



Painting a greener tomorrow.

 **KANSAI NEROLAC PAINTS LIMITED**

89TH ANNUAL REPORT 2008-2009

PRODUCT

Development of Environment friendly products

Objectives	Achievements	Evaluation
To reduce the usage of hazardous materials.	Reduction of hazardous materials usage in purchased quantities.	All architectural coatings were made lead, mercury, chromium, arsenic and antimony free.
To create awareness about Environmental friendly products among consumers.	Introduced Lead free logo in decorative products.	Lead free logo is displayed on decorative products.

PROCESS

Reduction of Environmental Burden

Objectives	Achievements	Evaluation
Energy consumption.	Decrease in power & fuel consumption by 10%.	Decrease observed in energy consumption.
Waste reduction.	Reduction in hazardous waste by 15%.	Result achieved through reduction, recycling & reuse.
Reduce water consumption.	Reduction of 10%.	Achieved in all plants through Rain Water harvesting.
Preparation of Environment Accounting.	Publish every three months.	Ongoing process.

PEOPLE

Health, Safety & Environment Preservation

Objectives	Achievements	Evaluation
Employee well being.	Tracking health indicators. Compliance to OHSAS 18001 standard. Reduce VOC emission levels.	Health tracking and OHSAS standard is followed in all plants. VOC levels were observed below specified limits.
Environment Preservation.	Tree plantation and Development of parks.	Tree plantation and development of parks has been carried out near our plants.



DIRECTORS:

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

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: A.F. FERGUSON & CO., MUMBAI

SOLICITORS: KANGA & CO., MUMBAI

REGISTERED OFFICE:

NEROLAC HOUSE
GANPATRAO KADAM MARG
LOWER PAREL, MUMBAI 400 013

FACTORIES:

B1, B2,
JAINPUR INDUSTRIAL ESTATE,
KANPUR DEHAT,
KANPUR,
U.P.

F/2, MIDC,
LOTE PARSHURAM,
TALUKA KHED,
DISTRICT RATNAGIRI,
MAHARASHTRA.

142,
TIRUPORUR ROAD,
PERUNGUDI,
CHENNAI,
TAMIL NADU.

36, SECTOR- 7,
HSIDC IGS,
BAWAL,
DISTRICT REWARI,
HARYANA.



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Nerolac Beauty Flexi wins Product of the year award

Product of the Year is one of the world's largest independent surveys into product innovation. The initiative has been running globally for over 20 years, and is now in 28 countries. Product of the year empowers consumers worldwide to choose the best FMCG and durable products based on consumers' experience of products that are innovative and beneficial to them.

The first Indian edition of the Product of the Year awards took place in Mumbai on 17 January. The awards were announced in 26 categories. Nerolac Beauty Emulsion Beauty Flexi won in the paints category. For the next 12 months, manufacturers of the winning products can use the Product of the Year logo on their packaging, promotions and advertising.

Beauty Flexi was voted as the best product by 40,000 customers in the paint category. The award was given at a glittering function held in Mumbai and the award was received by Mr. Anuj Jain, Vice President – Marketing (Decorative Sales).





Qimpro Award for Technical Innovation

The Qimpro Convention recognizes excellence in team performance that focuses on improvement. Over the past couple of years, the convention has been expanded to include innovation as well. A two-day convention on excellence through improvement and innovation was held in the city on 7 – 8 August '08 by Qimpro Consultants, pioneers of the quality movement in India. Over 50 teams participated in the convention this year, marking the culmination of a seven-month long competitive process which began in January 2008.

It was a proud moment for Kansai Nerolac Paints Ltd., when our entry in Innovation category, bagged the first prize, the BestPrax Compass. The paper selected was on 'Three Coat-One Bake system' and presented by Mr. Ashok Shenoy, on behalf of technical department.





Greentech Environment Excellence Award for Lote Unit

The Greentech Environmental Award is presented to Companies/Units demonstrating the highest level of commitment to environmental management. Greentech Environmental Excellence Award serves as a catalyst to understanding the intrinsic value of environmental management in business excellence and sustainability. The award aims to provide exemplary environmental operations systems and the evidence of their impact to business vitality.

In September 2008 Lote unit was declared winner of Greentech Gold Award for Environment Excellence in chemical sector. The award presentation ceremony was held on September 5, 2008 at hotel Cidade De Goa, Goa. Mr. R. G. Puranik, Unit Head & Mr. Babaso Patil, EHS from Lote received this prestigious award.





NOTICE

NOTICE is hereby given that the Eighty-ninth 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 Monday, 29th June, 2009, at 3.30 p.m. (S.T.) to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 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 Dr. J. J. Irani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y. Kawamori, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Y. Tajiri, who retires by rotation and being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

“RESOLVED that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, B S R & Co., Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors, A.F. Ferguson & Co., Chartered Accountants, at such remuneration as may be fixed by the Audit Committee”.

For and on behalf of the Board

Registered Office:
“Nerolac House”,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

J.J. IRANI
Chairman

Dated: 30th April, 2009

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. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Item No.6 of the Notice is annexed hereto.

ANNEXURE TO NOTICE

Explanatory statement under Section 173 of the Companies Act, 1956

Item No. 6

The retiring auditors, namely, A.F. Ferguson & Co., Chartered Accountants, have informed the Company that they are not seeking re-appointment as Statutory Auditors of the Company. In view of the above, and based on the recommendation of the Audit Committee, the Board of Directors has, at its meeting held on 30th April, 2009, proposed the appointment of B S R & Co., Chartered Accountants, as the Statutory Auditors of the Company in place of A.F. Ferguson & Co.

The Company has received special notice from some Shareholders of the Company, in terms of Section 190 read with Section 225 of the Companies Act, 1956 (the Act), signifying their intention to propose the appointment of B S R & Co. as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors, A.F. Ferguson & Co.

B S R & Co. have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1- B) of the Act.

The approval of the Shareholders is being sought for the appointment of B S R & Co. as the Statutory Auditors of the Company at such remuneration as may be fixed by the Audit Committee.

The Board commends the Resolution at Item No. 6 of the Notice for acceptance by the Shareholders.

None of the Directors of the Company is in anyway concerned or interested in the Resolution.

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

None of the Directors seeking appointment/ re-appointment at this Annual General Meeting have any shareholding (own or held by/for other persons on a beneficial basis), in the Company.

Mr. Y. Kawamori and Mr. Y. Tajiri are Nominees of Kansai Paint Co, Ltd., Japan, the promoter Company. They do not hold any share in 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: 30th April, 2009

DIRECTORS' REPORT

Dear Members,

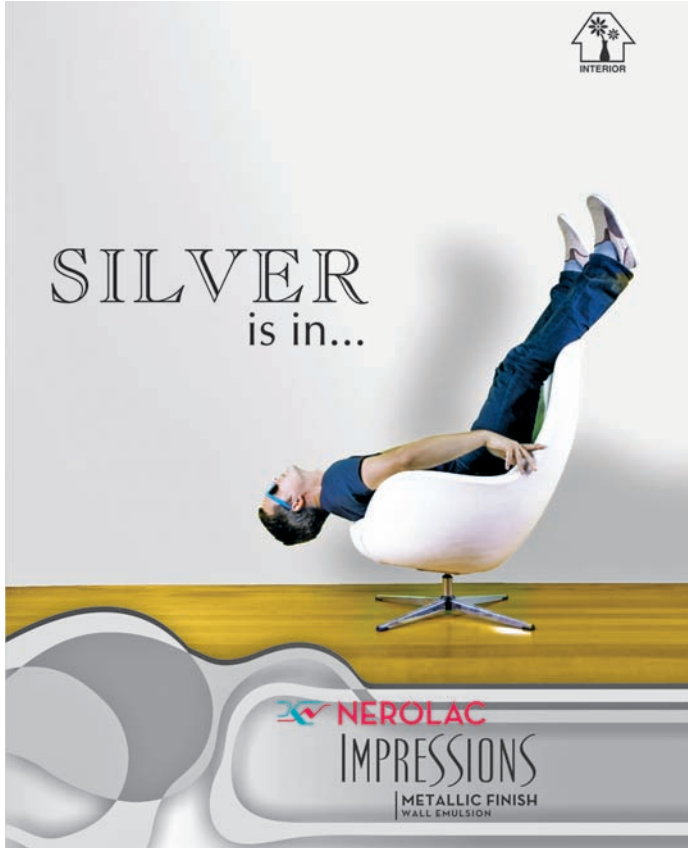
Your Directors are pleased to present the 89th Annual Report and the Audited Accounts for the year ended 31st March, 2009.

1. Financial Highlights

	1st April, 2008 to 31st March, 2009	1st April, 2007 to 31st March, 2008
	Rs. in lacs	Rs. in lacs
Gross Sales	166373.85	161332.75
Net Sales/Income from operations (Net of excise and discounts)	137451.92	131975.01
Other Income	2219.50	2484.59
Profit before Interest, Depreciation, Tax and Appropriation	17963.20	21139.67
Interest	183.80	140.60
Depreciation	3760.50	3960.05
Profit Before Tax	14018.90	17039.02
Tax	4160.00	5060.00
Profit After Tax	9858.90	11979.02
Balance brought forward from previous year	22053.93	15055.87
Balance available for appropriations	31912.83	27034.89
Appropriations:		
Proposed Dividend	3233.52	3233.52
Additional Income-tax on Distributed Profits	549.54	549.54
General Reserve	985.89	1197.90
Balance retained in Profit and Loss Account	27143.88	22053.93
	31912.83	27034.89

2. Dividend

The Directors recommend for consideration of the Members a dividend of Rs. 12.00 per equity share of the nominal value of Rs. 10 each for the year ended 31st March, 2009 [previous year dividend of Rs. 12.00 per equity share (120%)].



▲
Customer color tools
▼



3. Management Discussion & Analysis

(A) About the Company

Established in the year 1920, Kansai Nerolac Paints Limited (KNP) is headquartered at Mumbai. KNP is a subsidiary of Kansai Paint Co. Ltd., Japan (KPJ), a leading Japanese paint company. KPJ holds 69.27% shares in KNP. KNP serves its vast customer base through its four strategically located factories at Jainpur in U.P., Lote in Maharashtra, Perungudi in Tamil Nadu and Bawal in Haryana as well as 65 sales locations. KNP is in the process of putting up its fifth unit at Hosur in Tamil Nadu.

KNP has a good name in the market being number one in the industrial, automotive and Powder coating business. KNP is known for transformation, innovation and style and has consistently been producing good results. Being the fore runner in introducing new products, finishes and new technologies to the market, taking the platform of innovation, KNP products and finishes enjoy good brand image/recall and its brands, like 'Impressions', 'Beauty', 'Excel', 'Suraksha' are well trusted by the consumers.

(B) Industry progress

The year 2008-09 was one of the most challenging years globally. The crisis which started in the housing sector and later on spread to the financial system caused an unprecedented crisis in the global economy.

Within India, though not very dependent on the global economy, we have also seen the effect of the global melt-down with the GDP growth slowing down to around 6.5 to 7% from the earlier 8 to 9%. In the last one year we have seen commodity prices reach unprecedented highs and then collapse all of a sudden. There was also large scale turmoil visible in the foreign exchange market. Similar crashes have also been witnessed in the stock



▲
Nerolac Designer Finishes
▼



markets. Within the same year we witnessed inflation and then rapid deflation. All these caused a postponement of demand leading to a demand squeeze. Inflation was at an all time high.

While there have been steps initiated by the policy makers to revive demand within the economy, the overall effect of the same needs to be watched. Even today there are concerns as regards the state of the economy in the year ahead.

In spite of this, the paint industry has managed to do reasonably well recording positive volume growth. The volatile raw material prices throughout the year necessitated price changes.

It is estimated that the paint industry would have grown by 8-10%, with demand coming from the Decorative segment. Decorative business has done reasonably well, but there has been a depressed demand witnessed in the Industrial business. Demand for Automotive segment was to a major extent affected due to the sharp de-growth witnessed in the Auto sector. Demand in the Powder coating segment was in addition affected due to the early onset of monsoon in North India. With this background, it is estimated that the Indian Paint Industry would be roughly Rs. 17000 Crores in 2008-09. Of this, the share of organized business would be Rs. 11000 Crores and is estimated to have grown by 8-10%. The growth of decorative is supported by growth in Emulsions.

(C) Marketing Initiatives

In line with its focus on Emulsion category, KNP has focused on various brand building activities aimed at strengthening its position in this fast growing category. Towards this end, the Impressions brand was supported by a new TV Advertisement campaign. This new campaign establishes Impressions as the brand that helps



Nerolac Impressions Shoppee at Nagpur

consumers to have their own signature style on the walls of their homes. The new tag line of the advertisement, 'Show your true colours' tempts consumer to go out and experiment with Impressions to get their own individual style onto the walls.

In order to increase customer involvement in the paint buying process, KNP had decided to set up Experience Centers. These centers were aimed at creating the appropriate retail experience by giving consumers and influencers an opportunity to touch and feel the product and finish. At the end of March 2009, Nerolac has a total of nine stores, across the 3 cities of Hyderabad, Bengaluru and Chennai. These centers have gone a long way in changing the way consumers view and interact with this category.

Continuing with the platform of taking new initiatives, 'Nerolac Impressions Shoppee' a 'shop in shop' format of our retail stores, was inaugurated in Nagpur this year. The store is facilitated to provide one stop shop painting solutions for the consumers, which will help them in choosing the right products, finishes and colour combinations. This is also well supported by our 'Home Stylers' Service.

The Company has launched Suraksha Plus in the Exterior range of emulsions to complement its existing portfolio.

India has witnessed the influx as well as capacity additions by new global and existing Auto majors. KNP's continued focus and technological edge has helped KNP to win many of the new Electro Deposition (ED) lines to add on to the impressive tally of ED lines. The Company continues to work closely with key players in the Auto Industry in offering various value additions and new technology products to ensure high value and repeat business.



Neromagic Curved Partition in Impressions Style Zone



Tank painted with Nerolac High Performance Coatings



Pipelines painted with Nerolac High Performance Coatings



Water Based facility at Lote Plant

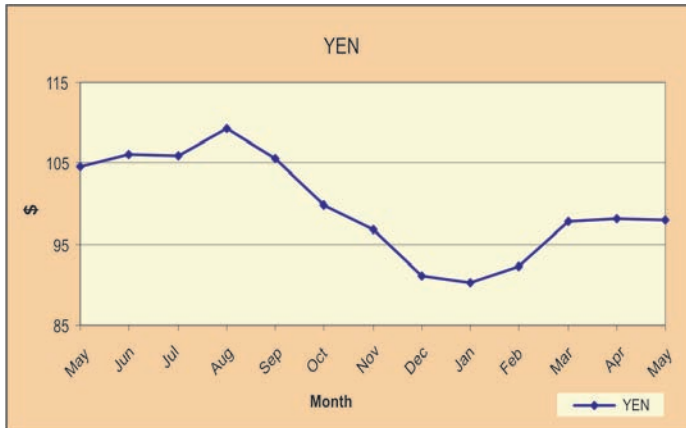
The Company has also made significant in-roads in the Power, Oil Refinery and Infrastructure sector by participating in many prestigious projects in the country in the High Performance segment. In addition, the Company continues to maintain its leadership in the Industrial Coatings segment by offering products to various end-user industries and ensuring future growth through approvals. In the Powder Coating segment, the Company continues to maintain its leadership as the largest Powder Coating player. In addition to its leadership in OEM segment, the Company has been making in-roads in the dealer segment.

(D) Opportunities & Threats

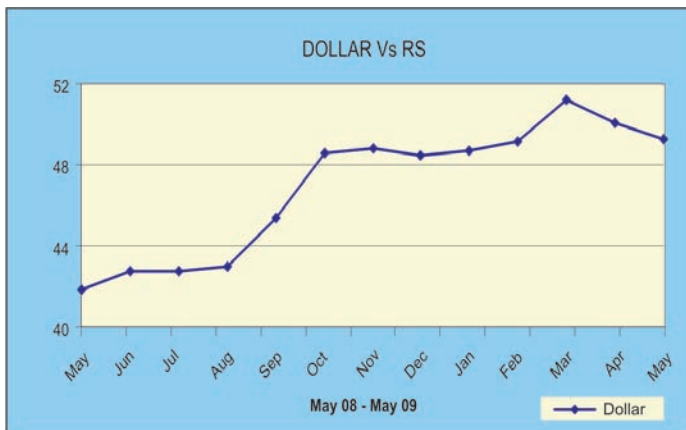
The world economy has now clearly entered a phase of lower growth and the construction and automobile sectors – both major outlets for our business have already been hit hard by the economic slump. In these challenging conditions, only lean companies succeed. The Company has therefore started a rigorous drive to re-look at the cost structure and review areas where significant operational efficiency can be gained.

With India still maintaining a significant growth rate compared to many countries in the developed world, we expect significant action in the market as more foreign players seek to step up investments in this market. While carrying out initiatives to contain the effect of the slow-down, KNP continues in its efforts to strengthen the brand, invest in new capacity, introduce new products, invest in extended enterprise initiatives and people centric initiatives to ensure that Brand Nerolac grows in strength.

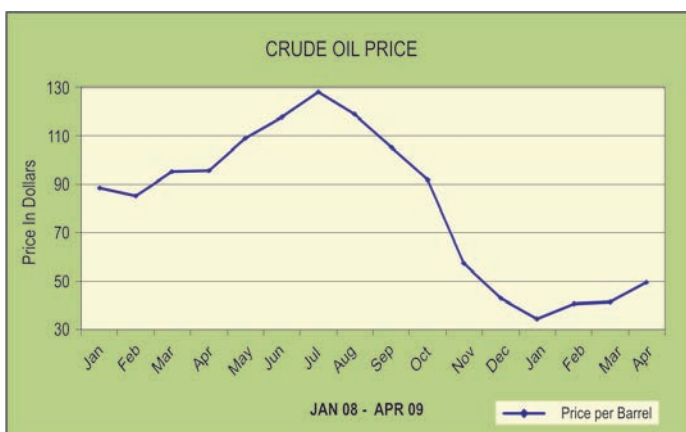
All these initiatives, besides ensuring that KNP weathers the economic downturn, also ensures preparedness to take the advantage when the market conditions are favourable.



Yen Vs Dollar trend 2008-09



Dollar Vs Rs. trend 2008-09



Crude oil price trend 2008-09

(E) Segment wise Performance

The Company has only one segment of activity namely 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.

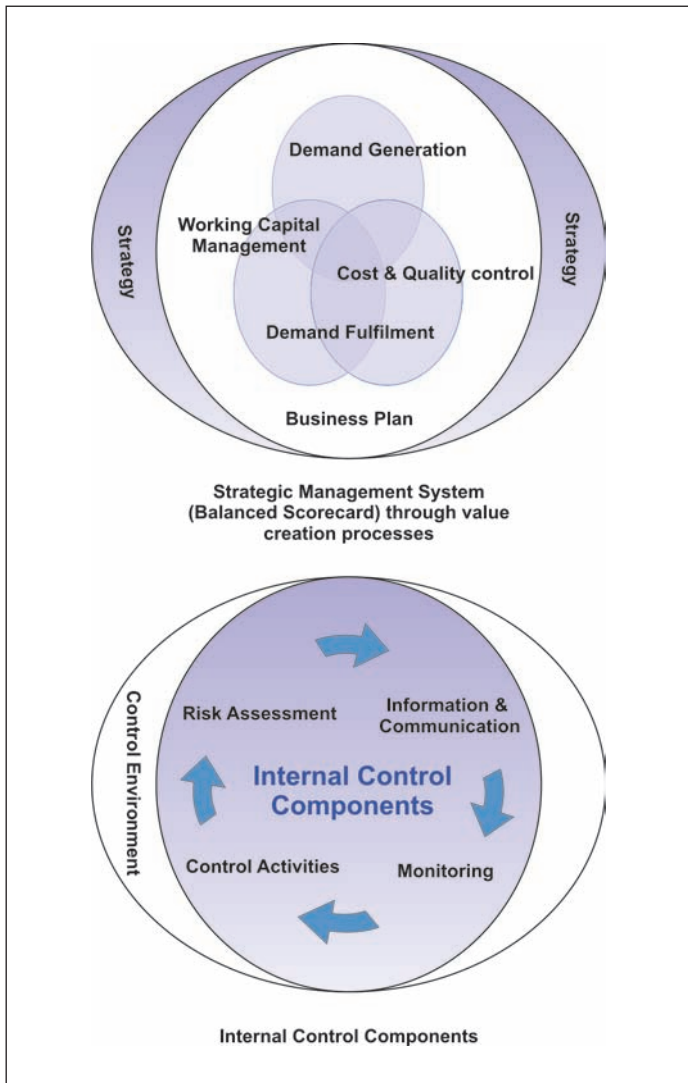
(F) Risks & Concerns

KNP has a Risk Register wherein various risks associated with the business are identified and mitigation mechanism identified under the framework of the Enterprise Risk Management Framework. KNP also has an internal process by which the Risk Committee regularly meets to update the Risk Register both in terms of new risks arising in due course of business as well as status on various actionable.

One of the most significant risks and concerns that the organization encountered was the risk due to the sudden slow-down in demand experienced during the year. Accordingly, the Company set up a committee to tackle the effect. Various initiatives were drawn up and steps needed to tackle the new market realities were put in place. Regular meetings were held to review the status of each and every project identified.

There has been focus on improvement of Inventory quality and level, working capital management as well as on productivity. There has been cash release of Rs. 100 crores+ in the system. All these steps have gone a long way in ensuring that KNP is able to contain the effect of the slow-down.

While KNP tries to address various risks posed by the economic downturn, the future depends on revival of global economy and stability of prices for petroleum and its derivatives, which is a major component of paint raw materials.



(G) Internal Control Systems and their Adequacy

All business transactions are conducted using the SAP ERP system. Various controls and checks have been built into the system to ensure that transactions are conducted within the laid down policies and procedures. In order to ensure that its business processes and systems are operating in the manner intended, the Company has these audited by the Internal Auditor, Aneja Associates as per the Internal Audit Plan in addition to the statutory audits.

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.

In addition, since Kansai Paint, Japan has been working towards becoming compliant towards J-SOX by 2010, KNP has also been working with Kansai Paint towards complying on various requirements of the J-SOX.

(H) R&D Technology Breakthrough

Research and Development at KNP continued in its efforts to ensure that technological capabilities and edge of the organization are ensured. In addition, there was a continued focus on formulation optimization, raw material standardization, process optimization and continued value engineering support to our esteemed customers. This has helped KNP retain its technological edge with Automotive and Industrial customers and at the same time bring out innovative and superior products for the Decorative market.

The entire Decorative Product Range is now “Lead Free”. Suraksha Plus brand was launched in the Decorative segment and this product has excellent features.



Development of designer finishes



Racicaoter at Bawal plant

In the Automotive range we have introduced new products in the following categories:

- Antichip Primers
- Conductive Primers for plastic substrates
- Heat resistant coatings

Continuing our efforts for Environmental friendly products, high solid base coats have been formulated and trials are at an advanced stage at various customers for commercialization.

Considering high growth in infrastructure, we have introduced paints for modern airports, solvent free coatings for tank lining, zinc silicate coating for petrochemical segment and products for nuclear power plants. We will continue our efforts in this segment and introduce world class products meeting international specifications.

In powder coating segment, we have introduced low bake powders and high performance powders for Auto components. We have also revamped our structure finish to match to the regional expectation of the customer.

(I) Information Technology (IT)

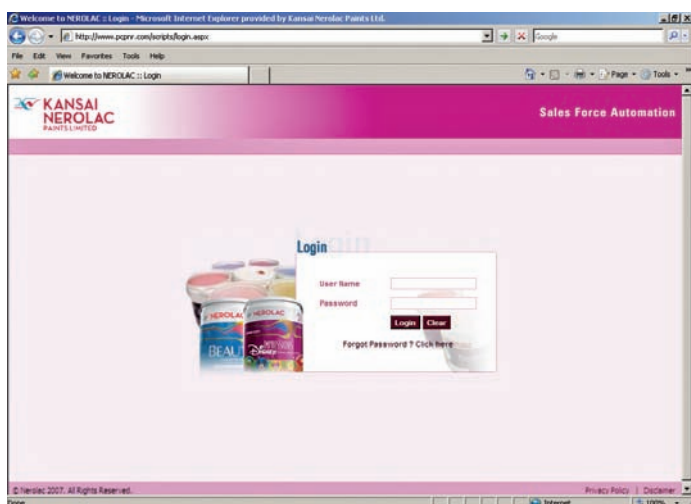
As part of the Extended Enterprise initiative, KNP has launched a Sales Force Automation Portal for the sales team. This portal has improved the agility and response time of sales force which in turn resulted in faster response to customer needs. In addition to this, a mobile solution integrated with E-mail has been created to enable sales team to have real time information.

In order to strengthen our relationship with dealers network and provide them real time information, KNP has integrated dealers with the organization processes.

The Company's IT infrastructure was made more robust by upgrading the network security solution as well as ensuring improved transaction response.



Vendor portal



Sales Force Automation Portal



Poster making competition during Energy conservation week



Inauguration of Pick up shed at Chiplun Railway Station

Failover solution for its Network Connectivity was upgraded.

In our Company, Business Intelligence solution played a pivotal role in providing automated Business Analytics to the users. There was continued focus on IT security and compliance. As a step towards adoption of J-SOX controls for IT, all the IT processes were relooked and audited by an independent agency. The ISO 27001 certificate was reconfirmed.

(J) Human Resource (HR) & Industrial Relations

KNP is a company which considers its people as one of its strengths. The organization is young and vibrant with average age of its 2098 employees being 36 years. We have always been focused on the needs of our employees, their development and growth through total employee involvement and building an enabling culture in the organization.

To drive the continual focus on systems and processes, fair dealing and transparency, HR rolled out the online Performance Management System (PMS) in HR Scapes. Employees were sent for various training programs aimed at upgradation of skills.

Continuing with the goal of providing its employees with clear performance guidelines and career path, the Competency Framework has been extended to include Sales Personnel.

Working together requires that we have trust and respect amongst all of us. This can be built by knowing the subordinates over a period of time. So a contest called “Know your subordinates” was held for a selected set of Managers.

Employee welfare activities have also been conducted across locations in the form of get togethers, family day, picnics, Health Week Celebrations, Dental check ups etc.



▲
Medical Camps at Haryana
▼



Medical Checkup

(K) Community Development

KNP extends its relationship beyond its customers, to the community. While we are responsible to our shareholders for fair returns on their investments, we as an organization are also committed to our other stakeholders to conduct business in a responsible manner that creates a positive and long-term impact on society. Development of business towards ecological, social and economic sustainability is recognized as shared responsibility within each entity.

The focus last year was on community development and improving the standard of living of people living around the plants. A Pickup Shed has been constructed at Chiplun Railway Station. Drinking water facility has been provided at four places in Jainpur and nearby villages, by putting up hand pumps/ tube well. This facility provided to the villages was inaugurated in the first week of December.

The Company has also been working for community welfare by conducting training on fire, safety & first aid to fight emergency situations. The Company donated fire extinguisher, fire proof blanket, masks, stretcher etc. in villages around the plants. In addition Medical camps were also organized.

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 Social Responsibility Report 2008-09 and Environmental Report 2009.

(L) Affirmative Action

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

(M) Financials

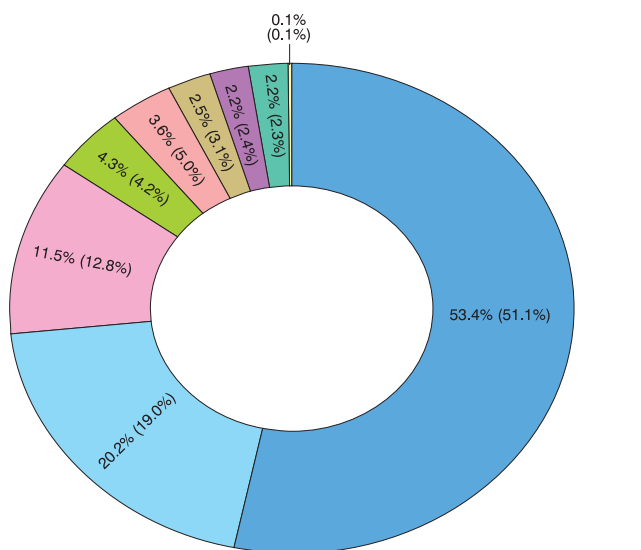
Gross sales for the year aggregated to Rs. 1664 crores reflecting a growth of 3.1% over the previous year. Sales growth was impacted by the severe recessionary trend prevailing in the economy and also due to reduction in excise duty by about 6%.

Financial year 08-09 was one of the most volatile years the Company has seen so far. In the first half of the year, inflation was very high resulting in very high raw material prices. In the third quarter of the year, prices started falling. Thus, bottom line was directly affected by inventory loss due to falling prices. To counter recession, Government gave a stimulus package by reducing excise duty by 6%. This also affected the profit for the year as the Company was having high inventory of finished goods at branches on which excise was already paid at higher rate. During the year, all the major currencies appreciated against Indian Rupee. US dollar and Japanese Yen appreciated by more than 10%. This resulted in higher cost of imported raw materials and ultimately leading to compression in margins.

The Company undertook many measures starting with active monitoring of inventory quality, payment cycles of debtors and creditors, procurement costs of various raw materials, packing materials and services, control on capital expenditure and all other operational costs.

Overheads were kept under control. Overall overheads as a percentage to sales was more or less at the same level as compared to last year. Profit Before Depreciation, Interest and Tax (PBDIT) (Without Other Income) for the year is lower at Rs. 157.44 crores as against Rs. 186.55 crores of previous year reflecting a degrowth of 15.6%. Depreciation for the year is lower at Rs. 37.61 crores as against Rs. 39.60 crores of previous year. Other income is slightly lower at Rs. 22.20 crores as compared to Rs. 24.85 crores of previous year. Profit Before Tax is at Rs. 140.19 crores as compared to Rs. 170.39 crores of the previous year which is a degrowth of 17.7%.

DISTRIBUTION OF INCOME

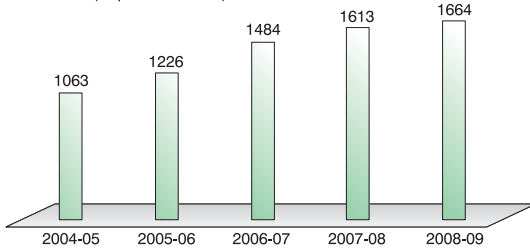


2008-09

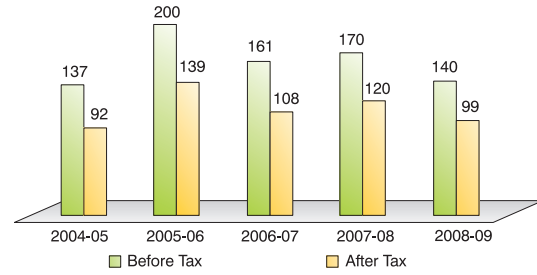
- Materials
- Operating and Other Expenses & Rebates, Discounts, Allowances
- Excise Duty
- Manpower Cost
- Retained Earnings
- Corporate Tax
- Depreciation
- Dividend*
- Interest Paid

Previous year 2007-08 percentage figures are stated in brackets.
 * Dividend includes Additional Income-tax on Distributed Profits.

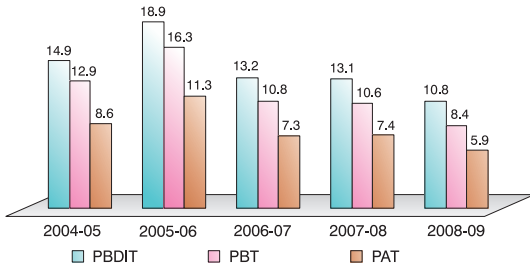
SALES (Rupees in Crores)



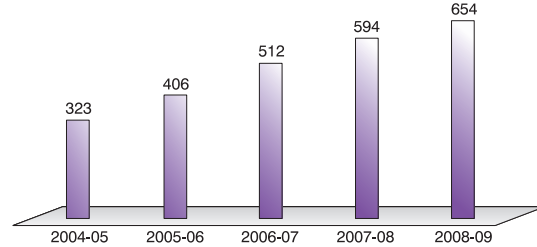
PROFIT (Rupees in Crores)



PROFITABILITY (%)

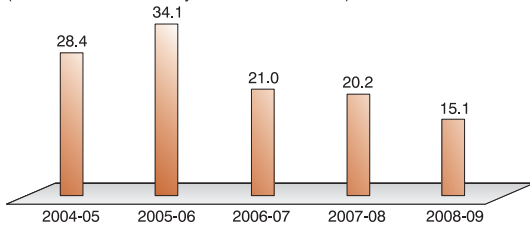


SHAREHOLDERS' FUNDS (Rupees in Crores)

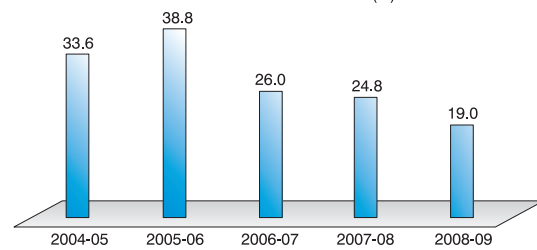


RETURN ON NET WORTH (%)

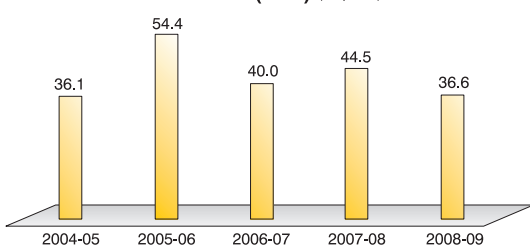
(Profit After Tax divided by Shareholders' Funds)



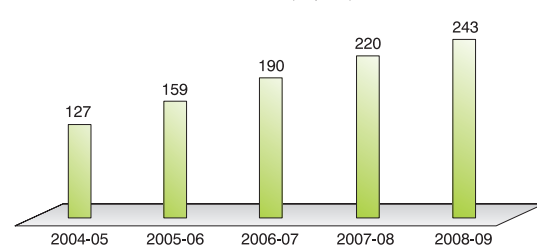
RETURN ON CAPITAL EMPLOYED (%)



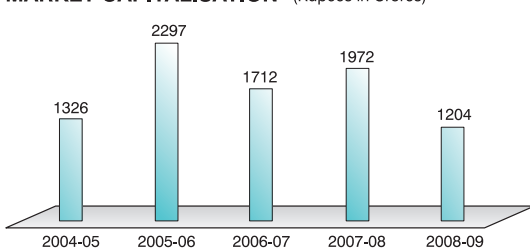
EARNINGS PER SHARE (EPS) (Rupees)



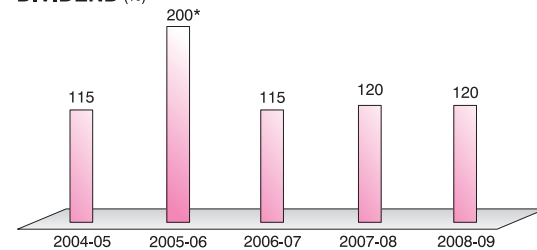
BOOK VALUE PER SHARE (Rupees)



MARKET CAPITALISATION (Rupees in Crores)



DIVIDEND (%)



* 2005-06: Includes special interim dividend of 85%

Ratios for 2006-07 include extraordinary profit from sale of investments in an associate company.



ABCI Award

(N) Awards & Recognitions

KNP takes pleasure in reporting some of the awards won in this financial year:

- Best Vendor award from Toyota Kirloskar Motors Ltd (TKML) for cost.
- Tata Motors awarded the “Best Vendor Award for Quality” to KNP, during its All India Vendors Meet.
- Overall Best performance Award from Maruti Suzuki.
- ABCI awards in four categories. The categories are – Brochure Design-Color Styles 07-08 Book, Prestige publication-Shaadi Style guide, Photo Features-Spring Summer Collection, Environment Communication-Annual Environmental Report. Two bronze and one silver in marketing communication and gold for the Environmental Report.
- Nerolac Beauty Flexi won Product of the year award in the paint category.
- Gold Certificate of Merit in India Manufacturing Excellence Award organized by Frost and Sullivan.
- Environmental Excellence Gold Award by Greentech Foundation for the Lote Plant.
- Qimpro Award for Technical Innovation – The paper selected was on ‘Three Coat-One Bake system’.
- Participated in Civil awards (Corporate Good Citizen Award 2008) instituted by Bombay Chamber of Commerce and Industry (BCCI) and ranked fourth.
- Rated 4/5 in the last financial year by Karmayog for CSR Activities. One of the 10 companies to be rated so out of 1000 assessed.
- ASAPP media Information Group – Construction World Magazine ranked KNP first.



Qimpro Award

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.

4. Fixed Deposits

The Company has not accepted any Fixed Deposits (FD) during the year. Deposits aggregating to Rs. 1.95 lacs, due for re-payment have not been claimed by the FD holders as on 31st March, 2009. Barring these, the Company has refunded all the deposits, which were due for payment as on 31st March, 2009. During the year, unclaimed deposits amounting to Rs. 0.60 lacs were transferred to the credit of the Investor Education and Protection Fund (IEPF) as required under Section 205C of the Companies Act, 1956.

5. Unclaimed Dividend

During the year, dividend amounting to Rs. 1.67 lacs that had not been claimed by the shareholders for the year ended 31st March, 2001, 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, 2009, dividend amounting to Rs. 41.14 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.

6. 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



Toyota Kirloskar award for cost



Certificate of Appreciation from MUL



Automotive Colour Panels

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.

7. Auditors' Report

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

8. Directors

In accordance with the Articles of Association of the Company, Dr. J. J. Irani, Mr. Y. Kawamori and Mr. Y. Tajiri retire by rotation and being eligible, offer themselves for re-appointment.

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.

9. 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.



Interiors of Impressions Style Zone

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

10. General Shareholder Information

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

11. 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, 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.

12. Subsidiary Company

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of the Company's subsidiary viz., Kansai Coatings Malaysia Sdn. Bhd., Malaysia (KCM), is attached.

The Company is seeking approval of the Central Government for exemption under Section 212(8) of the Companies Act, 1956, from attaching the copy of the Balance Sheet, Profit and Loss Account, Reports of the Board and the Auditors of the Subsidiary with the financial statements of KNP. However, the related detailed information of the Annual Accounts of the subsidiary will be made available to the Shareholders seeking such information at any point of time. The Annual Accounts of the Subsidiary Company will also be kept for inspection by the Shareholders at the Registered office of the Company at Mumbai.

The Consolidated Financial Statements have been prepared in accordance with the requirements of Accounting Standard 21 relating to 'Consolidated Financial Statements' and Accounting Standard 23 relating to 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified by the Companies Act, 1956.

In the last Annual Report, the Shareholders of the Company were informed that the Company was disinvesting its 55% stake in the Subsidiary to its joint venture partner in the Subsidiary, Kansai Paint Co. Ltd., Japan, as it was considered to be in the best business interests of the Company. This process has since been completed. KCM was a subsidiary of our Company only upto 30th June, 2008.

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 and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

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

Messrs A.F. Ferguson & Co., Chartered Accountants, who are the Statutory Auditors of the Company, hold office, in accordance with the provisions of the Companies Act, 1956 (the Act), upto the conclusion of the forthcoming Annual General Meeting. They have communicated that they are not seeking re-appointment at the ensuing AGM. The Company has received special notice from some Shareholders of the Company in terms of Section 190 read with Section 225 of the Act, signifying their intention to propose the appointment of B S R & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of the ensuing AGM until the conclusion of the next AGM. B S R & Co. have also expressed their willingness to act as

Auditors of the Company, if appointed, and have confirmed their eligibility. Members are requested to appoint B S R & Co. as the Statutory Auditors of the Company from the conclusion of the ensuing AGM until the conclusion of the next AGM at such remuneration as may be fixed by the Audit Committee.

16. Acknowledgments

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

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

For and on behalf of the Board

J.J. IRANI
Chairman

Mumbai, 30th April, 2009

ANNEXURE TO DIRECTORS' REPORT

FORM A

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

	2008-2009	2007-2008
A. POWER AND FUEL CONSUMPTION		
(1) Electricity		
(a) Purchased		
Units ('000KWH)	16010	16195
Total Amount (Rs. In lacs)	761.77	732.96
Rate/Unit (Rs.)	4.76	4.53
(b) Own Generation		
Through Diesel Generator		
Units ('000KWH)	4422	5158
Units per litre of Diesel oil	3.24	3.62
Cost/Unit (Rs.)(of diesel oil only)	10.82	9.12
(2) Light Diesel Oil		
Quantity (KL)	1835	2104
Total Amount (Rs. in lacs)	601.26	690.21
Average Rate (Rs.)	32.76	32.81

B. CONSUMPTION PER UNIT OF PRODUCTION

	ELECTRICITY (KWH/TONNE)		LIGHT DIESEL OIL (LT/TONNE)	
	2008-2009	2007-2008	2008-2009	2007-2008
Paints, Varnishes, Enamels and Powder Coatings (including Synthetic Resins for captive use)	127	140	11	14

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 & commercialized

- Antichip Automotive primers.
- Improved Gasohol resistant Clearcoat & Primer painting system for two wheelers.
- Improved puddling resistant coatings for tractors.
- Low bake and high performance powder coatings for Auto components.
- Lead free Architectural coatings.
- 1 K polyurethane Exterior wood coating.
- High performance Thermoplastic Acrylic topcoats.

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3. Further Plan of Action:
 - Development of 1 K Primer for all Automotive plastics.
 - Development of eco-friendly coating products.
 - Development of Super low bake Cathodic Electrodeposition coatings.
 - Development of high solid Automotive Top coats.
4. Expenditure on R & D:

	(Rs.in lacs)	
	2008-2009	2007-2008
(a) Capital	73.82	115.27
(b) Recurring	1154.07	1007.23
(c) Total	1227.89	1122.50
(d) Total R & D Expenditure as percentage of total turnover	0.74	0.70

II. A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Kansai Paint Co. Ltd., Japan.
 - Successful implementation of localized polyester resins & Acrylic resins for 3-wet Automotive coating systems.
2. Oshima Kogyo Company Ltd., Japan.
 - Heat resistant paint for muffler externals two pack and one pack types – Commercialized.
3. PPG International Performance Coatings and Finishes, USA. (Ameron)
 - Special range of High Performance coating products have been commercialized for the modern airport project.
 - High Performance coatings are being used for servicing petrochemical & power sectors.

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, 30th April, 2009.

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 Corporate 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 the Board as on 31st March, 2009 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. Y. Kawamori, Mr. Y. Tajiri and Mr. H. Ishino are nominees of Kansai Paint Co. Ltd., Japan, promoter company.

Four Board Meetings were held during the year ended 31st March, 2009, i.e. on 30th April, 2008, 28th July, 2008, 24th October, 2008 and 29th January, 2009.

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)	4	Yes
Mr. Y. Kawamori	Non-Executive Director	Nil	No
Mr. H.M. Bharuka	Managing Director	4	Yes
Mr. S.M. Datta	Non-Executive and Independent Director	4	Yes
Mr. Y. Tajiri	Non-Executive Director	1	No
Mr. H. Ishino	Non-Executive Director	Nil	Yes
Mr. Pradip P. Shah	Non-Executive and Independent Director	4	Yes
Mr. Noel N. Tata	Non-Executive and Independent Director	4	Yes
Mr. Pravin D. Chaudhari (appointed with effect from 1st May, 2008)	Whole-time Director	3	Yes

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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	9	Nil	1
Mr. D.M. Kothari	1	Nil	Nil
Mr. Y. Kawamori	Nil	Nil	Nil
Mr. H.M. Bharuka	1	Nil	Nil
Mr. S.M. Datta	14	2	4
Mr. Y. Tajiri	Nil	Nil	Nil
Mr. H. Ishino	Nil	Nil	Nil
Mr. Pradip P. Shah	14	2	6
Mr. Noel N. Tata	7	1	1
Mr. Pravin D. Chaudhari	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 the 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, 2009. 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 and the appointment, removal and terms of remuneration of the internal auditor.

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

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, 2009, i.e. on 30th April, 2008, 28th July, 2008, 24th October, 2008 and 29th January, 2009.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2009
Mr. P. P. Shah	4
Mr. D.M. Kothari	4
Dr. J.J. Irani	4

Besides this, another meeting of the Audit Committee was held on 30th April, 2009 at which meeting the Audited Annual Accounts for the year ended 31st March, 2009, 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, Mr. D.M. Kothari and Mr.Y.Kawamori.

All 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, 2009 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	42.00	16.50
Company's contribution to Provident Fund and Superannuation Fund	11.34	4.46
HRA, LTA and other perquisites	52.50	20.62
	105.84	41.58
<u>Variable Component</u>		
Commission	75.00	—
Company's contribution to Provident Fund and Superannuation Fund (on Commission)	20.25	—
	95.25	—
Total	201.09	41.58

Notes:

1. 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, 2008.
2. In case of Mr. P.D. Chaudhari, remuneration stated is for the period of his tenure with the Company during the year as a Whole-time Director from 1st May, 2008 and includes LTA of Rs.1.65 lacs accrued to him but does not include remuneration aggregating to Rs. 22.18 lacs paid during the year ended 31st March, 2009, for the period prior to 1st May, 2008 when Mr. Chaudhari was not a Whole-time Director.

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, 2009 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	11.50	12.40
Mr. D.M.Kothari	0.40	0.40	0.10	14.50	15.40
Mr. S. M.Datta	0.40	–	–	7.00	7.40
Mr. P.P. Shah	0.40	0.40	–	9.00	9.80
Mr. Noel N. Tata (appointed with effect from 27th October, 2007)	0.40	–	–	3.00	3.40

@ Commission paid during the year 2008-09 was for the year ended 31st March, 2008.

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

Name of the Director	Shares held as on 31.3.2009 (Own or held by /for other persons on a beneficial basis)
Dr. J. J. Irani #	Nil
Mr. D.M. Kothari	9,378
Mr. Y. Kawamori #	Nil **
Mr. S. M. Datta	Nil
Mr. Y. Tajiri #	Nil **
Mr. H. Ishino	Nil**
Mr. P. P. Shah	Nil
Mr. Noel N. Tata	Nil

** Nominee Director 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.

Dr. J.J. Irani

Dr. Jamshed J. Irani obtained a B.Sc. from Science College, Nagpur with a Gold Medal in Geology and a M.Sc. (Geology) from the Nagpur University, both with a first class first, M. Met and Ph.D from the University of Sheffield, U.K., with a Gold Medal for the Ph.D. thesis. Dr. Irani, honoured with a Padma Bhushan by the Government of India in 2007, is a recipient of numerous awards from reputed institutions in India and abroad for his outstanding contributions made to the metallurgical profession and industry, for fostering harmonious employee-management relations in industry and for entrepreneurial success and corporate leadership.

Dr. Irani is Chairman/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):

Tata Sons Limited, Tata Steel Limited, Tata Motors Limited, Electrosteel Castings Limited, Repro India Limited, Housing Development Finance Corporation Ltd, BOC India Limited, Tata Refractories Limited and TRF Limited.

Dr. Irani is a member of the following Board Committee (other than that of Kansai Nerolac Paints Limited) as required for the purpose of Clause 49 of the Listing Agreement:

Audit Committee of BOC India Limited.

Dr. Irani does not hold any shares in the Company.

Mr. Y. Kawamori

Mr. Y. Kawamori is a Non-Executive Director on the Board of the Company. Mr. Kawamori is an expert in the field of automotive coatings.

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

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

Mr. Y. Tajiri

Mr. Y. Tajiri is a Non-Executive Director on the Board of the Company. Mr. Tajiri is an expert in the field of Corporate Planning

Mr. Tajiri does not hold any 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	Nil	Nil
Non receipt of share certificates	Nil	Nil
SEBI/Stock Exchange Letter/ROC	2	2
Miscellaneous	3	3
Total	5	5

- (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
88th AGM:	24th June, 2008, at 3.30 p.m.	Walchand Hirachand Hall, Mumbai-400 020.
87th AGM:	29th June, 2007, at 3.30 p.m.	Walchand Hirachand Hall, Mumbai-400 020.
86th AGM:	12th June, 2006 at 3.30 p.m.	M. C. Ghia Hall, Mumbai-400 001.

- (ii) Two Special Resolutions were passed at the 86th Annual General Meeting. One Special Resolution was passed at the 88th Annual General Meeting.
- (iii) No Special Resolution was passed last year through postal ballot.
- (iv) No Resolution, requiring Postal Ballot as required by the Companies (passing of the resolution by postal ballot) Rules, 2001, has been placed for Shareholders' approval at the ensuing 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, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil.
- (iii) Whistle Blower Policy:

The internal auditors of the Company have been provided with a separate e-mail address. They are also stationed at the Head Office of the Company as the Company has provided the auditors with a separate office. Any employee of the organization can contact the auditor on the mail or personally. The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also directly meet the Managing Director and express their grievances/concerns. There are safeguards to ensure that all employee concerns receive due consideration.

The Code of Conduct for the Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavour to promote ethical behaviour and to provide an opportunity to employees to report violation of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employees in good faith.

No personnel has been denied access to the Audit Committee.

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

All the mandatory requirements have been complied with as stated in this report on Corporate Governance.

The non-mandatory requirements as stipulated in Annexure 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 on Corporate Governance.

CEO/CFO Certification:

A certification from the CEO and the CFO in terms of Clause 49(V) of the Listing Agreement was placed before the Board Meeting held on 30th April, 2009 to approve the Audited Annual Accounts for the year ended 31st March, 2009.

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 web site.

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 separate half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM: Date, Time and Venue:
29th June, 2009 at 3.30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai-400 001.
- (ii) Financial Calendar: : April – March
 - Financial reporting for the quarter ending 30th June, 2009 : End July, 2009
 - Financial reporting for the quarter ending 30th September, 2009 : End October, 2009
 - Financial reporting for the quarter ending 31st December, 2009 : End January, 2010
 - Financial reporting for the year ending 31st March, 2010 : End April, 2010
 - Annual General Meeting for the year ending 31st March, 2010 : End June, 2010
- (iii) Dates of Book Closure:
Wednesday, 24th June, 2009 to Monday, 29th June, 2009 (both days inclusive) for the purpose of the Annual General Meeting and Dividend.
- (iv) Dividend Payment Date:
On or after 3rd July, 2009. Dividend, when declared, will be payable on or after 3rd July, 2009 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 23rd June, 2009 and to the Beneficiary holders as per the beneficiary list as on 23rd June, 2009 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

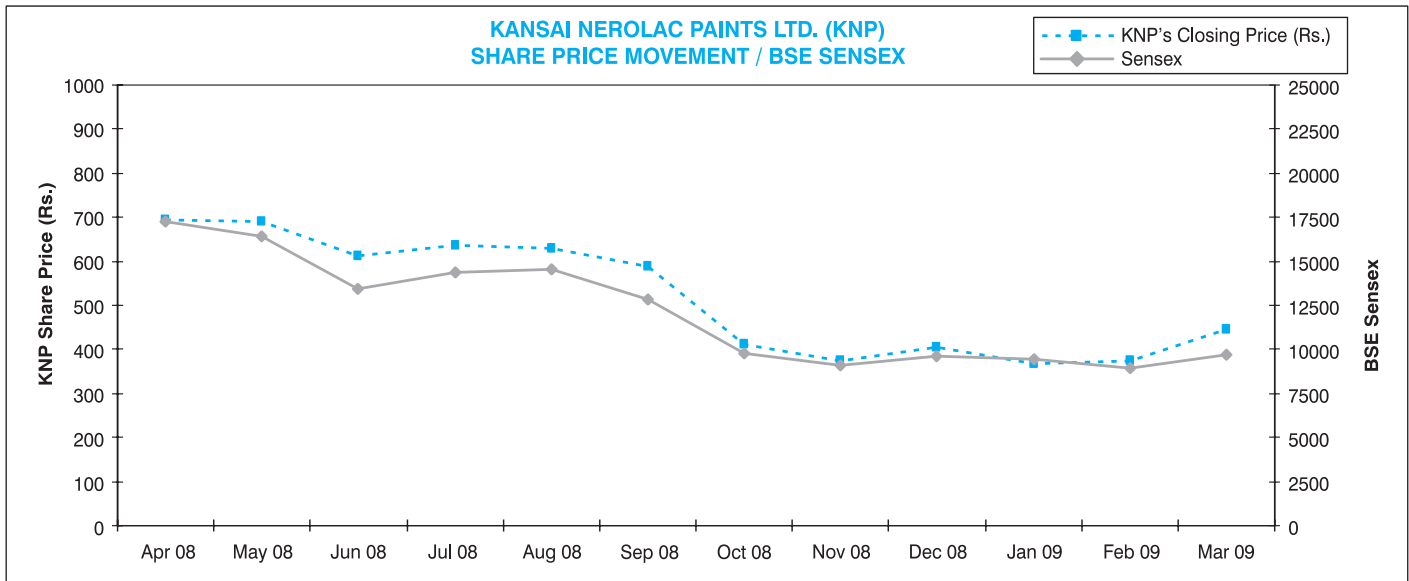
Demat – ISIN Number for NSDL & CDSL : INE531A01016

- (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.
- (viii) Stock Performance

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2009 is furnished below:

Month	High (Rs.)	Low (Rs.)
April 2008	724.45	660.00
May 2008	722.00	650.10
June 2008	730.10	603.50
July 2008	645.00	590.25
August 2008	695.00	603.10
September 2008	625.90	511.10
October 2008	590.00	350.00
November 2008	439.00	345.00
December 2008	425.00	325.00
January 2009	425.00	348.90
February 2009	440.00	355.00
March 2009	469.00	356.25

Month	KNP's Closing price on BSE (Rs.)	Sensex
April 2008	694.95	17287.31
May 2008	689.90	16415.57
June 2008	612.90	13461.60
July 2008	635.00	14355.75
August 2008	630.15	14564.53
September 2008	590.00	12860.43
October 2008	410.00	9788.06
November 2008	372.75	9092.72
December 2008	405.00	9647.31
January 2009	368.60	9424.24
February 2009	375.30	8891.61
March 2009	446.70	9708.50



(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.: 67720400

Fax No.: 28508927

E-mail: sharepro@shareproservices.com

Investor Relation Centre:

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

Tel. No.: 67720700/0709

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 dematerialised mode are also placed before the Shareholders/Investors Grievance Committee.

(xi) Distribution of Shareholding as on 31st March, 2009:

No. of Equity Shares held	No. of folios	% to number of folios	No. of shares	% to number of shares
Upto 500	8,098	86.98	7,40,589	2.75
501 to 1000	622	6.68	4,57,408	1.70
1001 to 2000	363	3.90	5,25,240	1.95
2001 to 3000	84	0.90	2,07,381	0.77
3001 to 4000	51	0.55	1,78,409	0.66
4001 to 5000	17	0.18	77,706	0.29
5001 to 10000	38	0.41	2,67,428	0.99
10001 and above	37	0.40	2,44,91,825	90.89
Grand Total	9,310	100.00	2,69,45,986	100.00

Geographical Distribution of Shareholders as on 31st March, 2009

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	1,86,64,880	69.27
FIIIs, NRIs, OCBs	193	2.07	13,05,958	4.85
IN INDIA				
Mumbai	3,720	39.96	50,50,531	18.74
Ahmedabad	457	4.91	93,875	0.35
Delhi	506	5.44	7,87,781	2.92
Chennai	373	4.01	67,978	0.25
Kolkata	420	4.51	2,63,272	0.98
Pune	378	4.06	1,16,254	0.43
Bangalore	438	4.70	90,347	0.34
Surat	130	1.40	21,230	0.08
Hyderabad	180	1.93	34,736	0.13
Baroda	114	1.22	22,806	0.08
Others	2,400	25.78	4,26,338	1.58
TOTAL	9,310	100.00	2,69,45,986	100.00

Categories of shareholders as on 31st March, 2009

	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)	1,86,64,880	69.27
2.	Persons acting in concert	NIL	NIL
	Sub-Total	1,86,64,880	69.27
B.	Non Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	1,90,681	0.71
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Government Institutions)	13,40,477	4.97
C.	Foreign Institutional Investors (FIIIs)	12,69,546	4.71
	Sub-Total	28,00,704	10.39
4.	Others		
	Private Corporate Bodies	29,08,877	10.80
	Indian Public	25,32,688	9.40
	NRIs/OCBs	36,412	0.13
	Any Other (Trust)	2,425	0.01
	Sub-Total	54,80,402	20.34
	Grand Total	2,69,45,986	100.00

(xii) Dematerialisation of Shareholding:

98.01% of the paid-up share capital had been dematerialised, as at 31st March, 2009.

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

Not Issued.

(xiv) Plant Locations:

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

1. Lote Parshuram, Ratnagiri, Maharashtra.
2. Jainpur, Kanpur Dehat, UP
3. Perungudi, Chennai
4. Bawal, Haryana

(xv) Address for Correspondence:

Sharepro Services (India) Pvt. Ltd.

Office:

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

Tel No.: 67720400

Fax No.:28508927

E-mail: sharepro@shareproservices.com

Investor Relation Centre:

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

Tel No.: 67720700/0709

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 dividends 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 Section 205 C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2001 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, 30th April, 2009

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 Board of Directors and Senior Management for the year ended 31st March, 2009.

For Kansai Nerolac Paints Limited

H.M.BHARUKA
Managing Director

Mumbai, 30th April, 2009.

Auditors' Certificate to the Members of Kansai Nerolac Paints Limited on compliance of the conditions of corporate governance for the year ended 31st March, 2009, under clause 49 of the listing agreements with relevant stock exchanges.

We have examined the compliance of the conditions of corporate governance by Kansai Nerolac Paints Limited for the year ended on 31st March, 2009, as stipulated in clause 49 of the listing agreements of the said company with relevant stock exchanges (hereinafter referred to as clause 49).

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring 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 and the representations made by the directors and the management, we certify that the company has complied, in all material respects, with the conditions of corporate governance as stipulated in clause 49.

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 A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

Mumbai, 30th April, 2009

**AUDITORS' REPORT TO THE MEMBERS OF
KANSAI NEROLAC PAINTS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH, 2009**

1. We have audited the attached balance sheet of Kansai Nerolac Paints Limited, as at 31st March, 2009, and also the profit and loss account and the cash flow statement 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the locations not visited by us;
 - (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2009;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.
5. On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

Mumbai: 30th April, 2009

**ANNEXURE TO THE AUDITORS' REPORT
TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED**
(referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the company has adopted a phased programme of physical verification of fixed assets. Under this programme, all the assets would be verified in a period of three years, the frequency of which, in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. As explained to us, no material discrepancies were noticed in respect of assets verified during the year.
- (c) The fixed assets disposed off during the year are not substantial and therefore the question of reporting on clause 4(i)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the said Order) does not arise.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of 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 book records were not material.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the said Order does not arise.
- (b) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(f) and 4(iii)(g) of the said Order does not arise.
- (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 purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system in respect of these areas.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or at prices for which similar transactions have been made with other parties, except for transactions of a special nature where comparable alternative quotations were not available or where a comparison of prices could not be made since there were no similar transactions with other parties.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 framed thereunder with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We are informed that the cost statements as at the end of the financial year are in the process of being made up.
- (ix) (a) According to the records of the company, the company has been generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to the company, were in arrears, as at 31st March, 2009, for a period of more than six months from the date they became payable.

- (c) 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 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 Central Sales Tax Act, 1956 / Tax, Penalty and Interest	1980-81	0.33	—	0.33
	1991-92	1.25	—	1.25
	1995-96 to 2006-07	59.51	9.11	68.62
Total		61.09	9.11	70.20
The Central Excise Act, 1944 / Tax, Penalty and Interest	1990-91	8.05	—	8.05
	1993-94 to 2003-04	151.08	44.78	195.86
Total		159.13	44.78	203.91

- (x) The company does not have any accumulated losses at the end of the financial year. Further, the company has not incurred cash losses during the financial year covered by our audit 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 financial institutions and banks. The company has not issued any debentures.
- (xii) According to the information and explanations given to us, the company has not granted any 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 or nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable to the company.
- (xiv) According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein, where the company is dealing or trading in shares, securities, debentures and other investments, and such securities are held by the company in its own name, except to the extent of the exemption granted under section 49 of the Companies Act, 1956.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) The company has not obtained any term loans. Accordingly, the question of reporting on its application does not arise.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the question of reporting on whether the price at which such shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) The company has not issued any debentures. Accordingly, the question of creating a security or charge for debentures does not arise.
- (xx) The company has not raised any money by public issues during the year. Accordingly, the question of disclosure of end use of such monies does not arise.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

Mumbai: 30th April, 2009

KANSAI NEROLAC PAINTS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	As at 31st March, 2009		As at 31st March, 2008	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. SOURCES OF FUNDS					
1. Shareholders' Funds:					
a. Share Capital	A	2694.60		2694.60	
b. Reserves and Surplus	B	62750.25		56674.41	
			65444.85		59369.01
2. Loan Funds:					
a. Secured Loans	C	1608.29		1918.11	
b. Unsecured Loans	D	7754.33		7877.26	
			9362.62		9795.37
TOTAL			74807.47		69164.38
II. APPLICATION OF FUNDS					
1. Fixed Assets:	E				
a. Gross Block		54198.44		48014.72	
b. Less: Depreciation		30336.45		27152.97	
c. Net Block		23861.99		20861.75	
d. Less: Provision for write down in value of fixed assets [Refer Note II(3) on Schedule 'R']		118.45		141.31	
		23743.54		20720.44	
e. Capital Work-in-Progress at cost		3094.36		2000.67	
f. Advances for Capital Expenditure		468.04		662.88	
		3562.40		2663.55	
			27305.94		23383.99
2. Investments	F		29442.55		23214.00
3. Deferred Tax Asset (Net) [Refer Note II(24) on Schedule 'R']			1059.57		1039.12
4. Current Assets, Loans and Advances:					
a. Inventories	G	17063.39		17341.11	
b. Sundry Debtors	H	20957.29		21293.30	
c. Cash and Bank Balances	I	7616.39		3337.54	
d. Loans and Advances	J	4170.70		4814.81	
		49807.77		46786.76	
5. Less: Current Liabilities and Provisions:					
a. Liabilities	K	24423.49		16889.50	
b. Provisions	L	8384.87		8369.99	
		32808.36		25259.49	
Net Current Assets			16999.41		21527.27
TOTAL			74807.47		69164.38
Notes to the Accounts	R				

Per our report attached
For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Mumbai: 30th April, 2009

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
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI

Chairman
Vice Chairman
Managing Director
Director
Director
Director
Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	Year ended 31st March, 2009		Year ended 31st March, 2008	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. INCOME					
a. Sales [Per Note II(18) on Schedule 'R']		156776.73		152866.81	
Less: Excise Duty		19324.81		20891.80	
Net Sales			137451.92		131975.01
b. Other Income	M		2219.50		2484.59
			139671.42		134459.60
II. EXPENDITURE					
a. Cost of Materials / Products	N	89958.28		83731.71	
b. Employees' Remuneration and Benefits	O	7330.30		6913.05	
c. Operating and Other Expenses	P	24419.64		22675.17	
d. Interest – Other than on Fixed Loans		183.80		140.60	
			121892.02		113460.53
III. PROFIT BEFORE DEPRECIATION AND TAX			17779.40		20999.07
Depreciation	E		3760.50		3960.05
IV. PROFIT BEFORE TAXATION			14018.90		17039.02
V. PROVISION FOR TAXATION					
a. Current Tax		4060.45		5328.35	
b. Deferred Tax [Refer Note II(24) on Schedule 'R']		(20.45)		(388.35)	
		4040.00		4940.00	
c. Fringe Benefit Tax		120.00		120.00	
			4160.00		5060.00
VI. PROFIT AFTER TAX			9858.90		11979.02
Add: Balance brought forward			22053.93		15055.87
VII. BALANCE AVAILABLE FOR APPROPRIATIONS			31912.83		27034.89
Less: Appropriations:					
a. Proposed Dividend		3233.52		3233.52	
b. Additional Income-tax on Distributed Profits.....		549.54		549.54	
c. General Reserve		985.89		1197.90	
			4768.95		4980.96
VIII. BALANCE CARRIED TO BALANCE SHEET			27143.88		22053.93
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. 36.59		Rs. 44.46

Per our report attached to the Balance Sheet
For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Mumbai: 30th April, 2009

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
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI

Chairman
Vice Chairman
Managing Director
Director
Director
Director
Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	2008-2009		2007-2008	
	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax.....		14018.90		17039.02
Adjustments for:				
Depreciation	3760.50		3960.05	
Foreign exchange loss (unrealised).....	46.10		4.85	
Loss on sale of fixed assets	3.33		—	
Loss on fixed assets written off	15.95		6.35	
Provision for write down in value of fixed assets	—		69.73	
Provision for write down in value of fixed assets written back	(22.86)		(11.52)	
Profit on sale of fixed assets.....	(1.86)		(4.96)	
Loss on sale / redemption of investments	29.20		17.86	
Profit on sale / redemption of investments.....	(395.04)		(1413.92)	
Interest expenditure	183.80		140.60	
Interest income	(271.01)		(95.81)	
Dividend income	(1334.15)		(829.00)	
		2013.96		1844.23
Operating profit before working capital changes		16032.86		18883.25
Decrease / (increase) in trade and other receivables	1019.57		(1286.73)	
Decrease in inventories	277.72		701.06	
Increase in trade payables.....	7316.18		2211.28	
		8613.47		1625.61
Cash generated from operations		24646.33		20508.86
Direct taxes paid (net of refunds)		(4185.06)		(5500.69)
Net cash from operating activities		20461.27		15008.17
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (Including adjustments on account of capital work-in-progress and capital advances)		(7470.19)*		(6855.73)
[*net of Rs. 931 lacs being claim received from the insurance company as reimbursement for replacement / reinstatement of damaged property]				
Sale of fixed assets		3.15		12.74
Purchase of investments		(91585.64)		(58113.21)
Proceeds from sale of investments in a subsidiary company		2168.86		—
Proceeds from sale / redemption of investments.....		83554.07		51777.52
Interest received		220.27		95.81
Dividend received		1334.15		829.00
Net cash used in investing activities		(11775.33)		(12253.87)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings.....		—		206.36
Repayment of borrowings.....		(512.62)		(822.35)
Increase / (decrease) in cash credit from banks.....		79.27		(588.68)
Interest paid.....		(184.13)		(140.60)
Dividend paid.....		(3240.07)		(220.76)
Additional Income-tax on distributed profits.....		(549.54)		—
Net cash used in financing activities		(4407.09)		(1566.03)
Net increase in cash and cash equivalents		4278.85		1188.27

KANSAI NEROLAC PAINTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

	2008-2009		2007-2008	
	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	4.92		14.87	
Balances with banks on current, margin and fixed deposit accounts	3332.62		2134.40	
		3337.54		2149.27
Cash and Cash equivalents at end of the year the components being:				
Cash on hand	4.69		4.92	
Balances with banks on current, margin and fixed deposit accounts	7611.70		3332.62	
		7616.39		3337.54
Net increase as disclosed above		4278.85		1188.27

Notes: 1. Figures in brackets are outflows / deductions.
 2. Previous year's figures have been regrouped wherever necessary.

Per our report attached to the Balance Sheet.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai: 30th April, 2009

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

For and on behalf of the Board of Directors

J. J. IRANI	<i>Chairman</i>
D. M. KOTHARI	<i>Vice Chairman</i>
H. M. BHARUKA	<i>Managing Director</i>
S. M. DATTA	<i>Director</i>
P. P. SHAH	<i>Director</i>
N. N. TATA	<i>Director</i>
P. D. CHAUDHARI	<i>Wholetime Director</i>

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: A

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
SHARE CAPITAL				
Authorised:				
3,00,00,000 Equity Shares of Rs.10 each		3000.00		3000.00
Issued, Subscribed and Paid-up:				
2,69,45,986 Equity Shares of Rs.10 each fully paid-up.....		2694.60		2694.60
[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. 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.]				
1,86,64,880 (2007-2008 1,78,95,400) Equity Shares are held by the Holding Company Kansai Paint Co. Ltd., Japan				
TOTAL.....		2694.60		2694.60

SCHEDULE: B

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
RESERVES AND SURPLUS				
Capital Reserve:				
As per last Balance Sheet		30.37		30.37
Share Premium Account:				
As per last Balance Sheet		3950.14		3950.14
General Reserve:				
As per last Balance Sheet	30639.97		29442.07	
Add: Transfer from Profit and Loss Account	985.89		1197.90	
		31625.86		30639.97
Surplus being balance in Profit and Loss Account		27143.88		22053.93
TOTAL.....		62750.25		56674.41

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: C

	As at 31st March, 2009	As at 31st March, 2008
	Rs. in lacs	Rs. in lacs
SECURED LOANS		
Sales Tax Deferral, secured by a charge on the fixed assets of the factory at Jainpur [Including Rs. 281.25 lacs (2007-2008 Rs. 389.09 lacs) due within one year].....	1424.73	1813.82
Cash Credit from Banks, secured by hypothecation of stocks and book debts	183.56	104.29
TOTAL	1608.29	1918.11

SCHEDULE: D

	As at 31st March, 2009	As at 31st March, 2008
	Rs. in lacs	Rs. in lacs
UNSECURED LOANS		
Sales Tax Deferral [Including Rs.109.15 lacs (2007-2008 Rs. 114.70 lacs) due within one year].....	7754.33	7877.26
TOTAL	7754.33	7877.26

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE: E

FIXED ASSETS

DESCRIPTION	C O S T				D E P R E C I A T I O N				N E T B L O C K	
	As at 31st March, 2008	Additions during the year	Deductions during the year	As at 31st March, 2009	As at 31st March, 2008	For the year	On deductions during the year	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008
1. Freehold Land	909.09	—	—	909.09	—	—	—	—	909.09	909.09
2. Leasehold Land [Refer Note I(iv)(b) on Schedule 'R'].....	2025.79	—	—	2025.79	—	—	—	—	2025.79	2025.79
3. Buildings.....	11416.57	2040.04	300.00*	13156.61	4737.13	636.26	—	5373.39	7783.22	6679.44
4. Building for Scientific Research.....	44.76	—	—	44.76	42.92	0.18	—	43.10	1.66	1.84
5. Plant and Machinery	16536.69	3599.97	933.37*	19203.29	9943.63	1501.02	294.23	11150.42	8052.87	6593.06
6. Plant and Machinery for Scientific Research.....	1248.12	73.82	—	1321.94	751.24	73.44	—	824.68	497.26	496.88
7. Laboratory Equipment.....	655.99	140.92	3.62	793.29	335.34	55.38	3.10	387.62	405.67	320.65
8. Furniture, Fittings and Equipment	3174.94	59.96	266.12	2968.78	2324.36	221.10	257.97	2287.49	681.29	850.58
9. Furniture, Fittings for Scientific Research	36.84	—	—	36.84	34.18	0.39	—	34.57	2.27	2.66
10. Electrical Installation.....	2291.97	538.03	3.04	2826.96	1179.57	167.99	2.15	1345.41	1481.55	1112.40
11. Electrical Installation for Scientific Research.....	4.09	—	—	4.09	4.09	—	—	4.09	—	—
12. Vehicles	76.21	19.42	22.44	73.19	61.23	3.86	19.57	45.52	27.67	14.98
13. Assets given on Operating Lease – Colour Dispensers	9593.66	1240.15	—	10833.81	7739.28	1100.88	—	8840.16	1993.65	1854.38
T O T A L.....	48014.72	7712.31	1528.59	54198.44	27152.97	3760.50	577.02	30336.45	23861.99	20861.75
Previous year.....	42440.87	5770.70	196.85	48014.72	23375.64	3960.05	182.72	27152.97		
Less: Provision for write down in value of fixed assets.....									118.45	141.31
Capital Work-in-Progress at Cost								Sub-total...	23743.54	20720.44
Advances for Capital Expenditure									3094.36	2000.67
									468.04	662.88
								Sub-total...	3562.40	2663.55
								Total...	27305.94	23383.99

Note: Buildings include Rs. 0.20 lac (2007-2008 Rs. 0.20 lac) representing value of fully paid shares in Co-operative Societies.

* Includes Rs. 300 lacs for Buildings and Rs. 631 lacs for Plant and Machinery being claim received from the insurance company as reimbursement for replacement / reinstatement of damaged property

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
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
B. Trade (Unquoted) – Equity Shares:				
Subsidiary Company				
In another country:				
Kansai Coatings Malaysia SDN. BHD.				
None Equity Shares of RM 1 each				
(1,65,00,000 Equity Shares sold during the year)				
	—		1988.28	
Associate Company				
Nipa Chemicals Limited				
3,67,500 Equity Shares of Rs. 10 each				
	35.86		35.86	
		35.86		2024.14
C. Other than Trade (Unquoted unless otherwise stated):				
(i) Shares, Debentures and Bonds				
(a) Equity Shares:				
National Thermal Power Corporation Limited (Quoted)				
40,524 Equity Shares of Rs. 10 each				
	25.12		25.12	
Equity Shares.....	25.12		25.12	
(b) Debentures and Bonds:				
1. India Infrastructure Finance Co. Ltd. (Quoted)				
1,500, 6.85% Tax-Free Bonds of Rs. 1,00,000				
each (Subscribed during the year)				
	1500.00		—	
2. Nuclear Power Corporation of India Limited				
500, 8.20% Tax-Free Bonds of Rs. 1,00,000				
each				
	500.00		500.00	
3. Unit Trust of India (Quoted)				
None 6.75% UTI-I US64 Tax-Free Bonds of				
Rs. 100 each (1,64,135 Bonds redeemed during				
the year)				
	—		164.14	
4. Unit Trust of India (Quoted)				
5,47,085, 6.6% UTI-I ARS Tax-Free Bonds of				
Rs. 100 each				
	547.08		547.08	
Debentures and Bonds.....	2547.08		1211.22	
(ii) Mutual Funds				
(a) Dividend Option:				
1. B301QD Birla Income Plus – Quarterly				
None Units of Rs. 10 each				
[18,08,285 Units (and 564 fractions) sold during				
the year]				
	—		200.00	
2. BPAD ICICI Prudential – Blended Plan A				
None Units of Rs. 10 each				
[6,87,358 Units (486 fractions) purchased				
during the year and 1,49,42,819 Units (and 466				
fractions) sold during the year]				
	—		1458.25	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Long Term Investments (At cost, fully paid-up) (contd.)				
C. Other than Trade (Unquoted unless otherwise stated) (contd.)				
(ii) Mutual Funds (contd.)				
(a) Dividend Option (contd.) :				
3. EDIID ICICI Prudential Equity & Derivatives Fund – Income Optimiser – Institutional None Units of Rs. 10 each [5,62,671 Units (and 761 fractions) purchased during the year and 57,29,021 Units (and 571 fractions) sold during the year].....	—		517.50	
4. EDIRD ICICI Prudential Equity & Derivatives Fund – Income Optimiser – Retail 18,74,414 Units (and 246 fractions) of Rs. 10 each	200.00		200.00	
Mutual Fund (Dividend Option) ...	200.00		2375.75	
(b) Growth Option:				
1. B301G Birla Income Plus None Units of Rs. 10 each [3,12,053 Units (and 197 fractions) sold during the year]	—		110.00	
2. B895IG Birla FTP – Institutional – Series AK 20,00,000 Units of Rs. 10 each	200.00		200.00	
3. B896IG Birla FTP – Institutional – Series AL 35,00,000 Units of Rs. 10 each	350.00		350.00	
4. B897IG Birla FTP – Institutional – Series AM 20,00,000 Units of Rs. 10 each	200.00		200.00	
5. 5103 / HDFC FMP 26M August 2006 (1) – Institutional None Units of Rs. 10 each (10,00,000 Units sold during the year)	—		100.00	
6. 5219 / HDFC FMP 13M March 2008 (VII) (2) – Wholesale 20,00,000 Units of Rs. 10 each	200.00		200.00	
7. 5385 / HDFC FMP 370D March 2008 (VII) (2) – Wholesale 20,00,000 Units of Rs. 10 each	200.00		200.00	
8. 7002 / HDFC Monthly Income Plan – Long Term None Units of Rs. 10 each [25,40,924 Units (and 512 fractions) sold during the year]	—		377.90	
9. 84 ICICI Prudential MIP – Cumulative 26,43,983 Units (and 375 fractions) of Rs. 10 each [4,67,394 Units (and 556 fractions) sold during the year]	316.86		372.88	
10. 165IG ICICI Prudential FMP Series 34 – Fifteen Months Plan Institutional None Units of Rs. 10 each (20,00,000 Units sold during the year)	—		200.00	
11. 1140 ICICI Prudential FMP Series 41 – Fourteen Months Plan Institutional Cumulative 45,00,000 Units of Rs. 10 each	450.00		450.00	
12. JM – Arbitrage Advantage Fund 28,26,734 Units (and 256 fractions) of Rs. 10 each	300.00		300.00	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
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.) :				
13. Kotak Twin Advantage Series 2 25,00,000 Units of Rs. 10 each	250.00		250.00	
14. Tata Fixed Investment Plan – 1 Scheme A – Institutional 40,00,000 Units of Rs. 10 each	400.00		400.00	
15. UTI Fixed Income Interval Fund – Annual Interval Plan Series – I – Institutional None Units of Rs. 10 each (40,00,000 Units sold during the year)	—		400.00	
16. UTI Fixed Maturity Plan Yearly Series YFMP/0807 – Institutional None Units of Rs. 10 each (10,00,000 Units sold during the year)	—		100.00	
17. UTI Fixed Term Income Fund – IV – III (08-14 Months) – Institutional 30,00,000 Units of Rs. 10 each	300.00		300.00	
18. UTI Fixed Term Income Fund Series – III Plan 20 – Institutional 10,00,000 Units of Rs. 10 each	100.00		100.00	
Mutual Fund (Growth Option).....	<u>3266.86</u>		<u>4610.78</u>	
Mutual Fund (Total).....	<u>3466.86</u>		<u>6986.53</u>	
Other than Trade (Total).....		<u>6039.06</u>		<u>8222.87</u>
Long Term Investments (Total).....		<u>6074.93</u>		<u>10247.02</u>
Current Investments (At lower of cost and fair value)				
(i) Mutual Funds				
(a) Dividend Option:				
1. B304QD BSL Medium Term Plan – Institutional – Quarterly 1,30,00,000 Units of Rs. 10 each (Purchased during the year).....	1300.00		—	
2. B332WD Birla Sun Life Liquid Plus – Institutional – Weekly None Units of Rs. 10 each [2,65,53,199 Units (and 705 fractions) purchased during the year and 3,65,59,223 Units (and 401 fractions) sold during the year].....	—		1002.97	
3. B706D Birla FMP – Series 2 – Quarterly None Units of Rs. 10 each [1,21,856 Units (and 715 fractions) purchased during the year and 31,76,443 Units (and 969 fractions) sold during the year].....	—		306.11	
4. B874D BSL Interval Income Fund - Institutional – Quarterly – Series 2 None Units of Rs. 10 each [2,63,860 Units (and 359 fractions) purchased during the year and 53,91,538 Units (and 551 fractions) sold during the year].....	—		512.77	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and fair value) (contd.)				
(i) Mutual Funds (contd.)				
(a) Dividend Option (contd.) :				
5. B880D BSL Interval Income Fund – Institutional – Quarterly – Series 3 None Units of Rs. 10 each (30,00,000 Units purchased during the year and 45,00,000 Units sold during the year)	—		150.00	
6. B883RD BSL Quarterly Interval – Series 1 None Units of Rs. 10 each [21,75,459 Units (and 268 fractions) purchased during the year and 72,89,492 Units (and 454 fractions) sold during the year].....	—		511.40	
7. B884RD BSL Quarterly Interval – Series 2 None Units of Rs. 10 each (30,00,000 Units sold during the year)	—		300.00	
8. DSP Blackrock Strategic Bond Fund – Institutional Plan – Weekly 1,00,897 Units (and 631 fractions) of Rs. 1000 each [1,30,804 Units (and 918 fractions) purchased during the year and 29,907 Units (and 287 fractions) sold during the year].....	1012.73		—	
9. DWS Credit Opportunities Cash Fund None Units of Rs. 10 each [1,25,906 Units (and 904 fractions) purchased during the year and 1,04,76,527 Units (and 740 fractions) sold during the year].....	—		1044.42	
10. Fidelity Ultra Short Term Debt Fund Super Institutional 1,20,08,262 Units (and 457 fractions) of Rs. 10 each (Purchased during the year).....	1201.13		—	
11. 2031 / HDFC Cash Management Fund – Treasury Advantage – Wholesale – Daily 29,91,509 Units (and 988 fractions) of Rs. 10 each (Purchase during the year).....	300.09		—	
12. 5210 / HDFC Quarterly Interval Fund – Plan A Wholesale None Units of Rs. 10 each [1,20,216 Units (and 466 fractions) purchased during the year and 51,94,782 Units (and 344 fractions) sold during the year].....	—		509.22	
13. 5219 / HDFC Quarterly Interval Fund – Plan C Wholesale None Units of Rs. 10 each [39,97,441 Units (and 637 fractions) sold during the year]	—		400.00	
14. 5313 / HDFC FMP 181D December 2007 (VI) – Wholesale None Units of Rs. 10 each (20,00,000 Units sold during the year)	—		200.00	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and fair value) (contd.)				
(i) Mutual Funds (contd.)				
(a) Dividend Option (contd.) :				
15. 5327 / HDFC FMP 90D January 2008 (VI) – Wholesale None Units of Rs. 10 each (40,00,000 Units sold during the year)	—		400.00	
16. 5343 / HDFC FMP 90D February 2008 (VII) – Wholesale None Units of Rs. 10 each (40,00,000 Units sold during the year)	—		400.00	
17. 5367 / HDFC FMP 90D March 2008 VII (2) – Wholesale None Units of Rs. 10 each (20,00,000 Units sold during the year)]	—		200.00	
18. HSBC Interval Fund – Plan 2 – Institutional None Units of Rs. 10 each [36,420 Units (and 718 fractions) purchased during the year and 20,79,811 Units (and 031 fractions) sold during the year]	—		204.34	
19. 28ICICI Prudential Flexible Income Plan – Weekly None Units of Rs. 10 each [2,54,87,945 Units (and 716 fractions) purchased during the year and 2,83,37,051 Units (and 987 fractions) sold during the year]	—		300.43	
20. 1084 ICICI Prudential Interval Fund II Quarterly Interval Plan C – Retail None Units of Rs. 10 each [1,26,746 Units (and 604 fractions) purchased during the year and 42,30,409 Units (and 369 fractions) sold during the year]	—		410.37	
21. 1100 ICICI Prudential Interval Fund II Quarterly Interval Plan D – Retail None Units of Rs. 10 each [3,24,482 Units (and 012 fractions) purchased during the year and 84,72,722 Units (and 012 fractions) sold during the year]	—		814.82	
22. 1118 ICICI Prudential Interval Fund II Quarterly Interval Plan F – Retail None Units of Rs. 10 each [87,818 Units (and 836 fractions) purchased during the year and 41,62,938 Units (and 836 fractions) sold during the year]	—		407.51	
23. 1146 ICICI Prudential FMP Series 42 – Three Months Plan A Retail None Units of Rs. 10 each (20,00,000 Units sold during the year)	—		200.00	
24. FDRF ICICI Prudential Floating Rate Plan D – Fortnightly 34,51,970 Units (and 724 fractions) of Rs. 10 each [8,92,68,009 Units (and 893 fractions) purchased during the year and 8,58,16,039 Units (and 169 fractions) sold during the year] ...	—		—	
	345.82		—	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and fair value) (contd.)				
(i) Mutual Funds (contd.)				
(a) Dividend Option (contd.) :				
25. IPQRD ICICI Prudential Interval Fund Quarterly Interval Plan – 1 Retail None Units of Rs. 10 each [2,28,597 Units (and 205 fractions) purchased during the year and 82,17,381 Units (and 647 fractions) sold during the year].....	—		798.88	
26. Reliance Monthly Interval Fund – Series II – Institutional None Units of Rs. 10 each [9,99,550 Units (and 202 fractions) sold during the year]	—		100.00	
27. Reliance Quarterly Interval Fund – Series III – Institutional None Units of Rs. 10 each [19,99,920 Units (and 003 fractions) sold during the year]	—		200.00	
28. Tata Fixed Horizon Fund Series 17 Scheme D – Institutional Plan – Monthly None Units of Rs. 10 each (30,00,000 Units sold during the year)	—		300.00	
29. TFIQB2 Tata Fixed Income Portfolio Fund Scheme B2 Institutional Quarterly None Units of Rs. 10 each [1,04,46,693 Units (and 539 fractions) purchased during the year and 1,55,29,123 Units (and 756 fractions) sold during the year].....	—		508.25	
30. TFRLB Tata Floating Rate Fund Long Term – Income / Bonus None Units of Rs. 10 each [37,602 Units (and 131 fractions) purchased during the year and 20,19,436 Units (and 063 fractions) sold during the year].....	—		200.42	
31. UTI Fixed Income Interval Fund – Quarterly Interval Plan Series – I – Institutional None Units of Rs. 10 each [16,72,463 Units (and 306 fractions) purchased during the year and 57,46,321 Units (and 671 fractions) sold during the year].....	—		407.40	
32. UTI Fixed Income Interval Fund - Quarterly Plan Series – III – Institutional None Units of Rs. 10 each [33,78,225 Units (and 792 fractions) purchased during the year and 1,36,09,474 Units (and 390 fractions) sold during the year].....	—		1023.15	
33. UTI Fixed Income Interval Fund – Half Yearly Interval Plan – II – Institutional None Units of Rs. 10 each [31,996 Units (and 348 fractions) purchased during the year and 20,77,161 Units (and 848 fractions) sold during the year]	—		204.52	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and fair value) (contd.)				
(i) Mutual Funds (contd.)				
(a) Dividend Option (contd.) :				
34. UTI Fixed Maturity Plan HFMP 03/08 – I – Institutional None Units of Rs. 10 each (25,00,000 Units sold during the year)	—		250.00	
35. UTI Fixed Maturity Plan – QFMP (02/08-I) – Institutional None Units of Rs. 10 each (30,00,000 Units sold during the year)	—		300.00	
36. UTI Fixed Maturity Plan – QFMP (02/08-II) – Institutional None Units of Rs. 10 each (40,00,000 Units sold during the year)	—		400.00	
Mutual Fund (Dividend Option).....	4159.77		12966.98	
(b) Growth Options:				
1. B332G Birla Sun Life Savings Fund Institutional 56,12,139 Units (and 095 fractions) of Rs. 10 each (Purchased during the year).....	933.51		—	
2. B851G Birla Sun Life Short Term Fund – Institutional 1,61,74,098 Units (and 391 fractions) of Rs. 10 each (Purchased during the year).....	1687.93		—	
3. 2032 / HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale 1,35,03,462 Units (and 226 fractions) of Rs. 10 each (Purchased during the year).....	2594.66		—	
4. FRDG ICICI Prudential Floating Rate Plan D 4,06,91,028 Units (and 906 fractions) of Rs. 10 each (Purchased during the year).....	5292.84		—	
5. GFCE IDFC Money Manager Fund – Treasury Plan – Super Institutional Plan C 67,34,679 Units (and 350 fractions) of Rs. 10 each (Purchased during the year).....	700.14		—	
6. Reliance Medium Term Fund – Retail 2,20,34,541 Units (and 788 fractions) of Rs. 10 each (Purchased during the year).....	4003.48		—	
7. TFLG Tata Floater Fund 3,05,58,564 Units (and 748 fractions) of Rs. 10 each (Purchased during the year).....	3995.29		—	
Mutual Fund (Growth Option).	19207.85		—	
Current Investment (Total)		23367.62		12966.98
Total.....		29442.55		23214.00
Aggregate amount of quoted investments [Market value Rs. 2124.62 lacs (2007-2008 Rs. 788.71 lacs) includes Rs. 1500.00 lacs (2007-2008 Rs. Nil) where cost has been considered as market value in the absence of transactions during the year]		2072.20		736.34
Aggregate amount of unquoted investments.....		27370.35		22477.66
		29442.55		23214.00

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

Investments purchased and sold during the year other than shown above:

(Unquoted, fully paid up)

	Cost of Acquisition Rs. in lacs
1. 5,68,48,022 Units (and 673 fractions) of Rs. 10 each in B85DD Birla Sun Life Short Term Fund – Institutional Daily (Dividend Option).....	5687.93
2. 2,14,61,816 Units (and 110 fractions) of Rs. 10 each in B503DD Birla Sun Life Cash Plus – Institutional Premium – Daily (Dividend Option)	2150.37
3. 60,00,000 Units of Rs. 10 each in B864D BSL Interval Income Fund – Institutional – Quarterly – Series 1 (Dividend Option).....	600.00
4. 55,00,000 Units of Rs. 10 each in B889D BSL Quarterly Interval – Series 4 (Dividend Option).....	550.00
5. 20,00,000 Units of Rs. 10 each in B898D BSL Quarterly Interval – Series 9 (Dividend Option).....	200.00
6. 45,089 Units (and 440 fractions) of Rs. 1000 each in DSP Blackrock Cash Manager Fund – Institutional (Growth Option)	500.00
7. 20,43,815 Units (and 255 fractions) of Rs. 10 each in DSP Blackrock FMP – 3M Series 12 – Institutional (Dividend Option).....	204.38
8. 1,06,12,513 Units (and 070 fractions) of Rs. 10 each in DWS Quarterly Interval Fund – Series 1 (Dividend Option).....	1061.25
9. 1,05,89,119 Units (and 031 fractions) of Rs. 10 each in DWS Ultra Short Term Fund – Institutional Weekly (Dividend Option).....	1065.39
10. 1,19,95,232 Units (and 507 fractions) of Rs. 10 each in Fidelity Cash Fund (Super Institutional) – Daily (Dividend Option).....	1200.15
11. 6,83,06,788 Units (and 357 fractions) of Rs. 10 each in 2033 / HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale – Weekly (Dividend Option)	6846.91
12. 2,20,97,508 Units (and 203 fractions) of Rs. 10 each in 3006 / HDFC Cash Management Fund – Savings Plan – Daily (Dividend Option)	2350.38
13. 40,00,000 Units of Rs. 10 each in 5423 / HDFC FMP 90D May 2008 (VIII) (2) – Wholesale (Dividend Option).....	400.00
14. 40,00,000 Units of Rs. 10 each in 5433 / HDFC FMP 90D May 2008 (VIII) (3) – Wholesale (Dividend Option).....	400.00
15. 20,00,000 Units of Rs. 10 each in 5451 / HDFC FMP 90D June 2008 (VIII) (2) – Wholesale (Dividend Option).....	200.00
16. 5,05,12,677 Units (and 137 fractions) of Rs. 10 each in 321SD ICICI Prudential Institutional Liquid Plan – Super Institutional – Daily (Dividend Option).....	5051.52
17. 84,72,722 Units (and 012 fractions) of Rs. 10 each in 1307 ICICI Prudential Interval Fund II Quarterly Interval Plan D Institutional (Dividend Option).....	847.27
18. 20,00,000 Units of Rs. 10 each in 1359 ICICI Prudential FMP Series 48 – One Month Plan A Institutional (Dividend Option).....	200.00
19. 19,998 Units (and 267 fractions) of Rs. 1000 each in G70 IDFC Liquid Fund – Daily (Dividend Option).....	200.02
20. 20,36,392 Units (and 721 fractions) of Rs. 10 each in G656 IDFC Fixed Maturity Plan – Quarterly Series 47 (Dividend Option).....	203.64
21. 65,36,435 Units (and 962 fractions) of Rs. 10 each in GCCG IDFC Cash Fund – Super Institutional Plan C (Growth Option)	700.00
22. 40,37,445 Units (and 330 fractions) of Rs. 10 each in GFBD IDFC Money Manager Fund – Treasury Plan – Institutional Plan B - Daily (Dividend Option).....	406.58

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: F (contd.)

Investments purchased and sold during the year other than shown above:

(Unquoted, fully paid up)

	Cost of Acquisition Rs. in lacs
23. 45,79,947 Units (and 109 fractions) of Rs. 10 each in Reliance Liquid Fund - Treasury Plan – Institutional – Daily (Dividend Option).....	700.15
24. 2,13,67,702 Units (and 872 fractions) of Rs. 10 each in Reliance Medium Term Fund – Daily (Dividend Option).....	3652.92
25. 20,50,611 Units (and 491 fractions) of Rs. 10 each in Reliance Medium Term Fund – Weekly (Dividend Option).....	350.63
26. 30,00,540 Units of Rs. 10 each in Tata Fixed Horizon Fund Series 17 Scheme E – Institutional Plan – Periodic (Dividend Option).....	300.05
27. 71,64,353 Units (and 854 fractions) of Rs. 10 each in Tata Fixed Horizon Fund Series 19 Scheme E – Institutional Plan – Periodic (Dividend Option).....	716.45
28. 30,00,000 Units of Rs. 10 each in Tata Fixed Horizon Fund Series 19 Scheme F – Institutional Plan – Periodic (Dividend Option).....	300.00
29. 5,15,34,968 Units (and 205 fractions) of Rs. 10 each in TFLW Tata Floater Fund – Weekly (Dividend Option).....	5196.84
30. 47,62,449 Units (and 042 fractions) of Rs. 10 each in TIAB Tata Income Plus Fund (Option A) – Bonus / Income (Dividend Option).....	500.00
31. 47,57,695 Units (and 240 fractions) of Rs. 10 each in TIBB Tata Income Plus Fund (Option B) – Bonus / Income (Dividend Option).....	500.47
32. 1,61,554 Units (and 693 fractions) of Rs. 1000 each in TLS01 Tata Liquid Super High Investment Fund – Daily (Dividend Option).....	1800.56
33. 1,52,15,784 Units (and 309 fractions) of Rs. 10 each in Templeton India Ultra Short Bond Fund Super Institutional – Daily (Dividend Option)	1524.44
34. 36,51,122 Units (and 042 fractions) of Rs. 10 each in UTI Fixed Income Interval Fund – Monthly Interval Plan Series – I – Institutional (Dividend Option)	365.11
35. 39,99,040 Units (and 230 fractions) of Rs. 10 each in UTI Fixed Income Interval Fund – Monthly Interval Plan – II – Institutional (Dividend Option)	400.00
36. 25,00,575 Units of Rs. 10 each in UTI Fixed Maturity Plan – YFMP 06/08 – Institutional (Dividend Option) ...	250.06
37. 14,381 Units (and 786 fractions) of Rs. 1000 each in UTI Treasury Advantage Fund – Institutional – Daily (Dividend Option).....	143.85
38. 2,38,981 Units (and 179 fractions) of Rs. 1000 each in UTI Treasury Advantage Fund – Institutional – Weekly (Dividend Option).....	2393.68

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: G

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVENTORIES				
Stores and Spare Parts (At cost less amounts written down)		198.35		194.53
Stock-in-Trade (At lower of cost and net realisable value)				
Raw Materials [Including in-transit Rs. 176.12 lacs (2007-2008 Rs. 8.58 lacs)].....		5160.53		5211.90
Packing Materials		358.83		359.14
Stock-in-Process		1419.36		1337.98
Finished Products.....		9926.32		10237.56
TOTAL.....		<u>17063.39</u>		<u>17341.11</u>

SCHEDULE: H

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SUNDRY DEBTORS				
(Considered good)				
Debts outstanding for a period exceeding six months:				
Secured	0.48		0.54	
Unsecured	546.71		373.75	
		547.19		374.29
Other Debts:				
Secured	1.04		1.17	
Unsecured	20409.06		20917.84	
TOTAL.....		<u>20410.10</u>		<u>20919.01</u>
		<u>20957.29</u>		<u>21293.30</u>

SCHEDULE: I

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
CASH AND BANK BALANCES				
Cash on hand		4.69		4.92
With Scheduled Banks:				
On Current Account [Refer Note II(4) on Schedule 'R'].....	3286.66		3330.81	
On Margin Account.....	—		1.81	
On Fixed Deposit Account.....	4325.04		—	
		7611.70		3332.62
With Non-Scheduled Banks:				
Apna Sahakari Bank Limited				
On Current Account [Maximum balance during the year Rs. Nil (2007-2008 Rs. 20.00 lacs)]	—		—	
Kanpur Kshetriya Gramin Bank				
On Current Account [Maximum balance during the year Rs. Nil lacs (2007-2008 Rs. 19.74 lacs)].....	—		—	
TOTAL.....		<u>7616.39</u>		<u>3337.54</u>

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE: J

	As at 31st March, 2009	As at 31st March, 2008
	Rs. in lacs	Rs. in lacs
LOANS AND ADVANCES		
(Unsecured, considered good)		
Due from Subsidiary Company.....	—	98.13
Advances recoverable in cash or in kind or for value to be received [Refer Note II(5) on Schedule 'R']	1252.78	1290.86
Advance Payment of Tax Net of Provisions (other than deferred tax and fringe benefit tax).....	1874.04	1895.33
Advance Payment of Fringe Benefit Tax Net of Provisions.....	42.39	32.39
Value Added Tax Credit Receivable.....	94.65	74.75
Balance with Central Excise, Customs, Port Trust etc.	906.84	1423.35
TOTAL.....	<u>4170.70</u>	<u>4814.81</u>

SCHEDULE: K

	As at 31st March, 2009	As at 31st March, 2008
	Rs. in lacs	Rs. in lacs
CURRENT LIABILITIES		
Acceptances	1378.72	680.82
Sundry Creditors [Refer Notes II(6) and II(7) on Schedule 'R'].....	23001.12	16157.55
Unclaimed Dividend.....	41.14	47.69
Unclaimed Fixed Deposits.....	1.95	2.55
Unclaimed Interest on Fixed Deposits.....	0.56	0.89
TOTAL.....	<u>24423.49*</u>	<u>16889.50*</u>

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

SCHEDULE: L

	As at 31st March, 2009	As at 31st March, 2008
	Rs. in lacs	Rs. in lacs
PROVISIONS		
Taxation Net of Advances (other than deferred tax and fringe benefit tax).....	1488.59	1523.11
Fringe Benefit Tax Net of Advances.....	36.11	17.49
Proposed Dividend	3233.52	3233.52
Additional Income-tax on Distributed Profits.....	549.54	549.54
Indirect Taxes [Refer Note II(25)(a) on Schedule 'R'].....	2663.58	2663.58
Provision for Warranties [Refer Note II(25)(b) on Schedule 'R'].....	60.00	45.00
Provision for Compensated Absences.....	353.53	337.75
TOTAL	<u>8384.87</u>	<u>8369.99</u>

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

SCHEDULE: M

OTHER INCOME

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Income from Investments:				
Dividend from Trade Investments (Long Term)		51.45		—
Dividend from other than Trade Investments:				
Long term	242.94		195.44	
Current	1039.76		633.56	
		1282.70		829.00
Interest on other than Trade Investments		78.96		88.19
Interest on deposits, advances and others (Gross) [Tax deducted at source Rs. 26.72 lacs (2007-2008 Rs. 0.74 lac)]..		192.05		7.62
Profit on Sale of Fixed Assets		1.86		4.96
Profit on Sale/Redemption of Investments:				
Long Term [including Rs. 180.58 lacs (Previous year: Rs. Nil) on sale of investments in a subsidiary company].....	380.32		1400.71	
Current	14.72		13.21	
		395.04		1413.92
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'].....		22.86		11.52
Insurance and Other Claims/Sales Tax Refunds		40.52		41.16
Interest on Income-tax Refund		83.30		—
Lease Rentals.....		33.01		71.89
Miscellaneous Income		37.75		16.33
TOTAL.....		2219.50		2484.59

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

SCHEDULE: N

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
COST OF MATERIALS/PRODUCTS				
Raw Materials Consumed:				
Opening Stock.....	5211.90		5245.03	
Add: Purchases.....	76894.35		69484.09	
	<u>82106.25</u>		<u>74729.12</u>	
Less: Sales.....	82.25		190.91	
	<u>82024.00</u>		<u>74538.21</u>	
Less: Closing Stock.....	5160.53		5211.90	
		76863.47		69326.31
Packing Materials Consumed:				
Opening Stock.....	359.14		450.17	
Add: Purchases.....	11109.03		9181.63	
	<u>11468.17</u>		<u>9631.80</u>	
Less: Closing Stock.....	358.83		359.14	
		11109.34		9272.66
Adjustment for Stock:				
Opening Stock:				
Stock-in-Process	1337.98		1611.03	
Finished Products.....	10237.56		10542.44	
	<u>11575.54</u>		<u>12153.47</u>	
Add: Purchase of Finished Products.....	2574.23		4527.80	
	<u>14149.77</u>		<u>16681.27</u>	
Less: Closing Stock:				
Stock-in-Process	1419.36		1337.98	
Finished Products.....	9926.32		10237.56	
	<u>11345.68</u>		<u>11575.54</u>	
		2804.09		5105.73
Excise duty related to the difference between the closing stock and opening stock		(818.62)		27.01
TOTAL.....		89958.28*		83731.71*

* Includes Rs. 175.61 lacs (2007-2008 Rs. 80.17 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, 2009**

SCHEDULE: O

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
EMPLOYEES' REMUNERATION AND BENEFITS				
Salaries, Wages, Bonus & Commission and Other Related Expenses.....	6609.82		6114.76	
Company's Contribution to Provident Fund and Other Funds.....	326.38		407.80	
Workmen and Staff Welfare Expenses	394.10		390.49	
TOTAL.....	<u>7330.30*</u>		<u>6913.05*</u>	

* Includes Rs. 709.87 lacs (2007-2008 Rs. 618.95 lacs) expenditure incurred on Research and Development

SCHEDULE: P

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
OPERATING AND OTHER EXPENSES				
Stores and Spare Parts Consumed.....	947.50		929.96	
Power and Fuel	2126.07		2046.20	
Processing Charges	524.23		554.26	
Repairs and Maintenance:				
Plant and Machinery.....	256.40		355.49	
Buildings.....	43.44		81.53	
Others.....	101.32		141.02	
	<u>401.16</u>		578.04	
Consignment, Freight and Forwarding Charges.....	6386.26		5499.89	
Advertising and Selling Expenses	4665.03		4193.62	
Provision for Warranties.....	80.00		25.00	
Rent.....	616.60		531.01	
Rates and Taxes	74.87		79.04	
Water Charges	32.34		28.82	
Surcharge on Sales Tax.....	74.58		119.25	
Insurance.....	107.74		182.44	
Commission to Non-Wholesale Directors [Refer Note II(10) on Schedule 'R'].....	80.00		50.00	
Directors Sitting Fees	3.40		3.60	
Cash Discount	3483.85		2994.46	
Donations	25.00		50.00	
Travelling and Conveyance Expenses	1334.81		1355.71	
Loss on Sale of Investments:				
Long Term	10.85		10.99	
Current.....	18.35		6.87	
	<u>29.20</u>		17.86	
Loss on Sale of Fixed Assets	3.33		—	
Loss on Fixed Assets Written Off	15.95		6.35	
Provision for write down in the value of fixed assets	—		69.73	
Bad Debts.....	120.44		131.88	
Lease Rentals.....	42.51		40.40	
I. T. Related Expenses	365.46		355.64	
Royalty.....	678.04		802.24	
Miscellaneous.....	2201.27		2029.77	
TOTAL.....	<u>24419.64*</u>		<u>22675.17*</u>	

* Includes Rs. 194.58 lacs (2007-2008 Rs. 233.34 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, 2009

SCHEDULE: Q

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Profit after Tax as per Profit and Loss Account.....		9858.90		11979.02
Add: Directors' Remuneration [Inclusive of Directors' Commission Rs. 129.75 lacs (2007-2008 Rs. 75.00 lacs)].....	312.20		188.06	
Commission to Non-Wholetime Directors.....	80.00		50.00	
Directors' sitting fees.....	3.40		3.60	
Loss on Sale of Investments:				
Long Term	10.85		10.99	
Current	18.35		6.87	
Provision for write down in value of fixed assets	—		69.73	
Provision for Taxation.....	4160.00		5060.00	
		4584.80		5389.25
		14443.70		17368.27
Less: Profit on sale/redemption of Investments:				
Long term	380.32		1400.71	
Current	14.72		13.21	
	395.04		1413.92	
Provision for write down in value of fixed assets written back consequent to charge on account of depreciation.....	22.86		11.52	
		417.90		1425.44
		14025.80		15942.83
(a) Commission to the Managing Directors and a Wholetime Directors restricted to amount provided		129.75		75.00
(b) Commission to Non-Wholetime Directors, @ 1% of net profits, restricted to amount provided [Refer Note II(10) on Schedule 'R']		80.00		50.00
TOTAL.....		209.75		125.00

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 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) FIXED ASSETS

Fixed assets are stated at their original cost including incidental expenses related to acquisition and installation, less accumulated depreciation and impairment losses if any. Cost comprises of the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use.

(iii) 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. No borrowing costs are eligible for capitalisation during the year.

(iv) DEPRECIATION

(a) Depreciation is provided on the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, except that 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) No write off is made in respect of leasehold land as these are long term leases.

(v) 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.

(vi) 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.

(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) Dividend income is accounted when the right to receive payment is established and known.

(vii) INVENTORIES

(a) Stores and spare parts are valued at cost less amounts written down.

(b) Stock-in-trade comprising of raw materials (including in-transit), 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.

(c) Cost has been arrived at on the basis of weighted average method.

(viii) SALES

(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 all significant risk and rewards of ownership have been transferred to the buyer without the seller retaining any effective control over the goods.

(b) Sales are inclusive of excise duty, export incentive, exchange fluctuation on export receivables, processing charges, sale of scrap and income from services and are net of trade discount and product rebate.

(ix) 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.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : R (contd.)

NOTES TO THE ACCOUNTS (contd.)

SIGNIFICANT ACCOUNTING POLICIES (contd.)

(ix) EMPLOYEE BENEFITS (contd.)

(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.

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

(x) 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.

(xi) 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 items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate 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 contracts 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.

(xii) ACCOUNTING FOR DERIVATIVES

The Institute of Chartered Accountants of India had issued an announcement on 'Accounting for Derivatives' inter alia requiring provision for losses on all derivative contracts outstanding at the balance sheet date by marking them to market

KANSAI NEROLAC PAINTS LIMITED

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AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

NOTES TO THE ACCOUNTS (contd.)

SIGNIFICANT ACCOUNTING POLICIES (contd.)

(xii) ACCOUNTING FOR DERIVATIVES (contd.)

keeping in view the principle of prudence, other than for forward contracts to which Accounting Standard (AS) 11 – 'The Effect of Change in Foreign Exchange Rates' is applicable in respect of which accounting policy as stated in Note (xi) (b) above is followed. The Company has entered into forward contracts to hedge a firm commitment or a highly probable forecast transaction to which AS 11 is not applicable and hence, the Company has applied aforesaid announcement. As assessed by the Company, there is no loss on the outstanding forward contracts as at the balance sheet.

(xiii) TAXATION

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit tax are 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 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.

(xiv) PROVISIONS

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.

(xv) 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.

II. OTHER NOTES

	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	175.43	480.71
2. Contingent liabilities not provided for:		
(a) Guarantees issued in favour of an associate company in respect of funded and non-funded facilities provided by banks	110.00	110.00
(b) Counter guarantee issued in favour of parent company which in turn has issued guarantee in favour of Company's erstwhile subsidiary in respect of funded and non-funded facilities provided by banks	—	1670.33
3. The fixed assets at the Company's pigment manufacturing unit at Kavesar, Thane District and paint manufacturing units at Lower Parel and at Vatwa, Ahmedabad, have been retired from active use. Accordingly, the fixed assets (other than freehold land) at those manufacturing units had been written down to Rs. 22.20 lacs on the basis of valuation reports [amount written down as at the end of the year Rs. 118.45 lacs (2007-2008 Rs. 141.31 lacs)]. During the year, an amount of Rs. 22.86 lacs (2007-2008 Rs. 11.52 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	0.05	5.95
5. Advances recoverable in cash or in kind include interest accrued on investment	28.30	31.35
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.		

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs
7. Sundry Creditors include overdrawn bank balances in the ordinary course of business	1.82	54.79
8. Revenue expenditure on Research and Development charged to the Profit and Loss Account is [Including depreciation Rs. 74.01 lacs (2007-2008 Rs. 74.77 lacs)]	1154.07	1007.23
9. The amount of exchange differences (net) credited / (debited) to the Profit and Loss Account is	133.96	266.18
10. Managerial Remuneration to the Managing Director and a Wholetime Director [inclusive of contribution to provident and other funds Rs. 50.83 lacs (2007-2008 Rs. 45.56 lacs), perquisites and other allowances Rs. Nil (2007-2008 Rs. Nil), commission Rs.129.75 lacs (2007-2008 Rs. 75.00 lacs) as per Schedule 'Q']	312.20	188.06
(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'	80.00	50.00
Directors sitting fees	3.40	3.60
11. Auditors' remuneration excluding service tax #		
Audit fee	15.25	15.25
Report under Section 44AB of the Income-tax Act, 1961	3.50	3.50
Company law matters	0.18	0.18
Other services	15.20	10.40
Out-of-pocket expenses	0.55	0.64
# excludes Rs. Nil (2007-2008 Rs. 2.40 lacs) paid for other services to a firm of Chartered Accountants where some of the partners are also partners in that firm.		
12. Remittance in foreign currency on account of dividend to a non-resident shareholder:		
Final Dividend on 1,78,95,400 Equity Shares for 2007-2008	2147.45	—
Interim Dividend on 14,38,320 Equity Shares (issued in 2007-2008) for 2006-2007	—	165.41
13. (i) Value of imports calculated on C.I.F. basis (excluding value of imported items locally purchased):		
(a) Raw Materials	16871.12	18306.81
(b) Stores and Spares	308.00	120.30
(c) Finished Products	183.65	430.62
(d) Capital Goods	417.25	352.23
(ii) Expenditure in foreign currencies:		
(a) Foreign Travel	10.66	8.69
(b) Royalties (net of tax)	566.67	687.74
(c) Professional and Technical Fees (net of tax)	309.51	200.79
(d) Others (net of tax)	41.25	56.94
14. Earnings in foreign exchange:		
(i) FOB Value of exports	415.94	427.30
(ii) Recovery of freight, insurance and other charges on exports	21.84	24.60
(iii) Professional fees	81.67	96.83
15. The Company has made monthly payments aggregating Rs. 9.72 lacs (2007-2008 Rs. 9.33 lacs) and payments in respect of medical reimbursement aggregating Rs. 0.10 lac (2007-2008 Rs. 0.10 lac) 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, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

	31st March, 2009		31st March, 2008	
	Quantity MT	Value Rs. in lacs	Quantity MT	Value Rs. in lacs
16. Raw Materials Consumed:				
(i) Pigments, Extenders and Resins.....	69836	33108.69	64996	31631.84
(ii) Organic Acids and Anhydrides.....	6879	4931.35	7258	5216.82
(iii) Solvents, Oils and Fatty Acids	45075	26777.73	46032	22595.72
(iv) Others		12045.70		9881.93
		76863.47		69326.31
	%		%	
of which:				
Imported (excluding value of items locally purchased).....	31	23932.54	35	24485.98
Indigenous.....	69	52930.93	65	44840.33
	100	76863.47	100	69326.31
	%		%	
17. Stores and Spares Consumed:				
Imported (excluding value of items locally purchased).....	36	339.40	15	135.96
Indigenous.....	64	608.10	85	794.00
	100	947.50	100	929.96
	%		%	

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

Products	Installed capacity per annum		Production	Opening Stock		Purchases		Closing Stock		Sales	
	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	185620 (173900)	128001 (120611)	12813 (13617)	10237.56 (10542.44)	11840 (10583)	2574.23 (4527.80)	15481 (12813)	9926.32 (10237.56)	157024 (150794)	165467.41 (160093.01)
Synthetic Resins	MT	73200 (71000)	32640 (31993)	—	—	—	—	—	—	—	—
Pretreatment Chemicals	MT	2400* (2400)*	—	—	—	—	—	—	—	—	—
Processing Charges			(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	70.08 (71.08)
Others (Including Sale of Scrap and Agency Commission)											836.36 (1168.66)
TOTAL				10237.56 (10542.44)	2574.23 (4527.80)		9926.32 (10237.56)		166373.85 (161332.75)		
Less: Rebates, Discounts, Allowances etc.											9597.12 (8465.94)
										TOTAL	156776.73 (152866.81)

* used for processing goods on behalf of an 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.

(d) Production includes captive consumption:

	Captive Consumption		
	Unit	2008-2009	2007-2008
(i) Paints, Varnishes, Enamels and Powder Coatings	MT	647	521
(ii) Synthetic Resins	MT	32640	31993

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**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
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SCHEDULE : R (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 disclosure requirements of Accounting Standard – 17 "Segment Reporting", notified under the Companies Act, 1956 is not applicable.

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
Subsidiary Company	: Kansai Coatings Malaysia SDN. BHD. (Upto 30th June, 2008)

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

Fellow Subsidiary Company	: PT. Kansai Paint Indonesia Kansai Paint Philippines Inc Chongqing Kansai Paint Co., Ltd. Kansai Resin (Thailand) Co. Ltd. Thai Kansai Paint Co. Ltd. Kansai Coatings Malaysia SDN. BHD. (w.e.f 1st July, 2008)
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Associate - Company in which the company has substantial interest (i.e. more than 20% in voting power)	: Nipa Chemicals Limited
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Key management personnel	: Mr. H. M. Bharuka, Managing Director Mr. P. D. Chaudhari, Wholetime Director (w.e.f 1st May, 2008)
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Disclosure of transactions with these parties has been included in Note II (20)(ii) below.

(ii) Transactions with related parties

	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Royalty paid						
– Kansai Paint Co., Ltd., Japan	547.75 (620.36)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	547.75 (620.36)
Dividend paid						
– Kansai Paint Co., Ltd., Japan	2147.45 (165.41)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2147.45 (165.41)
Technical fees including reimbursement of expenses						
– Kansai Paint Co., Ltd., Japan	300.18 (247.70)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	300.18 (247.70)
Dividend received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	51.45 (—)	N.A. (N.A.)	51.45 (—)
Sale of goods						
– PT. Kansai Paint Indonesia	N.A. (N.A.)	N.A. (N.A.)	307.39 (372.74)	N.A. (N.A.)	N.A. (N.A.)	307.39 (372.74)
– Kansai Paint Philippines Inc	N.A. (N.A.)	N.A. (N.A.)	43.67 (65.99)	N.A. (N.A.)	N.A. (N.A.)	43.67 (65.99)
– Chongqing Kansai Paint Co., Ltd.	N.A. (N.A.)	N.A. (N.A.)	21.58 (7.92)	N.A. (N.A.)	N.A. (N.A.)	21.58 (7.92)
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2.24 (—)	N.A. (N.A.)	2.24 (—)

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
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SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

20. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	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.)	N.A. (N.A.)	125.81 (24.23)	N.A. (N.A.)	N.A. (N.A.)	125.81 (24.23)
– Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	— (11.46)	N.A. (N.A.)	N.A. (N.A.)	— (11.46)
Processing Charges Paid						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	62.19 (55.21)	N.A. (N.A.)	62.19 (55.21)
Interest received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	5.46 (3.49)	N.A. (N.A.)	5.46 (3.49)
Agency Commission received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	210.30 (230.64)	N.A. (N.A.)	210.30 (230.64)
Professional Fees received						
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	81.67 (96.83)	(—) (N.A.)	N.A. (N.A.)	N.A. (N.A.)	81.67 (96.83)
Processing Charges received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	70.08 (71.08)	N.A. (N.A.)	70.08 (71.08)
Remuneration*						
– Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	201.09* (156.56)	201.09 (188.06)
– Mr. P. D. Chaudhari, Wholetime Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	41.58* (N.A.)	41.58 (N.A.)
Corporate Guarantee given						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	110.00 (110.00)	N.A. (N.A.)	110.00 (110.00)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	N.A. (1670.33)	— (N.A.)	N.A. (N.A.)	N.A. (N.A.)	— (1670.33)
Receivable as at year end						
– Kansai Paint Philippines Inc	N.A. (N.A.)	N.A. (N.A.)	— (21.83)	N.A. (N.A.)	N.A. (N.A.)	— (21.83)
– PT. Kansai Paint Indonesia	N.A. (N.A.)	N.A. (N.A.)	— (109.34)	N.A. (N.A.)	N.A. (N.A.)	— (109.34)

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
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SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

20. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	N.A. (98.13)	— (N.A.)	N.A. (N.A.)	N.A. (N.A.)	— (98.13)
– Chongqing Kansai Paint Co., Ltd.	N.A. (N.A.)	N.A. (N.A.)	— (7.92)	N.A. (N.A.)	N.A. (N.A.)	— (7.92)
Payable as at year end						
– Kansai Paint Co., Ltd., Japan	190.54 (199.46)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	190.54 (199.46)
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	194.71 (120.36)	N.A. (N.A.)	194.71 (120.36)
– Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	50.10 (2.42)	N.A. (N.A.)	N.A. (N.A.)	50.10 (2.42)
– Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	— (11.46)	N.A. (N.A.)	N.A. (N.A.)	— (11.46)

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, 2009 Rs. in lacs	Year ended 31st March, 2008 Rs. in lacs
(a) Lease payments recognised in the Profit and Loss Account.....	38.68	35.18
(b) Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year	33.82	30.10
(ii) Later than one year and not later than five years	51.00	55.47
(iii) Later than five years	—	—

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**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
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SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

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.10833.81 lacs (2007-2008 Rs. 9593.66 lacs) and Rs. 8840.16 lacs (2007-2008 Rs. 7739.28 lacs) respectively.
- (ii) Depreciation recognised in the profit and loss account is Rs.1100.88 lacs (2007-2008 Rs. 1069.82 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, 2009 Rs. in lacs	Year ended 31st March, 2008 Rs. in lacs
(i) Not later than one year.....	30.10	45.02
(ii) Later than one year and not later than five years	65.30	104.87
(iii) Later than five years.....	—	—

(c) The lease agreements are for a period upto seven years. However, the corresponding lease rentals may be receivable for a shorter period.

23. Values used in calculating Earnings Per Share:

	Year ended 31st March, 2009 Rs. in lacs	Year ended 31st March, 2008 Rs. in lacs
(a) Numerator: Profit after tax (Rs. in lacs)	9858.90	11979.02
(b) Denominator: Weighted average number of Equity Shares	26945986	26945986

24. Deferred taxes:

Nature of timing difference	Deferred Tax Assets / (Liability) as at 31st March, 2008 Rs. in lacs	(Charge) / Credit for the year Rs. in lacs	Deferred Tax Assets / (Liability) as at 31st March, 2009 Rs. in lacs
(a) Deferred tax assets			
— Items covered under section 43B.....	990.27	76.03	1,066.30
— Provision for diminution in value of fixed assets.....	48.03	(7.77)	40.26
— Voluntary Retirement Compensation	55.44	15.21	70.65
— Amalgamation expenses.....	3.93	17.68	21.61
Sub-total.....	1097.67	101.15	1198.82
(b) Deferred tax liabilities			
— Depreciation.....	(58.55)	(80.70)	(139.25)
(c) Net amount.....	1039.12	20.45	1059.57

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

25. (a) Provision for indirect taxes:

Description	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Opening Balance	2663.58	2663.58
Add: Provision during the year	—	—
Less: Utilization / Settlement / Reversal	—	—
Closing Balance	2663.58	2663.58

Provision of Rs. 2663.58 lacs (2007-2008 Rs. 2663.58 lacs) has been recognised in respect of matters relating to indirect taxes. The timing of the outflow is dependent on the outcome of the settlement with the appropriate authorities.

(b) Provision for warranty:

Description	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Opening Balance	45.00	20.00
Add: Provision during the year	80.00	25.00
Less: Utilization / Settlement	65.00	—
Less: Reversal	—	—
Closing Balance	60.00	45.00

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

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, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Employer's contribution to Regional Provident Fund Commissioner	44.91	53.48
Employer's contribution to Family Pension Fund	98.46	109.88
Employer's contribution to Superannuation Fund	56.99	53.82

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 regard to the assets of the fund and the return on investments, the entity does not expect any 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. 94.10 lacs (2007-2008: Rs. 89.59 lacs) to the Provident Fund Trust.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

26. Employee Benefits (contd.)

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

Category	% of each to total plan assets	
Bonds and Securities of Central Government	8.30	8.13
Bonds and Securities of State Government	8.81	8.41
Bonds and Securities of Public Sector Undertakings	17.26	16.23
Special Deposits with Banks	65.63	67.23

(b) Gratuity and long term compensated absences

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs	31st March, 2009 Rs. in lacs	31st March, 2008 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	1291.85	1258.11	337.75	337.76
Interest Cost	100.76	100.65	22.63	27.51
Current Service Cost	80.15	38.23	62.53	69.22
Benefits paid	(225.71)	(134.57)	(49.94)	(46.31)
Net Actuarial (Gain) / Loss	(57.04)	29.43	(19.44)	(50.43)
Present value of Defined Benefit Obligation as at the end of the year	1190.01	1291.85	353.53	337.75
ii. Reconciliation of fair value of Plan Assets				
Fair value of Plan Assets as at the beginning of the year	1290.05	1258.85	N.A.	N.A.
Expected return on Plan Assets	97.40	100.71	N.A.	N.A.
Net Actuarial Gain / (Loss)	33.41	—	N.A.	N.A.
Employer's Contribution	0.85	65.06	N.A.	N.A.
Benefits paid	(225.71)	(134.57)	N.A.	N.A.
Fair value of Plan Assets as at the end of the year	1196.00	1290.05	N.A.	N.A.

The Company expects to contribute Rs. 70.00 lacs 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%	N.A.	N.A.
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Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

26. Employee Benefits (contd.)

iii. Net assets / (liabilities) recognised in the Balance Sheet

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs
Present value of Defined Benefit Obligation	(1190.01)	(1291.85)	(353.53)	(337.75)
Fair value of Plan Assets	1196.00	1290.05	N.A.	N.A.
Net asset / (liability) recognised in Balance Sheet	5.99	(1.80)	(353.53)	(337.75)
iv. Components of Employer's Expenses ...				
Current Service Cost	80.15	38.23	62.53	69.22
Interest Cost	100.76	100.65	22.63	27.51
Expected return on Plan Assets	(97.40)	(100.71)	N.A.	N.A.
Net Actuarial (Gain) / Loss	(90.45)	29.43	(19.44)	(50.43)
Total expenses / (income) recognised in the Profit and Loss account in Schedule O under:	(6.94)	67.60	65.72	46.30

	Company's Contribution to Provident Fund and Other Funds		Salaries, Wages, Bonus & Commission and Other Related Expenses	
Actual return on Plan Assets	130.81	100.71	N.A.	N.A.
v. Actuarial Assumptions				
Mortality Table	LIC (1994-96) (Ultimate)		LIC (1994-96) (Ultimate)	
Discount rate	7.80%	7.50%	7.80%	7.50%
Expected rate of return on Plan Assets	7.55%	7.55%	N.A.	N.A.
Salary escalation	7%	10%	7%	10%

- 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.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

26. Employee Benefits (contd.)

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

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009	31st March, 2008	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
1. Present Value of Defined Benefit Obligation	1190.01	1291.85	353.53	337.75
2. Fair Value of Plan Assets	1196.00	1290.05	N.A.	N.A.
3. Funded Status [Surplus / (Deficit)]	5.99	(1.80)	N.A.	N.A.
4. Net Asset / (Liability)	5.99	(1.80)	353.53	337.75
5. Experience adjustment arising on:				
a. Plan Liabilities [Loss / (Gain)]	(57.04)	29.43	(19.44)	(50.43)
b. Plan Assets [Loss / (Gain)]..	(33.41)	—	N.A.	N.A.

Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by The Companies (Accounting Standards) Rules, 2006 requires the disclosure of the above information for the past four years; however the information is available only for past one year since the date of implementing the Standard.

27. Derivatives Instruments:

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

(i) As on 31st March, 2009

Currency	Amount in foreign currency	Buy / Sell	Cross Currency
USD	39.56 lacs	Buy	INR
JPY	900.00 lacs	Buy	USD

(ii) As on 31st March, 2008

USD	31.78 lacs	Buy	INR
JPY	329.79 lacs	Buy	USD

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

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	Euro 1.96 lacs [2007-2008 – Euro 1.08 lacs] GBP Nil [2007-2008 – GBP 0.06 lac] JPY 116.39 lacs [2007-2008 – JPY Nil] – hedged for the exposure to cross currency USD USD 1.15 lacs [2007-2008 – USD Nil]
(b) Amounts receivable in foreign currency	USD Nil [2007-2008 – USD 3.56 lacs]

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

27. Derivatives Instruments (contd.)

(c) Advance payment in foreign currency for supplies	CHF 0.15 lac [2007-2008 – CHF Nil]
	Euro 0.95 lac [2007-2008 – Euro Nil]
	GBP 0.01 lac [2007-2008 – GBP Nil]
	JPY 6.06 lacs [2007-2008 – JPY Nil]
	SGD 0.13 lac [2007-2008 – SGD Nil]
	USD 1.76 lacs [2007-2008 – USD Nil]

28. The figures relating to the previous year have been regrouped wherever necessary.

For and on behalf of the Board of Directors

J. J. IRANI	<i>Chairman</i>
D. M. KOTHARI	<i>Vice Chairman</i>
H. M. BHARUKA	<i>Managing Director</i>
S. M. DATTA	<i>Director</i>
P. P. SHAH	<i>Director</i>
N. N. TATA	<i>Director</i>
P. D. CHAUDHARI	<i>Wholetime Director</i>

Mumbai: 30th April, 2009

G. T. GOVINDARAJAN
<i>Company Secretary</i>

P. D. PAI
<i>CFO</i>

KANSAI NEROLAC PAINTS LIMITED

Balance Sheet Abstract and Company's General Business Profile for the year ended 31st March, 2009

I. Registration Details

Registration No. -
 Balance Sheet Date
Date Month Year

State Code

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

Public Issue

 Bonus Issue

Rights Issue

 Private Placement

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

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

 Secured Loans

Reserves & Surplus

 Unsecured Loans

Application of Funds

Net Fixed Assets

 Net Current Assets

 Accumulated Losses

Investments

 Deferred Tax Assets (net)

 Misc. Expenditure

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

Turnover

 + - Profit/Loss Before Tax

Total Expenditure

 + - Profit/Loss After Tax

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

Earnings Per Share in (Rs.)

Dividend Rate (%)

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

Item Code No. (ITC Codes)
 Product Description:
 Item Code No. (ITC Codes)
 Product Description:
 Item Code No. (ITC Codes)
 Product Description:

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 *Wholetime Director*

Mumbai: 30th April, 2009

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

KANSAI NEROLAC PAINTS LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

RELATING TO SUBSIDIARY COMPANY

KANSAI COATINGS MALAYSIA SDN. BHD.

1. Financial Year of the Subsidiary Company ended : 31st March, 2009
2. (a) Number of Shares held in the Subsidiary Company : 1,65,00,000 Shares of RM 1 each
(b) Percentage of the shareholding in Subsidiary Company : 55%
3. Total Issued Share Capital of the Subsidiary Company : 3,00,00,000 Shares of RM 1 each
4. The net aggregate amount of the profits / (losses) of the Subsidiary Company for the financial year so far as it concerns the members of Kansai Nerolac Paints Limited which has not been dealt with in the accounts of Kansai Nerolac Paints Limited upto 31st March, 2009 is as follows:
For the year ended – Rs. in lacs : (29.76)*
For the previous years – Rs. in lacs : (152.13)
5. The net aggregate amount of profits of the Subsidiary Company which have been dealt with in the accounts of Kansai Nerolac Paints Limited upto 31st March, 2009 being the dividend received is as under:
For the year ended – Rs. in lacs : NIL
For the previous years – Rs. in lacs : NIL

*The company has disposed off its entire investment in Kansai Coatings Malaysia SDN. BHD. on 30th June, 2008. The figures for the current year are upto the date of disposal.

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

Wholetime Director

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

Mumbai: 30th April, 2009

KANSAI NEROLAC PAINTS LIMITED

Particulars of the Subsidiary Company, Kansai Coatings Malaysia SDN. BHD. (KCM), for the financial year ended 31st March, 2009

	As at 31st March, 2009 Rs. in lacs	As at 31st March, 2008 Rs. in lacs
(a) Share Capital (Equity)	Nil	3796.20
(b) Reserves & Surplus	Nil	(692.18)
(c) Total Assets (Fixed Assets + Current Assets)	Nil	8354.18
(d) Total Liabilities (Debts + Current Liabilities)	Nil	5263.45
(e) Investments	Nil	Nil
(f) Turnover	2269.69	8114.30
(g) Other Income	23.48	78.01
(h) Profit Before Taxation	(57.60)	(279.90)
(i) Provision For Taxation	(3.50)	(3.61)
(j) Profit After Taxation	(54.10)	(276.29)
(k) Interim Dividend	Nil	Nil
(l) Final Dividend	Nil	Nil

Notes:

- The company has disposed off its entire investment in Kansai Coatings Malaysia SDN. BHD. on 30th June, 2008. The figures for the current year are upto the date of disposal.
- Financial Statements are prepared in Currency - Malaysian Ringgit (RM).
- Accounting period of the Subsidiary Company is April to March .
- Other Income, Profit before Taxation, Provision for Taxation, Profit after Taxation have been translated at average rates prevailing during the respective financial years.

Average exchange rate prevailing during the financial year :

2008-09 : 1 RM = Rs. 12.98

2007-08 : 1 RM = Rs. 11.99

		For and on behalf of the Board of Directors
		J. J. IRANI <i>Chairman</i>
		D. M. KOTHARI <i>Vice Chairman</i>
		H. M. BHARUKA <i>Managing Director</i>
		S. M. DATTA <i>Director</i>
		P. P. SHAH <i>Director</i>
		N. N. TATA <i>Director</i>
		P. D. CHAUDHARI <i>Wholetime Director</i>
Mumbai: 30th April, 2009	G. T. GOVINDARAJAN <i>Company Secretary</i>	P. D. PAI <i>CFO</i>

SUMMARISED BALANCE SHEET

Rs. in lacs

Year	Subscribed 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
1994-95	1072.85@	4361.38	4187.34	5370.58	14992.15	4939.03	1702.47	3236.56	592.54	8299.68	2102.81	760.56
1995-96	1072.85	5556.63	6646.44	6803.75	20079.67	5436.19	2148.65	3287.54	1302.33	11051.15	3018.48	1420.17
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

@ After Bonus Issue (In the ratio 1:2 in 1994-95; 2:3 in 2004-05)

\$ After Private Placement and Rights Issue Allotment (Rights issue in the ratio of 1:3 in 1996-97)

£ After Rights Issue — Final Call

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

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)
1994-95	16197.88	1757.53	5141.97	696.93	369.54	875.00	1337.87	26376.72	536.42	5.00	12.47	50.65
1995-96	19764.79	1881.24	6559.84	914.93	436.14	1060.00	1750.19	32367.13	536.42	5.00	16.31	61.79
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

Net of Rebates & Excise Duty

\$ On Equated Capital

Calculated on paid-up Capital in Rupees.

† 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.

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

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
KANSAI NEROLAC PAINTS LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009**

1. We have audited the attached consolidated balance sheet of Kansai Nerolac Paints Limited, the parent company, and its subsidiary [collectively referred as 'the group'], as at 31st March, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, both annexed thereto. These consolidated financial statements are the responsibility of the parent company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These 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.
3. We did not audit the financial statements of the subsidiary, namely, Kansai Coatings Malaysia Sdn. Bhd. whose financial statements reflect total assets of Rs. 9115.03 lacs as at 30th June, 2008, being the date of disposal of investment in the subsidiary, and total revenue of Rs. 2293.17 lacs and cash flows of Rs. 24.77 lacs for the period from 1st April, 2008 to 30th June, 2008; and of an associate, namely, NIPA Chemicals Limited, whose financial statements reflect the group's share of profits aggregating Rs. 855.02 lacs upto 31st March, 2009 and the group's share of profits of Rs. 111.91 lacs for the year ended on that date, as considered in the consolidated financial statements (these figures are without eliminating intragroup balances and intragroup transactions). These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary and the associate, are based solely on the reports of other auditors.
4. (a) We report that the consolidated financial statements have been prepared by the parent company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements, as notified by the Companies (Accounting Standard) Rules, 2006.

- (b) Based on our audit, and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary and the associate, referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the consolidated balance sheet, of the state of affairs of the group as at 31st March, 2009;
 - (ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Membership No. 36920

Mumbai: 30th April, 2009

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	As at 31st March, 2009		As at 31st March, 2008	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. SOURCES OF FUNDS					
1. Shareholders' Funds:					
a. Share Capital.....	A	2694.60		2694.60	
b. Reserves and Surplus.....	B	63605.27		57180.52	
			66299.87		59875.12
2. Minority Interest.....			—		1390.80
3. Loan Funds:					
a. Secured Loans	C	1608.29		4603.14	
b. Unsecured Loans	D	7754.33		7877.26	
			9362.62		12480.40
TOTAL.....			75662.49		73746.32
II. APPLICATION OF FUNDS					
1. Fixed Assets:	E				
a. Gross Block		54198.44		51773.32	
b. Less: Depreciation.....		30336.45		27642.79	
c. Add: Translation adjustments in respect of Foreign Subsidiary.....		—		9.91	
d. Net Block		23861.99		24140.44	
e. Less: Provision for write down in value of fixed assets [Refer Note II(4) on Schedule 'Q']		118.45		141.31	
		23743.54		23999.13	
f. Capital Work-in-Progress at cost.....		3094.36		2000.67	
g. Advances for Capital Expenditure		468.04		662.88	
		3562.40	27305.94	2663.55	26662.68
2. Investments	F		30297.57		22020.28
3. Deferred Tax Asset (Net) [Refer Note II(18) on Schedule 'Q']			1059.57		1039.12
4. Current Assets, Loans and Advances:					
a. Inventories.....	G	17063.39		19926.90	
b. Sundry Debtors	H	20957.29		23637.37	
c. Cash and Bank Balances	I	7616.39		3425.03	
d. Loans and Advances	J	4170.70		4774.72	
		49807.77		51764.02	
5. Less: Current Liabilities and Provisions:					
a. Liabilities.....	K	24423.49		19353.90	
b. Provisions.....	L	8384.87		8385.88	
		32808.36		27739.78	
Net Current Assets			16999.41		24024.24
TOTAL.....			75662.49		73746.32
Notes to the Accounts.....	Q				

Per our report attached
For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Mumbai: 30th April, 2009

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
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI

Chairman
Vice Chairman
Managing Director
Director
Director
Director
Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	Year ended 31st March, 2009		Year ended 31st March, 2008	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
I. INCOME					
a. Sales [Per Note II(13) on Schedule 'Q']		158964.75		160884.28	
Less: Excise Duty		19324.81		20891.80	
Net Sales			139639.94		139992.48
b. Other Income.....	M		2010.95		2562.60
			141650.89		142555.08
II. EXPENDITURE					
a. Cost of Materials / Products	N	91358.03		89039.33	
b. Employees' Remuneration and Benefits	O	7672.68		7974.00	
c. Operating and Other Expenses	P	24848.66		24351.30	
d. Interest – on Fixed Loans		6.49		72.67	
– others.....		206.31		154.36	
			124092.17		121591.66
III. PROFIT BEFORE DEPRECIATION AND TAX			17558.72		20963.42
Depreciation	E		3829.45		4204.31
IV. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			13729.27		16759.11
Add: Exceptional items [Refer Note II(3) on Schedule 'Q']					
a. Profit on disposal of investment in a subsidiary company			490.75		—
b. Transfer of balance in foreign currency translation reserve consequent to sale of stake in a subsidiary company.....			72.68		—
			14292.70		16759.11
V. PROFIT BEFORE TAXATION					
VI. PROVISION FOR TAXATION					
a. Current Tax		4056.96		5324.74	
b. Deferred Tax [Refer Note II(18) on Schedule 'Q']		(20.45)		(388.35)	
		4036.51		4936.39	
c. Fringe Benefit Tax.....		120.00		120.00	
			4156.51		5056.39
VII. PROFIT AFTER TAX			10136.19		11702.72
Add: Loss attributable to minority interest.....			24.35		124.47
Share of Profits in an Associate Company			111.91		132.02
VII. PROFIT AFTER MINORITY INTEREST AND SHARE OF PROFITS IN AN ASSOCIATE COMPANY			10272.45		11959.21
Add: Balance brought forward.....			20904.16		13925.91
IX. BALANCE AVAILABLE FOR APPROPRIATIONS			31176.61		25885.12
Less: Appropriations:					
a. Proposed Final Dividend		3233.52		3233.52	
b. Additional Income-tax on Distributed Profits.....		549.54		549.54	
c. General Reserve		985.89		1197.90	
			4768.95		4980.96
X. BALANCE CARRIED TO BALANCE SHEET			26407.66		20904.16
NOTES TO THE ACCOUNTS	Q				
Basic, as well as diluted, earnings per Equity Share (Nominal Value per Equity Share: Rs. 10) [Refer Note II(17) on Schedule 'Q'].....			Rs. 38.12		Rs. 44.38

Per our report attached to the Consolidated Balance Sheet
For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai: 30th April, 2009

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
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI

Chairman
Vice Chairman
Managing Director
Director
Director
Director
Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	2008-2009		2007-2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax.....		14299.70		16759.11
Adjustments for:				
Depreciation	3829.45		4204.31	
Foreign exchange loss (unrealised).....	46.10		4.85	
Foreign currency translation	(111.18)		(49.65)	
Loss on sale of fixed assets	3.47		1.89	
Loss on fixed assets written off	15.95		6.35	
Provision for write down in value of fixed assets	—		69.73	
Provision for write down in value of fixed assets written back	(22.86)		(11.52)	
Profit on sale of fixed assets.....	(1.86)		(4.96)	
Loss on sale / redemption of investments	29.20		17.86	
Profit on disposal of investment in a subsidiary including transfer of balance in foreign currency translation reserve [Refer Note II(3) on Schedule 'Q']	(570.43)		—	
Profit on sale / redemption of investments.....	(214.46)		(1413.92)	
Interest expenditure	212.80		227.03	
Interest income	(271.11)		(100.27)	
Dividend income	(1282.70)		(829.00)	
		1662.37		2122.70
Operating profit before working capital changes		15962.07		18881.81
Decrease / (increase) in trade and other receivables	868.15		(2043.01)	
(Increase) / decrease in inventories	(57.38)		82.37	
Increase in trade payables.....	7695.66		2735.54	
		8506.43		774.90
Cash generated from operations		24468.50		19656.71
Direct taxes paid (net of refunds)		(4180.19)		(5510.05)
Net cash from operating activities		20288.31		14146.66
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including adjustments on account of capital work-in-progress and capital advances).....		(7501.16)*		(6922.78)
[*net of Rs. 931 lacs being claim received from the insurance company as reimbursement for replacement / reinstatement of damaged property]				
Sale of fixed assets		4.44		38.24
Purchase of investments		(91585.64)		(58113.21)
Proceeds from disposal of investment in a subsidiary (net of cash and cash equivalents with subsidiary as at the date of disposal)		2102.58		—
Proceeds from sale / redemption of investments.....		83554.07		51777.52
Interest received		220.37		100.27
Dividend received [includes Rs. 51.45 lacs (2007-08 Rs. Nil) received from associate company].....		1334.15		829.00
Net cash used in investing activities		(11871.19)		(12290.96)

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

	2008-2009		2007-2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings.....		—		206.36
Repayment of borrowings.....		(512.62)		(822.35)
Increase in cash credit and other short term loan from banks		286.04		427.16
Interest paid.....		(213.13)		(227.03)
Dividend paid.....		(3240.07)		(220.76)
Additional Income-tax on distributed profits.....		(549.54)		—
Net cash used in financing activities.....		(4229.32)		(636.62)
Net increase in cash and cash equivalents		4187.80		1219.08
Cash and Cash equivalents at beginning of the year the components being :				
Cash on hand	5.30		15.75	
Balances with banks on current, margin and fixed deposit accounts ...	3419.73		2189.83	
		3425.03		2205.58
Add: Translation adjustment on opening cash and bank balances of foreign subsidiary		3.56		0.37
Cash and Cash equivalents at end of the year the components being :				
Cash on hand	4.69		5.30	
Balances with banks on current, margin and fixed deposit accounts ...	7611.70		3419.73	
		7616.39		3425.03
Net increase as disclosed above		4187.80		1219.08

Notes : 1. Figures in brackets are outflows / deductions.
2. Previous year's figures have been regrouped wherever necessary.

Per our report attached to the Consolidated Balance Sheet

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai: 30th April, 2009

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
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N. N. TATA
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Chairman
Vice Chairman
Managing Director
Director
Director
Director
Wholetime Director

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2009**

SCHEDULE: A

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
SHARE CAPITAL				
Authorised: 3,00,00,000 Equity Shares of Rs.10 each		3000.00		3000.00
Issued, Subscribed and Paid-up: 2,69,45,986 Equity Shares of Rs.10 each fully paid-up.....		2694.60		2694.60
[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. 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]			
1,86,64,880 (2007-2008 1,78,95,400) Equity Shares are held by the Holding Company Kansai Paints Co., Ltd., Japan				
TOTAL		2694.60		2694.60

SCHEDULE: B

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
RESERVES AND SURPLUS				
Capital Reserve on Consolidation		6.56		6.56
Capital Reserve:				
As per last Balance Sheet.....		30.37		30.37
Share Premium Account:				
As per last Balance Sheet.....		3950.14		3950.14
General Reserve:				
As per last Balance Sheet.....	32224.65		31026.75	
Add: Transfer from Profit and Loss Account	985.89		1197.90	
		33210.54		32224.65
Foreign Currency Translation Reserve				
As per last Balance Sheet.....	64.64		86.85	
Add / (Less): Arising during the year	8.04		(22.21)	
	72.68		64.64	
Less: Transfer to Profit and Loss Account on disposal of investment in a subsidiary company [Refer Note II(3) on Schedule 'Q']		(72.68)		—
		—		64.64
Surplus being balance in Profit and Loss Account.....		26407.66		20904.16
TOTAL		63605.27		57180.52

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2009**

SCHEDULE: C

SECURED LOANS

Loan from RHB Bank, Malaysia, secured by a negative pledge over the subsidiary's assets and corporate guarantee of the holding company, Kansai Paints Co., Ltd., Japan

— Long term

— Short term

Sales Tax Deferral, secured by a charge on the fixed assets of the factory at Jainpur [Including Rs. 281.25 lacs (2007-2008 Rs. 389.09 lacs) due within one year].....

Cash Credit from Banks, secured by hypothecation of stocks and book debts

TOTAL

As at 31st March, 2009		As at 31st March, 2008	
Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
—	—	1645.02	
—	—	832.76	2477.78
	1424.73		1813.82
	183.56		311.54
	1608.29		4603.14

SCHEDULE: D

UNSECURED LOANS

Sales Tax Deferral [Including Rs. 109.15 lacs (2007-2008 Rs. 114.70 lacs) due within one year].....

TOTAL

As at 31st March, 2009		As at 31st March, 2008	
Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
	7754.33		7877.26
	7754.33		7877.26

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009
AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE: E

FIXED ASSETS

Description	Cost				As at 31st March, 2009	Depreciation				As at 31st March, 2009	Translation adjustments in respect of Foreign Subsidiary				Net Block		
	As at 31st March, 2008	Additions during the year	Deductions during the year	Deduction on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q']		As at 31st March, 2008	For the year	On deductions during the year	Deduction on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q']		As at 31st March, 2008	Arising during the year	Deduction on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q']	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008	
I. TANGIBLE ASSETS:																	
1. Freehold Land.....	909.09	—	—	—	909.09	—	—	—	—	—	—	—	—	—	—	909.09	909.09
2. Leasehold Land..... [Refer Note I(iv)(a) on Schedule 'Q'].....	3341.37	—	—	1315.58	2025.79	31.43	4.18	—	35.61	—	7.79	44.62	52.41	—	2025.79	3317.73	
3. Buildings	12230.79	2040.04	300.00 *	814.22	13156.61	4787.00	643.31	—	56.92	5373.39	3.82	27.16	30.98	—	7783.22	7447.61	
4. Building for Scientific Research.....	44.76	—	—	—	44.76	42.92	0.18	—	—	43.10	—	—	—	—	1.66	1.84	
5. Plant and Machinery	17351.78	3608.76	934.86 *	822.39	19203.29	10157.17	1530.43	294.66	242.52	11150.42	(0.99)	24.55	23.56	—	8052.87	7193.62	
6. Plant and Machinery for Scientific Research.....	1248.12	73.82	—	—	1321.94	751.24	73.44	—	—	824.68	—	—	—	—	497.26	496.88	
7. Laboratory Equipment	680.86	145.33	3.62	29.28	793.29	341.04	56.32	3.10	6.64	387.62	(0.07)	0.99	0.92	—	405.67	339.75	
8. Furniture, Fittings and Equipment.....	3261.74	67.76	266.59	94.13	2968.78	2337.39	224.78	258.07	16.61	2287.49	(0.14)	3.29	3.15	—	681.29	924.21	
9. Furniture, Fittings for Scientific Research	36.84	—	—	—	36.84	34.18	0.39	—	—	34.57	—	—	—	—	2.27	2.66	
10. Electrical Installation.....	2291.97	538.03	3.04	—	2826.96	1179.57	167.99	2.15	—	1345.41	—	—	—	—	1481.55	1112.40	
11. Electrical Installation for Scientific Research.....	4.09	—	—	—	4.09	4.09	—	—	—	4.09	—	—	—	—	—	—	
12. Vehicles	92.68	29.39	22.44	26.44	73.19	67.77	5.20	19.57	7.88	45.52	0.05	0.71	0.76	—	27.67	24.96	
13. Assets given on Operating Lease - Colour Dispensers.....	9593.66	1240.15	—	—	10833.81	7739.28	1100.88	—	—	8840.16	—	—	—	—	1993.65	1854.38	
TOTAL TANGIBLE ASSETS	51087.75	7743.28	1530.55	3102.04	54198.44	27473.08	3807.10	577.55	366.18	30336.45	10.46	101.32	111.78	—	23861.99	23625.13	
Previous year	45475.39	5837.75	225.39	—	51087.75	23535.52	4121.43	183.87	—	27473.08	—	10.46	—	10.46	—	—	
II. INTANGIBLE ASSETS:																	
1. Goodwill	182.77	—	—	182.77	—	71.44	9.41	—	80.85	—	(0.94)	5.05	4.11	—	—	110.39	
2. Trademarks.....	502.80	—	—	502.80	—	98.27	12.94	—	111.21	—	0.39	15.56	15.95	—	—	404.92	
TOTAL INTANGIBLE ASSETS	685.57	—	—	685.57	—	169.71	22.35	—	192.06	—	(0.55)	20.61	20.06	—	—	515.31	
Previous year	685.57	—	—	—	685.57	86.83	82.88	—	—	169.71	—	(0.55)	—	(0.55)	—	—	
TOTAL	51773.32	7743.28	1530.55	3787.61	54198.44	27642.79	3829.45	577.55	558.24	30336.45	9.91	121.93	131.84	—	23861.99	24140.44	
Previous year	46160.96	5837.75	225.39	—	51773.32	23622.35	4204.31	183.87	—	27642.79	—	9.91	—	9.91	—	—	
Less: Provision for write down in value of fixed assets.....															118.45	141.31	
Capital Work-in-Progress at cost.....															Sub-total	23743.54	23999.13
Advances for Capital Expenditure															468.04	662.88	
Note: Buildings include Rs. 0.20 lac (2007-2008 Rs. 0.20 lac) representing value of fully paid shares in Co-operative Societies.															Sub-total	3562.40	2663.55
* Includes Rs. 300 lacs for Buildings and Rs. 631 lacs for Plant and Machinery being claim received from the insurance company as reimbursement for replacement / reinstatement of damaged property.															Total	27305.94	26662.68

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2009**

SCHEDULE: F

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVESTMENTS				
Long Term Investments (At cost, fully paid-up)				
A. Government Securities (Unquoted)		0.01		0.01
B. Trade (Unquoted) – Equity Shares:				
Share of assets in an Associate Company Nipa Chemicals Limited		890.88		830.42
(Net of Capital Reserve of Rs. 32.42 lacs arising on acquisition)				
C. Other than Trade :				
a. Equity Shares (Quoted)	25.12		25.12	
b. Debentures and Bonds:				
— Quoted	2047.08		711.22	
— Unquoted	500.00		500.00	
c. Mutual Funds (Unquoted)	3466.86		6986.53	
		6039.06		8222.87
		6929.95		9053.30
Current Investments (At lower of cost and fair value)				
Mutual Funds (Unquoted)		23367.62		12966.98
TOTAL		30297.57		22020.28
Aggregate amount of quoted investments [Market value Rs. 2124.62 lacs (2007-2008 Rs. 788.71 lacs) includes Rs. 1500.00 lacs (2007-2008 Rs. Nil) where cost has been considered as market value in the absence of transactions during the year]		2072.20		736.34
Aggregate amount of unquoted investments		28225.37		21283.94
TOTAL		30297.57		22020.28

SCHEDULE: G

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVENTORIES				
Stores and Spare Parts (At cost less amounts written down) ..		198.35		200.53
Stock-in-Trade (At lower of cost and net realisable value)				
Raw Materials [Including in-transit Rs. 176.12 lacs (2007-2008 Rs. 8.58 lacs)]		5160.53		5732.32
Packing Materials		358.83		406.46
Stock-in-Process		1419.36		1960.79
Finished Products		9926.32		11626.80
TOTAL		17063.39		19926.90

SCHEDULE: H

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SUNDRY DEBTORS				
(Considered good)				
Debts outstanding for a period exceeding six months:				
Secured	0.48		21.30	
Unsecured	546.71		546.36	
		547.19		567.66
Other Debts:				
Secured	1.04		2034.91	
Unsecured	20409.06		21034.80	
TOTAL		20410.10		23069.71
		20957.29		23637.37

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2009**

SCHEDULE: I

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
CASH AND BANK BALANCES				
Cash on hand		4.69		5.30
With Scheduled Banks:				
On Current Account.....	3286.66		3330.81	
On Margin Account.....	—		1.81	
On Fixed Deposit Account.....	4325.04		—	
		<u>7611.70</u>		<u>3332.62</u>
With an overseas Bank on Current Account.....		—		87.11
TOTAL.....		<u><u>7616.39</u></u>		<u><u>3425.03</u></u>

SCHEDULE: J

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
LOANS AND ADVANCES (Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received [Refer Note II(5) on Schedule 'Q'].....		1252.78		1337.78
Advance Payment of Tax Net of Provisions (other than deferred tax and fringe benefit tax)		1874.04		1906.45
Advance Payment of Fringe Benefit Tax Net of Provisions.....		42.39		32.39
Value Added Tax Credit Receivable		94.65		74.75
Balance with Central Excise, Customs, Port Trust etc.....		906.84		1423.35
TOTAL.....		<u><u>4170.70</u></u>		<u><u>4774.72</u></u>

SCHEDULE: K

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
CURRENT LIABILITIES				
Acceptances		1378.72		872.30
Sundry Creditors [Refer Note II(6) on Schedule 'Q']		23001.12		18430.47
Unclaimed Dividend.....		41.14		47.69
Unclaimed Fixed Deposits.....		1.95		2.55
Unclaimed Interest on Fixed Deposits.....		0.56		0.89
TOTAL.....		<u><u>24423.49</u></u>		<u><u>19353.90</u></u>

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2009**

SCHEDULE: L

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
PROVISIONS				
Taxation Net of Advances (other than deferred tax and fringe benefit tax).....	1488.59		1523.11	
Fringe Benefit Tax Net of Advances.....	36.11		17.49	
Proposed Dividend	3233.52		3233.52	
Additional Income-tax on Distributed Profits.....	549.54		549.54	
Indirect Taxes [Refer Note II(19)(a) on Schedule 'Q']	2663.58		2663.58	
Provision for Warranties [Refer Note II(19)(b) on Schedule 'Q']	60.00		60.89	
Provision for Compensated Absences.....	353.53		337.75	
TOTAL	<u>8384.87</u>		<u>8385.88</u>	

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

SCHEDULE: M

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
OTHER INCOME				
Income from Investments:				
Dividend from other than trade Investments:				
Long term.....	242.94		195.44	
Current	1039.76		633.56	
	<u>1282.70</u>		829.00	
Interest on other than trade Investments.....	78.96		88.19	
Interest on deposits, advances and others	192.15		12.08	
Profit on Sale of Fixed Assets	1.86		4.96	
Profit on sale / redemption of Investments:				
Long term.....	199.74		1400.71	
Current	14.72		13.21	
	<u>214.46</u>		1413.92	
Provision for write down in value of Fixed Assets written back consequent to charge on account of depreciation [Refer Note II(4) on Schedule 'Q']	22.86		11.52	
Insurance and Other Claims / Sales Tax Refunds	40.52		41.19	
Interest on income-tax refund.....	83.30		—	
Lease Rentals.....	46.64		122.28	
Miscellaneous Income.....	47.50		39.46	
TOTAL	<u>2010.95</u>		<u>2562.60</u>	

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

SCHEDULE: N

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
COST OF MATERIALS / PRODUCTS				
Raw Materials Consumed:				
Opening Stock.....	5732.32		5675.18	
Add: Purchases.....	78513.84		74501.82	
	<u>84246.16</u>		<u>80177.00</u>	
Less: Sales.....	82.25		190.91	
	<u>84163.91</u>		<u>79986.09</u>	
Less: Adjustment on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q'].....	826.91		—	
Less: Closing Stock.....	<u>5160.53</u>		<u>5732.32</u>	
		78176.47		74253.77
Packing Materials Consumed:				
Opening Stock.....	406.46		487.25	
Add: Purchases.....	11285.86		9971.83	
	<u>11692.32</u>		<u>10459.08</u>	
Less: Adjustment on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q'].....	65.79		—	
Less: Closing Stock.....	<u>358.83</u>		<u>406.46</u>	
		11267.70		10052.62
Adjustment for Stock:				
Opening Stock:				
Stock-in-Process	1960.79		1988.88	
Finished Products.....	11626.80		11641.44	
	<u>13587.59</u>		<u>13630.32</u>	
Add: Purchase of Finished Products.....	2618.71		4663.20	
	<u>16206.30</u>		<u>18293.52</u>	
Less: Adjustment on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q']				
Stock-in-Process	795.85		—	
Finished Products.....	1332.29		—	
Less: Closing Stock:				
Stock-in-Process	1419.36		1960.79	
Finished Products.....	9926.32		11626.80	
	<u>13473.82</u>		<u>13587.59</u>	
		2732.48		4705.93
Excise duty related to the difference between the closing stock and opening stock		<u>(818.62)</u>		<u>27.01</u>
TOTAL		<u>91358.03</u>		<u>89039.33</u>

SCHEDULE: O

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs		Rs. in lacs	
EMPLOYEES' REMUNERATION AND BENEFITS				
Salaries, Wages, Bonus & Commission and Other Related Expenses.....	6902.05		7008.82	
Company's Contribution to Provident Fund and Other Funds..	360.22		527.39	
Workmen and Staff Welfare Expenses.....	410.41		437.79	
TOTAL.....		<u>7672.68</u>		<u>7974.00</u>

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

SCHEDULE: P

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
OPERATING AND OTHER EXPENSES				
Stores and Spare Parts Consumed		970.91		1002.70
Power and Fuel		2138.63		2094.12
Processing Charges		524.23		704.56
Repairs and Maintenance:				
Plant and Machinery	286.00		452.40	
Buildings	50.59		104.20	
Others	101.32		172.97	
		437.91		729.57
Consignment, Freight and Forwarding Charges		6455.84		5696.91
Advertising and Selling Expenses		4725.09		4461.76
Provision for warranties		80.00		27.88
Rent		616.60		552.64
Rates and Taxes		78.59		92.88
Water Charges		34.14		33.10
Surcharge on Sales Tax		83.99		163.70
Insurance		119.45		224.60
Commission to Non-Wholetime Directors..... [Refer Note II(9) on Schedule 'Q']		80.00		50.00
Directors Sitting Fees		3.40		3.60
Cash Discount		3502.73		2994.46
Donations		25.00		50.00
Travelling and Conveyance Expenses		1370.31		1467.12
Loss on Sale of Investments:				
Long Term	10.85		10.99	
Current	18.35		6.87	
		29.20		17.86
Loss on Sale of Fixed Assets		3.47		1.89
Loss on Fixed Assets Written Off		15.95		6.35
Provision for write down in the value of fixed assets		—		69.73
Bad Debts		129.85		131.88
Lease Rentals		42.51		40.40
I. T. Related Expenses		392.70		417.94
Royalty		680.67		810.53
Miscellaneous		2307.49		2505.12
TOTAL		<u>24848.66</u>		<u>24351.30</u>

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE: Q

NOTES TO THE CONSOLIDATED ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

(i) BASIS OF ACCOUNTING

- (a) The consolidated financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard – 23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- (b) These financial statements comprise: (i) the consolidation of the financial statements of Kansai Nerolac Paints Limited, the Parent Company and the financial statements of the Subsidiary Company (the Parent Company and its Subsidiary constitute 'the Group'); and (ii) the accounting of the share of profits in Associate Company.

The names of the Subsidiary and the Associate Company which are included in the consolidation with their respective country of incorporation, the Group's holding therein and period of holding are as given below:

Name of the Company	Country of Incorporation	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
		Extent of holding (%)	Period of holding	Extent of holding (%)	Period of holding
(A) Subsidiary Company	Malaysia	55	Upto 30.06.2008 [Refer Note II(3) on Schedule 'Q']	55	Throughout the year
– Kansai Coatings Malaysia, Sdn. Bhd. (Kansai Malaysia)					
(B) Associate Company	India	49	Throughout the year	49	Throughout the year
– Nipa Chemicals Limited					

- (c) The consolidated financial statements include, in respect of Kansai Malaysia, total assets of Rs. Nil as at 31st March, 2009 (2007-2008 Rs. 5775.76 lacs) and total revenues of Rs. 2293.17 lacs for the period from 1st April, 2008 to 30th June, 2008 (2007-2008 Rs. 8192.31 lacs) and cash outflows of Rs. 91.05 lacs for the period from 1st April, 2008 to 30th June, 2008 (2007-2008 cash inflows of Rs. 30.81 lacs).
- (d) In case of the foreign subsidiary, namely, Kansai Malaysia, revenue items are consolidated at the average exchange rate prevailing during the year / period. All assets and liabilities are converted at the rate prevailing as at the end of the year / period. Exchange difference arising on consolidation is recognised as Foreign Currency Translation Reserve.
- (e) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Profit and Loss Account as profit or loss on disposal of investment in subsidiary [Refer Note II(3) on Schedule 'Q'].

(ii) FIXED ASSETS

Fixed assets are stated at their original cost including incidental expenses related to acquisition and installation, less accumulated depreciation and impairment losses, if any. Cost comprises of the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use.

(iii) 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. No borrowing costs are eligible for capitalisation during the year.

(iv) DEPRECIATION

- (a) No write off is made in respect of leasehold land as these are long term leases (insofar as it relates to the parent company).
- (b) Depreciation is provided on the written down value method, at the rates prescribed in Schedule XIV to the Companies Act, 1956, except that in respect of:
- (i) Colour Dispensers, the rate of depreciation applied is 45 per cent, which management considers as being representative of the economic useful life of such assets; and

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(iv) DEPRECIATION (contd.)

- (ii) Fixed Assets of the overseas subsidiary where depreciation is provided on the straight line method, at rates based on the useful life of the assets which are mostly higher than the rates specified in Schedule XIV to the Companies Act, 1956. Details of such assets are as under:

Sr. No.	Class of Fixed Assets	Gross Block (Rs. in lacs)		Net Block (Rs. in lacs)		Rate of Depreciation (%)
		As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2009	As at 31st March, 2008	
(i)	Leasehold land	—	1315.58	—	1291.94	1.22
(ii)	Building	—	814.22	—	768.17	3
(iii)	Plant and machinery and laboratory equipment	—	839.96	—	619.66	14.29
(iv)	Furniture, fittings and equipment	—	86.80	—	73.63	10
(v)	Vehicles	—	16.47	—	9.98	20

- (c) Depreciation on intangible assets is provided on the straight line method. Goodwill is being amortised over a period of 5 years and Trademarks are being amortised over a period of 10 years, which periods, the management considers as being representative of the economic useful life of such assets.

(v) 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.

(vi) 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.
- (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) Dividend income is accounted when the right to receive payment is established and known.

(vii) INVENTORIES

- (a) Stores and spare parts are valued at cost less amounts written down.
- (b) Stock-in-trade comprising of raw materials (including in-transit), 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.
- (c) Cost has been arrived at on the basis of weighted average method except in respect of a subsidiary company, where cost is being arrived at on the basis of standard cost. The value of inventory of a subsidiary company as at 31st March, 2009 is Rs. Nil (as at 31st March, 2008 Rs. 2585.79 lacs).

(viii) SALES

- (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 all significant risk and rewards of ownership have been transferred to the buyer without the seller retaining any effective control over the goods.
- (b) Sales are inclusive of excise duty, export incentive, exchange fluctuation on export receivables, processing charges, sale of scrap and income from services and are net of trade discount and product rebate.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(ix) 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 Group are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Group make monthly contributions at a specified percentage of the employees' eligible salary.

The contributions are made to the provident fund managed by the trust set up by the Parent Company or to the Regional Provident Fund Commissioner (RPFC) or to the Statutory Pension Fund which are charged to the Profit and Loss Account as incurred.

In respect of contribution to RPFC and to the Statutory Pension Fund, the Group 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 Parent Company, since the Parent 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 Parent Company are entitled to receive post employment benefits in respect of superannuation fund in which the Parent Company makes annual contribution at a specified percentage of the employees' eligible salary. The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Parent Company has no further obligations beyond making the contribution. The Parent Company's contribution to Defined Contribution Plan is charged to Profit and Loss Account as incurred.

3. Gratuity

The Parent 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 Parent 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 Parent 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.

(c) Other long-term employee benefits – compensated absences:

The Parent 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 Parent Company makes provision for compensated absences based on an actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the Profit and Loss Account.

(x) 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.

(xi) 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 items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognised in the Profit and Loss Account.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(xi) FOREIGN CURRENCY TRANSACTIONS (contd.)

(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 contracts 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.

(xii) ACCOUNTING FOR DERIVATIVES

The Institute of Chartered Accountants of India had issued an announcement on 'Accounting for Derivatives' inter alia requiring provision for losses on all derivative contracts outstanding at the balance sheet date by marking them to market keeping in view the principle of prudence, other than for forward contracts to which Accounting Standard (AS) 11 – 'The Effect of Change in Foreign Exchange Rates' is applicable in respect of which accounting policy as stated in Note (xi) (b) above is followed. The Company has entered into forward contracts to hedge a firm commitment or a highly probable forecast transaction to which AS 11 is not applicable and hence, the Company has applied aforesaid announcement. As assessed by the Company, there is no loss on the outstanding forward contracts as at the balance sheet.

(xiii) TAXATION

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 or applicable foreign tax law in case of a subsidiary. 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 at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable / virtual (as applicable) certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xiv) PROVISIONS

A provision is recognised when an enterprise has a present obligation as a result of a 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.

(xv) 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.

II. OTHER NOTES

	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	175.43	519.51
2. Contingent liabilities not provided for:		
(a) Guarantees issued in favour of an associate company in respect of funded and non-funded facilities provided by banks	110.00	110.00
(b) Counter guarantee issued in favour of parent company of the Group which in turn has issued guarantee in favour of the subsidiary in respect of funded and non-funded facilities provided by banks	—	1670.33
3. The Company has sold its equity shares in its only subsidiary, namely, Kansai Coatings Malaysia Sdn. Bhd. on 30th June 2008 to its holding company, namely, Kansai Paint Co, Ltd., Japan for a consideration of Rs. 2168.86 lacs. The profit of Rs. 490.75 lacs on disposal of such investment has been shown as an exceptional		

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
item which has been computed after adjusting from the consideration, the net assets of Rs. 1678.11 lacs transferred to the buyer [assets of Rs. 9115.03 lacs and liabilities of Rs. 7436.92 lacs (including minority interest of Rs. 1373.00 lacs)].		
The consolidated financial statements for the year include in respect of the subsidiary, total revenues of Rs. 2293.17 lacs (2007-2008 Rs. 8192.31 lacs) and Company's share of loss after tax of Rs. 29.76 lacs (2007-2008 Rs. 152.13 lacs) [excluding profit on disposal of Investment in a subsidiary and without eliminating intragroup transactions].		
4. The fixed assets at the Parent Company's pigment manufacturing unit at Kavesar, Thane District and paint manufacturing units at Lower Parel and at Vatwa, Ahmedabad, have been retired from active use. Accordingly, the fixed assets (other than freehold land) at those manufacturing units had been written down to Rs. 22.20 lacs on the basis of valuation reports [amount written down as at the end of the year Rs. 118.45 lacs (2007-2008 Rs. 141.31 lacs)]. During the year, an amount of Rs. 22.86 lacs (2007-2008 Rs. 11.52 lacs) has been written back consequent to charge on account of depreciation of an equal amount.		
5. Advances recoverable in cash or in kind include interest accrued on investment ...	28.30	31.35
6. Sundry Creditors include overdrawn bank balances in the ordinary course of business	1.82	54.79
7. Revenue expenditure on Research and Development charged to the Profit and Loss Account is [Including depreciation Rs. 74.01 lacs (2007-2008 Rs. 74.77 lacs)]	1154.07	1007.23
8. The amount of exchange differences (net) credited / (debited) to the Profit and Loss Account is	135.92	260.86
9. Managerial Remuneration to the Managing Director and a Wholetime Director [inclusive of contribution to provident and other funds Rs. 50.83 lacs (2007-2008 Rs. 45.56 lacs), perquisites and other allowances Rs. Nil (2007-2008 Rs. Nil), commission Rs. 129.75 lacs (2007-2008 Rs. 75.00 lacs)].....	312.20	188.06
(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.....	80.00	50.00
Directors Sitting Fees	3.40	3.60
10. Auditors' remuneration excluding service tax #		
Audit fee.....	15.25*	19.81*
Report under Section 44AB of the Income-tax Act, 1961.....	3.50	3.50
Company law matters.....	0.18	0.18
Other services	19.09*	11.96*
Out-of-pocket expenses.....	0.55	0.64
* includes Rs. Nil (2007-2008 Rs. 4.56 lacs) for Audit fee and Rs. 3.89 lacs (2007-2008 Rs. 1.56 lacs) for other services in respect of the auditors of the subsidiary company.		
# excludes Rs. Nil (2007-2008 Rs. 2.40 lacs) paid for other services to a firm of Chartered Accountants where some of the partners are also partners in that firm.		

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2009 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

11. The Parent Company has made monthly payments aggregating Rs. 9.72 lacs (2007-2008 Rs. 9.33 lacs) and payments in respect of medical reimbursement aggregating Rs. 0.10 lac (2007-2008 Rs. 0.10 lac) towards post retirement arrangements to former Wholetime Directors.

12. Segment Reporting

A. Primary Segments – Geographical Segments:

	31st March, 2009				31st March, 2008			
	Rs. in lacs				Rs. in lacs			
	India	Malaysia	Inter Segment Eliminations	Total	India	Malaysia	Inter Segment Eliminations	Total
I. Revenue								
(a) External sales and other income.....	137506.25	2293.07	—	139799.32	132024.04	8187.85	—	140211.89
(b) Inter segment sales and other income.....	81.67	—	(81.67)	—	96.83	—	(96.83)	—
(c) Total segment revenue	137587.92	2293.07	(81.67)	139799.32	132120.87	8187.85	(96.83)	140211.89
(d) Other income.....				1851.57				2343.19
Total.....				141650.89				142555.08
II. Result								
(a) Segment results/ operating profit/(loss)...	12148.40	(28.70)	—	12119.70	14858.75	(197.94)	—	14660.81
(b) Interest expenses				212.80				227.03
(c) Other income.....				1851.57				2343.19
(d) Other expenses.....				29.20				17.86
(e) Profit before tax and exceptional items.....				13729.27				16759.11
(f) Exceptional items				563.43				—
(g) Profit before tax.....				14292.70				16759.11
(h) Provision for taxation...				4156.51				5056.39
(i) Profit after tax.....				10136.19				11702.72
III. Other Information								
(a) Segment assets.....	70787.12	—	—	70787.12	68211.68	8342.96	(98.13)	76456.51
(b) Other assets.....				37683.73				25029.59
(c) Total assets.....				108470.85				101486.10
(d) Segment liabilities	27456.95	—	—	27456.95	19884.70	2578.42	(98.13)	22364.99
(e) Other liabilities (including share capital and reserves).....				81013.90				79121.11
(f) Total liabilities.....				108470.85				101486.10
(g) Cost incurred during the year to acquire segment fixed assets...	7712.31	30.97		7743.28	5770.70	67.05		5837.75
(h) Depreciation.....	3760.50	68.95		3829.45	3960.05	244.26		4204.31
(i) Non-cash expenses other than depreciation	—	—		—	—	—		—

B. Secondary Segments – Business Segments

As the Group's business activity falls within a single business segment viz, 'Paints', the disclosure requirements of Accounting Standard - 17 "Segment Reporting", notified under the Companies Act, 1956 is not applicable.

KANSAI NEROLAC PAINTS LIMITED

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

13. Break-up of Sales:

Description	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Paints, Varnishes, Enamels and Powder Coatings	167753.55	168265.36
Processing Charges	70.08	71.08
Others (Including Sale of Scrap and Agency Commission).....	754.69	1071.83
Total.....	168578.32	169408.27
Less: Rebates, Discounts, Allowances, etc.	9613.57	8523.99
Total.....	158964.75	160884.28

14. 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 Company : PT. Kansai Paint Indonesia
Kansai Paint Philippines Inc
Kansai Paint (Singapore) Pte. Ltd.
Chongqing Kansai Paint Co., Ltd.
Kansai Resin (Thailand) Co. Ltd.
Sime Kansai Paints SDN. BHD.
Thai Kansai Paint Co. Ltd.
Taiwan Kansai Paint Co., Ltd.
Kansai Paint Middle East FZCO

Associate – Company in which the Parent Company has substantial interest (i.e. more than 20% in voting power) : Nipa Chemicals Limited

Key Management Personnel (Parent Company) : Mr. H. M. Bharuka, Managing Director
Mr. P. D. Chaudhari, Wholetime Director (w.e.f 1st May, 2008)

Disclosure of transactions with these parties has been included in Note II (14)(ii) below.

(ii) Transactions with related parties

Nature of Transaction	Holding Company	Fellow Subsidiary Company	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	547.75 (620.36)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	547.75 (620.36)
Dividend paid					
— Kansai Paint Co., Ltd., Japan	2147.45 (165.41)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2147.45 (165.41)

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

14. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Technical fees including reimbursement of expenses					
— Kansai Paint Co., Ltd., Japan	300.18 (247.70)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	300.18 (247.70)
Dividend received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	51.45 (—)	N.A. (N.A.)	51.45 (—)
Purchase of goods					
— Kansai Paint (Singapore) Pte. Ltd.	N.A. (N.A.)	— (7.26)	N.A. (N.A.)	N.A. (N.A.)	— (7.26)
— Kansai Paint Co., Ltd., Japan	1.24 (7.56)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1.24 (7.56)
— Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	125.81 (24.23)	N.A. (N.A.)	N.A. (N.A.)	125.81 (24.23)
— Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	— (2.65)	N.A. (N.A.)	N.A. (N.A.)	— (2.65)
— Taiwan Kansai Paint Co., Ltd.	N.A. (N.A.)	9.18 (—)	N.A. (N.A.)	N.A. (N.A.)	9.18 (—)
— Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	— (11.46)	N.A. (N.A.)	N.A. (N.A.)	— (11.46)
Sale of goods					
— Chongqing Kansai Paint Co., Ltd.	N.A. (N.A.)	21.58 (7.92)	N.A. (N.A.)	N.A. (N.A.)	21.58 (7.92)
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	2.24 (—)	N.A. (N.A.)	2.24 (—)
— Kansai Paint Philippines Inc	N.A. (N.A.)	43.67 (65.99)	N.A. (N.A.)	N.A. (N.A.)	43.67 (65.99)
— Kansai Paint Middle East FZCO	N.A. (N.A.)	17.96 (—)	N.A. (N.A.)	N.A. (N.A.)	17.96 (—)
— PT. Kansai Paint Indonesia	N.A. (N.A.)	307.39 (372.74)	N.A. (N.A.)	N.A. (N.A.)	307.39 (372.74)
— Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	2.53 (1.58)	N.A. (N.A.)	N.A. (N.A.)	2.53 (1.58)
Processing Charges					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	62.19 (55.21)	N.A. (N.A.)	62.19 (55.21)
Interest received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	5.46 (3.49)	N.A. (N.A.)	5.46 (3.49)
Agency Commission received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	210.30 (230.64)	N.A. (N.A.)	210.30 (230.64)
Rental Income					
— Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	13.63 (50.39)	N.A. (N.A.)	N.A. (N.A.)	13.63 (50.39)

KANSAI NEROLAC PAINTS LIMITED

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

14. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Processing Charges received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	70.08 (71.08)	N.A. (N.A.)	70.08 (71.08)
IT related expenses recovered					
— Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	22.72 (41.10)	N.A. (N.A.)	N.A. (N.A.)	22.72 (41.10)
Remuneration*					
— Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	201.09* (156.56)	201.09 (156.56)
— Mr. P. D. Chaudhari, Wholetime Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	41.58* (N.A.)	41.58 (N.A.)
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 Paint Co., Ltd., Japan [Refer Note II(2)(b) on Schedule 'Q']	N.A. (1670.33)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (1670.33)
Corporate Guarantee given by					
— Kansai Paint Co., Ltd., Japan	— (3036.96)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	— (3036.96)
Receivable as at year end					
— Chongqing Kansai Paint Co., Ltd.	N.A. (N.A.)	— (7.92)	N.A. (N.A.)	N.A. (N.A.)	— (7.92)
— Kansai Paint Philippines Inc	N.A. (N.A.)	— (21.83)	N.A. (N.A.)	N.A. (N.A.)	— (21.83)
— PT. Kansai Paint Indonesia	N.A. (N.A.)	— (109.34)	N.A. (N.A.)	N.A. (N.A.)	— (109.34)
Payable as at year end					
— Kansai Paint Co., Ltd., Japan	190.54 (199.46)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	190.54 (199.46)
— Sime Kansai Paints SDN. BHD.	N.A. (N.A.)	— (40.39)	N.A. (N.A.)	N.A. (N.A.)	— (40.39)
— Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	50.10 (2.42)	N.A. (N.A.)	N.A. (N.A.)	50.10 (2.42)
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	194.71 (120.36)	N.A. (N.A.)	194.71 (120.36)
— Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	— (11.46)	N.A. (N.A.)	N.A. (N.A.)	— (11.46)

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.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

15. Vehicles for use by employees are obtained on operating lease for a lease term of three to five years. The Group has also obtained office premises on operating lease for the initial period of two to three years, with an option to renew the leases.

	Year ended 31st March, 2009	Year ended 31st March, 2008
	Rs. in lacs	Rs. in lacs
(a) Lease payments recognised in the Profit and Loss Account.....	44.85	48.23
(b) Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year	33.82	48.42
(ii) Later than one year and not later than five years	51.00	62.59
(iii) Later than five years	—	

16. The Group 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. 10833.81 lacs (2007-2008 Rs. 9593.66 lacs) and Rs. 8840.16 lacs (2007-2008 Rs. 7739.28 lacs) respectively.
- (ii) Depreciation recognised in the profit and loss account is Rs. 1100.88 lacs (2007-2008 Rs. 1069.82 lacs).
- (b) The minimum aggregate lease payments to be received in future after considering amounts waived as at the year end [Refer Note II(16)(c) below] is as follows:

	Year ended 31st March, 2009	Year ended 31st March, 2008
	Rs. in lacs	Rs. in lacs
(i) Not later than one year	30.10	45.02
(ii) Later than one year and not later than five years	65.30	104.87
(iii) Later than five years	—	—

- (c) The lease agreements are for a period upto seven years. However, the corresponding lease rentals may be receivable for a shorter period.

17. Values used in calculating Earnings Per Share:

	Year ended 31st March, 2009	Year ended 31st March, 2008
(a) Numerator: Profit after Minority Interest and Share of profits in an Associate Company (Rs. in lacs)	10272.45	11959.21
(b) Denominator: Weighted average number of Equity Shares.....	2,69,45,986	2,69,45,986

KANSAI NEROLAC PAINTS LIMITED

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

18. Deferred taxes:

Nature of timing difference	Deferred Tax Asset / (Liability) as at 31st March, 2008	(Charge) / Credit for the year	Deferred Tax Asset / (Liability) as at 31st March, 2009
	Rs. in lacs	Rs. in lacs	Rs. in lacs
(a) Deferred tax assets			
— Items covered under Section 43B.....	990.27	76.03	1066.30
— Provision for diminution in value for fixed assets	48.03	(7.77)	40.26
— Voluntary Retirement Compensation	55.44	15.21	70.65
— Amalgamation expenses	3.93	17.68	21.61
Sub-total.....	<u>1097.67</u>	<u>101.15</u>	<u>1198.82</u>
(b) Deferred tax liabilities			
— Depreciation.....	(58.55)	(80.70)	(139.25)
(c) Net amount.....	<u>1039.12</u>	<u>20.45</u>	<u>1059.57</u>

19. (a) Provision for indirect taxes:

Description	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Opening Balance	2663.58	2663.58
Add: Provision during the year	—	—
Less: Utilisation / Settlement / Reversal	—	—
Closing Balance.....	<u>2663.58</u>	<u>2663.58</u>

Provision of Rs. 2663.58 lacs (2007-2008 Rs. 2663.58) has been recognised in respect of matters relating to indirect taxes. The timing of the outflow is dependent on the outcome of the settlement with the appropriate authorities.

(b) Provision for warranties:

Description	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Opening Balance	60.89	34.20
Add: Provision during the year.....	80.00	34.33
Less: Utilisation / Settlement	65.00	1.19
Less: Reversal	—	6.45
Less: Deduction on disposal of investment in a subsidiary [Refer Note II(3) on Schedule 'Q']	15.89	—
Closing Balance.....	<u>60.00</u>	<u>60.89</u>

The Group is selling certain products with a warranty upto four / seven years. Accordingly, a provision has been recognised on the basis of management's expectation of warranty claims on such products.

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

20. Employee Benefits

A. Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of Consolidated 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, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs
Employer's contribution to Regional Provident Fund Commissioner	44.91	53.48
Employer's contribution to Family Pension Fund or Statutory Pension Fund..	127.63	213.31
Employer's contribution to Superannuation Fund	56.99	53.82

B. Defined Benefit Plan

(a) Contribution to provident fund managed by the trust set up by the Parent 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 Parent Company in the absence of guidance from the Actuarial Society of India. Accordingly, the Parent 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 regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly, no provision is required towards the guarantee given for notified interest rates. During the year, the Parent Company has contributed Rs. 94.10 lacs (2007-2008: Rs. 89.59 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:

Category	% of each to total plan assets	
Bonds and Securities of Central Government	8.30	8.13
Bonds and Securities of State Government	8.81	8.41
Bonds and Securities of Public Sector Undertakings	17.26	16.23
Special Deposits with Banks	65.63	67.23

(b) Gratuity and long term compensated absences

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009	31st March, 2008	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs	Rs. in lacs	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.....	1291.85	1258.11	337.75	337.76
Interest Cost	100.76	100.65	22.63	27.51
Current Service Cost	80.15	38.23	62.53	69.22
Benefits paid.....	(225.71)	(134.57)	(49.94)	(46.31)
Net Actuarial (Gain) / Loss	(57.04)	29.43	(19.44)	(50.43)
Present value of Defined Benefit Obligation as at the end of the year.....	1190.01	1291.85	353.53	337.75

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

20. Employee Benefits (contd.)

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009	31st March, 2008	31st March, 2009	31st March, 2008
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
ii. Reconciliation of fair value of Plan Assets				
Fair value of Plan Assets as at the beginning of the year	1290.05	1258.85	N.A.	N.A.
Expected return on Plan Assets	97.40	100.71	N.A.	N.A.
Net Actuarial Gain/(Loss)	33.41	—	N.A.	N.A.
Employer's Contribution.....	0.85	65.06	N.A.	N.A.
Benefits paid.....	(225.71)	(134.57)	N.A.	N.A.
Fair value of Plan Assets as at the end of the year.....	1196.00	1290.05	N.A.	N.A.
The Parent Company expects to contribute Rs. 70.00 lacs 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%	N.A.	N.A.
<i>Note:</i> The Parent 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	(1190.01)	(1291.85)	(353.53)	(337.75)
Fair value of Plan Assets	1196.00	1290.05	N.A.	N.A.
Net asset / (liability) recognised in Balance Sheet	5.99	(1.80)	(353.53)	(337.75)
iv. Components of Employer's Expenses:				
Current Service Cost	80.15	38.23	62.53	69.22
Interest Cost	100.76	100.65	22.63	27.51
Expected return on Plan Assets	(97.40)	(100.71)	N.A.	N.A.
Net Actuarial (Gain) / Loss	(90.45)	29.43	(19.44)	(50.43)
Total expenses / (income) recognised in the Profit and Loss Account in Schedule O under:	(6.94)	67.60	65.72	46.30

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

20. Employee Benefits (contd.)

Total expenses/(income) recognised in the Profit and Loss account in Schedule O under:

	Company's Contribution to Provident Fund and Other Funds		Salaries, Wages, Bonus & Commission and Other Related Expenses	
Actual return on Plan Assets	130.81	100.71	N.A.	N.A.
v. Actuarial Assumptions				
Mortality Table	LIC (1994-96) (Ultimate)		LIC (1994-96) (Ultimate)	
Discount rate	7.80%	7.50%	7.80%	7.50%
Expected rate of return on Plan Assets	7.55%	7.55%	N.A.	N.A.
Salary escalation	7%	10%	7%	10%
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:			

	Gratuity (Funded)		Compensated absences (Unfunded)	
	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs	31st March, 2009 Rs. in lacs	31st March, 2008 Rs. in lacs
1. Present Value of Defined Benefit Obligation	1190.01	1291.85	353.53	337.75
2. Fair Value of Plan Assets	1196.00	1290.05	N.A.	N.A.
3. Funded Status [Surplus / (Deficit)]	5.99	(1.80)	N.A.	N.A.
4. Net Asset / (Liability)	5.99	(1.80)	353.53	337.75
5. Experience adjustment arising on:				
a. Plan Liabilities [Loss / (Gain)]	(57.04)	29.43	(19.44)	(50.43)
b. Plan Assets [Loss / (Gain)].....	(33.41)	—	N.A.	N.A.

Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by The Companies (Accounting Standards) Rules, 2006 requires the disclosure of the above information for the past four years; however the information is available only for past one year since the date of implementing the Standard.

21. The figures relating to the previous year have been regrouped wherever necessary.

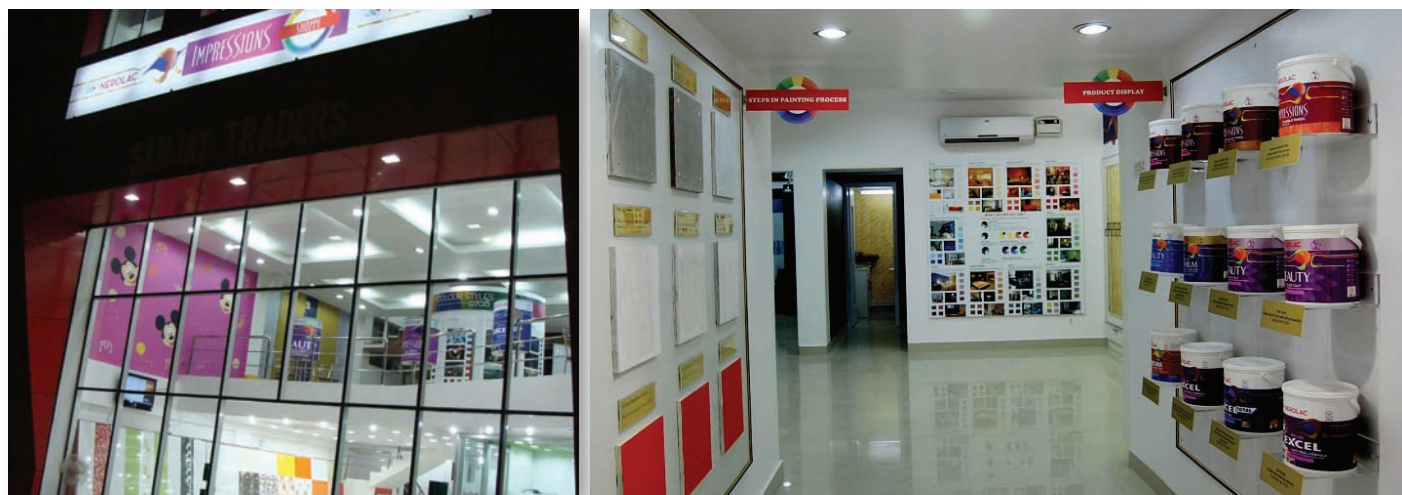
			For and on behalf of the Board of Directors	
			J. J. IRANI	<i>Chairman</i>
			D. M. KOTHARI	<i>Vice Chairman</i>
			H. M. BHARUKA	<i>Managing Director</i>
			S. M. DATTA	<i>Director</i>
			P. P. SHAH	<i>Director</i>
	G. T. GOVINDARAJAN	P. D. PAI	N. N. TATA	<i>Director</i>
	<i>Company Secretary</i>	<i>CFO</i>	P. D. CHAUDHARI	<i>Wholetime Director</i>
Mumbai: 30th April, 2009				

Nerolac Impressions Style Zone stores, is a step towards helping the consumers to make an informed paint choice by offering value added service like colour consultancy & hassle free painting service.



Nerolac Impressions Style Zone stores at Chennai, Hyderabad and Bengaluru.

Nerolac Impressions Shopee, is a shop in shop business model with dealers to enhance the customer experience by creating a touch and feel store.



Nerolac Impressions Shopee at Nagpur.



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 **KANSAI NEROLAC PAINTS LIMITED**

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