside. The closing stock is after adjustments for obsolescence and shortages. Closing stock figures, if derived from opening stock plus production / purchases and less sales would therefore be different.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

19. 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 statements are reflective of the information required by Accounting Standard 17 "Segment Reporting", notified under the Companies (Accounting Standards) Rules, 2006.

20. Related party disclosures

- (i) (a) Names of related parties and nature of related party 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 Resin (Thailand) Co. Ltd.
Kansai Coatings Malaysia SDN. BHD.
Sime Kansai Paints SDN. BHD.
Associate – company in which the Company has substantial interest (i.e. more than 20% in voting power) (Upto 14th January, 2011) : Nipa Chemicals Limited
Key management personnel : Mr. H. M. Bharuka, Managing Director
Mr. P. D. Chaudhari, Wholetime Director

Disclosure of transactions with these parties has been included in Note II (20)(ii) below.

(ii) Transactions with related parties

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Royalty paid					
– Kansai Paint Co., Ltd., Japan	892.70 (719.71)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	892.70 (719.71)
Dividend paid					
– Kansai Paint Co., Ltd., Japan	2799.73 (2240.00)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2799.73 (2240.00)
Bonus shares issued					
– Kansai Paint Co., Ltd., Japan	1866.49 (—)	N.A. (N.A.)	N.A. (N.A.)	0.24 (—)	1866.73 (—)
Technical fees including reimbursement of expenses					
– Kansai Paint Co., Ltd., Japan	264.06 (311.28)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	264.06 (311.28)
Dividend received					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	99.23 (47.78)	N.A. (N.A.)	99.23 (47.78)
Sale of goods					
– Kansai Paint Philippines Inc	N.A. (N.A.)	64.41 (62.23)	N.A. (N.A.)	N.A. (N.A.)	64.41 (62.23)
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	0.75 (0.79)	N.A. (N.A.)	0.75 (0.79)

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

20. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Purchase of goods					
– Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	420.87 (356.82)	N.A. (N.A.)	N.A. (N.A.)	420.87 (356.82)
– Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	6.25 (—)	N.A. (N.A.)	N.A. (N.A.)	6.25 (—)
Purchase of fixed assets					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	7.98 (—)	N.A. (N.A.)	7.98 (—)
Processing charges paid					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	134.74 (192.43)	N.A. (N.A.)	134.74 (192.43)
Interest received					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	4.36 (6.20)	N.A. (N.A.)	4.36 (6.20)
Agency commission received					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	242.20 (266.46)	N.A. (N.A.)	242.20 (266.46)
Processing charges received					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	107.92 (96.65)	N.A. (N.A.)	107.92 (96.65)
Reimbursement of expenses					
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	6.65 (4.73)	N.A. (N.A.)	N.A. (N.A.)	6.65 (4.73)
Remuneration*					
– Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	296.10 (239.19)	296.10 (239.19)
– Mr. P. D. Chaudhari, Wholetime Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	97.10 (79.82)	97.10 (79.82)
Corporate guarantee given					
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	110.00 (110.00)	N.A. (N.A.)	110.00 (110.00)

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

20. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Payable as at year end					
– Kansai Paint Co., Ltd., Japan	99.98 (262.67)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	99.98 (262.67)
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	— (228.45)	N.A. (N.A.)	— (228.45)
– Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	18.50 (28.10)	N.A. (N.A.)	N.A. (N.A.)	18.50 (28.10)
– Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	6.25 (—)	N.A. (N.A.)	N.A. (N.A.)	6.25 (—)

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.

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

	Year ended 31st March, 2011 Rs. in lacs	Year ended 31st March, 2010 Rs. in lacs
(a) Lease payments recognised in the profit and loss account.....	31.50	32.02
(b) Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year	31.83	24.38
(ii) Later than one year and not later than five years.....	37.07	23.05
(iii) Later than five years	—	—

22. The Company has given on lease, colour dispenser to its dealers. The particulars in respect of such leases are as follows:

- (a) (i) The gross carrying amount and the accumulated depreciation at the balance sheet date are Rs. 13644.98 lacs (2009-2010 Rs. 12137.52 lacs) and Rs. 11246.37 lacs (2009-2010 Rs. 10030.75 lacs) respectively.
(ii) Depreciation recognised in the profit and loss account is Rs. 1215.62 lacs (2009-2010 Rs. 1190.59 lacs).
(b) The minimum aggregate lease payments to be received in future after considering amounts waived as at the year end. [Refer Note II(22)(c) below] is as follows:

	Year ended 31st March, 2011 Rs. in lacs	Year ended 31st March, 2010 Rs. in lacs
(i) Not later than one year	—	—
(ii) Later than one year and not later than five years.....	—	—
(iii) Later than five years	—	—

- (c) 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.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

23. Values used in calculating Earnings Per Share:

	Year ended 31st March, 2011	Year ended 31st March, 2010
(a) Numerator: Profit after tax (Rs. in lacs)	20598.45	16550.05
(b) Denominator: Weighted average number of Equity Shares	53891972	53891972*
(c) Basic and diluted earnings per Equity Share Rs.....	38.22	30.71
* the weighted average number of equity shares has been restated on account of issue of bonus shares		

24. Deferred Taxes:

Nature of timing difference	Deferred tax asset / (Liability) as at 31st March, 2010	(Charge) / Credit for the year	Deferred tax asset / (Liability) as at 31st March, 2011
	Rs. in lacs	Rs. in lacs	Rs. in lacs
(a) Deferred tax assets			
– Items covered under Section 43B	1150.21	(8.58)	1141.63
– Provision for diminution in value of fixed assets	33.81	(6.23)	27.58
– Voluntary retirement compensation	66.87	(23.63)	43.24
– Amalgamation expenses.....	13.97	(7.78)	6.19
– Provision for doubtful debts	—	20.44	20.44
Sub-total	1264.86	(25.78)	1239.08
(b) Deferred tax liabilities			
– Depreciation	(112.56)	214.78	102.22
(c) Net amount.....	1152.30	189.00	1341.30

25. (a) Provision for indirect taxes:

Description	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
Opening balance	2663.58	2663.58
Add: Provision during the year.....	—	—
Less: Utilization / Settlement / Reversal	110.01	—
Closing balance.....	2553.57	2663.58

With restructuring of the production facilities, the timing of the outflow of provision Rs. 2553.57 lacs (2009-2010 Rs. 2663.58 lacs) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

(b) Provision for warranty:

Description	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
Opening balance	150.00	60.00
Add: Provision during the year.....	25.00	90.00
Less: Utilization / Reversal.....	—	—
Closing balance.....	175.00	150.00

The Company is selling certain products with a 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

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

26. Employee Benefits

A. Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised in the statement of profit and loss account under Company's Contribution to Provident Fund and Other Funds in Schedule O for the year are as under:

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
Employer's contribution to Regional Provident Fund Commissioner.....	69.81	49.32
Employer's contribution to Family Pension Fund.....	120.34	102.32
Employer's contribution to Superannuation Fund	73.58	66.09

B. Defined Benefit Plan

(a) Contribution to provident fund managed by the trust set up by the Company:

According to the management, the actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in respect of fund managed by the trust set up by the Company in the absence of guidance from the Actuarial Society of India. Accordingly, the Company is currently not in a position to provide other related disclosures 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 Standards Board of the Institute of Chartered Accountants of India. Having regards to the assets of the fund and the return on investments, the entity does not expect any significant deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates. During the year, the Company has contributed Rs. 115.18 lacs (2009-2010: Rs. 103.89 lacs) to the Provident Fund Trust.

The major category of plan assets in which the contributions are invested by Provident Fund Trust are as under:

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
	% of each to total plan assets	
Bonds and Securities of Central Government	10.75	8.30
Bonds and Securities of State Government.....	10.26	7.87
Bonds and Securities of Public Sector Undertakings.....	19.63	17.46
Special Deposits with Banks	58.41	66.37
Bonds of Financial Institutions	0.95	—

(b) Gratuity (Funded):

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
i. Reconciliation of opening and closing balances of Defined Benefit Obligation		
Present value of Defined Benefit Obligation as at the beginning of the year	1015.27	1190.01
Interest cost.....	86.30	98.18
Current service cost.....	105.92	104.83
Benefits paid	(101.82)	(91.09)
Net actuarial (gain) / loss.....	(31.06)	(286.66)
Present value of Defined Benefit Obligation as at the end of the year	1074.61	1015.27

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

26. Employee Benefits (contd.)

	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs
ii. Reconciliation of fair value of plan assets		
Fair value of plan assets as at the beginning of the year.....	1267.50	1196.00
Expected return on plan assets.....	115.88	113.49
Net actuarial gain / (loss).....	(89.63)	47.99
Employer's contribution	—	1.11
Benefits paid	(101.82)	(91.09)
Fair value of plan assets as at the end of the year	1191.93	1267.50
The Company expects to contribute Rs. Nil 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%
<u>Note:</u> 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	(1074.61)	(1015.27)
Fair value of plan assets.....	1191.93	1267.50
Net asset / (liability) recognised in balance sheet	117.32	252.23
iv. Components of employer's expenses		
Current service cost.....	105.92	104.83
Interest cost.....	86.30	98.18
Expected return on plan assets.....	(115.88)	(113.49)
Net actuarial (gain) / loss.....	58.57	(334.65)
Total expenses / (income) recognised in the profit and loss account in Schedule O under:	134.91	(245.13)
		Company's Contribution to Provident Fund and Other Funds
Actual return on plan assets.....	115.88	113.49
v. Actuarial assumptions		
Mortality table		LIC (1994-96) (Ultimate)
Discount rate.....	8.50%	8.25%
Expected rate of return on plan assets.....	9.85%	7.55%
Salary escalation.....	8.00%	8.00%

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

26. Employee Benefits (contd.)

- vi. (a) The estimates of rate of escalation in salary considered in actuarial valuation take 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. The above information is certified by the actuary.
- viii. Net assets / (liabilities) recognised in the balance sheet as at respective year ends and experience adjustments:

Particulars	Gratuity (Funded)			
	31st March, 2011 Rs. in lacs	31st March, 2010 Rs. in lacs	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs
1. Present Value of Defined Benefit Obligation	1074.61	1015.27	1190.01	1291.85
2. Fair value of plan assets	1191.93	1267.50	1196.00	1290.05
3. Funded status [surplus / (deficit)]	117.32	252.23	5.99	(1.80)
4. Net asset / (liability)	117.32	252.23	5.99	(1.80)
5. Experience adjustment arising on:				
A. Plan liabilities [loss / (gain)]	(31.06)	(286.66)	(57.04)	29.43
B. Plan assets [loss / (gain)]	89.63	(47.99)	(33.41)	—

(c) Compensated Absences

The increase in provision for compensated absences for the year is Rs. 33.05 lacs (2009-2010 Rs. 115.98 lacs).

27. Derivatives Instruments:

A. The following are the outstanding Forward Foreign Exchange Contracts entered into by the Company:

(i) As on 31st March, 2011

Currency	Amount in Foreign currency	Buy / Sell	Cross Currency
USD	25.37 lacs	Buy	INR

(ii) As on 31st March, 2010

USD	2.00 lacs	Buy	INR
JPY	621.61 lacs	Buy	USD

These Forward Foreign Exchange Contracts are entered into for hedging purposes and not for speculation purposes.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

Schedule: R (contd.)

Notes to the Accounts (contd.)

II. Other Notes (contd.)

27. Derivatives Instruments: (contd.)

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

(a) Amounts payable in foreign currency	CHF 1.06 lac [2009-2010 – CHF 0.04 lac]
	Euro 0.28 lac [2009-2010 – Euro 0.68 lac]
	GBP 0.10 lac [2009-2010 – GBP 0.79 lac]
	JPY 813.19 lacs [2009-2010 – JPY 423.45 lacs]
	SGD 0.09 lac [2009-2010 – SGD Nil]
	USD 44.93 lacs [2009-2010 – USD 43.45 lacs]
(b) Advance payment in foreign currency for supplies	CHF 1.85 lac [2009-2010 – CHF 0.68 lac]
	Euro 0.99 lac [2009-2010 – Euro 0.50 lac]
	GBP Nil [2009-2010 – GBP 0.11 lac]
	JPY 295.81 lacs [2009-2010 – JPY 146.82 lacs]
	SGD 0.18 lac [2009-2010 – SGD Nil]
	USD 11.66 lacs [2009-2010 – USD 3.04 lacs]

28. The Company has divested its entire stake in its erstwhile associate company, Nipa Chemicals Limited, for a consideration of Rs. 2572.51 lacs.

29. Prior year's figures have been regrouped and rearranged wherever necessary to confirm to current year's classification.

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

VIJAY MATHUR
Partner

Membership No. 046476

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

S.M. DATTA

Director

N.N. TATA

Director

P.P. SHAH

Director

P.D. CHAUDHARI

Wholetime Director

Mumbai: 28th April, 2011

KANSAI NEROLAC PAINTS LIMITED

Balance Sheet Abstract and Company's General Business Profile for the year ended 31st March, 2011

I. Registration Details

Registration No. 1 1 - 8 2 5
Balance Sheet Date 3 1 0 3 2 0 1 1
Date Month Year

State Code 1 1

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue
N I L
Bonus Issue
2 6 9 4 6 0

Rights Issue
N I L
Private Placement
N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
9 9 8 6 5 1 0

Sources of Funds

Paid-up Capital
5 3 8 9 2 0

Secured Loans
8 1 1 4 1

Application of Funds

Net Fixed Assets
3 8 1 7 8 1 9

Net Current Assets
2 3 1 6 3 3 3

Accumulated Losses
N I L

Total Assets
9 9 8 6 5 1 0

Reserves & Surplus
8 6 2 2 7 5 0

Unsecured Loans
7 4 3 6 9 9

Investments
3 7 1 8 2 2 8

Deferred Tax Asset (net)
1 3 4 1 3 0

Misc. Expenditure
N I L

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover*
2 1 8 7 5 5 7 6

+ - Profit/Loss Before Tax
✓ 2 8 9 1 3 2 3

(Please tick Appropriate box + for Profit, - for Loss)

Earnings Per Share in (Rs.)
3 8 . 2 2

Total Expenditure
1 8 9 8 4 2 5 3

+ - Profit/Loss After Tax
✓ 2 0 5 9 8 4 5

Dividend Rate (%)

1 0 0

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Codes) 3 2 0 8 9 0 . 0 3

Product Description: P A I N T S

Item Code No. (ITC Codes) - - - - -

Product Description: - - - - -

Item Code No. (ITC Codes) - - - - -

Product Description: - - - - -

* includes profit on sale of long term trade investment : Rs. 253665 thousand.

Mumbai : 28th April, 2011

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

S.M. DATTA

Director

P.P. SHAH

Director

N.N. TATA

Director

P.D. CHAUDHARI

Wholtime Director

SUMMARISED BALANCE SHEET

Rs. in lacs

Year	Paid-up Capital	Reserves and Surplus	Borrowings	Current Liabilities and Provisions	Total	Gross Block	Total Depreciation	Net Block	Investments	Current Assets	Loans and Advances	Cash and Bank Balances
1996-97	1351.65	10631.72	5572.17	8567.08	26122.62	7552.93	2548.93	5004.00	1600.77	11672.99	6429.74	1415.12
1997-98	1530.17£	13758.97	6564.69	7867.26	29721.09	10000.33	2894.29	7106.04	4804.58	12565.37	4541.12	703.98
1998-99	1530.46£	15195.96	7314.62	8719.15	32760.19	11650.99	3843.21	7807.78	3642.99	15035.58	5134.34	1139.50
1999-2000	1530.46	17077.58	5375.84	10624.74	34608.62	13066.71	4869.41	8197.30	3838.33	17429.39	4152.80	990.80
2000-2001	1530.46	18227.78	8213.66	11354.93	39326.83	16595.05	6876.92	9718.13	3106.60	20203.94	4858.09	1440.07
2001-2002	1530.46	19299.88	6579.18	13279.24	40688.76	18342.02	9332.82	9009.20	6115.52	19098.56	5441.64	1023.84
2002-2003	1530.46	21325.10	7075.75	16165.87	46097.18	21462.50	12336.84	9125.66	9774.72	22296.95	4421.14	478.71
2003-2004	1530.46	24963.05	7041.79	18753.75	52289.05	25366.13	14514.55	10851.58	13039.76	21893.32	4633.61	1870.78
2004-2005	2550.77@	29788.85	8714.14	22230.65	63284.41	32251.47	16162.66	16088.81	17912.49	21939.81	6018.89	1324.41
2005-2006	2550.77	38054.52	10977.49	22974.97	74557.75	37162.12	19377.10	17785.02	16393.49	32215.97	6584.65	1578.62
2006-2007	2694.60*	48478.45	10999.69	19637.67	81810.41	44121.09	23375.64	20745.45	15482.25	37511.21	5922.23	2149.27
2007-2008	2694.60	56674.41	9795.37	25259.49	94423.87	50536.96	27152.97	23383.99	23214.00	38634.41	5853.93	3337.54
2008-2009	2694.60	62750.25	9362.62	32808.36	107615.83	57642.39	30336.45	27305.94	29442.55	38020.68	5230.27	7616.39
2009-2010	2694.60	74587.10	10998.47	39799.85	128080.02	65310.81	34735.42	30575.39	40153.72	47981.06	5261.60	4108.25
2010-2011	5389.20#	86227.50	8248.40	47265.12	147130.22	77802.19	39624.00	38178.19	37182.28	61436.24	6364.45	3969.06

£ After the Final Call on Rights Shares (1:3) allotted in 1996-97.

@ After Bonus Issue in the ratio 2:3 in 2004-05.

* Consequent to the amalgamation of Polycoat Powders Limited with the Company.

After Bonus Issue in the ratio 1:1 in 2010-11.

Notes: Upto 2001-2002 Reserves and Surplus includes Revaluation Reserve on account of revaluation of certain fixed assets.

From 2000-2001 Loans and Advances include Deferred Tax Asset (Net).

SUMMARISED PROFIT AND LOSS ACCOUNT

Rs. in lacs

Year	Cost of Materials/ Products	Employees' Remuneration and Benefits	Operating and Other Expenses	Interest	Depreciation	Taxation	Profit after Taxation	Sales and Other Income # (Net)	Dividend	Dividend per share (Rupees)	Earnings Per Share (Rupees)	Net Worth per share (Rupees)
1996-97	22671.48	2503.41	8071.99	812.36	386.09	1420.00	2425.50	38290.83	733.16	6.00	19.85	88.66
1997-98	23867.87	2850.17	9033.64	800.17	331.58	1200.00	3120.81	41204.24	954.04	6.50	21.27	99.90
1998-99	26528.04	3425.27	10668.89	995.94	941.56	850.00	2552.98	45962.68	994.80	6.50	16.68	109.29
1999-2000	32080.00	3478.87	11675.06	809.20	1213.61	1230.00	2998.37	53485.11	994.80	6.50	19.59	121.58
2000-2001	34280.65	4049.67	13529.56	637.25	2007.87	1050.00	2257.84	57812.84	994.80	6.50	14.75	129.10
2001-2002	36039.90	4501.80	12696.08	372.93	2467.23	1000.00	2735.51	59813.45	1147.85	7.50	17.87	136.11
2002-2003	38877.67	5770.93	13385.95	164.70	2414.22	1625.00	3983.81	66222.28	1377.41	9.00	26.03	149.34
2003-2004	45676.41	5250.69	14885.64	131.97	2204.17	3080.00	5796.14	77025.02	1913.08	12.50	37.87	173.11
2004-2005	53154.61	4930.48	16118.43	76.81	2070.03	4530.00	9195.80	90076.16	2933.38	11.50	36.05†	126.78†
2005-2006	61095.62	5591.77	18556.41	78.02	3177.60	6100.70	13858.95	108459.07	5101.53*	20.00 *	54.40	159.19
2006-2007	77832.90	5956.90	21304.54	96.15	3355.74	5330.74	10765.90	124642.87	3098.79	11.50	39.95	189.91@
2007-2008	83731.71	6913.05	22675.17	140.60	3960.05	5060.00	11979.02	134459.60	3233.52	12.00	44.46	220.33
2008-2009	89958.28	7330.30	24419.64	183.80	3760.50	4160.00	9858.90	139671.42	3233.52	12.00	36.59	242.87
2009-2010	107182.23	7504.89	29582.54	119.99	4425.98	7310.89	16550.05	172676.57	4041.89	15.00	30.71£	286.80
2010-2011	140024.53	9164.20	35634.04	84.28	4935.48	8314.78	20598.45	218755.76	5389.20	10.00**	38.22	170.00+

Net of Rebates & Excise Duty.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of Rs. 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 2010-11.

** On enhanced Share capital consequent to the Bonus Issue in 2010-11.

+ Consequent to the Bonus Issue in 2010-11.

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

Notes

NEROLAC





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