



We've turned green
with pride.

 **KANSAI NEROLAC PAINTS LIMITED**

88TH ANNUAL REPORT 2007-08

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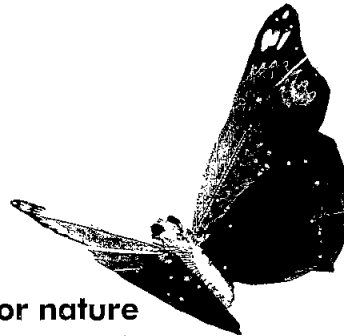
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Product Stewardship-Lead free Paints that care for nature

Product stewardship is a concept whereby environment protection centres on the product itself, and everyone involved in the lifespan of the product takes the responsibility to reduce its adverse impact on the environment. Product stewardship is achieved when the product is designed, produced, sold or disposed, assuming responsibility for the product's environmental and social costs through out the product life cycle. This may be achieved, in part, by redesigning products to use fewer harmful substances and to be more durable, recognizing the fact that Lead and other heavy metals in decorative paint formulations are a health hazard, more so when scraping lead based paint improperly can increase the hazard to people by spreading even more lead dust around the house. Lead dust can form when lead-based paint is dry scraped, dry sanded or heated.

Kansai Nerolac Paints (KNP) has been proactively working to eliminate the usage of heavy metals from its paint formulations, though there has been no legislation banning the use of these toxins in paint formulations. While our passenger vehicle coatings formulations were already lead free, the work on removing lead from the decorative range was on. Gradually, product by product, we have been making all our decorative range formulations also lead free. We are proud to announce that the entire range of decorative products (barring economy range of Goody synthetic enamels, which are generally used for industrial application), now have been made lead free. The use of alternative raw materials did hit the Company on cost, but the programme was carried forward, without compromising on quality, in the larger public interest.



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88TH ANNUAL REPORT

2007 – 2008

DIRECTORS :

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

COMPANY SECRETARY :

G. T. GOVINDARAJAN

BANKERS :

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

AUDITORS :

A. F. FERGUSON & CO., MUMBAI

SOLICITORS :

KANGA & CO., MUMBAI

REGISTERED OFFICE :

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

FACTORIES :

B1, B2, JAINPUR INDUSTRIAL ESTATE, KANPUR DEHAT, KANPUR, U.P.
F/2, MIDC, LOTE PARSHURAM, TALUKA KHED,
DISTRICT RATNAGIRI, MAHARASHTRA
142, TIRUPORUR ROAD, PERUNGUDI, CHENNAI, TAMIL NADU.
36, SECTOR – 7, HSIDC IGS, BAWAL, DISTRICT REWARI, HARYANA.

 KANSAI NEROLAC PAINTS LIMITED

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KEY HIGHLIGHTS OF THE YEAR

ICSI National Award for Excellence in Corporate Governance - 2007

Kansai Nerolac Paints Ltd. (KNP) has been winning awards for Corporate Governance in the past as well, but this year the honour bestowed by the Institute of Company Secretaries of India, the National Award for Excellence in Corporate Governance, acted as an icing on the cake. At the function held on 26th November 2007, at Kolkata, Union Minister for Corporate Affairs, Shri Prem Chand Gupta conferred this Award in recognition of the Company's creative and contributive capabilities, relationship with major stakeholders in delivering value, future vision and sustainability. The Company was appreciated for its open culture, professional approach and transparency in operations. We have a strong value system that serves as a guiding force for exhibiting internal and external behavior, thus enabling us to incorporate Corporate Governance as part of our culture. With around 38 entries that were shortlisted, KNP got this top ranking position. Our Company Secretary also received the trophy from the former Chief Justice of India, Hon'ble Justice Shri V. N. Khare. It has indeed been an honour for us to win this coveted Award that recognizes and approves of the values we stand for. The National Award has been established by ICSI, which is a leader in development of professionals specializing in Corporate Governance. They yearn to develop high caliber professionals ensuring effective management and proactive research techniques for the interest of all the stakeholders, thus contributing to public good.



Mr. H. M. Bharuka, MD receiving the Award from Shri Prem Chand Gupta



Mr. G. T. Govindarajan, CS receiving trophy from Hon'ble Justice Shri V. N. Khare

Nerolac Style Icon Awards-AIDA

Architects & Interior Designers have always been the key influencers for our business. To this effect, the Company decided to create a platform to interact with them, thus creating a positive disposition of our brands. As an initiative towards this project, we have institutionalized annual awards for professionals and architecture students. The Nerolac Style Icon Awards were rolled out in 2007. The Award is a platform for professionals and amateurs to showcase their work and celebrate excellence in Architecture & interior designs. To build in credibility we roped in Ernst & Young to monitor the entire process. The Award function was held on 13th of October, 2007 at Taj Lake End, which was well attended by architects' & Interior Designers' fraternity.



Lighting of Lamp at Nerolac Style Icon Award Function



Award winner along with Mr. C. Prabhu, Chief Guest and Mr. H. M. Bharuka, MD



Glimpse of the Style Icon Award Function

Impressions Style Zones

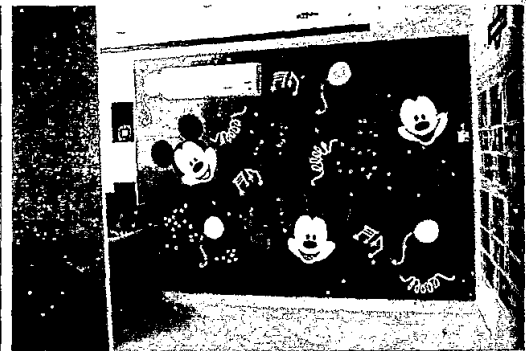
Looking into the low involvement of the consumers in paint buying process, primarily on account of missing appropriate retail experience and customers not getting the opportunity to touch and feel the product and finish, KNP decided to set up Experience centers where the customers and influencers can actually get an opportunity to see colours, colour schemes, colour combinations, designer finishes. Initially an experience centre was set up at the Company's head office. This concept was subsequently extended to franchise stores at Chennai and Hyderabad markets in South. Learning through this pilot run in South will firm up base for taking the concept forward in other parts. The franchise stores are well supported by Nerolac Home Stylers Service, whereby specially trained painters carry out the painting jobs professionally, under the supervision of our technicians.



Impressions Style Zone Franchise Store at Chennai



Interiors of Impressions Style Zone



Interiors of Impressions Style Zone
with Disney Emulsion design on walls

Technical Innovations

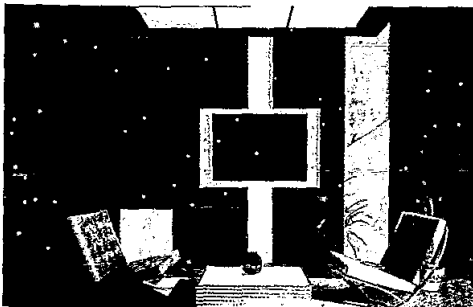
In continuation with the environmental protection policy, new products have been introduced. The new generation Cathodic Electro Deposition is capable to be baked at lower temperature, and emitting low Volatile Organic Compounds (VOC) levels, thus saving energy and resulting in environment protection. Similarly introduction of liquid surface conditioner in pretreatment process of OEM has resulted in significant reduction in effluent quantity and saving of natural resources, by reduction in the consumption of water. Work is at an advanced stage for the development of higher solids Top Coat, which will also help in reduction in VOC levels. KNP has been a pioneer in introducing unique and innovative products, both in industrial and decorative business, and will continue to trudge on this path of growth.

Nerolac Spring Summer Colours 2008 - wall colours inspired by Fashion

KNP has been a pioneer in inspiring consumers to experiment colours in their homes. We have always believed that home is an extension of the personality and as one decorates using accessories we tend to do the same for our homes. It, therefore, comes as no big surprise that home colours are almost always influenced by the colours of fashion.

The phrase, 'home fashion' conjures images of homes changing their colours every season, revamped decor, impressive interiors and impressed guests. All of this sounds expensive, but when it comes to paint, it is very much possible. Paint is an economical tool, while being one of the most useful ways to completely revamp the style of a home. It was this notion that led us to believe that there can indeed be a seasonal coat of paint for every home, much like fashion, which propagates seasonal wardrobes. Such a thought led us to Manish Malhotra, arguably the most popular fashion designer, for editing the booklet published to share the concept - wall colours inspired by fashion.

Manish Malhotra says, "I believe that colour is the most important aspect of design - the single element that adds dimension to the concept. The transition from fashion to homes came quite naturally to me, or rather it is just an extension of what I have been doing as a fashion designer too. Adorning the home is all about expressing the essential factor or mood which would harmonize or enhance how you already feel or choose to feel. I feel colours communicate that best. I see Spring Summer 2008 as a time for Renewal. Renewal of the Self will naturally extend to the renewal of one's environment and relationships and aspirations- the renewal of one's vows and commitment to life."



Manufacturing Excellence

In the year 2004-05, the Company started this journey of Manufacturing Excellence at all the factory locations. The Company has achieved many improvements and learnt new ways of resolving the problems during this journey. More heartening is the fact that all the plants have successfully sustained the improvement achieved through Manufacturing Excellence initiative and it has now become a way of life. While last year we initiated deployment of the Supply Chain Vision and Mission using X matrix methodology, this year the process of X matrix has been deployed through out Supply Chain, to achieve Goals/Objectives. The reviews are adequately supported by periodic audit system. Under the umbrella of Total Productive Maintenance (TPM), various initiatives have been taken at plants to show visible improvements in the areas like Productivity, Quality, Cost, Delivery, Safety and Morale of people. The initiatives taken are under broad areas like Process care where persistent efforts are taken to ensure improvements through Standardization, Documentation, Adherence and Optimization of processes and reduction/elimination of Non Value Added processes/activities. Many initiatives are continuously being taken for better Energy Management, employing renewable resources. Asset care is another area where improvements have been driven through Equipment Ownership, improving overall Equipment Effectiveness. In People care the main aim is to move from traditional Function based approach to Process based approach and to drive higher level of ownership. To support Process and Quality improvement initiatives, key employees are continuously trained with various problem solving tools with a special focus on "Total Employee Involvement" in all the initiatives. Kaizen scheme is effectively used to engage people in small but continual improvements. In order to spread the competitiveness across the plants, the Company has successfully initiated the "Best Factory" competition. In this fascinating competitive environment the Company's Lote plant has already achieved the status of level 2 certification of TPM journey. Jainpur and Bawal will quickly attain the same status.



Works Manager, Jainpur receiving Best Factory award from the Chairman, Dr. J. J. Irani

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NOTICE

NOTICE is hereby given that the Eighty-eighth Annual General Meeting of the Shareholders of KANSAI NEROLAC PAINTS LIMITED will be held at the Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai-400 020 on Tuesday, 24th June, 2008 at 3.30 p.m. (S.T.) to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. D.M. Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S.M. Datta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. H. Ishino, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Noel N. Tata, 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 upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some Shareholders proposing his candidature for the office of Director.
7. To appoint a Director in place of Mr. Pravin D. Chaudhari, 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 upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some Shareholders proposing his candidature for the office of Director.
8. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to authorise the Audit Committee to fix their remuneration.

Special Business:

9. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. H.M. Bharuka as the Managing Director of the Company for a period of five years commencing from 1st April, 2008 and ending on 31st March, 2013 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Bharuka placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Bharuka, in terms of the aforesaid draft Agreement."

10. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

“RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. Pravin D. Chaudhari as a Wholetime Director of the Company for the period commencing from 1st May, 2008 and ending on 31st March, 2013 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Chaudhari placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Chaudhari, in terms of the aforesaid draft Agreement.”

11. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the payment of commission to the Non-Executive Directors of the Company, being Directors other than the Managing Director and Wholetime Director(s), not exceeding in the aggregate one percent per annum, or such other limit as may be prescribed under the Companies Act, 1956, of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956, for each of the five financial years of the Company commencing from 1st April, 2008, the quantum, proportion and manner of such payment and distribution to be as the Board of Directors may from time to time determine.”

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

For and on behalf of the Board

J. J. IRANI
 Chairman

Dated: 30th April, 2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Items No. 6, 7, 9, 10 and 11 is annexed hereto.

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ANNEXURE TO NOTICE**Explanatory statement under Section 173 of the Companies Act, 1956****Item No. 6**

Mr. Noel N. Tata was appointed as an Additional Director of the Company on 27th October, 2007. Pursuant to Section 260 of the Companies Act, 1956, ("the Act") read with Article 113 of the Articles of Association of the Company, Mr. Tata holds the office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some Shareholders of the Company, pursuant to Section 257 of the Act, signifying their intention to propose Mr. Tata as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Tata is elected as a Director.

Mr. Tata, aged 51, is a graduate of Sussex University (UK) and INSEAD. He is the Managing Director of Trent Limited and is also on the Board of a number of reputed companies. The services of Mr. Tata have been and will be very useful to the Company. The Directors, therefore, recommend that he be appointed as a Director of the Company.

Mr. Tata is interested in the Resolution at Item No. 6 of the accompanying Notice since it relates to his own appointment.

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

Items No. 7 and 10

At the meeting of the Board of Directors held on 30th April, 2008, Mr. Pravin D. Chaudhari was appointed as an Additional Director of the Company with effect from 1st May, 2008. Pursuant to Section 260 of the Companies Act, 1956, ("the Act") read with Article 113 of the Articles of Association of the Company, Mr. Chaudhari holds the office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some Shareholders of the Company, pursuant to Section 257 of the Act, signifying their intention to propose Mr. Chaudhari as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Chaudhari is elected as a Director.

Mr. Chaudhari was also appointed at the aforesaid Board Meeting as a Wholetime Director of the Company for the period commencing from 1st May, 2008 and ending on 31st March, 2013 (both days inclusive) on the remuneration and perquisites to be paid or granted to him as set out in the draft Agreement between the Company and Mr. Chaudhari referred to in the Resolution at Item No. 10 of the Notice.

The appointment of Mr. Chaudhari as a Wholetime Director and the remuneration and perquisites proposed to be paid or granted to him as set out in the aforesaid draft Agreement are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. Accordingly, no approval of the Central Government is required to be obtained to the appointment of Mr. Chaudhari as a Wholetime Director of the Company or the proposed remuneration.

The appointment of Mr. Chaudhari as a Wholetime Director on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Sections 198, 269 and 309 of the Companies Act, 1956. Hence the Resolution at Item No. 10 of the Notice.

Mr. Chaudhari, aged 39, B.E. (Production), MMS, joined the Company on 14th June, 1993 and was Director – Supply Chain, prior to his appointment on the Board as a Wholetime Director as aforesaid.

The material terms of the draft Agreement referred to in the Resolution at Item No. 10 are as follows:

1. The appointment of Mr. Chaudhari as a Wholetime Director of the Company shall be for the period commencing from 1st May, 2008 and ending on 31st March, 2013 (both days inclusive), which period is hereafter referred to as 'the period of Agreement', subject to the same being previously determined as provided for in the Agreement.
2. Mr. Chaudhari shall be primarily responsible for and be in charge of Supply Chain and Auto Marketing functions of the Company and shall exercise such powers and perform such duties as may be entrusted to him by the Managing Director and/or the Board of Directors of the Company.
3. Mr. Chaudhari shall report to the Managing Director and shall be responsible for his actions to the Board as well as to the Managing Director. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Chaudhari.

4. Mr. Chaudhari shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company.
5. Remuneration: Mr. Chaudhari shall be entitled to the following emoluments, benefits, perquisites, subject to the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956:
 - (a) Salary: Rs. 1,50,000 per month, in the scale Rs. 1,50,000 per month – Rs. 2,50,000 per month. Increments will be decided upon from time to time by the Board each year and will be merit based and take into account the Company's performance.
 - (b) Commission: Subject to the overall ceiling in Section 198 and Section 309 of the Companies Act, 1956, Mr. Chaudhari will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance: 10% of annual salary.
 - (e) Other Perquisites and Allowances:
 - (i) Mr. Chaudhari shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishings, hard furnishings and repairs, medical reimbursement or allowance, medical insurance and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.
 - (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company's car for official duties, telephone at residence (including payment for local calls and long distance official calls) and payment of club membership fees for the Company's business purposes shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
 - (iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's contribution to Superannuation Fund shall be at 15% of Salary (including Commission).

Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company and encashment of leave during the term of employment in accordance with the rules of the Company and/or at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section 110 of Part II of Schedule XIII to the Companies Act, 1956.
6. Mr. Chaudhari shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
7. Mr. Chaudhari shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred in the course of the Company's business.
8. Mr. Chaudhari will be granted Privilege leave, Sick leave and Casual leave in accordance with the rules and regulations of the Company.
9. In case of death of Mr. Chaudhari during the course of his employment, the Company will pay to his legal personal representatives, the salary and other emoluments payable for the then current month.
10. Mr. Chaudhari shall not during the period of Agreement, whether the employment runs through the full period of Agreement or is terminated by the Company or Mr. Chaudhari any time during the term of the Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing

with the business of the Company or do any act, deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company.

1. Mr. Chaudhari shall not become interested or otherwise concerned directly or through his wife and/or minor children in any agency of the Company without the prior approval of the Central Government.

2. Mr. Chaudhari shall not during the term of this Agreement and for all times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.

3. Mr. Chaudhari's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be Director of the Company.

In the event that there is no breach of the terms of the Agreement by Mr. Chaudhari but the Company exercises its discretion to terminate his services during the term of this Agreement, without assigning any reason therefor, then and in that event Mr. Chaudhari shall be paid a compensation of a sum equivalent to the monthly average of the total annual remuneration actually earned by Mr. Chaudhari in the year immediately preceding the year in which such termination takes place multiplied by the number of months comprised in the remainder of the term of this Agreement as has remained unexpired.

All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Chaudhari.

The Agreement with Mr. Chaudhari shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements and understandings, oral or written, on the subject matter.

If the Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Chaudhari as a Wholetime Director of the Company.

The draft Agreement between the Company and Mr. Chaudhari referred to in the Resolution at Item No. 10 of the Notice will be open for inspection by the Shareholders at the Registered Office of the Company between 11.00 a.m. and 5.00 p.m. on any working day except Saturday.

The above Explanatory Statement relating to Item No. 10 concerning the appointment of Mr. Chaudhari as a Wholetime Director may be treated as an abstract of the terms of the draft Agreement and the memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Board commends the Resolutions at Items No. 7 and 10 for acceptance by the Shareholders.

Mr. Chaudhari is interested in the Resolutions at Items No. 7 and 10 of the Notice since it relates to his own appointment. None of the other Directors of the Company is in anyway concerned or interested in the Resolutions at Items No. 7 and 10.

No. 9

At the 84th Annual General Meeting of the Company held on 15th July, 2004, the Shareholders had approved the re-appointment of Mr. H.M. Bharuka as the Managing Director of the Company for a period of five years commencing from 1st April, 2004 and ending on 31st March, 2009 (both days inclusive).

At the meeting of the Board of Directors of the Company held on 30th April, 2008, Mr. Bharuka was reappointed as the Managing Director of the Company for a period of five years commencing from 1st April, 2008 and ending on 31st March, 2009 (both days inclusive) on the revised remuneration and perquisites to be paid or granted to him as set out in the draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No. 9 of the Notice. The Board of Directors has considered it necessary to revise the terms of remuneration and perquisites payable to Mr. Bharuka from 1st April, 2008, in view of the commendable performance of the Company during the tenure of Mr. Bharuka as the Managing Director of the Company.

The appointment of Mr. Bharuka as the Managing Director of the Company and the remuneration and perquisites to be paid or granted to him as set out in the aforesaid draft Agreement are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. Accordingly, no approval of the Central Government is required to be obtained to the re-appointment of Mr. Bharuka as Managing Director of the Company or the proposed remuneration.

Kansai Nerolac Paints Limited • Annual Report 2007-2008

The re-appointment of Mr. Bharuka as the Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Sections 198, 269 and 309 of the Companies Act, 1956. Hence the Resolution at Item No. 9 of the Notice.

Mr. Bharuka, aged 47, B.Com., A.I.C.W.A., with a varied experience of around 28 years, joined the Company on 1st October 1985. Mr. Bharuka was appointed on the Board of Directors on 1st April, 1999, and was Deputy Managing Director, prior to his appointment as the Managing Director from April 1, 2001. He is now being reappointed as the Managing Director for a period of five years commencing from 1st April, 2008 upto 31st March, 2013 (both days inclusive).

The material terms of the draft Agreement referred to in the Resolution at Item No. 9 are as follows:

1. The re-appointment of Mr. Bharuka as the Managing Director of the Company shall be for a period of five years commencing from 1st April, 2008 (hereafter referred to as the 'date of re-appointment') and ending on 31st March 2013 (both days inclusive), subject to the same being previously determined as provided for in the Agreement.
2. Mr. Bharuka's position and designation shall be Managing Director.
3. Mr. Bharuka shall have the day-to-day management of the Company, subject to the superintendence, control and direction of the Board of Directors.
4. Mr. Bharuka shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company and conform to and comply with the directions and regulations of the Company and all such orders and directions as may from time to time be given by the Board of Directors of the Company.
5. Mr. Bharuka shall not have the powers to make calls on shares and to issue debentures.
6. Mr. Bharuka shall have the following powers, subject to the prior sanction of and such restriction imposed by the Board:
 - (a) To invest the funds of the Company in Government Securities, Municipal bonds and bonds issued by statutory corporations and public authorities, whether Indian or foreign, debentures, preference shares and equity shares of any private, public and/or Government Companies registered in India or elsewhere, call deposits or fixed deposits with companies, banks and other institutions;
 - (b) To borrow money otherwise than on debentures for the purpose of the business of the Company;
 - (c) To accept call deposits and/or fixed deposits;
 - (d) To sell any of the assets or investments of the Company;
 - (e) To purchase assets for the Company;
 - (f) To appoint or engage staff and terminate their employment.
7. Remuneration: Mr. Bharuka shall be entitled to the following emoluments, benefits, perquisites, subject to the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956:
 - (a) Salary: Rs. 3,50,000 per month, in the scale Rs. 3,00,000 per month – Rs. 6,00,000 per month. Increments will be decided upon from time to time by the Board each year and will be merit based and take into account the Company's performance.
 - (b) Commission: Subject to the overall ceiling in Section 198 and Section 309 of the Companies Act, 1956, Mr. Bharuka will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance: 10% of annual salary.
 - (e) Other Perquisites and Allowances:
 - (i) Mr. Bharuka shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishings, hard furnishings and repairs, medical reimbursement or allowance, medical insurance and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.

- (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company's car for official duties, telephone at residence (including payment for local calls and long distance official calls) and payment of club membership fees for the Company's business purposes shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's contribution to Superannuation Fund shall be at 15% of Salary (including Commission).

Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company and encashment of leave during the term of employment in accordance with the rules of the Company and/or at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956.

8. Mr. Bharuka shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
9. Mr. Bharuka shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the Company's business.
10. Mr. Bharuka will be granted Privilege leave, Sick leave and Casual leave in accordance with the rules and regulations of the Company.
11. In case of death of Mr. Bharuka during the course of his employment, the Company will pay to his legal personal representatives, the salary and other emoluments payable for the then current month.
12. Mr. Bharuka shall not for a period of 5 (five) years from the date of re-appointment, whether the employment runs through the full period of five years from the date of re-appointment or is terminated by the Company or Mr. Bharuka any time during the term of the Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing with the business of the Company or do any act, deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company.
13. Mr. Bharuka shall not become interested or otherwise concerned directly or through his wife and/or minor children in any agency of the Company without the prior approval of the Central Government.
14. Mr. Bharuka shall not during the term of this Agreement and for all times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
15. Mr. Bharuka's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be Director of the Company.
16. In the event that there is no breach of the terms of the Agreement by Mr. Bharuka but the Company exercises its discretion to terminate his services during the term of this Agreement, without assigning any reason therefor, then and in that event Mr. Bharuka shall be paid a compensation of a sum equivalent to the monthly average of the total annual remuneration actually earned by Mr. Bharuka in the year immediately preceding the year in which such termination takes place multiplied by the number of months comprised in the remainder of the term of this Agreement as has remained unexpired.
17. All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Bharuka.
18. The Agreement with Mr. Bharuka shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements and understandings, oral or written, on the subject matter.

Kansai Nerolac Paints Limited • Annual Report 2007-2008

Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Bharuka as the Managing Director of the Company.

The draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No. 9 of the Notice will be open for inspection by the Shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturday.

The above Explanatory Statement relating to Item No. 9 concerning the re-appointment of Mr. Bharuka as the Managing Director may be treated as an abstract of the terms of the draft Agreement and the memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Board commends the Resolution at Item No. 9 for acceptance by the Shareholders.

Mr. Bharuka is interested in the Resolution at Item No. 9 of the Notice since it relates to his own appointment. None of the other Directors of the Company is in anyway concerned or interested in the Resolution.

Item No. 11

At the Eighty-third Annual General Meeting held on 15th July 2003, the Shareholders had passed a Special Resolution under Section 309(4) of the Companies Act, 1956, (the "Act") authorizing the payment of commission to the Non-Executive Directors of the Company being Directors other than the Managing Director and Wholetime Director(s), not exceeding the aggregate one percent per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Act, for each of the five financial years of the Company commencing from 1st April, 2003 subject to such limitations the Board of Directors may from time to time determine. The period of five years expired on 31st March, 2008.

It is considered appropriate to continue the payment of commission not exceeding one percent per annum, or such limit as may be prescribed under the Act, of the net profits of the Company, to the Non-Executive Directors for a further period of five financial years commencing from 1st April, 2008 with authority to the Board of Directors to determine the quantum, proportion and manner of such payment from time to time.

All the Directors of the Company other than the Managing Director and Wholetime Director(s) of the Company may be regarded as interested in the Special Resolution at Item No. 11 of the Notice.

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

Name of the Director seeking appointment/re-appointment	Shares held as on 31.3.2008 (Own or held by / for other persons on a beneficial basis)
(1) Mr. D. M. Kothari	9,565
(2) Mr. S. M. Datta	Nil
(3) Mr. H. Ishino	Nil*
(4) Mr. N. N. Tata	Nil
(5) Mr. P. D. Chaudhari	Nil
(6) Mr. H. M. Bharuka	98

* Mr. Ishino is a Nominee of Kansai Paint Co. Ltd., Japan. He does not hold any Share in his personal capacity.

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

Dated: 30th April, 2008

For and on behalf of the Board

J. J. IRANI
Chairman

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 88th Annual Report and the Audited Accounts for the year ended 31st March, 2008.

1. Financial Highlights

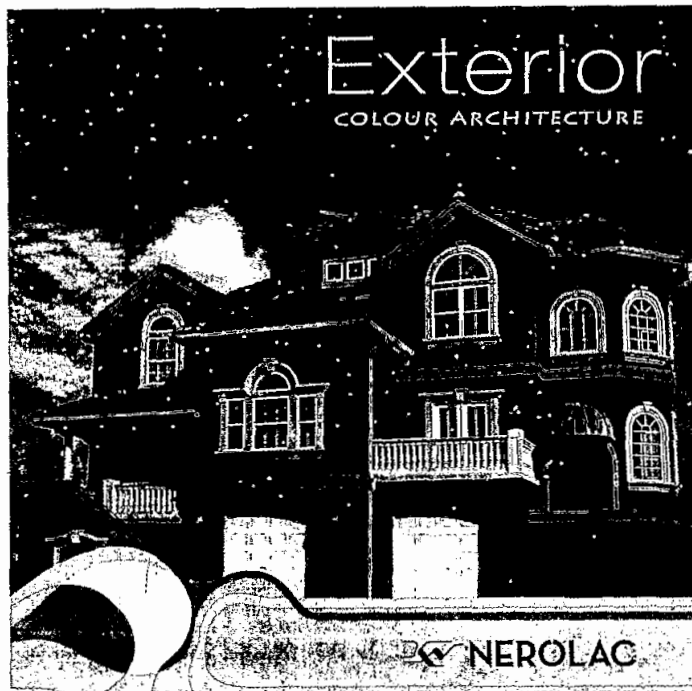
	1st April, 2007 to 31st March, 2008	1st April, 2006 to 31st March, 2007
	Rs. in lacs	Rs. in lacs
Gross Sales	16,13,32.75	14,83,86.32
Net Sales/Income from operations (Net of excise and discounts)	13,19,75.01	12,22,38.10
Other Income	24,84.59	24,04.77
Profit before Interest, Depreciation, Tax and Appropriation	2,11,39.67	1,95,48.53
Interest	1,40.60	96.15
Depreciation	39,60.05	33,55.74
Profit Before Tax	1,70,39.02	1,60,96.64
Tax	50,60.00	53,30.74
Profit After Tax	1,19,79.02	1,07,65.90
Balance brought forward from previous year	1,50,55.87	75,65.69
Balance transferred on amalgamation	—	13,39.18
Balance available for appropriations	2,70,34.89	1,96,70.77
Appropriations:		
Interim Dividend	—	30,98.79
Proposed Dividend	32,33.52	—
Additional Income-tax on Distributed Profits	5,49.54	4,39.52
General Reserve	11,97.90	10,76.59
Balance retained in Profit and Loss Account	2,20,53.93	1,50,55.87
	2,70,34.89	1,96,70.77

2. Dividend

The Directors recommend for consideration of the Members a dividend of Rs. 12.00 per equity share (120%) for the year ended 31st March, 2008 as against Rs. 11.50 per equity share (115%) paid last year.



▲
Customer Colour Tools



3. Management Discussion & Analysis

(A) About the Company

Established in the year 1920, Kansai Nerolac Paints Ltd. (KNP), headquartered at Mumbai has operations all over India supported by strategically located factories at Jainpur in Uttar Pradesh, Lote in Maharashtra, Perungudi in Tamil Nadu, Bawal in Haryana. KNP is in process of putting up a new unit, at Hosur in Tamil Nadu. KNP has 65 sales locations to service over 110 customers, pan India.

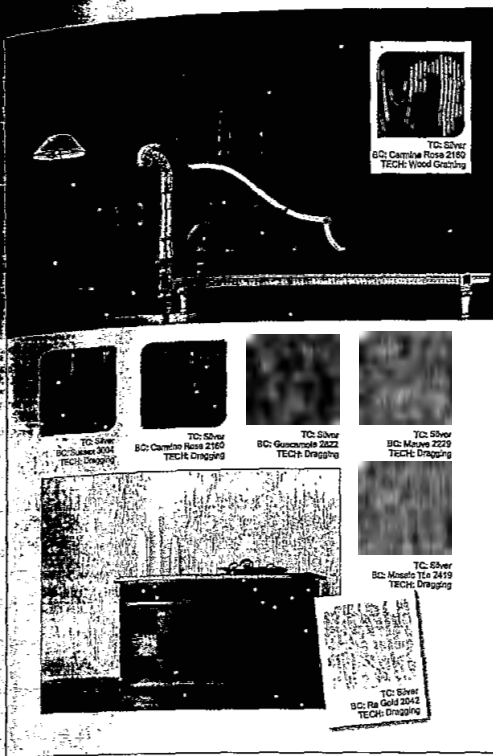
KNP has a good name in the market, being number one in the industrial, automotive and Power coating business and number two on an overall basis. KNP is known for transformation, innovation and style and has consistently been producing good results. Being the forerunner in introducing new products, finishes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

KNP is strong at systems and operates on SAP R-3 platform. Advanced Planning Optimizer (APO) is used for demand planning and demand fulfilment. Real time data is available through Business Intelligence Warehousing (BIW) to enable Managers to take decisions. Employee Service Portal, Vendor Portal, Sales Portal are other important IT initiatives helping in Knowledge sharing, Reporting and Reviews.

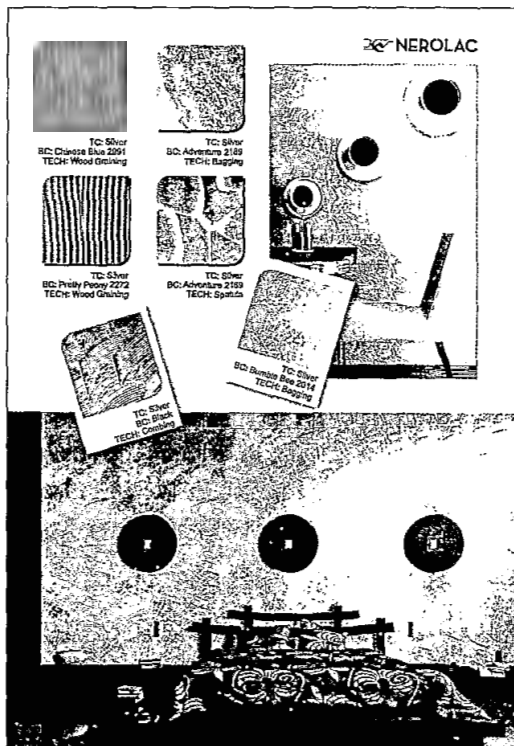
The organisation is young and vibrant with average age of employees being 36 years. Its CSR initiatives are well acknowledged by the stakeholders including community, media, employees, customers and suppliers.

(B) Industry progress

The Indian growth story continues into its fifth decisive year with real GDP likely to close in the current year with an average 8.7% over the last five years — the growth fuelled by the growth of industrial and services sector, indicating a structural transformation in the economy. This is led by high growth, of around 16% in the sectors like construction, communication and transport, which shows increasing importance of infrastructure development. However, production



Nerolac Impressions Silver Metallic Finish – Wall Emulsion



in the manufacturing sector declined slightly in 2007-08, after successive increase in the past three years. The use-based industrial categories like capital goods have grown at an accelerated pace, which speaks of industrial capacity addition. The consumer durables basket, that forms a part of Index of Industrial Production (IIP), however has shown a negative growth this year. This had a direct impact on the paint sale business when we look at the two business areas like decorative and industrial.

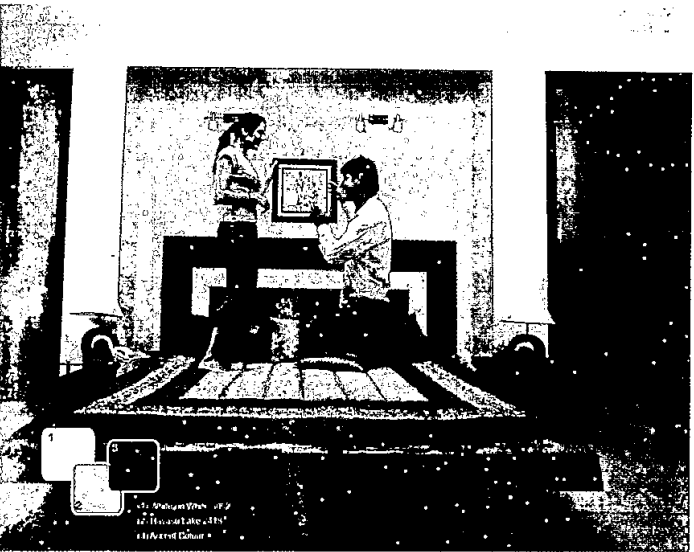
While decorative business has grown well, Industrial business has been sluggish, primarily contributed by slowdown in automotive business. The rising interest cost, lack of finance and rising fuel cost has hampered the sales, particularly of two wheelers. The growth in Powders and High performance coatings business has been good. With this background Indian paint industry market, valued at around Rs.13600 crores, for the twelve months period ending March 2008, witnessed a growth of 14%. Out of this roughly Rs. 8600 crores will be the share of the Organised sector, which has grown by around 15%. The growth is driven by decorative business, well supported by high growth in Emulsions.

In the context of this industry scenario, KNP's growth in this year is driven by decorative, high performance, Powder coatings and general industrial business.

However, one must also note that the paint market is in a nascent stage in India with per capita consumption estimated to be 1100 grams. If real GDP growth between 7-8% is sustained, in 2008-09, there will be considerable improvements in income levels, which should translate to greater expenditure, thus boosting consumption.

(C) Marketing Initiatives

The Decorative business' focus on sales of emulsion category, both for interiors and exteriors, has paid us well and the growth this year is more than that of the market. The Company's brand 'Impressions 24 carat Premium Luxury emulsion', well supported by advertising, is doing quite well and is driving the category growth. Colour dispensing machines placed at dealers' end, critical for this category are helping in building up the volumes.



'Shaadi' Style Guide for Newly Wed

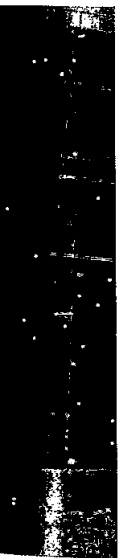
The Company this year has ventured into setting up Impressions Style Zones – Experience Centres and has started two franchise stores in the South at Chennai and Hyderabad. The response from the consumers is encouraging and based on the learning of this pilot run we will take the initiative forward.

'Rishta' Rangon Ka' initiative for influencer management is also working out well, through the support of the leading contractors. This is complementing the Company's 'Home Style' initiative on end-to-end painting-solutions for consumers, run in eight prominent markets. The contractors, based on their profile, are providing consumer leads, which then get converted into business.

Continuing with the platform of innovation that we set up in the past, new products have been launched in order to offer unique products and finishes to the consumers. Some of the new products include Flexi Coat, Stucco Marble finish, Tile Guard, and Exterior Texture finish. The idea is to offer a variety and products at various price points in the economy, popular and premium category. Many finishes for interiors launched last year picked up well and have set a trend for the market to emulate.

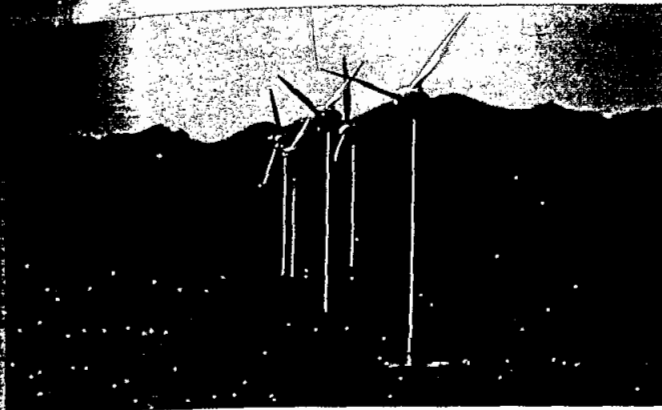
The Company has been at the forefront in launching 'innovative color tools' to help consumers and influencers in deciding colours. 'Color Style 2008', a booklet on emerging colour trends in India was published. This booklet published by the Company is based on the deep research carried out in seven cities, covering consumers and professionals. This study has been revealing how moods are translated into colour choices covering areas like energy, identity, balance, wellbeing and solace. Similarly, 'Nerolac Colour Architecture Guide' for choosing the colours for exteriors has been launched. It is about using colour to organize the structure of a building or a house to make it look broad, tall, balanced and add a highlight. Considering the importance of the marriage season for paint demand, we have also launched a paint booklet for the newly wed, which suggests harmonious colour combinations for the two different personalities, bonded through marriage.

'Nerolac Style Icon' awards for Architects & Interior Designers (AIDA) have been initiated this year.



KNP's Fi

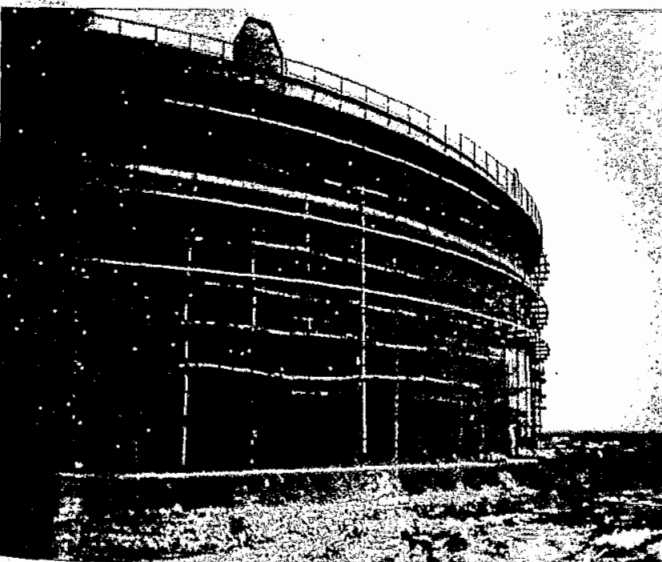
79 Meter Di
paint



Enercon wind mills painted with KNP's High Performance Coatings



KNP's Floor Coating System at MICO Bosch, Bengaluru



79 Meter Diameter tanks of Indian Oil Corporation at Mundra painted with KNP's High Performance Coatings

The Final Award felicitation function was held on the 13th of October, 2007 at Mumbai, attended by over 250 leading Architects, Interior Designers and other guests. The Awards function was also aired on CNBC TV 18.

The Company continued to get new Electro Deposition (ED) lines of auto customers, thus assuring good support in future.

The 3 coat-1bake technology introduced last year at Maruti Udyog, Manesar plant has been well established. This eco-friendly coating, with low VOC (Volatile Organic Compounds), has helped the customer increase its productivity and reduce power cost.

(D) Opportunities & Threats

2008-09 will continue to be the year of opportunities as well as challenges for KNP. The Company will continue to step up investments in augmenting capacity and market development activities and stress on the momentum for building its future growth path. The early benefits of these strategic investments will be seen in some new products and services.

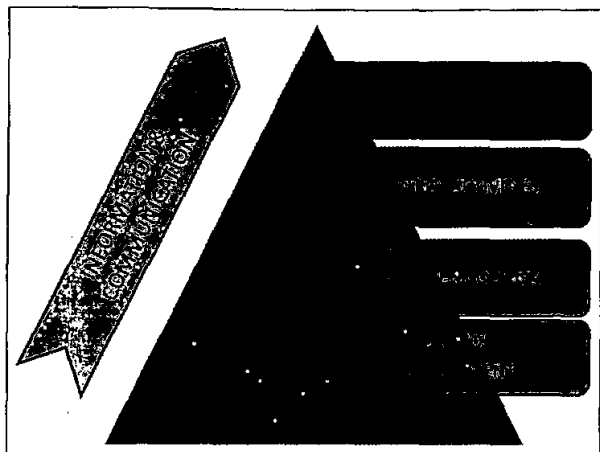
Rising crude oil prices and resultant change in derivatives' prices is a big concern, though internally it throws a lot more challenges to keep cost low and improve operational efficiency parameters.

(E) Segment wise Performance

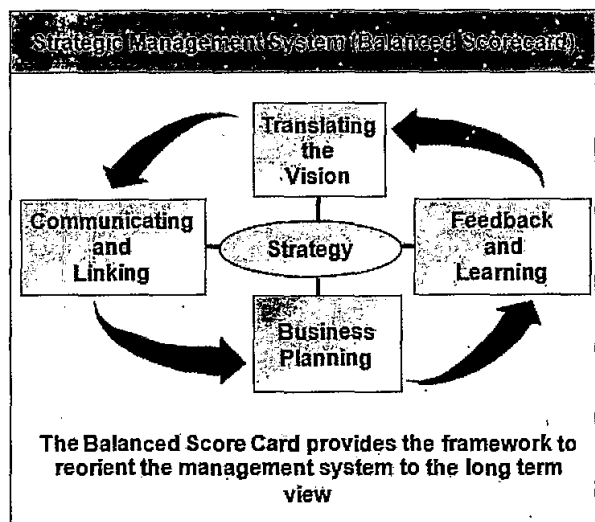
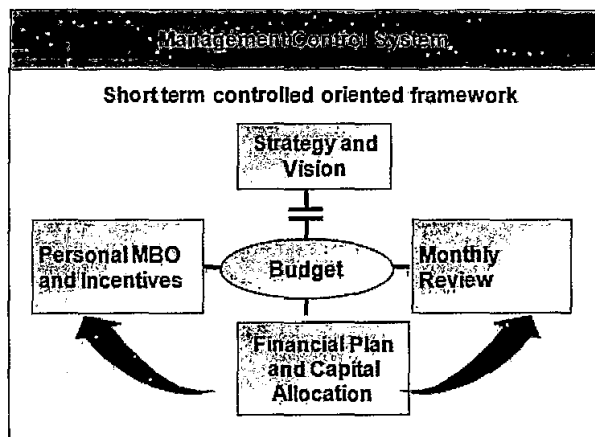
The Company has only one segment of activity namely paints, in accordance with the definition of 'Segment' as per the Accounting Standard 17, notified under the Companies Act, 1956. The performance of the Company is discussed separately in this Report.

(F) Risks & Concerns

Effective risk management of operations throughout the organization is the key to be successful in a fiercely competitive business environment. Risk Management is a standardized and uninterrupted process, which aims to identify, evaluate, manage and control the risk to which the operations of the business may be exposed, to ultimately deliver value to the stakeholders. It is crucial to the Company's strategic and systematic efforts to attain operational goals, while minimizing potential interruptions.



Internal Control Mechanism at KNP



Review Mechanism at KNP – Balanced Score Card

In KNP, system and process is set to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively. Clearly defined work plans and assigned responsibilities are well at throughout the organization, at all levels and functions, ensuring smooth flow of information across various levels within the organization. The Company has in place, a detailed Enterprise Risk Management (ERM) framework to manage the risks. A detailed Risk Register is maintained function wise to monitor and mitigate risks.

To address the pressures of increasing competition and ever changing customer preferences, the Company draws upon its technological advancement to produce the right product at the right time at competitive price.

Availability of raw material at the right price and at the right time is crucial to ensure that supplies to the end consumer are not affected.

Challenges arising out of increasing crude oil prices and its derivatives and also forex fluctuations could be causes of concern.

Getting into new product areas and business expansion could carry associated business risks.

The Company has not been significantly impacted by these risk factors due to its brand equity amongst consumers, superior technology, strong distribution network, service back-up, efficient materials and foreign exchange management, proper monitoring mechanism to ensure statutory compliances and proactive actions against hindrances.

(G) Internal Control Systems and their Adequacy

KNP has designed a system of internal control operating on the SAP R3 platform, with the objective of (a) safeguarding the Company's assets, (b) ensuring that the transactions are properly authorised and (c) providing significant assurance at reasonable cost, of the integrity, objectivity and reliability of financial information.

The management of KNP duly considers and takes appropriate action on recommendations made by the statutory auditors, internal auditors and the audit committee of the Board. Influencing the control consciousness of its people, KNP has set the tone of the organization where everyone has responsibility for internal control.



Development of Designer Architectural Wall finishes

(H) R&D and Technology Breakthrough

Research & Development function continued to perform well in areas of standardization of Raw Materials, rationalization of resins and stainers, cost reduction, supporting Industrial Marketing on Value engineering and technical services, development of new products, and Process improvements. One of the major projects, initiated by the technical function has been on making the formulations of decorative products free of heavy metals, without compromising on quality – a proactive initiative of KNP. The entire range of decorative products (barring economy range of Goody Synthetic enamels, which are generally used for industrial application), now have been made lead free. Our passenger vehicle coating formulations are already lead free.

The support of technical function to Marketing, has helped in maintaining leadership in the automotive paints business and creating an edge over competition in decorative paints business. Some of the products developed and commercialised this year are:

Decorative:

- Impressions Tile Guard
- Impressions Marble Finish-Stucco
- Impressions Texture Coating-Exterior

Industrial & Automotive:

- Mar Resistance clear coat
- Acid resistance clear coat
- Paint for door handles
- High Solid base coat
- Common Base coat system
- 1-K primer for all plastics

(I) Information Technology (IT)

The IT initiatives of the Company have been appreciated by different agencies, from time to time, and various awards have been conferred, thus recognizing the efforts in this direction. Last year, KNP won the Hall of Fame Award from Jasubhai Digital.

The Company has always remained abreast with the latest and best of the IT solutions available.



X-rite Color i7 Spectrophotometer for precise colour measurement



The Chairman addressing the Jainpur team

The Company is continuing the Extended Enterprise Initiative started last year with Vendor Portal. In addition, the Company focused on strengthening its Disaster and Security Management Initiatives by adopting the Framework.

The Company continues to make investments aligned at providing relevant information to business users on a real-time 24 X 7 basis. A conferencing facility has been launched in the Company and is being used successfully by various departments, thus cutting on travel and expenses.

(J) Human Resource (HR) & Industrial Relations

KNP as an organization considers all its employees as important assets. This year the focus has been on the people aspect, specifically concerned with career development and employee engagement.

Talent management process institutionalized last year has moved a step forward, this year. The identified talent pool members participate in various Executive Development Programs organised by institutes of repute like IIMs, XLRI, ASCI, and NITIE etc. To develop the soft skills of employees, training inputs have been given in diverse domain like Sales, Finance, Technical and Communication skills.

A career path for the front line Sales Personnel has also been charted by conducting Assessment Centers for the identified high performers with high potential. This process has enabled successful candidates to undertake responsibilities of Depot heads, which clearly states the organization's will to provide opportunity to grow, to the deserving individuals from within.

The standardised Competency Framework for the managers and the Sales function is now the back bone for all HR processes whether it is Recruitment, Career & Succession Planning, Individual Development Plans or the recognition in form of Compensation and rewards.

Branding of the organization has been further strengthened across Management institutes this year by initiating selection process

NEROLAC

N vision

April 2008

"Moving Forward Together in Tandem - the Key to Growth and Success"
- Together, we Kon!

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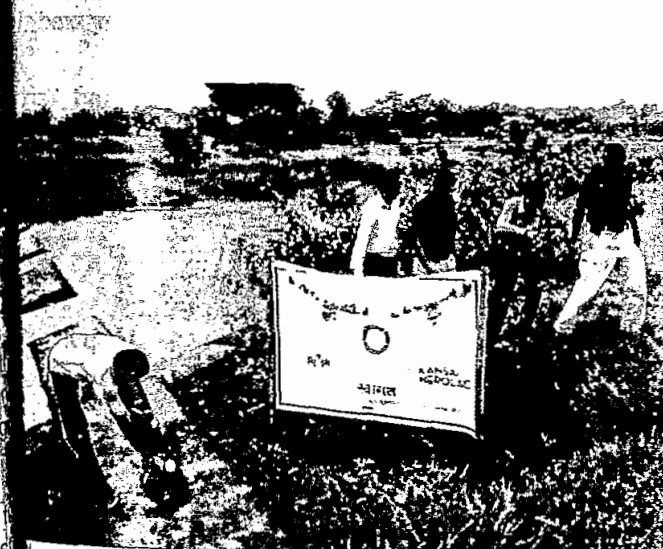
N vision – the Company's inhouse newsletter



Health Check-up camp at Bawal



Physically challenged children provided with walkers in Jainpur



Inauguration of check bund at village Nehroli in Thane District

through campuses, for even the front line Sales Personnel.

Understanding the need to improve effective communication, within the organization, various steps have been initiated like launch of Employee Self Service (ESS) Portal, Annual and Regional Sales Conferences to share the plans and direction, monthly e-newsletter to share department wise initiatives and Quarterly newsletter to share happenings and achievements.

KNP focuses on the pulse of the organization through Employee Satisfaction Surveys done on a periodic basis over the year.

Employee welfare activities have also been conducted across locations in the form of get together, picnics, Family Day etc. Overall, the Employee relations have been peaceful, thanks to the cordial relations with the Union at all our plants.

The total number of employees as on 31st March, 2008 is 2098.

(K) Affirmative Action

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

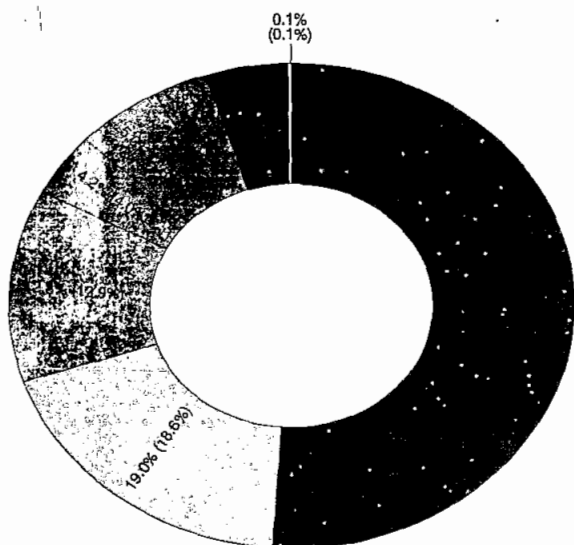
(L) Community Development

Corporate Social Responsibility (CSR) involves a commitment to manage the Company's role in society as a citizen in a responsible and sustainable manner. Considering it to be the Company's responsibility to give back to the society from where it earns its sustenance, activities on CSR front are carried out more in the areas surrounding our plant sites. By developing and implementing these initiatives, the employees of the Company get a sense of satisfaction.

The focus this year has been on Health related CSR activities. CSR initiatives are also pursued in other areas like education, community development and environment preservation.

Fourteen health check-up camps covering over 2060 people have been carried out in Jainpur, Lote and Bawal Factory area. The Company donated twenty wheelchairs to physically handicapped and AFO, Gaiter, Posterior Rollator, limb support,

DISTRIBUTION OF INCOME



2007-08

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

Previous year 2006-07 percentage figures are stated in brackets.
 * Dividend includes Additional Income-tax on Distributed Profits.

other equipment to cerebral palsy children to support their rehabilitation at Jainpur. This we have also taken an initiative through association with Sri Shanmukhananda Fine Arts & Sangeetha Sabha, Mumbai, where we provide support to buy new equipment for modernizing their Eye Care Centre, thus serving the poor who need either free or at subsidized cost. This is known as 'Nerolac Eye Care Centre'. Already 'Nerolac Dialysis Centre' is functional at the Jainpur premises.

Furthermore, four villages in Jainpur and Bawal area have been provided with hand pumps and water bores with a view to providing clean drinking water facility to the villagers. These facilities will hereafter be managed and run by the respective village panchayats.

The Company also conducted a senior citizens outreach program, addressing the issues of health, finance, emotions, security, recreation, etc. in association with Bombay Chamber of Commerce & Industry (BCCI). This was the fourth year of such activity.

(M) Financials

Gross sales for the year aggregated to Rs. 760.10 crores reflecting a growth of 8.7% over the previous year.

Raw material inflation during the year was 11.5%. Overheads were kept under control. Overall overheads, as a percentage to Sales was marginally or less at the same level as compared to the last year.

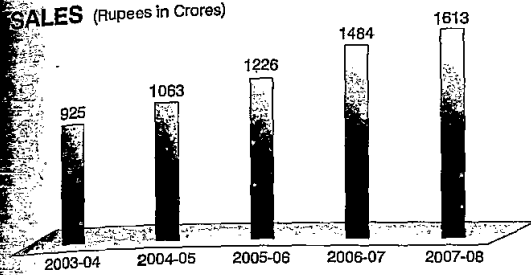
Profit Before Depreciation, Interest and Tax (PBDIT) (Without other income) for the year is higher at Rs.186.55 crores as compared to Rs.171.44 crores of previous year reflecting a growth of 8.8%.

Depreciation for the year is higher at Rs. 39.00 crores as against Rs.33.56 crores of the previous year due to commissioning of the Jainpur plant after revamp.

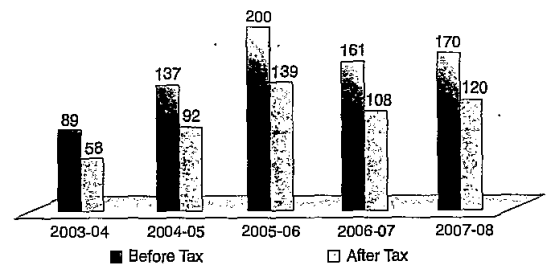
Other income is slightly higher at Rs. 24.85 crores as compared to Rs.24.05 crores of previous year.

Profit Before Tax is at Rs. 170.39 crores as compared to Rs. 160.97 crores of the previous year which is a growth of 5.9%.

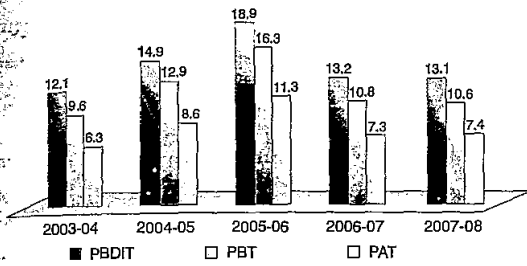
SALES (Rupees in Crores)



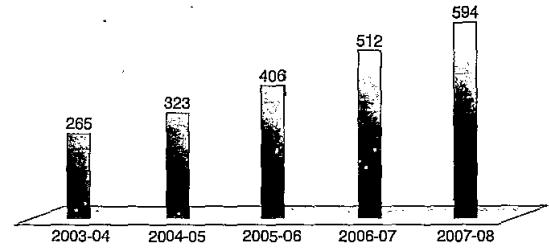
PROFIT (Rupees in Crores)



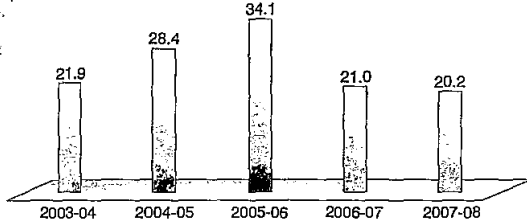
PROFITABILITY (%)



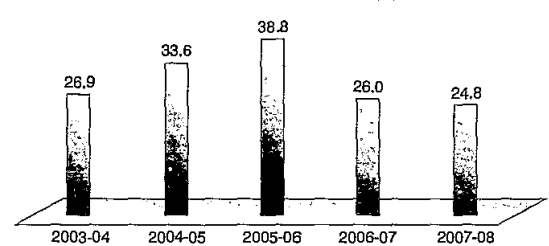
SHAREHOLDERS' FUNDS* (Rupees in Crores)



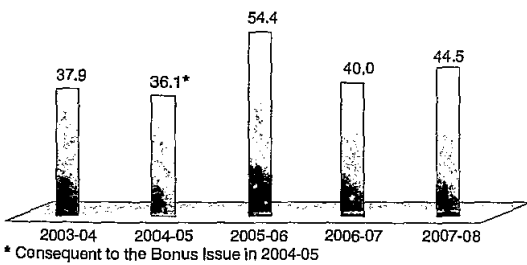
RETURN ON NET WORTH (%)
(Profit After Tax divided by Shareholders' Funds)



RETURN ON CAPITAL EMPLOYED (%)

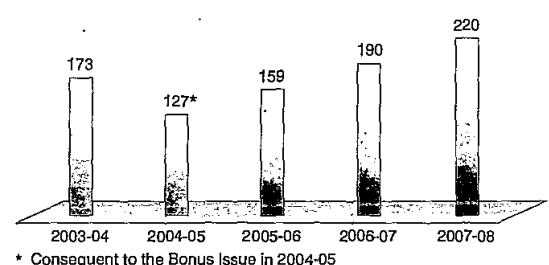


EARNINGS PER SHARE (EPS) (Rupees)



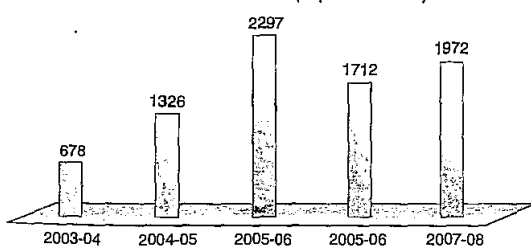
* Consequent to the Bonus Issue in 2004-05

BOOK VALUE PER SHARE (Rupees)

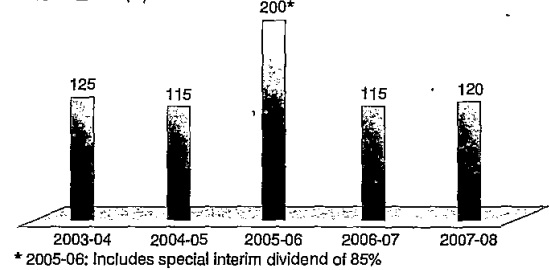


* Consequent to the Bonus Issue in 2004-05

MARKET CAPITALISATION (Rupees in Crores)



DIVIDEND (%)



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

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



Environment Pledge taken by Chennai plant employees on World Environment Day



Safety Audit at Bawal



National Safety Day at Lote factory

(N) Environment & Industrial Safety

During the year, the Company consolidated efforts in the field of Environment Health and Safety (EHS). The entire focus has been more on excellence in EHS, rather than compliance, making plants at par with international standards in Environment, Health and Safety.

The Bawal plant after undergoing thorough safety and environment audits was awarded integrated EMS certification in 14001 and OHSAS 18001 and the BVQI. A team of technical experts from Kansai Paint Co. Ltd., Japan, also conducted safety audit at the plant.

Other proud moment came when Bawal plant bagged the Environment Excellence- Gold Award from Greentech Foundation. The Company's Annual Environmental Report bagged ABC award, fourth time in a row.

The waste water recycle project and rain water harvesting project at Lote factory has further strengthened the commitment towards conserving water and preventing pollution. Green-building development, in and around plants, has been the ongoing activity.

The reduction, reuse and recycle activities have resulted in reducing factory level losses. All these initiatives have given good results in saving natural resources. The Company believes in health and safety education that goes beyond work and helps employees to live a safer life. In-house and external training programs were conducted on various safety and educational topics.

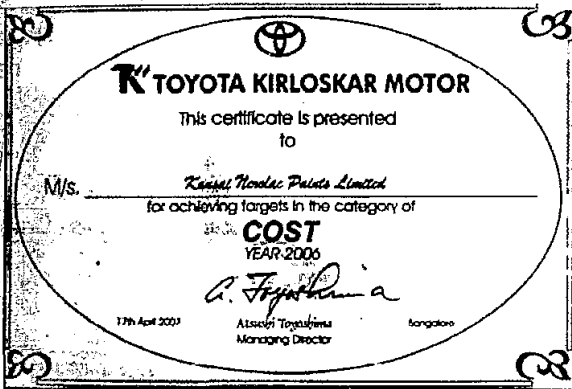
KNP will continue giving highest priority to health and safety of its employees with due regard to conservation of the environment.

(O) Awards & Recognitions

Our commitment to building a brand centric model towards leveraging quality products and service to customers to generate sustainability and assured annuity revenues has earned us recognition in various circles.



The press ad on Nerolac Quick Dry Enamel that won the 2007 bronze award for marketing initiative at Cannes



Toyota Kirloskar Award for Cost



Overall Commendation Trophy from MUL

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

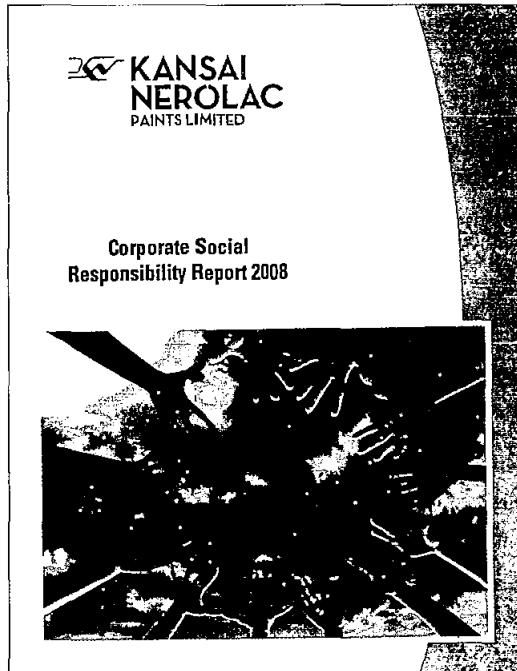
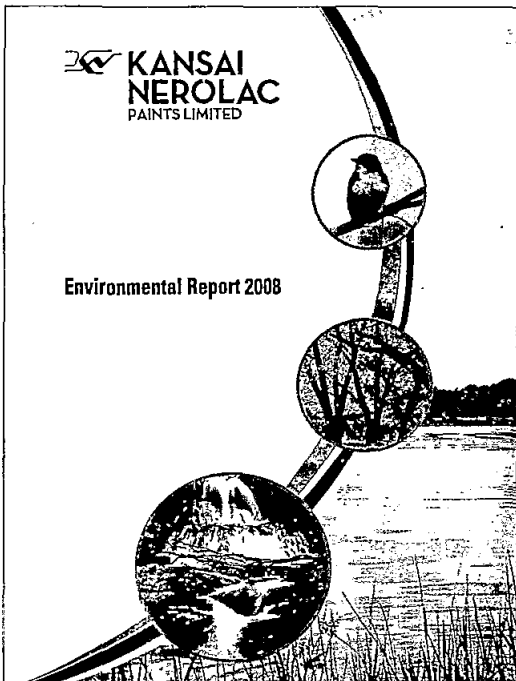
- Best Vendor Award from customers like Toyota Kirloskar Motors (TKML) for Cost and from Maruti Udyog Limited (MUL) on overall commendation.
- Awards for Marketing initiatives like Cannes 2007 Bronze for press Ad.
- Envies 2007 Gold & Silver for Best Media innovation, Best case study – Media innovation (Impression Rang Jama De), Best Integrated Campaign, Best Media strategy & People's Choice Award.
- Reader's Digest Trusted Brands Gold Award for 2008.
- Frost & Sullivan Market Leadership Award in Indian Industrial Paints & Coating Market.
- 'Hall of Fame' from CTO Forum, PC Quest & Best Implementation-APO in IT.
- ICSI National Award for Excellence in Corporate Governance – 2007 from the Institute of Company Secretaries of India.
- Greentech Environment Excellence Gold and Silver for Bawal and Chennai units.
- ABCI Silver for Annual Environment Report.

Cautionary Statement:

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

4. Fixed Deposits

The Company has not accepted any Fixed Deposits (FD) during the year. Deposits aggregating to Rs. 2.55 lacs, due for re-payment have not been claimed by the FD holders as on 31st March, 2008. Barring these, the Company has refunded all the deposits, which were due for payment as on 31st March, 2008. During the year, unclaimed deposits amounting to Rs.0.05 lac were transferred to the credit of the Investor Education and Protection Fund (IEPF) as required under Section 205C of the Companies Act, 1956.



5. Unclaimed Dividend

During the year, dividend amounting to Rs. 2.06 that had not been claimed by the shareholders for the year ended 31st March, 2000, 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 2008, dividend amounting to Rs. 47.69 lacs has not been claimed by Shareholders of the Company. Shareholders are required to lodge their claims with the Registrars, Sharepro Services (India) Pvt. Ltd. for unclaimed dividend.

6. Collaboration

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

The Company also has Technical Assistance Agreement with Oshima Kogyo Co. Ltd., Japan, for manufacturing heat resistance coatings and with PPG International Performance Coatings & Finishes, USA (formerly Ameron International Performance Coatings and Finishes) for High Performance coatings. The Directors record their appreciation for the co-operation from these collaborators.

7. Auditors' Report

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

8. Directors

In accordance with the Articles of Association of the Company, Mr. D.M. Kothari, Mr. S.M. Datta and Mr. H. Ishino retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Noel N. Tata was appointed as an Independent Director on the Board with effect from 27th October, 2007. Mr. Pravin D. Chaudhari has been appointed as a Wholtime Director on the Board of the Company from 1st May, 2008. Mr. Tata and Mr. Chaudhari hold office upto the date of the Annual

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General Meeting, but being eligible, offer themselves for re-appointment.

None of the Directors of the Company is disqualified under Section 274 (1) (g) of the Companies Act, 1956. As required by law, this position is also reflected in the Auditors' Report.

9. Corporate Governance

As required by the existing Clause 49 VII of the Listing Agreements entered into with the Stock Exchanges, a detailed report on Corporate Governance is given as a part of the Annual Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate of the compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

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

10. General Shareholder Information

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

11. Particulars regarding Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. As per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217 (2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

Subsidiary Company

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

The Company is seeking approval of the Central Government for exemption under Section 212(8) of

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

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

The Company is disinvesting its 55% stake in the Subsidiary to its joint venture partner in the Subsidiary, Kansai Paint Co. Ltd., Japan, as it is considered to be in the best business interests of the Company.

13. Directors' Responsibility Statement

As stipulated under the provisions contained in Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm as under:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with the explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) that the Directors have taken proper care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

14. Energy, Technology Absorption & Foreign Exchange

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosures of particulars in report of the Board of Directors) Rules, 1988, is annexed.

15. Auditors

The Company Auditors, M/s A. F. Ferguson & Co. Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

16. Acknowledgments

Your Directors wish to express their grateful appreciation for the cooperation and support received

from customers, parent company, collaborators, vendors, shareholders, financial institutions, 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

Mumbai, 30th April, 2008

J.J. Bhat
Chairman

(1) Di

A. PC

(1)

(2)

B. C

(2)

ANNEXURE TO DIRECTORS' REPORT

FORM A

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

A. POWER AND FUEL CONSUMPTION

2007-2008

2006-2007

(1) Electricity

(a) Purchased

Units ('000KWH)

16,195

14,803

Total Amount (Rs. In lacs)

7,32.96

6,84.90

Rate/Unit (Rs.)

4.53

4.63

(b) Own Generation

Through Diesel Generator

Units ('000KWH)

5,158

4,327

Units per litre of Diesel oil

3.62

3.34

Cost/Unit (Rs.) (of diesel oil only)

9.12

10.33

(2) Furnace Oil

Quantity (KL)

2,104

2,004

Total Amount (Rs. in lacs)

6,90.21

6,47.49

Average Rate (Rs.)

32.81

32.31

B. CONSUMPTION PER UNIT OF PRODUCTION

ELECTRICITY
(KWH/TONNE)FURNACE OIL
(LT/TONNE)

2007-2008

2006-2007

2007-2008

2006-2007

Paints Varnishes and Enamels
(including Synthetic Resins for captive use)

140

142

14

15

FORM B

(2) Disclosure of Particulars with respect to Technology Absorption

I. RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company:

- Development of new coatings / paints
- Quality upgradation of existing products
- Development of resins and polymers for paints
- Value engineering
- Process development
- Import substitution

2. Benefits derived as a result of R & D:

The following products have been developed & commercialized

- High Solid metallic base coat for automotive OEM
- Automotive solid colours with enhanced accelerated weathering resistance
- Low bake coatings for helmets
- High performance coatings for wind energy and petrochemical industries
- Heavy metal free wood coatings
- Heavy metal free water borne architectural coatings
- Tile guard water borne architectural coatings

Kansai Nerolac Paints Limited • Annual Report 2007-2008

3. Further Plan of Action:

- Development of anti-graffiti coatings
- Development of eco-friendly coating products
- Development of Mar Resistant and Acid Resistant automotive clear coat

4. Expenditure on R & D:

	(Rs.in lacs)	
	2007-2008	2006-2007
(a) Capital	1,15.27	1.15
(b) Recurring	10,07.23	8.85
(c) Total	11,22.50	9.99
(d) Total R & D Expenditure as percentage of total turnover	0.70	0.65

II. A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Kansai Paint Co. Ltd., Japan.

- Successful absorption of Technology for Non-Aqueous Dispersion for Automobile coatings.
- Successful absorption of Technology for Chip Resistant Automotive Primers.

2. Oshima Kogyo Company Ltd., Japan.

- Heat resistant paint for two wheeler engine cylinder heads and muffler cover plates — Approved by OEMs.

3. PPG International Performance Coatings and Finishes, USA. (Ameron)

- Special range of Marine High Performance products are under commercialization.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2008.

REPORT ON CORPORATE GOVERNANCE

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

1. Company's philosophy on Code of Governance

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

2. Board of Directors

The present strength of the Board is nine Directors. The Board comprises of Executive and Non - Executive Directors. The Managing Director is the Wholetime Director (Executive Director). There are eight Non-Executive Directors, of which five Directors, including the Chairman, are Independent Directors. The number of Independent Directors on the Board is in conformity with the requirement of Clause 49 (I) (A) of the Listing Agreement. Three Non-Executive Directors namely, Mr. Y. Kawamori, Mr. Y. Tajiri and Mr. H. Ishino are nominees of Kansai Paint Co. Ltd., Japan, promoter company.

Five Board Meetings were held during the year ended 31st March, 2008, i.e. on 3rd May, 2007, 24th July, 2007, 27th October, 2007, 21st January, 2008 and 10th March, 2008.

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Dr. J.J. Irani	Chairman (Non-Executive and Independent Director)	5	Yes
Mr. D.M. Kothari	Vice Chairman (Non-Executive and Independent Director)	5	Yes
Mr. Y. Kawamori	Non-Executive Director	Nil	No
Mr. H.M. Bharuka	Managing Director	4	Yes
Mr. S.M. Datta	Non-Executive and Independent Director	4	No
Mr. Y. Tajiri	Non-Executive Director	1	Yes
Mr. H. Ishino	Non-Executive Director	Nil	No
Mr. Pradip P. Shah	Non-Executive and Independent Director	5	Yes
Mr. Noel N. Tata (appointed with effect from 27th October, 2007)	Non-Executive and Independent Director	2	N.A.

Number of Board of Directors or Board Committees other than Kansai Nerolac Paints Limited in which the Director is a Chairman/Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956) is as follows:

Name of the Director	No. of Directorships	No. of Audit Committees and Shareholders' Investors' Grievance Committees * in which Chairman/Member	
		Chairman	Member
Dr. J.J. Irani	10	Nil	1
Mr. D.M. Kothari	1	Nil	Nil
Mr. Y. Kawamori	Nil	Nil	Nil
Mr. H.M. Bharuka	1	Nil	Nil
Mr. S.M. Datta	14	2	4
Mr. Y. Tajiri	Nil	Nil	Nil
Mr. H. Ishino	Nil	Nil	Nil
Mr. Pradip P. Shah	13	2	5
Mr. Noel N. Tata (with effect from 27th October, 2007)	6	1	Nil

* Per Sub-clause (I)(C) of the revised Clause 49 of the Listing Agreement.

The number of directorships and the positions held on Board Committees by the Directors are in conformity with the limits on the number of directorships and Board Committee positions as laid down in the Companies Act and Listing Agreement.

Note: At the meeting of the Board of Directors held on 30th April, 2008, Mr. Pravin D. Chaudhari has been appointed as an Additional Director and a Whole-time Director (Executive Director) with effect from 1st May, 2008.

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 appraise all the directors about the developments in their specific areas.

Access to Information

The Vice Chairman of the Company, who is an independent director, has been provided an office at the Corporate Head office of the Company. He has direct access to the officials of the Company, without the involvement of the CEO. Directors, including independent directors, visit the various manufacturing locations of the Company. They are not necessarily accompanied by the Managing Director. The purpose is to ensure that the independent directors have free and independent access to the Company's officials and records, so that they can form an independent opinion about the state of affairs of the Company.

Apart from this, reports of the audit carried out by the internal auditors and the statutory auditors are circulated to all the directors. Independent audits are also carried out by the parent company, Kansai Paint's auditors.

Monthly Performance Report is also forwarded to the Chairman updating him with the performance on various parameters.

It is ensured that the Board receives qualitative and quantitative information in line with the best management practices adopted.

Code of Conduct for Board of Directors and Senior Management

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2008. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

Audit Committee

The Audit Committee of the Company has such powers as are detailed under Section 292 A of the Companies Act, 1956, and also Clause 49 of the Listing Agreement.

The responsibilities of the Audit Committee include, inter-alia, overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment/removal of external auditors and fixing their remuneration, reviewing the quarterly and annual financial statements before submission to the Board, reviewing the adequacy of the internal audit function including the structure and staffing of the internal audit department, ensuring compliance of internal control systems, reviewing findings of internal investigations, discussing the nature and scope of audit with statutory auditors, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, of non payment to stakeholders, reviewing the functioning of the Whistle Blower mechanism and a mandatory review of Management Discussion and analysis of financial condition and results of operations, statement of significant related party transactions submitted by management, management letters/ letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses and the appointment, removal and terms of remuneration of the internal auditor.

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

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

Mr. Pradip P. Shah is the Chairman of the Audit Committee.

Mr. G.T. Govindarajan, Company Secretary acts as the Secretary to the Audit Committee.

There were four meetings of the Audit Committee during the year, i.e. on 3rd May, 2007, 24th July, 2007, 27th October, 2007 and 21st January, 2008.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2008
Mr. P. P. Shah	4
Mr. D.M. Kothari	4
Dr. J.J. Irani	4

Besides this, another meeting of the Audit Committee was held on 30th April, 2008 at which meeting the Audited Annual Accounts for the year ended 31st March, 2008, were placed before the Committee for consideration.

The Internal Auditor and the representatives of the Statutory Auditors also attended the Audit Committee meetings, besides the executives invited by the Audit Committee to be present thereat.

4. Remuneration Committee

The Remuneration Committee decides the remuneration for the Wholetime Directors. The members of the Remuneration Committee are Dr. J.J. Irani, Mr. D.M. Kothari and Mr. Y. Kawamori.

All the members of the Remuneration Committee are Non Executive Directors. Dr. J.J. Irani, an Independent Director, is the Chairman of the Remuneration Committee.

During the year, the Remuneration Committee held one meeting. Dr. J.J. Irani and Mr. D. M. Kothari attended the meeting.

Remuneration Policy and Remuneration to Directors:

Wholetime Directors:

- The remuneration paid to Wholetime Directors is subject to the limits laid down under Sections 198 and 309 and Schedule XIII to the Companies Act, 1956 and in accordance with the terms of appointment approved by the Shareholders of the Company. The remuneration 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 Wholetime Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

- The Agreement with the Whole time Director is for a period not exceeding five years at a time.
- Presently, the Company does not have a scheme for grant of stock options either to the Wholetime Director or employees.

The details of remuneration (including perquisites and allowances) paid during the year ended 31st March, 2008 are as follows:

Break - up of Remuneration	(Rs. in lacs)
Mr. H. M. Bharuka (Managing Director)	
Fixed Component	
Salary	30.00
Company's contribution to Provident Fund and Superannuation Fund	8.10
HRA, LTA and other perquisites	37.50
	75.60
Variable Component	
Commission	63.75
Company's contribution to Provident Fund and Superannuation Fund (on Commission)	17.21
	80.96
Total	156.56

Remuneration excludes commission and related contribution to Provident Fund and Superannuation Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Wholetime Director during the previous year ended 31st March, 2008.

Non-Executive Directors:

The Non-Executive Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 309 (4) of the Companies Act in accordance with the approval granted by the Shareholders for payment of commission to the Non-Executive Directors.

The 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, 2008 are as under:

Name of the Director	Sitting Fees			Commission@	Total
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting		
Dr. J.J. Irani	0.50	0.40	0.10	11.50	12.50
Mr. D. M. Kothari	0.50	0.40	0.10	14.50	15.50
Mr. K. C. Mehra (upto 30th January, 2007)	0.30	0.30	0.10	5.00	5.70
Mr. S. M. Datta	0.40	—	—	7.00	7.40
Mr. P. P. Shah (from 30th January, 2007)	0.50	0.40	—	2.00	2.90
Mr. Noel N. Tata (appointed with effect from 27th October, 2007)	0.20	—	—	N.A.	N.A.

@ Commission paid during the year 2007-08 was for the year ended 31st March, 2007.

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

Name of the Director	Shares held as on 31.3.2008 (Own or held by/for other persons on a beneficial basis)
1. Dr. J.J. Irani	Nil
2. Mr. D.M. Kothari #	9,565
3. Mr. Y. Kawamori	Nil**
4. Mr. S.M. Datta #	Nil
5. Mr. Y. Tajiri	Nil**
6. Mr. H. Ishino #	Nil**
7. Mr. P.P. Shah	Nil
8. Mr. Noel N. Tata #	Nil

Nominee Director 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 (IV)(G)(ia) of the Listing Agreement, none of the Directors are related to each other.

Notes on Directors seeking appointment/re-appointment as required under Clause 49 IV (G) of the Listing Agreement entered into with the BSE and the NSE.

Mr. D.M. Kothari

Mr. D.M. Kothari is a qualified Chartered Accountant by profession and is an authority on the Indian Paints Industry.

Mr. Kothari had been in the whole time employment of the Company for a period of 29 years, till his retirement on 30th April, 1990. During his employment with the Company, Mr. Kothari had an extremely successful tenure as the Managing Director of the Company for a period of 15 years, from 1st April, 1975 to 30th April, 1990, that witnessed the spectacular growth in turnover of the Company by over ten times from about Rs. 14 crores in 1975 to Rs. 147 crores in 1990. During his tenure as the Managing Director, the Company entered into a technical and financial collaboration with Kansai Paint Co. Ltd., Japan, which laid the foundation for the Company to be the undisputed leader in the industrial paints business and paved the way for the Company to attaining greater heights. Subsequent to his retirement as the Managing Director, Mr. Kothari was appointed as a Non-Executive Director designated as the Vice Chairman of the Company from 1st May, 1990, which position he continues to hold on the Board of Directors of the Company.

Mr. Kothari has also been the President/member of several leading trade Associations such as the Indian Paint Association, The Chemicals & Allied Products Export Promotion Council (CAPEXIL), The Indian Chemical Manufacturers Association (ICMA), The Bombay Chamber of Commerce and Industry (BCCI) and The Federation of Indian Export Organisation (FIEO).

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

Chairman of the Board of Directors of Nipa Chemicals Ltd.

Mr. Kothari holds 9,565 equity shares in the Company.

Mr. S.M. Datta

Mr. S.M. Datta is a Non-Executive Director on the Board of the Company. He is a reputed management expert and is on the Board of Directors of a number of leading companies.

Mr. Datta graduated with Honours in Chemistry, Presidency College, Kolkata and obtained a Post-graduate Degree in Science & Technology from the Kolkata University. Mr. Datta is a Chartered Engineer, Fellow, Institution of Engineers, Fellow, Indian Institute of Chemical Engineers, Member, Society of Chemical Industry (London) and Honorary Fellow of All India Management Association.

Mr. Datta was the chairman of Hindustan Lever Limited (HLL) as well as of the Unilever Group Companies in India and Nepal from 1990 to 1996.

Mr. Datta is a Past President of Associated Chambers of Commerce and Industry and the Council of EU Chambers of Commerce in India, a past president of Bombay Chamber of Commerce & Industry, Indian Chemical Manufacturers Association and Bombay First.

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

Chairman of Castrol India Ltd., Philips Electronics India Ltd., IL & FS Investment Managers Ltd., BOC India Ltd. and Peerless Hospitex Hospital & Research Centre Ltd. and member of the Board of Directors of Zodiac Clothing Co. Ltd., Peerless General Finance & Investment Co. Ltd., Peerless Hotels Ltd., Transport Corporation of India Ltd., Atul Ltd., Bhoruka Power Corporation Ltd., BHW Home Finance Ltd., Rabo India Finance Ltd. and Wockhara Hospitals Ltd.

Mr. Datta is the Chairman of the following Board Committees as required for the purposes of the Listing Agreement:

Audit Committee of BOC India Ltd.

Shareholders/Investors Grievance Committee of Castrol India Ltd.

Mr. Datta is a member of the following Board Committees as required for the purposes of the Listing Agreement:

Audit Committee of Travel Corporation of India Ltd., Peerless General Finance & Investment Co. Ltd., Rabo India Finance Ltd.

Shareholders/Investors Grievance Committee of IL & FS Investment Managers Ltd.

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

Mr. H. Ishino

Mr. H. Ishino is a Non – Executive Director on the Board of the Company. Mr. Ishino is an expert in the field of Marketing.

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

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

Mr. Noel N. Tata

Mr. Noel N. Tata is the Managing Director of Trent Ltd. and director of various Tata companies including Voltas Ltd., Titan Industries Ltd., Tata Investment Corporation, Trent Brands and Landmark.

He is also a director at Bombay Chamber of Commerce & Industry and Satnam Developers & Finance.

Before joining Trent, Mr. Tata worked with Nestle, UK and Tata Exports (now Tata International). He is a graduate of Sussex University (UK) and INSEAD.

Mr. Tata is a member of the Trent Limited Investment Committee, Chairman of Voltas's Shareholders' / Investors Grievance Committee and a member of Tata Investment Corporation's Investment and Remuneration Committee.

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

Mr. Pravin D. Chaudhari

Mr. Pravin D. Chaudhari has been appointed as an Additional Director and a Wholetime Director of the Company with effect from 1st May, 2008. Mr. Chaudhari is B.E. (Production), MMS and was Director- Supply Chain prior to his appointment on the Board.

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

Mr. H.M. Bharuka

Mr. H.M. Bharuka is a qualified Cost Accountant with a varied experience of around 24 years in various facets of management and profound knowledge of the Paints Industry. The Company has shown remarkable performance during the tenure of Mr. Bharuka as Managing Director of the Company from 1st April, 2001.

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

Member of the Board of Directors of Nipa Chemicals Ltd.

Mr. Bharuka holds 98 equity shares in the Company.

Shareholders'/Investors' Grievance Committee

The Members of the Shareholders' / Investors' Grievance Committee are Mr. D.M. Kothari and Mr. H.M. Bharuka. Mr. D.M. Kothari is the Chairman of the Shareholders'/Investors' Grievance Committee.

Mr. G.T. Govindarajan, Company Secretary, is the Compliance Officer.

A summary of various complaints (generally in the nature of a query) received and cleared by the Company during the year is given below:

Nature of Complaint	Received	Cleared
Non receipt of Dividend Warrant	8	8
Non receipt of share certificates	2	2
SEBI/Stock Exchange Letter	1	1
Miscellaneous	1	1
Total	12	12

(iv) Normally all complaints/queries are disposed off within one week of receipt of the complaint/query. The Company had no complaint pending at the close of the financial year.

6. General Body Meetings

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

	Date and Time	Venue
87th AGM:	29th June, 2007 at 3.30 p.m.	Walchand Hirachand Hall, Mumbai 400 020
86th AGM:	12th June, 2006 at 3.30 p.m.	M. C. Ghia Hall, Mumbai 400 001
85th AGM:	28th July, 2005 at 3.30 p.m.	Walchand Hirachand Hall, Mumbai 400 020

(ii) Two Special Resolutions were passed at the 86th Annual General Meeting.

(iii) No Special Resolution was passed last year through postal ballot.

(iv) No Resolution requiring Postal Ballot as required by the Companies (passing of the resolution by postal ballot) Rules, 2001 has been placed for Shareholders' approval at this Annual General Meeting.

7. Disclosures

(i) Materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large: None.

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

(iii) Whistle Blower Policy:

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

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

No personnel has been denied access of the Audit Committee.

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

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

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

CEO/CFO Certification:

A certification from the CEO and the CFO in terms of Clause 49(V) of the Listing Agreement was placed before the Board Meeting held on 30th April, 2008 to approve the Audited Annual Accounts for the year ended 31st March, 2008.

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 Maharashtra Times.

- (iii) Any website, where displayed:

www.nerolac.com

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

Relevant information is displayed in the website.

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

9. General Shareholder Information

- (i) AGM: Date, Time and Venue:

24th June, 2008 at 3.30 p.m. at the Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai - 400 020.

- (ii) Financial Calendar:

	: April – March
— Financial reporting for the quarter ending 30th June, 2008	: End July, 2008
— Financial reporting for the quarter ending 30th September, 2008	: End October, 2008
— Financial reporting for the quarter ending 31st December, 2008	: End January, 2009
— Financial reporting for the year ending 31st March, 2009	: End April, 2009
— Annual General Meeting for the year ending 31st March, 2009	: End June, 2009

- (iii) Date of Book Closure:

24th June, 2008 for the purpose of the Annual General Meeting and Dividend.

- (iv) Dividend Payment Date:

On or after 28th June, 2008. Dividend, when declared, will be payable on or after 28th June, 2008 to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 23rd June, 2008 and to the Beneficiary holders as per the beneficiary list as on 23rd June, 2008 provided by the NSDL and CDSL.

Listing of Stock Exchanges:

The Company's Equity shares are listed on the BSE and the NSE.

Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

Demat – ISIN Number for NSDL & CDSL : INE531A01016

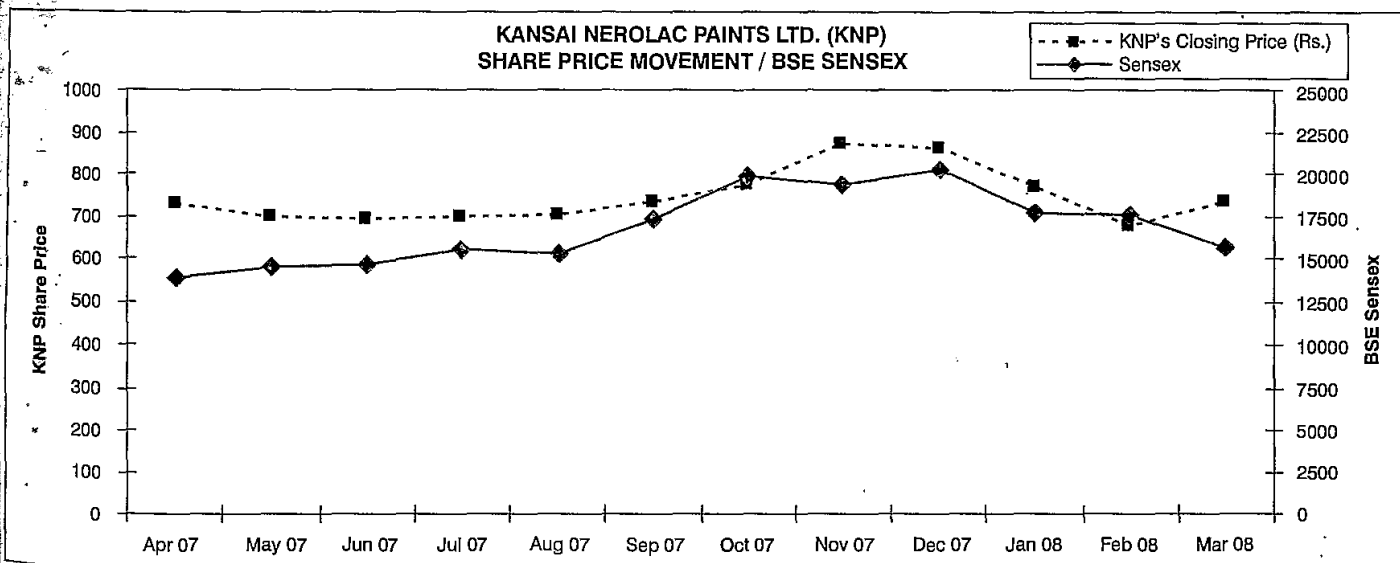
Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2008 is furnished below:

Month	High (Rs.)	Low (Rs.)
April 2007	745.00	654.00
May 2007	751.00	672.00
June 2007	720.00	666.60
July 2007	786.00	680.00
August 2007	745.00	665.00
September 2007	790.00	699.00
October 2007	850.00	740.00
November 2007	910.00	708.25
December 2007	900.00	741.50
January 2008	911.00	690.00
February 2008	790.00	602.50
March 2008	765.00	476.30

(viii) Stock Performance

Month	KNP's Closing price on BSE (Rs.)	Sensex
April 2007	728.85	13872.37
May 2007	700.00	14544.46
June 2007	693.00	14650.51
July 2007	700.00	15550.99
August 2007	701.25	15318.60
September 2007	734.75	17291.10
October 2007	773.30	19837.99
November 2007	872.25	19363.19
December 2007	863.50	20286.99
January 2008	768.45	17648.71
February 2008	677.80	17578.72
March 2008	731.75	15644.44



- (ix) Registrar and Transfer Agents:
Sharepro Services (India) Pvt. Ltd.

Registered Office:

Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road,
Andheri (East), Mumbai – 400 099

Tel No. : 67720300, 67720351, 67720352, 67720353

Fax No. : 28375646 Email : sharepro@shareproservices.com

Investor Relation Centre:

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

Tel No. : 67720700.

- (x) Share Transfer System:

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

- (xi) Distribution of Shareholding as on 31st March, 2008:

No. of Equity Shares held	No. of folios	% to number of folios	No. of shares	% to number of shares
Upto 500	8,311	86.95	7,65,718	2.84
501 to 1000	647	6.77	4,74,731	1.76
1001 to 2000	371	3.88	5,40,051	2.00
2001 to 3000	81	0.85	1,99,452	0.74
3001 to 4000	53	0.55	1,85,670	0.69
4001 to 5000	15	0.16	69,310	0.26
5001 to 10000	34	0.36	2,37,435	0.88
10001 and above	46	0.48	2,44,73,619	90.83
Grand Total	9,558	100.00	2,69,45,986	100.00

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS AS ON 31ST MARCH, 2008

Location	No. of Folios	% to number of folios	No. of shares	% to number of shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Co. Ltd. Japan)	1	0.01	1,78,95,400	66.41
FII's, NRIs, OCB's	164	1.72	19,67,076	7.30
IN INDIA				
Mumbai	3,783	39.58	51,47,089	19.10
Ahmedabad	475	4.97	97,623	0.36
Delhi	518	5.42	7,88,961	2.93
Chennai	397	4.15	68,446	0.25
Kolkata	451	4.72	2,61,805	0.97
Pune	391	4.09	1,14,863	0.43
Bangalore	464	4.85	93,360	0.35
Surat	152	1.59	23,751	0.09
Hyderabad	191	2.00	38,006	0.14
Baroda	125	1.31	23,337	0.09
Others	2,446	25.59	4,26,269	1.58
TOTAL	9,558	100.00	2,69,45,986	100.00

Categories of shareholders as on 31st March, 2008

Category	No. of Shares held	Percentage of Shareholding
A. Promoter's Holding		
1. Promoters		
- Indian Promoters	NIL	NIL
- Foreign Promoters (Kansai Paint Co. Ltd., Japan)	1,78,95,400	66.41
2. Persons acting in concert	NIL	NIL
Sub-Total	1,78,95,400	66.41
B. Non Promoters's Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	12,73,766	4.73
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	13,40,437	4.97
C. Foreign Institutional Investors (FIIs)	19,39,704	7.20
Sub-Total	45,53,907	16.90
4. Others		
Private Corporate Bodies	18,85,775	7.00
Indian Public	25,81,107	9.58
NRIs/OCBs	27,372	0.10
Any Other (Trust)	2,425	0.01
Sub-Total	44,96,679	16.69
Grand Total	2,69,45,986	100.00

(xii) Dematerialisation of Shareholding:

97.87% of the paid-up share capital had been dematerialised, as at 31st March, 2008.

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

Not Issued.

(xiv) Plant Locations:

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

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

(xv) Address for Correspondence:

Sharepro Services (India) Pvt. Ltd.

Registered Office:

Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Andheri (East), Mumbai – 400 099.

Tel No. : 67720300, 67720351, 67720352, 67720353

Fax No. : 28375646. Email : sharepro@shareproservices.com

Investor Relation Centre:

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

Tel No. : 67720700.

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).

Email ID for Investor Grievances:

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

(xvi) Other Information (Unclaimed Dividend):

Pursuant to Section 205 A of the Companies Act, 1956, all unclaimed dividends upto 56th Dividend for the year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in Form No. 10 to the aforesaid authority.

Pursuant to Section 205 A read with 205 C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2000 have been transferred to the Investor Education and Protection Fund.

Shareholders are requested to encash their dividend warrants immediately on receipt as dividends remaining unclaimed for seven years are to be transferred to the Investor Education and Protection Fund and the Shareholders will not be able to claim any unpaid dividend from the said Fund or from the Company thereafter.

For and on behalf of the Board

J.J. IRANI
Chairman

Mumbai, 30th April, 2008

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the year ended 31st March, 2008.

For Kansai Nerolac Paints Limited

H.M. BHARUKA
Managing Director

Mumbai, 30th April, 2008

Certificate to the members of Kansai Nerolac Paints Limited on compliance of the conditions of corporate governance for the year ended 31st March, 2008, under clause 49 of the listing agreements of the said company with relevant stock exchanges.

We have examined the compliance of the conditions of corporate governance by Kansai Nerolac Paints Limited for the year ended on 31st March, 2008, as stipulated in clause 49 of the listing agreements of the said company with relevant stock exchanges (hereinafter referred to as clause 49).

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in clause 49.

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

J.J. Iyer
Chairman

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

Mumbai, 30th April, 2008

**AUDITORS' REPORT TO THE MEMBERS OF
KANSAI NEROLAC PAINTS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH, 2008**

1. We have audited the attached balance sheet of Kansai Nerolac Paints Limited, as at 31st March, 2008, and profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the locations not visited by us;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2008;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO
Chartered Accountants

R. K. HIRANANDAN
Partner
Membership No. 3692

Mumbai, 30th April, 2008

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF KANSAI NEROLAC PAINTS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the company has adopted a phased programme of physical verification of fixed assets. Under this programme, all the assets would be verified in a period of three years, the frequency of which, in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. As explained to us, no material discrepancies were noticed in respect of assets verified during the year.
- (c) The fixed assets disposed off during the year are not substantial and therefore the question of reporting on clause 4(i)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the said Order) does not arise.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the said Order does not arise.
- (b) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(f) and 4(iii)(g) of the said Order does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices or at prices for which similar transactions have been made with other parties, except for transactions of a special nature where comparable alternative quotations were not available or where a comparison of prices could not be made since there were no similar transactions with other parties.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

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- (vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We are informed that the cost statements as at the end of the financial year are in the process of being made up.
- (ix) (a) According to the records of the company, the company has been generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2008, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute, except as stated below:

(Rs. in lacs)

Name of the Statute / Nature of dues	Period to which the amount relates	Forum where dispute is pending		
		Commissionerate	Appellate Authorities & Tribunal	Total Amount
Various State Sales Tax Acts and Central Sales Tax Act, 1956	1980-81	0.33	—	0.33
Tax, Penalty and Interest	1991-92	1.25	—	1.25
Total	1995-96 to 2004-05	60.98	7.65	68.63
The Central Excise Act, 1944 / Tax, Penalty and Interest	1990-91	8.05	—	8.05
Total	1993-94 to 2003-04	151.08	44.78	195.86
Total		159.13	44.78	203.91

- (x) The company does not have any accumulated losses at the end of the financial year. Also, the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks and financial institutions. The company has not issued any debentures.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable to the company.
- (xiv) According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein, where the company is dealing or trading in shares, securities, debentures and other investments, and such securities are held by the company in its own name, except to the extent of the exemption granted under section 49 of the Companies Act, 1956.

In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.

The company has not obtained any term loans. Accordingly, the question of reporting on its application does not arise.

According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the question of reporting on whether the price at which such shares have been issued is prejudicial to the interest of the company does not arise.

The company has not issued any debentures. Accordingly, the question of creating a security or charge for debentures does not arise.

The company has not raised any money by public issues during the year. Accordingly, the question of disclosure of end use of such monies does not arise.

According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

Mumbai, 30th April, 2008

KANSAI NEROLAC PAINTS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2008

I. SOURCES OF FUNDS	Schedule	As at 31st March, 2008		As at 31st March, 2007		INCO
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	
1. Shareholders' Funds:						
a. Share Capital.....	A	26,94.60		26,94.60		a. S
b. Reserves and Surplus.....	B	5,66,74.41		4,84,78.45		L
			5,93,69.01		5,11,73.00	N
2. Loan Funds:						b. C
a. Secured Loans.....	C	19,18.11		30,02.18		
b. Unsecured Loans.....	D	78,77.26		79,97.51		
			97,95.37		1,09,99.69	II. EXPE
TOTAL....			6,91,64.38		6,21,72.74	a. C
II. APPLICATION OF FUNDS						b. E
1. Fixed Assets:	E					c. C
a. Gross Block.....		4,80,14.72		4,24,40.87		d. I
b. Less: Depreciation.....		2,71,52.97		2,33,75.64		III. PRO
c. Net Block.....		2,08,61.75		1,90,65.23		Depr
d. Less: Provision for write down in value of fixed assets [Refer Note II(3) on Schedule 'R'].....		1,41.31		83.10		IV. PRO
		2,07,20.44		1,89,82.13		V. PRO
e. Capital Work-in-Progress at cost.....		20,00.67		12,66.33		a. C
f. Advances for Capital Expenditure.....		6,62.88		4,96.99		b. I
		26,63.55		17,63.32		c.
			2,33,83.99		2,07,45.45	VI. PRO
2. Investments.....	F		2,32,14.00		1,54,82.25	Add:
3. Deferred Tax Asset (Net) [Refer Note II(24) on Schedule 'R'].....			10,39.12		6,50.77	Add:
4. Current Assets, Loans and Advances:						VII. BAL
a. Inventories.....	G	1,73,41.11		1,80,42.17		Less
b. Sundry Debtors.....	H	2,12,93.30		1,94,69.04		a.
c. Cash and Bank Balances.....	I	33,37.54		21,49.27		b.
d. Loans and Advances.....	J	48,14.81		52,71.46		c.
		4,67,86.76		4,49,31.94		d.
5. Less: Current Liabilities and Provisions:						VIII. BAL
a. Liabilities.....	K	1,68,89.50		1,51,04.27		NO
b. Provisions.....	L	83,69.99		45,33.40		Bas
		2,52,59.49		1,96,37.67		(No
Net Current Assets.....			2,15,27.27		2,52,94.27	[Rel
TOTAL....			6,91,64.38		6,21,72.74	
Notes to the Accounts.....	R					

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

R. K. HIRANANDANI
Partner
Mumbai, 30th April, 2008

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

For and on behalf of the Board of Directors

J. J. IRANI
D. M. KOTHARI
H. M. BHARUKA
S. M. DATTA
P. P. SHAH
N. N. TATA

Chairman
Vice Chairman
Managing Director
Director
Director
Director

Per our r
For A. F.
Chartere

R. K. HIRANANDANI
Partner
Mumbai

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE: A

	As at 31st March, 2008		31st March
	Rs. in lacs		Rs.
SHARE CAPITAL			
Authorised:			
3,00,00,000 Equity Shares of Rs.10 each		<u>30,00.00</u>	<u>30,00,00,000</u>
Issued, Subscribed and Paid-up:			
2,69,45,986 (2006-2007 2,55,07,666) Equity Shares of Rs.10 each fully paid-up		<u>26,94.60</u>	<u>26,94,59,860</u>
Capital suspense:			
14,38,320	Equity Shares of Rs.10 each fully paid-up to be issued to the shareholders of the erstwhile Polycoat Powders Limited pursuant to the scheme of amalgamation sanctioned by the High Court of judicature at Bombay (Issued during the year).....	—	14,38,320
[Of the above 2,69,45,986 (2006-2007 2,55,07,666) Equity Shares:			
a. 14,81,820 (2006-2007 43,500)	Equity Shares of Rs.10 each are allotted as fully paid-up pursuant to contracts / arrangements for consideration other than cash; and		
b. 1,56,19,316 (2006-2007 1,56,19,316)	Equity Shares of Rs.10 each are allotted as fully paid-up by way of Bonus Shares by capitalisation of Share Premium, Profits and Reserves.]		
1,78,95,400 (2006-2007 1,64,57,080) Equity Shares are held by the Holding Company Kansai Paint Co. Ltd., Japan.			
TOTAL		<u><u>26,94.60</u></u>	<u><u>26,94,59,860</u></u>

SCHEDULE: B

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
RESERVES AND SURPLUS				
Capital Reserve:				
As per last Balance Sheet	30.37		0.37	
Add: Balance transferred on Amalgamation	—		30.00	
		<u>30.37</u>		<u>30.37</u>
Share Premium Account:				
As per last Balance Sheet		39,50.14		39,50.14
General Reserve:				
As per last Balance Sheet	2,94,42.07		2,65,38.32	
Add: Balance transferred on Amalgamation	—		16,58.99	
Add: Excess of Share Capital of the transferor Company i.e. Polycoat Powders Limited over the face value of Equity Shares to be issued to the shareholders of the erstwhile Polycoat Powders Limited	—		1,68.17	
Add: Transfer from Profit and Loss Account	11,97.90		10,76.59	
		<u>3,06,39.97</u>		<u>2,94,42.07</u>
Surplus being balance in Profit and Loss Account		<u>2,20,53.93</u>		<u>1,50,55.87</u>
TOTAL		<u><u>5,66,74.41</u></u>		<u><u>4,84,78.45</u></u>

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE: C

SECURED LOANS

Sales Tax Deferral, secured by a charge on the fixed assets of the factory at Jainpur [Including Rs. 3,89.09 lacs (2006-2007 Rs. 6,96.25 lacs) due within one year].....
Cash Credit from Banks, secured by hypothecation of stocks and book debts.....

	As at 31st March, 2008	As at 31st March, 2007
	Rs. in lacs	Rs. in lacs
	18,13.82	23,09.21
	1,04.29	6,92.97
TOTAL	19,18.11	30,02.18

SCHEDULE: D

UNSECURED LOANS

Sales Tax Deferral [Including Rs. 1,14.70 lacs (2006-2007 Rs. 1,14.70 lacs) due within one year].....

	As at 31st March, 2008	As at 31st March, 2007
	Rs. in lacs	Rs. in lacs
	78,77.26	79,97.51
TOTAL	78,77.26	79,97.51

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE: E

FIXED ASSETS

DESCRIPTION	C O S T				D E P R E C I A T I O N				N E T B L O C K		
	As at 31st March, 2007	Additions during the year	Deductions during the year	As at 31st March, 2008	As at 31st March, 2007	For the year	On deductions during the year	As at 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007	
	1. Freehold Land	9,09.09	—	—	9,09.09	—	—	—	—	9,09.09	9,09.09
2. - Leasehold Land [Refer Note I(iv)(b) on Schedule 'R'].....	81.58	19,44.21	—	20,25.79	—	—	—	—	20,25.79	81.58	
3. Buildings.....	1,09,28.45	4,88.12	—	1,14,16.57	40,90.67	6,46.46	—	47,37.13	66,79.44	68,37.78	
4. Building for Scientific Research.....	44.76	—	—	44.76	42.72	0.20	—	42.92	1.84	2.04	
5. Plant and Machinery	1,47,79.08	17,91.92	34.31	1,65,36.69	83,22.21	16,51.82	30.40	99,43.63	65,93.06	64,56.87	
6. Plant and Machinery for Scientific Research.....	11,32.85	1,15.27	—	12,48.12	6,77.13	74.11	—	7,51.24	4,96.88	4,55.72	
7. Laboratory Equipment.....	6,10.79	45.60	0.40	6,55.99	2,84.36	51.35	0.37	3,35.34	3,20.65	3,26.43	
8. Furniture, Fittings and Equipment.....	31,63.20	1,65.88	1,54.14	31,74.94	21,83.08	2,86.82	1,45.54	23,24.36	8,50.58	9,80.12	
9. Furniture, Fittings for Scientific Research	36.84	—	—	36.84	33.72	0.46	—	34.18	2.66	3.12	
10. Electrical Installation.....	21,27.67	1,64.32	0.02	22,91.97	10,05.89	1,73.70	0.02	11,79.57	11,12.40	11,21.78	
11. Electrical Installation for Scientific Research.....	4.09	—	—	4.09	4.09	—	—	4.09	—	—	
12. Vehicles.....	84.19	—	7.98	76.21	62.31	5.31	6.39	61.23	14.98	21.88	
13. Assets given on Operating Lease – Colour Dispensers	85,38.28	10,55.38	—	95,93.66	66,69.46	10,69.82	—	77,39.28	18,54.38	18,68.82	
TOTAL	4,24,40.87	57,70.70	1,96.85	4,80,14.72	2,33,75.64	39,60.05	1,82.72	2,71,52.97	2,08,61.75	1,90,65.23	
Previous year.....	3,54,62.36	76,49.88*	6,71.37	4,24,40.87	1,93,77.10	33,55.74	5,59.87	2,33,75.64**	141.31	83.10	
Less: Provision for write down in value of fixed assets.....											
									Sub-total....	2,07,20.44	1,89,82.13
Capital Work-in-Progress at Cost										20,00.67	12,66.33
Advances for Capital Expenditure										6,62.88	4,96.99
									Sub-total....	26,63.55	17,63.32
									Total....	2,33,83.99	2,07,45.45

Note: Buildings include Rs. 0.20 lac (2006-2007 Rs. 0.20 lac) representing value of fully paid shares in Co-operative Societies.
* Includes Rs. 14,08.92 lacs taken over on Amalgamation.
** Includes Rs. 12,02.67 lacs taken over on Amalgamation.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE: F

	As at 31st March, 2008		As at 31st March, 2007
	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVESTMENTS			
Long Term Investments (At cost, fully paid-up)			
A. Government Securities (Unquoted):			
National Savings Certificate VIII Issue	0.01		0.01
		0.01	
B. Trade (Unquoted) – Equity Shares:			
Subsidiary Company			
In another country:			
Kansai Coatings Malaysia Sdn. Bhd.			
1,65,00,000 Equity Shares of RM 1 each.....	19,88.28		19,88.28
Associate Company			
Nipa Chemicals Limited			
3,67,500 Equity Shares of Rs. 10 each	35.86		35.86
		20,24.14	
C. Other than Trade (Unquoted unless otherwise stated):			
(i) Shares, Debentures and Bonds			
(a) Equity Shares:			
National Thermal Power Corporation Limited (Quoted)			
40,524 Equity Shares of Rs. 10 each	25.12		25.12
	25.12		25.12
(b) Debentures and Bonds:			
1. Nuclear Power Corporation of India Limited			
500, 8.20% Tax-Free Bonds of Rs. 1,00,000 each	5,00.00		5,00.00
2. Unit Trust of India (Quoted)			
1,64,135, 6.75% UTI-I US64 Tax-Free Bonds of Rs. 100 each	1,64.14		1,64.14
3. Unit Trust of India (Quoted)			
5,47,085, 6.6% UTI-I ARS Tax-Free Bonds of Rs. 100 each	5,47.08		5,47.08
	12,11.22		12,11.22
(ii) Mutual Funds			
(a) Dividend Option:			
1. B301QD Birla Income Plus – Quarterly			
18,08,285 Units (and 564 fractions) of Rs. 10 each (Purchased during the year).....	2,00.00		—
2. DWS Alpha Equity Fund			
None Units of Rs. 10 each [5,79,038 Units (and 796 fractions) sold during the year].....	—		1,00.00
3. Franklin India Bluechip Fund			
None Units of Rs. 10 each [9,85,755 Units (and 452 fractions) sold during the year].....	—		2,00.90
4. G129 Grindlays Fixed Maturity – Plus Plan I - B			
None Units of Rs. 10 each (45,00,000 Units sold during the year).....	—		4,50.00
5. HDFC Equity Fund			
None Units of Rs. 10 each [2,72,390 Units (and 499 fractions) sold during the year].....	—		50.00
6. HDFC Multiple Yield Fund			
None Units of Rs. 10 each [31,75,339 Units (and 594 fractions) sold during the year].....	—		3,18.65

KANSAI NEROLAC PAINTS LIMITED

2008

2007

Rs. in lacs

20,24

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE F (Contd.)

Long Term Investments (At cost, fully paid-up) (contd.)
 C Other than Trade (Unquoted unless otherwise stated) (contd.)
 Mutual Funds (contd.)

(a) Dividend Option (contd):

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
7. HDFC Top 200 Fund None Units of Rs. 10 each [4,70,301 Units (and 528 fractions) sold during the year].....	—		1,00.56	
8. HSBC Equity Fund None Units of Rs. 10 each [9,84,675 Units (and 987 fractions) sold during the year].....	—		2,00.01	
9. 12 ICICI Prudential Growth Plan None Units of Rs. 10 each [10,80,894 Units (and 153 fractions) sold during the year]	—		1,54.36	
10. 122 ICICI Prudential Power None Units of Rs. 10 each [15,38,989 Units and (313 fractions) sold during the year].....	—		2,51.11	
11. BPAD ICICI Prudential - Blended Plan A 1,42,55,460 Units (and 980 fractions) of Rs. 10 each [5,08,158 Units (and 555 fractions) purchased during the year]	14,58.25		1,404.84	
12. EDIID ICICI Prudential Equity & Derivatives Fund – Income Optimiser – Institutional 51,66,349 Units (and 810 fractions) of Rs. 10 each [1,66,349 Units (and 810 fractions) purchased during the year].....	5,17.50		5,00.00	
13. EDIRD ICICI Prudential Equity & Derivatives Fund – Income Optimiser – Retail 18,74,414 Units (and 246 fractions) of Rs. 10 each (Purchased during the year).....	2,00.00		—	
14. UTI Liquid Cash Plan Institutional – Monthly Income Option None Units of Rs. 1000 each [254 Units (and 476 fractions) purchased during the year and 40,486 Units (and 929 fractions) sold during the year]	—		4,11.80	
Mutual Fund (Dividend Option) ...	23,75.75		41,42.23	

(b) Growth Option:

1. B301G Birla Income Plus 3,12,053 Units (and 197 fractions) of Rs. 10 each (Purchased during the year).....	1,10.00		—	
2. B895IG Birla FTP - Institutional - Series AK 20,00,000 Units of Rs. 10 each (Purchased during the year).....	2,00.00		—	
3. B896IG Birla FTP - Institutional – Series AL 35,00,000 Units of Rs. 10 each (Purchased during the year).....	3,50.00		—	
4. B897IG Birla FTP - Institutional – Series AM 20,00,000 Units of Rs. 10 each (Purchased during the year).....	2,00.00		—	
5. HDFC Monthly Income Plan – Long Term 25,40,924 Units (and 512 fractions) of Rs. 10 each	3,77.90		3,77.90	
6. HDFC Multiple Yield Fund None Units of Rs. 10 each [29,99,999 Units (and 999 fractions) sold during the year].....	—		3,00.00	

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE: F (Contd.)

	As at 31st March, 2008		As at 31st March,
	Rs. in lacs	Rs. in lacs	Rs. in lacs
Long Term Investments (At cost, fully paid-up) (contd.)			
C. Other than Trade (Unquoted unless otherwise stated) (contd.)			
(ii) Mutual Funds (contd.)			
(b) Growth Option (contd):			
7. HDFC FMP 13M March 2008 (VII) (2) – Wholesale Plan 20,00,000 Units of Rs. 10 each (Purchased during the year).....		2,00.00	—
8. HDFC FMP 370D March 2008 (VII) (2) – Wholesale Plan 20,00,000 Units of Rs. 10 each (Purchased during the year).....		2,00.00	—
9. HDFC FMP 26M August 2006 (1) – Institutional Plan 10,00,000 Units of Rs. 10 each.....		1,00.00	1,00.00
10. HSBC MIP – Savings Plan None Units of Rs. 10 each [3,00,000 Units sold during the year].....		—	3,00.00
11. 31ISG ICICI Prudential Institutional Liquid Plan – Super Institutional None Units of Rs. 10 each [15,39,447 Units (and 254 fractions) sold during the year].....		—	1,62.71
12. 84 ICICI Prudential MIP – Cumulative 31,11,377 Units (and 931 fractions) of Rs. 10 each [23,62,163 Units (and 717 fractions) sold during the year].....		3,72.88	6,55.96
13. 165IG ICICI Prudential FMP34 – 15 Month Plan Institutional 20,00,000 Units of Rs. 10 each.....		2,00.00	2,00.00
14. 1140 ICICI Prudential FMP Series 41 – Fourteen Months Plan Institutional Cumulative 45,00,000 Units of Rs. 10 each (Purchased during the year).....		4,50.00	—
15. JM - Arbitrage Advantage Fund 28,26,734 Units (and 256 fractions) of Rs. 10 each [18,26,734 Units (and 256 fractions) purchased during the year].....		3,00.00	1,00.00
16. Kotak Twin Advantage Series 2 25,00,000 Units of Rs. 10 each.....		2,50.00	2,50.00
17. Kotak FMP 15M Series 1 None Units of Rs. 10 each [20,00,000 Units sold during the year].....		—	2,00.00
18. TATA Fixed Investment Plan – 1 Scheme A – Institutional Plan 40,00,000 Units of Rs. 10 each (Purchased during the year).....		4,00.00	—
19. TBFG TATA Balanced Fund None Units of Rs. 10 each [9,46,355 Units (and 820 fractions) sold during the year].....		—	1,97.50
20. UTI Fixed Income Interval Fund – Annual Interval Plan Series - I – Institutional 40,00,000 Units of Rs. 10 each (Purchased during the year).....		4,00.00	—
21. UTI Fixed Maturity Plan Yearly Series /0806 None Units of Rs. 10 each (20,00,000 Units sold during the year).....		—	2,00.00

KANSAI NEROLAC PAINTS LIMITED

2008

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

007

Rs. in lacs

SCHEDULE: F (Contd.)

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

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

(ii) Mutual Funds (contd.)

(b) Growth Option (contd.):

22. UTI Fixed Term Income Fund - IV - III (08-14 Months) - Institutional Plan
30,00,000 Units of Rs. 10 each (Purchased during the year).....

3,00.00

23. UTI Fixed Term Income Fund Series - III Plan 20 - Institutional
10,00,000 Units of Rs. 10 each (Purchased during the year).....

1,00.00

24. UTI Fixed Maturity Plan Yearly Series YFMP/0807 - Institutional
10,00,000 Units of Rs. 10 each (Purchased during the year)"

1,00.00

25. UTI Liquid Cash Plan Institutional
None Units of Rs. 1000 each [677 Units (and 392 fractions) sold during the year].....

7.97

Mutual Fund (Growth Option).....

46,10.78

30,52.04

Mutual Fund (Total).....

69,86.53

71,94.27

Other than Trade (Total).....

82,22.87

84,30.61

Long Term Investments (Total).....

1,02,47.02

1,04,54.76

Current Investments (At lower of cost and market value)

(i) Mutual Funds

(a) Dividend Option:

1. B332WD Birla Sun Life Liquid Plus - Institutional - Weekly
1,00,06,023 Units (and 696 fractions) of Rs. 10 each [4,60,52,750 Units (and 748 fractions) purchased during the year and 3,60,46,727 Units (and 052 fractions) sold during the year].....

10,02.97

2. B706D Birla FMP - Series 2 - Quarterly
30,54,587 Units (and 254 fractions) of Rs. 10 each (Purchased during the year).....

3,06.11

3. B874D BSL Interval Income Fund - Institutional - Quarterly - Series 2
51,27,678 Units (and 192 fractions) of Rs. 10 each (Purchased during the year).....

5,12.77

4. B880D BSL Interval Income Fund - Institutional - Quarterly - Series 3
15,00,000 Units of Rs. 10 each (Purchased during the year).....

1,50.00

5. B883RD BSL Quarterly Interval - Series 1
51,14,033 Units (and 186 fractions) of Rs. 10 each (Purchased during the year).....

5,11.40

6. B884RD BSL Quarterly Interval - Series 2
30,00,000 Units of Rs. 10 each (Purchased during the year).....

3,00.00

7. DWS Credit Opportunities Cash Fund
1,03,50,620 Units (and 836 fractions) of Rs. 10 each [1,23,24,253 (and 109 fractions) purchased during the year and 19,73,632 Units (and 273 fractions) sold during the year].....

10,44.42

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE: F (Contd.)

	As at 31st March, 2008		As at 31st March
	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and market value) (contd.)			
(i) Mutual Funds (contd.)			
(a) Dividend Option: (contd.)			
8. DWS Fixed Term Fund Series 23 None Units of Rs. 10 each (10,00,000 Units sold during the year).....	—		1,00.00
9. HDFC FMP 181D December 2007 (VI) – Wholesale Plan 20,00,000 Units of Rs. 10 each (Purchased during the year).....	2,00.00		—
10. HDFC FMP 90D January 2007 (3) – Wholesale Plan None Units of Rs. 10 each [40,48,985 Units (and 726 fractions) sold during the year].....	—		4,04.90
11. HDFC FMP 90D January 2008 (VI) – Wholesale Plan 40,00,000 Units of Rs. 10 each (Purchased during the year).....	4,00.00		—
12. HDFC FMP 90D February 2008 (VII) – Wholesale Plan 40,00,000 Units of Rs. 10 each (Purchased during the year).....	4,00.00		—
13. HDFC FMP 90D March 2008 VII (2) – Wholesale Plan 20,00,000 Units of Rs. 10 each (Purchased during the year).....	2,00.00		—
14. HDFC Quarterly Interval Fund – Plan A Wholesale 50,74,565 Units (and 878 fractions) of Rs. 10 each (Purchased during the year).....	5,09.22		—
15. HDFC Quarterly Interval Fund – Plan C Wholesale 39,97,441 Units (and 637 fractions) of Rs. 10 each (Purchased during the year).....	4,00.00		—
16. HSBC Interval Fund – Plan 2 – Institutional 20,43,390 Units (and 313 fractions) of Rs. 10 each (Purchased during the year).....	2,04.34		—
17. 28 ICICI Prudential Flexible Income Plan – Weekly 28,49,106 Units (and 271 fractions) of Rs. 10 each [4,56,67,776 Units (and 372 fractions) purchased during the year and 4,28,18,670 Units (and 101 fractions) sold during the year].....	3,00.43		—
18. 32ISW ICICI Prudential Institutional Liquid Plan – Super Institutional Weekly None Units of Rs. 10 each [56,087 Units (and 553 fractions) purchased during the year and 1,00,45,398 Units (and 990 fractions) sold during the year].....	—		10,00.00
19. 161RD ICICI Prudential FMP Series 34 – Three Months Plus Plan A – Retail None Units of Rs. 10 each [12,125 Units (and 205 fractions) purchased during the year and 30,66,333 Units (and 037 fractions) sold during the year].....	—		3,05.42

KANSAI NEROLAC PAINTS LIMITED

2008 SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

2007

SCHEDULE F (Contd.)

Rs. in

As at 31st March, 2008
As at 31st March, 2007
Rs. in lacs Rs. in lacs
Rs. in lacs Rs. in lacs

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

Mutual Funds (contd.)

(a) Dividend Option: (contd.)

20. 163RD ICICI Prudential FMP Series 35 - Three Months Plan A - Retail None Units of Rs. 10 each [21,322 Units (and 876 fractions) purchased during the year and 40,90,573 Units (and 927 fractions) sold during the year].....	—	4,06.93
21. 164RD ICICI Prudential FMP Series 35 - Three Months Plan B - Retail None Units of Rs. 10 each [44,488 Units (and 929 fractions) purchased during the year and 45,88,812 Units (and 599 fractions) sold during the year].....	—	4,54.43
22. 1084 ICICI Prudential Interval Fund II Quarterly Interval Plan C - Retail 41,03,662 Units (and 765 fractions) of Rs. 10 each (Purchased during the year).....	4,10.37	—
23. 1100 ICICI Prudential Interval Fund II Quarterly Interval Plan D - Retail 81,48,240 Units of Rs. 10 each (Purchased during the year).....	8,14.82	—
24. 1118 ICICI Prudential Interval Fund II Quarterly Interval Plan F - Retail 40,75,120 Units of Rs. 10 each (Purchased during the year).....	4,07.51	—
25. 1146 ICICI Prudential FMP Series 42 - Three Months Plan A Retail 20,00,000 Units of Rs. 10 each (Purchased during the year).....	2,00.00	—
26. IPQRD ICICI Prudential Interval Fund Quarterly Interval Plan - 1 Retail 79,88,784 Units (and 442 fractions) of Rs. 10 each (Purchased during the year).....	7,98.88	—
27. Kotak FMP 3M Series 10 None Units of Rs. 10 each (75,00,000 Units sold during the year).....	—	7,50.00
28. Reliance Monthly Interval Fund - Series II - Institutional 9,99,550 Units (and 202 fractions) of Rs. 10 each (Purchased during the year).....	1,00.00	—
29. Reliance Quarterly Interval Fund - Series III - Institutional 19,99,920 Units (and 003 fractions) of Rs. 10 each (Purchased during the year).....	2,00.00	—
30. G179 Standard Chartered Fixed Maturity Plan - Quarterly Series 4 None Units of Rs. 10 each [50,55,995 Units (and 166 fractions) sold during the year].....	—	5,05.60
31. G181 Standard Chartered Fixed Maturity Plan - Quarterly Series 5 None Units of Rs. 10 each [20,00,634 Units (and 814 fractions) sold during the year].....	—	2,00.06
32. Tata Fixed Horizon Fund Series 17 Scheme D - Institutional Plan - Monthly 30,00,000 Units of Rs. 10 each (Purchased during the year).....	3,00.00	—

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE: F (Contd.)

	As at 31st March, 2008		As at 31st March
	Rs. in lacs	Rs. in lacs	Rs. in lacs
Current Investments (At lower of cost and market value) (contd.)			
(i) Mutual Funds (contd.)			
(a) Dividend Option: (contd.)			
33. TFFIM8 Tata Fixed Horizon Fund Series 8 - Scheme F - Monthly - Institutional None Units of Rs. 10 each (20,00,000 Units sold during the year)	—	—	2,00.00
34. TFIQB2 Tata Fixed Income Portfolio Fund Scheme B2 Institutional Quarterly 50,82,430 Units (and 217 fractions) of Rs. 10 each (Purchased during the year)	5,08.25	—	—
35. TFRLB Tata Floating Rate Fund Long Term - Income/Bonus 19,81,833 Units (and 932 fractions) of Rs. 10 each (Purchased during the year)	2,00.42	—	—
36. UTI Fixed Income Interval Fund - Quarterly Interval Plan Series - I - Institutional 40,73,858 Units (and 365 fractions) of Rs. 10 each (Purchased during the year)	4,07.40	—	—
37. UTI Fixed Income Interval Fund - Quarterly Plan Series - III - Institutional 1,02,31,248 Units (and 598 fractions) of Rs. 10 each (Purchased during the year)	10,23.15	—	—
38. UTI Fixed Income Interval Fund - Half Yearly Interval Plan - II - Institutional 20,45,165 Units (and 500 fractions) Units of Rs. 10 each (Purchased during the year)	2,04.52	—	—
39. UTI Fixed Maturity Plan (HFMP/0207) None Units of Rs. 10 each (30,00,000 Units sold during the year)	—	—	3,00.00
40. UTI Fixed Maturity Plan HFMP 03/08 - I - Institutional 25,00,000 Units of Rs. 10 each (Purchased during the year)	2,50.00	—	—
41. UTI Fixed Maturity Plan Quarterly Series QFMP/0207/I None Units of Rs. 10 each (20,00,000 Units sold during the year)	—	—	2,00.00
42. UTI Fixed Maturity Plan Quarterly Series QFMP/0207/II None Units of Rs. 10 each [20,01,544 Units (and 517 fractions) sold during the year]	—	—	2,00.15
43. UTI Fixed Maturity Plan - QFMP (02/08-I) - Institutional 30,00,000 Units of Rs. 10 each (Purchased during the year)	3,00.00	—	—
44. UTI Fixed Maturity Plan - QFMP (02/08-II) - Institutional 40,00,000 Units of Rs. 10 each (Purchased during the year)	4,00.00	—	—
Current Investment (Total)		1,29,66.98	50,27.49
Total		2,32,14.00	1,54,82.25
Aggregate amount of quoted investments [Market value Rs. 7,88.71 Lacs (2006-07 Rs. 7,52.63 Lacs)]		7,36.34	7,36.34
Aggregate amount of unquoted investments		2,24,77.66	1,47,45.91
		2,32,14.00	1,54,82.25

KANSAI NEROLAC PAINTS LIMITED

ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE F (contd.)

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

(Unquoted, fully paid up)

Cost of Acquisition
Rs. in lacs

	Cost of Acquisition Rs. in lacs
1. 13,73,918 Units (and 898 fractions) of Rs. 10 each in B32G Birla Sun Life Liquid Plus Institutional (Growth Option).....	2,00.00
2. 27,78,629 Units (and 311 fractions) of Rs. 10 each in B502DD Birla Cash Plus – Institutional – Daily (Dividend Option).....	3,00.16
3. 35,00,000 Units of Rs. 10 each in B886ID BSL Interval Income – Institutional – Monthly – Series 2 (Dividend Option).....	3,50.00
4. 48,55,718 Units (and 694 fractions) of Rs. 10 each in DWS Insta Cash Plus Fund – Daily (Dividend Option).....	5,00.19
5. 20,24,454 Units (and 936 fractions) of Rs. 10 each in DWS Money Plus Advantage Fund – Institutional (Dividend Option).....	2,02.46
6. 49,89,877 Units (and 319 fractions) of Rs. 10 each in DWS Money Plus Fund Regular Plan Weekly (Dividend Option).....	5,02.95
7. 19,99,998 Units (and 598 fractions) of Rs. 10 each in G49 Grindlays Floating Rate Fund – LT – Institutional Plan B – Weekly (Dividend Option).....	2,00.23
8. 1,12,86,697 Units (and 921 fractions) of Rs. 10 each in HDFC Cash Management Fund – Savings Plan – Daily (Dividend Option).....	12,00.50
9. 37,90,896 Units (and 329 fractions) of Rs. 10 each in HDFC Cash Management Fund – Savings Plan – Weekly (Dividend Option).....	4,03.47
10. 2,53,61,450 Units (and 961 fractions) of Rs. 10 each in HDFC Cash Management Fund – Savings Plus Plan – Wholesale – Weekly (Dividend Option).....	25,42.44
11. 78,96,303 Units (and 747 fractions) of Rs. 10 each in HDFC Floating Rate Income Fund – Short Term Plan – Retail – Weekly (Dividend Option).....	8,00.77
12. 1,92,95,694 Units (and 128 fractions) of Rs. 10 each in HDFC Floating Rate Income Fund – Short Term Plan – Wholesale – Weekly (Dividend Option).....	19,56.77
13. 40,00,000 Units of Rs. 10 each in HDFC FMP 90D August 2007 (6) – Wholesale (Dividend Option).....	4,00.00
14. 40,00,000 Units of Rs. 10 each in HDFC FMP 90D November 2007 (VI) – Wholesale (Dividend Option).....	4,00.00
15. 40,00,000 Units of Rs. 10 each in HDFC FMP 90D November 2007 (VI) 2 – Wholesale (Dividend Option)....	4,00.00
16. 20,00,000 Units of Rs. 10 each in HDFC FMP 90D December 2007 (VI) – Wholesale (Dividend Option).....	2,00.00
17. 29,43,426 Units (and 646 fractions) of Rs. 10 each in HDFC Liquid Fund – Daily (Dividend Option).....	3,00.18
18. 41,28,750 Units (and 745 fractions) of Rs. 10 each in HDFC Quarterly Interval Fund – Plan B Wholesale (Dividend Option).....	4,12.88
19. 71,91,663 Units (and 175 fractions) of Rs. 10 each in HDFC Quarterly Interval Fund – Plan C Wholesale (Dividend Option).....	7,19.17
20. 44,86,983 Units (and 972 fractions) of Rs. 10 each in HSBC Liquid Plus – Institutional – Weekly (Dividend Option).....	4,50.56
21. 40,90,573 Units (and 927 fractions) of Rs. 10 each in 179RD ICICI Prudential FMP Series 37 –Three Months Plus Plan B – Retail (Dividend Option).....	4,09.06
22. 40,67,618 Units (and 136 fractions) of Rs. 10 each in 180RD ICICI Prudential FMP Series 38 –Three Months Plan A – Retail (Dividend Option).....	4,06.76
23. 2,00,72,310 Units (and 082 fractions) of Rs. 10 each in 32ISD ICICI Prudential Institutional Liquid Plan – Super Institutional Daily (Dividend Option).....	20,07.26
24. 19,85,663 Units (and 509 fractions) of Rs. 10 each in IM2RD ICICI Prudential Interval Fund Monthly Plan II – Retail (Dividend Option).....	2,00.00
25. 52,02,589 Units (and 714 fractions) of Rs. 10 each in 1004 ICICI Prudential Interval Fund Quarterly Interval Plan – II Retail (Dividend Option).....	5,20.26
26. 49,99,981 Units (and 532 fractions) of Rs. 10 each in Kotak Flexi Debt Scheme – Daily (Dividend Option) ...	5,01.55

50,27.00
1,54,82.20
7,36.30
1,47,45.90
1,54,82.20

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE: F (contd.)

Investments purchased and sold during the year other than shown above: (contd.)

(Unquoted, fully paid up) (contd.)

	Cost of Acquisition Rs. in Lakhs	
27. 61,23,806 Units (and 778 fractions) of Rs. 10 each in Kotak FMP 3M Series 17 (Dividend Option).....	612.38	INVENT Stores Stock-in
28. 40,00,000 Units of Rs. 10 each in Kotak FMP 3M Series 25 (Dividend Option).....	400.00	Ra Rs. Pa Sto Fin
29. 40,72,942 Units (and 346 fractions) of Rs. 10 each in Kotak Quarterly Interval Plan Series 4 (Dividend Option).....	407.29	
30. 6,49,964 Units (and 783 fractions) of Rs. 10 each in Principal Cash Management Fund – Liquid Option Daily (Dividend Option).....	65.00	
31. 39,99,360 Units (and 102 fractions) of Rs. 10 each in Reliance Interval Fund – Quarterly Plan – Series I – Institutional (Dividend Option)	400.00	
32. 29,44,747 Units (and 165 fractions) of Rs. 10 each in Reliance Liquid Fund –Treasury Plan – Institutional Daily (Dividend Option).....	450.11	
33. 44,96,402 Units (and 878 fractions) of Rs. 10 each in Reliance Monthly Interval Fund – Series I – Institutional (Dividend Option).....	450.00	SCHED
34. 51,63,890 Units (and 103 fractions) of Rs. 10 each in G512 Standard Chartered Fixed Maturity Plan – Quarterly Series 11 (Dividend Option)	516.39	SUNDR (Consid Debts o Ser Un:
35. 50,00,000 Units of Rs. 10 each in Tata Fixed Horizon Fund Series 11 Scheme E – ID – Periodic (Dividend Option).....	500.00	
36. 15,31,602 Units (and 836 fractions) of Rs. 10 each in Templeton Quarterly Interval Plan – Plan B – Institutional (Dividend Option).....	153.16	
37. 39,98,040 Units (and 960 fractions) of Rs. 10 each in TFIMA1 Tata Fixed Income Portfolio Fund Scheme A1 Institutional Monthly (Dividend Option).....	400.00	Other D Ser Un
38. 1,03,00,477 Units (and 043 fractions) of Rs. 10 each in TFLW Tata Floater Fund – Weekly (Dividend Option).....	1038.99	
39. 50,00,000 Units of Rs. 10 each in UTI Fixed Income Interval Fund-Monthly Interval Plan Series - I – Institutional (Dividend Option).....	500.00	
40. 20,35,597 Units (and 766 fractions) of Rs. 10 each in UTI Fixed Maturity Plan – QFMP/1107/II – Institutional (Dividend Option).....	203.56	
41. 40,80,073 Units (and 932 fractions) of Rs. 10 each in UTI Fixed Maturity Plan Quarterly Series QFMP/0507/1 (Dividend Option).....	408.07	
42. 20,37,419 Units (and 216 fractions) of Rs. 10 each in UTI Fixed Maturity Plan Quarterly Series QFMP/0607/1 - Institutional Plan (Dividend Option).....	203.74	SCHED
43. 20,00,000 Units of Rs. 10 each in UTI Fixed Maturity Plan Quarterly Series 08/07/II – Institutional (Dividend Option).....	200.00	CASH Cash o With St Or Or
44. 20,00,000 Units of Rs. 10 each in UTI Fixed Maturity Plan Quarterly Series QFMP 0907/I – Institutional (Dividend Option).....	200.00	
45. 20,00,000 Units of Rs. 10 each in UTI Fixed Maturity Plan Quarterly Series QFMP 0907/II – Institutional (Dividend Option).....	200.00	
46. 2,16,709 Units (and 590 fractions) of Rs. 1000 each in UTI Liquid Cash Plan Institutional – Daily Income (Dividend Option).....	2209.24	With N Ap Or Rs Ke Ol Rs
47. 41,726 Units (and 180 fractions) of Rs. 1000 each UTI Liquid Plus Fund Institutional Monthly (Dividend Option).....	423.81	
48. 4,22,153 Units (and 734 fractions) of Rs. 1000 each in UTI Liquid Plus Fund Institutional Monthly Income (Dividend Option).....	4233.38	
49. 1,35,788 Units (and 963 fractions) of Rs. 1000 each in UTI Liquid Plus Fund Institutional Weekly (Dividend Option).....	1359.24	
50. 62,29,948 Units (and 198 fractions) of Rs. 10 each in UTI Money Market Fund – Daily (Dividend Option).....	1100.15	

KANSAI NEROLAC PAINTS LIMITED

H, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE: G

of Acq

Rs. in

6.1

4.0

4.07

6.50

4.00

4.50

4.00

4.50

4.50

4.50

4.50

5.16

5.00

1.52

4.00

10.38

5.00

2.03

4.08

2.03

2.00

2.00

22.09

4.23

42.33

13.59

11.00

INVENTORIES

Stores and Spare Parts (At cost).....	1,94.53	1,93.50
Stock-in-Trade (At lower of cost and net realisable value)		
Raw Materials [Including in-transit Rs. 8.58 lacs (2006-2007 Rs. 53.08 lacs)].....	52,11.90	52,45.03
Packing Materials.....	3,59.14	4,50.17
Stock-in-Process.....	13,37.98	16,11.03
Finished Products.....	1,02,37.56	1,05,42.44
TOTAL.....	1,73,41.11	1,80,42.17

As at
31st March, 2008
Rs. in lacs

As at
31st March, 2007
Rs. in lacs

SCHEDULE: H

SUNDRY DEBTORS

(Considered good)				
Debts outstanding for a period exceeding six months:				
Secured.....	0.54		0.01	
Unsecured.....	3,73.75		4,37.97	
		3,74.29		4,37.98
Other Debts:				
Secured.....	1.17		0.13	
Unsecured.....	2,09,17.84		1,90,30.93	
		2,09,19.01		1,90,31.06
TOTAL.....	2,12,93.30		1,94,69.04	

As at
31st March, 2008
Rs. in lacs

As at
31st March, 2007
Rs. in lacs

SCHEDULE: I

CASH AND BANK BALANCES

Cash on hand	4.92	14.87
With Scheduled Banks:		
On Current Account [Refer Note II(4) on Schedule 'R'].....	33,30.81	21,12.75
On Margin Account.....	1.81	1.81
	33,32.62	21,14.56
With Non-Scheduled Banks:		
Apna Sahakari Bank Limited		
On Current Account [Maximum balance during the year Rs. 20.00 lacs (2006-2007 Rs. 0.11 lac)].....	—	0.10
Kanpur Kshetriya Gramin Bank		
On Current Account [Maximum balance during the year Rs. 19.74 lacs (2006-2007 Rs. 19.74 lacs)].....	—	19.74
	—	19.84
TOTAL.....	33,37.54	21,49.27

As at
31st March, 2008
Rs. in lacs

As at
31st March, 2007
Rs. in lacs

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE: J

	As at 31st March, 2008	31st March
	Rs. in lacs	Rs.
LOANS AND ADVANCES		
(Unsecured, considered good)		
Due from Subsidiary Company.....	98.13	
Advances recoverable in cash or in kind or for value to be received [Refer Note II(5) on Schedule 'R']	12,90.86	
Advance Payment of Tax Net of Provisions (other than deferred tax and fringe benefit tax).....	18,95.33	
Advance Payment of Fringe Benefit Tax Net of Provisions.....	32.39	
Balance with Central Excise, Customs, Port Trust etc.....	14,98.10	
TOTAL.....	<u>48,14.81</u>	

SCHEDULE: K

	As at 31st March, 2008	31st March
	Rs. in lacs	Rs.
CURRENT LIABILITIES		
Acceptances.....	6,80.82	
Sundry Creditors [Refer Notes II(6) and II(7) on Schedule 'R'].....	1,61,57.55	
Interim dividend payable on Equity Shares to be issued.....	—	
Unclaimed Dividend.....	47.69	
Unclaimed Fixed Deposits.....	2.55	
Unclaimed Interest on Fixed Deposits.....	0.89	
TOTAL.....	<u>1,68,89.50*</u>	

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

SCHEDULE: L

	As at 31st March, 2008	31st March, 2008
	Rs. in lacs	Rs. in lacs
PROVISIONS		
Taxation Net of Advances (other than deferred tax and fringe benefit tax)	15,23.11	
Fringe Benefit Tax Net of Advances.....	17.49	
Proposed Dividend	32,33.52	
Additional Income-tax on Distributed Profits.....	5,49.54	
Indirect taxes [Refer Note II(25)(a) on Schedule 'R']	26,63.58	
Provision for warranties [Refer Note II(25)(b) on Schedule 'R']	45.00	
Provision for compensated absences.....	3,37.75	
TOTAL	<u>83,69.99</u>	

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

March, 2008 Rs. in lacs	SCHEDULE M OTHER INCOME	Year ended 31st March, 2008		Year ended 31st March, 2007	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
	Income from Investments:				
18,000	Dividend from Trade Investments (Long term)		—		2,20.50
18,400	Dividend from other than Trade Investments:				
15,900	Long term	1,95.44		3,43.55	
52,700	Current	6,33.56		1,54.25	
			8,29.00		4,97.80
	Interest on other than Trade Investments		88.19		1,02.97
	Interest on deposits and advances (Gross) [Tax deducted at source Rs. 0.74 lac (2006-2007 Rs. 1.47 lacs)].....		7.62		11.03
	Profit on Sale of Fixed Assets		4.96		83.00
	Profit on Sale / Redemption of Investments:				
	Long term	14,00.71		4,06.04	
	Current.....	13.21		1,08.04	
			14,13.92		5,14.08
	Provision for diminution in value of Investments acquired on amalgamation no longer required.....		—		80.70
	Provision for write down in value of Fixed Assets written back consequent to charge on account of depreciation [Refer Note II(3)(ii) on Schedule 'R'].....		11.52		13.23
	Insurance and Other Claims / Sales Tax Refunds		41.16		3,63.18
	Lease Rentals.....		71.89		3,91.93
	Miscellaneous Income		16.33		1,26.35
	TOTAL.....		24,84.59		24,04.77

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE: N

COST OF MATERIALS / PRODUCTS	Year ended 31st March, 2008		Year ended 31st March
	Rs. in lacs	Rs. in lacs	Rs. in lacs
Raw Materials Consumed:			
Opening Stock	52,45.03		59,46.67
Add: Transferred on Amalgamation.....	—		4,37.95
Add: Purchases.....	6,94,84.09		6,46,42.47
	<u>7,47,29.12</u>		<u>7,10,27.09</u>
Less: Sales.....	1,90.91		5,78.50
	<u>7,45,38.21</u>		<u>7,04,48.59</u>
Less: Closing Stock.....	52,11.90		52,45.03
		<u>6,93,26.31</u>	<u>6,52,03.06</u>
Packing Materials Consumed:			
Opening Stock	4,50.17		6,20.42
Add: Transferred on Amalgamation.....	—		7.17
Add: Purchases.....	91,81.63		85,05.33
	<u>96,31.80</u>		<u>91,32.92</u>
Less: Closing Stock.....	3,59.14		4,50.17
		<u>92,72.66</u>	<u>86,82.75</u>
Adjustment for Stock:			
Opening Stock:			
Stock-in-Process	16,11.03		19,52.37
Finished Products.....	1,05,42.44		91,72.14
	<u>1,21,53.47</u>		<u>1,11,24.51</u>
Add: Transferred on Amalgamation:			
Stock-in-Process	—		24.70
Finished Products.....	—		4,21.96
Add: Purchase of Finished Products.....	45,27.80		45,28.89
	<u>1,66,81.27</u>		<u>1,61,00.06</u>
Less: Closing Stock:			
Stock-in-Process	13,37.98		16,11.03
Finished Products.....	1,02,37.56		1,05,42.44
	<u>1,15,75.54</u>		<u>1,21,53.47</u>
		<u>51,05.73</u>	<u>39,46.03</u>
TOTAL.....		<u>8,37,04.70*</u>	<u>7,78,32.09</u>

* Includes Rs. 80.17 lacs (2006-2007 Rs. 43.38 lacs) expenditure incurred on Research and Development

* Includes F

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2008**

UNT

ended
ch, 2007

Rs.

6,52,000

86,000

39,40

7,78,32

SCHEDULE: O

EMPLOYEES' REMUNERATION AND BENEFITS

	Year ended 31st March, 2008	Year ended 31st March, 2007
	Rs. in lacs	Rs. in lacs
Wages, Bonus & Commission and Other Related	60,05.57	50,96.17
Contribution to Provident Fund and Other	4,07.80	3,37.37
and Staff Welfare Expenses	4,99.68	5,23.36
TOTAL.....	69,13.05*	59,56.90

* Includes Rs. 6,18.95 lacs (2006-2007 Rs. 5,19.51 lacs) expenditure incurred on Research and Development

SCHEDULE: P

OPERATING AND OTHER EXPENSES

	Year ended 31st March, 2008	Year ended 31st March, 2007
	Rs. in lacs	Rs. in lacs
Stores and Spare Parts Consumed.....	9,29.96	7,17.94
Power and Fuel	20,46.20	19,95.04
Processing Charges	5,54.26	5,17.96
Excise duty other than relating to sales	27.01	2,33.14
Repairs and Maintenance:		
Plant and Machinery.....	3,55.49	3,62.01
Buildings.....	81.53	82.71
Others.....	1,41.02	1,88.51
Consignment, Freight and Forwarding Charges.....	5,78.04	6,33.23
Advertising and Selling Expenses	54,99.89	50,55.12
Provision for Warranties.....	41,93.62	38,22.53
Provision for Warranties.....	25.00	20.00
Rent.....	5,31.01	4,56.76
Rates and Taxes	79.04	89.20
Water Charges	28.82	29.07
Surcharge on Sales Tax.....	1,19.25	1,88.71
Insurance.....	1,82.44	2,21.28
Commission to Non-Wholetime Directors [Refer Note II(10) on Schedule 'R'].....	50.00	40.00
Directors sitting fees	3.60	3.20
Cash Discount	29,94.46	25,45.56
Donations	50.00	50.00
Travelling and Conveyance Expenses	13,55.71	12,92.40
Loss on Sale of Investments:		
Long Term	10.99	—
Current.....	6.87	0.39
Loss on Sale of Fixed Assets	17.86	0.39
Loss on Fixed Assets Written Off	6.35	0.07
Provision for write down in the value of fixed assets	69.73	0.77
Bad Debts.....	1,31.88	101.40
Lease Rentals.....	40.40	36.99
I. T. Related Expenses	3,55.64	3,78.21
Royalty.....	8,02.24	10,01.27
Miscellaneous.....	20,29.77	18,74.30
TOTAL.....	2,27,02.18*	2,13,04.54

* Includes Rs. 2,33.34 lacs (2006-2007 Rs. 2,03.35 lacs) expenditure incurred on Research and Development

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2008**

COMPUTATION OF NET PROFITS IN ACCORDANCE WITH SECTION 309 (5) READ WITH SECTION 349 OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE: Q

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	
Profit after Tax as per Profit and Loss Account.....		1,19,79.02		(i)
Add: Directors' Remuneration [Inclusive of Directors' Commission Rs. 75.00 lacs (2006-2007 Rs.63.75 lacs)].....	1,88.06		1,44.21	
Commission to Non-Wholetime Directors.....	50.00		40.00	
Directors' sitting fees.....	3.60		3.20	(ii)
Loss on Sale of Investments:				
Long Term	10.99		—	
Current	6.87		0.39	(iii)
Provision for write down in value of fixed assets	69.73		—	
Provision for Taxation.....	50,60.00		53,30.74	
		53,89.25	53,30.74	
		1,73,68.27	1,62,35.09	(iv)
Less: Profit on sale / redemption of Investments:				
Long term	14,00.71		4,06.04	
Current	13.21		1,08.04	
	14,13.92		5,14.08	
Provision for diminution in value of investments acquired on amalgamation no longer required.....	—		80.70	(v)
Provision for write down in value of fixed assets written back consequent to charge on account of depreciation.....	11.52		13.23	
Capital profit on sale of fixed assets.....	—		83.00	
		14,25.44	6,91.07	
		1,59,42.83	1,55,93.46	(vi)
(a) Commission to Wholetime Directors restricted to amount provided.....		75.00	63.75	
(b) Commission to Non-Wholetime Directors, @ 1% of net profits, restricted to amount provided [Refer Note II(10) on Schedule 'R']		50.00	40.00	
TOTAL.....		1,25.00	1,03.75	(vii)

KANSAI NEROLAC PAINTS LIMITED

ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

ACCOUNTS TO THE ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956, and comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the said Act.

FIXED ASSETS

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

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are eligible for capitalisation during the year.

DEPRECIATION

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

IMPAIRMENT

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

INVESTMENTS

- (a) Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.
- (b) Current investments are stated at lower of cost and market value.
- (c) Dividend income is accounted when the right to receive payment is established and known.

INVENTORIES

- (a) Stores and spare parts are valued at cost.
- (b) Stock-in-trade comprising of raw materials (including in-transit), packing materials, stock-in-process and finished goods are valued at the lower of cost and net realisable value after making such provisions as required on account of damaged, unserviceable, inert and obsolete stocks.
- (c) Cost has been arrived at on the basis of weighted average method.

SALES

- (a) Sales are recognised in accordance with Accounting Standard 9 viz. when the seller has transferred to the buyer, the property in the goods, for a price, or all significant risk and rewards of ownership have been transferred to the buyer without the seller retaining any effective control over the goods.
- (b) Sales are inclusive of excise duty, export incentive, exchange fluctuation on export receivables, processing charges, sale of scrap and income from services and are net of trade discount and product rebate.

EMPLOYEE BENEFITS

- (a) Short term employee benefits:

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

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE : R (contd.)

NOTES TO THE ACCOUNTS (contd.)

SIGNIFICANT ACCOUNTING POLICIES (contd.)

(ix) EMPLOYEE BENEFITS (contd.)

(b) Post-employment benefits:

(I) Defined Contribution Plan:

1. Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in the form of provident and family pension fund, in which both the employees and the Company make contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to the provident fund and pension fund set up as irrevocable trusts by the Company or to respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension Scheme. The Company has no further obligations beyond making the contribution, except that any shortfall in the fund assets based on the Government specified rates of return in respect of provident fund set up by the Company, and the Company recognises contributions and shortfall, if any, as an expense in the year incurred.

2. Superannuation

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

(II) Defined Benefit Plan:

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. 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. The Company accounts for gratuity benefits payable in future based on an actuarial valuation. Actuarial gains and losses are recognised in the profit and loss account.

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

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an actuarial valuation. Actuarial gains and losses are recognised in the profit and loss account.

(x) RESEARCH AND DEVELOPMENT

Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Profit and Loss Account in the year in which it is incurred.

(xi) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rate that approximates the actual rate at the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognised in the Profit and Loss Account.

(xii) ACCOUNTING FOR DERIVATIVES

During the year ended 31st March, 2008, The Institute of Chartered Accountants of India has issued an announcement on 'Accounting for Derivatives' inter alia requiring provision for losses on all derivative contracts outstanding at the balance sheet date by marking them to market keeping in view the principle of prudence, other than for forward contracts, to which Accounting Standard (AS) 11 - 'The Effect of Change in Foreign Exchange Rates' is applicable. The Company has entered into forward contracts to hedge a firm commitment or a highly probable forecast transaction to which AS 11 is not applicable and hence, the Company has applied aforesaid announcement. As assessed by the Company, there is no loss on the outstanding forward contracts as at the balance sheet.

(xiii) TAXATION

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

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : R (contd.)

NOTES TO THE ACCOUNTS (contd.)

SIGNIFICANT ACCOUNTING POLICIES (contd.)

impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xiv) PROVISIONS

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(xv) LEASES

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

II. OTHER NOTES

	31st March, 2008	31st March, 2007
	Rs. in lacs	Rs. in lacs
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	4,80.71	1,77.63
2. Contingent liabilities not provided for:		
(a) Guarantees issued in favour of an associate company in respect of funded and non-funded facilities provided by banks	1,10.00	1,10.00
(b) Counter guarantee issued in favour of parent company which in turn has issued guarantee in favour of Company's subsidiary in respect of funded and non-funded facilities provided by banks	16,70.33	17,72.14
3. (i) During the year, the fixed assets at the Company's Paint manufacturing unit at Vatwa, Ahmedabad, have been retired from active use consequent to ceasing of operations of the unit. Accordingly, the fixed assets (other than freehold land) at that manufacturing unit have been written down by an amount of Rs. 69.73 lacs, to Rs. 15 lacs, on the basis of a valuation report.		
(ii) The fixed assets at the Company's pigment manufacturing unit at Kavesar, Thane District and paint manufacturing unit at Lower Parel have been retired from active use. Accordingly, the fixed assets (other than freehold land) at those manufacturing units had been written down to Rs. 7.20 lacs on the basis of valuation reports [amount written down as at the end of the year Rs. 71.58 lacs (2006-2007 Rs. 83.10 lacs)]. During the year, an amount of Rs. 11.52 lacs (2006-2007 Rs. 13.23 lacs) has been written back consequent to charge on account of depreciation of an equal amount.		
4. Cash and Bank balances with Scheduled Banks on Current Account include amounts held in foreign currency	5.95	0.90
5. Advances recoverable in cash or in kind include interest accrued on investment	31.35	31.35
6. There are no amounts due to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006; this information takes into account only those suppliers who have responded to the enquiries made by the Company for this purpose.		
7. Sundry Creditors include overdrawn bank balances in the ordinary course of business	54.79	4.72
8. Revenue expenditure on Research and Development charged to the Profit and Loss Account is [Including depreciation Rs. 74.77 lacs (2006-2007 Rs. 57.16 lacs)]	10,07.23	8,23.40

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2008
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

	31st March, 2008		
	Rs. In lacs		
9. The amount of exchange differences (net) credited/(debited) to the Profit and Loss Account is	2,66.18		16.
10. Managerial Remuneration to Wholetime Directors [including commission Rs. 75.00 lacs (2006-2007 Rs. 63.75 lacs) as per Schedule 'Q'] (The above do not include contribution to Gratuity Fund and provision for compensated absences as such contribution/provision is made on a global basis.) Commission to Non-Wholetime Directors as per Schedule 'Q'..... Directors' sitting fees.....	1,88.06 50.00 3.60		
11. Auditors' remuneration excluding service tax # Audit fee..... Report under Section 44AB of the Income-tax Act, 1961..... Company law matters..... Other services	15.25 3.50 0.18 10.40		17.
Out-of-pocket expenses.....	0.64		
# excludes Rs. 2.40 lacs (2006-2007 Rs. 3.20 lacs) paid for other services to a firm of Chartered Accountants where some of the partners are also partners in that firm.			18.
12. Remittance in foreign currency on account of dividend to a non-resident shareholder: Interim Dividend on 14,38,320 Equity Shares for 2006-2007	1,65.41		Proc
Interim Dividend on 1,64,57,080 Equity Shares for 2006-2007	—	18,92.58	Pair
Final Dividend on 1,64,57,080 Equity Shares for 2005-2006	—	18,92.58	Ena Syn
13. (i) Value of imports calculated on C.I.F. basis (excluding value of imported items locally purchased): (a) Raw Materials	1,83,06.81	1,56,82.37	Pret
(b) Stores and Spares	1,20.30	84.75	The Pow
(c) Finished Products	4,30.62	5,61.19	Pro
(d) Capital Goods	3,52.23	2,40.68	Oth Sal Age
(ii) Expenditure in foreign currencies: (a) Foreign Travel.....	8.69	12.33	
(b) Royalties (net of tax)	6,87.74	7,56.09	TO
(c) Professional and Technical Fees.....	2,00.79	49.07	
(d) Others	56.94	39.54	Les
14. Earnings in foreign exchange: (i) FOB Value of exports.....	4,27.30	1,75.72	
(ii) Recovery of freight, insurance and other charges on exports	24.60	9.15	
(iii) Professional fees	96.83	25.18	(a)
15. The Company has made monthly payments aggregating Rs. 9.33 lacs (2006-2007 Rs. 11.58 lacs) and payments in respect of medical reimbursement aggregating Rs. 0.10 lac (2006-2007 Rs. 0.30 lac) towards post retirement arrangements to former Wholetime Directors.			(b) (c)

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

	31st March, 2008		31st March, 2007	
	Quantity MT	Value Rs. in lacs	Quantity MT	Value Rs. in lacs
16. Raw Materials Consumed:				
(i) Pigments, Extenders and Resins.....	64,996	3,16,31.84	56,883	3,07,68.68
(ii) Organic Acids and Anhydrides.....	7,258	52,16.82	7,407	54,91.25
(iii) Solvents, Oils and Fatty Acids	46,032	2,25,95.72	43,630	2,07,31.55
(iv) Others		98,81.93		82,12.08
		<u>6,93,26.31</u>		<u>6,52,03.56</u>
	%		%	
of which:				
Imported (excluding value of items locally purchased)	35	2,44,85.98	36	2,34,88.02
Indigenous	65	4,48,40.33	64	4,17,15.54
	<u>100</u>	<u>6,93,26.31</u>	<u>100</u>	<u>6,52,03.56</u>
17. Stores and Spares Consumed:				
Imported (excluding value of items locally purchased).....	15	1,35.96	12	84.75
Indigenous.....	85	7,94.00	88	6,33.19
	<u>100</u>	<u>9,29.96</u>	<u>100</u>	<u>7,17.94</u>

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

* Products	Unit	Installed capacity per annum	Production	Opening Stock		Purchases		Closing Stock		Sales	
		Quantity	Quantity	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs	Quantity	Value Rs. in lacs
18,92.36 18,92.36 Paints, Varnishes and Enamels	MT	1,65,500	1,14,119	13,183	1,01,05.40	10,583	45,27.80	11,600	94,82.94	1,44,625	15,02,15.47
		(1,58,700)	(1,00,819)	(13,342)	(91,72.14)	(7,897)	(45,28.89)	(13,183)	(1,01,05.40)	(1,37,438)	(13,92,24.43)
Synthetic Resins	MT	71,000	31,993	—	—	—	—	—	—	—	—
		(71,000)	(28,648)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Pretreatment Chemicals	MT	2,400	—	—	—	—	—	—	—	—	—
		(2,400)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
1,56,82.37 84.75 Thermo Setting Coating Powders	MT	8,400	6,492	434	4,37.04	—	—	1,213	7,54.62	6,169	98,77.54
		(4,800)	(5,266)	(471)*	(4,21.96)*	(—)	(—)	(434)	(4,37.04)	(5,303)	(83,01.69)
5,61.39 2,40.68 Processing Charges											71.08 (67.33)
12.33 7,56.09 49.07 39.54 Others (Including Sale of Scrap and Agency Commission)											11,68.66 (7,92.87)
TOTAL					1,05,42.44 (95,94.10)		45,27.80 (45,28.89)		1,02,37.56 (1,05,42.44)		16,13,32.75 (14,83,86.32)
Less: Rebates, Discounts, Allowances, etc.											84,65.94 (67,42.86)
1,75.72 9.15 25.18 TOTAL....											15,28,66.81 (14,16,43.46)

* Balance transferred on amalgamation

- (a) Figures in brackets are in respect of the previous year.
- (b) Installed capacity has been certified by the Works Manager and accepted by the Auditors without verification, being a technical matter.
- (c) Production does not include goods processed outside. Sales, opening stock and closing stock include goods processed and purchased from outside. The closing stock is after adjustments for obsolescence and shortages. Closing stock figures, if derived from opening stock plus production/purchases and less sales would therefore be different.

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

(d) Production includes captive consumption:

	Unit	Captive Consumption	
		2007-2008	2006-2007
(i) Paints, Varnishes and Enamels.....	MT	521	
(ii) Synthetic Resins	MT	31,993	

19. As the Company's business activity falls within a single business segment viz. 'Paints' and the sales substantially being in the domestic market, the disclosure requirements of Accounting Standard – 17 "Segment Reporting", notified under the Companies Act, 1956 is not applicable.

20. Related party disclosures

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

Holding Company	:	Kansai Paint Co., Ltd., Japan
Subsidiary Company	:	Kansai Coatings Malaysia Sdn. Bhd.
Fellow Subsidiary Company	:	PT. Kansai Paint Indonesia Kansai Paint Philippines Inc. Changqing Kansai Paint Co., Ltd. Kansai Resin (Thailand) Co. Ltd. Thai Kansai Paint Co. Ltd.

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

Key management personnel : Mr. H. M. Bharuka, Managing Director

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

(ii) Transactions with related parties

Nature of Transaction	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Royalty paid						
– Kansai Paint Co., Ltd., Japan	6,20.36 (8,03.74)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	6,20.36 (8,03.74)
Dividend paid						
– Kansai Paint Co., Ltd., Japan	1,65.41 (37,85.12)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,65.41 (37,85.12)
Technical fees including reimbursement of expenses						
– Kansai Paint Co., Ltd., Japan	2,47.70 (63.91)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2,47.70 (63.91)
Dividend received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	— (2,20.50)	N.A. (N.A.)	— (2,20.50)
Sale of goods						
– PT. Kansai Paint Indonesia	N.A. (N.A.)	N.A. (N.A.)	3,72.74 (71.02)	N.A. (N.A.)	N.A. (N.A.)	3,72.74 (71.02)

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

ii. OTHER NOTES (contd.)

20. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
– Kansai Paint Philippines Inc	N.A. (N.A.)	N.A. (N.A.)	65.99 (71.45)	N.A. (N.A.)	N.A. (N.A.)	65.99 (71.45)
– Changqing Kansai Paint Co., Ltd.	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)
Purchase of goods						
– Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	24.23 (—)	N.A. (N.A.)	N.A. (N.A.)	24.23 (—)
– Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)
Processing Charges						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	55.21 (55.35)	N.A. (N.A.)	55.21 (55.35)
Interest received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	3.49 (5.71)	N.A. (N.A.)	3.49 (5.71)
Agency Commission received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2,30.64 (2,12.41)	N.A. (N.A.)	2,30.64 (2,12.41)
Professional Fees received						
– Kansai Coatings Malaysia Sdn. Bhd.	N.A. (N.A.)	96.83 (25.18)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	96.83 (25.18)
Processing Charges received						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	71.08 (67.47)	N.A. (N.A.)	71.08 (67.47)
Remuneration*						
– Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,56.56 (1,40.46)	1,56.56 (1,40.46)
Corporate Guarantee given						
– Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,10.00 (1,10.00)	N.A. (N.A.)	1,10.00 (1,10.00)
– Kansai Coatings Malaysia Sdn. Bhd.	N.A. (N.A.)	16,70.33 (17,72.14)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	16,70.33 (17,72.14)
Receivable as at year end						
– Kansai Paint Philippines Inc	N.A. (N.A.)	N.A. (N.A.)	21.83 (—)	N.A. (N.A.)	N.A. (N.A.)	21.83 (—)

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008
AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

20. Related party disclosures (contd.)

(ii) Transaction with related parties (contd.)

Nature of Transaction	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Rs. in lacs
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
- PT. Kansai Paint Indonesia	N.A. (N.A.)	N.A. (N.A.)	1,09.34 (16.76)	N.A. (N.A.)	N.A. (N.A.)	1,09.34 (16.76)
- Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	(—) (44.72)	N.A. (N.A.)	(—) (44.72)
- Kansai Coatings Malaysia Sdn. Bhd.	N.A. (N.A.)	98.13 (25.18)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	98.13 (25.18)
- Changqing Kansai Paint Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)
Payable as at year end						
- Kansai Paint Co., Ltd., Japan	1,99.46 (2,45.21)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,99.46 (2,45.21)
- Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,20.36 (—)	N.A. (N.A.)	1,20.36 (—)
- Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	2.42 (—)	N.A. (N.A.)	N.A. (N.A.)	2.42 (—)
- Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)

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

*excludes commission and related contribution to Provident Fund and Superannuation Fund thereon for the year but includes commission and such related contribution thereon for the previous year paid in the current year.

Note: No amounts pertaining to related parties have been provided for as doubtful debts. Also no amounts have been written off or written back during the year.

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

	Year ended 31st March, 2008 Rs. in lacs	Year ended 31st March, 2007 Rs. in lacs
(a) Lease payments recognised in the Profit and Loss Account.....	35.18	19.34
(b) Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year.....	30.10	27.90
(ii) Later than one year and not later than five years.....	55.47	72.15
(iii) Later than five years.....	—	—

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE R (contd.)

ii. OTHER NOTES (contd.)

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

- (a) (i) The gross carrying amount and the accumulated depreciation at the balance sheet date are Rs. 95,93.66 lacs (2006-2007 Rs. 85,38.28 lacs) and Rs. 77,39.28 lacs (2006-2007 Rs. 66,69.46 lacs) respectively.
 (ii) Depreciation recognised in the profit and loss account is Rs. 10,69.82 lacs (2006-2007 Rs. 10,97.35 lacs)
 (b) The minimum aggregate lease payments to be received in future after considering amounts waived as at the year end. [Refer Note II(22)(c) below] is as follows:

	Year ended 31st March, 2008 Rs. in lacs	Year ended 31st March, 2007 Rs. in lacs
(i) Not later than one year.....	45.02	2,13.63
(ii) Later than one year and not later than five years.....	1,04.87	1,47.44
(iii) Later than five years.....	—	—
(c) The lease agreements are for a period upto seven years. However, the corresponding lease rentals may be receivable for a shorter period.		

23. Values used in calculating Earnings Per Share:

	31st March, 2008	31st March, 2007
(a) Numerator: Profit after tax (Rs. in lacs)	1,19,79.02	1,07,65.90
(b) Denominator: Number of Equity Shares		
As at the beginning of the year	2,55,07,666	2,55,07,666
Add: Equity Shares issued during the year..... (2006-2007: to be issued)	14,38,320	14,38,320
	2,69,45,986	2,69,45,986

24. Deferred taxes:

Nature of timing difference	Deferred Tax Asset/ (Liability) as at 31st March, 2007 Rs. in lacs	(Charge)/Credit for the year Rs. in lacs	Deferred Tax Asset/ (Liability) as at 31st March, 2008 Rs. in lacs
(a) Deferred tax assets			
— Items covered under section 43B	10,76.90	(86.63)	9,90.27
— Provision for diminution in value of fixed assets ..	29.56	18.47	48.03
— Voluntary Retirement Compensation	52.30	3.14	55.44
— Amalgamation expenses	—	3.93	3.93
Sub-total	11,58.76	(61.09)	10,97.67
(b) Deferred tax liabilities			
— Depreciation.....	(5,07.99)	4,49.44	(58.55)
(c) Net amount	6,50.77	3,88.35	10,39.12

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

25. (a) Provision for indirect taxes:

Description

	31st March, 2008 Rs. in lacs	31st March, 2007 Rs. in lacs
Opening Balance	26,63.58	26,63.58
Add: Transferred on Amalgamation.....	—	—
Add: Provision during the year.....	—	—
Less: Utilization/Settlement.....	—	—
Less: Reversal	—	—
Closing Balance	26,63.58	26,63.58

Provision of Rs. 26,63.58 lacs (2006-2007 Rs. 26,63.58 lacs) has been recognised in respect of matters relating to indirect taxes. The timing of the outflow is dependent on the outcome of the settlement with the appropriate authorities.

(b) The Company is selling certain products with a warranty of four/seven years. Accordingly, a provision of Rs. 25.00 lacs (2006-2007 Rs. 20 lacs) has been recognised on the basis of management's expectation of warranty claims on such products.

26. Employee benefits

Effective 1st April, 2007 the Company adopted revised Accounting Standard 15 'Employee Benefits'. Pursuant to the adoption, no adjustment was required to be made to general reserve as there is no impact of revised AS-15.

A. Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of Profit and Loss Account under Company's Contribution to Provident Fund and Other Funds in Schedule O for the year are as under:

	Rs. in lacs
Employer's contribution to Provident Fund	1,43.07
Employer's contribution to Family Pension Fund	1,09.88
Employer's contribution to Superannuation Fund	53.82

B. Defined Benefit Plan

Gratuity and long term compensated absences – As per actuarial valuation as on 31st March, 2008

	Gratuity (Funded) Rs. in lacs	Compensated absences (Unfunded) Rs. in lacs
i. Reconciliation of opening and closing balances of Defined Benefit Obligation		
Present value of Defined Benefit Obligation as at 31st March, 2007	12,58.11	3,37.71
Interest Cost	1,00.65	27.51
Current Service Cost	38.23	69.23
Benefits paid.....	(1,34.57)	(46.31)
Net Actuarial (Gain)/Loss	29.43	(93.73)
Present Value of Defined Benefit Obligation as at 31st March, 2008	12,91.85	2,94.41

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE R (contd.)

OTHER NOTES (contd.)

26. Employee benefits (contd.)

	Gratuity (Funded) Rs. in lacs	Compensated absences (Unfunded) Rs. in lacs
ii. Reconciliation of fair value of Plan Assets		
Fair value of Plan Assets as at 31st March, 2007	12,58.85	N.A.
Expected return on Plan Assets	100.71	N.A.
Net Actuarial Gain/(Loss)	—	N.A.
Employer's Contribution.....	65.06	N.A.
Benefits paid.....	(1,34.57)	N.A.
Fair value of Plan Assets as at 31st March, 2008	12,90.05	N.A.
The Company expects to contribute in 2008-2009.....	70.00	—
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%	N.A.
iii. Net assets/(liabilities) recognised in the Balance Sheet as at 31st March, 2008		
Present Value of Defined Benefit Obligation	(12,91.85)	(2,94.45)
Fair value of Plan Assets	12,90.05	—
Net asset/(liability) recognised in Balance Sheet	(1.80)	(2,94.45)
iv. Components of Employer's Expenses		
Current Service Cost.....	38.23	69.22
Interest Cost.....	1,00.65	27.51
Expected return on Plan Assets.....	(1,00.71)	—
Net Actuarial (Gain)/Loss	29.43	(93.73)
Total expenses recognised in the Profit and Loss Account in Schedule O under:	67.60	3.00
	Company's Contribution to Provident Fund and Other Funds	Workmen and Staff Welfare Expenses
Actual return on Plan Assets	1,00.71	N.A.
v. Actuarial Assumptions		
Mortality Table	LIC (1994-96) (Ultimate)	LIC (1994-96) (Ultimate)
Discount rate (per annum).....	7.50%	7.50%
Expected rate of return on Plan Assets.....	7.55%	—
Salary escalation	10%	10%
vi. (a) The estimates of rate of escalation in salary considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
(b) The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
(c) Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.		
vii. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.		

KANSAI NEROLAC PAINTS LIMITED

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

SCHEDULE : R (contd.)

II. OTHER NOTES (contd.)

27. Derivatives Instruments:

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

(i) As on 31st March, 2008

Currency	Amount in foreign currency	Buy/Sell	Cross-currency
USD	31.78 lacs	Buy	
JPY	3,29.79 lacs	Buy	

(ii) As on 31st March, 2007

Currency	Amount in foreign currency	Buy/Sell	Cross-currency
USD	10.57 lacs	Buy	
JPY	12,00.00 lacs	Buy	

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

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

- (a) Amounts payable in foreign currency – Euro 1.08 lacs
GBP 0.06 lac [2006-2007 USD 9.55 lacs]
- (b) Amounts receivable in foreign currency – USD 3.56 lacs [2006-2007 USD 0.40 lac]

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

For and on behalf of the Board of Directors

J. J. IRANI *Chairman*
D. M. KOTHARI *Vice Chairman*
H. M. BHARUKA *Managing Director*
S. M. DATTA *Director*
P. P. SHAH *Director*
N. N. TATA *Director*

Mumbai, 30th April, 2008
G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

KANSAI NEROLAC PAINTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

	2007-2008		2006-2007	
Rs. in	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
2007 1,60,000				
Cash and cash equivalents at beginning of the year the components being: Cash on hand	14.87		11.39	
Balances with banks on current, margin and fixed deposit accounts	21,34.40		15,67.23	
		21,49.27		15,78.62
Add: Cash and cash equivalents of Polycoat Powders Limited as at 1st April, 2006 being taken over on amalgamation		—		1,98.08
Cash and cash equivalents at end of the year the components being: Cash on hand	4.92		14.87	
Balances with banks on current, margin and fixed deposit accounts	33,32.62		21,34.40	
		33,37.54		21,49.27
Net increase as disclosed above		<u>11,88.27</u>		<u>3,72.57</u>
19,196 1,80,162				
Notes: 1. Figures in brackets are outflows/deductions. 2. Previous year's figures have been regrouped wherever necessary.				
(15,063) 1,65,093 (55,180) 1,09,913 (63,068) 1,936 4,24,577 4,52,295 1,218 7,153 (25,033) 973 (7,447) (3,085) (961) (61,681) (8,946) (81,148) <u>3,72.57</u>	Per our report attached to the Balance Sheet. For A. F. FERGUSON & CO. Chartered Accountants R. K. HIRANANDANI Partner Mumbai, 30th April, 2008 G. T. GOVINDARAJAN Company Secretary P. D. PAI CFO	For and on behalf of the Board of Directors J. J. IRANI Chairman D. M. KOTHARI Vice Chairman H. M. BHARUKA Managing Director S. M. DATTA Director P. P. SHAH Director N. N. TATA Director		

KANSAI NEROLAC PAINTS LIMITED

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

KANSAI COATINGS MALAYSIA SDN BHD

- | | | |
|----|--|-----------------------------------|
| 1. | Financial Year of the Subsidiary Company ended | : 31st March, 2008 |
| 2. | (a) Number of Shares held in the Subsidiary Company | : 1,65,00,000 Shares of RM 1 each |
| | (b) Percentage of the shareholding in Subsidiary Company | : 55% |
| 3. | Total Issued Share Capital of the Subsidiary Company | : 3,00,00,000 Shares of RM 1 each |
| 4. | The net aggregate amount of the profits / (losses) of the Subsidiary Company for the financial year so far as it concerns the members of Kansai Nerolac Paints Limited which has not been dealt with in the accounts of Kansai Nerolac Paints Limited upto 31st March, 2008 is as follows: | |
| | For the year ended – Rs. in lacs | : (1,52.13) |
| | For the previous years – Rs. in lacs | : (2,01.37) |
| 5. | The net aggregate amount of profits of the Subsidiary Company which have been dealt with in the accounts of Kansai Nerolac Paints Limited upto 31st March, 2008 is as under: | |
| | For the year ended – Rs. in lacs | : NIL |
| | For the previous years – Rs. in lacs | : NIL |

For and on behalf of the Board of Directors

J. J. IRANI	Chairman
D. M. KOTHARI	Vice Chairman
H. M. BHARUKA	Managing Director
S. M. DATTA	Director
P. P. SHAH	Director
N. N. TATA	Director

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

Mumbai, 30th April, 2008

(a) Share
 (b) Reser
 (c) Total /
 (d) Total L
 (e) Investi
 (f) Turnov
 (g) Other I
 (h) Profit E
 (i) Provisi
 (j) Profit A
 (k) Interim
 (l) Final D
 Notes:
 1. Financi
 2. Accoun
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 2006-20
 4. Other Ir
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 2007-20
 2006-20

Mumbai, 30th

KANSAI NEROLAC PAINTS LIMITED

Particulars of the Subsidiary Company, Kansai Coatings Malaysia Sdn. Bhd. (KCM), for the financial year ended 31st March, 2008

	As at 31st March, 2008	As at 31st March, 2007
	Rs. in lacs	Rs. in lacs
(a) Share Capital (Equity)	37,96.20	37,71.00
(b) Reserves & Surplus	(6,92.18)	(3,64.03)
(c) Total Assets (Fixed Assets + Current Assets)	83,54.18	70,35.06
(d) Total Liabilities (Debts + Current Liabilities)	52,63.45	36,28.08
(e) Investments	Nil	Nil
(f) Turnover	81,14.30	71,07.56
(g) Other Income	78.01	66.48
(h) Profit Before Taxation	(2,79.90)	(3,33.31)
(i) Provision For Taxation	(3.61)	(10.07)
(j) Profit After Taxation	(2,76.29)	(3,43.38)
(k) Interim Dividend	Nil	Nil
(l) Final Dividend	Nil	Nil

Notes:

- Financial Statements are prepared in Currency – Malaysian Ringgit (RM).
- Accounting period of the Subsidiary Company is April to March.
- Capital, Reserves, Total assets and Total liabilities have been translated at the rates prevailing at the end of the respective financial years.
Exchange rate at the end of the financial year :
2007-2008 : 1 RM = Rs. 12.65
2006-2007 : 1 RM = Rs. 12.57
- Other Income, Profit Before Taxation, Provision for Taxation, Profit After Taxation have been translated at average rates prevailing during the respective financial years.
Average exchange rate prevailing during the financial year :
2007-2008 : 1 RM = Rs. 11.99
2006-2007 : 1 RM = Rs. 12.59

For and on behalf of the Board of Directors

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

Mumbai, 30th April, 2008

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

SUMMARISED PROFIT AND LOSS ACCOUNT

Rs. in lacs

Rs. in Cash Balances	Year	Cost of Materials/ Products	Employees' Remune- ration and Benefits	Operating and Other Expenses	Interest	Depre- ciation	Taxation	Profit after Taxation	Sales and Other Income # (Net)	Dividend	Dividend per share (Rupees)	Earnings Per Share (Rupees)	Net Worth per share (Rupees)
7,000.00	1989-90	1,27,25.37	13,60.39	42,51.24	6,29.52	2,20.88	7,00.00	8,22.42	2,07,09.82	2,50.33	3.50	11.50	65.06
7,600.00	1994-95	1,61,97.88	17,57.53	51,41.97	6,96.93	3,69.54	8,75.00	13,37.87	2,63,76.72	5,36.42	5.00	12.47	50.65
14,200.00	1995-96	1,97,64.79	18,81.24	65,59.84	9,14.93	4,36.14	10,60.00	17,50.19	3,23,67.13	5,36.42	5.00	16.31	61.79
14,150.00	1996-97	2,26,71.48	25,03.41	80,71.99	8,12.36	3,86.09	14,20.00	24,25.50	3,82,90.83	7,33.16	6.00	19.85\$	88.66
7,000.00	1997-98	2,38,67.87	28,50.17	90,33.64	8,00.17	3,31.58	12,00.00	31,20.81	4,12,04.24	9,54.04	6.50	21.27\$	99.90##
11,300.00	1998-99	2,65,28.04	34,25.27	1,06,68.89	9,95.94	9,41.56	8,50.00	25,52.98	4,59,62.68	9,94.80	6.50	16.68	109.29
9,900.00	1999-2000	3,20,80.00	34,78.87	1,16,75.06	8,09.20	12,13.61	12,30.00	29,98.37	5,34,85.11	9,94.80	6.50	19.59	121.58
14,400.00	2000-2001	3,42,80.65	40,49.67	1,35,29.56	6,37.25	20,07.87	10,50.00	22,57.84	5,78,12.84	9,94.80	6.50	14.75	129.10
10,200.00	2001-2002	3,60,39.90	45,01.80	1,26,96.08	3,72.93	24,67.23	10,00.00	27,35.51	5,98,13.45	11,47.85	7.50	17.87	136.11
4,780.00	2002-2003	3,88,77.67	57,70.93	1,33,85.95	1,64.70	24,14.22	16,25.00	39,83.81	6,62,22.28	13,77.41	9.00	26.03	149.34
18,700.00	2003-2004	4,56,76.41	52,50.69	1,48,85.64	1,31.97	22,04.17	30,80.00	57,96.14	7,70,25.02	19,13.08	12.50	37.87	173.11
13,240.00	2004-2005	5,31,54.61	49,30.48	1,61,18.43	76.81	20,70.03	45,30.00	91,95.80	9,00,76.16	29,33.38	11.50	36.05†	126.78†
15,780.00	2005-2006	6,10,95.62	55,91.77	1,85,56.41	78.02	31,77.60	61,00.70	1,38,58.95	10,84,59.07	51,01.53*	20.00*	54.40	159.19
21,490.00	2006-2007	7,78,32.90	59,56.90	2,13,04.54	96.15	33,55.74	53,30.74	1,07,65.90	12,46,42.87	30,98.79	11.50	39.95	189.91@
33,370.00	2007-2008	9,37,04.70	69,13.05	2,27,02.18	1,40.60	39,60.05	50,60.00	1,19,79.02	13,44,59.60	32,33.52	12.00	44.46	220.33

Net of Rebates & Excise Duty

\$ On Equated Capital

Calculated on paid-up Capital in Rupees.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of Rs. 8.50 per share

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

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

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

1. We have audited the attached consolidated balance sheet of Kansai Nerolac Paints Limited, the company, and its subsidiary [collectively referred to as "the group"] as at 31st March, 2008, and a consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the parent company's management and have been prepared by the management on the basis of separate financial statements and other information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, namely, Kansai Coatings Malaysia Sdn. Bhd. and an associate, namely, Nipa Chemicals Limited. The financial statements of the subsidiary reflect total assets of Rs. 5775.76 lacs as at 31st March, 2008 and total revenues of Rs. 8192.31 lacs and cash inflows of Rs. 30.81 lacs for the year ended on that date, and the financial statements of the associate reflect the group's share of profits aggregating Rs. 794.56 lacs upto 31st March, 2008 and the group's share of profits aggregating Rs. 132.02 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements and other information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
4. (a) We report that the consolidated financial statements have been prepared by the parent company's management in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', notified under the Companies Act, 1956.

(b) Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the components, and to the best of our information

and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

i. in the case of the consolidated balance sheet, of the state of affairs of the group as at 31st March, 2008;

ii. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

iii. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO
Chartered Accountants

R. K. HIRANANDANI
Partner

Membership No. 36920

Mumbai, 30th April, 2008

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

I. SOURCES OF FUNDS	Schedule	As at 31st March, 2008		As at 31st March
		Rs. in lacs	Rs. in lacs	Rs. in lacs
1. Shareholders' Funds:				
a. Share Capital.....	A	26,94.60		26,94.60
b. Reserves and Surplus.....	B	5,71,80.52		4,90,26.58
			5,98,75.12	
2. Minority Interest.....			13,90.80	
3. Loan Funds:				
a. Secured Loans.....	C	46,03.14		46,60.29
b. Unsecured Loans.....	D	78,77.26		79,97.51
			1,24,80.40	
TOTAL.....			7,37,46.32	6,59,12.12
II. APPLICATION OF FUNDS				
1. Fixed Assets:	E			
a. Gross Block.....		5,17,73.32		4,61,60.96
b. Less: Depreciation.....		2,76,42.79		2,36,22.35
c. Add: Translation adjustments in respect of Foreign Subsidiary.....		9.91		—
d. Net Block.....		2,41,40.44		2,25,38.61
e. Less: Provision for write down in value of fixed assets [Refer Note II(3) on Schedule 'Q'].....		1,41.31		83.10
		2,39,99.13		2,24,55.51
f. Capital Work-in-Progress at cost.....		20,00.67		12,66.33
g. Advances for Capital Expenditure.....		6,62.88		4,96.99
		26,63.55		17,63.32
			2,66,62.68	2,42,16.83
2. Investments.....	F		2,20,20.28	1,41,56.51
3. Deferred Tax Asset (Net) [Refer Note II(17) on Schedule 'Q'].....			10,39.12	6,50.77
4. Current Assets, Loans and Advances:				
a. Inventories.....	G	1,99,26.90		1,99,96.18
b. Sundry Debtors.....	H	2,36,37.37		2,09,94.41
c. Cash and Bank Balances.....	I	34,25.03		22,05.58
d. Loans and Advances.....	J	47,74.72		52,72.30
		5,17,64.02		4,84,68.47
5. Less: Current Liabilities and Provisions:				
a. Liabilities.....	K	1,93,53.90		1,70,32.97
b. Provisions.....	L	83,85.88		45,49.49
		2,77,39.78		2,15,82.46
Net Current Assets.....			2,40,24.24	2,68,86.01
TOTAL.....			7,37,46.32	6,59,12.12
Notes to the Accounts.....	Q			

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

R. K. HIRANANDANI
Partner
Mumbai, 30th April, 2008

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

For and on behalf of the Board of Directors
J. J. IRANI
D. M. KOTHARI
H. M. BHARUKA
S. M. DATTA
P. P. SHAH
N. N. TATA

Chairman
Vice Chairman
Managing Director
Director
Director
Director

Per our report attached
For A. F. FERGUSON & CO.
Chartered Accountants
R. K. HIRANANDANI
Partner
Mumbai

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

at h, 2007 Rs. in		Schedule	Year ended 31st March, 2008		Year ended 31st March, 2007	
			Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
	I. INCOME					
	a. Sales [Per Note II(12) on Schedule 'Q']		16,08,84.28		14,87,51.02	
	b. Less: Excise Duty		2,08,91.80		1,94,05.36	
5,17,2	Net Sales			13,99,92.48		12,93,45.66
15	c. Other Income.....	M		25,62.60		22,25.57
				<u>14,25,55.08</u>		<u>13,15,71.23</u>
	II. EXPENDITURE					
	a. Cost of Materials / Products	N	8,90,12.32		8,29,39.08	
1,26,5	b. Employees' Remuneration and Benefits.....	O	79,74.00		69,93.81	
6,59,1	c. Operating and Other Expenses.....	P	2,43,78.31		2,23,17.41	
	d. Interest –on Fixed Loans		72.67		77.15	
	e. others.....		154.36		98.44	
				<u>12,15,91.66</u>		<u>11,24,25.89</u>
	III. PROFIT BEFORE DEPRECIATION AND TAX			2,09,63.42		1,91,45.34
	Depreciation	E		42,04.31		36,02.45
	IV. PROFIT BEFORE TAXATION			<u>1,67,59.11</u>		<u>1,55,42.89</u>
	V. PROVISION FOR TAXATION					
	a. Current Tax		53,24.74		49,45.44	
	b. Deferred Tax [Refer Note II(17) on Schedule 'Q']		(3,88.35)		2,58.12	
			<u>49,36.39</u>		<u>52,03.56</u>	
	c. Fringe Benefit Tax.....		1,20.00		1,37.25	
				<u>50,56.39</u>		<u>53,40.81</u>
	VI. PROFIT AFTER TAX.....			<u>1,17,02.72</u>		<u>1,02,02.08</u>
2,42,18	Add: Loss attributable to minority interest.....			1,24.47		1,54.52
1,41,56	Share of Profits in an Associate Company			<u>1,32.02</u>		<u>1,67.09</u>
6,50	VII. PROFIT AFTER MINORITY INTEREST AND SHARE OF PROFITS IN AN ASSOCIATE COMPANY.....			<u>1,19,59.21</u>		<u>1,05,23.69</u>
	Add: Balance brought forward.....			1,39,25.91		66,77.94
	Add: Balance transferred on Amalgamation			—		13,39.18
	VIII. BALANCE AVAILABLE FOR APPROPRIATIONS ...			<u>2,58,85.12</u>		<u>1,85,40.81</u>
	Less: Appropriations:					
	a. Interim Dividend.....				30,98.79	
	b. Proposed Final Dividend		32,33.52		—	
	c. Additional Income-tax on Distributed Profits.....		5,49.54		4,39.52	
	d. General Reserve		<u>11,97.90</u>		<u>10,76.59</u>	
				<u>49,80.96</u>		<u>46,14.90</u>
	IX. BALANCE CARRIED TO BALANCE SHEET.....			<u><u>2,09,04.16</u></u>		<u><u>1,39,25.91</u></u>
1,68,86						
1,59,12	NOTES TO THE ACCOUNTS	R				
	Basic, as well as diluted, earnings per Equity Share (Nominal Value per Equity Share: Rs. 10) [Refer Note II(16) on Schedule 'Q'].....			Rs. 44.38		Rs. 39.05

Per our report attached to the Balance Sheet

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI

Partner
Mumbai, 30th April, 2008

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

For and on behalf of the Board of Directors

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

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2008**

SCHEDULE: A

	As at 31st March, 2008	
	Rs. in lacs	
SHARE CAPITAL		
Authorised:		
3,00,00,000 Equity Shares of Rs.10 each		<u>30,00.00</u>
Issued, Subscribed and Paid-up:		
2,69,45,986 (2006-2007 2,55,07,666) Equity Shares of Rs.10 each fully paid-up		26,94.60
Capital suspense:		
14,38,320	Equity Shares of Rs. 10 each fully paid-up to be issued to the shareholders of the erstwhile Polycoat Powders Limited pursuant to the scheme of amalgamation sanctioned by the High Court of judicature at Bombay (Issued during the year)	—
[Of the above 2,69,45,986 (2006-2007 2,55,07,666) Equity Shares:		
a. 14,81,820	Equity Shares of Rs. 10 each are allotted (2006-2007 43,500) as fully paid-up pursuant to contracts / arrangements for consideration other than cash; and	
b. 1,56,19,316	Equity Shares of Rs. 10 each are (2006-2007 1,56,19,316) allotted as fully paid-up by way of Bonus Shares.]	
1,78,95,400 (2006-2007 1,64,57,080) Equity Shares are held by the Holding Company Kansai Paint Co., Ltd., Japan		
TOTAL		<u>26,94.60</u>

SCHEDULE: B

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
RESERVES AND SURPLUS				
Capital Reserve on Consolidation		6.56		
Capital Reserve:				
As per last Balance Sheet.....	30.37		0.37	
Add: Balance transferred on Amalgamation	—		30.00	
		30.37		30.37
Share Premium Account:				
As per last Balance Sheet.....		39,50.14		39,50.14
General Reserve:				
As per last Balance Sheet.....	3,10,26.75		2,81,23.00	
Add: Balance transferred on Amalgamation	—		16,58.99	
Add: Excess of Share Capital of the transferor Company i.e. Polycoat Powders Limited over the face value of Equity Shares to be issued to the shareholders of the erstwhile Polycoat Powders Limited	—		1,68.17	
Add: Transfer from Profit and Loss Account	11,97.90		10,76.59	
		3,22,24.65		3,10,26.75
Foreign Currency Translation Reserve				
As per last Balance Sheet.....	86.85		8.77	
(Less) / Add: Arising during the year	(22.21)		78.08	
		64.64		86.85
Surplus being balance in Profit and Loss Account.....		2,09,04.16		1,39,25.91
TOTAL		<u>5,71,80.52</u>		<u>4,90,26.58</u>

SCHEDULE
UNSECURED
loan from F
Subsidi
Company, K
Long te
Short t
Sales Tax
assets of
(2006-2007
Cash, Credit
book debts.
Sales Tax
Rs. 1,14.70
SCHEDULE
UNSECURED
SCHEDULE
2008
SCHEDULE
FIXED ASSI
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I. TANGIBLE A
1. Freehold Land
2. Leasehold La
(Refer Note I)
3. Buildings

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2008**

SCHEDULE: F

	As at 31st March, 2008		As at 31st March,
	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVESTMENTS			
Long Term Investments (At cost, fully paid-up)			
A. Government Securities (Unquoted)		0.01	
B. Trade (Unquoted) – Equity Shares:			
Share of assets in an Associate Company Nipa Chemicals Limited..... (Net of Capital Reserve of Rs. 32.42 lacs arising on acquisition)		8,30.42	
C. Other than Trade :			
a. Equity Shares (Quoted).....	25.12		25.12
b. Debentures and Bonds:			
— Quoted	7,11.22		7,11.22
— Unquoted	5,00.00		5,00.00
c. Mutual Funds (Unquoted).....	69,86.53		71,94.27
		<u>82,22.87</u>	
		<u>90,53.30</u>	
Current Investments (At lower of cost and market value)			
Mutual Funds (Unquoted).....		1,29,66.98	
TOTAL		<u>2,20,20.28</u>	
Aggregate amount of quoted investments [Market value Rs. 7,88.71 lacs (2006-2007 Rs. 7,52.63 lacs)]...		7,36.34	
Aggregate amount of unquoted investments.....		2,12,83.94	
TOTAL		<u>2,20,20.28</u>	

SCHEDULE: G

	As at 31st March, 2008		31st March,
	Rs. in lacs	Rs. in lacs	Rs. in lacs
INVENTORIES			
Stores and Spare Parts (At cost).....		2,00.53	
Stock-in-Trade (At lower of cost and net realisable value).....			
Raw Materials [Including in-transit Rs. 8.58 lacs (2006-2007 Rs. 53.08 lacs)]		57,32.32	
Packing Materials		4,06.46	
Stock-in-Process		19,60.79	
Finished Products.....		1,16,26.80	
TOTAL		<u>1,99,26.90</u>	

SCHEDULE: H

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SUNDRY DEBTORS				
(Considered good)				
Debts outstanding for a period exceeding six months:				
Secured	21.30		0.01	
Unsecured	5,46.36		8,37.57	
		5,67.66		8,37.57
Other Debts:				
Secured	20,34.91		0.13	
Unsecured	2,10,34.80		2,01,56.70	
		2,30,69.71		2,01,56.70
TOTAL.....		<u>2,36,37.37</u>		<u>2,09,94.27</u>

KANSAI NEROLAC PAINTS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE: I

CASH AND BANK BALANCES

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Cash on hand.....		5.30		15.75
With Scheduled Banks:				
On Current Account.....	33,30.81		21,12.75	
On Margin Account.....	1.81		1.81	
		33,32.62		21,14.56
With Non-Scheduled Banks on Current Account.....		—		19.84
With an overseas Bank on Current Account.....		87.11		55.43
TOTAL.....		34,25.03		22,05.58

SCHEDULE: J

LOANS AND ADVANCES

(Unsecured, considered good)

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Advances recoverable in cash or in kind or for value to be received [Refer Note II(4) on Schedule 'Q'].....		13,37.78		18,34.55
Advance Payment of Tax Net of Provisions (other than deferred tax and fringe benefit tax).....		19,06.45		18,46.84
Advance Payment of Fringe Benefit Tax Net of Provisions.....		32.39		—
Balance with Central Excise, Customs, Port Trust etc.....		14,98.10		15,90.91
TOTAL.....		47,74.72		52,72.30

SCHEDULE: K

CURRENT LIABILITIES

	As at 31st March, 2008		As at 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Acceptances.....		8,72.30		8,53.86
Sundry Creditors [Refer Note II(5) on Schedule 'Q'].....	1,84,30.47		1,59,06.86	
Interim dividend payable on Equity Shares to be issued.....		—		1,65.41
Unclaimed Dividend.....	47.69		1,03.04	
Unclaimed Fixed Deposits.....	2.55		2.90	
Unclaimed Interest on Fixed Deposits.....	0.89		0.90	
TOTAL.....	1,93,53.90		1,70,32.97	

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
BALANCE SHEET AS AT 31ST MARCH, 2008**

SCHEDULE: L

	As at		31st March
	31st March, 2008		
	Rs. in lacs		Rs.
PROVISIONS			
Taxation Net of Advances (other than deferred tax and fringe benefit tax).....		15,23.11	
Fringe Benefit Tax Net of Advances.....		17.49	
Proposed Dividend		32,33.52	
Additional Income-tax on Distributed Profits.....		5,49.54	
Indirect taxes [Refer Note II(18)(a) on Schedule 'Q'].....		26,63.58	26,63.58
Provision for warranties [Refer Note II(18)(b) on Schedule 'Q'].....		60.89	34.50
Provision for compensated absences.....		3,37.75	3,37.75
TOTAL		83,85.88	45,49.20

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

SCHEDULE: M

	Year ended		Year ended	
	31st March, 2008		31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
OTHER INCOME				
Income from Investments:				
Dividend from other than trade Investments:				
Long term.....		1,95.44		3,43.55
Current.....		6,33.56		1,54.25
		8,29.00		4,97.80
Interest on other than trade Investments.....		88.19		1,02.97
Interest on deposits and advances.....		12.08		15.58
Profit on Sale of Fixed Assets		4.96		91.58
Profit on sale / redemption of Investments:				
Long term.....		14,00.71		4,06.04
Current.....		13.21		1,08.04
		14,13.92		5,14.08
Provision for diminution in value of Investments acquired on amalgamation no longer required.....		—		80.79
Provision for write down in value of Fixed Assets written back consequent to charge on account of depreciation [Refer Note II(3)(ii) on Schedule 'Q'].....		11.52		13.20
Insurance and Other Claims / Sales Tax Refunds		41.19		3,73.38
Lease Rentals.....		1,22.28		4,25.17
Miscellaneous Income.....		39.46		1,11.12
TOTAL		25,62.60		22,25.57

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
WATERIALS / PRODUCTS				
Materials Consumed:				
Opening Stock.....	56,75.18		59,46.67	
Transferred on Amalgamation.....	—		4,37.95	
Purchases.....	7,45,01.82		6,96,26.47	
	<u>8,01,77.00</u>		<u>7,60,11.09</u>	
Less: Sales.....	1,90.91		5,78.50	
	<u>7,99,86.09</u>		<u>7,54,32.59</u>	
Less: Closing Stock.....	57,32.32		56,75.18	
		7,42,53.77		6,97,57.41
Materials Consumed:				
Opening Stock.....	4,87.25		6,20.42	
Add: Transferred on Amalgamation.....	—		7.17	
Add: Purchases.....	99,71.83		90,68.35	
	<u>1,04,59.08</u>		<u>96,95.94</u>	
Less: Closing Stock.....	4,06.46		4,87.25	
		1,00,52.62		92,08.69
Adjustment for Stock:				
Opening Stock:				
Stock-in-Process	19,88.88		19,52.37	
Finished Products.....	1,16,41.44		91,72.14	
	<u>1,36,30.32</u>		<u>1,11,24.51</u>	
Add: Transferred on Amalgamation:				
Stock-in-Process	—		24.70	
Finished Products.....	—		4,21.96	
Add: Purchase of Stock-in-Process	—		12,06.12	
Add: Purchase of Finished Products.....	46,63.20		48,26.01	
	<u>1,82,93.52</u>		<u>1,76,03.30</u>	
Less: Closing Stock:				
Stock-in-Process	19,60.79		19,88.88	
Finished Products.....	1,16,26.80		1,16,41.44	
	<u>1,35,87.59</u>		<u>1,36,30.32</u>	
		47,05.93		39,72.98
		<u>8,90,12.32</u>		<u>8,29,39.08</u>
TOTAL				

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
SCHEDULE: O				
EMPLOYEES' REMUNERATION AND BENEFITS				
Salaries, Wages, Bonus & Commission and Other Related Expenses.....	68,99.63		59,66.77	
Contribution to Provident Fund and Other Funds.....	5,27.39		4,47.78	
Workmen and Staff Welfare Expenses.....	5,46.98		5,79.26	
	<u>79,74.00</u>		<u>69,93.81</u>	
TOTAL.....				

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

SCHEDULE: P

	Year ended 31st March, 2008		Year 31st Mar
	Rs. in lacs	Rs. in lacs	Rs. in lacs
OPERATING AND OTHER EXPENSES			
Stores and Spare Parts Consumed		10,02.70	
Power and Fuel		20,94.12	
Processing Charges		7,04.56	
Excise duty other than relating to sales		27.01	
Repairs and Maintenance:			
Plant and Machinery	4,52.40		4,22.82
Buildings	1,04.20		96.18
Others	1,72.97		1,95.06
		7,29.57	
Consignment, Freight and Forwarding Charges		56,96.91	52,86.04
Advertising and Selling Expenses		44,61.76	40,02.82
Provision for warranties		27.88	24.48
Rent		5,52.64	4,69.60
Rates and Taxes		92.88	1,03.66
Water Charges		33.10	34.48
Surcharge on Sales Tax		1,63.70	2,03.17
Insurance		2,24.60	2,64.72
Commission to Non-Wholetime Directors [Refer Note II(8) on Schedule 'Q']		50.00	40.00
Directors sitting fees		3.60	3.20
Cash Discount		29,94.46	25,45.56
Donations		50.00	50.00
Travelling and Conveyance Expenses		14,67.12	13,79.82
Loss on Sale of Investments:			
Long Term	10.99		—
Current	6.87		0.39
		17.86	0.39
Loss on Sale of Fixed Assets		1.89	0.07
Loss on Fixed Assets Written Off		6.35	0.77
Provision for write down in the value of fixed assets		69.73	—
Bad Debts		1,31.88	1,16.63
Lease Rentals		40.40	36.99
I. T. Related Expenses		4,17.94	4,18.33
Royalty		8,10.53	10,01.20
Miscellaneous		25,05.12	21,07.73
TOTAL		2,43,78.31	2,23,17.41

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE Q

NOTICES TO THE CONSOLIDATED ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

Name of the Company	Country of Incorporation	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
		Extent of holding (%)	Period of holding	Extent of holding (%)	Period of holding
(A) Subsidiary Company	Malaysia	55%	Throughout the year	55%	Throughout the year
– Kansai Coatings Malaysia, Sdn. Bhd. (Kansai Malaysia)					
(B) Associate Company	India	49%	Throughout the year	49%	Throughout the year
– Nipa Chemicals Limited					

- (c) The consolidated financial statements include, in respect of Kansai Malaysia, total assets of Rs. 57,75.76 lacs as at 31st March, 2008 and total revenues of Rs. 81,92.31 lacs and cash inflows of Rs. 30.81 lacs for the year ended on the date.
- (d) In case of the foreign Subsidiary, namely, Kansai Malaysia, revenue items are consolidated at the average exchange rate prevailing during the year. All assets and liabilities are converted at the rate prevailing as at the end of the year. Exchange difference arising on consolidation is recognised as Foreign Currency Translation Reserve.

(ii) FIXED ASSETS

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

(iii) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are eligible for capitalisation during the year.

(iv) DEPRECIATION

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

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(iv) DEPRECIATION (contd.)

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

Sr. No.	Class of Fixed Assets	Gross Block (Rs. in lacs)		Net Block (Rs. in lacs)		Rate of Depreciation
		As at 31st March, 2008	As at 31st March, 2007	As at 31st March, 2008	As at 31st March, 2007	
(i)	Leasehold land	13,15.58	13,15.58	12,91.94	12,99.61	12
(ii)	Building	8,14.22	8,06.99	7,68.17	7,82.86	8
(iii)	Plant and machinery and laboratory equipment	8,39.96	8,35.28	6,19.66	7,24.41	10
(iv)	Furniture, fittings and Equipment	86.80	60.21	73.63	54.68	10
(v)	Vehicles	16.47	16.47	9.98	13.20	20

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

(v) IMPAIRMENT

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss is provided to the extent the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

(vi) INVESTMENTS

- (a) Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.
- (b) Current investments are stated at lower of cost and market value.
- (c) Dividend income is accounted when the right to receive payment is established and known.

(vii) INVENTORIES

- (a) Stores and spare parts are valued at cost.
- (b) Stock-in-trade comprising of raw materials (including in-transit), packing materials, stock-in-process and finished goods are valued at the lower of cost and net realisable value after making such provisions as required on account of damaged, unserviceable, inert and obsolete stocks.
- (c) Cost has been arrived at on the basis of weighted average method except in respect of a subsidiary company where cost is being arrived at on the basis of standard cost. The value of inventory of a subsidiary company as at 31st March, 2008 is Rs. 25,85.79 lacs (as at 31st March, 2007 Rs. 19,54.01 lacs).

(viii) SALES

- (a) Sales are recognised in accordance with Accounting Standard - 9 viz. when the seller has transferred to the buyer the property in the goods, for a price, or all significant risk and rewards of ownership have been transferred to the buyer without the seller retaining any effective control over the goods.
- (b) Sales are inclusive of excise duty, export incentive, exchange fluctuation on export receivables, processing charges, sale of scrap and income from services and are net of trade discount and product rebate.

(ix) EMPLOYEE BENEFITS

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

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(b) Post-employment benefits:

(I) Defined Contribution Plan:

1. Provident and Family Pension Fund

The eligible employees of the Group are entitled to receive post employment benefits in respect of provident and family pension fund, in which both the employees and the Group make monthly contributions at a specified percentage of the employees' eligible salary. The contributions are made to the concerned provident fund and pension fund. The Group has no further obligations beyond making the contribution, except that any shortfall in the fund assets based on the Government specified minimum rates of return in respect of provident fund set up by the Parent Company, and the Group recognises such contributions and shortfall, if any, as an expense in the year incurred.

2. Superannuation

The eligible employees of the Parent Company are entitled to receive post employment benefits in respect of superannuation fund in which the Parent Company makes annual contribution at a specified percentage of the employees' eligible salary. The contributions are made to the Life Insurance Corporation of India (LIC). Superannuation is classified as Defined Contribution Plan as the Parent Company has no further obligations beyond making the contribution. The Parent Company's contribution to Defined Contribution Plan are charged to profit and loss account as incurred.

(II) Defined Benefit Plan:

Gratuity

The Parent Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Parent Company has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC. The Parent Company accounts for gratuity benefits payable in future based on an actuarial valuation. Actuarial gains and losses are recognised in the profit and loss account.

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

The Parent Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The Parent Company makes provision for compensated absences based on an actuarial valuation. Actuarial gains and losses are recognised in the profit and loss account.

(x) RESEARCH AND DEVELOPMENT

Capital expenditure on Research and Development is treated in the same way as expenditure on fixed assets. Revenue expenditure on Research and Development is charged to the Profit and Loss Account in the year in which it is incurred.

(xi) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rate that approximates the actual rate at the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognised in the Profit and Loss Account.

(xii) ACCOUNTING FOR DERIVATIVES

During the year ended 31st March, 2008, The Institute of Chartered Accountants of India has issued an announcement on 'Accounting for Derivatives' inter alia requiring provision for losses on all derivative contracts outstanding at the balance sheet date by marking them to market keeping in view the principle of prudence, other than for forward contracts to which Accounting Standard (AS) 11 - 'The Effect of Change in Foreign Exchange Rates' is applicable. The Parent Company has entered into forward contracts to hedge a firm commitment or a highly probable forecast transaction to which AS 11 is not applicable and hence, the Parent Company has applied aforesaid announcement. As assessed by the Parent Company, there is no loss on the outstanding forward contracts as at the balance sheet.

(xiii) TAXATION

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 or applicable

KANSAI NEROLAC PAINTS LIMITED

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

I. SIGNIFICANT ACCOUNTING POLICIES (contd.)

foreign tax law in case of a subsidiary. Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable / virtual (as applicable) assurance that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xiv) PROVISIONS

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(xv) LEASES

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

II. OTHER NOTES

	31st March, 2008	31st March, 2007
	Rs. in lacs	Rs. in lacs
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	5,19.51	2,92.65
2. Contingent liabilities not provided for:		
(a) Guarantees issued in favour of an associate company in respect of funded and non-funded facilities provided by banks.....	1,10.00	1,10.00
(b) Counter guarantee issued in favour of parent company of the group which in turn has issued guarantee in favour of the subsidiary in respect of funded and non-funded facilities provided by banks.....	16,70.33	17,72.14
3. (i) During the year, the fixed assets at the Parent Company's Paint manufacturing unit at Vatwa, Ahmedabad, have been retired from active use consequent to ceasing of operations of the unit. Accordingly, the fixed assets (other than freehold land) at that manufacturing unit have been written down by an amount of Rs. 69.73 lacs, to Rs. 15 lacs, on the basis of a valuation report.		
(ii) The fixed assets at the Parent Company's pigment manufacturing unit at Kavesar, Thane District and paint manufacturing unit at Lower Parel have been retired from active use. Accordingly, the fixed assets (other than freehold land) at those manufacturing units had been written down to Rs. 7.20 lacs on the basis of valuation reports [amount written down as at the end of the year Rs. 71.58 lacs (2006-2007 Rs. 83.10 lacs)]. During the year, an amount of Rs. 11.52 lacs (2006-2007 Rs. 13.23 lacs) has been written back consequent to charge on account of depreciation of an equal amount.		
4. Advances recoverable in cash or in kind include interest accrued on investment..	31.35	31.35
5. Sundry Creditors include overdrawn bank balances in the ordinary course of business	54.79	4.72
6. Revenue expenditure on Research and Development charged to the Profit and Loss Account is	10,07.23	8,23.40
7. The amount of exchange differences (net) credited / (debited) to the Profit and Loss Account is	2,60.86	1,15.87
8. Managerial Remuneration to Wholetime Directors [including commission Rs. 75.00 lacs (2006-2007 Rs. 63.75 lacs)]..... (The above do not include contribution to Gratuity Fund and provision for compensated absences as such contribution / provision is made on a global basis.)	1,88.06	1,44.21

NOTES TO SCHEDULE II OTH

10.
11.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

SCHEDULE - Q (contd.)

ii. OTHER NOTES (contd.)

	31st March, 2008	31st March, 2007
	Rs. in lacs	Rs. in lacs
Commission to Non-Wholetime Directors.....	50.00	40.00
Directors' sitting fees.....	3.60	3.20
Auditors' remuneration excluding service tax#		
Audit fee.....	19.81*	19.66*
Report under Section 44AB of the Income-tax Act, 1961.....	3.50	3.00
Company law matters.....	0.18	0.18
Other services.....	11.96*	10.55*
Out-of-pocket expenses.....	0.64	0.30

* includes Rs. 4.56 lacs (2006-2007 Rs. 4.41 lacs) for Audit fee and Rs. 1.56 lacs (2006-2007 Rs. 1.26 lacs) for other services in respect of the auditors of the subsidiary company.

excludes Rs. 2.40 lacs (2006-2007 Rs. 3.20 lacs) paid for other services to a firm of Chartered Accountants where some of the partners are also partners in that firm.

10. The Parent Company has made monthly payments aggregating Rs. 9.33 lacs (2006-2007 Rs. 11.58 lacs) and payments in respect of medical reimbursement aggregating Rs. 0.10 lac (2006-2007 Rs. 0.30 lac) towards post retirement arrangements to former Wholetime Directors.

11. Segment Reporting

A. Primary Segments – Geographical Segments

	31st March, 2008				31st March, 2007			
	Rs. in lacs				Rs. in lacs			
	India	Malaysia	Inter Segment Eliminations	Total	India	Malaysia	Inter Segment Eliminations	Total
I. Revenue								
(a) External sales and other income.....	13,20,24.04	81,87.85	—	14,02,11.89	12,31,90.61	71,69.51	—	13,03,60.12
(b) Inter segment sales and other income.....	96.83	—	(96.83)	—	25.18	—	(25.18)	—
(c) Total segment revenue.....	13,21,20.87	81,87.85	(96.83)	14,02,11.89	12,32,15.79	71,69.51	(25.18)	13,03,60.12
(d) Other income.....				23,43.19				12,11.11
Total.....				14,25,55.08				13,15,71.23
II. Result								
(a) Segment results / operating profit / (loss).....	1,48,58.75	(1,97.94)	—	1,46,60.81	1,47,66.10	(2,58.34)	—	1,45,07.76
(b) Interest expenses.....				2,27.03				1,75.59
(c) Other income.....				23,43.19				12,11.11
(d) Other expenses.....				17.86				0.39
(e) Profit before tax.....				1,67,59.11				1,55,42.89
(f) Provision for taxation.....				50,56.39				53,40.81
(g) Profit after tax.....				1,17,02.72				1,02,02.08
III. Other Information								
(a) Segment assets.....	6,82,11.68	83,42.96	(98.13)	7,64,56.51	6,37,96.53	70,35.09	(25.18)	7,08,06.44
(b) Other assets.....				2,50,29.59				1,66,88.14
(c) Total assets.....				10,14,86.10				8,74,94.58
(d) Segment liabilities.....	1,98,84.70	25,78.42	(98.13)	2,23,64.99	1,78,53.36	19,68.08	(25.18)	1,97,96.26
(e) Other liabilities (including share capital and reserves).....				7,91,21.11				6,76,98.32
(f) Total liabilities.....				10,14,86.10				8,74,94.58
(g) Cost incurred during the year to acquire segment fixed assets.....	57,70.70	67.05		58,37.75	62,40.96	37,20.60		99,61.56
(h) Depreciation.....	39,60.05	2,44.26		42,04.31	33,55.74	2,46.71		36,02.45
(i) Non-cash expenses other than depreciation.....								

KANSAI NEROLAC PAINTS LIMITED

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AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

11. Segment Reporting (contd.)

B. Secondary Segments - Business Segments

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

12. Break-up of Sales:

Description	31st March, 2008	31st March, 2007
	Rs. in lacs	Rs. in lacs
Paints, Varnishes and Enamels	16,82,65.36	15,47,97.20
Processing Charges	71.08	67.20
Others (Including Sale of Scrap and Agency Commission).....	10,71.83	7,92.66
Total....	16,94,08.27	15,55,77.06
Less: Rebates, Discounts, Allowances, etc.	85,23.99	68,27.00
Total....	16,08,84.28	14,87,50.06

13. Related party disclosures

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

Holding Company	: Kansai Paint Co., Ltd., Japan
Fellow Subsidiary Company	: P.T. Kansai Paint Indonesia Kansai Paint Philippines Inc. Kansai Paint (Singapore) Pte. Ltd. Changqing Kansai Paint Co., Ltd. Kansai Resin (Thailand) Co. Ltd. Sime Kansai Paints Sdn. Bhd. Thai Kansai Paint Co. Ltd.
Associate – Company in which the company has substantial interest (i.e. more than 20% in voting power)	: Nipa Chemicals Limited
Key management personnel	: Mr. H. M. Bharuka, Managing Director (Parent Company)

Disclosure of transactions with these parties has been included in Note II (13)(ii) below.

(ii) Transactions with related parties

Nature of Transaction	Holding Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Royalty paid					
— Kansai Paint Co., Ltd., Japan	6,20.36 (8,03.74)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	6,20.36 (8,03.74)
Dividend paid					
— Kansai Paint Co., Ltd., Japan	1,65.41 (37,85.12)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,65.41 (37,85.12)
Technical fees including reimbursement of expenses					
— Kansai Paint Co., Ltd., Japan	2,47.70 (63.91)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	2,47.70 (63.91)

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

OTHER NOTES (contd.)

(ii) Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction

	Holding Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Total
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Dividend received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	— (2,20.50)	N.A. (N.A.)	— (2,20.50)
Purchase of goods					
— Kansai Paint (Singapore) Pte. Ltd.	N.A. (N.A.)	7.26 (16.92)	N.A. (N.A.)	N.A. (N.A.)	7.26 (16.92)
— Kansai Paint Co., Ltd., Japan	7.56 (—)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	7.56 (—)
— Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	24.23 (—)	N.A. (N.A.)	N.A. (N.A.)	24.23 (—)
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	2.65 (—)	N.A. (N.A.)	N.A. (N.A.)	2.65 (—)
— Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	11.46 (—)	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)
Sale of goods					
— Changqing Kansai Paint Co. Ltd.	N.A. (N.A.)	7.92 (—)	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)
— Kansai Paint Philippines Inc.	N.A. (N.A.)	65.99 (71.45)	N.A. (N.A.)	N.A. (N.A.)	65.99 (71.45)
— P.T. Kansai Paint Indonesia	N.A. (N.A.)	3,72.74 (71.02)	N.A. (N.A.)	N.A. (N.A.)	3,72.74 (71.02)
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	1.58 (27.59)	N.A. (N.A.)	N.A. (N.A.)	1.58 (27.59)
Processing Charges					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	55.21 (55.35)	N.A. (N.A.)	55.21 (55.35)
Interest received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	3.49 (5.71)	N.A. (N.A.)	3.49 (5.71)
Agency Commission received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	230.64 (212.41)	N.A. (N.A.)	2,30.64 (2,12.41)
Rental Income					
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	50.39 (33.24)	N.A. (N.A.)	N.A. (N.A.)	50.39 (33.24)
Processing Charges received					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	71.08 (67.47)	N.A. (N.A.)	71.08 (67.47)
IT related expenses					
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	41.10 (N.A.)	N.A. (N.A.)	N.A. (N.A.)	41.10 (N.A.)
Remuneration*					
— Mr. H. M. Bharuka, Managing Director	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,56.56 (1,40.46)	1,56.56 (1,40.46)
Corporate Guarantee given					
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	1,10.00 (1,10.00)	N.A. (N.A.)	1,10.00 (1,10.00)
— Kansai Paint Co., Ltd., Japan [Refer Note 11(2)(b) on Schedule 'Q']	16,70.33 (17,72.14)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	16,70.33 (17,72.14)
Corporate Guarantee given by					
— Kansai Paint Co., Ltd., Japan	30,36.96 (30,16.80)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	30,36.96 (30,16.80)

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SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

13. Related party disclosures (contd.)

(ii) Transactions with related parties (contd.)

Nature of Transaction	Holding Company	Fellow Subsidiary Company	Associate	Key Management Personnel	Rs. in lacs
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs	
Receivable as at year end					
— Changqing Kansai Paint Co., Ltd.	N.A. (N.A.)	7.92 (—)	N.A. (N.A.)	N.A. (N.A.)	7.92 (—)
— Kansai Paint Philippines Inc	N.A. (N.A.)	21.83 (—)	N.A. (N.A.)	N.A. (N.A.)	21.83 (—)
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	— (44.72)	N.A. (N.A.)	— (44.72)
— P.T. Kansai Paint Indonesia	N.A. (N.A.)	1,09.34 (16.76)	N.A. (N.A.)	N.A. (N.A.)	1,09.34 (16.76)
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	— (3.06)	N.A. (N.A.)	N.A. (N.A.)	— (3.06)
Payable as at year end					
— Kansai Paint Co. Ltd., Japan	1,99.46 (2,45.21)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1,99.46 (2,45.21)
— Sime Kansai Paints Sdn. Bhd.	N.A. (N.A.)	40.39 (—)	N.A. (N.A.)	N.A. (N.A.)	40.39 (—)
— Kansai Resin (Thailand) Co. Ltd.	N.A. (N.A.)	2.42 (—)	N.A. (N.A.)	N.A. (N.A.)	2.42 (—)
— Nipa Chemicals Limited	N.A. (N.A.)	N.A. (N.A.)	1,20.36 (—)	N.A. (N.A.)	1,20.36 (—)
— Thai Kansai Paint Co. Ltd.	N.A. (N.A.)	11.46 (—)	N.A. (N.A.)	N.A. (N.A.)	11.46 (—)

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

*excludes commission and related contribution to Provident Fund and Superannuation Fund thereon for the year but includes commission and such related contribution thereon for the previous year paid in the current year.

Note: No amounts pertaining to related parties have been provided for as doubtful debts. Also no amounts have been written off or written back during the year.

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

	Year ended 31st March, 2008	Year ended 31st March, 2007
	Rs. in lacs	Rs. in lacs
(a) Lease payments recognised in the Profit and Loss Account.....	48.23	32.17
(b) Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
(i) Not later than one year.....	48.42	41.91
(ii) Later than one year and not later than five years.....	62.59	81.70
(iii) Later than five years.....	—	—

15. The group has given on lease, Colour Dispenser to its dealers. The particulars in respect of such leases are as follows:

- (a) (i) The gross carrying amount and the accumulated depreciation at the balance sheet date are Rs. 95,93.66 lacs (2006-2007 Rs. 85,38.28 lacs) and Rs. 77,39.28 lacs (2006-2007 Rs. 66,69.46 lacs) respectively.
(ii) Depreciation recognised in the profit and loss account is Rs. 10,69.82 lacs (2006-2007 Rs. 10,97.35 lacs).

SCHEDULE
NOTES TO
SCHEDULE
II. OTHER

16.

17.

18.

KANSAI NEROLAC PAINTS LIMITED

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON THAT DATE**

SCHEDULE - Q (contd.)
NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

SCHEDULE - Q (contd.)
II. OTHER NOTES (contd.)

(b) The minimum aggregate lease payments to be received in future after considering amounts waived as at the year end. [Refer Note II(15)(c) below] is as follows:

	Year ended 31st March, 2008	Year ended 31st March, 2007
	Rs. in lacs	Rs. in lacs
(i) Not later than one year	45.02	2,13.63
(ii) Later than one year and not later than five years	1,04.87	1,47.44
(iii) Later than five years	—	—
(c) The lease agreements are for a period upto seven years. However, the corresponding lease rentals may be receivable for a shorter period.		

16. Values used in calculating Earnings Per Share:

	31st March, 2008	31st March, 2007
(a) Numerator: Profit after Minority Interest and Share of profits in an Associate company (Rs. in lacs)	1,19,59.21	1,05,23.69
(b) Denominator: Number of Equity Shares		
As at the beginning of the year	2,55,07,666	2,55,07,666
Add: Equity Shares issued during the year (2006-2007: to be issued)	14,38,320	14,38,320
	<u>2,69,45,986</u>	<u>2,69,45,986</u>

17. Deferred taxes:

Nature of timing difference	Deferred Tax Asset / (Liability) as at 31st March, 2007	(Charge) / Credit for the year	Deferred Tax Asset / (Liability) as at 31st March, 2008
	Rs. in lacs	Rs. in lacs	Rs. in lacs
(a) Deferred tax assets			
— Items covered under section 43B	10,76.90	(86.63)	9,90.27
— Provision for diminution in value for fixed assets	29.56	18.47	48.03
— Voluntary Retirement Compensation	52.30	3.14	55.44
— Amalgamation expenses	—	3.93	3.93
Sub-total	<u>11,58.76</u>	<u>(61.09)</u>	<u>10,97.67</u>
(b) Deferred tax liabilities			
— Depreciation	(5,07.99)	4,49.44	(58.55)
(c) Net amount	<u>6,50.77</u>	<u>3,88.35</u>	<u>10,39.12</u>

18. (a) Provision for indirect taxes:

Description	31st March, 2008	31st March, 2007
	Rs. in lacs	Rs. in lacs
Opening Balance	26,63.58	25,93.48
Add: Transferred on Amalgamation	—	1,30.00
Add: Provision during the year	—	—
Less: Utilisation / Settlement	—	—
Less: Reversal	—	59.90
Closing Balance	<u>26,63.58</u>	<u>26,63.58</u>

Provision of Rs. 26,63.58 lacs (2006-2007 Rs. 26,63.58 lacs) has been recognised in respect of matters relating to indirect taxes. The timing of the outflow is dependent on the outcome of the settlement with the appropriate authorities.

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE : Q (contd.)

NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)

II. OTHER NOTES (contd.)

18. Provision for Indirect taxes (contd.)

(b) Provision for warranties:

Description

**31st March,
2008**

Rs. in lacs

Opening Balance.....	34.20
Add: Incurred on acquisition of business.....	—
Add: Provision during the year.....	34.33
Less: Utilisation / Settlement.....	1.19
Less: Reversal.....	6.45
Closing Balance.....	60.89

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

19. Employee Benefits

Effective 1st April, 2007 the Group adopted revised Accounting Standard 15 'Employee Benefits'. Pursuant to the adoption of AS-15, no adjustment was required to be made to general reserve as there is no impact of revised AS-15.

A. Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of Consolidated Profit and Loss Account and Contribution to Provident Fund and Other Funds in Schedule O for the year are as under:

Rs. in lacs

Employer's contribution to Provident Fund.....	2,46.51
Employer's contribution to Family Pension Fund.....	1,09.88
Employer's contribution to Superannuation Fund.....	53.82

B. Defined Benefit Plan

Gratuity and long term compensated absences – as per actuarial valuation as on 31st March, 2008

	Gratuity (Funded)	Compensated Absences (Unfunded)	
	Rs. in lacs	Rs. in lacs	
i. Reconciliation of opening and closing balances of Defined Benefit Obligation			
Present value of Defined Benefit Obligation as at 31st March, 2007..	12,58.11	3,37.76	
Interest Cost.....	1,00.65	27.51	
Current Service Cost.....	38.23	69.22	
Benefits paid.....	(1,34.57)	(46.31)	20.
Net Actuarial (Gain) / Loss.....	29.43	(93.73)	
Present value of Defined Benefit Obligation as at 31st March, 2008..	12,91.85	2,94.45	
ii. Reconciliation of fair value of Plan Assets			
Fair value of Plan Assets as at 31st March, 2007.....	12,58.85	N.A.	21.
Expected return on Plan Assets.....	1,00.71	N.A.	
Net Actuarial (Gain) / Loss.....	—	N.A.	
Employer's Contribution.....	65.06	N.A.	
Benefits paid.....	(1,34.57)	N.A.	
Fair value of Plan Assets as at 31st March, 2008.....	12,90.05	N.A.	
The Group expects to contribute in 2008-2009	70.00		
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%	N.A.	Mumbai, 30

KANSAI NEROLAC PAINTS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE O (contd.)
 NOTES TO THE CONSOLIDATED ACCOUNTS (contd.)
 II OTHER NOTES (contd.)
 19. Employee Benefits (contd.)

	Gratuity (Funded) Rs. in lacs	Compensated Absences (Unfunded) Rs. in lacs
iii. Net assets / (liabilities) recognised in the Balance Sheet as at 31st March, 2008		
Present value of Defined Benefit Obligation	(12,91.85)	(2,94.45)
Fair value of Plan Assets	12,90.05	—
Net asset / (liability) recognised in Balance Sheet	(1.80)	(2,94.45)
iv. Components of Employer's Expenses		
Current Service Cost	38.23	69.22
Interest Cost	1,00.65	27.51
Expected return on Plan Assets	(1,00.71)	—
Net Actuarial (Gain) / Loss	29.43	(93.73)
Total expenses recognised in the Profit and Loss account in Schedule O under:	67.60	3.00
	Contribution to Provident Fund and Other Funds	Workmen and Staff Welfare Expenses
Actual return on Plan Assets	100.71	N.A.
v. Actuarial Assumptions		
Mortality Table	LIC (1994-96) (Ultimate)	LIC (1994-96) (Ultimate)
Discount rate (per annum)	7.50%	7.50%
Expected rate of return on Plan Assets	7.55%	—
Salary escalation	10%	10%
vi. a. The estimates of rate of escalation in salary considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
c. Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.		
vii. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.		

20. During the year, the Subsidiary has agreed to enter into a Shareholders' Agreement with Prompt Vista Sdn. Bhd. to acquire 20% interest in Mr. Paint Man Sdn. Bhd. for an amount of Rs. 1,51.85 lacs (RM 1.2 million). Mr. Paint Man Sdn. Bhd. will be used to market the new brand of paint under the brand name of "Mr. Paintman". At the date of this report, the acquisition has not been completed.

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

For and on behalf of the Board of Directors

J. J. IRANI *Chairman*
 D. M. KOTHARI *Vice Chairman*
 H. M. BHARUKA *Managing Director*
 S. M. DATTA *Director*
 P. P. SHAH *Director*
 N. N. TATA *Director*

G. T. GOVINDARAJAN
Company Secretary

P. D. PAI
CFO

Mumbai, 30th April, 2008

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	2007-2008		2006-2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax.....		1,67,59.11		1,55,00.00
Adjustments for:				
Depreciation	42,04.31		36,02.45	
Foreign exchange loss / (gain) unrealised.....	4.85		(10.18)	
Foreign currency translation	(49.65)		—	
Loss on sale of fixed assets	1.89		0.07	
Loss on fixed assets written off	6.35		0.77	
Provision for write down in value of fixed assets	69.73		—	
Provision for write down in value of fixed assets written back	(11.52)		(13.23)	
Profit on sale of fixed assets.....	(4.96)		(91.56)	
Loss on sale / redemption of investments	17.86		0.39	
Provision for diminution in value of investments no longer required..	—		(80.70)	
Profit on sale / redemption of investments.....	(14,13.92)		(5,14.08)	
Interest expenditure.....	2,27.03		1,75.59	
Interest income	(1,00.27)		(1,18.53)	
Dividend income	(8,29.00)		(4,97.80)	
		21,22.70		24,53.19
Operating profit before working capital changes		1,88,81.81		1,79,96.08
Increase in trade and other receivables.....	(20,43.01)		(9,64.51)	
Decrease in inventories	82.37		2,50.27	
Increase / (decrease) in trade payables	27,35.54		(11,83.95)	
		7,74.90		(18,98.19)
Cash generated from operations		1,96,56.71		1,60,97.89
Direct taxes paid (net of refunds)		(55,10.05)		(55,32.80)
Net cash from operating activities		1,41,46.66		1,05,65.09
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of business assets by the subsidiary, net of cash acquired		—		(24,55.92)
Purchase of fixed assets (including adjustments on account of capital work-in-progress and capital advances).....		(69,22.78)		(64,66.77)
Sale of fixed assets		38.24		2,02.73
Purchase of investments		(5,81,13.21)		(4,24,57.70)
Proceeds from sale / redemption of investments.....		5,17,77.52		4,52,29.15
Interest received		1,00.27		1,26.33
Dividend received [includes Rs. Nil (2006-2007 Rs. 2,20.50 lacs) received from associate company]		8,29.00		7,15.63
Net cash used in investing activities		(1,22,90.96)		(51,06.56)

KANSAI NEROLAC PAINTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

Rs. in lacs	2007-2008		2006-2007	
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
	CASH FLOW FROM FINANCING ACTIVITIES			
1,55,42		2,06.36		17,55.46
		(8,22.35)		(19,37.72)
		4,27.16		(9,06.84)
		(2,27.03)		(1,75.59)
		(2,20.76)		(61,68.15)*
		—		(8,94.69)#
		(6,36.62)		(83,27.53)
		12,19.08		(28,68.99)
	Cash and cash equivalents at beginning of the year the components being:			
	15.75		11.39	
	21,89.83		47,43.00	
		22,05.58		47,54.39
24,53.80		0.37		1,22.10
1,79,96.00		—		1,98.08
(18,98.10)		5.30		15.75
		34,19.73		21,89.83
1,60,97.80		34,25.03		22,05.58
(55,32.80)		12,19.08		(28,68.99)

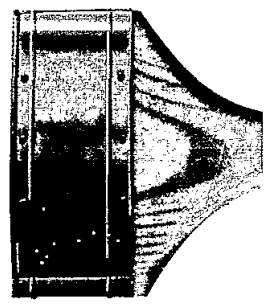
Notes: 1. Figures in brackets are outflows / deductions.
 2. Previous year's figures have been regrouped wherever necessary.

Per our report attached	For and on behalf of the Board of Directors	
For A. F. FERGUSON & CO.	J. J. IRANI	Chairman
Chartered Accountants	D. M. KOTHARI	Vice Chairman
R. K. HIRANANDANI	H. M. BHARUKA	Managing Director
Partner	S. M. DATTA	Director
G. T. GOVINDARAJAN	P. P. SHAH	Director
Company Secretary	M. N. TATA	Director
P. D. PAI		
CFO		

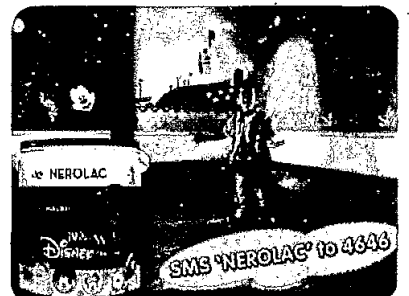
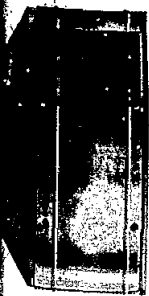
Nerolac Impressions Shaadi Style Guide is a painting solution for newly weds. The film is about how the guide helps two people from different backgrounds to make a combined choice for painting their home. The film opens with a newly-wed couple doing up their new home. They have different tastes. But they have a harmonious choice when it comes to choosing colours for their walls. The Shaadi Style Guide helps them choose their favorite colours for their home.



Nerolac Beauty Flexi Coat is a premium interior emulsion that stretches to cover hairline cracks that may develop in the wall. The film describes how the "extension" of different materials in life are so essential, like the extension of a safety sheet by the fire men, the extension of a goaley's hockey stick to save a game, the extension of a mother's dupatta to save her children from getting drenched in the rain...and thus the extension of the flexi coat to save the walls.



Nerolac Impressions Disney is an exclusive designer emulsion for your child's room. The film communicates that Nerolac Impressions Disney is available in a wide and affordable range. In this film, a child is seen entering a showroom where the walls are painted with Nerolac Impressions Disney characters. We see the child is getting fascinated by seeing the walls painted in his favourite Disney characters. The boy turns to the salesman and hands out a note and a few coins and points out the wall which he wants to be painted in his house. This depicts that now Nerolac Impressions Disney paint is available in a wide range and is affordable.





Nerolac Paints comes to your doorstep through 'Nerolac Home Stylers (NHS)'. With NHS, you can be rest assured that the painting of your home will be a hassle-free experience.

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(Service available in select cities only)

 **KANSAI NEROLAC PAINTS LIMITED**

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