



Customer Experience



CUSTOMER EXPERIENCE

Our Customers have always been at nucleus of all our operations at Kansai Nerolac Paints Ltd (KNPL). Driven by our vision, all the Company's efforts are channelled in the direction to serve our customers with superior coating systems built on innovative and superior products and world class service solutions. Over the years, the Company's endeavour has evolved from connecting to the customers to engaging and now moving towards creating a unique customer experience. This is a journey and we will always strive to try and create a satisfying experience for our valued customers.

This year the Company undertook initiatives to enhance the experience of its retail customers through a 360 degree approach; be it revisiting internal processes, introduction of new products, working towards the influencers' welfare or connecting to the consumers through various mediums. Every initiative was driven with the intent to enhance the *Customer Experience*.

Leveraging its enhanced and upgraded IT capabilities, the Company has worked to enhance the interaction experience of its dealers with the organisation. Up to the minute information has helped build a deeper relationship and an enhanced experience with the dealer. A 360 degree, faster and better access to information has helped the Company remain proactive and responsive to the customer. Company's Call Centre too was further equipped with systems to build dealer intimacy. Technology was leveraged via various initiatives to understand the pulse of the market such that the Company can improve its services for a flawless customer experience.

Keeping the customer interest at the centre of all its innovations, Nerolac also introduced many innovative products during the year both in Decorative and Industrial space. This year the Company re-launched its premium segment interior emulsion Impressions with High Definition Colour Technology for a rich customer experience. For enhanced protection from rains Excel Rain Guard was launched. Also, to cater to requirements of a section of its consumers Nerolac launched the all new statue paint, an emulsion meant exclusively for painting statues. In the automotive space too the Company launched eco-friendly plastic coatings for car reinforcing its commitment to environment conservation. New range of Powder Coating products were also acquired through technology tie up with Protech Canada which will allow KNPL to cater to a larger portfolio.

Building on the Digital and social media connect with consumers, the Company further enriched its communication strategy this year and rolled out new innovations using this medium.

Painter welfare is an integral part of Nerolac's philosophy. In order to build a deeper connect with this key user, the Company has revamped its flagship program NPP, Nerolac Premium Painter.

In the financial year 2014-15 the Company ensured that all the customer touch points are tapped for our decorative channel partners and the experience is enhanced for all its current and future customers.

DIRECTORS

P. P. SHAH (Chairman)
D. M. KOTHARI (Vice Chairman)
H. M. BHARUKA (Managing Director)
N. N. TATA
P. D. CHAUDHARI (Wholetime Director)
M. TANAKA
H. FURUKAWA
MRS. B. SOMAYA
S. ASATSUMA

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

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

AUDITORS

B S R & CO. LLP, MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

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

Tel: +91-22-24934001

Fax: +91-22-24973704

Website: www.nerolac.com

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

Corporate Identity Number (CIN): L24202MH1920PLC000825

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

Tel: +91-22-24934001 • Fax: +91-22-24973704 • Website: www.nerolac.com

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

NOTICE

Notice is hereby given that the Ninety-Fifth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400 001 on Friday, 3rd July, 2015 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2015 including audited Balance Sheet as at 31st March, 2015 and Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend of ₹ 1.40 (140%) per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2015.
3. To appoint a Director in place of Mr. P. D. Chaudhari (holding DIN 02171823), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. Tanaka (holding DIN 06566867), who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), B S R & Co. LLP, Chartered Accountants (Registration No. 101248W), be and are hereby re-appointed as

Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee in addition to the reimbursement of service tax and actual out of pocket expenses incurred in connection with the audit of accounts of the Company for the financial year ending 31st March, 2016."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that Mr. Hidenori Furukawa (holding DIN 06924589), who was appointed as an Additional Director of the Company pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED that Mr. Shinji Asatsuma (holding DIN 07045659), who was appointed as an Additional Director of the Company pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 8th May, 2015

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/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten (10) percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

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

2. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board Resolution together with the specimen signatures of their authorised representatives to attend and vote on their behalf at the Meeting.
3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to Item Nos. 5, 6 and 7 is annexed hereto.
4. The Board of Directors has recommended for consideration of the Members, a dividend of ₹ 1.40 (140%) per equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2015.
5. The Register of Members and the Share Transfer books of the Company will remain closed from Tuesday, 30th June, 2015, to Thursday, 2nd July, 2015 (both days inclusive) for the purpose of Annual General Meeting and Dividend. Dividend, if declared, will be payable on or after 8th July, 2015 to those members whose names are registered as such in the Register of Members of the Company as on 29th June, 2015 and to the Beneficiary holders as per the beneficiary list as on 29th June, 2015 provided by the NSDL and CDSL.
6. In accordance with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed 26th June, 2015 as the "cut-off date" to determine the eligibility to vote by electronic means or in the general meeting. A person whose name is recorded in the register

of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. 26th June, 2015, shall be entitled to avail the facility of remote e-voting as well as voting in the general meeting.

7. Shareholders may be aware that the Companies Act, 2013, permits service of the Notice of the Annual General Meeting through electronic mode. Electronic copy of the Annual Report including Notice of the 95th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Admission Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes. However, those members who desire to have a physical copy may request for the same to the RTA. For members who have not registered their email IDs, physical copies of the Annual Report are being sent in the permitted mode.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to Sharepro Services (India) Private Limited.
9. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs with their Depository Participant are requested to register their e-mail address at the earliest, to enable the Company to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail address to the RTA by sending an e-mail at sharepro@shareproservices.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.
10. **Voting through Electronic means**

In compliance with Section 108 and other applicable provisions of the Companies Act, 2013, if any, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, and Clause 35B of the Listing Agreement, the Company is pleased to provide its Shareholders with the facility

of "remote e-voting" (e-voting from a place other than venue of the AGM), to enable them to cast their votes at the 95th Annual General Meeting (AGM) and the business at the 95th AGM may be transacted through such voting. The Company has entered into an agreement with Central Depository Services (India) Ltd. (CDSL) for facilitating e-voting to enable all its Shareholders to cast their vote electronically.

The facility for voting, either through electronic voting system or ballot/polling paper shall also be made available at the venue of the AGM, apart from the remote e-voting facility provided prior to the date of AGM. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again at the AGM. The Company has appointed Mrs. Ragini Chokshi, Partner of Ragini Chokshi & Co., Practicing Company Secretaries, as the Scrutinizer for conducting the remote e-voting and the voting process at the AGM in a fair and transparent manner. The Scrutiniser shall make a consolidated Scrutiniser's report of the total votes cast in favour or against, if any, during the remote e-voting and voting at the AGM, not later than three days of conclusion of the meeting, to the Chairman or a person, authorised by him in writing. The Chairman or a person, authorised by him in writing, shall declare the results of the AGM forthwith. The results declared along with the Scrutiniser's report shall be placed on the Company's website and on the website of CDSL and shall be communicated to the Stock Exchanges.

The instructions for e-voting are as follows:

- (i) Members holding shares in physical form or in demat form as on 26th June, 2015, the cut-off date shall only be eligible for e-voting.
- (ii) The voting period begins on Monday, 29th June, 2015 at 5.00 p.m. and ends on Thursday, 2nd July, 2015 at 5.00 p.m. During this period the eligible shareholders of the Company, holding shares either in physical form or in demat form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.

- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the PIN, as provided on the Admission Slip, in the PAN field. • In case the PIN is less than 8 digits enter the applicable number of 0's before the PIN after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with PIN 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details (Account Number) as recorded in your demat account or in the Company records for the said demat account or folio.</p> <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

- (ix) After entering these details appropriately, click on "SUBMIT" tab.

- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for "Kansai Nerolac Paints Limited" on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolutions you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote or cast your vote again.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If Demat account holder has forgotten the password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Note for Non-Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) Those persons, who have acquired shares and have become Members of the Company after the despatch of Notice of the AGM by the Company and whose names appear in the Register of Members or Register of beneficial holders as on the cut-off date i.e 26th June, 2015 shall view the Notice of the 95th AGM on the Company's website or on the website of CDSL. Such Members shall exercise their voting rights through remote e-voting by following the procedure as mentioned above or by voting at the AGM.
- (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Annexure to Notice

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

ITEM NO. 5

The Shareholders of the Company have appointed B S R & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of 94th AGM until the conclusion of the 99th Annual General Meeting. Pursuant to provisions of Section 139 (1) of the Companies Act, 2013 (the Act) read with the Companies (Audit and Auditors) Rules, 2014, the appointment of B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company will be subject to ratification by the shareholders at every Annual General Meeting of the Company.

In accordance with Section 139 of the Act, B S R & Co. LLP, Chartered Accountants have certified that they are eligible to be appointed as the Statutory Auditors of the Company and they satisfy the criteria as provided in Section 141 of the Act. The certificate is available for inspection of the Shareholders at the Registered Office of the Company during business hours on any working day, except Saturday.

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

ITEM NO. 6

Mr. Hidenori Furukawa was appointed as an Additional Director of the Company on 22nd July, 2014, as a nominee of Kansai Paint Co. Ltd., Japan (KPJ), the holding company. KPJ holds 37,32,97,600 Equity Shares of the face value of ₹ 1 each in the Company (69.27% of the paid-up share capital of the Company). Pursuant to Section 161 of the Companies Act, 2013, (the "Act") read with Article 113 of the Articles of Association of the Company, Mr. Furukawa holds office only upto the date of the forthcoming Annual General Meeting.

Notices in writing have been received from some Shareholders of the Company, pursuant to Section 160 of the Act, signifying their intention to propose Mr. Furukawa as a candidate for the office of Director. As required by Section 160 of the Act, the Shareholders giving notice have deposited a sum of ₹ 1,00,000 with the

Company which shall be refunded to the shareholder, if Mr. Furukawa is elected as a Director.

Mr. Furukawa, aged 56 years is a graduate from Graduate School of Engineering, Osaka University. Mr. Furukawa is Director, Managing Executive Officer in KPJ. Mr. Furukawa is responsible for the Production division in KPJ. The services of Mr. Furukawa have been and will be very useful to the Company. The Directors, therefore, recommend that he be appointed as a Director of the Company. If appointed, Mr. Furukawa will be liable to retire by rotation.

Mr. Furukawa is interested in the resolution at Item No. 6 of the accompanying Notice since it relates to his own appointment. Mr. M. Tanaka and Mr. S. Asatsuma are nominees of KPJ and accordingly, may be deemed to be concerned or interested in the Resolution. None of the other Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

Mr. Furukawa is not related to any Director on the Board. Mr. Furukawa does not hold any shares in the Company in his personal capacity.

ITEM NO. 7

Mr. Shinji Asatsuma was appointed as an Additional Director of the Company on 30th January, 2015, as a nominee of Kansai Paint Co. Ltd., Japan (KPJ), the holding company. KPJ holds 37,32,97,600 Equity Shares of the face value of Re. 1 each in the Company (69.27% of the paid-up share capital of the Company). Pursuant to Section 161 of the Companies Act, 2013, (the "Act") read with Article 113 of the Articles of Association of the Company, Mr. Asatsuma holds office only upto the date of the forthcoming Annual General Meeting.

Notices in writing have been received from some Shareholders of the Company, pursuant to Section 160 of the Act, signifying their intention to propose Mr. Asatsuma as a candidate for the office of Director. As required by Section 160 of the Act, the Shareholders giving notice have deposited a sum of ₹ 1,00,000 with the Company which shall be refunded to the shareholder, if Mr. Asatsuma is elected as a Director.

Mr. Asatsuma, aged 54 years is from the faculty of Law, department of Law, Kieo University. Mr. Asatsuma is Executive Officer in KPJ. The services of Mr. Asatsuma have been and will be very useful to the Company. The

Directors, therefore, recommend that he be appointed as a Director of the Company. If appointed, Mr. Asatsuma will be liable to retire by rotation.

Mr. Asatsuma is interested in the resolution at Item No. 7 of the accompanying Notice since it relates to his own appointment. Mr. M. Tanaka and Mr. H. Furukawa are nominees of KPJ and accordingly, may be deemed to be concerned or interested in the Resolution. None of the other Directors and the Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

Mr. Asatsuma is not related to any Director on the Board. Mr. Asatsuma does not hold any shares in the Company in his personal capacity.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 8th May, 2015

Disclosure in terms of Clause 49 (VIII)(C)(5) of the Listing Agreement with the BSE and the NSE:

Name of the Director seeking appointment/ re-appointment	Shares held as on 31.3.2015 (Own or held by/ for other persons on beneficial basis)
(1) Mr. Masaru Tanaka	Nil*
(2) Mr. Hidenori Furukawa	Nil*
(3) Mr. Shinji Asatsuma	Nil*

* Mr. Tanaka, Mr. Furukawa and Mr. Asatsuma are the Nominees of Kansai Paint Co. Ltd., Japan. They do not hold any Share in their personal capacity.

Route Map to the venue of the AGM



BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 95th Annual Report and the Audited Accounts for the year ended 31st March, 2015.

1. Financial Highlights

	1st April, 2014 to 31st March, 2015	1st April, 2013 to 31st March, 2014
	₹ in Crores	₹ in Crores
Sales & Operating Revenue.....	4211.64	3739.02
Net Sales/Income from operations (Net of excise and discounts)	3532.41	3145.77
Other Income.....	21.79	10.33
Profit before Interest, Depreciation, Tax and Appropriation.....	466.61	372.42
Interest.....	0.02	0.45
Depreciation.....	67.69	64.98
Profit Before Exceptional Item.....	398.9	306.99
Exceptional Item	—	—
Profit Before Tax	398.9	306.99
Tax.....	127.23	100.42
Profit After Tax	271.67	206.57
Balance brought forward from previous year.....	931.52	814.97
Balance available for appropriations.....	1203.19	1021.54
Appropriations:		
Proposed Dividend	75.45	59.28
Tax on proposed dividend	15.78	10.08
General Reserve	27.17	20.66
Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013	4.51	—
Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives	3.49	—
Deferred tax impact on the above.....	1.19	—
Balance retained in Profit and Loss Account.....	1077.98	931.52
	1203.19	1021.54

2. Dividend

The Directors recommend for consideration of the Members, a dividend of ₹ 1.40 (140%) per equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2015 as against ₹ 11.00 per equity share (110%) paid last year on every equity share of the face value of ₹ 10 each.

[A] INTRODUCTION TO KANSAI NEROLAC PAINTS LTD.

Kansai Nerolac Paints (KNPL), a subsidiary of Kansai Paints Co. Ltd., Japan came into existence in the year 1920 with its roots in Mumbai as Gahagan Paints and Varnishes Company Ltd.

Guided by its vision to leverage global technology to serve the customer with superior coating systems and world class solutions, the Company has been able to continue to sustain its leadership in the Industrial Paints segment and is one of the leading players in the Decorative space. In line with its vision, Kansai Nerolac has always set industry benchmarks in the areas of product innovations, bringing cutting edge and technologically superior R&D to its customers and sensitivity towards the environment.

The Company serves its customers through a network of 4 manufacturing facilities strategically located at Lote in Maharashtra, Bawal at Haryana, Jainpur in U.P. and Hosur in Tamil Nadu and a network of 94 depots. The geographical location of its plants and its depots allows the Company to be responsive in meeting the high service level expectations of its customers.

The Company caters to customers across the major paint segments such as Decorative, Wood coatings, Automotive, Auto Refinish, Performance Coating and Powder Coating.

The Company has international operations in Nepal through its JV with Kansai Nepal. The venture has had a good year and is progressing satisfactorily.

During the year KNPL has also entered into a JV with Capital Holdings Maharaja Group to set up the paint business in Sri Lanka.

KNPL as an organisation is committed towards environmental conservation. The Company is a pioneer in environment friendly products and continues to strive to spread awareness and develop such superior quality new products which are well accepted by its customers.

In 2014-15, KNPL has completed a major migration of all its IT SAP systems to the latest generation of memory processing database, HANA; this will help the Company be

more agile and responsive. Along with this the Company has also undertaken and completed re-engineering of its customer facing processes for the Decorative business.

KNPL's contribution in 2014-15 has been recognised and appreciated by the entire value chain which is attested by several awards and recognitions bestowed upon the Company by happy customers, vendors, research firms, and media houses etc.

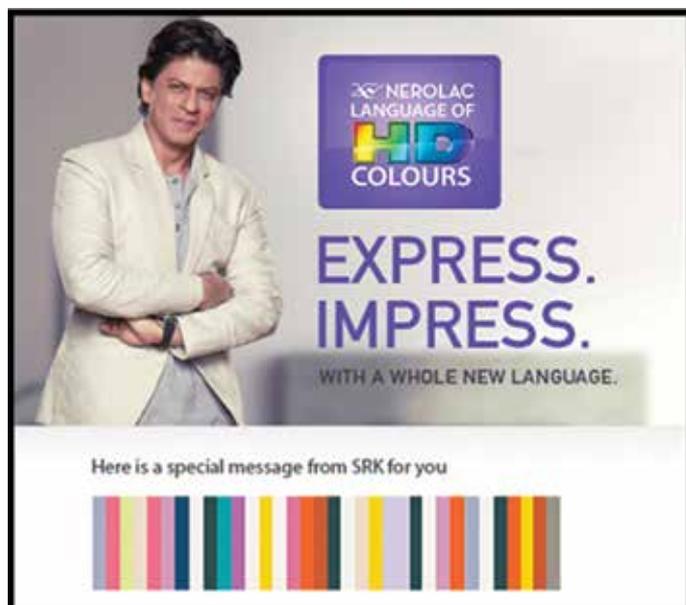
[B] INDUSTRY PROGRESS

2014-15 has been one of the better years for the paint industry. The decisive electoral mandate has led to optimism in the economy. Softening of international crude and commodity rates has eased the mounting cost pressures on the industry to some extent. It is expected that the policy direction undertaken by the government will lead to a revival of all major sectors like Housing, Automobiles and Infrastructure as well as trigger fresh opportunities in the form of Smart cities. All this is positive for the Paint Industry. Going forward it is expected that all paint segments like Decorative, Automotive and Performance Coatings will benefit from this revival. However, the recent unseasonal rains and its impact on the farm output together with a relatively poor forecast is likely to act as a dampener.



As on March 2015, the size of the paint industry is estimated to be around ₹ 35,500 Crores.

[C] MARKETING INITIATIVES – OUTLOOK



Marketing is about exploring, creating and delivering value to satisfy the needs of the consumer. Marketing identifies needs of the target market. The year saw the marketing department going all out in its actions to extend maximum benefit to all its stakeholders in terms of new activities, initiatives, product launches and more.

The year began on a high definition note; a first in the Indian paint industry, KNPL presented something that takes innovation in paints to a whole new level. KNPL launched the all New KNPL Impressions with High Definition Colour Technology (HD). For consumers, a 360 degree campaign was built which included new TV commercial featuring Company's brand ambassador Shah Rukh Khan and a dedicated webpage for those who wish to know more about the product. KNPL also launched product and region specific TV campaigns for Andhra Pradesh, Tamil Nadu and Kerala.



Keeping the consumer interest at the centre, KNPL launched 2 new products – Excel Rain Guard and

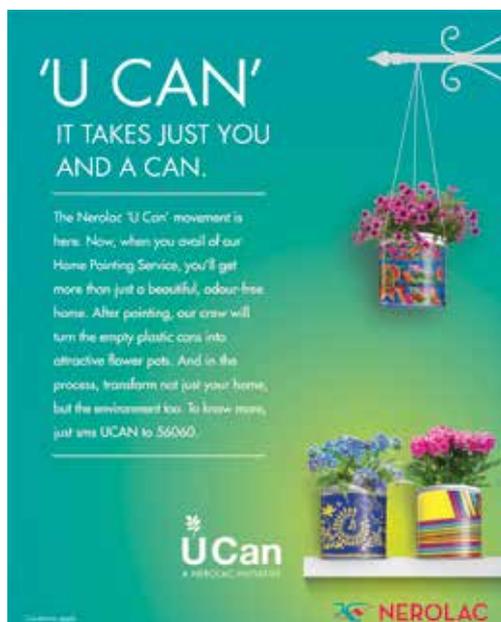
Statue Paint during the year. Excel Rain Guard is meant exclusively for waterproofing of exteriors against harmful effects of rainfall while Statue paint is an Economy Emulsion Paint meant exclusively for coating statues. Both the products were received well by the consumers.

Being a paint Company known for its colours, KNPL brought about a lot of developments in their Colour tools for an enhanced customer experience. Evolving with times and technology, Nerolac introduced QR codes in its shade cards and guides to enable the Nerolac app users to flip through the entire range of colours and combos online. This has made the visualization process much easier for the consumer enhancing their home painting experience. KNPL also tied-up with one of the leading interior magazines and collaborated with BBC Good Homes by launching a special "High-definition Living" issue to give out home decor tips on painting to directly reach out to the consumers. KNPL also launched the Colour of the Year and Colour Trends 2015 to set the trends for the New Year for consumer reference.



KNPL also ensured its presence on Digital and social media Platforms by coming out with some user friendly and innovative initiatives for further enhancing the consumer experience. During the year, KNPL launched "U Can", an initiative aimed towards further reducing the impact of painting on the environment by recycling KNPL paint cans into attractive flower pots. The campaign garnered a thumping response from the consumers and also received appreciation from the industry in the form of EMVIE award for media innovation.

In the digital space, KNPL further aligned its communication to reach out to the end user by coming up with campaigns like 'wish in HD language of colors', the campaign allowed people to send messages and greet their friends and followers in a new way whereby each alphabet had a designated HD shade of KNPL assigned to it.



KNPL continued its focus on the new formats of retail shopping and pioneered an initiative by entering into a tie up with the e-commerce major, Flipkart during the festive season. Through this association, KNPL provided an interactive consumer interface along with irresistible offers and spectacular deals to all its consumers. Nerolac became the first paint Company to offer professional painting services and products through e-tailing.

In line with its brand belief of helping the painter community to grow, KNPL modified its painter reward program Nerolac Premium Painters (NPP) to include soft benefits like sponsoring scholarships for the painters' children, accidental insurance for painters and their families for top performing painters.



Nerolac has always proactively participated in industry forums and this year too the Company participated in ACETECH, in Delhi & Green Building Congress. The Company utilized these platforms to promote the HD and Eco-Clean range of paints. The Green Building Congress also presented Nerolac with the opportunity to strengthen its position as a leader and pioneer in developing environment friendly, lead free, odour free and zero VOC paints.

KNPL is the Market leader in the Industrial & Automotive Coatings Segment and it continued to gain share in this segment in the current financial year as well. KNPL focused on technology upgradation and worked closely with its customers to enhance the value of its offerings.

KNPL continued to be on the forefront of technology with an enhanced focus on Environment protection and has undertaken many initiatives on the same front for its auto customers. KNPL introduced High solid metallic base coats and clear coats resulting in significant reduction in VOC and paint consumption and improvement in Productivity. KNPL has introduced new eco friendly plastic coatings for car interiors which are free of Hazardous Air Pollutants (HAPS) meeting international coating standards. The Company has also introduced latest generation Cathodic Electro Deposition (CED) primers for Auto OEMs with enhanced corrosion protection, higher throwing power and reduced consumption. Further, products like Multi metal coating and Mar & Scratch Resistant Clear Coats were also introduced. Mar Resistant Clear Coat MX100 with better mar resistance and finish introduced during the year, is a superior technology product manufactured using technology from Kansai Japan. KNPL has a strong technical force continuously working on automotive production lines conducting Value engineering/Value addition activities for enhancing the quality, productivity and reducing costs for its customers. KNPL was able to secure approvals from some major European OEMs. The Company continued imparting Training to its customers and Ancillaries on improving process effectiveness and technology this year too.

In the Performance Coatings segment, KNPL made major headways into the Oil & Gas space and further enhanced its share in the Railways business. With the approvals for Wagons already in place, KNPL was also able to acquire fresh approvals for Coaches from Research Design and Standards Organisation (RDSO). KNPL has also made successful trials for high end Polyurethane paints for premium coaches. The Company maintained its focus on the Dealer segment for the Industrial Products by improving the service and rolling out several initiatives. Continued focus on new segments yielded a Approvals from some major consumer companies. New customers were also acquired in the Packaging segment. The Company also made good progress in the new Floor Coating business by acquiring some prestigious sites.

The Company continues to participate and provide thought leadership in leading Industry events and seminars like NACE (National Association of Corrosion Engineers) and SSPC (Society for Surface Protective Coatings).

In the Powder Coating Business, the Company further strengthened its leadership position by increasing its share in segments like auto ancillaries. The new range of products acquired through technology tie up with Protech, Canada will be rolled out shortly thereby allowing the Company to enter into new segments. KNPL now has the technology to address niche segments like Super Durable powders & Functional powders like pipe coating.



KNPL Auto Refinish business gained further traction in the market during 2014-15 recording healthy growth. Approvals of Retan PG Hybrid system were received from few important Auto OEMs. Several new products including a new range of Economy PU paints under the brand name of "Perfect Match" was launched during the year. The range has been approved by some Major Auto OEM's.

[D] OPPORTUNITY AND THREATS

OPPORTUNITIES

Reduction in crude oil prices

Efforts to reduce dependence on imported crude oil by some of the developed nations of the world coupled with weakening of economies in Asia and Europe has led to a fall in Crude Oil prices. September 2014 onwards, the crude oil prices have plummeted more than 50% easing the pressure on the bottom line.

Decrease in Inflation

The CPI Inflation reached a record low of 4.38 last in November 2014. The fall in inflation will have a positive effect on customer's pocket allowing them to have an increased saving and an increased disposable income.

Vast Auto market

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

Favourable Demographics

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

Infrastructure Spending

2015-16's budget reiterated the extent of government's commitment towards putting a solid infrastructure in place. The government announced an additional investment of ₹ 70,000 crore in infrastructure over 2014-15 along with its intention to set up a National Investment and Infrastructure fund to ensure money flow. Such initiatives will ensure an increase in infrastructure investment which shall positively influence the paint demand.

Per Capita Paint Consumption

The per capita paint consumption in India which is a little over 4 kgs is still very low as compared to the developed western nations. As our nation develops and modernizes, the per capita paint consumption is bound to increase. Due to the current low per capita consumption of paints in India, there is room for multi-fold growth.

THREATS

Currency Volatility

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

[E] SEGMENT WISE PERFORMANCE

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

[F] RISK AND CONCERNS

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

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

Strategic Risk

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

Operational Risks

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

Legal & Compliance Risk

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

Financial Risks

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

People Risk

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

[G] RESEARCH AND DEVELOPMENT

KNPL's Research and Development (R&D) department is continuously working to develop sustainable solutions to bridge the gap between customer requirements and product properties. The development of a new product is driven by internal innovative ideas to meet customer requirements and operates within the boundaries of market challenges, existing environmental and economic conditions.



HPLC Chromatograph

KNPL's R&D department continuously channelled efforts in the direction of development of new products and polymers for almost all types of paints systems, upgrading existing products, process optimization, VAVE activities, raw material substitution, import substitution, new shade development and technical support to our esteemed customers.

The function has been working on many long term and short term projects which have been found to be beneficial towards sustaining KNPL's leadership in Automotive Paints, Industrial Paint segment and for its continued growth in Decorative Paints segment.

Few milestones achieved by R&D are as follows:

1. Water proofing range of products
2. Development of paint for statues
3. Water based High gloss direct shades
4. Extending 3C-1B concept in Auto paints
5. High build high solid PU for green building structures
6. Water based direct to metal coatings
7. Development of Acrylic Polysiloxane for structural coating
8. Development of packaging coating
9. Development of product for Bus body
10. Improvement in efficiency for manufacturing of enamels
11. Development of In-house powder coating polyester

[H] INFORMATION TECHNOLOGY

Information Technology provides a strategic edge to a Company for the present and for the future. Dependence on IT for conceptualising, forming, implementing and streamlining the systems is a must for growth and even survival. KNPL believes in leveraging its IT capabilities to the maximum of its ever increasing capabilities.

KNPL view investment in IT as being strategic. KNPL recently upgraded all its SAP systems to the latest SAP HANA platform. HANA allows for increased processing power, faster analytics leading to better processes and decision making capabilities.

This year too, KNPL continued to work in the direction of process automation and improvement for Decorative business and Nerolac Call Centre along with developments of next generation of dashboards for the organisation by leveraging its Analytical capabilities. The same has resulted in ease and transparency in operations. The Company also worked towards strengthening its security systems to uphold its data integrity and has put a security roadmap in place for the future.

[I] PEOPLE

KNPL believes that the most important asset of an organization is its People – as it is the people who build the organisation and determine its growth. In order to create a great working environment, KNPL accords priority in providing equal opportunity, health and safety, people development and recognition to its employees. KNPL is a Performance driven organisation. Through the process of Key Result Areas, the organisation's performance is aligned with the team and individual goals. KNPL provides opportunities to the employees to stretch themselves and realize their potential while contributing in the success of the organisation.

KNPL believes in nurturing home grown talent. In order to enable this and build a talent pipeline, transparent Talent Management Processes at various levels have been institutionalised. This initiative is even extended to the Operators, wherein, plant operators get promoted to take on supervisory roles. For development of future leaders, employees are exposed to cross functional projects, leadership trainings, assessment centres etc; thus evolving them as leaders and successors.

Employee development is one of the key focus areas in KNPL. The Organisation believes in investing in people to develop and enhance their capabilities. The organisation has a competency framework designed for each

employee category which is the backbone for most of the people processes like Recruitment, Talent Management and Learning and Development.

The employees at KNPL are enabled to meet the current and future business objectives by continuous sharpening of their skills. Structured inputs through skill development pillar, management development programs (MDPs) and competency based training programs are provided.

Functional and managerial training is given high importance. A number of training programs aimed at training, enhancing skills and managerial capability are carried out. During the year, the Company significantly enhanced and rolled out new systems to aid in recruitment, induction and training of sales personnel.

The Company is also leveraging its IT capabilities via knowledge management portal and thus fostering a work culture wherein employees can learn from each other and help make the Company a learning organisation. During the year, the knowledge management portal was leveraged to use video based training modules developed to aid in training of operating personnel.

In addition to the online performance management system, several dashboards and metrics are implemented which enables the employee and management to track and review performance on a regular frequency and increase transparency during appraisal.

During the year, a focussed quantitative metric dashboard aligned with key deliverables was launched for operating personnel. This gives them a real time update on how they are performing on key parameters and helps align their performance.

The web based HRIS (Human Resource Information System) caters to all employee related aspects. During the year the HRIS system was upgraded to the latest version. Employees have access to the system from anywhere in the world. The web based ESS (Employee Self Service) Portal is a very significant tool to share information with the employees and is highly robust for execution of all HR related practices and processes.

Employee Satisfaction Surveys are conducted on regular basis to understand the pulse of the organisation. Several action plans were initiated based on the inputs received through a sales survey conducted last year. KNPL uses these insights to fine tune its plans and programs. KNPL has established structures for corporate governance through the Whistle Blower Policy. As a professional organisation, KNPL encourages growth of individuals irrespective of gender, religion, caste or community. Through its policy

on Appropriate Social Conduct at Workplace, the organization focuses on ensuring that no preferential or discriminatory treatment is meted out to anyone on grounds of gender. The primary focus of this policy is to ensure a congenial work environment that is free from threat or fear.

A Settlement for four years was signed at one of our locations. The overall Industrial Relations situation was cordial.

With all the above-mentioned initiatives we have been able to retain our key talent. Employee strength is 2,388 as on 31st March, 2015.

(J) AWARDS & RECOGNITION

AWARDS BY EXTERNAL AGENCIES:

- The Kites activity by Nerolac was one of the five campaigns shortlisted this year in the "Best In-Store Promotion" category at the EEMAX awards 2014
- Kansai Nerolac won a 'Silver' in Best Media Innovation at Emvies 2014
- Kansai Nerolac won a 'Silver' in Best Media Strategy Category for "You Can" campaign at Emvies 2014
- Bawal Plant was awarded with Greentech Safety award in gold category
- Lote team was awarded with "Certificate of Merit" by National Safety Council (NSC) – Maharashtra chapter for achieving "Zero Accident Frequency Rate."
- Bawal was awarded with FICCI Safety Systems Excellence Award for Manufacturing after rigorous examination



EEMAX Award 2014

AWARDS BY CUSTOMERS:

- Toyota Kirloskar Motor Limited (TKML) awarded KNPL with vendor award – "Certificate of Excellence for Achieving Quality Targets"
- KNPL was facilitated with Vendor Performance award by SUZUKI Motors India
- KNPL received award from Gabriel India for "Best Quality Performance in Proprietary Items"
- KNPL was awarded the first place in west zone in Honda Cars India Limited (HCIL) Suppliers' Club Kaizen competition
- KNPL received award for "Best Eco Kaizen" from TKML
- KNPL received best vendor award from Honda Motorcycle and Scooter India Limited (HMSI).



(K) COMMUNITY DEVELOPMENT

One of the most prominent signs of growth is the willingness and actions to contribute to the society. Corporate Social Responsibility symbolizes the human face of Corporate India which is beyond commercial gains. KNPL's business is to paint the dreams of millions everyday through our products, the Company however understands that there are many others whose needs are far more basic. It is KNPL's endeavor to address some of these basic needs of the society through the Company's CSR activities.



Health Check-up Camps for painters

KNPL as an organisation has embraced the core values of Responsiveness, Innovation, Team orientation, Execution and Speed. While conducting business, the organisation has been conscious about engaging all its stakeholders, operating in an ethical manner, creating a safe working environment for all employees and complying with human right regulation standards and environmental policies.

KNPL's CSR activities are driven by four verticals of Environment, Health, Education and Community Development. This year KNPL has contributed in establishing health centres, organizing health camps, financial donation to educational institutions for creating infrastructure with respect to technology, books and periodicals. The organisation is also working with NGOs for upliftment of the underprivileged and needy, setting up basic amenities for regions around our establishments, besides taking measures for safeguarding the environment.



Livelihood Enhancement Project for Unemployed youth of Cuttack

Many of KNPL's CSR activities are carried out in rural areas and smaller towns where the organisation has conducted several medical camps and tree plantation drives. KNPL believes in working to create a sustainable future not only for the organisation, but also for society.

(L) ENVIRONMENTAL AND INDUSTRIAL SAFETY

KNPL attaches highest priority to environment, health and safety in its operations. The EHS function contributes in the organisation's overall operations with its many unique initiatives like accident prevention, reduction in environmental impacts, healthy working conditions, reduction in carbon emission and others. In today's times, safety excellence has evolved to become a crucial part of operational excellence.

The Company continued to focus on preventive measures to ensure safety at workplace. 2014-15's key efforts were driven by increased frequency of Kiken Yochi Training, implementation of Pokayoke to ensure static charge elimination & safety audits at plant. Focused approach towards safety has helped Company to continue its operations with zero loss of time due to injury and zero fire incidents.



Over the last few years, environment has been one of the prime focus areas of the business. KNPL is adopting environment friendly technologies and processes to achieve reduction in green house gas emission which in turn has also helped the Company in reducing cost. Adoption of renewable energy alternatives and improvement in energy and material efficiency are some of the major thrust areas which have helped the Company in reducing the operational cost through environmental initiatives.



Our approach towards enhancing the material efficiency is guided by stringent process monitoring and waste reduction at source. With this the Company has been able to curtail material cost which in turn has also helped in coping with rising cost of raw material.

The Company proactively adopted renewable energy alternatives like solar power plant at its Hosur facility, usage of biodiesel at its Lote Plant and others. Also, along with the existing zero liquid discharge facilities to facilitate total treatment and reuse of water, initiatives were undertaken and implemented to check water wastage at source at various manufacturing facilities.

KNPL has strengthened its systems to eliminate occupational health hazards faced by the employees in its manufacturing facilities. Engineering systems for protection against VOC, dust control on shop floor, adoption of close loop manufacturing practices have been put in place.

The Company has adopted advanced manufacturing systems to facilitate close loop material addition and manufacturing. Silo system for powder addition, automated storage and retrieval system, bulk storage of high consumption raw materials are some of KNPL's major initiatives to reduce manual handling and thereby reducing exposure to occupational risks. Fatigue points on shop floor were identified and countermeasures were implemented which has also helped the Company to enhance productivity at its manufacturing facilities.

KNPL has also been able to reduce its carbon footprint over the years by keeping a track of its Green House Gas footprint. The Company has been voluntarily publishing Sustainability Report on its website to update all the stakeholders on its progress in addressing sustainability challenges.

[M] SUPPLY CHAIN

This year the Company's actions were driven by the objective of enhancing customer experience. The Supply chain IT system (APO) was significantly enhanced. With high forecasting capabilities, the organisation has managed to bring down its loss of sale which has led to an improved customer service level.

Many initiatives were also introduced in warehouses, which has resulted in improved dispatches and has also

positively impacted the cost. All Depots have worked towards 5S improvement and MUDA elimination, which has drastically reduced the internal depot damages.

Focus was given towards new improvement philosophies, under which training on Six sigma and project management were conducted. Various improvement projects were also taken up through DMAIC methodology with desired results.

The SMS service started by KNPL last year has been further developed this year for an enhanced customer experience. Also, targeting better service levels the Company has started taking delivery acknowledgements from its dealers.

[N] INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

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

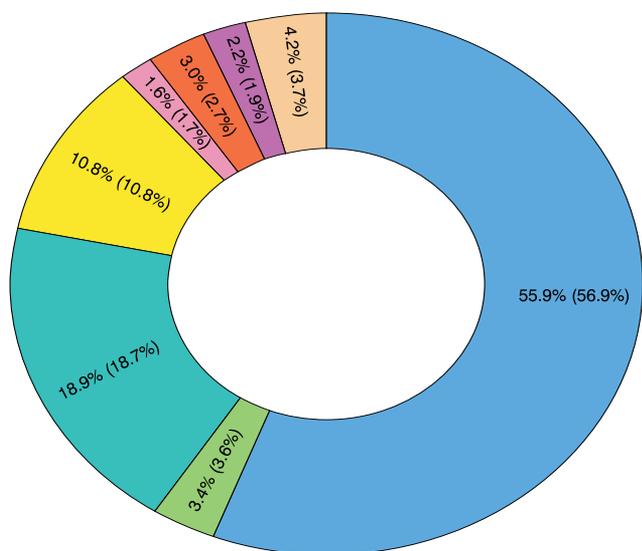
All the transactions are conducted using the IT interface and the business processes are further audited by internal auditors.

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

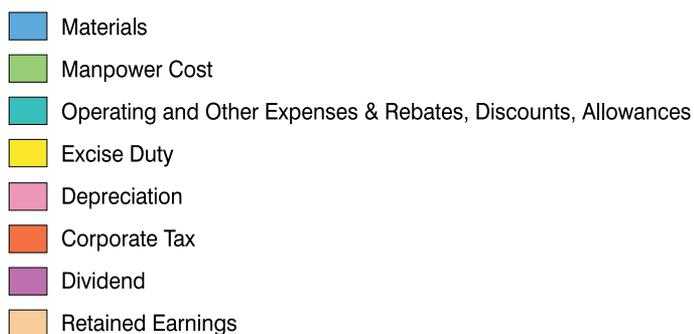
[O] AFFIRMATIVE ACTION

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

DISTRIBUTION OF INCOME



2014-15



Previous year 2013-14 percentage figures are stated in brackets.

[P] FINANCIALS

Sales and Operating revenue for the year aggregated to ₹ 4211.64 Crores reflecting a growth of 12.6% over the previous year.

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

Depreciation for the year is at ₹ 67.69 Crores as compared to ₹ 64.98 Crores of the previous year.

Interest cost was virtually nil due to effective cash management.

Other income was higher at ₹ 21.79 Crores as compared to ₹ 10.33 Crores of the previous year mainly on account of exchange gain of ₹ 9.6 Crores.

Profit Before Depreciation, Interest and Tax (PBDIT), excluding Other Income, for the year is higher at ₹ 444.82 Crores compared to ₹ 362.09 Crores reflecting a growth of 22.8%. Profit Before Tax (PBT) for the year is ₹ 398.90 Crores as compared to ₹ 306.99 Crores of the previous year which is a growth of 29.9% over previous year.

To comply with Section 135 of the Companies Act, 2013, the Company has spent ₹ 4.51 Crores towards Corporate Social Responsibility. This amount is shown under appropriation.

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013, during the year.

There are no significant or material orders passed by any Regulators, Courts or Tribunals against the Company which could impact the going concern status and Company's operations in future.

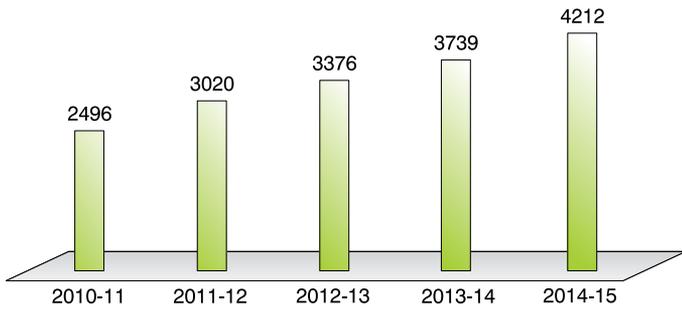
There has been no change in the nature of business during the year.

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

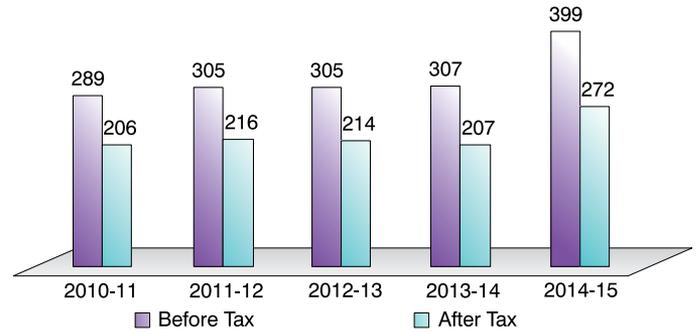
Cautionary Statement

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

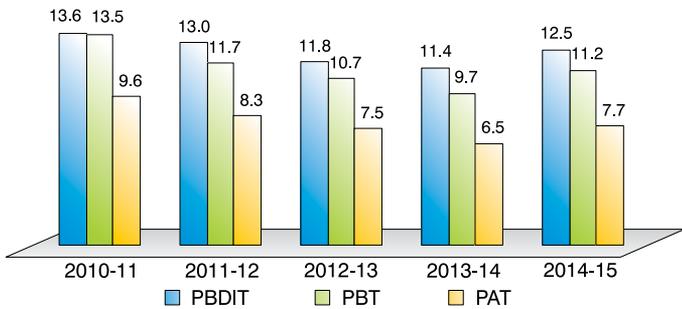
SALES (Rupees in Crores)



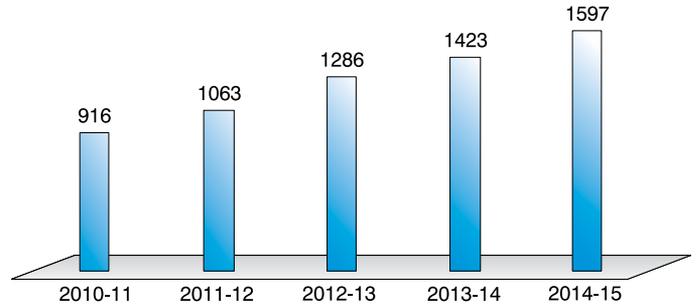
PROFIT (Rupees in Crores)



PROFITABILITY (%)



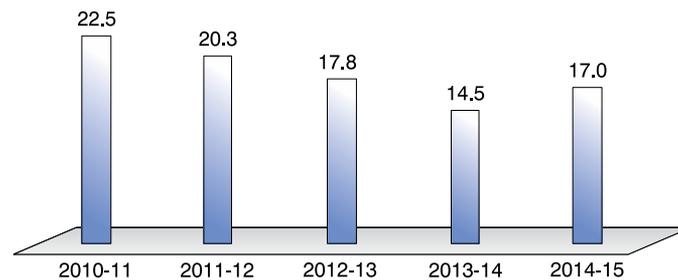
SHAREHOLDERS' FUNDS (Rupees in Crores)



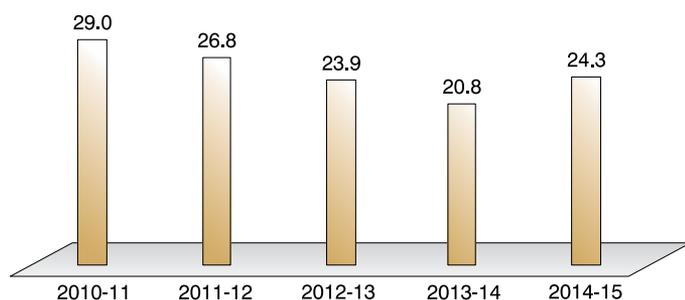
Profitability ratios are based on Net Sales.

RETURN ON NET WORTH (%)

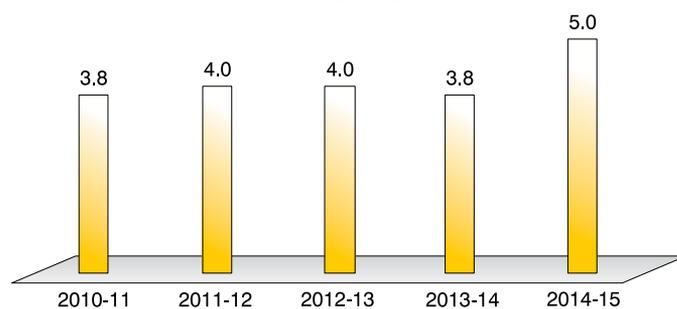
(Profit After Tax divided by Shareholders' Funds)



RETURN ON CAPITAL EMPLOYED (%)

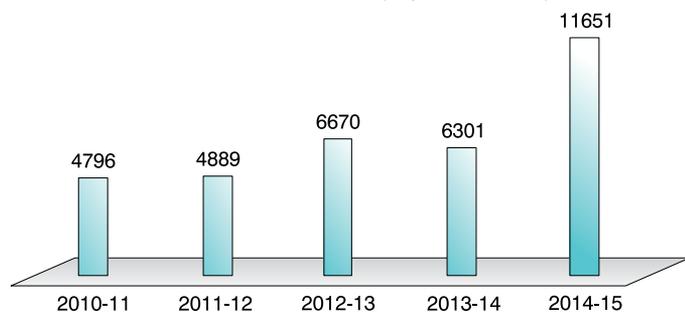


EARNINGS PER SHARE (EPS) (Rupees)

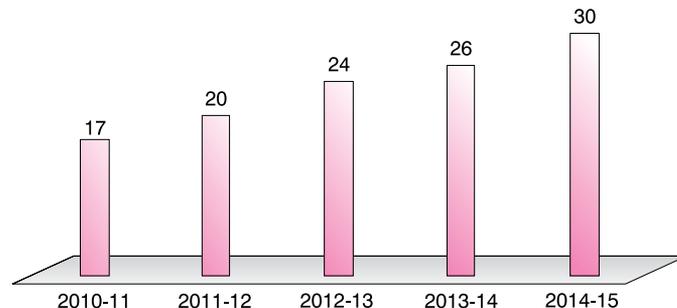


EPS for all the years has been calculated considering face value of share as ₹ 1 each.

MARKET CAPITALISATION (Rupees in Crores)

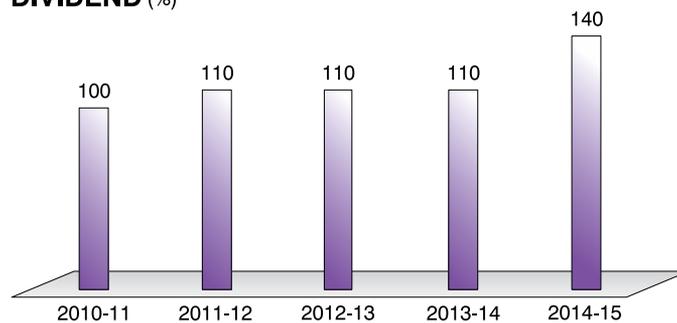


BOOK VALUE PER SHARE (Rupees)



Book value of shares for all the years has been calculated considering face value of ₹ 1 each.

DIVIDEND (%)



4. Unclaimed Dividend

During the year, dividend amounting to ₹ 2.74 lacs that had not been claimed by the shareholders for the year ended 31st March, 2007, 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, 2015, dividend amounting to ₹ 57 lacs has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar, Sharepro Services (India) Pvt. Ltd., for unclaimed dividend. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on 20th June 2014 (date of the last Annual General Meeting) on the website of the Company (www.nerolac.com), as also on the website of the Ministry of Corporate Affairs (www.mca.gov.in).

5. Collaboration

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

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

6. Subsidiary in Nepal

The Company has 8,84,000 equity shares constituting 68% of the paid-up equity share capital of Kansai Paints Nepal Pvt. Ltd., Nepal (Kansai Paints Nepal).

Pursuant to provisions of Section 2(87) of the Companies Act, 2013, Kansai Paints Nepal is the subsidiary of our Company.

For the financial year ended 31st March, 2015, the Gross Turnover of Kansai Paints Nepal increased to ₹ 39.36 Crores as compared to ₹ 30.43 Crores for the financial year ended 31st March, 2014. Profit before Tax rose to ₹ 4.60 Crores from ₹ 2.95 Crores. Profit after Tax rose to ₹ 3.52 Crores from ₹ 2.20 Crores.

Consolidated financial statement of the Company and of the subsidiary, Kansai Paints Nepal, forms part of the Annual Report. A separate statement containing the salient features of the financial statement of Kansai Paints Nepal is part of this Annual Report.

Annual Audited Accounts of Kansai Paints Nepal are available on the website of the Company.

7. Proposed Joint Venture in Sri Lanka

The Company has entered into a Joint Venture agreement with Capital Holdings Maharaja Pvt. Ltd., a group Company in Maharaja Group. Maharaja Group is a diversified group in Sri Lanka having presence in Businesses like Media, Hardware, FMCG products etc. The Company seeks to take advantage of Maharaja Group's strong presence in hardware outlets. Our Company now intends to start a JV by incorporating a Company. The total project cost is estimated to be 65 Crores LKR. The equity contribution of the Company in this proposed JV would be 60% amounting to around 39 Crores LKR (INR 18.4 Crores).

8. Cost Audit

The Ministry of Corporate Affairs (MCA) vide Notification dated 31st December, 2014 made amendment in the Companies (Cost Records and Audit) Rules 2014, through Companies (Cost Records and Audit) Amendment Rules, 2014. As per the Amendment Rules, our Company is exempted from the requirement to conduct Cost Audit. Our Company has availed the exemption granted by the MCA.

9. Directors

During the year under review, Mr. Hidenori Furukawa and Mr. Shinji Asatsuma have been appointed as

Additional Directors of the Company with effect from 22nd July, 2014 and 30th January, 2015, respectively. Mr. Hidenori Furukawa and Mr. Shinji Asatsuma shall hold office of Director upto the date of the forthcoming Annual General Meeting. The Company has received letters from shareholders recommending the appointment of Mr. Hidenori Furukawa and Mr. Shinji Asatsuma as Directors of the Company. The proposal of their appointment has been put forth for approval of the shareholders of the Company in the Notice of the AGM. A brief resume of the Directors seeking appointment at the forthcoming Annual General Meeting and other details as required to be disclosed in terms of Clause 49 of the Listing Agreement forms part of the Notice.

Mrs. Brinda Somaya was appointed as an Additional Director with effect from 22nd July, 2014. Thus the Company has complied with the requirement of Section 149 of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, in regard to the appointment of a Woman Director. Mrs. Somaya also satisfies the criteria for being an Independent Director of the Company and has given a declaration to the Company of her independence as required under Section 149 of the Companies Act, 2013 read with Clause 49 of the Listing Agreement. In pursuance of Section 149 (10) of the Companies Act, 2013, read with Clause 49 of the Listing Agreement, Mrs. Brinda Somaya has been appointed as an Independent Director for a term of 5 years from 22nd July, 2014 to 21st July, 2019 vide shareholders' approval obtained through Postal Ballot.

In pursuance of Section 149 (10) of the Companies Act, 2013, read with General Circular No. 14/ 2014 dated 9th June, 2014 issued by the Ministry of Corporate Affairs (MCA) and Clause 49 of the Listing Agreement :

- (a) Mr. P. P. Shah, Independent Director on the Board of the Company has been appointed for a term of 5 years from 30th January, 2015 to 29th January, 2020, vide shareholders approval obtained through Postal Ballot;
- (b) Mr. N. N. Tata, Independent Director on the Board of the Company has been appointed for a term of 5 years from 30th January, 2015 to 29th January, 2020, vide shareholders approval obtained through Postal Ballot.

All the Independent Directors on the Board have given a declaration of their independence to the Company as required under section 149(6) of the Companies Act, 2013.

In accordance with Articles of Association of the Company, Mr. P. D. Chaudhari and Mr. Masaru Tanaka retire by rotation at this Annual General Meeting and are eligible for re-appointment.

Dr. J. J. Irani retired from the Board with effect from 20th June, 2014.

Mr. H. Nishibayashi, nominee of Kansai Paint Co., Ltd., Japan, on the Board, resigned from the directorship with effect from 22nd July, 2014.

Mr. Y. Takahashi, nominee of Kansai Paint Co., Ltd., Japan, on the Board, resigned from the directorship with effect from 30th January, 2015.

The Board of Directors has placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Dr. J. J. Irani, Mr. H. Nishibayashi and Mr. Y. Takahashi during their association with the Company as Directors.

None of the Directors is disqualified for appointment/re-appointment under Section 164 of the Companies Act, 2013. As required by law, this position is also reflected in the Auditors' Report.

The composition of the Board, meetings of the Board held during the year and the attendance of the Directors thereat have been mentioned in the Report on Corporate Governance in the Annual Report.

Mr. H. M. Bharuka, Managing Director, is a member of the Global Steering Committee of Kansai Paints Co. Ltd., Japan, the holding Company. Mr. H. M. Bharuka received a remuneration of ₹ 57.61 lacs during the year as a member of the Global Steering Committee.

10. Key Managerial Personnel

As required under Section 203 of the Companies Act, 2013, the Company has noted that Mr. H. M. Bharuka, Managing Director, Mr. P. D. Chaudhari, Wholetime Director, Mr. P. D. Pai, Chief Financial Officer and Mr. G. T. Govindarajan, Company Secretary are the Key Managerial Personnel of the Company.

11. Board Evaluation

The evaluation of all the Directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the Report on Corporate Governance in the Annual Report. The Board noted the evaluation results that were collated and presented to the Board.

12. Remuneration Policy

The Board of Directors of the Company has adopted a Remuneration Policy for determining qualifications, positive attributes and independence of a Director and criteria for Director's appointment and remuneration. The features of the Policy are as follows:

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, architecture, technical, marketing, manufacturing, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, while determining the Board composition.
- A director shall be a person of integrity, who possesses relevant expertise and experience. He shall uphold ethical standards of integrity and probity and act objectively and constructively. He shall exercise his responsibilities in a bona-fide manner in the interest of the Company. Devote sufficient time and attention to his professional obligations for informed and balanced decision making. Assist the Company in implementing the best corporate governance practices.
- An Independent director should meet the requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Companies Act and the Listing Agreement.
- The objective of the policy is to have a compensation framework that will reward and retain talent.
- The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.

- Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.
- For Directors, the Performance Pay will be linked to achievement of Business Plan.
- For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.
- The above will take into consideration industry performance, customer performance and overall economic environment.
- For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall Company performance.

13. Risk Management Policy

Risk profiling is put in place for all the areas of operations in the Company and well integrated in the business cycle. The Company has identified the risk areas in its operations along with its probability and severity, department wise. The various risks to which the Company is exposed are as mentioned in the Management and Discussion Analysis Report under the relevant heading. An effective Risk Management Framework is put in place in the Company in order to analyze, control and mitigate risk.

The Risk Management Framework comprises of Risk Management Committee and the Risk Officers. The composition of the Risk Management Committee and its functions are mentioned in the Report on Corporate Governance under the heading "Risk Management". The Risk Officers have been appointed by the functional heads and represent the various functions. The Board of Directors and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals. The composition and functions of the Risk Management Committee are given in the

Report on Corporate Governance forming part of the Annual Report.

The Risk Management Framework aims to:

- (a) address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective;
- (b) establish the risk appetite;
- (c) be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication;
- (d) seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response;
- (e) reduce surprises and losses, foresee opportunities and improve deployment of resources; and
- (f) develop a mechanism to manage risks.

Through the Risk Management Framework, system and process are set to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively. Clearly defined work profiles and assigned responsibilities are well at place, throughout the organization, at all levels and all functions, ensuring smooth flow of information across various levels within the organization.

14. Corporate Social Responsibility

The Board has constituted a Corporate Social Responsibility (CSR) Committee as per the provisions of Section 135 of the Companies Act, 2013. The functions of the CSR Committee are to:

- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the CSR policy of the Company from time to time.

The members of the CSR Committee are Mr. D. M. Kothari, Mr. H. M. Bharuka, Mr. N. N. Tata and Mrs. Brinda Somaya. Mr. D. M. Kothari is the Chairman of the CSR

Committee. The Independent Directors on the CSR Committee are Mr. D. M. Kothari, Mr. N. N. Tata and Mrs. Brinda Somaya.

The CSR Committee meetings held during the year and attendance of the members of the CSR Committee at the meetings are as follows:

Date of Meeting	Members Present at the Meeting
22nd October, 2014	Mr. D.M. Kothari Mr. H.M. Bharuka Mr. N.N. Tata Mrs. Brinda Somaya
12th December, 2014	Mr. D.M. Kothari Mr. H.M. Bharuka Mr. N.N. Tata Mrs. Brinda Somaya
9th March, 2015	Mr. D.M. Kothari Mr. N.N. Tata Mrs. Brinda Somaya

The Board has also framed a CSR Policy for the Company, on the recommendations of the CSR Committee. The Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014 including a brief outline of the Company's CSR Policy, total amount to be spent under CSR for the financial year, amount unspent and the reason for the unspent amount, is set out at Annexure-1 forming part of this Report.

15. Sub-division of share capital of the Company

In order to improve the liquidity of the Company's shares in the Stock market and to make it affordable to the small investors, the Company has subdivided each equity share of the Company from face value of ₹ 10 each to 10 equity shares of face value of ₹ 1 each vide shareholders approval obtained through Postal Ballot. The old shares having face value of ₹ 10 are no longer tradable on the Stock Exchanges. The shareholders holding share certificates in physical form have been issued new share certificates with face value of ₹ 1 each. Credit is given with the amount of sub-divided shares to the demat account of the shareholders holding shares in demat mode. The

revised structure of the Authorised Capital, Subscribed Capital and Paid-up capital of the Company is reflected in the financial statements. Consequential amendments to the Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company is also made to give effect to the subdivision of shares of the Company vide approval of shareholders obtained by the Company through Postal Ballot.

16. Particulars of Loans, Guarantee or Investments under Section 186 of the Companies Act, 2013

Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013, are given in the notes to the financial statements provided in this Annual Report.

17. Internal Financial Controls

The Board of Directors of the Company has laid down adequate internal financial controls which are operating effectively. During the year, policies and procedures are adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records and the timely preparations of reliable financial information.

18. Related Party Transactions

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in the ordinary course of business and on arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no Material Related Party transactions during the year. Thus, disclosure in Form AOC-2 is not required.

19. Audit Committee

The Company has an Audit Committee in place, constituted as per the provisions of Section 177 of the Companies Act, 2013. The members of the Audit Committee, its terms of reference, the meetings of the Audit Committee and attendance thereof of the members of the Committee is mentioned in the Corporate Governance Report under the appropriate heading.

20. Whistle Blower Policy

The Company has a Whistle Blower Policy to report genuine concerns and grievances. The implementation of the Whistle Blower Policy has been mentioned in the Report of Corporate Governance.

21. Postal Ballot

During the year, pursuant to the provisions of Section 110 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, the Company has passed certain resolutions through Postal Ballot. In pursuance of the provisions of Clause 35B (i) of the Listing Agreement, the shareholders were also provided with the facility of e-voting through CDSL for the Postal Ballot.

Mrs. Ragini Chokshi, Partner of Ragini Chokshi & Co., Practicing Company Secretaries, was appointed as the Scrutinizer for conducting the Postal Ballot/e-voting process in a fair and transparent manner. The Postal Ballot Notice dated 30th January, 2015 was dispatched to all the shareholders on 12th February, 2015. The e-voting period was open from 14th February, 2015 to 15th March, 2015. The Postal Ballot forms received upto the close of working hours on 15th March, 2015 were considered and the Results of Postal Ballot were announced on 16th March, 2015 at the Registered Office of the Company.

The resolutions passed by Postal Ballot with requisite majority are as under:

1. Ordinary Resolution for sub-division of 1 Equity Share of the face value of ₹ 10 into 10 Equity Shares of face value of ₹ 1 each.
2. Special Resolution for alteration of Capital Clause of Memorandum of Association to facilitate sub-division of shares.
3. Special Resolution for alteration of Capital Clause of Articles of Association to facilitate sub-division of shares.
4. Ordinary Resolution for appointment of Mr. Pradip P. Shah as an Independent Director for a term of five consecutive years from 30th January, 2015 to 29th January, 2020.

5. Ordinary Resolution for appointment of Mr. Noel N. Tata as an Independent Director for a term of five consecutive years from 30th January, 2015 to 29th January, 2020.
6. Ordinary Resolution for appointment of Mrs. Brinda Somaya as an Independent Director for a term of five consecutive years from 22nd July, 2014 to 21st July, 2019.

22. Corporate Governance

As required by the existing Clause 49(X) of the Listing Agreement 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.

23. General Shareholder Information

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

24. Particulars regarding Employees Remuneration

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report as Annexure-2.

25. Directors' Responsibility Statement

As stipulated in the provisions contained in Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, the Directors hereby state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) 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) 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) the Directors have prepared the annual accounts on a going concern basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

26. 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 Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure-3 to this Report.

27. Extract of Annual Return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format is appended as Annexure-4 to this Report.

28. Statutory Auditors

The Company Auditors, B S R & Co. LLP, Chartered Accountants, have been appointed for a period of 5 years from the 94th AGM till the 99th AGM. Pursuant to provisions of Section 139(1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the appointment of B S R & Co. LLP, as Auditors of the Company for a period of 5 years shall be subject to ratification by shareholders at every AGM. Accordingly,

the appointment of B S R & Co. LLP, as the Auditors of the Company from this AGM till the conclusion of next AGM is put forth for your approval.

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

29. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company has appointed M/s Ragini Chokshi & Co., Practicing Company Secretaries, as the Secretarial Auditor of the Company for the year 2014-15 to conduct secretarial audit and to ensure compliance by the Company with various Acts applicable to the Company. The Secretarial Audit Report for the financial year 2014-15 issued by M/s Ragini Chokshi & Co. is annexed to this Report as Annexure-5. There are no qualifications or adverse remarks in their Report.

30. Acknowledgements

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

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

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 8th May, 2015

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.** : Given separately as a part of this Report.
Weblink: <http://www.nerolac.com/financial/policies>
2. **Composition of the CSR Committee** : Mr. D. M. Kothari, *Vice Chairman (Independent Director)*
Mr. H. M. Bharuka, *Managing Director*
Mr. N. N. Tata, *(Independent Director)*
Mrs. Brinda Somaya, *(Independent Director)*
3. **Average net profit of the Company for the last three financial years** : ₹ 30544.03 Lacs
4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)** : ₹ 610.88 Lacs
5. **Details of CSR spend for the financial year :**
 - a. Total amount spent for the financial year : ₹ 450.85 Lacs
 - b. Amount unspent : ₹ 160.03 Lacs
 - c. Manner in which the amount spent during the financial year is as given separately in this Report.

The Company formed a Corporate Social Responsibility Committee to implement and monitor the CSR policy. A lot of activities were taken up and implemented during the year, particulars of which are given in this report. However, some of the projects envisaged could not take off during the year. Hence the shortfall in CSR spend compared to the requirement as stated in point no. 4 above.

The CSR Committee confirms that the implementation of the CSR Policy is in compliance with CSR objectives and Policy of the Company.

H. M. Bharuka
Managing Director

D. M. Kothari
Chairman of the CSR Committee

Mumbai, 8th May, 2015

Outline of CSR Policy

The Mission and philosophy of the CSR function of the Company is “To contribute positively to the development of the society, by acting as a good neighbour, considerate of others, playing the role of a good corporate citizen with passion and compassion.” Hence the CSR activities undertaken by the organisation essentially focus on four core areas of Environment, Health, Education and Community Development. The focus of the Company is to contribute to various institutions and initiatives around the manufacturing locations to provide social services to the needy.

The CSR vision of the Company is to strive to be a responsible corporate by proactively partnering in the Environmental, Social and Economic development of the communities through the use of innovative technologies, products as well as through activities beyond normal business.

The Company endeavours to make a positive and significant contribution to the society by targeting social and cultural issues, maintaining a humanitarian approach and focusing on areas in and around its plants and where its establishments are located.

The Company would continue to carry out CSR activities as it has been carrying out over the years in the areas of Environment, Health, Education and Community Development. In particular, the Company will undertake CSR activities as specified in Schedule VII to the Companies Act, 2013 (including any amendments to Schedule VII and any other activities specified by the Government through its notifications and circulars) but will not be limited to the following:

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
8. Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women;
9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
10. Rural development projects.
11. Slum area development.

CSR activities will be undertaken either by the Company itself or through a Trust/Section 8 Company to be established by the Company or through any other Trust engaged in similar projects and activities. The Company may also collaborate with other companies to carry out its CSR activities.

PROGRAM WISE CSR DETAILS 2014-15

Sr. No.	CSR Project/Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or Through Agency (₹ in Lacs)	
A.	1.	Programme on environment for school students	Ensuring Environmental Sustainability	Bawal	0.50	0.41	0.41	0.41
	2.	Green Belt off the highway and approach road to the lote plant	Ensuring Environmental Sustainability	Lote	10.00	0.00	0.00	0.00
	3.	Roundana Beutification (2 Nos.)	Ensuring Environmental Sustainability	Hosur	8.00	8.10	8.10	8.10
		Sub-total			18.50	8.51	8.51	8.51
B.	1.	Training on Painting (At SBI Trg. Centre, Kendrapada)	Livelihood Enhancement Program	HO	5.00	0.47	0.47	0.47
	2.	With MITCON. Training on Painting	Livelihood Enhancement Program	HO	30.00	6.62	6.62	6.62
		Sub-total			35.00	7.09	7.09	7.09
C.	1.	Borewell	Preventive Health Care & Sanitation	Bawal	3.00	2.45	2.45	2.45
	2.	Toilet facilities	Preventive Health Care & Sanitation	Bawal	4.00	2.29	2.29	2.29
	3.	Health Check up (Eye Camp)	Preventive Health Care & Sanitation	Bawal	1.00	0.90	0.90	0.90
	4.	Borewell	Preventive Health Care & Sanitation	Lote	2.00	1.70	1.70	1.70
	5.	Medical Camps	Preventive Health Care & Sanitation	Lote	2.00	1.79	1.79	1.79
	6.	Health Camps	Preventive Health Care & Sanitation	Hosur	2.00	0.67	0.67	0.67
	7.	Health Camps	Preventive Health Care & Sanitation	Jainpur	2.00	1.47	1.47	1.47
	8.	Medical Camps at Depots	Preventive Health Care & Sanitation	HO	35.00	25.48	25.48	25.48
	9.	Aid to Shanmukhanand Medical Centre- for Dialysis and Eye care	Preventive Health Care & Sanitation	HO	20.00	20.00	20.00	20.00
	10.	Free Eye Surgeries and running of hospital	Preventive Health Care & Sanitation	Sankara Nethralaya– Chennai & South India	100.00	75.00	75.00	75.00
	11.	Jeevanjyoti The Healing Touch Project	Preventive Health Care & Sanitation	Dr. Hedgewar Rugnalaya, Aurangabad – Maharashtra State	100.00	75.00	75.00	75.00
	Sub-total			271.00	206.75	206.75	206.75	

PROGRAM WISE CSR DETAILS 2014-15

	Sr. No.	CSR Project/Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or Through Agency (₹ in Lacs)
D.	1.	Computer Lab/Science Lab/Library	Promoting Education	Bawal	3.00	2.56	2.56	2.56
	2.	Construction of a School room	Promoting Education	Lote	10.00	10.00	10.00	10.00
	3.	Science Lab, equipments to schools	Promoting Education	Lote	5.00	5.05	5.05	5.05
	4.	Project e-Teach. English Learning for Govt. School Students	Promoting Education	HO	1.00	1.00	1.00	1.00
		Sub-total			19.00	18.61	18.61	18.61
E.	1.	Bus Shelter	Rural Development / Community Development	Bawal	4.00	3.04	3.04	3.04
	2.	Bus Shelter in Awashi	Rural Development / Community Development	Lote	4.00	0.28	0.28	0.28
	3.	Road Repair in nearby vicinity	Rural Development / Community Development	Jainpur	73.50	73.78	73.78	73.78
	4.	Eradicating hunger and malnutrition — J&K	Rural Development / Community Development	HO	60.00	57.79	57.79	57.79
	5.	Integrated Rural Development Project	Rural Development / Community Development	Bhansali Trust, Mumbai – all over India	100.00	75.00	75.00	75.00
	Sub-total			241.50	209.89	209.89	209.89	
				585.00	450.85	450.85	450.85	

Implementing Agencies for CSR activities:

- Smile Foundation
- MITCON Consultancy & Engineering Services
- State Bank of India – Odisha [Lead Bank and Regional Rural Bank Development Local HO]
- Sachetan Society for Research [Bawal]
- Vishwakalyan Arogya Kendra [Lote]
- Lioness Club of Chiplun [Lote]
- Arogya Seva Hospital [Hosur]
- PVK Constructions Limited [Hosur]
- Aakriti Civil Constructions Limited [Lote]
- Chemfab Engineering [Bawal]

Annexure 2 to the Board's Report**1. Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:**

- (i) The ratio of the remuneration of each Director to the Median Remuneration of the Employees of the Company for the Financial Year 2014-15 and
- (ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year.

(₹ in Lacs)

Sr. No.	Name of Director / KMP and Designation	Remuneration of Director/KMP for Financial Year 2014-15	Percentage increase in Remuneration for the Financial Year 2014-15	Ratio of Remuneration of each Director to the Median Remuneration of Employees
1.	Dr. J. J. Irani Chairman (Upto June 20, 2014) (Non-Executive and Independent Director)	18.20	*	*
2.	Mr. P. P. Shah Chairman (From June 20, 2014) (Non-Executive and Independent Director)	16.40	3.80	4.75
3.	Mr. D. M. Kothari Vice Chairman (Non-Executive and Independent Director)	25.60	3.64	7.42
4.	Mr. H. M. Bharuka Managing Director	445.48	9.29	129.12
5.	Mr. P. D. Chaudhari Whole-time Director	153.75	10.98	44.57
6.	Mr. N. N. Tata Non-Executive and Independent Director	13.30	7.25	3.86
7.	Mr. Y. Takahashi Non-Executive Director	**	**	**
8.	Mr. H. Nishibayashi Non-Executive Director	**	**	**
9.	Mr. M. Tanaka Non-Executive Director	**	**	**
10.	Mr. H. Furukawa Non-Executive Director	**	**	**
11.	Mr. S. Asatsuma Non-Executive Director	**	**	**
12.	Mrs. B. Somaya Non-Executive and Independent Director	0.70	N.A.	*
13.	Mr. P. D. Pai Chief Financial Officer	57.80	16.73	16.75
14.	Mr. G. T. Govindarajan Company Secretary	36.40	14.67	10.55

Remuneration for the Executive Directors and Key Managerial Personnel (KMP) in the table above is based on Cost To Company (CTC).

* Details not given as Dr. J. J. Irani and Mrs. B. Somaya were Directors only for part of the Financial Year 2014-15.

** Details not given as Mr. Y. Takahashi, Mr. H. Nishibayashi, Mr. M. Tanaka, Mr. H. Furukawa and Mr. S. Asatsuma did not receive any sitting fees for attending Board / Committee Meetings, nor were they paid any commission.

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- (iii) The Median Remuneration of Employees (MRE) of the Company is ₹ 3,44,806 for the Financial Year 2014-15. The MRE for the year increased by 1.73% compared to the previous financial year.
- (iv) The number of permanent employees on the rolls of the Company is 2388 for the year ended March 31, 2015.
- (v) Sales and Operating Income for the year ended March 31, 2015 increased by 12.6% and Profit Before Tax was higher by 29.9% as compared to the previous year. Average increase in employees' remuneration was 10.84%. Overall increase in remuneration is in line with the performance of the Company.
- (vi) The remuneration of the Key Managerial Personnel (KMP) of the Company and the percentage increase in the remuneration of KMP during 2014-15 is as given in (i) and (ii) above. The performance of the Company is as stated in (v) above.
- (vii) The Market Capitalisation as on March 31, 2015 was ₹ 11651.44 Crores as compared to ₹ 6300.78 Crores as on March 31, 2014. Price Earnings Ratio of the Company increased to 42.90 as on March 31, 2015 as against 30.50 as on March 31, 2014. Percentage increase in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer is 2988.57%, adjusted for Stock Split and Bonuses till date. (The Company came out with a Rights Issue of Shares in 1996).
- (viii) Average percentage increase made in the salaries of employees other than the managerial personnel in the last Financial Year was 9.50%. The percentage increase in the salary of managerial staff was 12.60%. The increase in remuneration is determined based on the performance by the employees of the Company.
- (ix) The remuneration of each of the Key Managerial Personnel is given in (i) and (ii) above. The performance of the Company, in comparison, is as stated in (v) above.
- (x) The key parameters of variable component of remuneration availed by the Whole-time Directors are the Company's performance and performance/track record of the Whole-time Directors, financial results and profitability of the Company. The key parameters of variable component of remuneration availed by Non-Executive Directors, inter-alia, includes number of Board and Committee Meetings attended and individual contribution thereat.
- (xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year — Not Applicable.
- (xii) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

Annexure 2 to the Board's Report (Continued)**2. Statement pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

Sr. No.	Name	Designation / Nature of Duties	Remuneration (₹)	Qualification	Experience (in years)	Date of Commencement of Employment	Age (in years)	Last Employment Held	
								Name of the Employer	Designation held
(A) Employed throughout the Financial Year under review and in receipt of remuneration for the Financial Year in aggregate of not less than ₹ 60,00,000 per annum.									
1.	Mr. H. M. Bharuka	Managing Director	4,58,37,511	B.Com., AICWA	34	01.10.1985	54	Rohit Pulp and Paper Mills Ltd.	Manager – Costing
2.	Mr. P. D. Chaudhari	Executive Director – Auto Division & Supply Chain	1,58,54,771	B.E., MMS	22	14.06.1993	46	Bharat Bijlee Ltd.	Graduate Apprentice
3.	Mr. Anuj Jain	Director – Sales & Marketing	92,78,000	B.Sc., MMS (Mktg.)	22	04.06.1990	46	First Employment	–
4.	Mr. Abhijit M. Nattoo	Vice President – Supply Chain	73,60,700	B.E. – Chemical	22	05.03.2009	45	Asian Paints Ltd.	Sr. Manager – Plant Engg.
5.	Mr. M. G. Mehrotra	Vice President – Technical	67,84,440	M.Sc., Dip. in Paint Tech.	34	28.10.1983	56	Asian Paints (I) Ltd.	Jr. Chemist
6.	Mr. J. S. Gonsalves	Vice President – Corporate Planning & IT	67,56,244	B.E. (Production), MMS	21	01.06.1994	44	Gleitlager India Ltd.	Trainee Superintendent
7.	Mr. Sudhir Rane	Vice President – Industrial Coatings	62,88,760	B.Sc., MMS (Mktg.)	23	16.06.1992	47	First Employment	–
(B) Employed for the part of the Financial Year under review and in receipt of remuneration at the rate of not less than ₹ 5,00,000/- per month									
1.	Mr. Sudeep Kolte	Vice President – Sales & Marketing	50,45,750	B.E. (Mech.), Post Graduate Diploma in Business Management	17	01.07.2014	43	Shell India Markets Pvt. Ltd.	Regional VP

Notes:

- The appointment is as per the contract / letter of appointment; other terms and conditions are as per the Company's rules.
- Remuneration as mentioned above comprises of Salary, Commission, Company's contribution to Provident fund, House Rent Allowance, Leave Travel Allowance and Other Perquisites and Allowances.
- There was no employee either throughout the financial year or part thereof, who was in receipt of remuneration which in the aggregate was in excess of that drawn by the Managing Director or Whole-time Director and who held by himself or alongwith his spouse or dependent children, two percent of the Equity Shares of the Company.
- None of the above employees is a relative of any Director of the Company.

For and on behalf of the Board

Mumbai, 8th May, 2015

P. P. Shah
Chairman

Annexure 3 to the Board's Report

(A) Conservation of Energy

(i) The steps taken or impact on conservation of energy:

- Express feeder for Power sourcing where in we have provided dedicated feeder for sourcing of Power. With this, we have been able to reduce Grid outage from 18% in Financial Year (FY) 2013-14 to less than 5% in FY 2014-15. On these grounds we have reduced our Diesel Generator (DG) operations and saved on High Speed Diesel (HSD). Net savings of ₹ 34.37 Lacs accrued in 13 months.
- We underwent exhaustive Energy Audit at Bawal through Bureau of Energy Efficiency (BEE) certified Energy Auditors and based on implementation of recommendations, we have achieved Energy savings of ₹ 114 Lacs.
- We underwent exhaustive Energy Audit at Jainpur through BEE certified Energy Auditors and based on implementation of recommendations, we shall accrue Energy savings of ₹ 93 Lacs by end of FY 2015-16.
- Installation of Energy efficient Screw Chillers at Bawal thereby accruing a savings of ₹ 100 Lacs by end of FY 2015-16.
- Replacement of Compact Fluorescent Lights (CFL) /incandescent lights with Light Emitting Diode (LED) lighting at NEROLAC HOUSE. Net savings of ₹ 0.76 Lacs accrued in 9 months.
- Replacement of existing Metal Halide street lamps with LED at NEROLAC HOUSE. Net savings of ₹ 0.18 Lacs accrued in 9 months.

(ii) Steps taken by the Company for utilising alternate sources of Energy:

- Installation of latest technology Steam Eductors for Hot water generation in lieu of indirect heating through HSD fired Thermopac. We have reverted from HSD to Biomass which is a renewable environment-friendly fuel. Savings accrued ₹ 27 Lacs.
- Solar tubes utilizing Solar radiations have been installed at raw material godown thereby reducing our dependency on Grid.
- 3rd party power sourcing done at Hosur with effect from Feb, 2015, thereby migrating from HSD fired DGs to Biomass based power generation which is Renewable source of Energy. This initiative has helped in getting savings of ₹ 6 Lacs/month on an average through reduced dependency on Fossil fuel HSD. Savings for March 2015 is ₹ 12.6 Lacs.
- Installation of 100 Kilo Watts (KW) Solar plant at Hosur thereby reducing our dependency on Grid.
- Sourcing Power to the tune of 45 Lac units/annum through Wind wheeling. This way we have reduced dependency on Grid and migrated towards power sourcing through Wind turbines.

(iii) Capital investment on energy conservation equipment: ₹ 4.5 Crores.

(B) Technology Absorption

(i) The efforts made towards technology absorption:

- Localization of intermediate for automotive coatings
- Successful absorption of resin for Electro Deposition Coating
- High solids metallic base Coat for Automobiles
- Mar resistance Clear Coat for Automobiles

- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution:
- Eco Friendly Water Based Coating for Idols.
 - Development of water proofing coating
 - Horizontal and Vertical top coats along with primer.

- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

Sr. No.	a. Details of Technology	b. Year of Import
1.	Interior Coatings for Automobiles	2012-13
2.	High Solid Metallic Base Coat	2013-14
3.	Mar resistance Clear Coat	2014-15
4.	Direct to Metal 1K Anticorrosive Coating	2014-15

c. whether the technology has been fully absorbed: Yes

d. if not fully absorbed, areas where absorption has not taken place, and the reasons thereof – N.A

(C) Expenditure incurred on R & D

	(₹ in Crores)	
	2014-2015	2013-2014
(a) Capital	0.30	0.20
(b) Recurring	17.02	15.49
(c) Total	17.32	15.69

(D) Foreign Exchange earned in terms of actual inflows during the year and foreign exchange outgo during the year in terms of actual outflows

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

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 8th May, 2015

Annexure 4 to the Board's Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- (i) CIN : L24202MH1920PLC000825
- (ii) Registration Date : 2nd September, 1920
- (iii) Name of the Company : Kansai Nerolac Paints Limited
- (iv) Category / Sub-Category of the Company : Public Company / Limited by Shares.
- (v) Address of the Registered office and contact details : 'Nerolac House', Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013
Ph. 22-24934001
Fax: 22-24973704
Website: www.nerolac.com
- (vi) Whether listed company : Yes
- (vii) Name, Address and Contact details of Registrar and Transfer Agent : Sharepro Services (India) Pvt. Ltd.
Samhita Warehousing Complex,
Plot No. 13AB, 2nd Floor,
Sakinaka Telephone Exchange Lane,
Off Andheri-Kurla Road, Sakinaka, Andheri (E),
Mumbai-400 072

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products/services	NIC Code of the Product/Service	% to total turnover of the Company
1	Paints	20221	100%
2	—	—	—
3	—	—	—

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	Kansai Paint Co. Ltd., Japan 6-14, Imabashi 2 – Chome, Chuo-Ku, Osaka 541-8523, Japan.	1400-01-048243	Holding	69.27	2(46)
2	Kansai Paints Nepal Pvt. Ltd. Adarsh Nagar, Ward No. 13, Birganj, Nepal-44301.	20268/059/60	Subsidiary	68.00	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	—	—	—	—	—	—	—	—	—
b) Central Govt	—	—	—	—	—	—	—	—	—
c) State Govt(s)	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	—	—	—	—	—	—	—	—	—
e) Banks/FI	—	—	—	—	—	—	—	—	—
f) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1):-	—	—	—	—	—	—	—	—	—
(2) Foreign									
a) NRIs-Individuals	—	—	—	—	—	—	—	—	—
b) Other-Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	3,73,29,760	0	3,73,29,760	69.27	37,32,97,600	0	37,32,97,600	69.27	—
d) Banks/FI	—	—	—	—	—	—	—	—	—
e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2):-	3,73,29,760	0	3,73,29,760	69.27	37,32,97,600	0	37,32,97,600	69.27	—
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	3,73,29,760	0	3,73,29,760	69.27	37,32,97,600	0	37,32,97,600	69.27	—
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	7,52,307	1,398	7,53,705	1.40	1,44,62,497	13,980	1,44,76,477	2.69	1.29
b) Banks/FI	1,944	200	2,144	0.00	2,92,280	0	2,92,280	0.05	0.05
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) Insurance Companies	17,47,147	0	17,47,147	3.24	1,66,04,750	0	1,66,04,750	3.08	-0.16
g) FIs	63,72,057	0	63,72,057	11.82	5,22,14,826	0	5,22,14,826	9.69	-2.13
h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
i) Others (Foreign Portfolio-Corpn.)	—	—	—	—	9,80,963	0	9,80,963	0.18	0.18
Sub-total (B)(1):-	88,73,455	1,598	88,75,053	16.47	8,45,55,316	13,980	8,45,69,296	15.69	-0.78
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	33,02,475	5,079	33,07,554	6.14	3,56,04,595	50,790	3,56,55,385	6.62	0.48
ii) Overseas	—	—	—	—	—	—	—	—	—
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	28,46,659	6,04,717	34,51,376	6.40	3,05,77,418	54,45,240	3,60,22,658	6.68	0.28
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	7,90,296	30,284	8,20,580	1.52	77,19,770	3,02,840	80,22,610	1.49	-0.03
c) Others (specify)	—	—	—	—	—	—	—	—	—
Non Resident Indians	67,239	2,372	69,611	0.13	8,13,851	23,720	8,37,571	0.16	0.03
Trusts	5,350	0	5,350	0.01	1,91,090	0	1,91,090	0.04	0.03
Unclaimed Suspense Account	32,688	0	32,688	0.06	3,23,510	0	3,23,510	0.06	0.00
Sub-total (B)(2):-	70,44,707	6,42,452	76,87,159	14.26	7,52,30,234	58,22,590	81,05,2,824	15.04	0.78
Total Public Shareholding (B) = (B)(1) + (B)(2)	5,32,47,922	6,44,050	5,38,91,972	100.00	53,30,83,150	58,36,570	53,89,19,720	100.00	0.00
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total (A+B+C)	5,32,47,922	6,44,050	5,38,91,972	100.00	53,30,83,150	58,36,570	53,89,19,720	100.00	0.00

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(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	Kansai Paint Co. Ltd., Japan	3,73,29,760	69.27	—	37,32,97,600*	69.27	—	—
2.	—	—	—	—	—	—	—	—
3.	—	—	—	—	—	—	—	—
	Total	3,73,29,760	69.27	—	37,32,97,600*	69.27	—	—

* Each Equity Share of face value of ₹ 10 is sub-divided into 10 (Ten) Equity Shares of face value of ₹ 1 each by resolution passed by shareholders' through Postal Ballot on March 16, 2015

(iii) Change in Promoters' Shareholding

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	3,73,29,760	69.27	3,73,29,760	69.27
	Date wise increase / decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	Sub-division		Sub-division	
	At the end of the Year	37,32,97,600*	69.27	37,32,97,600*	69.27

* Each Equity Share of face value of ₹ 10 is sub-divided into 10 (Ten) Equity Shares of face value of ₹ 1 each by resolution passed by shareholders' through Postal Ballot on March 16, 2015

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-14) / end of the year (31-03-15)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Aberdeen Asset Management – Asia Limited	42,55,338	7.90	01.04.2014				
				11.07.2014	1,441	Purchase	42,56,779	7.90
				18.07.2014	77,600	Purchase	43,34,379	8.04
				17.10.2014	-710	Sale	43,33,669	8.04
				24.10.2014	-1,661	Sale	43,32,008	8.04
				31.10.2014	-19,318	Sale	43,12,690	8.00
				07.11.2014	-21,167	Sale	42,91,523	7.96
				14.11.2014	-8,389	Sale	42,83,134	7.95
				21.11.2014	-1,98,755	Sale	40,84,379	7.58
				28.11.2014	-57,330	Sale	40,27,049	7.47
				05.12.2014	-78,719	Sale	39,48,330	7.33

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Sl. No.	Shareholder's Name For each of the Top Ten Shareholders	Shareholding at the beginning (01-04-14) / end of the year (31-03-15)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				12.12.2014	-23,353	Sale	39,24,977	7.28
				19.12.2014	-58,011	Sale	38,66,966	7.18
				31.12.2014	-42,750	Sale	38,24,216	7.10
				02.01.2015	-5,160	Sale	38,19,056	7.09
				09.01.2015	-1,51,062	Sale	36,67,994	6.81
				16.01.2015	-1,19,919	Sale	35,48,075	6.58
				23.01.2015	-96,517	Sale	34,51,558	6.40
				30.01.2015	-1,07,553	Sale	33,44,005	6.21
				06.02.2015	-27,816	Sale	33,16,189	6.15
				20.02.2015	-51,041	Sale	32,65,148	6.06
				27.02.2015	-3,254	Sale	32,61,894	6.05
				06.03.2015	-16,178	Sale	32,45,716	6.02
				13.03.2015	-4,442	Sale	32,41,274	6.01
				20.03.2015	-7,037	Sale	32,34,237	6.00
				27.03.2015	-79,284	Sale	31,54,953	5.85
		3,14,19,056	5.83	31.03.2015	2,82,64,103	Sub-division	3,14,19,056	5.83
2.	ICICI Prudential Life Insurance Company Ltd	25,92,317	4.81	01.04.2014				
				25.07.2014	-45	Sale	25,92,272	4.81
				20.02.2015	-53,010	Sale	25,39,262	4.71
		2,53,31,570	4.70	31.03.2015	2,27,92,308	Sub-division	2,53,31,570	4.70
3.	The New India Assurance Company Limited	6,73,849	1.25	01.04.2015				
				30.06.2014	1	Purchase	6,73,850	1.25
				05.09.2014	-9,093	Sale	6,64,757	1.23
				12.09.2014	-15,000	Sale	6,49,757	1.21
				19.09.2014	-1,070	Sale	6,48,687	1.20
				27.03.2015	-1,734	Sale	6,46,953	1.20
		64,69,530	1.20	31.03.2015	58,22,577	Sub-division	64,69,530	1.20
4.	The Oriental Insurance Company Limited	6,71,054	1.25	01.04.2014				
				09.05.2014	-8,358	Sale	6,62,696	1.23
				16.05.2014	-6,776	Sale	6,55,920	1.22
				23.05.2014	-2,000	Sale	6,53,920	1.21
				30.05.2014	-2,386	Sale	6,51,534	1.21
				06.06.2014	-2,551	Sale	6,48,983	1.20
				30.06.2014	-7,645	Sale	6,41,338	1.19
				04.07.2014	-3,000	Sale	6,38,338	1.18
				11.07.2014	-488	Sale	6,37,850	1.18
				13.02.2015	-7,294	Sale	6,30,556	1.17
				20.02.2015	-7,546	Sale	6,23,010	1.16
				27.02.2015	-4,419	Sale	6,18,591	1.15
				06.03.2015	-4,776	Sale	6,13,815	1.14
				20.03.2015	-2,716	Sale	6,11,099	1.13
		61,10,990	1.13	31.03.2015	54,99,891	Sub-division	61,10,990	1.13

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Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-14) / end of the year (31-03-15)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
5.	SBI Emerging Businesses Fund	4,90,000	0.91	01.04.2014				
				16.05.2014	-60,000	Sale	4,30,000	0.80
				15.08.2014	-3,21,000	Sale	1,09,000	0.20
				22.08.2014	-1,09,000	Sale	0	0.00
		0	0.00	31.03.2015	0			
6.	National Westminster Bank Plc As Depository of First State Indian Subcontinent Fund A Sub Fund Of First State Investments ICVC	4,52,898	0.84	01.04.2014				
				19.09.2014	-288	Sale	4,52,610	0.84
				30.09.2014	-2,654	Sale	4,49,956	0.83
				03.10.2014	-4,504	Sale	4,45,452	0.83
				10.10.2014	-7,241	Sale	4,38,211	0.81
				17.10.2014	-2,793	Sale	4,35,418	0.81
				24.10.2014	-599	Sale	4,34,819	0.81
				31.10.2014	-15,131	Sale	4,19,688	0.78
				07.11.2014	-10,031	Sale	4,09,657	0.76
				14.11.2014	-5,367	Sale	4,04,290	0.75
				16.01.2015	-57,996	Sale	3,46,294	0.64
				30.01.2015	-29,882	Sale	3,16,412	0.59
				06.02.2015	-30,284	Sale	2,86,128	0.53
		28,61,280	0.53	31.03.2015	25,75,152	Sub-division	28,61,280	0.53
7.	Bajaj Allianz Life Insurance Company Ltd.	4,10,263	0.76	01.04.2014				
				04.04.2014	9,200	Purchase	4,19,463	0.78
				30.05.2014	-25,000	Sale	3,94,463	0.73
				06.06.2014	3,250	Purchase	3,97,713	0.74
				19.12.2014	-173	Sale	3,97,540	0.74
				31.12.2014	10,000	Purchase	4,07,540	0.76
				13.02.2015	10,000	Purchase	4,17,540	0.77
				20.02.2015	-20,000	Sale	3,97,540	0.74
		39,75,400	0.74	31.03.2015	35,77,860	Sub-division	39,75,400	0.74
8.	First State Investments (Hongkong) Limited a/c First State Indian Subcontinent Fund	3,62,165	0.67	01.04.2014				
				25.07.2014	-4,424	Sale	3,57,741	0.66
				01.08.2014	-229	Sale	3,57,512	0.66
				15.08.2014	-22	Sale	3,57,490	0.66
				22.08.2014	-1,965	Sale	3,55,525	0.66
				29.08.2014	-5,476	Sale	3,50,049	0.65
				05.09.2014	-6,286	Sale	3,43,763	0.64
				09.01.2015	-18,318	Sale	3,25,445	0.60
				16.01.2015	-16,610	Sale	3,08,835	0.57
				23.01.2015	-16,032	Sale	2,92,803	0.54
				30.01.2015	-15,665	Sale	2,77,138	0.51

Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-14) / end of the year (31-03-15)		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-14 to 31-03-15)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders			27.03.2015	-13,257	Sale	2,63,881	0.49
		26,38,810	0.49	31.03.2015	23,74,929	Sub-division	26,38,810	0.49
9.	General Insurance Corporation of India	3,44,200	0.64	01.04.2015				
		34,42,000	0.64	31.03.2015	34,42,000	Sub-division	34,42,000	0.64
10.	The Scottish Oriental Smaller Companies	3,41,163	0.63	01.04.2014				
				12.09.2014	-55,200	Sale	2,85,963	0.53
				19.09.2014	-8,844	Sale	2,77,119	0.51
				30.09.2014	-644	Sale	2,76,475	0.51
				03.10.2014	-1,091	Sale	2,75,384	0.51
				10.10.2014	-1,755	Sale	2,73,629	0.51
				16.01.2015	-641	Sale	2,72,988	0.51
				23.01.2015	-37,900	Sale	2,35,088	0.44
				30.01.2015	-11,030	Sale	2,24,058	0.42
		22,40,580	0.42	31.03.2015	20,16,522	Sub-division	22,40,580	0.42

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Mr. D. M. Kothari At the beginning of the year Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc): At the end of the year	84 — 840*	0.0002 — 0.0002	84 — 840	0.0002 — 0.0002
2.	Mr. P. D. Chaudhari At the beginning of the year Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc): At the end of the year	20 — 200*	0.0000 — 0.0000	20 — 200	0.0000 — 0.0000

* Note: Each Equity Share of face value of ₹ 10 is sub-divided into 10 (Ten) Equity Shares of face value of ₹ 1 each by resolution passed by shareholders' through Postal Ballot on March 16, 2015

V. INDEBTEDNESS**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(₹ in Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	0.90	55.90	—	56.80
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	0.90	55.90	—	56.80
Change in Indebtedness during the financial year				
• Addition	—	—	—	—
• Reduction	—	15.30	—	15.30
Net Change	—	15.30	—	15.30
Indebtedness at the end of the financial year				
(i) Principal Amount	0.90	40.60	—	41.50
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	0.90	40.60	—	41.50

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL*A. Remuneration to Managing Director, Whole-time Directors and/or Manager:*

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ in Lacs)
		H. M. Bharuka	P. D. Chaudhari	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	250.48	97.59	348.07
	(b) Value of Perquisites u/s.17(2) of Income-tax Act, 1961	12.90	4.80	17.70
	(c) Profits in lieu of Salary u/s.17(3) of Income-tax Act, 1961	0.00	0.00	0.00
2.	Stock Option	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission			
	— as % of Profit	195.00	56.16	251.16
	— others, specify	0.00	0.00	0.00
5.	Others, please specify	—	—	—
	Total (A)	458.38	158.55	616.93
	Ceiling as per the Act	2018.20	2018.20	4036.40

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in Lacs)
		P. P. Shah	D. M. Kothari	N. N. Tata	B. Somaya	J. J. Irani	
1.	Independent Directors						
	Fee for Attending Board/Committee Meetings	1.40	1.60	1.40	0.70	0.20	5.30
	Commission	15.00	24.00	12.00	—	18.00	69.00
	Others, specify	—	—	—	—	—	—
	Total (1)	16.40	25.60	13.40	0.70	18.20	74.30
2.	Other Non-Executive Directors						
	Fee for Attending Board/Committee Meetings	—	—	—	—	—	—
	Commission	—	—	—	—	—	—
	Others, specify	—	—	—	—	—	—
	Total (2)	—	—	—	—	—	—
	Total B= 1+2	16.40	25.60	13.40	0.70	18.20	74.30
	Total Managerial Remuneration (A)+(B)						691.23
	Overall Ceiling as per the Act						4440.04

C. Remuneration To Key Managerial Personnel other than Managing Director /Manager/Wholetime Director:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (₹ in Lacs)
		Company Secretary	CFO	
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	36.41	57.80	94.21
	b) Value of Perquisites u/s. 17(2) of Income-tax Act, 1961	0.87	1.07	1.94
	c) Profits in lieu of Salary u/s.17(3) of Income-tax Act, 1961	—	—	—
2.	Stock Option	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission	—	—	—
	— as % of Profit	—	—	—
	— others, specify	—	—	—
5.	Others, please specify	—	—	—
	Total	37.28	58.87	96.15

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

There were no penalties, punishments, compounding of offences for the year ended March 31, 2015.

For and on behalf of the Board

Mumbai, 8th May, 2015

P. P. Shah
Chairman

Annexure 5 to the Board's Report

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members
Kansai Nerolac Paints Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kansai Nerolac Paints Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended March 31, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the Audit Period);
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009 (Not applicable to the Company during the Audit Period) and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).

- (vi) We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company.

We are of the opinion that the management has complied with the following laws specifically applicable to the Company:

1. Factories Act, 1948;
2. Industries (Development & Regulation) Act, 1951;
3. Labour Laws and other incidental laws;
4. Environment Protection Act, 1986 and other Environmental Laws;
5. Employees State Insurance Act, 1948;
6. Hazardous Wastes (Management and Handling) Rules, 1989 and Amendment Rule, 2003;
7. Indian Contract Act, 1872;
8. Minimum Wages Act, 1948;
9. Negotiable Instruments Act, 1881;
10. The Trade Marks Act, 1999;
11. The Patents Act, 1970
12. The Copyright Act, 1957;
13. The Legal Metrology Act, 2009;
14. Acts as prescribed under Shop and Establishments Act of various local authorities.

We have also examined compliance with applicable clauses of the following:

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India (not applicable during the Audit Period as yet to be notified) and
- (b) The Listing Agreements entered into by the Company with Stock Exchanges.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, except for the sub-division of the Equity Shares of the Company (each Equity Share of the face value of ₹ 10 has been sub-divided into 10 Equity Shares of ₹ 1 each), there were no other specific events/ actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For Ragini Chokshi & Co.

Mrs. Ragini Chokshi

(Partner)

Place: Mumbai

C.P. NO. 1436

Date: May 8, 2015.

FCS NO. 2390

REPORT ON CORPORATE GOVERNANCE

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

1. Company's philosophy on Code of Governance

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

2. Board of Directors

The strength of Board as on 31st March, 2015 is nine Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are seven Non-Executive Directors, of which four Directors, including the Chairman, are Independent Directors. The Board also consists of one Woman Independent Director. The number of Independent Directors on the Board is in conformity with the requirement of Clause 49 (II)(A) of the Listing Agreement. Three Non-Executive Directors namely, Mr. M. Tanaka, Mr. H. Furukawa and Mr. S. Asatsuma are nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

Five Board Meetings were held during the year ended 31st March, 2015, i.e. on 30th April, 2014, 20th June, 2014, 22nd July, 2014, 22nd October, 2014 and 30th January, 2015.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Dr. J. J. Irani *	Chairman (Upto 20th June, 2014) (Non-Executive and Independent Director)	1	Yes
Mr. P. P. Shah	Chairman (From 20th June, 2014) (Non-Executive and Independent Director)	5	Yes
Mr. D. M. Kothari	Vice Chairman (Non-Executive and Independent Director)	5	Yes
Mr. H. M. Bharuka	Managing Director	5	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	4	Yes
Mr. P. D. Chaudhari	Whole-time Director	5	Yes
Mr. Y. Takahashi @	Non-Executive Director	2	Yes
Mr. H. Nishibayashi #	Non-Executive Director	Nil	No
Mr. M. Tanaka	Non-Executive Director	1	No
Mr. H. Furukawa \$	Non-Executive Director	1	No
Mrs. B. Somaya %	Non-Executive and Independent Director	3	No
Mr. S. Asatsuma ~	Non-Executive Director	1	No

* Dr. J. J. Irani retired by rotation at the AGM on 20th June, 2014 and did not seek re-election.

@ Mr. Y. Takahashi resigned from the Board with effect from 30th January, 2015.

Mr. H. Nishibayashi resigned from the Board with effect from 22nd July, 2014.

\$ Mr. H. Furukawa was appointed on the Board of the Company with effect from 22nd July, 2014.

% Mrs. B. Somaya was appointed on the Board of the Company with effect from 22nd July, 2014.

~ Mr. S. Asatsuma was appointed on the Board of the Company with effect from 30th January, 2015.

Every Director currently on the Board of the Company has personally attended at least one Board/Committee of Directors' Meeting in the financial year 2014-15.

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

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

Name of the Director	No. of Directorships	No. of Audit Committees and Stakeholders' Relationship Committees* in which Chairman/Member	
		Chairman	Member
Mr. P. P. Shah	8	Nil	8
Mr. D. M. Kothari	Nil	Nil	Nil
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	7	1	1
Mr. P. D. Chaudhari	Nil	Nil	Nil
Mr. M. Tanaka	Nil	Nil	Nil
Mr. H. Furukawa	Nil	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil	Nil
Mr. S. Asatasuma	Nil	Nil	Nil

* As per Sub-clause (II)(D) 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, 2013 and the Listing Agreement as on 31st March, 2015.

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.

The familiarization programme for our Directors is also given on the website <http://www.nerolac.com/Financial>.

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 duties of Independent Directors as laid down in Schedule IV of the Companies Act, 2013 are suitably incorporated in the Code as required under the revised Clause 49 of the Listing Agreement. The Code has been communicated to the Directors and the members of Senior Management. The Code has also been posted on the Company's website at www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2015. 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 acts in accordance with the terms of reference specified by the Board which includes the recommendation for appointment, remuneration and terms of appointment of auditors of the Company, review and monitor the auditor's independence and performance and effectiveness of the audit process, examination of the financial statements and the auditor's report thereon, approval or any subsequent modification of transactions of the Company with related parties, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the Company wherever it is necessary, evaluation of internal financial controls and risk management systems, monitoring the end use of funds raised through public offers and related matters.

The members of the Audit Committee are Mr. Pradip P. Shah, Mr. D. M. Kothari and Mr. N. N. Tata.

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

Four meetings of the Audit Committee were held during the year ended 31st March, 2015, i.e. on 30th April, 2014, 22nd July, 2014, 22nd October, 2014 and 30th January, 2015.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2015
Mr. P. P. Shah	4
Mr. D. M. Kothari	4
Mr. N. N. Tata	3

Besides this, another meeting of the Audit Committee was held on 8th May, 2015, at which meeting the Audited Annual Accounts for the year ended 31st March, 2015, 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.

The Internal Auditors report directly to the Audit Committee.

4. Nomination & Remuneration Committee

The erstwhile Remuneration Committee is reconstituted as Nomination and Remuneration Committee, as per the requirements of Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The terms of reference of the Nomination & Remuneration Committee are:

- i. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- ii. formulation of criteria for evaluation of Independent Directors and the Board;
- iii. devising a policy on Board diversity; and
- iv. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

All the members of the Nomination and Remuneration Committee are Non-Executive and Independent Directors. The members of the Committee, at present, are Mr. D. M. Kothari, Mr. P. P. Shah and Mr. N. N. Tata.

Mr. D. M. Kothari, an Independent Director, is the Chairman of the Committee.

Mr. D. M. Kothari was present at the Annual General Meeting dated 20th June, 2014.

Five meetings of the Committee were held during the year ended 31st March, 2015, i.e. on 19th April, 2014, 30th April, 2014, 22nd October, 2014, 30th January, 2015 and 30th March, 2015.

Name of the Director	Number of Nomination & Remuneration Committee Meetings attended during the year ended 31st March, 2015
Mr. D. M. Kothari	4
Dr. J. J. Irani *	1
Mr. P. P. Shah	4
Mr. N. N. Tata	3

* Dr. J. J. Irani retired with effect from the conclusion of the Annual General Meeting on 20th June, 2014.

Besides this, another meeting of the Committee was held on 8th May, 2015 to determine the remuneration to be paid to Executive Directors and Commission to be paid to Non-Executive Directors.

The Company has adopted a Remuneration Policy for its Directors, Key Managerial Personnel and other employees. The Remuneration Policy has laid down the criteria for determining qualifications, positive attributes, independence of Director and Board diversity. The Policy lays down the factors for determining remuneration of Whole-time Directors, Non-Executive Directors, Key Managerial Personnel and other employees. The policy also lays down the evaluation criteria of the Independent Directors and the Board.

The Nomination and Remuneration Committee decides the remuneration for the Whole-time Directors.

Remuneration Policy:

A. Remuneration to Whole-time Directors:

- The remuneration paid to Whole-time Directors is subject to the limits laid down under Section 197 and Schedule V to the Companies Act, 2013, 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 Nomination & 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 Directors is for a period not exceeding five years at a time. In the event that there is no breach of the terms of the Agreement by the Whole-time Director, but the Company exercises the discretion to terminate his services during the term of his Agreement, without assigning any reason therefor, then and in that event, the Whole-time Director shall be paid a compensation of a sum which shall not exceed the remuneration which he would have earned if he had been in office for the unexpired residue of his term or for three years, whichever is shorter, calculated on the basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold the office or where he held the office for a lesser period than three years during such period.
- Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

The details of remuneration (including perquisites and allowances) paid during the year ended 31st March, 2015 are as follows:

(₹ in lacs)

Break-up of Remuneration	Mr. H. M. Bharuka (Managing Director)	Mr. P. D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	90.00	36.00
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	24.30	9.72
HRA, LTA and other perquisites	112.50	45.00
	226.80	90.72
<u>Variable Component</u>		
Commission	195.00	56.16
Company's contribution to Provident Fund (on Commission)	23.40	6.74
	218.40	62.90
Total	445.20	153.62

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Whole-time Director during the previous year ended 31st March, 2014.

B. Remuneration to 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 197 of the Companies Act, 2013, 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, on the recommendation of the Nomination and Remuneration Committee, 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, 2015 are as under:

(₹ in lacs)

Name of the Director	Sitting Fees					Commission @	Total
	Board Meeting	Audit Committee Meeting	N&RC*	CSR Committee Meeting	Independent Directors Meeting		
Dr. J. J. Irani#	0.10	0.00	0.10	—	—	18.00	18.20
Mr. D. M. Kothari	0.50	0.40	0.40	0.30	—	24.00	25.60
Mr. P. P. Shah	0.50	0.40	0.40	—	0.10	15.00	16.40
Mr. N. N. Tata	0.40	0.30	0.30	0.30	0.10	12.00	13.40
Mrs. Brinda Somaya %	0.30	—	—	0.30	0.10	—	0.70

* N&RC: Nomination & Remuneration Committee.

@ Commission paid during the year 2014-15 was for the year ended 31st March, 2014.

Dr. J. J. Irani retired with effect from the conclusion of AGM on 20th June, 2014.

% Mrs. B. Somaya was appointed on the Board of the Company with effect from 22nd July, 2014.

C. Remuneration to Key Managerial Personnel and other employees

The objective of the Remuneration policy is to have a compensation framework that will reward and retain talent.

The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.

Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long-term performance objectives of the employees in line with the working of the Company and its goals.

For Directors, the Performance Pay will be linked to achievement of Business Plan.

For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is derived from the business plan. The functional plan includes both, short-term and long-term objectives.

The above will take into consideration industry performance, customer performance and overall economic environment.

For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall company performance.

Independent Directors:

Pursuant to the provisions of Section 149 of the Companies Act, 2013, the Independent Directors of the Company have been appointed for a period of 5 years.

Pursuant to Schedule IV to the Companies Act, every Independent Director has been issued a letter of appointment containing the terms and conditions of his/her appointment. The terms and conditions of appointment have been posted on the website of the Company at www.nerolac.com.

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013, a separate meeting of the Independent Directors was held during the year on 30th March, 2015 without the attendance of non-independent Directors and members of management, inter alia to:

- Review the performance of the non-independent Directors and the Board as a whole;
- Review the performance of the Chairman of the Company, taking into account the views of the executive directors and non-executive directors;
- Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The meeting was attended by Mr. P. P. Shah, Mr. N. N. Tata and Mrs. Brinda Somaya. Mr. P. P. Shah, Chairman of the Company, who is an Independent Director was the Chairman of the meeting of Independent Directors. The Independent Directors discussed matters pertaining to the Company's affairs and functioning of the Board and presented their views to the Managing Director for appropriate action.

Disclosure of Shareholding of Non-Executive Directors as required under Clause 49 (VIII)(C):

Name of the Director	Shares held as on 31.3.2015 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. D. M. Kothari	840
Mr. N. N. Tata	Nil
Mr. M. Tanaka #	Nil**
Mr. H. Furukawa #	Nil**
Mrs. Brinda Somaya	Nil
Mr. S. Asatsuma #	Nil**

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

Director seeking appointment/re-appointment at this Annual General Meeting.

In terms of Clause 49 (VIII)(E)(2) 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 (VIII)(E)(1) of the Listing Agreement entered into with the BSE and the NSE.

Mr. P. D. Chaudhari

Mr. P. D. Chaudhari is a Whole-time Director of the Company with effect from 1st May, 2008.

Mr. Chaudhari, B.E. (Production), MMS, is the Director-Supply Chain & Auto division of the Company.

Mr. Chaudhari holds 200 equity shares in the Company.

Mr. M. Tanaka

Mr. Masaru Tanaka is a Non-Executive Director on the Board of the Company.

Mr. Tanaka graduated from the Faculty of Technology, Doshisha University, Japan and joined Kansai Paint Co. Ltd., Japan in April 1981.

Mr. Tanaka has expertise in the Technical field, in Automotive and Industrial Coatings.

Mr. Tanaka is the Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

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

Mr. H. Furukawa

Mr. Hidenori Furukawa is a Non-Executive Director on the Board of the Company.

Mr. Furukawa is a graduate from Graduate School of Engineering, Osaka University and joined Kansai Paint Co. Ltd., Japan in April 1983.

Mr. Furukawa is the Managing Executive Officer of Kansai Paint Co. Ltd., Japan.

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

Mr. S. Asatsuma

Mr. Shinji Asatsuma is a Non-Executive Director on the Board of the Company.

Mr. Asatsuma graduated from the Faculty of Law, Keio University.

Mr. Asatsuma is an Executive Officer of Kansai Paint Co. Ltd., Japan.

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

5. Stakeholders' Relationship Committee

- (i) The Members of the Stakeholders' Relationship Committee are Mr. D. M. Kothari, Mr. H. M. Bharuka and Mrs. Brinda Somaya.

Mr. D. M. Kothari, a Non-Executive Independent Director, is the Chairman of the Stakeholders' Relationship Committee.

- (ii) Mr. G. T. Govindarajan, Company Secretary, is the Compliance Officer.

- (iii) A summary of various complaints received and cleared by the Company during the year is given below:

Nature of Complaint	Received	Cleared
Non-receipt of Dividend Warrant	1	1
Non-receipt of Share Certificates	Nil	Nil
SEBI/Stock Exchange Letter/ROC	1	1
Miscellaneous	Nil	Nil
Total	2	2

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

- (v) The Committee considers and resolves the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends. The Committee attends to share-transfer formalities every fortnight.

6. General Body Meetings:

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

	Date and Time	Venue
94th AGM	20th June, 2014, at 3.00 p.m	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.
93rd AGM	18th June, 2013, at 3.30 p.m.	Walchand Hirachand Hall, IMC, Mumbai - 400 020.
92nd AGM	19th June, 2012, at 3.30 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai - 400 001.

- (ii) One Special Resolution for payment of commission to Non-Executive Directors was passed in the 93rd AGM out of previous 3 AGMs.
- (iii) 2 Special Resolutions were passed through Postal Ballot last year.

Voting Pattern:

Special Resolution for Alteration of Clause V of the Memorandum of Association for giving effect to sub-division of Share Capital of the Company from face value of ₹ 10 to ₹ 1 :

Particulars	No. of Equity Shares	% of total number of votes casted
Total Valid Votes Cast	4,42,12,812	100
Assented to Resolution	4,42,11,323	99.9966
Dissented to Resolution	1,489	0.0034

Special Resolution for Alteration of Article 3 of the Articles of Association for giving effect to sub-division of Share Capital of the Company from face value of ₹ 10 to ₹ 1 :

Particulars	No. of Equity Shares	% of total number of votes casted
Total Valid Votes Cast	4,42,12,812	100
Assented to Resolution	4,42,11,362	99.9967
Dissented to Resolution	1,450	0.0033

- (iv) M/s. Ragini Chokshi & Co., Practicing Company Secretaries, Mumbai, was the Scrutiniser for the Postal Ballot exercise.
- (v) No Special Resolution is proposed to be conducted through Postal Ballot.
- (vi) Postal Ballot whenever to be conducted will be carried out as per the procedure mentioned in Rule 22 of Companies (Management and Administration) Rules, 2014, including any amendment thereof.

7. Disclosures:

- (i) Related Party Transactions

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in the ordinary course of business and on arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with the related parties during the financial year that may have potential conflict with the interests of the Company at large.

Related party transactions have been disclosed in Note 30 to the financial statements. A statement in summary form of transactions with related parties in the ordinary course of business and arm's length basis is periodically placed before the Audit Committee for its review. Omnibus approval was obtained for transactions which were repetitive in nature. Transactions entered into pursuant to omnibus approval were placed before the Audit Committee for its review during the year. The Company has a Related Party transaction Policy in place, which has been posted on the website of the Company at <http://www.nerolac.com/Financial/Policies>.

- (ii) Non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges, or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil.

(iii) Whistle Blower Policy:

The Company has a Whistle Blower Policy in place. 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 organisation 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 Whistle Blower Policy of the Company has been posted on the website of the Company.

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

No personnel has been denied access of the Audit Committee.

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

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

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

CEO/CFO Certification:

A certification from the CEO and CFO in terms of Clause 49(IX) of the Listing Agreement was placed before the Board Meeting held on 8th May, 2015 to approve the Audited Annual Accounts for the year ended 31st March, 2015.

(v) Material Subsidiaries: The Company does not have a material subsidiary as defined under Clause 49 of the Listing Agreement.

(vi) Risk Management: In accordance with the provisions of Clause 49 of the Listing Agreement, the Company has a Risk Management Committee consisting of Mr. H. M. Bharuka, Managing Director, Mr. P. D. Chaudhari, Executive Director and Mr. P. D. Pai, Vice President – Finance. The functions of the Risk Management Committee includes preparation of company-wide framework for risk management, fixing roles and responsibilities, communicating the risk management objective, allocating resources, drawing action plan, determining criteria for defining major and minor risks, deciding strategies for escalated major risk areas, updating company-wide Risk register and preparing MIS report for review of Audit Committee.

8. Means of Communication

(i) Quarterly Results:

The quarterly results are published in accordance with the requirements of the Listing Agreement of the BSE and the NSE.

(ii) Newspaper in which results are normally published:

The Economic Times and The Maharashtra Times. Results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Business Standard / Sakal.

(iii) Any website, where displayed:

www.nerolac.com

(iv) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts:

Relevant information is displayed on the website.

As the financial results of the Company are published in the Newspapers and press release issued in newspapers and also displayed on the Company's website, a separately half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM Date, Time and Venue:
Friday, 3rd July, 2015 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th 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, 2015 : End July, 2015
 – Financial reporting for the quarter ending 30th September, 2015 : End October, 2015
 – Financial reporting for the quarter ending 31st December, 2015 : End January, 2016
 – Financial reporting for the year ending 31st March, 2016 : End April, 2016
 – Annual General Meeting for the year ending 31st March, 2016 : End June, 2016
- (iii) Dates of Book Closure:
Tuesday, 30th June, 2015 to Thursday, 2nd July, 2015 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
- (iv) Dividend Payment Date:
On or after 8th July, 2015.
Dividend, when declared, will be payable on or after 8th July, 2015 to those members whose names are registered as such in the Register of Members of the Company as on 29th June, 2015 and to the Beneficiary holders as per the beneficiary list as on 29th June, 2015 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 : INE531A01024

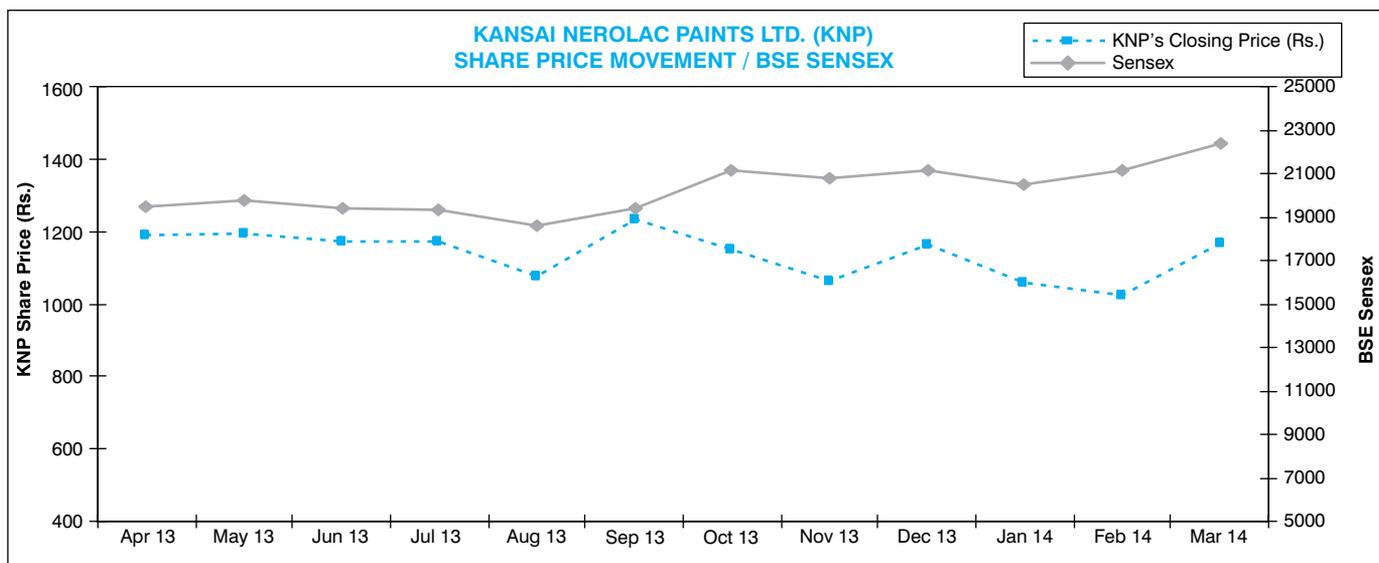
- (vii) Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2015 is furnished below:		
Month	High (Rs.)	Low (Rs.)
April 2014	1,326.65	1,105.20
May 2014	1,399.90	1,200.00
June 2014	1,439.90	1,260.00
July 2014	1,710.00	1,420.05
August 2014	1,663.00	1,525.25
September 2014	1,964.95	1,615.00
October 2014	2,081.80	1,830.00
November 2014	2,065.00	1,880.10
December 2014	2,104.90	1,870.10
January 2015	2,512.60	1,987.00
February 2015	2,452.80	2,200.00
March 2015	2,395.00	#209.00

(viii) Stock Performance

Month	KNP's Closing Price on BSE (Rs.)	Sensex
April 2014	1,251.70	22,417.80
May 2014	1,349.65	24,217.34
June 2014	1,432.10	25,413.78
July 2014	1,588.90	25,894.97
August 2014	1,615.00	26,638.11
September 2014	1,884.05	26,630.51
October 2014	1,924.55	27,865.83
November 2014	2,011.65	28,693.99
December 2014	1,985.25	27,499.42
January 2015	2,428.85	29,182.95
February 2015	2,322.95	27,957.49
March 2015	#216.20	27,011.31

Low/Closing market price of the Company's shares in March 2015 is after sub-division of equity share of the Company from face value of ₹ 10 each to 10 equity shares with face value of ₹ 1 each.



(ix) Registrar and Transfer Agents:

Sharepro Services (India) Pvt. Ltd.

Office:

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

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

Investor Relations Centre:

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

Tel. No.: 22881563, 22881568

E-mail: sharepro@shareproservices.com

(x) Share Transfer System:

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

(xi) Distribution of Shareholding as on 31st March, 2015:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	11,133	65.95	16,60,670	0.31
501 to 1000	1,468	8.70	12,35,446	0.23
1001 to 2000	1,182	7.00	19,01,133	0.35
2001 to 3000	486	2.88	12,57,543	0.23
3001 to 4000	489	2.90	17,23,593	0.32
4001 to 5000	287	1.70	13,44,310	0.25
5001 to 10000	735	4.35	55,83,490	1.04
10001 and above	1,101	6.52	52,42,13,535	97.27
Grand Total	16,881	100.00	53,89,19,720	100.00

Geographical Distribution of Shareholders as on 31st March, 2015

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Company Limited)	1	0.01	37,32,97,600	69.27
FIIIs, NRIs, OCBs	288	1.71	5,16,548	0.10
IN INDIA				
Mumbai	5,133	30.41	13,49,27,056	25.03
New Delhi	937	5.55	1,12,96,565	2.10
Ahmedabad	825	4.89	17,06,470	0.32
Bangalore	781	4.63	18,34,148	0.34
Pune	775	4.59	21,58,925	0.40
Kolkata	753	4.46	29,65,032	0.55
Chennai	715	4.24	7,62,210	0.14
Hyderabad	449	2.66	6,30,401	0.12
Mumbai 1	301	1.77	6,93,385	0.13
Surat	219	1.30	4,21,328	0.08
Vadodara	214	1.27	3,95,191	0.07
Jaipur	166	0.97	2,85,331	0.05
Others	5,324	31.54	70,29,530	1.30
TOTAL	16,881	100.00	53,89,19,720	100.00

Categories of Shareholders as on 31st March, 2015

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoters' Holding		
1.	Promoters		
	Indian Promoters	Nil	Nil
	Foreign Promoters (Kansai Paint Co. Ltd., Japan)	37,32,97,600	69.27
2.	Persons acting in concert	Nil	Nil
	Sub-Total	37,32,97,600	69.27
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	1,44,76,477	2.69
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	1,68,97,030	3.13
c.	Foreign Institutional Investors (FIIIs)	5,22,14,826	9.69
d.	Others (Foreign Portfolio-Corp.)	9,80,963	0.18
	Sub-Total	8,45,69,296	15.69
4.	Others		
	Private Corporate Bodies	3,56,55,385	6.62
	Indian Public	4,40,45,268	8.17
	NRIs/OCBs	8,37,571	0.16
	Any Other (Trusts)	1,91,090	0.03
	Unclaimed Suspense Account	3,23,510	0.06
	Sub-Total	8,10,52,824	15.04
	Grand Total	53,89,19,720	100.00

- (xii) Dematerialisation of Shareholding:
98.92% of the paid-up share capital had been dematerialised, as at 31st March, 2015.
- (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 | 3. Bawal, Haryana |
| 2. Jainpur, Kanpur Dehat, U.P. | 4. Hosur, Tamil Nadu |

(xv) Address for correspondence:

Sharepro Services (India) Pvt. Ltd.

Office:

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

Tel. No.: 67720300, 67720400

Fax No.: 28591568

Investor Relation Centre:

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

Tel. No.: 22881563, 22881568

E-mail: sharepro@shareproservices.com

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

Nerolac House,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013

Tel. No.: 24992796, 24992807

E-mail ID for Investor Grievances:

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

(xvi) Other Information:

(1) Unclaimed Dividend:

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

Pursuant to Section 205A read with 205C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2007 have been transferred to the Investor Education and Protection Fund.

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

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

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

	Particulars	No. of Shareholders	No. of Equity Shares
i	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2014	180	32,688 Equity Shares of ₹ 10 each.
ii	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year	3	337 Equity Shares of ₹ 10 each

	Particulars	No. of Shareholders	No. of Equity Shares
iii	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year	3	337 Equity Shares of ₹ 10 each
iv	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31st March, 2015	177	3,23,510 Equity Shares of ₹ 1 each (after sub- division) *

* One equity share of the Face Value of ₹ 10 each is sub-divided into Ten (10) Equity Shares of the Face Value of ₹ 1 each.

For and on behalf of the Board

P. P. SHAH
Chairman

Mumbai, 8th May, 2015

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and Senior Management for the year ended 31st March, 2015.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Managing Director

Mumbai, 8th May, 2015

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

To the Members of Kansai Nerolac Paints Limited

We have examined the compliance of conditions of corporate governance by Kansai Nerolac Paints Limited ("the Company") for the year ended on 31 March 2015, as stipulated in Clause 49 of the Listing Agreements entered into by the Company with Stock Exchanges.

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

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

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

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

Sadashiv Shetty
Partner
Membership No: 048648

Mumbai,
08 May, 2015

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

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Kansai Nerolac Paints Limited (“the Company”), which comprise the Balance Sheet as at 31 March, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management’s Responsibility for the Standalone Financial Statements

The Company’s Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company’s Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

KANSAI NEROLAC PAINTS LIMITED
INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ('the Order'), issued by the Central Government of India in exercise of powers conferred by sub-section 11 of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and 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 it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the Directors as on 31 March, 2015 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March, 2015 from being appointed as a Director in terms of Section 164 (2) of the Act.
- (f) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - 1. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26 to the financial statements;
 - 2. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - 3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March, 2015.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai, 8th May, 2015

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE TO INDEPENDENT AUDITORS' REPORT – 31 MARCH 2015

(Referred to in 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 explanation given to us, the fixed assets are being physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to this programme, some of the fixed assets have been physically verified by the management during the year, and no material discrepancies were noticed on such verification.
- ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmation have been obtained.
(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.
- iii. (a) The Company has granted an unsecured loan to one body corporate (overseas subsidiary company) covered in the register maintained under Section 189 of the Act. The maximum amount outstanding during the year was ₹ 6.38 crores and the year-end balance of such loan was ₹ 6.38 crores.
(b) According to the information and explanation given to us, the unsecured loans are repayable on demand but the Company has not demanded loan during the year.
(c) There is no overdue amount of more than Rupees one lakh in respect of loan granted to body corporate listed in the register maintained under Section 189 of the Act.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. In our opinion and according to the information and explanations given to us, there is no major weakness observed in internal control system during the course of our audit.
- v. In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India under the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Companies Act, 2013 for any of the products manufactured/services rendered by the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income-tax, Sales-tax/ Value added tax, Wealth tax, Service tax, duty of customs, Employees' State Insurance, duty of Excise and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Sales tax / Value added tax, Wealth tax, duty of Excise, Income-tax, Service tax, duty of customs and other material statutory dues were in arrears as at 31 March, 2015 for a period of more than six months from the date they became payable.

KANSAI NEROLAC PAINTS LIMITED**ANNEXURE TO INDEPENDENT AUDITORS' REPORT – 31 MARCH 2015** (continued)

- (b) According to the information and explanations given to us, there are no dues of Service tax, Wealth tax, Income tax, Sales tax/ Value added tax, duty of Excise and duty of customs as at 31 March, 2015 which have not been deposited with the appropriate authorities on account of any dispute, except as stated below.

(₹ in crores)

Name of the Statute/Nature of dues	Period to which the amount relates	Forum where dispute is pending		
		Commissioner	Appellate Authorities & Tribunal	Total Amount
Sales Tax	1980-81	0.01	—	0.01
	1991-92	0.01	—	0.01
	1995-96 to 2009-10	0.60	0.51	1.11
The Central Excise Act, 1944 Tax, Penalty and Interest	1993-94 to 2002-03	1.53	0.08	1.61
Sales Tax	2011-12 to 2014-15	0.14	5.10	5.24

- (c) According to the information and explanations given to us, the Company has transferred amounts required to be transferred to the investor education and protection fund within the prescribed time.
- viii. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- ix. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions and debenture holders during the year.
- x. 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 are not prima facie prejudicial to the interest of the Company.
- xi. The Company did not have any term loans outstanding during the year.
- xii. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai, 8th May, 2015

KANSAI NEROLAC PAINTS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2015

₹ in Crores

	Note	As at 31st March, 2015	As at 31st March, 2014
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	53.89	53.89
Reserves and Surplus	3	1542.93	1369.30
		1596.82	1423.19
Non-current Liabilities			
Long-term Borrowings	4	41.50	51.71
Deferred Tax Liabilities (Net)	5	75.15	65.84
Long-term Provisions	6	25.49	28.79
		142.14	146.34
Current Liabilities			
Trade Payables.....	7	327.17	440.74
Other Current Liabilities	8	180.63	166.33
Short-term Provisions	9	96.60	78.51
		604.40	685.58
Total		2343.36	2255.11
Assets			
Non-current Assets			
Fixed Assets	10		
Tangible Assets.....		902.56	904.87
Intangible Assets		2.44	4.71
Capital Work-in-progress		43.94	48.15
		948.94	957.73
Non-current Investments.....	11	33.10	33.10
Long-term Loans and Advances	13	66.74	40.14
		1048.78	1030.97
Current Assets			
Current Investments.....	12	182.48	23.37
Inventories	14	541.67	645.66
Trade Receivables.....	15	496.34	454.83
Cash and Bank Balances.....	16	34.05	54.88
Short-term Loans and Advances	17	19.97	26.93
Other Current Assets	18	20.07	18.47
		1294.58	1224.14
Total		2343.36	2255.11
Significant Accounting Policies			
	1		

The notes referred to above form an integral part of Financial Statements

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

G.T. GOVINDARAJAN P.D. PAI

Membership No. 048648

Company Secretary

CFO

Mumbai, 8th May, 2015

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2015

₹ in Crores

	Note	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Revenue from Operations			
Sale of Products.....	19	3989.91	3550.10
Less: Excise Duty.....		457.50	404.33
Sale of Products (Net).....		3532.41	3145.77
Other Operating Revenues.....	20	16.65	18.25
Revenue from Operations		3549.06	3164.02
Other Income	21	21.79	10.33
Total Revenue		3570.85	3174.35
Expenses			
Cost of Materials Consumed.....	22	2145.76	2085.11
Purchases of Stock-in-trade.....		156.65	129.53
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	23	62.03	(80.69)
Employee Benefits Expense	24	143.30	135.88
Finance Cost.....		0.02	0.45
Depreciation and Amortisation Expense.....	10	67.69	64.98
Other Expenses	25	596.50	532.10
Total Expenses		3171.95	2867.36
Profit Before Tax		398.90	306.99
Tax Expense			
Current Tax.....		116.73	77.64
Deferred Tax.....		10.50	22.78
Total Tax Expense ..		127.23	100.42
Profit After Tax		271.67	206.57
Earnings per Equity Share (in ₹)			
Nominal value of share ₹ 1 each			
Basic and Diluted	28	5.04	3.83

Significant Accounting Policies

1

The notes referred to above form an integral part of Financial Statements

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

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KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2015

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Cash Flow from Operating Activities		
Net Profit Before Tax	398.90	306.99
Adjustments for:		
Depreciation and Amortisation Expense.....	67.69	64.98
Foreign Exchange Loss/(Gain) Unrealised	(0.32)	(2.33)
Provision for Tangible Assets Written Back.....	(0.09)	(0.09)
Profit on Sale of Fixed Assets.....	(0.94)	(2.82)
Profit on Sale of Investments (Net)	(3.96)	(0.01)
Interest Expenditure.....	0.02	0.45
Interest Income	(2.84)	(3.68)
Dividend Income	(4.33)	(3.69)
	55.23	52.81
Operating Profit Before Working Capital Changes	454.13	359.80
(Increase)/Decrease in Trade and Other Receivables.....	(38.00)	(35.43)
(Increase)/Decrease in Inventories	103.99	(111.59)
(Increase)/Decrease in Trade Payables.....	(92.35)	59.41
	(26.36)	(87.61)
Cash Generated from Operations	427.77	272.19
Direct Taxes Paid (Net of Refunds)	(120.77)	(82.97)
Net Cash from Operating Activities	307.00	189.22
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances).....	(91.67)	(127.41)
Sale of Fixed Assets.....	1.42	3.92
Purchase of Investments.....	(4162.75)	(1013.30)
Proceeds from Sale/Redemption of Investments	4007.60	1017.44
Interest Received	2.33	3.20
Dividend Received	4.33	3.69
Net Cash used in Investing Activities	(238.74)	(112.46)
Cash Flow from Financing Activities		
Repayment of Borrowings	(15.30)	(12.17)
Interest paid	(0.02)	(0.45)
(Decrease)/Increase in Unpaid Dividend	0.09	0.04
Dividend Paid	(59.28)	(59.28)
Tax on Proposed Dividend	(10.07)	(10.08)
Amount spent towards Corporate Social Responsibility Activities (Refer Note 33)	(4.51)	—
Net Cash used in Financing Activities	(89.09)	(81.94)
Net Increase/(Decrease) in Cash and Cash Equivalents	(20.83)	(5.18)

KANSAI NEROLAC PAINTS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2015 (contd.)

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Cash and Cash Equivalents at the beginning of the year, the components being:		
Cash on hand.....	0.08	0.12
Unpaid Dividend Accounts.....	0.48	0.45
Balances with Banks on Current and Fixed Deposit Accounts.....	54.32	59.50
	54.88	60.06
Cash and Cash Equivalents at the end of the year, the components being:		
Cash on hand.....	0.10	0.08
Unpaid Dividend Accounts.....	0.57	0.48
Balances with Banks on Current and Fixed Deposit Accounts.....	33.38	54.32
	34.05	54.88
Net Increase/(Decrease) as disclosed above.....	(20.83)	(5.18)

Note: Figures in brackets are outflows/deductions.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

G.T. GOVINDARAJAN P.D. PAI

Company Secretary CFO

For and on behalf of the Board of Directors

P.P. SHAH

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BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Significant Accounting Policies

(I) Basis of Accounting

The accompanying financial statements have been prepared in compliance with the requirements under section 133 of the Companies Act, 2013 (to the extent notified), read with Rule 7 of the Companies (Accounts) Rules, 2014, and other generally accepted accounting principles (GAAP) in India, to the extent applicable, under the historical cost convention, on the accrual basis of accounting. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006.

(II) Use of Estimates

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

(III) Classification of Assets and Liabilities

Schedule III to the Companies Act, 2013 requires assets and liabilities to be classified as either Current or Non-current.

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

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

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

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

- (i) it is expected to be settled in the Company's normal operating cycle;
- (ii) it is held primarily for the purpose of being traded;
- (iii) it is due to be settled within twelve months after the reporting date; or
- (iv) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(IV) Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company has ascertained the operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(V) Fixed Assets

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

(b) Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Depreciation is provided on the straight-line method using useful life prescribed in Part C of Schedule II of the Companies Act, 2013. Based on the internal technical evaluation, considering nature and usage of the assets, useful life of the following asset classes are estimated to be higher than that prescribed in the said Act.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Significant Accounting Policies (contd.)

(V) Fixed Assets (contd.)

Sr. No. Asset Class	Useful life estimated by the management
1. Plant and Equipment	20
2. Electrical Installation.....	20
3. Plant and Equipment for Scientific Research	20
4. Electrical Installation for Scientific Research.....	20
5. Colour Dispenser.....	05

- (d) Leasehold lands are amortised over the primary period of lease.
- (e) Purchase cost and user licence fees for major software are amortised over a period of three years.
- (f) Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. If there is any indication of impairment based on internal / external factors, the recoverable amount is estimated for the individual asset. However, if it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. A cash generating unit is the smallest identifiable group of assets that generates cash flow from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the cost of disposal. If at the Balance Sheet date there is an indication that the previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to maximum of depreciable historical cost.
- (g) Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Statement of Profit and Loss in the year in which it is incurred.
- (h) Tangible fixed assets under construction are disclosed as capital work-in-progress.
- (i) Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the Financial Statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

(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. The determination for diminution is done separately for each individual investment.
- (b) Current investments, consist of investments in mutual funds, are stated at lower of cost and fair value, where net asset value declared by the respective funds is considered as fair value.
- (c) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(VII) Inventories

- (a) Stores and spare parts are valued at cost less amounts written down.
- (b) Inventories other than stores and spare parts are valued at the lower of cost and net realisable value after making such provisions as required on account of damaged, unserviceable, inert and obsolete inventories. The comparison of the cost and net realisable value is made on item by item basis.
- (c) Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- (d) Cost has been arrived at on the basis of weighted average method. In the case of manufactured inventories and work-in-progress, fixed production overhead are allocated on the basis of normal capacity of production facilities.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Significant Accounting Policies (contd.)

(VII) Inventories (contd.)

- (e) The net realisable value of finished goods and stock-in-trade is determined with reference to the selling prices of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined and it is estimated that the cost of finished products will exceed their net realisable value. In such cases, the materials are valued at replacement cost.

(VIII) Provisions and Contingent Liabilities

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

(IX) Revenue Recognition

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

(X) Employee Benefits

(a) Short-term Employee Benefits:

Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.

(b) Post-Employment Benefits:

(i) Provident and Family Pension Fund

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

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

(ii) Superannuation

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Significant Accounting Policies (contd.)

(X) Employee Benefits (contd.)

(iii) Gratuity

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

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

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

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

(XII) Accounting for Derivatives

Apart from forward exchange contracts taken to hedge existing assets or liabilities, the company also uses derivatives to hedge its foreign currency risk exposure relating to firm commitments and highly probably forecast transactions. In accordance with the relevant pronouncement of the Institute of Chartered Accountants of India, the Company provides for net losses in respect of such derivative contracts at the balance sheet date by marking them to market. Net gain, if any, is not recognised. The contracts are aggregated category-wise to determine the net gain / loss.

(XIII) Taxation

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

(XIV) Leases

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

(XV) Cash and Cash Equivalents

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 2: Share Capital

	As at 31st March, 2015		₹ in Crores As at 31st March, 2014	
	%	No. of Shares	%	No. of Shares
1. Authorised Share Capital (₹ in Crores).....		60		60
Par Value per Share* (₹).....		1		10
Number of Equity Shares*		60,00,00,000		6,00,00,000
2. Issued, Subscribed and Fully Paid-up (₹ in Crores)		53.89		53.89
Par Value per Share* (₹).....		1		10
Number of Equity Shares*		53,89,19,720		5,38,91,972
3. Details of Shareholders holding more than 5% of shares:				
Holding Company:				
Kansai Paint Co., Ltd., Japan	69.27	37,32,97,600	69.27	3,73,29,760
Others:				
Aberdeen Asset Management Asia Ltd.....	5.83	3,14,19,056	7.90	42,55,338
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.		2,69,45,986		2,69,45,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the beginning of the year		5,38,91,972		5,38,91,972
Issued during the year*.....		48,50,27,748		—
Number of shares at the end of the year		53,89,19,720		5,38,91,972

* During the year, the Company has sub-divided each Equity Shares of face value of ₹ 10 each to 10 (ten) Equity Shares of ₹ 1 each.
The Effective date for the said sub-division was 27th March, 2015.
Consequently, the number of shares and face value forming part of authorised, issued, subscribed and paid up share capital have been revised as at 31st March, 2015.

Note 3: Reserves and Surplus

a. Capital Reserve – at the beginning and at the end of the year		0.30		0.30
b. Securities Premium Reserve – at the beginning and at the end of the year.....		12.56		12.56
c. General Reserve:				
At the beginning of the year.....		424.92		404.26
Add: Transfer from Statement of Profit and Loss		27.17		20.66
		452.09		424.92
d. Surplus (Profit and Loss balance):				
Opening Balance		931.52		814.97
Add: Profit for the year		271.67		206.57
Less: Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013 (Refer Note 33).....		4.51		—
Less: Proposed Dividend.....		75.45		59.28
Less: Tax on Proposed Dividend.....		15.78		10.08
Less: Transfer to General Reserve.....		27.17		20.66
Less: Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives [Refer Significant Accounting Policies Note 1(V)(c) and Note 10].....		3.49		—
Add: Deferred tax impact on the above.....		1.19		—
		1077.98		931.52
		1542.93		1369.30

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 4: Long-term Borrowings

Deferred Payment Liabilities

	As at 31st March, 2015	As at 31st March, 2014
a. Secured Sales Tax Deferral Loan..... (Secured by a charge on the fixed assets of the factory at Jainpur) Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ Nil (2013-2014 ₹ Nil)]	0.90	0.90
b. Unsecured Sales Tax Deferral Loan..... Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in seven annual installments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ Nil (2013-2014 ₹ 5.09 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 8].	40.60	50.81
	41.50	51.71

Note 5: Deferred Tax Liabilities (Net)

Deferred Tax Liabilities:

Depreciation and Amortisation.....	82.50	74.59
------------------------------------	--------------	-------

Deferred Tax Assets:

Items Covered Under Section 43B of Income-tax Act, 1961	5.22	6.73
Provision for Diminution in Value of Fixed Assets	0.14	0.17
Voluntary Retirement Compensation	0.90	1.12
Allowance for Bad and Doubtful Debts	1.09	0.73

7.35	8.75
-------------	-------------

Deferred Tax Liabilities (Net)	75.15	65.84
--------------------------------------	--------------	--------------

Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 31)	3.28	3.14
Provision for Income Taxes (Net of Advances).....	13.50	13.50
Provision for Fringe Benefit Taxes (Net of Advances)	0.36	0.36
Provision for Indirect Taxes*:		
Opening Balance	11.79	20.07
Add: Provision during the year.....	2.02	—
Less: Utilisation / reversal during the year	5.46	8.28
	8.35	11.79
	25.49	28.79

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2013-2014 ₹ 9.71 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 7: Trade Payables

	As at 31st March, 2015	As at 31st March, 2014
Trade Payables*	327.17	440.74
	<u>327.17</u>	<u>440.74</u>

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

Note 8: Other Current Liabilities

Current Maturities of Long-term Debt (Refer Note 4).....	—	5.09
Unpaid Dividends*	0.57	0.48
Trade Deposits	40.22	34.17
Capital Creditors	6.92	12.19
Accrual of Expenses	107.31	91.52
Other Statutory Obligations \$.....	25.61	22.88
	<u>180.63</u>	<u>166.33</u>

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

\$ Includes payable towards TDS, Excise duty, Service tax, VAT and Employee Related Statutory Obligations.

Note 9: Short-term Provisions

Provision for Compensated Absences (Refer Note 31).....	1.30	1.26
Provision for Gratuity (Refer Note 31)	2.32	2.73
Provision for Income Taxes (Net of Advances).....	—	3.42
Provision for Warranty*:		
Opening Balance	1.75	1.75
Add: Provision during the year	—	—
Less: Utilisation / reversal during the year	—	—
	<u>1.75</u>	<u>1.75</u>
Proposed Dividend	75.45	59.28
Tax on Proposed Dividend	15.78	10.07
	<u>96.60</u>	<u>78.51</u>

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 10: Fixed Assets

₹ in Crores

Description	Gross Block				Accumulated Depreciation/ Amortisation				Net Block	
	As at 31st March, 2014	Additions	Deductions	As at 31st March, 2015	As at 31st March, 2014	Additions**	Deductions	Adjustment#	As at 31st March, 2015	As at 31st March, 2015
I. Tangible Assets:										
Freehold Land \$	9.09 (9.09)	— (—)	— (—)	9.09 (9.09)	— (—)	— (—)	— (—)	— (—)	— (—)	9.09 (9.09)
Leasehold Land	22.36 (22.36)	— (—)	— (—)	22.36 (22.36)	1.54 (1.31)	0.23 (0.23)	— (—)	— (—)	1.77 (1.54)	20.59 (20.82)
Buildings \$	420.42 (386.48)	12.31 (34.23)	0.15 (0.29)	432.58 (420.42)	62.65 (50.93)	12.76 (11.81)	0.05 (0.09)	— (—)	75.36 (62.65)	357.22 (357.77)
Plant and Equipment \$	638.29 (502.92)	24.00 (143.24)	2.60 (7.87)	659.69 (638.29)	184.57 (161.22)	28.54 (30.52)	2.27 (7.17)	0.57 (—)	211.41 (184.57)	448.28 (453.72)
Furniture and Fixtures	38.99 (38.43)	6.75 (1.02)	0.53 (0.46)	45.21 (38.99)	26.52 (23.80)	6.12 (3.16)	0.53 (0.44)	1.22 (—)	33.33 (26.52)	11.88 (12.47)
Vehicles	1.23 (1.09)	0.07 (0.45)	0.07 (0.31)	1.23 (1.23)	0.34 (0.44)	0.11 (0.09)	0.05 (0.19)	— (—)	0.40 (0.34)	0.83 (0.88)
Office Equipment	8.20 (8.08)	0.54 (0.36)	— (0.24)	8.74 (8.20)	3.76 (3.57)	1.23 (0.37)	— (0.18)	1.65 (—)	6.64 (3.76)	2.10 (4.45)
Assets for Scientific Research*	16.49 (16.29)	0.30 (0.20)	0.51 (—)	16.28 (16.49)	8.71 (7.99)	0.87 (0.72)	0.49 (—)	0.05 (—)	9.14 (8.71)	7.14 (7.78)
Assets given on Lease	168.57 (155.18)	23.02 (15.82)	0.21 (2.43)	191.38 (168.57)	130.18 (117.51)	15.56 (15.10)	0.20 (2.43)	— (—)	145.54 (130.18)	45.84 (38.39)
Total	1323.64 (1139.92)	66.99 (195.32)	4.07 (11.60)	1386.56 (1323.64)	418.27 (366.77)	65.42 (62.00)	3.59 (10.50)	3.49 (—)	483.59 (418.27)	902.97 (905.37)
Less: Provision for Write Down in Value of Tangible Assets										0.41 (0.50)
Total Tangible Assets										902.56 (904.87)
II. Intangible Assets:										
Computer Software	12.78 (7.00)	— (5.78)	— (—)	12.78 (12.78)	8.07 (5.10)	2.27 (2.98)	— (—)	— (—)	10.34 (8.07)	2.44 (4.71)
III. Capital Work-in-progress										43.94 (48.15)
Total Fixed Assets	1336.42 (1146.92)	66.99 (201.10)	4.07 (11.60)	1399.34 (1336.42)	426.34 (371.87)	67.69 (64.98)	3.59 (10.50)	3.49 (—)	493.93 (426.34)	948.94 (957.73)

* Net block includes Buildings ₹ 0.38 Crores (2013-2014 ₹ 0.40 Crores), Plant and Equipment ₹ 6.72 Crores (2013-2014 ₹ 7.21 Crores) and Furniture and Fixtures ₹ 0.04 Crores (2013-2014 ₹ 0.18 Crores).

\$ Includes asset held for sale gross block ₹ 6.40 Crores and accumulated depreciation ₹ 3.69 Crores.

Adjustment amount pertains to additional depreciation as per the Companies Act, 2013 consequent to reduction in useful life of the assets, adjusted against opening Balance in Statement of Profit and Loss [Refer Significant Accounting Policies Note 1 (V)(c)].

** Had the Company continued with the previously assessed useful lives, charges for depreciation for the year would have been higher by ₹ 2.84 Crores for assets held at 1st April, 2014.

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

Note 10.1

The Company has given on lease, Colour Dispenser to its dealers. 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 ₹ 191.38 Crores (2013-2014 ₹ 168.57 Crores) and ₹ 145.54 Crores (2013-2014 ₹ 130.18 Crores) respectively.
- (ii) Depreciation recognised in the Statement of Profit and Loss is ₹ 15.56 Crores (2013-2014 ₹ 15.10 Crores)
- (b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 11: Non-current Investments

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

A. Trade (Unquoted) – Equity Shares:

Subsidiary Company

Kansai Paints Nepal Pvt. Ltd.

884000, Equity Shares of ₹ 100 each

(884000, Equity Shares of ₹ 100 each)

7.87

7.87

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

(i) Shares, Debentures and Bonds

(a) Equity Shares:

National Thermal Power Corporation Ltd. (Quoted)

40524, Equity Shares of ₹ 10 each

(40524, Equity Shares of ₹ 10 each)

0.25

0.25

Equity Shares

8.12

8.12

(b) Debentures and Bonds:

1. Indian Railway Finance Corporation Ltd.

1000, 6.30% Tax-Free Bonds of ₹ 100000 each

(1000, 6.30% Tax-Free Bonds of ₹ 100000 each)

10.00

10.00

2. Indian Railway Finance Corporation Ltd.

1000, 6.32% Tax-Free Bonds of ₹ 100000 each

(1000, 6.32% Tax-Free Bonds of ₹ 100000 each)

10.00

10.00

3. National Highway Authority of India (Quoted)

24724, 8.20% Tax-Free Bonds of ₹ 1000 each

(24724, 8.20% Tax-Free Bonds of ₹ 1000 each)

2.47

2.47

4. Power Finance Corporation Ltd. (Quoted)

14239, 8.20% Tax-Free Bonds of ₹ 1000 each

(14239, 8.20% Tax-Free Bonds of ₹ 1000 each)

1.42

1.42

5. Indian Railway Finance Corporation Ltd.

10875, 8.15% Tax-Free Bonds of ₹ 1000 each

(10875, 8.15% Tax-Free Bonds of ₹ 1000 each)

1.09

1.09

Debentures and Bonds

24.98

24.98

Total Non-current Investments.....

33.10

33.10

Aggregate amount of quoted investments [Market value ₹ 4.87 Crores (2013-2014 ₹ 4.53 Crores)].....

4.14

4.14

Aggregate amount of unquoted investments

28.96

28.96

33.10

33.10

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 12: Current Investments

	As at 31st March, 2015	₹ in Crores As at 31st March, 2014
Current Investments (At lower of cost and fair value)		
(i) Mutual Funds (Unquoted)		
(a) Dividend Option:		
1. ICICI Production Interval Fund – Quarterly Interval 4911350 Units of ₹ 10 each (Purchased during the year).....	5.00	—
2. Kotak Quarterly Interval Plan Series 6 24999953 Units (and 125 fractions) of ₹ 10 each (Purchased during the year)	25.00	—
Mutual Fund (Dividend Option)	<u>30.00</u>	<u>—</u>
(b) Growth Option:		
1. Axis Banking Debt Fund 15719 Units (and 683 fractions) of ₹ 1000 each (Purchased during the year)	2.01	—
2. Birla Sunlife Cash Plus Nil Units of ₹ 1000 each [146063 Units (and 017 fractions) of ₹ 1000 each]	—	3.00
3. HDFC Cash Management Fund – Savings Plan Nil Units of ₹ 10 each [1495287 Units (and 974 fractions) of ₹ 10 each]	—	4.00
4. ICICI Prudential Liquid – Regular Plan Nil Units of ₹ 100 each [158269 Units (and 794 fractions) of ₹ 100 each]	—	3.00
5. Kotak Banking and PSU Debt Fund Nil Units of ₹ 10 each [1069814 Units (and 287 fractions) of ₹ 10 each]	—	3.04
6. JP Morgan India Treasury Fund 13744662 Units (and 300 fractions) of ₹ 10 each (Purchased during the year)	25.28	—
7. JP Morgan India Liquid Fund 30878771 Units (and 676 fractions) of ₹ 10 each (Purchased during the year)	56.05	—
8. Religare Invesco Liquid Fund 83166 Units (and 705 fractions) of ₹ 1000 each (Purchased during the year)	16.00	—
9. Religare Invesco Short-term Fund 53799 Units (and 848 fractions) of ₹ 1000 each (Purchased during the year)	9.96	—
10. Religare Credit Opportunities Fund Nil Units of ₹ 1000 each [71015 Units (and 713 fractions) of ₹ 1000 each]	—	10.33
11. Sundaram Ultra Short-term Fund 17164275 Units (and 652 fractions) of ₹ 10 each (Purchased during the year)	33.09	—
12. Sundaram Income Plus 4917503 Units (and 412 fractions) of ₹ 10 each (Purchased during the year)	10.09	—
Mutual Fund (Growth Option).....	<u>152.48</u>	<u>23.37</u>
Total Current Investment	<u>182.48</u>	<u>23.37</u>
Aggregate amount of quoted investments	—	—
Aggregate amount of unquoted investments	<u>182.48</u>	<u>23.37</u>
	<u>182.48</u>	<u>23.37</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 13: Long-term Loans and Advances

	As at 31st March, 2015	As at 31st March, 2014
Unsecured and Considered Good		
Capital Advances	27.28	3.66
Security Deposits.....	10.06	8.70
Income Tax Paid (Net of Provision).....	22.00	21.38
Trade Advances	1.02	0.02
Loan to Subsidiary – Kansai Paints Nepal Pvt. Ltd. *	6.38	6.38
	66.74	40.14

* The Company has provided working capital loan to its subsidiary which carries an interest of 8% p.a. Maximum amount outstanding during the year - ₹ 6.38 Crores (2013-2014 ₹ 6.38 Crores)

Note 14: Inventories

Valued at the lower of cost and net realisable value

Raw Materials.....	145.05	184.44
Packing Materials	7.41	7.70
Work-in-progress	48.49	60.94
Finished Goods	321.17	377.93
Stock-in-trade (in respect of goods acquired for trading).....	17.13	12.44
Stores and Spares Parts	2.42	2.21
	541.67	645.66

Note 15: Trade Receivables

Overdue for a Period Exceeding Six Months:

Secured, Considered Good.....	—	—
Unsecured, Considered Good.....	4.10	4.01
Doubtful	3.21	2.14
	7.31	6.15
Less: Provision for Bad and Doubtful Debts	3.21	2.14
	4.10	4.01

Other Receivables:

Secured, Considered Good.....	—	0.01
Unsecured, Considered Good.....	492.24	450.81
Doubtful	—	0.02
	492.24	450.84
Less: Provision for Bad and Doubtful Debts	—	0.02
	492.24	450.82
	496.34	454.83

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 16: Cash and Bank Balances

	As at 31st March, 2015	As at 31st March, 2014
Cash and Cash Equivalents:		
Cash on hand	0.10	0.08
Cheques on hand	22.47	15.82
Balances with Banks	10.91	38.50
	33.48	54.40
Other Bank Balances:		
Unpaid Dividend Accounts	0.57	0.48
	34.05	54.88

Note 17: Short-term Loans and Advances

Unsecured, Considered Good:		
Trade Advances	8.22	15.00
Prepaid Expenses	8.85	9.92
Other Advances *	2.90	2.01
* Includes ₹ 1.17 Crores (2013-2014 ₹ 1.41 Crores) receivable from Kansai Paints Co., Ltd., Japan		
	19.97	26.93

Note 18: Other Current Assets

Interest Accrued on Loans and Investments.....	1.92	1.41
Balances with Indirect Tax Authorities.....	12.31	15.28
Security Deposits	3.59	1.78
Insurance Claims Receivable.....	2.25	—
	20.07	18.47

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 19: Sale of Products

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Sales	4194.99	3720.77
Less: Rebates	205.08	170.67
	<u>3989.91</u>	<u>3550.10</u>

Note 19.1: Details of Sales

Paints	3989.91	3550.10
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Note 19.2: Earnings in Foreign Exchange

FOB Value of Exports.....	0.67	1.29
Recovery of Freight and Other Charges on Exports	0.03	0.06

Note 20: Other Operating Revenues

Sale of Scrap.....	9.38	9.09
Insurance Claims Received (Refer Note 25.6).....	1.17	0.61
Indirect Tax Settlement/Reversal.....	5.45	8.06
Other Operating Income.....	0.65	0.49
	<u>16.65</u>	<u>18.25</u>

Note 21: Other Income

Dividend Received		
Current Investments.....	4.33	3.66
Long-term Investments	—	0.02
	<u>4.33</u>	3.68
Interest on Loans and Investments	2.84	3.68
Profit on Sale of Investments (Net)		
Current Investments.....	3.96	0.02
Long-term Investments	—	—
	<u>3.96</u>	0.02
Profit on Sale of Fixed Assets	0.94	2.81
Foreign Exchange Gain (Net).....	9.64	—
Miscellaneous Income.....	0.08	0.14
	<u>21.79</u>	<u>10.33</u>

Note 22: Cost of Materials Consumed

Raw Material Consumed (Refer Note 25.6)		
Opening Stock	184.44	165.92
Add: Purchase	1866.01	1884.28
Less: Sales	5.52	3.54
Less: Closing Stock.....	145.05	184.44
	<u>1899.88</u>	1862.22
Packing Material Consumed		
Opening Stock	7.70	6.59
Add: Purchase	245.59	224.00
Less: Closing Stock.....	7.41	7.70
	<u>245.88</u>	222.89
	<u>2145.76*</u>	<u>2085.11*</u>

* Includes ₹ 1.60 Crores (2013-2014 ₹ 1.26 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 22.1: CIF Value of Import

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Raw Materials	587.68	606.18
Stores and Spares Parts	1.66	1.98
Finished Products	28.91	25.00
Capital Goods	4.08	15.92

Note 22.2: Raw Materials Consumed

	Quantity MT	₹ in Crores	Quantity MT	₹ in Crores
Pigments, Extenders and Resins	125722	965.53	121686	910.81
Organic Acids and Anhydrides	13551	135.30	11884	129.63
Solvents, Oils and Fatty Acids	79906	670.50	77844	690.31
Others		128.55		131.47
		<u>1899.88</u>		<u>1862.22</u>
of which:	%		%	
Imported	40	750.70	36	662.67
Indigenous	60	1149.18	64	1199.55
	<u>100</u>	<u>1899.88</u>	<u>100</u>	<u>1862.22</u>

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

Opening Stock				
Finished Goods	377.93		304.52	
Work-in-progress	60.94		43.49	
Stock-in-trade (in respect of goods acquired for trading)	12.44		11.60	
		451.31		359.61
Less: Closing Stock				
Finished Goods	321.17		377.93	
Work-in-progress	48.49		60.94	
Stock-in-trade (in respect of goods acquired for trading)	17.13		12.44	
		386.79		451.31
Add: Excise Duty Related to the Difference Between the Closing Stock and Opening Stock of Finished Goods		(2.49)		11.01
		<u>62.03</u>		<u>(80.69)</u>

Note 24: Employee Benefits Expense

Salaries and Wages	125.69	119.10
Contribution to Provident and Other Funds (Refer Note 31)	10.05	9.96
Staff Welfare Expense	7.56	6.82
	<u>143.30</u> *	<u>135.88</u> *

* Includes ₹ 11.50 Crores (2013-2014 ₹ 10.50 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 25: Other Expenses

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Consumption of Stores and Spare Parts.....	17.64	16.97
Power and Fuel	65.22	66.68
Repairs to Buildings	1.31	0.43
Repairs to Machinery	10.98	7.64
Freight and Forwarding Charges.....	150.50	130.90
Advertisement and Sales Promotion.....	146.56	123.94
Rent.....	18.45	15.99
Rates and Taxes.....	4.43	2.20
Insurance	2.61	2.99
Cash Discount.....	81.62	73.30
Miscellaneous Expenses (Refer Note 25.6).....	97.18	91.06
	<u>596.50*</u>	<u>532.10*</u>

* Includes ₹ 3.05 Crores (2013-2014 ₹ 3.01 Crores expenditure incurred on Research and Developments)

Note 25.1: Stores and Spares Parts Consumed

	%	₹ in Crores	%	₹ in Crores
Imported.....	13	2.37	13	2.28
Indigenous.....	87	15.27	87	14.69
	<u>100</u>	<u>17.64</u>	<u>100</u>	<u>16.97</u>

Note 25.2: Payments to Auditors'

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

As Auditor

Statutory Audit	0.20	0.20
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results.....	0.16	0.16

In Other Capacity

Certification.....	0.12	0.12
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Reimbursements of Expenses

0.02	0.04
<u>0.54</u>	<u>0.56</u>

Note 25.3: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Statement of Profit and Loss is [including depreciation and amortisation expense ₹ 0.87 Crores (2013-2014 ₹ 0.72 Crores)].....

17.02	15.49
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KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Note 25.4: Expenditure in Foreign Currencies		
Foreign Travel.....	0.25	0.06
Royalties	13.22	11.02
Professional and Technical Fees.....	0.57	2.38
Others	0.35	2.77
	14.39	16.23
Note 25.5: Operating Lease Expenses		
Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.		
Lease payments recognised in Statement of Profit and Loss.....	0.46	0.48
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year.....	0.41	0.46
Later than one year and not later than five years.....	0.42	0.91
Later than five years.....	—	—
Note 25.6:		
Miscellaneous Expenses includes net loss of inventory due to flood ₹ 0.07 Crores (loss of inventory due to flood ₹ 5.21 Crores, netted off with insurance claim received/receivable ₹ 5.14 Crores)		
Note 26: Contingent Liabilities and Commitments (to the extent not provided for)		
Claims against the Company not acknowledged as debt:		
Corporate guarantee given to HDFC Bank for employee loans.....	1.41	1.41
Service Tax	3.22	—
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).....	3.68	5.21
	8.31	6.62
The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 3.22 Crores (2013-2014 ₹ Nil) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit shown in Note 26. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that the ultimate liability in respect of these litigations shall not exceed the amount provided for in books of account, and shall not have any material adverse effect on the Company's operation and financial position.		
Note 27: Remittance in Foreign Currency		
Remittance in foreign currency on account of dividend to a non-resident shareholder:		
Final dividend on 3,73,29,760 equity shares for 2013-2014 (3,73,29,760 equity shares for 2012-2013).....	41.06	41.06

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 28: Earnings Per Equity Share

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Numerator: Profit after tax	271.67	206.57
Denominator: Weighted average number of Equity Shares *	53,89,19,720	53,89,19,720
Basic and Diluted Earnings per Equity Share (₹)	5.04	3.83
Face Value per Equity Share * (₹)	1	1

* the weighted average number of equity shares has been restated on account on sub-division of equity shares of face value ₹ 10 to equity shares of face value of ₹ 1

Note 29: Derivative Instruments

- (A) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company.
 (B) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	Year Ended 31st March, 2015 in Crores		Year Ended 31st March, 2014 in Crores	
		Foreign Currency	INR	Foreign Currency	INR
Amounts Payable in Foreign Currency:	CHF	—	0.02	—	0.01
	EUR	—	0.28	0.02	1.97
	JPY	23.41	12.35	20.56	12.42
	USD	0.77	48.27	1.23	75.65
Advance payment in Foreign Currency for supplies:	CHF	—	0.07	—	0.07
	EURO	—	0.33	0.03	2.81
	JPY	1.39	0.73	4.86	3.03
	USD	0.11	7.11	0.07	4.10
	THB	—	—	0.01	0.01

Note 30: Related Party Disclosures

- (i) (a) Names of related parties and nature of relationship where control exists are as under:
- | | |
|--------------------|---------------------------------|
| Holding Company | : Kansai Paint Co., Ltd., Japan |
| Subsidiary Company | : Kansai Paints Nepal Pvt. Ltd. |
- (b) Names of other related parties and nature of relationship where there are transactions with related parties:
- | | |
|-----------------------------|--|
| Fellow Subsidiary Companies | : Kansai Paint Philippines Inc.
Kansai Coatings Malaysia SDN. BHD.
Kansai Paints Europe Ltd. |
| Key Management Personnel | : Mr. H. M. Bharuka, Managing Director
Mr. P. D. Chaudhari, Wholetime Director
Mr. P. D. Pai, Chief Financial Officer
Mr. G. T. Govindarajan, Company Secretary |

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

(ii) Transactions with Related Parties:

Nature of Transaction	₹ in Crores				
	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
Royalty Expense					
– Kansai Paint Co., Ltd., Japan	12.29 (10.15)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	12.29 (10.15)
Dividend Paid					
– Kansai Paint Co., Ltd., Japan	41.06 (41.06)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	41.06 (41.06)
Technical Fees Including Reimbursement of Expenses					
– Kansai Paint Co., Ltd., Japan	0.50 (4.86)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.50 (4.86)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	N.A. (N.A.)	0.04 (0.07)	N.A. (N.A.)	0.04 (0.07)
Sale of Goods					
– Kansai Paint Philippines Inc.	N.A. (N.A.)	N.A. (N.A.)	0.70 (1.34)	N.A. (N.A.)	0.70 (1.34)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.80 (1.38)	N.A. (N.A.)	N.A. (N.A.)	0.80 (1.38)
Sale of Raw Materials					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	2.16 (3.35)	N.A. (N.A.)	N.A. (N.A.)	2.16 (3.35)
Sale of Advertising Material					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	N.A. (0.05)	N.A. (N.A.)	N.A. (N.A.)	N.A. (0.05)
Sale of Fixed Assets					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	N.A. (0.05)	N.A. (N.A.)	N.A. (N.A.)	N.A. (0.05)
Interest Income					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.51 (0.51)	N.A. (N.A.)	N.A. (N.A.)	0.51 (0.51)
Royalty Income					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.39 (0.27)	N.A. (N.A.)	N.A. (N.A.)	0.39 (0.27)
Reimbursement of Expenses Paid					
– Kansai Paints Europe Ltd.	N.A. (N.A.)	N.A. (N.A.)	0.02 (0.03)	N.A. (N.A.)	0.02 (0.03)
Reimbursement of Expenses Receivable					
– Kansai Paint Co., Ltd., Japan	1.17 (1.41)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1.17 (1.41)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.50 (0.43)	N.A. (N.A.)	N.A. (N.A.)	0.50 (0.43)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

(ii) Transactions with Related Parties: (contd.)

Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	₹ in Crores	
				Key Management Personnel	Total
Remuneration					
– Mr. H. M. Bharuka, Managing Director*	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	4.45 (4.08)	4.45 (4.08)
– Mr. P. D. Chaudhari, Wholetime Director*	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1.54 (1.39)	1.54 (1.39)
– Mr. P. D. Pai, Chief Financial Officer.....	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.58 (N.A.)	0.58 (N.A.)
– Mr. G. T. Govindarajan, Company Secretary	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.36 (N.A.)	0.36 (N.A.)

(iii) Amounts Outstanding at the Year End :

Receivable as at Year End					
– Kansai Paint Co., Ltd., Japan	1.17 (1.41)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1.17 (1.41)
– Kansai Paint Philippines Inc.....	N.A. (N.A.)	N.A. (N.A.)	0.36 (0.34)	N.A. (N.A.)	0.36 (0.34)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	3.98 (4.21)	N.A. (N.A.)	N.A. (N.A.)	3.98 (4.21)
Receivable towards Loan and Interest					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	7.53 (7.02)	N.A. (N.A.)	N.A. (N.A.)	7.53 (7.02)
Payable as at Year End					
– Kansai Paint Co., Ltd., Japan	0.07 (0.55)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.07 (0.55)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	N.A. (N.A.)	— (0.02)	N.A. (N.A.)	— (0.02)

* 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.

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

Note 31: Employee Benefits

A. Defined Contribution Plan:

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

	₹ in Crores	
	Year ended 31st March, 2015	Year ended 31st March, 2014
Employer's Contribution to Regional Provident Fund Commissioner	1.11	1.23
Employer's Contribution to Family Pension Fund	1.87	1.40
Employer's Contribution to Superannuation Fund	2.46	2.26

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan:

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

The Company has contributed ₹ 1.48 Crores (2013-2014 ₹ 1.50 Crores) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has accordingly provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the Guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

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

	₹ in Crores				
	As at 31st March				
	2015	2014	2013	2012	2011
Plan Assets at the Year End, at Fair Value ..	40.79	38.84	37.50	36.14	33.13
Present Value of Benefit Obligation at the Year End.....	39.51	37.29	36.64	35.46	34.85
Asset Recognised in the Balance Sheet.....	Nil	Nil	Nil	Nil	Nil

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

	As at 31st March				
	2015	2014	2013	2012	2011
Discount Rate (%).....	7.80	9.10	8.00	8.50	8.10
Guaranteed Interest Rate (%).....	8.75	8.75	8.50	8.25	9.50
Expected Average Remaining Working Lives of Employees (Years)	6.40	6.19	7.35	8.23	8.79

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

	% of each to total Plan Assets	
	As at 31st March, 2015	As at 31st March, 2014
Bonds & Securities of Central Government	14.89	14.08
Bonds & Securities of State Government	13.31	12.15
Bonds & Securities of Public Sector Undertakings	23.97	23.38
Special Deposits with Banks	46.38	48.80
Bonds of Financial Institutions	1.45	1.59

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded):

	As at 31st March, 2015	₹ in Crores As at 31st March, 2014
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the beginning of the year	12.94	12.12
Interest Cost.....	1.01	1.10
Current Service Cost.....	1.65	1.30
Benefits Paid	(2.13)	(4.53)
Net Actuarial (Surplus)/Deficit.....	1.66	2.95
Present Value of Defined Benefit Obligation as at the end of the year	15.13	12.94
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the beginning of the year	10.21	11.29
Expected Return on Plan Assets	1.03	0.95
Net Actuarial Gain/(Loss)	0.69	1.42
Employer's Contribution	3.01	1.08
Benefits Paid	(2.13)	(4.53)
Fair Value of Plan Assets as at the end of the year.....	12.81	10.21
The Company expects to contribute ₹ 2.32 Crores to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India	100%	100%
Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets/(Liabilities) Recognised in the Balance Sheet:		
Present Value of Defined Benefit Obligation	(15.13)	(12.94)
Fair Value of Plan Assets	12.81	10.21
Net Assets/(Liabilities) Recognised in Balance Sheet	(2.32)	(2.73)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded) (contd.)

	As at 31st March, 2015	As at 31st March, 2014
₹ in Crores		
iv. Components of Employer's Expenses:		
Current Service Cost	1.65	1.30
Interest Cost.....	1.01	1.10
Expected Return on Plan Assets	(1.03)	(0.95)
Net Actuarial (Gain)/Loss.....	0.97	1.53
Total Expenses/(Income) recognised in the Statement of Profit and Loss in Employee Benefits Expense	2.60	2.98
v. Actuarial Assumptions:		
Mortality Table	Indian Assured Lives Mortality (2006-08)	LIC (1994-96)
Discount Rate	7.80%	9.00%
Expected Rate of Return on Plan Assets	9.50%	7.55%
Salary Escalation	7.50%	7.50%
vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.		
vii. Net Assets/(Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:		

Particulars	Gratuity (Funded) (₹ in Crores)				
	As at 31st March				
	2015	2014	2013	2012	2011
1. Present Value of Defined Benefit Obligation	(15.13)	(12.94)	(12.12)	(11.94)	(10.75)
2. Fair Value of Plan Assets	12.81	10.21	11.29	11.82	11.92
3. Funded Status [Surplus/(Deficit)]	(2.32)	(2.73)	(0.83)	(0.13)	1.17
4. Net Asset/(Liability)	(2.32)	(2.73)	(0.83)	(0.13)	1.17
5. Experience Adjustment Arising on:					
a. Plan Liabilities [Loss/(Gain)]	1.66	2.95	0.08	0.51	(0.31)
b. Plan Assets [Loss/(Gain)]	(0.69)	(1.42)	(0.24)	(0.16)	0.90

viii. The above information is certified by the actuary.

(c) Compensated Absences:

The increase in provision for compensated absences for the year is ₹ 0.18 Crores (decrease in provision 2013-2014 ₹ 0.25 Crores)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 32: Segment Reporting

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

Note 33: Corporate Social Responsibilities

Sec. 135 of the Companies Act, 2013 requires the Board of Directors to ensure that the Company spends in every financial year at least 2% of the average net profits of the Company made during the three immediately preceding financial years on Corporate Social Responsibility. Accordingly, the Company has spent ₹ 4.51 Crores towards Corporate Social Responsibility Activities. In accordance with the 'FAQ on Provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules thereon', issued by the Institute of the Chartered Accountants of India, this amount has been recorded and disclosed as an appropriation of profit in the Financial Statements for the year ended 31st March, 2015.

(a) Gross amount required to be spent by the Company during the year ₹ 6.11 Crores.

(b) Amount spent during the year on:

₹ in Crores

		In cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of any asset	—	—	—
(ii)	On purposes other than (i) above	4.51	—	4.51

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

G.T. GOVINDARAJAN P.D. PAI
Company Secretary CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED**FORM AOC-I**

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES / ASSOCIATE COMPANIES / JOINT VENTURES

PART “A” : Subsidiaries

Name of the Subsidiary : **KANSAI PAINTS NEPAL PVT. LTD.**

	As at / For the Year Ended 31st March, 2015	As at / For the Year Ended 31st March, 2014
		₹ in Crores
Reporting Currency	NPR	NPR
Exchange rate as on last date of the relevant Financial Year	1 NPR = 0.61 INR	1 NPR = 0.62 INR
Share Capital	7.93	8.06
Reserves and Surplus	7.27	4.00
Total Assets	46.73	41.31
Total Liabilities	31.53	29.25
Investments	Nil	Nil
Turnover	39.36	30.43
Profit before Tax	4.60	2.95
Provision for Tax	1.08	0.75
Profit after Tax	3.52	2.20
Proposed Dividend	Nil	Nil
% of Shareholding	68%	68%

Notes:

1. The assets and liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and the income and expense items are translated at the average rates of exchange for the year.
2. The reporting period for the subsidiary is same as that of the holding company i.e. 1st April, 2014 to 31st March, 2015.
3. Names of subsidiaries which are yet to commence operations — Nil
4. Name of subsidiaries which have been liquidated or sold during the year — Nil

Since the Company does not have any Associates or Joint Ventures, information pertaining to Part “B” to this form relating to Associates and Joint Ventures is not given.

		For and on behalf of the Board of Directors			
		P.P. SHAH	<i>Chairman</i>	DIN 00066242	
		D.M. KOTHARI	<i>Vice Chairman</i>	DIN 00516431	
		H.M. BHARUKA	<i>Managing Director</i>	DIN 00306084	
		N.N. TATA	<i>Director</i>	DIN 00024713	
	G.T. GOVINDARAJAN	P.D. PAI	P.D. CHAUDHARI	<i>Wholetime Director</i>	DIN 02171823
	<i>Company Secretary</i>	<i>CFO</i>	BRINDA SOMAYA	<i>Director</i>	DIN 00358908

Mumbai, 8th May, 2015

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

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of Kansai Nerolac Paints Limited ('the Company') and its subsidiary Kansai Paints Nepal Private Limited, herein after referred to as the "Group", which comprise the consolidated Balance Sheet as at 31 March 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of the report referred to in sub-paragraph of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2015;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date;
and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

KANSAI NEROLAC PAINTS LIMITED
INDEPENDENT AUDITOR'S REPORT (Continued)

Other matter

We have not audited the financial statements of the subsidiary included in the consolidated financial statements, which constitute assets of ₹ 46.73 crores as at 31 March 2015, total revenue of ₹ 39.36 crores and net profit of ₹ 3.52 crores for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us for the purpose of the consolidation, and our opinion, in so far as it related to the amounts included in respect of the subsidiary, is based solely on reports of the other auditor.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company incorporated in India, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the said Order.
- 2 As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of aforesaid consolidated financial statements;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and report of the other auditor;
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the relevant assertion contained in the audit reports on standalone financial statements of holding company and its subsidiary, none of the Directors of any such company is disqualified as on 31 March 2015 from being appointed as a Director of that company in terms of sub-section 2 of Section 164 of the Act; and
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Group has disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements – Refer Note 26 to the Consolidated Financial Statements;
 - ii. The Group did not have any outstanding long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/ W-100022

Sadashiv Shetty
Partner
(Membership No: 048648)

Mumbai, 8th May, 2015

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2015

(Referred to in our report of even date)

- (i) (a) The Group has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us, the fixed assets are being physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which, in our opinion, is reasonable having regard to the size of the Group and nature of its assets. Pursuant to this programme, some of the fixed assets have been physically verified by the management during the year, and no material discrepancies were noticed on such verification.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmation have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Group and the nature of its business.
- (c) The Group has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.
- (iii) (a) The Group has granted an unsecured loan to one body corporate (overseas subsidiary company) covered in the register maintained under Section 189 of the Act. The maximum amount outstanding during the year was ₹ 6.38 crores and the year-end balance of such loan was ₹ 6.38 crores.
- (b) According to the information and explanation given to us, the unsecured loans are repayable on demand but the Company has not demanded loan during the year.
- (c) There is no overdue amount of more than Rupees one lakh in respect of loan granted to body corporate listed in the register maintained under Section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Group and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. In our opinion and according to the information and explanations given to us, there is no major weakness observed in internal control system during the course of our audit.
- (v) In our opinion, and according to the information and explanations given to us, the Group has not accepted deposits as per the directives issued by the Reserve Bank of India under the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Group.
- (vi) The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 for any of the products manufactured/services rendered by the Group.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Group, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income-tax, Sales-tax/Value added tax, Wealth tax, Service tax, duty of customs, Employees' State Insurance, duty of Excise and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Sales tax/Value added tax, Wealth tax, duty of Excise, Income-tax, Service tax, duty of customs and other material statutory dues were in arrears as at 31 March, 2015 for a period of more than six months from the date they became payable.

KANSAI NEROLAC PAINTS LIMITED**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2015 (Continued)**

- (b) According to the information and explanations given to us, there are no dues of Service tax, Wealth tax, Income tax, Sales tax/Value added tax, duty of Excise and duty of customs as at 31 March, 2015 which have not been deposited with the appropriate authorities on account of any dispute, except as stated below.

(₹ in Crores)

Name of the Statute/Nature of dues	Period to which the amount relates	Forum where dispute is pending		
		Commissioner	Appellate Authorities & Tribunal	Total Amount
Sales Tax	1980-81	0.01	—	0.01
	1991-92	0.01	—	0.01
	1995-96 to 2009-10	0.60	0.51	1.11
The Central Excise Act, 1944 Tax, Penalty and Interest	1993-94 to 2003-04	1.53	0.08	1.61
Service Tax	2011-12 to 2014-15	0.14	5.10	5.24

- (c) According to the information and explanations given to us, the Group has transferred amounts required to be transferred to the investor education and protection fund within the prescribed time.
- (viii) The Group does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Group has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions and debenture holders during the year.
- (x) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Group has given guarantees for loans taken by others from banks are not prima facie prejudicial to the interest of the Group.
- (xi) The Group did not have any term loans outstanding during the year.
- (xii) According to the information and explanations given to us, no material fraud on or by the Group has been noticed or reported during the course of our audit.

For **BSR & Co. LLP***Chartered Accountants*

Firm's Registration No: 101248W/ W-100022

Sadashiv Shetty*Partner*

(Membership No: 048648)

Mumbai, 8th May, 2015

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2015

₹ in Crores

	Note	As at 31st March, 2015	As at 31st March, 2014
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	53.89	53.89
Reserves and Surplus	3	1547.58	1371.78
		1601.47	1425.67
		4.95	3.82
Minority Interest			
Non-current Liabilities			
Long-term Borrowings	4	45.80	57.10
Deferred Tax Liabilities (Net)	5	75.43	66.15
Long-term Provisions	6	25.49	28.79
		146.72	152.04
Current Liabilities			
Short-term Borrowings	7	4.50	4.75
Trade Payables	8	331.24	442.67
Other Current Liabilities	9	187.01	171.43
Short-term Provisions	10	97.09	79.15
		619.84	698.00
Total		2372.98	2279.53
Assets			
Non-current Assets			
Goodwill on Consolidation		2.27	2.27
Fixed Assets	11		
Tangible Assets		911.64	914.56
Intangible Assets		2.49	4.77
Capital Work-in-progress		43.94	48.16
		958.07	967.49
Non-current Investments	12	25.23	25.23
Long-term Loans and Advances	14	60.36	33.76
		1043.66	1026.48
Current Assets			
Current Investments	13	182.48	23.37
Inventories	15	555.14	658.33
Trade Receivables	16	515.30	468.26
Cash and Bank Balances	17	34.45	55.27
Short-term Loans and Advances	18	20.63	27.52
Other Current Assets	19	19.05	18.03
		1327.05	1250.78
Total		2372.98	2279.53
Significant Accounting Policies	1		
The notes referred to above form an integral part of Consolidated Financial Statements			

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

G.T. GOVINDARAJAN P.D. PAI

Company Secretary CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2015

₹ in Crores

	Note	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Revenue from Operations			
Sale of Products.....	20	4028.20	3579.60
Less: Excise Duty.....		457.50	404.33
Sale of Products (Net).....		3570.70	3175.27
Other Operating Revenues.....	21	16.28	18.01
Revenue from Operations		3586.98	3193.28
Other Income	22	21.53	9.79
Total Revenue		3608.51	3203.07
Expenses			
Cost of Materials Consumed.....	23	2166.14	2099.83
Purchases of Stock-in-trade		155.90	129.53
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	24	62.58	(80.42)
Employee Benefits Expense	25	146.24	138.28
Finance Cost		0.92	1.79
Depreciation and Amortisation	11	68.26	65.52
Other Expenses	26	604.97	538.71
Total Expenses		3205.01	2893.24
Profit Before Tax		403.50	309.83
Tax Expense			
Current Tax.....		117.83	78.29
Deferred Tax.....		10.48	22.88
Total Tax Expense .		128.31	101.17
Profit After Tax Before Minority Interest		275.19	208.66
Less: Minority Interest		1.13	0.70
Profit After Tax		274.06	207.96
Earnings per Equity Share (in ₹)			
Nominal value of share ₹ 1 each			
Basic and Diluted	29	5.08	3.86
Significant Accounting Policies			
1			

The notes referred to above form an integral part of Consolidated Financial Statements

As per our attached report of even date

 For B S R & Co. LLP
 Chartered Accountants
 Firm's Registration No. 101248W/W-100022

 SADASHIV SHETTY
 Partner

 G.T. GOVINDARAJAN P.D. PAI
 Company Secretary CFO

 Membership No. 048648
 Mumbai, 8th May, 2015

For and on behalf of the Board of Directors

P.P. SHAH	Chairman	DIN 00066242
D.M. KOTHARI	Vice Chairman	DIN 00516431
H.M. BHARUKA	Managing Director	DIN 00306084
N.N. TATA	Director	DIN 00024713
P.D. CHAUDHARI	Wholetime Director	DIN 02171823
BRINDA SOMAYA	Director	DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2015

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Cash Flow from Operating Activities		
Net Profit Before Tax	403.50	309.83
Adjustments for:		
Depreciation and Amortisation.....	68.26	65.52
Foreign Exchange Loss/(Gain) Unrealised	(0.32)	(2.33)
Provision for Tangible Assets Written Back	(0.09)	(0.09)
Profit on Sale of Fixed Assets	(1.13)	(2.78)
Profit on Sale of Investments (Net)	(3.96)	(0.01)
Interest Expenditure.....	0.92	1.79
Interest Income	(2.33)	(3.17)
Dividend Income	(4.33)	(3.69)
	57.02	55.24
Operating Profit Before Working Capital Changes	460.50	365.07
(Increase)/Decrease in Trade and Other Receivables.....	(43.56)	(38.38)
(Increase)/Decrease in Inventories	103.19	(110.01)
(Increase)/Decrease in Trade Payables.....	(88.84)	60.81
	(29.21)	(87.58)
Cash Generated from Operations	431.29	277.49
Direct Taxes Paid (Net of Refunds)	(122.04)	(82.98)
Net Cash from Operating Activities	309.25	194.51
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances)	(92.68)	(128.89)
Sale of Fixed Assets.....	2.46	4.67
Purchase of Investments.....	(4162.75)	(1013.30)
Proceeds from Sale/Redemption of Investments	4007.60	1017.44
Interest Received	2.36	3.17
Dividend Received	4.33	3.69
Net Cash used in Investing Activities	(238.68)	(113.22)
Cash Flow from Financing Activities		
Repayment of Borrowings	(15.35)	(12.15)
(Decrease)/increase in Short Term Borrowings	(1.34)	(4.21)
Interest paid	(0.92)	(1.78)
Increase/(Decrease) in Unpaid Dividend	0.09	0.04
Dividend Paid	(59.28)	(59.28)
Tax on Proposed Dividend	(10.08)	(10.08)
Amount spent towards Corporate Social Responsibility Activities (Refer Note 34)	(4.51)	—
Net Cash used in Financing Activities	(91.39)	(87.46)
Net Increase/(Decrease) in Cash and Cash Equivalents ...	(20.82)	(6.17)

KANSAI NEROLAC PAINTS LIMITED

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2015 (contd.)

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Cash and Cash Equivalents at the beginning of the year, the components being:		
Cash on hand.....	0.42	1.36
Unpaid Dividend Accounts.....	0.48	0.45
Balances with Banks on Current and Fixed Deposit Accounts	54.37	59.63
	<u>55.27</u>	61.44
Cash and Cash Equivalents at the end of the year, the components being:		
Cash on hand.....	0.23	0.42
Unpaid Dividend Accounts.....	0.57	0.48
Balances with Banks on Current and Fixed Deposit Accounts	33.65	54.37
	<u>34.45</u>	55.27
Net Increase/(Decrease) as disclosed above	<u><u>(20.82)</u></u>	<u><u>(6.17)</u></u>

Note: Figures in brackets are outflows/deductions.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

G.T. GOVINDARAJAN P.D. PAI

Company Secretary CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

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DIN 00306084

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Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Summary of Significant Accounting Policies

(I) Basis for Preparation of Consolidated Financial Statements

The Consolidated Financial Statements relate to Kansai Nerolac Paints Ltd. ('the Company') and its Subsidiary company, Kansai Paints Nepal Pvt. Ltd. ('the Subsidiary'), a Company incorporated in Nepal in which the Company has 68% equity holding, hereinafter referred to as the "Group". The Company acquired controlling stake in the subsidiary effective 1st October, 2012.

The Financial Statements of the Subsidiary used in the consolidation are drawn upto the same reporting date as that of the Company i.e. for the period from 1st April, 2014 to 31st March, 2015.

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

(II) Principles of Consolidation

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

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

- (a) The Financial Statements of the Company and its Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra-group balances, intra-group transactions and unrealised profits or losses have been fully eliminated.
- (b) "Minority Interest" represents the amount of equity attributable to minority shareholders at the date on which investment in the Subsidiary is made and its share of movements in the equity since the date the parent Subsidiary relationship comes into existence.
- (c) The Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

(III) Use of Estimates

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

(IV) Exchange Translation

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

(V) Classification of Assets and Liabilities

Schedule III to the Companies Act, 2013 requires assets and liabilities to be classified as either Current or Non-current.

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- (c) A liability shall be classified as current when it satisfies any of the following criteria:
- (i) It is expected to be settled in the Company's normal operating cycle;
 - (ii) It is held primarily for the purpose of being traded;
 - (iii) It is due to be settled within twelve months after the reporting date; or
 - (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (d) All liabilities other than current liabilities shall be classified as non-current.

(VI) Operating Cycle

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company has ascertained operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(VII) Fixed Assets

- (a) Fixed assets are stated at their original cost of acquisition and installation, less accumulated depreciation, amortisation and impairment losses, if any. Cost comprises of the purchase price and any other directly attributable cost of bringing the asset to its working condition for its intended use.
- (b) Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.
- (c) Depreciation is provided on the straight-line method using useful life prescribed in Part C of Schedule II of the Companies Act, 2013. Based on the internal technical evaluation, considering nature and usage of the assets, useful life of the following asset classes are estimated to be higher than that prescribed in the said Act.

Asset Class	Useful life estimated by the management
1. Plant and Equipment	20
2. Electrical Installation.....	20
3. Plant and Equipment for Scientific Research	20
4. Electrical Installation for Scientific Research.....	20
5. Colour Dispenser	05

- (d) Leasehold land is amortised over the primary period of lease.
- (e) Purchase cost and user licence fees for major software are amortised over a period of three years.
- (f) Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. If there is any indication of impairment based on internal / external factors, the recoverable amount is estimated for the individual asset. However, if it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. A cash generating unit is the smallest identifiable group of assets that generates cash flow from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the cost of disposal. If at the Balance Sheet date there is an indication that the previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to maximum of depreciable historical cost.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(VII) Fixed Assets (contd.)

- (g) Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Consolidated Statement of Profit and Loss in the year in which it is incurred.
- (h) Tangible fixed assets under construction are disclosed as capital work-in-progress.
- (i) Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the Consolidated Financial Statements. Any expected loss is recognised immediately in the Consolidated Statement of Profit and Loss.

(VIII) Investments

- (a) Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments. The determination for diminution is done separately for each individual investment.
- (b) Current investments, consist of investments in mutual funds, are stated at lower of cost and fair value, where the net asset value declared by the respective funds is considered as fair value.
- (c) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(IX) Inventories

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

(X) Provisions and Contingent Liabilities

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

(XI) Revenue Recognition

- (a) Sales are recognised in accordance with Accounting Standard (AS) 9 – Revenue viz. when the seller has transferred to the buyer, the property in the goods, for a price, or significant risk and rewards of ownership have been transferred to the buyer and no significant uncertainty exists regarding its collection.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(XI) Revenue Recognition (contd.)

- (b) Sales are inclusive of excise duty and are net of sale returns, trade discount and product rebate.
- (c) Dividend income is accounted when the right to receive payment is established and known.
- (d) Interest income is recognised on the time proportion basis.
- (e) Revenue from services is recognized on rendering of services to the customers based on contractual arrangements. Revenue is recorded exclusive of Service Tax.

(XII) Employee Benefits

(a) Short-Term Employee Benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the Consolidated Statement of Profit and Loss of the year in which the related service is rendered.

(b) Post-employment Benefits

(i) Provident and Family Pension Fund

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

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

(ii) Superannuation

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

(iii) Gratuity

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(XIII) Foreign Currency Transactions

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

(XIV) Accounting for Derivatives

Apart from forward exchange contracts taken to hedge existing assets or liabilities, the Company also uses derivatives to hedge its foreign currency risk exposure relating to firm commitments and highly probably forecast transactions. In accordance with the relevant pronouncement of the Institute of Chartered Accountants of India, the Company provides for net losses in respect of such derivative contracts at the balance sheet date by marking them to market. Net gain, if any, is not recognised. The contracts are aggregated category-wise to determine the net gain/loss.

(XV) Taxation

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

(XVI) Leases

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

(XVII) Cash and Cash Equivalents

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 2: Share Capital

	As at 31st March, 2015		As at 31st March, 2014	
1. Authorised Share Capital (₹ in Crores).....		60		60
Par Value per Share* (₹).....		1		10
Number of Equity Shares*.....		60,00,00,000		6,00,00,000
2. Issued, Subscribed and Fully Paid-up (₹ in Crores)		53.89		53.89
Par Value per Share* (₹).....		1		10
Number of Equity Shares*.....		53,89,19,720		5,38,91,972
3. Details of Shareholders holding more than 5% of shares:				
		No. of Shares		No. of Shares
	%		%	
Holding Company:				
Kansai Paint Co., Ltd., Japan.....	69.27	37,32,97,600	69.27	3,73,29,760
Others:				
Aberdeen Asset Management Asia Ltd.....	5.83	3,14,19,056	7.90	42,55,338
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.....		2,69,45,986		2,69,45,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the beginning of the year		5,38,91,972		5,38,91,972
Issued during the year*.....		48,50,27,748		—
Number of shares at the end of the year		53,89,19,720		5,38,91,972

* During the year, the Company has sub-divided each Equity Share of face value of ₹ 10 each to 10 (ten) Equity Shares of ₹ 1 each.

The Effective date for the said sub-division was 27th March, 2015.

Consequently, the number of shares and face value forming part of authorised, issued, subscribed and paid-up share capital have been revised as at 31st March, 2015.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 3: Reserves and Surplus

	As at 31st March, 2015	As at 31st March, 2014
a. Capital Reserve – at the beginning and at the end of the year	0.30	0.30
b. Securities Premium Reserve – at the beginning and at the end of the year.....	12.56	12.56
c. General Reserve:		
At the beginning of the year	424.92	404.26
Add: Transfer from Consolidated Statement of Profit and Loss.....	27.17	20.66
	452.09	424.92
d. Foreign Currency Translation Reserve		
As per last Balance Sheet.....	0.14	0.03
Currency Translation (loss)/gain during the year	(0.22)	0.11
	(0.08)	0.14
e. Surplus (Profit and Loss balance):		
Opening Balance.....	933.86	815.92
Add: Profit for the year.....	274.06	207.96
Less: Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013 (Refer Note 34).....	4.51	—
Less: Proposed Dividend	75.45	59.28
Less: Tax on Proposed Dividend	15.78	10.08
Less: Transfer to General Reserve	27.17	20.66
Less: Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives [Refer Significant Accounting Policies Note 1(VII)(c) and Note 11]	3.49	—
Add: Deferred tax impact on the above	1.19	—
	1082.71	933.86
	1547.58	1371.78

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 4: Long-term Borrowings

	As at 31st March, 2015	As at 31st March, 2014
Term Loans:		
a. Fixed Term Loan.....	1.42	2.17
Term loan from bank is repayable in 84 equal monthly installments starting from financial year 2010-2011 and carries interest of 9.50% p.a. It is secured against subsidiary's Factory Land & Building at Birta and personal guarantee of Directors of the Subsidiary. [Current maturity of Term loan ₹ 0.81 Crores (2013-2014 ₹ 0.83 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
b. Auto Loan	0.11	0.24
Auto loans from bank are repayable in 60 equal monthly installments starting from financial year 2011-2012 and carries interest of 9.50% p.a. It is secured against vehicles. [Current maturity of Auto loan ₹ 0.07 Crores (2013-2014 ₹ 0.10 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
Deferred Payment Liabilities:		
a. Secured Sales Tax Deferral Loan.....	0.90	0.90
(Secured by a charge on the fixed assets of the factory at Jainpur)		
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection.		
Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ Nil (2013-2014 ₹ Nil).		
b. Unsecured Sales Tax Deferral Loan.....	40.60	50.81
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in seven annual installments from the reporting date.		
Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ Nil (2013-2014 ₹ 5.09 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
Working Capital Loan	2.77	2.98
Working capital loan from other shareholders in the Subsidiary are repayable in 60 equal installments starting from financial year 2015-2016 and carries an interest of 8% p.a.		
	45.80	57.10

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 5: Deferred Tax Liabilities (Net)

Deferred Tax Liabilities:

Depreciation and Amortisation	82.81	74.87
Others	—	0.03

82.81

74.90

Deferred Tax Asset:

Items Covered Under Section 43B of Income-tax Act, 1961	5.22	6.73
Provision for Diminution in Value of Fixed Assets	0.14	0.17
Voluntary Retirement Compensation	0.90	1.12
Allowance for Bad and Doubtful Debts.....	1.09	0.73
Others	0.03	—

7.38

8.75

Deferred Tax Liabilities (Net)

75.43

66.15

Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 32).....	3.28	3.14
Provision for Income Taxes (Net of Advances).....	13.50	13.50
Provision for Fringe Benefit Taxes (Net of Advances)	0.36	0.36
Provision for Indirect Taxes*:		
Opening Balance	11.79	20.07
Add: Provision during the year	2.02	—
Less: Utilization/reversal during the year	5.46	8.28

8.35

11.79

25.49

28.79

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2013-2014 ₹ 9.71 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

Note 7: Short-term Borrowings

Working Capital Loans from Banks	4.50	4.70
Loan from Other Parties	—	0.05

4.50

4.75

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

Note 8: Trade Payables

Trade Payables*	331.24	442.67
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331.24

442.67

* Based on the information and explanation available with management, there are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 9: Other Current Liabilities

	As at 31st March, 2015	As at 31st March, 2014
Current Maturities of Long-term Debt (Refer Note 4).....	0.88	6.02
Unpaid Dividends*	0.57	0.49
Trade Deposits	40.22	34.18
Capital Creditors	6.92	12.19
Accrual of Expenses	111.05	94.37
Other Statutory Obligations \$	27.37	24.18
	187.01	171.43

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

\$ Includes payable towards TDS, Excise duty, Service tax, VAT and Employee Related Statutory Obligations

Note 10: Short-term Provisions

Provision for Compensated Absences (Refer Note 32).....	1.30	1.26
Provision for Gratuity (Refer Note 32)	2.39	2.78
Provision for Income Taxes (Net of Advances).....	0.42	4.01
Provision for Warranty*:		
Opening Balance	1.75	1.75
Add: Provision during the year	—	—
Less: Utilization/reversal during the year	—	—
	1.75	1.75
Proposed Dividend.....	75.45	59.28
Tax on Proposed Dividend	15.78	10.07
	97.09	79.15

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 11: Fixed Assets

Description	Gross Block			Accumulated Depreciation/Amortisation				Net Block		
	As at 31.03.2014	Addition	Deductions	As at 31.03.2015	As at 31.03.2014	Additions**	Deductions	Adjustment #	As at 31.03.2015	As at 31.03.2015
I. Tangible Assets:										
Freehold Land\$.....	9.32	—	—	9.32	—	—	—	—	—	9.32
	(9.32)	(—)	(—)	(9.32)	(—)	(—)	(—)	(—)	(—)	(9.32)
Leasehold Land.....	22.36	—	—	22.36	1.54	0.23	—	—	1.77	20.59
	(22.36)	(—)	(—)	(22.36)	(1.31)	(0.23)	(—)	(—)	(1.54)	(20.82)
Buildings\$.....	426.17	12.41	0.22	438.36	63.36	12.95	0.06	—	76.25	362.11
	(392.21)	(34.42)	(0.30)	(426.33)	(51.47)	(12.00)	(0.09)	(—)	(63.38)	(362.95)
Plant and Equipment\$.....	642.33	24.08	2.70	663.71	185.46	28.73	2.29	0.57	212.47	451.24
	(506.68)	(143.60)	(7.88)	(642.40)	(161.95)	(30.70)	(7.18)	(—)	(185.47)	(456.93)
Furniture and Fixtures.....	39.28	6.75	0.53	45.50	26.64	6.16	0.53	1.22	33.49	12.01
	(38.68)	(1.07)	(0.46)	(39.29)	(23.90)	(3.20)	(0.44)	(—)	(26.66)	(12.63)
Vehicles.....	2.51	0.07	0.07	2.51	1.02	0.23	0.05	—	1.20	1.31
	(2.05)	(0.79)	(0.31)	(2.53)	(1.03)	(0.20)	(0.19)	(—)	(1.04)	(1.49)
Office Equipment.....	8.23	0.57	—	8.80	3.77	1.23	—	1.65	6.65	2.15
	(8.11)	(0.36)	(0.24)	(8.23)	(3.58)	(0.37)	(0.18)	(—)	(3.77)	(4.46)
Assets for Scientific Research*.....	16.49	0.30	0.51	16.28	8.71	0.87	0.49	0.05	9.14	7.14
	(16.30)	(0.20)	(—)	(16.50)	(7.99)	(0.72)	(—)	(—)	(8.71)	(7.79)
Colourant Machine.....	0.25	0.80	0.71	0.34	—	—	—	—	—	0.34
	(0.52)	(0.54)	(0.79)	(0.27)	(—)	(—)	(—)	(—)	(—)	(0.27)
Assets given on lease (Refer Note 11.1).....	168.57	23.02	0.21	191.38	130.18	15.56	0.20	—	145.54	45.84
	(155.19)	(15.82)	(2.43)	(168.58)	(117.50)	(15.11)	(2.43)	(—)	(130.18)	(38.40)
Total.....	1335.51	68.00	4.95	1398.56	420.68	65.96	3.62	3.49	486.51	912.05
	(1151.42)	(196.80)	(12.41)	(1335.81)	(368.73)	(62.53)	(10.51)	(—)	(420.75)	(915.06)
Less: Provision for Write Down in Value of Tangible Assets.....										0.41
										(0.50)
Total Tangible Assets.....										911.64
										(914.56)
II. Intangible Assets:										
Computer Software.....	12.87	—	—	12.87	8.10	2.28	—	—	10.38	2.49
	(7.09)	(5.78)	(—)	(12.87)	(5.10)	(3.00)	(—)	(—)	(8.10)	(4.77)
III. Capital Work-in-progress.....										43.94
										(48.16)
Total Fixed Assets.....	1348.38	68.00	4.95	1411.43	428.80	68.25	3.62	3.49	496.92	958.07
	(1158.51)	(202.58)	(12.41)	(1348.68)	(373.83)	(65.53)	(10.51)	(—)	(428.85)	(967.49)

* Net block includes Buildings ₹ 0.38 Crores (2013-2014 ₹ 0.40 Crores), Plant and Equipment ₹ 6.72 Crores (2013-2014 ₹ 7.21 Crores) and Furniture and Fixtures ₹ 0.04 Crores (2013-2014 ₹ 0.18 Crores).

\$ Includes asset held for sale gross block ₹ 6.40 Crores and accumulated depreciation ₹ 3.69 Crores.

Adjustment amount pertains to additional depreciation as per the Companies Act, 2013 consequent to reduction in useful life of the assets, adjusted against opening Balance in Consolidated Statement of Profit and Loss [Refer Significant Accounting Policies Note 1 (VII)(c)].

** Had the Company continued with the previously assessed useful lives, charges for depreciation for the year would have been higher by ₹ 2.84 Crores for assets held at 1st April, 2014.

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

Note 11.1

The Company has given on lease, Colour Dispenser to its dealers. 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 ₹191.38 Crores (2013-2014 ₹ 168.58 Crores) and ₹ 145.54 Crores (2013-2014 ₹ 130.18 Crores) respectively.
- (ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 15.56 Crores (2013-2014 ₹ 15.11 Crores).
- (b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 12: Non-current Investments

	As at 31st March, 2015	As at 31st March, 2014
Long Term Investments (At cost, fully paid-up)		
Other than Trade (Unquoted unless otherwise stated):		
Shares, Debentures and Bonds		
(a) Equity Shares:		
National Thermal Power Corporation Ltd. (Quoted) 40524, Equity Shares of ₹ 10 each (40524, Equity Shares of ₹ 10 each)	0.25	0.25
Equity Shares	0.25	0.25
(b) Debentures and Bonds:		
1. Indian Railway Finance Corporation Ltd. 1000, 6.30% Tax-Free Bonds of ₹ 100000 each (1000, 6.30% Tax-Free Bonds of ₹ 100000 each)	10.00	10.00
2. Indian Railway Finance Corporation Ltd. 1000, 6.32% Tax-Free Bonds of ₹ 100000 each (1000, 6.32% Tax-Free Bonds of ₹ 100000 each)	10.00	10.00
3. National Highway Authority of India (Quoted) 24724, 8.20% Tax-Free Bonds of ₹ 1000 each (24724, 8.20% Tax-Free Bonds of ₹ 1000 each)	2.47	2.47
4. Power Finance Corporation Ltd. (Quoted) 14239, 8.20% Tax-Free Bonds of ₹ 1000 each (14239, 8.20% Tax-Free Bonds of ₹ 1000 each)	1.42	1.42
5. Indian Railway Finance Corporation Ltd. 10875, 8.15% Tax-Free Bonds of ₹ 1000 each (10875, 8.15% Tax-Free Bonds of ₹ 1000 each)	1.09	1.09
Debentures and Bonds.....	24.98	24.98
Total Non-current Investments.....	25.23	25.23
Aggregate amount of quoted investments [Market value ₹ 4.87 Crores (2013-2014 ₹ 4.53 Crores)].....	4.14	4.14
Aggregate amount of unquoted investments	21.09	21.09
	25.23	25.23

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 13: Current Investments

Current Investments (At lower of cost and fair value)

(i) Mutual Funds (Unquoted)

(a) Dividend Option:

1. ICICI Production Interval Fund – Quarterly Interval 4911350 Units of ₹10 each (Purchased during the year).....	5.00	—
2. Kotak Quarterly Interval Plan Series 6 24999953 Units (and 125 fractions) of ₹ 10 each (Purchased during the year).....	25.00	—
Mutual Fund (Dividend Option)	<u>30.00</u>	<u>—</u>

(b) Growth Option:

1. Axis Banking Debt Fund 15719 Units (and 683 fractions) of ₹ 1000 each (Purchased during the year).....	2.01	—
2. Birla Sunlife Cash Plus Nil Units of ₹ 1000 each [146063 Units (and 017 fractions) of ₹ 1000 each]	—	3.00
3. HDFC Cash Management Fund – Savings Plan Nil Units of ₹ 10 each [1495287 Units (and 974 fractions) of ₹ 10 each]	—	4.00
4. ICICI Prudential Liquid – Regular Plan Nil Units of ₹ 100 each [158269 Units (and 794 fractions) of ₹ 100 each]	—	3.00
5. Kotak Banking and PSU Debt Fund Nil Units of ₹ 10 each [1069814 Units (and 287 fractions) of ₹ 10 each]	—	3.04
6. JP Morgan India Treasury Fund 13744662 Units (and 300 fractions) of ₹ 10 each (Purchased during the year).....	25.28	—
7. JP Morgan India Liquid Fund 30878771 Units (and 676 fractions) of ₹ 10 each (Purchased during the year).....	56.05	—
8. Religare Invesco Liquid Fund 83166 Units (and 705 fractions) of ₹ 1000 each (Purchased during the year).....	16.00	—
9. Religare Invesco Short-term Fund 53799 Units (and 848 fractions) of ₹ 1000 each (Purchased during the year).....	9.96	—
10. Religare Credit Opportunities Fund Nil Units of ₹ 1000 each [71015 Units (and 713 fractions) of ₹ 1000 each]	—	10.33
11. Sundaram Ultra Short-term Fund 17164275 Units (and 652 Fractions) of ₹ 10 each (Purchased during the year).....	33.09	—
12. Sundaram Income Plus 4917503 Units (and 412 Fractions) of ₹ 10 each (Purchased during the year).....	10.09	—

Mutual Fund (Growth Option)	<u>152.48</u>	<u>23.37</u>
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Total Current Investment	<u>182.48</u>	<u>23.37</u>
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Aggregate amount of quoted investments	—	—
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Aggregate amount of unquoted investments	182.48	23.37
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<u>182.48</u>	<u>23.37</u>
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KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 14: Long-term Loans and Advances

	As at 31st March, 2015	As at 31st March, 2014
Unsecured and Considered Good		
Capital Advances.....	27.28	3.66
Security Deposits.....	10.06	8.70
Income Tax Paid (Net of Provision).....	22.00	21.38
Trade Advances	1.02	0.02
	60.36	33.76

Note 15: Inventories

Valued at the lower of cost and net realisable value		
Raw Materials.....	150.62	189.13
Packing Materials.....	8.55	8.61
Work-in-progress	48.80	61.42
Finished Goods.....	327.21	384.45
Stock-in-trade (in respect of goods acquired for trading).....	17.13	12.44
Stores and Spare Parts	2.83	2.28
	555.14	658.33

Note 16: Trade Receivables

Overdue for a Period Exceeding Six Months:		
Secured, Considered Good	—	—
Unsecured, Considered Good	10.42	9.79
Doubtful	3.40	2.51
	13.82	12.30
Less: Provision for Bad and Doubtful Debts	3.40	2.51
	10.42	9.79
Other Receivables:		
Secured, Considered Good	—	0.01
Unsecured, Considered Good	504.88	458.46
Doubtful	—	0.02
	504.88	458.49
Less: Provision for Bad and Doubtful Debts	—	0.02
	504.88	458.47
	515.30	468.26

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 17: Cash and Bank Balances

	As at 31st March, 2015	As at 31st March, 2014
Cash and Cash Equivalents:		
Cash on hand.....	0.23	0.42
Cheques on hand.....	22.47	15.81
Balances with Banks	11.18	38.56
	33.88	54.79
Other Bank Balances:		
Unpaid Dividend Accounts	0.57	0.48
	34.45	55.27

Note 18: Short-term Loans and Advances

Unsecured, Considered Good		
Trade Advances.....	8.22	15.21
Prepaid Expenses	8.93	9.97
Other Advances*	3.48	2.34
* Includes ₹1.17 Crores (2013-2014 ₹1.41 Crores) receivable from Kansai Paints Co., Ltd., Japan	20.63	27.52

Note 19: Other Current Assets

Interest Accrued on Loans and Investments	0.77	0.80
Balances with Indirect Tax Authorities	12.43	15.43
Security Deposits	3.60	1.80
Insurance Claims Receivable	2.25	—
	19.05	18.03

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Note 20: Sale of Products		
Sales.....	4235.34	3751.04
Less: Rebates.....	207.14	171.44
	<u>4028.20</u>	<u>3579.60</u>
Note 20.1: Details of Sales		
Paints.....	4028.20	3579.60
Note 21: Other Operating Revenues		
Sale of Scrap.....	9.38	9.09
Insurance Claims Received (Refer Note 26.5).....	1.17	0.61
Indirect Tax Settlement/Reversal.....	5.45	8.06
Other Operating Income.....	0.28	0.25
	<u>16.28</u>	<u>18.01</u>
Note 22: Other Income		
Dividend Received:		
Current Investments.....	4.33	3.67
Long-term Investments.....	—	0.02
	<u>4.33</u>	<u>3.69</u>
Interest on Loans and Investments.....	2.33	3.17
Profit on Sale of Investments (Net)		
Current Investments.....	3.96	0.02
Long-term Investments.....	—	—
	<u>3.96</u>	<u>0.02</u>
Profit on Sale of Fixed Assets.....	1.13	2.78
Foreign Exchange Gain (Net).....	9.70	—
Miscellaneous Income.....	0.08	0.13
	<u>21.53</u>	<u>9.79</u>
Note 23: Cost of Materials Consumed		
Raw Material Consumed (Refer Note 26.5)		
Opening Stock.....	189.13	171.91
Add: Purchase.....	1883.53	1893.87
Less: Sales.....	5.21	2.33
Less: Closing Stock.....	150.62	189.13
	<u>1916.83</u>	<u>1874.32</u>
Packing Material Consumed		
Opening Stock.....	8.61	7.54
Add: Purchase.....	249.35	226.58
Less: Closing Stock.....	8.55	8.61
	<u>249.41</u>	<u>225.51</u>
	<u>2166.14*</u>	<u>2099.83*</u>

* Includes ₹ 1.60 Crores (2013-2014 ₹ 1.26 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

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

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Opening Stock		
Finished Goods.....	384.45	311.56
Work-in-progress	61.42	43.73
Stock-in-trade (in respect of goods acquired for trading).....	12.44	11.60
	458.31	366.89
Less: Closing Stock		
Finished Goods.....	327.21	384.45
Work-in-progress	48.80	61.42
Stock-in-trade (in respect of goods acquired for trading).....	17.13	12.44
	393.14	458.31
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	(2.59)	11.00
	62.58	(80.42)

Note 25: Employee Benefits Expense

Salaries and Wages	127.86	120.93
Contribution to Provident and Other Funds (Refer Note 32)	10.08	9.98
Staff Welfare Expense.....	8.30	7.37
	146.24*	138.28*

* Includes ₹11.50 Crores (2013-2014 ₹10.50 Crores) expenditure incurred on Research and Developments.

Note 26: Other Expenses

Consumption of Stores and Spare Parts.....	17.70	16.99
Power and Fuel	65.41	66.88
Repairs to Buildings	1.34	0.45
Repairs to Machinery	11.12	7.77
Freight and Forwarding Charges.....	151.62	131.56
Advertisement and Sales Promotion.....	149.54	126.34
Rent.....	18.96	16.45
Rates and Taxes.....	4.46	2.33
Insurance	2.81	3.15
Cash Discount.....	81.62	73.30
Miscellaneous Expenses (Refer Note 26.5).....	100.39	93.49
	604.97*	538.71*

* Includes ₹3.05 Crores (2013-2014 ₹3.01 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Note 26.1: Payments to Auditors'		
Auditors' Remuneration Excluding Service Tax (Included in Miscellaneous Expenses in Note 26)		
As Auditor		
Statutory Audit.....	0.22	0.22
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results	0.18	0.16
In Other Capacity		
Certification	0.12	0.12
Reimbursements of Expenses	0.02	0.04
	0.58	0.58
Note 26.2: Research and Development Expenses		
Revenue Expenditure on Research and Development recognised in Consolidated Statement of Profit and Loss is [including depreciation and amortisation expenses ₹ 0.87 Crores (2013-2014 ₹ 0.72 Crores)]	17.02	15.49
Note 26.3: Expenditure in Foreign Currencies		
Foreign Travel.....	0.25	0.06
Royalties	13.22	11.02
Professional and Technical Fees.....	0.57	2.38
Others	0.35	2.77
	14.39	16.23
Note 26.4: Operating Lease Expenses		
Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.		
Lease payments recognised in Consolidated Statement of Profit and Loss	0.46	0.48
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	0.41	0.46
Later than one year and not later than five years	0.42	0.91
Later than five years	—	—
Note 26.5:		
Miscellaneous Expenses includes net loss of inventory due to flood ₹ 0.07 Crores (loss of inventory due to flood ₹ 5.21 Crores, netted off with insurance claim received/receivable ₹ 5.14 Crores).....		

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 27: Contingent Liabilities and commitments (to the extent not provided for)

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Claims against the Company not acknowledged as debt:		
Corporate guarantee given to HDFC Bank for employee loans.....	1.41	1.41
Service Tax.....	3.22	—
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	3.68	5.21
	8.31	6.62

The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 3.22 Crores (2013-2014 ₹ Nil) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit shown in Note 27. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that the ultimate liability in respect of these litigations shall not exceed the amount provided for in books of account, and shall not have any material adverse effect on the Company's operation and financial position.

Note 28: Remittance in Foreign Currency

Remittance in foreign currency on account of dividend to a non-resident shareholder:		
Final dividend on 3,73,29,760 equity shares for 2013-2014 (3,73,29,760 equity shares for 2012-2013).....	41.06	41.06

Note 29: Earnings Per Equity Share

Numerator: Profit after Tax (₹ in Crores)	274.06	207.96
Denominator: Weighted average number of Equity Shares*	53,89,19,720	53,89,19,720
Basic and Diluted Earnings per Equity Share (₹).....	5.08	3.86
Face Value per Equity Share* (₹).....	1	1

* the weighted average number of equity shares has been restated on account on sub-division of equity shares of face value ₹ 10 to equity shares of face value of ₹ 1

Note 30: Derivatives Instruments

- (A) There are no outstanding Forward Foreign Exchange Contracts entered into by the Company
- (B) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Currency	Year Ended 31st March, 2015		Year Ended 31st March, 2014	
		In Crores		In Crores	
		Foreign Currency	INR	Foreign Currency	INR
Amounts payable in Foreign Currency:	CHF	—	0.02	—	0.01
	EURO	—	0.28	0.02	1.97
	JPY	23.41	12.35	20.56	12.42
	USD	0.77	48.27	1.23	75.65
Advance payment in Foreign Currency for supplies:	CHF	—	0.07	—	0.07
	EURO	—	0.33	0.03	2.81
	JPY	1.39	0.73	4.86	3.03
	USD	0.11	7.11	0.07	4.10
	THB	—	—	0.01	0.01

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Related Party Disclosures

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

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

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

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

Key Management Personnel : Mr. H. M. Bharuka, Managing Director
Mr. P. D. Chaudhari, Wholetime Director
Mr. P. D. Pai, Chief Financial Officer
Mr. G. T. Govindarajan, Company Secretary

(ii) Transactions with Related Parties:

₹ in Crores

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
Royalty Expense				
– Kansai Paint Co., Ltd., Japan	12.29 (10.15)	N.A. (N.A.)	N.A. (N.A.)	12.29 (10.15)
Dividend Paid				
– Kansai Paint Co., Ltd., Japan	41.06 (41.06)	N.A. (N.A.)	N.A. (N.A.)	41.06 (41.06)
Technical Fees Including Reimbursement of Expenses				
– Kansai Paint Co., Ltd., Japan	0.50 (4.86)	N.A. (N.A.)	N.A. (N.A.)	0.50 (4.86)
– Kansai Coatings Malaysia SDN. BHD	N.A. (N.A.)	0.04 (0.07)	N.A. (N.A.)	0.04 (0.07)
Sale of Goods				
– Kansai Paint Philippines Inc.	N.A. (N.A.)	0.70 (1.34)	N.A. (N.A.)	0.70 (1.34)
Reimbursement of Expenses Paid				
– Kansai Paints Europe Ltd.	N.A. (N.A.)	0.02 (0.03)	N.A. (N.A.)	0.02 (0.03)
Reimbursement of Expenses Receivable				
– Kansai Paint Co., Ltd., Japan	1.17 (1.41)	N.A. (N.A.)	N.A. (N.A.)	1.17 (1.41)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Related Party Disclosures (contd.)

(ii) Transactions with Related Parties: (contd.)

				₹ in Crores
Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
Remuneration*				
– Mr. H. M. Bharuka, Managing Director*	N.A. (N.A.)	N.A. (N.A.)	4.45 (4.08)	4.45 (4.08)
– Mr. P. D. Chaudhari, Wholetime Director*	N.A. (N.A.)	N.A. (N.A.)	1.54 (1.39)	1.54 (1.39)
– Mr. P. D. Pai, Chief Financial Officer.....	N.A. (N.A.)	N.A. (N.A.)	0.58 (N.A.)	0.58 (N.A.)
– Mr. G. T. Govindarajan, Company Secretary.....	N.A. (N.A.)	N.A. (N.A.)	0.36 (N.A.)	0.36 (N.A.)
 (iii) Amounts Outstanding at the Year End:				
Receivable as at Year End				
– Kansai Paint Co., Ltd., Japan	1.17 (1.41)	N.A. (N.A.)	N.A. (N.A.)	1.17 (1.41)
– Kansai Paint Philippines Inc.	N.A. (N.A.)	0.36 (0.34)	N.A. (N.A.)	0.36 (0.34)
Payable as at Year End				
– Kansai Paint Co., Ltd., Japan	0.07 (0.55)	N.A. (N.A.)	N.A. (N.A.)	0.07 (0.55)
– Kansai Coatings Malaysia SDN. BHD.	N.A. (N.A.)	— (0.02)	N.A. (N.A.)	— (0.02)

*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.

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits

A. Defined Contribution Plan:

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

	Year ended 31st March, 2015	Year ended 31st March, 2014
Employer's Contribution to Regional Provident Fund Commissioner	1.14	1.24
Employer's Contribution to Family Pension Fund	1.87	1.40
Employer's Contribution to Superannuation Fund	2.46	2.26

₹ in Crores

B. Defined Benefit Plan:

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

The Company has contributed ₹ 1.48 Crores (2013-2014 ₹ 1.50 Crores) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has accordingly provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the Guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

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

	As at 31st March		
	2015	2014	2013
Plan Assets at the Year End, at Fair Value.....	40.79	38.84	37.50
Present Value of Benefit Obligation at the Year End.....	39.51	37.29	36.64
Asset Recognised in the Balance Sheet	Nil	Nil	Nil

₹ in Crores

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

	As at 31st March		
	2015	2014	2013
Discount Rate (%)	7.80	9.10	8.00
Guaranteed Interest Rate (%)	8.75	8.75	8.50
Expected Average remaining working lives of employees (years)	6.40	6.19	7.35

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

	% of each to total Plan Assets	
	As at 31st March, 2015	As at 31st March, 2014
Bonds & Securities of Central Government.....	14.89	14.08
Bonds & Securities of State Government	13.31	12.15
Bonds & Securities of Public Sector Undertakings.....	23.97	23.38
Special Deposits with Banks	46.38	48.80
Bonds of Financial Institutions.....	1.45	1.59

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded):

	As at 31st March, 2015	₹ in Crores As at 31st March, 2014
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the beginning of the year.....	12.98	12.15
Interest Cost	1.01	1.09
Current Service Cost	1.66	1.31
Benefits Paid.....	(2.13)	(4.53)
Net Actuarial (Surplus)/Deficit	1.68	2.97
Present Value of Defined Benefit Obligation as at the end of the year ...	15.20	12.99
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the beginning of the year	10.21	11.29
Expected Return on Plan Assets.....	1.03	0.95
Net Actuarial Gain/(Loss)	0.69	1.42
Employer's Contribution.....	3.01	1.08
Benefits paid.....	(2.13)	(4.53)
Fair Value of Plan Assets as at the end of the year	12.81	10.21
The Company expects to contribute ₹ 2.32 Crores to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India	100%	100%
Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets/(Liabilities) Recognised in the Balance Sheet:		
Present Value of Defined Benefit Obligation.....	(15.20)	(12.99)
Fair Value of Plan Assets.....	12.81	10.21
Net Asset/(Liabilities) Recognised in Balance Sheet.....	(2.39)	(2.78)

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (contd.)

	As at 31st March, 2015	As at 31st March, 2014
₹ in Crores		
iv. Components of Employer's Expenses:		
Current Service Cost	1.66	1.31
Interest Cost	1.01	1.09
Expected Return on Plan Assets.....	(1.03)	(0.95)
Net Actuarial (Gain)/Loss	0.99	1.55
Total Expenses/(Income) recognised in the Consolidated Statement of Profit and Loss in Employee Benefits Expense	2.63	3.00
v. Actuarial Assumptions:		
Mortality Table	Indian Assured Lives Mortality (2006-08)	LIC (1994-96)
Discount Rate	7.80%	9.00%
Expected Rate of Return on Plan Assets	9.50%	7.55%
Salary Escalation.....	7.50%	7.50%
vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.		
vii. Net Assets/(Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:		

Particulars	Gratuity ₹ in Crores		
	31st March,		
	2015	2014	2013
1. Present Value of Defined Benefit Obligation	(15.20)	(12.99)	(12.13)
2. Fair Value of Plan Assets	12.81	10.21	11.29
3. Funded Status [Surplus/(Deficit)]	(2.39)	(2.78)	(0.85)
4. Net Asset/(Liability)	(2.39)	(2.78)	(0.85)
5. Experience Adjustment arising on:			
a. Plan Liabilities [Loss/(Gain)]	1.68	2.97	0.08
b. Plan Assets [Loss/(Gain)]	(0.69)	(1.42)	(0.24)

viii. The above information is certified by the actuary.

(c) Compensated Absences:

The increase in provision for compensated absences for the year is ₹ 0.18 Crores (decrease in provisions 2013-2014 ₹ 0.25 Crores)

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 33: Segment Reporting

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

Note 34: Corporate Social Responsibilities

Section 135 of the Companies Act, 2013 requires the Board of Directors to ensure that the Company spends in every financial year at least 2% of the average net profits of the Company made during the three immediately preceding financial years on Corporate Social Responsibility. Accordingly, the Company has spent ₹ 4.51 Crores towards Corporate Social Responsibility Activities. In accordance with the 'FAQ on Provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules thereon', issued by the Institute of the Chartered Accountants of India, this amount has been recorded and disclosed as an appropriation of profit in the financial statements for the year ended 31st March, 2015.

(a) Gross amount required to be spent by the Company during the year ₹ 6.11 Crores.

(b) Amount spent during the year on:

₹ in Crores

		In cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of any asset	—	—	—
(ii)	On purposes other than (i) above	4.51	—	4.51

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 8th May, 2015

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

G.T. GOVINDARAJAN P.D. PAI

Company Secretary CFO

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

₹ in Crores

Year	Cost of Materials/ Products	Employee Benefits Expense	Other Expenses	Finance Costs	Depreciation and Amortisation Expense	Tax Expense	Profit after Tax	Total Revenue #	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2000-2001	342.81	40.50	135.30	6.37	20.08	10.50	22.58	578.13	9.95	6.50	14.75	129.10
2001-2002	360.40	45.02	126.96	3.73	24.67	10.00	27.36	598.14	11.48	7.50	17.87	136.11
2002-2003	388.78	57.71	133.86	1.65	24.14	16.25	39.84	662.22	13.77	9.00	26.03	149.34
2003-2004	456.76	52.51	148.86	1.32	22.04	30.80	57.96	770.25	19.13	12.50	37.87	173.11
2004-2005	531.55	49.31	161.18	0.77	20.70	45.30	91.96	900.76	29.33	11.50	36.05†	126.78†
2005-2006	610.96	55.92	185.56	0.78	31.78	61.01	138.59	1084.59	51.02*	20.00*	54.40	159.19
2006-2007	778.33	59.57	213.05	0.96	33.56	53.31	107.66	1246.43	30.99	11.50	39.95	189.91@
2007-2008	837.32	69.13	226.75	1.41	39.60	50.60	119.79	1344.60	32.34	12.00	44.46	220.33
2008-2009	899.58	73.30	244.20	1.84	37.61	41.60	98.59	1396.71	32.34	12.00	36.59	242.87
2009-2010	1071.82	75.05	295.83	1.20	44.26	73.11	165.50	1726.77	40.42	15.00	30.71^	286.80
2010-2011	1400.25	91.64	356.34	0.84	49.36	83.15	205.99	2187.56	53.89	10.00**	38.22	170.00+
2011-2012	1740.41	106.94	415.91	0.09	56.35	89.24	215.89	2624.84	59.28	11.00	40.06	197.28
2012-2013	1942.62	118.14	459.76	0.02	47.11	90.80&	214.49&	2872.94	59.28	11.00	39.80&	224.21&
2013-2014	2133.95	135.88	532.10	0.45	64.98	100.42	206.57	3174.35	59.28	11.00	3.83\$	264.09
2014-2015	2364.44	143.30	596.50	0.02	67.69	127.23	271.67	3570.85	75.45	1.40 ~	5.04\$	224.21

Net of Rebates & Excise Duty.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of ₹ 8.50 per share.

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

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

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

+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

\$ Re-calculated consequent to the subdivision of Equity Share of face value of ₹. 10 each to 10 (ten) equity shares of ₹ 1 each

~ Consequent to the subdivision of Equity Share

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



 **KANSAI NEROLAC PAINTS LIMITED**

A subsidiary of Kansai Paint Co. Ltd, Japan
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