

Digitalization of Operations



Where Technology Meets Paint.

DIGITALIZATION OF OPERATIONS

In today's hypercompetitive business environment, companies constantly need to be receptive to market cues and stakeholder demands in order to generate maximum value. Operating in a market where competitive advantage is gained and lost rapidly, continuous innovation and reinvention is the only true competitive advantage. Kansai Nerolac Paints Limited (KNPL) has always viewed IT as being strategic to creating stakeholder value.

With the ability to drive organization-wide process optimization and change, Digitalization has strongly emerged as a tool to achieve desired business results. KNPL has wholly embraced digitalization, driving process integration and improvement initiatives throughout the Company's operations.

Digitalization at KNPL is not just limited to process automation, but goes well beyond it. The Company deploys digitalization capabilities for continuous end-to-end process re-engineering and business process optimization. KNPL endeavours to capture and use data efficiently and to generate actionable insights. Quantification of critical daily operations and converting it to meaningful actions allows regular performance tracking and improvement.

Achieving high customer satisfaction is the cornerstone of all our business optimization initiatives.

In order to ensure a hassle-free service experience for customers, KNPL has leveraged digitalization to re-imagine its systems for order placement, feedback, and efficient complaint resolution. Similar systems have been developed for the Company's dealer partners to place orders and highlight grievances.

Systems have been made available to the Sales Team which provides the team with on-ground actionable market insights, aiding them in positively impacting the top-line.

Focus on digitalization also extends to KNPL's marketing activities. The year witnessed increased spend on digital media marketing initiatives, spanning across a variety of websites and social media platforms.

To bring about improved performance management and appraisal system, the HR function makes extensive use of performance reports. These reports enable employees to track their performance and aid them in improving their productivity. The Company has also implemented online compliance tracking systems that ensure strict adherence to statutory and regulatory compliances.

Digitalization is a journey that the Company will continue to forge ahead on in the years to come so as to drive business growth and generate value for all its stakeholders.

DIRECTORS

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

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

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

AUDITORS

B S R & CO. LLP, MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

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

Tel: +91-22-24934001

Fax: +91-22-24973704

Website: www.nerolac.com

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

Corporate Identity Number (CIN): L24202MH1920PLC000825

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

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

NOTICE

Notice is hereby given that the Ninety-Sixth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai – 400001 on Wednesday, 22nd June, 2016 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2016 including audited Balance Sheet as at 31st March, 2016 and Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend of ₹ 3.05 (305%), including a special dividend of ₹ 1.25 (125%), per Equity Share of the nominal value of ₹ 1 each for the year ended 31st March, 2016.
3. To appoint a Director in place of Mr. P. D. Chaudhari (holding DIN 02171823), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. Tanaka (holding DIN 06566867), who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force),

B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee in addition to the reimbursement of service tax and actual out of pocket expenses incurred in connection with the audit of accounts of the Company for the financial year ending 31st March, 2017."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that pursuant to provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 2013, (the Act), read with the Companies (Management and Administration) Rules, 2014 (including any statutory amendment(s) or enactment(s) thereof for the time being in force), the Company hereby approves that the Register of Members and the Index of Members maintained under Section 88 of the Act and copies of the Annual Returns prepared under Section 92 of the Act, together with the copies of certificates and documents required to be annexed thereto or any other documents as may be required, be kept at the office of the Registrar and Transfer Agent of the Company viz. TSR Darashaw Ltd., 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400011, or at such other office or place within Mumbai, where the Registrar and Transfer Agent may shift from time to time.

RESOLVED FURTHER that the Board of Directors (including a Committee thereof, if any, constituted by the Board) and/or the Company Secretary be and are hereby authorized to do all such things and take all such actions as may be required from time to time to give effect to the above resolution and matters related thereto and to delegate all or any of the powers or authorities herein conferred by this resolution, to any Director(s) or to any other official(s) or authorized representative(s) of the Company for the purpose of giving effect to this resolution."

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 27th April, 2016

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten (10) percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

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

2. Corporate Members intending to send their authorized representatives to attend the meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board resolution together with the specimen signatures of their authorized representatives to attend and vote on their behalf at the meeting.
3. The Explanatory statement pursuant to Section 102 of the Companies Act, 2013 relating to Item Nos. 5 and 6 is annexed hereto.

4. The Board of Directors has recommended for consideration of the Members a dividend of ₹ 3.05 (305 %) per equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2016. This dividend includes special dividend of ₹ 1.25 (125%) for the year.
5. The Register of Members and Share Transfer books of the Company will remain closed from Thursday, June 16, 2016 to Wednesday, June 22, 2016 (both days inclusive), for the purpose of Annual General Meeting and Dividend. Dividend, if declared, will be payable on or after 27th June, 2016 to those members whose names are registered as such in the Register of Members of the Company as on 15th June, 2016 and to the Beneficiary holders as per the beneficiary list as on 15th June, 2016 provided by the NSDL and CDSL.
6. In accordance with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed 15th June, 2016 as the "cut-off date" to determine the eligibility to vote by electronic means or in the general meeting. A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. 15th June, 2016, shall be entitled to avail the facility of remote e-voting or voting in the general meeting.
7. Shareholders may be aware that the Companies Act, 2013, permits service of the Notice of the Annual General Meeting through electronic mode. Electronic copy of the Annual Report including Notice of the 96th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Admission Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes. However, those members who desire to have a physical copy may request for the same to the RTA. For members who have not registered their email IDs, physical copies of the Annual Report are being sent in the permitted mode.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form

are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to TSR Darashaw Ltd.

9. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs with their Depository Participant are requested to register their e-mail address at the earliest, to enable the Company to use the same for serving documents to them electronically, hereinafter. Shareholders holding shares in physical form may kindly provide their e-mail address to the RTA by sending an e-mail at csg-unit@tsrdarashaw.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.

10. Voting through Electronic means

In compliance with Section 108 and other applicable provisions of the Companies Act, 2013, if any, read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide its Shareholders with the facility of "remote e-voting" (e-voting from a place other than venue of the AGM), to enable them to cast their votes at the 96th Annual General Meeting (AGM) and the business at the 96th AGM may be transacted through such voting. The Company has entered into an agreement with Central Depository Services (India) Ltd. (CDSL) for facilitating e-voting to enable all its Shareholders to cast their vote electronically

The facility for voting, either through electronic voting system or ballot/polling paper shall also be made available at the venue of the AGM, apart from the remote e-voting facility provided prior to the date of AGM. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again at the AGM. The Company has appointed Mrs. Ragini Chokshi, Partner of

Ragini Chokshi & Co., Practicing Company Secretaries, as the Scrutiniser for conducting the remote e-voting and the voting process at the AGM in a fair and transparent manner. The Scrutiniser shall make a consolidated Scrutiniser's report of the total votes cast in favour or against, if any, during the remote e-voting and voting at the AGM, not later than three days of conclusion of the meeting, to the Chairman or a person, authorised by him in writing. The Chairman or a person, authorised by him in writing, shall declare the results of the AGM forthwith. The results declared along with the Scrutiniser's report shall be placed on the Company's website and on the website of CDSL and shall be communicated to the Stock Exchanges.

Members holding shares in physical form or in demat form as on 15th June, 2016, the cut-off date, shall only be eligible for e-voting.

The voting period begins on Saturday, 18th June, 2016 at 9.00 a.m. and ends on Tuesday, 21st June, 2016 at 5.00 p.m. During this period the eligible shareholders of the Company, holding shares either in physical form or in demat form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

The instructions for voting electronically are as under:

- (i) The shareholders should log on to the e-voting website www.evotingindia.com.
- (ii) Click on Shareholders.
- (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and Click on Login.
- (v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vi) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN*	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details (Account Number) as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

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

(viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(x) Click on the EVSN for Kansai Nerolac Paints Ltd.

(xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote or cast your vote again.

(xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvi) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xvii) Note for Non-Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

Those persons, who have acquired shares and have become Members of the Company after the despatch of Notice of the AGM by the Company and whose names appear in the Register of Members or Register of beneficial holders as on the cut-off date i.e 15th June, 2016 shall view the Notice of the 96th AGM on the Company's website or on the website of CDSL. Such Members shall exercise their voting rights through remote e-voting by following the procedure as mentioned above or by voting at the AGM.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

Annexure to Notice

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

ITEM NO. 5

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

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

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

ITEM NO. 6

The Company had appointed Sharepro Services (India) Private Limited (hereinafter referred to as 'Sharepro Services') as its Registrar and Transfer Agent (hereinafter referred to as R&TA) with effect from 10th January, 2000.

The Company discovered certain irregularities at Sharepro Services, with respect to share transfer and dividend payment related activities. Further, operations of Sharepro Services are currently being investigated by statutory authorities over alleged misappropriation of dividends and securities of its client companies.

Securities and Exchange Board of India (SEBI) has passed an Interim Order dated 22nd March, 2016, wherein it has asked the companies to shift their Registrar and Transfer

activities from Sharepro Services. In accordance with the directions of SEBI and in order to protect the interest of the shareholders, the Board of Directors of our Company was of the opinion that the Company should appoint an entity as its R&TA which could be reliable and has the capability in handling operations commensurate to the Company's size. Accordingly, the Board of Directors of the Company at its meeting held on 27th April, 2016, has approved the appointment of TSR Darashaw Limited, having its office at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400011, as the R&TA of the Company with effect from 1st May, 2016.

In accordance with Section 94 and other applicable provisions of the Companies Act, 2013 (Act) read with Companies (Management and Administration) Rules, 2014, the Register and Index of Members under Section 88 of the Act and copies of Annual Returns under Section 92 of the Act are required to be kept and maintained at the Registered Office of the Company, unless a Special Resolution is passed by the shareholders at the General Meeting authorizing the Company to keep the Register and Index of Members and the copies of Annual Returns at any other place in India where more than one-tenth of the total number of members reside.

The Company proposes to shift its Register and Index of Members and copies of Annual Returns to the office of TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400011.

The Board of Directors of the Company recommends the Special Resolution as set out at item no. 6 of this Notice for approval of the Members.

None of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the proposed Special resolution.

None of the Promoters, Directors and Key Managerial Personnel of the Company have any shareholding interest in TSR Darashaw Ltd.

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 27th April, 2016

Disclosure in terms of Regulation 26(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Name of the Director seeking appointment/ re-appointment	Shares held as on 31.3.2016 (Own or held by/ for other persons on beneficial basis)
Mr. Masaru Tanaka	Nil*

* Mr. Masaru Tanaka is the nominee of Kansai Paint Co. Ltd., Japan. He does not hold any share in his personal capacity.

Route Map to the venue of the AGM



BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 96th Annual Report and the Audited Accounts for the year ended 31st March, 2016.

1. Financial Highlights

	1st April, 2015 to 31st March, 2016	1st April, 2014 to 31st March, 2015
	₹ in Crores	₹ in Crores
Sales & Operating Revenue.....	4604.36	4211.64
Net Sales/Income from operations (Net of excise and discounts)	3830.22	3549.06
Other Income.....	24.84	21.79
Profit before Interest, Depreciation, Tax and Appropriation.....	597.16	466.61
Interest.....	—	0.02
Depreciation and Amortisation	67.79	67.69
Profit Before Exceptional Item.....	529.37	398.90
Exceptional Item	535.34	—
Profit Before Tax	1064.71	398.90
Tax.....	173.61	127.23
Profit After Tax	891.10	271.67
Balance brought forward from previous year.....	1077.98	931.52
Balance available for appropriations.....	1969.08	1203.19
Appropriations:		
Proposed Dividend	164.37	75.45
Tax on proposed dividend.....	34.39	15.78
General Reserve	35.58	27.17
Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013 (Refer Note No. 33 in the Notes to the Financial Statements).....	—	4.51
Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives	—	3.49
Deferred tax impact on the above.....	—	(1.19)
Balance retained in Profit and Loss Account.....	1734.74	1077.98
	1969.08	1203.19

2. Dividend

The Directors recommend for consideration of the Members, a dividend of ₹ 3.05 (305 %) per equity share of the nominal value of ₹ 1 each for the year ended 31st March, 2016. This dividend includes special dividend of ₹ 1.25 (125%) for the year. Compared to this, the total dividend paid last year was ₹ 1.40 (140%) on every equity share of the nominal value of ₹ 1 each.

3

MANAGEMENT DISCUSSION AND ANALYSIS

[A] INTRODUCTION

Kansai Nerolac Paints Ltd. (KNPL), a subsidiary of Kansai Paint Co. Ltd., Japan began its journey in the year 1920 as Gahagan Paints and Varnishes Company Ltd. at Lower Parel, Mumbai.

With an aim to provide technologically advanced, cutting edge products to its customers, KNPL has always worked hard towards making customer satisfaction and customer delight as the Company's top priority. It is this ethos to constantly strive to improve customer experience that has enabled us to enjoy a leading position in the industrial sector and emerge as a perceptual leader in the decorative space.



Complete Coating Solutions

KNPL services customers in both decorative as well as industrial segments. The Company has coating solutions across the Decorative, Wood Coatings, General Industrial, High Performance Coatings, Powder Coatings, Automotive, and Auto Refinish market segments.

The Company serves its customers through a network of four manufacturing facilities strategically located at Lote in Maharashtra, Bawal in Haryana, Jainpur in U.P. and Hosur in Tamil Nadu and around hundred strategically located depots. KNPL's manufacturing prowess, combined with a vast network of geographically distributed depots allows the Company to be responsive in meeting the high service level expectations of its customers.

Along with the existing capacity, the Company has also announced plans for setting up two new state-of-the-art facilities in Gujarat and Punjab, which will be a shot in the arm for product delivery and order fulfilment capabilities. Along with manufacturing units, KNPL is also setting up a world-class R&D facility at Navi Mumbai in order to develop cutting-edge and futuristic product offerings to customers.

Apart from the Indian business, KNPL also conducts business outside India through successful joint ventures. The Company has a JV in Nepal with Kansai Nepal, which caters to customers in Nepal, and has been growing at a steady pace. KNPL also has a JV in Sri Lanka with Capital Holdings Maharaja Group to set up the paint business in Sri Lanka.

In the process of shifting of its manufacturing operations from Chennai to Gujarat, during the year, the Company has sold its factory land and building in Chennai for a total consideration of ₹ 537.86 Crores. Proceeds from monetization of assets of Chennai plant will be utilized for setting up plant at Gujarat.

Information Technology plays a pivotal role in the overall strategy formulation and execution at KNPL. The Company works closely with SAP and makes use of latest systems, including SAP HANA.

Digitalization represents a huge opportunity for industry. Keeping in mind the immense potential offered by it as well as the fact that KNPL has always viewed IT as strategic, KNPL has embarked on a digitalization drive and has created a roadmap for the same. This year the focus was on internal operations and hence the theme of this year's Annual report is Digitalization of Operations.

Being committed to the cause of environmental preservation and sustainable manufacturing, KNPL has a robust EHS framework which is followed across all facilities. The Company publishes an Annual Sustainability Report and all plants are Zero Discharge Units, preventing environmental damage.

The multiple awards and accolades bestowed upon us annually are a testament to the fact that the endeavors to offer highest quality products to customers have been recognized and appreciated by the industry.

[B] INDUSTRY PROGRESS

Continuing with the previous year's trend, year 2015-16 has been positive yet challenging for the Indian economy. Infrastructure slowdown and a weak demand across major industry segments like Automotives, Consumer Durables kept demand subdued. Factors like poor monsoons, high interest rates, uncertainty due to geo political events all contributed towards subdued demand. The Industry is estimated to be around ₹ 39,000 Crores as at March 2016.

On the cost front, the industry benefitted from lower crude oil prices. Derivative prices, however, have not gone down by the same proportion and therefore raw material prices have not come down significantly for the industry. Rupee volatility also contributed to uncertainty on the cost front.

Going forward, the economy is expected to grow in much the same manner in FY 2016-17 as in FY 2015-16. While there are some positives, negatives like drought could impact the economy. The economy has shown resilience amidst global slowdown, and continues to progress. GDP is growing at a steady pace, outpacing China and other developing economies. Positive sentiments from the market, coupled with a positive monsoon forecast released by IMD, are big positives which could impact demand favorably. Favorable policy decisions on key legislations expected to be taken up by the Government of the day are also expected to impact the industry positively.

[C] MARKETING INITIATIVES – OUTLOOK

Decorative:

Marketing at KNPL is all about maintaining strong connect and healthy communication channel between the Company and its customers. The Company keeps the customer at the heart of all its service offerings and operations, and believes in communicating the

Company's latest initiatives to its stakeholders through efficient marketing channels.



HD Colors by Nerolac

The Company has initiated many strategic initiatives aimed at strengthening the Nerolac Brand. These have contributed to helping the Company achieve strong growth in the decorative segment and be well positioned to take advantage of the improvement in the demand climate expected.

In FY 2015-16, lower crude prices reduced the overall costs for the paint industry. KNPL proactively took lead in passing on part of the cost benefit to customers.

In one of the major developments of the year the Company launched a second brand called Soldier in the Decorative market. The brand aims to capitalize on the opportunities in the volume driven, fast growing bottom of the pyramid space of the market. The brand is being retailed through a different distribution network. In a short span, the brand has managed to generate great consumer interest as well as strong market acceptability.



Soldier Paints

The financial year saw KNPL strategically increasing its media presence. The overall spend on marketing activities this year was increased substantially, which led to KNPL aggressively promoting its brand of products across media channels, recording increased air time, higher visibility, and improved top-of-mind recall.



Nerolac in Digital and Print Media

Active promotion of its key products like Impressions, Suraksha, Excel, and others across a variety of media like TV, print media, radio, as well as social media were done. The ad campaigns were broadcasted during the cricket events of the year and major movie releases.



Budget Day Coverage



Cricket World Cup promotion with Cricbuzz

KNPL has always maintained an active social media strategy, employing new and innovative ideas to engage consumers and to reach out to as many consumers as possible. This year too, these online endeavors were a huge success, with 'Impressions HD Stories' campaign and Nerolac DubSmash contest being big hits with the consumers. The 'Impressions HD Stories' campaign witnessed thousands of consumers from across the country sharing their Impressions HD stories through their social media accounts and winning prizes.



HD Stories Campaign

The Company re-launched the famous signature Nerolac Jingle during the Diwali season amidst much fanfare. The iconic jingle was splendidly received by customers, with the ad commercial becoming the most viewed paint commercial in India on YouTube. Similar feats were achieved by the Company's Facebook fan page, which today stands at the highest fan base among Indian paint companies.



Most-watched Paint Commercial on YouTube

The Impressions HD campaign launched this year, has garnered a lot of acceptability on the market. This season the Company launched a new campaign for Suraksha brand. This campaign was themed around consumer's emotional need for status and recognition, highlighting how Suraksha painted exteriors have become a status symbol for the house owner.



Suraksha Campaign

KNPL's marketing initiatives were highly appreciated, not only by valued customers, but also by industry groups. The 'Rang De Patang' initiative was awarded the Kyoorius Design Award '15 for ambient media category.



Kyoorius Design Award, Product of the Year 2016

KNPL won Nielsen Consumer Survey – 'Most Innovative Product of the Year' award for Nerolac Impressions HD, indicating the love and appreciation bestowed upon the Company's revolutionary products by its customers. Winning the award for the fourth time is a testament to the rigorous innovation and quality standards maintained at KNPL year on year.



Painter Welfare Initiatives

When it comes to marketing campaigns, KNPL has always had the flair to come up with unique customer connect initiatives. The Company recently unveiled a unique coffee table book, celebrating the culture and colors of Bengal with brand ambassador Shah Rukh Khan in Kolkata. KNPL's involvement in industry events also remained high, with KNPL participating in Ace Tech 2015 in Mumbai. In addition, KNPL along with Correa Foundation also launched a Coffee Table Book at Ace Tech as a tribute to renowned Indian Architect Charles Correa.



Colors of Bengal – Coffee Table Book Launch

Industrial:

KNPL is the market leader in industrial coatings, and has managed to retain its leadership position over the years owing to innovative product and service offerings to industrial customers.

This year, KNPL further improved its leadership position in the Automotive and Industrial Coatings Segments. By focusing on new products and solutions, KNPL continued to provide a number of value added offerings to all its customers.



Innovative Offerings for the Automotive Sector

Technology has always been the cornerstone of KNPL solution to customers and KNPL has continued to focus on technology providing High Quality, Cost Effective and Sustainable Solutions to its automotive customers. Quality standards have been consistently enhanced by the Auto OEMs in their crusade to provide better value to their consumers. Client interaction and business acquisition remained high this year, with the Company bagging repeat business from its esteemed clients, as well as winning new business from clients.

KNPL has worked closely with the Auto Industry and this year has introduced more enhanced products like a superior Mar and Scratch Resistant Clear Coat and High Solid Base Coats. KNPL also enhanced its range of colors for Car Interior Coatings, which are eco-friendly, free of Hazardous Air Pollutants (HAPs) and meet international coating standards. The Company also bolstered its "Customized Solution" offerings to provide best suitable paint system to the customer.

The Company has introduced a next generation CED with better corrosion resistance, high throwing power, low baking loss and reduction in consumption. With such sustained innovations and product improvements, KNPL managed to maintain its market leadership in the CED segment, with many new CED lines added this year.



Performance Coatings

KNPL pioneered the practice of providing Technical service on Customer Production lines and has further strengthened its capability on this front. The Company continues to invest in solutions to constantly upgrade the solution quality provided to customers through the Technical Service Team. The Company provides its Industrial customers with Kaizens together with Value Additions and Value Engineering ideas aimed towards quality improvement and cost reduction.

KNPL has increased focus on the Oil and Gas, Offshore, Energy and Railways segment in Performance Coatings. During the year, KNPL has achieved significant milestones enhancing its presence in the segment. With technologies like Moisture Cure Paints, DTM (Direct to Metal), 100% Solvent Free Epoxy Coatings and Tank Lining Solutions, the Company is targeting strong presence in the Chemical, Petrochemical, Petroleum and Oil and Gas Segment.

The Company has progressed significantly in the Floor Coating market and this year introduced number of product variants aimed at strengthening its base.



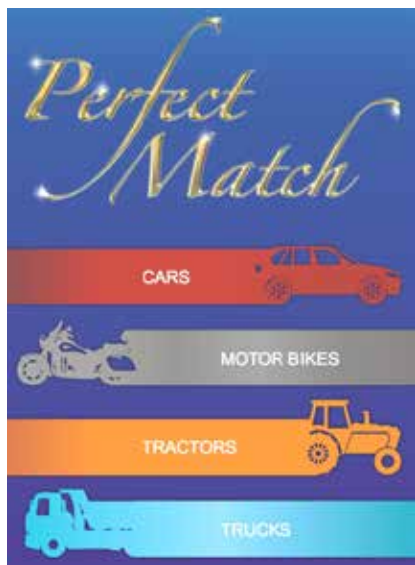
Neroflor – Floor Coatings by Nerolac

The Company works closely with Industry organizations like NACE (National Association of Corrosion Engineers) and SSPC (Society for Surface Protective Coatings). The Company was well represented at NACE, SSPC and CII events which ensured visibility and connect with key industry stakeholders.



Customized Product Offerings

KNPL has a majority market share in the Powder Coating Segment and this year too, the Company has further strengthened its share in segments like Auto Ancillaries and Electricals. In keeping with the Company's thrust of introducing high technology solutions, the range of products acquired through technology tie up with Protech, Canada are being rolled out allowing the Company to enter into new niche segments.



Automotive Refinish Coatings

KNPL's thrust in the Auto Refinish segment for the past few years is giving good results, with this year also seeing a surge in market share in the ARF segment. The Company is now gaining strong acceptability. The Company has launched many new products including Perfect Match

Eco Clear Coats and enhanced its range of shades in this series. KNPL also introduced MasterMix Brand, a state-of-the-art Mixing Machine Technology from South Africa in the Popular Polyurethane Mainstream Segment. KNPL solutions in the Auto Refinish Market focus on Environment Friendly High Quality technology providing users opportunities to improve productivity, reduce wastages and reduce costs. The Company continues to take number of technology initiatives aimed at strengthening its market share in this segment.

[D] OPPORTUNITIES AND THREATS

Opportunities:

- **Fastest growing economy**

With the Indian economy being the fastest growing world economy, there will be ample demand for paints and coatings in the coming financial year. With the economy poised to grow at a rate of 7.5%, consumer spending will get a huge boost, resulting in higher demand for paints.



- **Favorable demographics**

India's young population represents a huge opportunity as more and more young Indians join the workforce and will have disposable income available. The trend towards nuclear family augurs well for the paint Industry.

- **Infrastructure focus**

With infrastructure sector reforms being the top priority of the current government and keeping in mind its Smart City initiatives, demand for coatings from the infrastructure sector is going to see healthy growth.



- **Automotive industry**

With a fast growing economy and improved manufacturing growth, both commercial as well as passenger vehicle segments are expected to grow at a rapid pace, thus increasing demand for automotive paints.



- **Lower per capita paint consumption**

Per capita paint consumption in India roughly about 4kgs, is extremely low in comparison to developed nations. This represents a huge opportunity.

- **Government reforms**

The Government is expected to continue with its reforms agenda, with policy decisions like GST, Infrastructure, and Power Sector Reforms projected to be implemented in the near term. These reforms, if implemented, would provide great impetus to the economy as well as to the paint industry.

Threats:

- **Below-par monsoon**

With the economy reeling under the impact of two successive poor monsoons, a third consecutive draught can have adverse impact on customer spending, ultimately impacting paint consumption in a negative way.

- **Input cost trend**

Going ahead, FY 16-17 is expected to see a gradual upward trend in input costs. This rise may impact industry profitability in the longer run, affecting both top line as well as bottom line growth.

[E] SEGMENT WISE PERFORMANCE

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

[F] RISKS AND CONCERNS



In a business environment that is constantly under churn, Risk Management becomes a top priority for KNPL in order to guard against any eventuality, while at the same time, being able to extract maximum benefit out of favorable conditions.

The Company follows a Risk Management framework, where the risk committee meets regularly to identify imminent and potential risks, as well as documenting risk mitigation measures to eliminate or reduce the event impact.

- **Strategic Risk**

These risks revolve around brand, technology and service strategy. Strategic risk identification and mitigation remains a top priority activity at KNPL, and contingency measures are put in place for any and all issues emanating out of the same.

- **Operational Risks**

While pursuing innovative product offerings and radical business models, there are certain risks associated with product delivery, Service Level Agreement adherence amongst others. In order to tackle these risks, KNPL has developed robust mechanisms that ensure that while being innovative, key operational parameters are never compromised and we deliver on the promise that we make to customers and stakeholders.

- **Statutory Risk**

With a network spanning across India and overseas, KNPL makes sure that the business operates within the ambit of law and necessary legal compliances are followed. Combining in-house expertise and knowledge of statutory compliances along with professional legal services, KNPL ensures that there are no lapses on the regulatory front, and the Company functions within the legal and statutory framework.

- **Financial Risks**

Finance risks originating out of currency fluctuations and market volatility have the potential to affect Company bottom line directly. Thus, these risks are

dealt with advance planning, taking necessary steps for hedging against such outcomes.

- **System Risk**

With all operations conducted using business software, ensuring high availability of systems as well as proper controls to ensure that operations are not compromised remains a top management priority. The Company takes many steps proactively to ensure that potential risks are minimized.

[G] RESEARCH AND DEVELOPMENT

KNPL has incorporated its commitment to continuous innovation and Research and Development in the Company vision statement. The Company aims to leverage its advanced technical know-how, global knowledge network, and in-house capabilities for serving customers with superior products and service offerings.



C14000 - Open Weatherometer

KNPL believes in bolstering its Research & Development capabilities so as to offer technically advanced and innovative products to customers so that it will always remain the partner of choice for its valued customers. Committed to the cause, the Company's R&D works round the clock to develop technologies that cater to creating customized, unique technology solutions aimed at meeting the ever evolving challenges of customers.

In the endeavor to promote R&D activities within the organization and in the industry, KNPL regularly participates in scientific conventions and industry events. Also, KNPL scientists frequently publish research papers in reputed forums and scientific journals, detailing the scientific breakthroughs they accomplished in product development, thereby driving cooperation and knowledge sharing in the scientific community.



Bell Application

At KNPL, the R&D team focuses on the current and future trends in all market segments in order to stay ahead of the curve and be the frontrunner in bringing latest innovations to market. Working closely with customers and vendors the Company creates long term product maps for customers.

[H] INFORMATION TECHNOLOGY

Information Technology plays a pivotal role in the overall strategy formulation and execution at KNPL. Being the driving force behind the core functions, KNPL's IT systems have evolved to provide efficient performance management and Key performance Indicator tracking mechanisms which leads to better decision making.



With Digitalization representing a huge opportunity, the theme for this year's IT initiative was use of Digitalization for Operational and people Efficiency along with Mobility. Exploiting the power of the in-memory capability of SAP, the Company has been working on a vision to use IT capability to re-imagine business process capability, efficiency, decision making along with redefinition of response time to market in the areas of Marketing, Supply chain and Research and Development. In keeping with the theme, a roadmap was identified and several projects are underway to digitize operations.

Ensuring high data visibility and operational transparency is the cornerstone of KNPL's IT strategy. In keeping with the organization maturity and system capability this year, the Company embarked on a strategic initiative of designing and developing next generation performance dashboards complete with exception analytics and 360 degree view capable of continuously providing inputs towards strategic parameter achievement.

We also have embarked on the journey to adapt the systems to mobile technology platforms. As a step in this direction, mobility applications were developed to automate sales and logistics processes and provide key information to the front line sales team so as to ensure customer focus, improved service and productivity.



The Company also worked towards IT system readiness as a part of GST roadmap.

Being conscious about the changing IT environment and to safeguard against the vulnerabilities, the Company had developed a roadmap for enhancing IT and towards that end the Company has begun implementation of a range of security solutions.

[I] PEOPLE



At KNPL, people are the core, which makes a difference. The Company believes that Human Resources are a dynamic and evolving resource. It is one of the key resources to enhance organizational effectiveness. In order to leverage on the same, at KNPL the endeavor is to create and maintain a 'Performance driven, fair and transparent' culture. Clear Business Plan linked cross functionally aligned Key Result Areas for each position enables every employee to contribute to the organization's goals. Opportunities are provided for employees to stretch and realize their potential while contributing in the success of the organization.



*Sales Trainees Batch 2015-16
(Decorative Sales and Marketing)
Mumbai HO*

In order to enable performance, a good and fair working environment is important. KNPL has undertaken a series of initiatives backed by management commitment to create a transparent work culture using IT, along with demonstrated commitment to quick problem solving, guidance and regular development inputs to its employees. Emphasis on balanced working with due importance to employee health and safety are key practices followed.



Employee Engagement

KNPL continued the focus on the Human Resources through various initiatives this year. Employee development is one of the key focus areas in KNPL. We continued to build on the identified developmental pillars – Induction, Competency based Trainings, Skills Development Pillars, Functional Trainings & Advance Sales Training [AST].

Trainings were also provided using the robust IT infrastructure, with the Company employing audio and video capabilities to provide training across multiple geographies simultaneously.

Online performance management system based on dashboards and metrics are being implemented across the organization. These tools enable the employees and management to track and review performance at regular frequency and increase transparency during appraisal.

The Company is also leveraging its IT capabilities for learning initiatives. The in-house knowledge management portal is leveraged to foster a learning work culture. Through this the employees can learn from each other and keep up the momentum of a learning organization.

KNPL continues with its good practices of Corporate Governance through the Whistle Blower Policy, encouraging growth of individuals irrespective of gender, religion, caste or community & policy on “Appropriate Social Conduct at Workplace”. All these policies add up to a congenial work environment to drive performance that is free from threat or fear.



Women's day celebration

The overall Industrial Relations situation was cordial. All the above-mentioned initiatives have helped us retain key talent. Employee strength is 2,566 as on 31st March, 2016.

[J] AWARDS AND RECOGNITION

By External Agencies:

- Product of the Year Award for 'Nerolac Impressions HD – Most Innovative Product of The Year' by Consumer Survey of Product Innovation, conducted by Nielsen. Won the award 4th time.
- Bawal Plant bagged Green Tech 2015 Gold Award for Safety, the Award Ceremony held at Goa.
- Nerolac execution of 'Kites at Nerolac Stores', titled 'Rang De Patang' awarded the Kyoorius Design award '15 for ambient media category.
- Lote plant was awarded with 'Certificate of Merit' from National Safety Council (NSC) – Maharashtra chapter for achieving Zero Accident Frequency Rate in the year 2014.



Bawal plant awarded with "Best Vendor in Safety"

By Customers:

- Bawal plant awarded with “Best Vendor in Safety” award by MSIL (Maruti Suzuki India Ltd).
- Toyota Kirloskar Motors Ltd. awarded KNPL 'Best Eco Kaizen' for preserving the environment at Hosur plant, at their 17th supplier meet on 20th & 21st April 2015 in Bangalore.
- KNPL has been honored with Best Vendor Award in paints category by Honda Motorcycles and Scooters India Ltd.



Best Vendor Award

[K] COMMUNITY DEVELOPMENT

A significant part of India's population hails from rural areas; many of which are economically backward. Hence, Community Development has assumed high priority for KNPL. Community Development is a way of strengthening civil society by bringing together members of a community, to take collective action and generate solutions to common challenges.

- To fulfil its role as responsible corporate citizens, KNPL assists and empowers the local communities it operates in, to improve their basic facilities and living conditions.
- KNPL believes that supporting the activities that focus on development of society as a whole is essential towards building a strong and sound nation. Company's commitment towards sustainable development of communities is reflected through the CSR initiatives that the Company undertakes. KNPL consciously focus on lending a helping hand by conducting various CSR Programs for Community Development, specially aimed at upliftment of the needy people in particular and society in general.
- CSR activities are grouped broadly under the following five umbrellas, namely: Livelihood and Skill enhancement Projects (with external partners such as SBI); Rural/Community Development; Preventive Health care and Sanitation; Promoting Education and Ensuring Environmental Sustainability.



CSR Initiatives

- KNPL proactively convenes training and capacity building initiatives to help unemployed youth generate livelihood i.e. self-employment through workshops. These sessions also help professionals enhance their skill level thus contributing towards ensuring that ample skilled workforce is available in the future for national development.
- Apart from these initiatives that relate to livelihood and skill enhancement, KNPL also carries out other community enrichment programmes. From routine Health camps in rural areas, construction of toilets, bus shelters and bore wells, to assisting Educational Institutes with financial aid, and other basic amenities, KNPL is committed to contributing in as many big-small ways as possible and will continue to contribute towards India's Economic, Social, Environmental and Cultural prosperity right from the grass root level.

[L] ENVIRONMENT, HEALTH & SAFETY (EHS)

Environment, Health & Safety (EHS) at KNPL is an important business function, employed to address business continuity risk at manufacturing sites due to fire, environmental mishap, and to drive environmental friendly initiatives that reduce wastage in terms of water, waste and energy. The Company's manufacturing facilities are ISO 14001:2004 and OHSAS 18001:2007 certified.

KNPL has been proactively pursuing its fire prevention strategy and embracing smart solutions to eliminate or control fire hazards on shop floor. Last year, Company implemented static electricity interlock (Pokayoke) at solvent and resin filling stations to eliminate major fire hazards. EHS Training was strengthened through introduction of Danger Experience Program and practical demonstration on past accident/incident at each plant.

Hazard identification and mitigation was pursued proactively through frequent KYT (KikenYochi Training) exercise on shop floor. KYT is a Japanese philosophy for hazard prevention to create a zero accident workplace. It helped increase safety awareness amongst line management and improve safety of employees and plants. As a result, Safety culture survey witnessed score improvement to 89 from 83 of previous survey (2013). In coming year, Company will be focussing its efforts to strengthen EHS training further through coverage of all employees in Danger Experience Program and practical demonstration at Safety Laboratory.



KYT Trainings

Guidance from Kansai Paints, Japan (KPJ) expert team enabled the Company to advance a step further in mitigation of fire hazards. KNPL has invested ample resources for horizontal deployment of Safety Best Practices as implemented in KPJ plants.



Fire Safety Trainings

Occupational health is another component of Safety systems at manufacturing sites. All KNPL manufacturing sites are equipped with dedicated Occupational Health Centre (OHC) and Ambulance to cater to emergency situation. Periodic medical check-up is conducted for employees through OHC in collaboration with external agency.

KNPL has been putting incessant efforts on waste Reduce, Reuse and Recycle initiatives. Company has launched focussed projects to recover and reuse residual material in packing materials and containers. In coming year, it will benefit Company on reducing material losses.

Zero effluent discharge facilities at major manufacturing sites enabled Company to reuse water used in processes and save water. Water conservation objectives will be pursued further through optimization of water usage at source.

On energy front, focus on adoption of renewable energy and improvement in energy efficiency was continued. Increasingly, biomass based energy has replaced fossil fuel based energy at all KNPL manufacturing sites for steam production. Wind wheeling agreement, Third party renewable power purchase and solar power purchase are key initiatives to adopt renewable energy through collaboration with external party.

KNPL continues to reduce its carbon and water footprint by actively monitoring the same. The Company has been

publishing a Sustainability report on its website to update stakeholders on its progress in addressing sustainability challenges.



Water Recycling and Reuse

[M] SUPPLY CHAIN

In the endeavor to achieve excellence in customer service and order fulfillment, KNPL maintains highest standards of supply chain efficiency to meet the paint and coating requirements of its customer base. The Company caters to its customers through strategically located manufacturing facilities and a network of around hundred depots spread across the country.

KNPL leverages its strong IT capabilities to manage its supply network end-to-end, right from raw material procurement to manufacturing and last mile delivery. The Company makes extensive use of the Supply Chain package of SAP for planning its raw material replenishment cycles, scheduling manufacturing activity at its plants, and final delivery to respective depots.

The Company has invested significantly over the years to ensure that it meets the Just-in-time delivery requirements of its large automotive customers. Significant enhancements in supply chain capabilities year on year have ensured that the Company is able to build a responsive supply chain especially for its Decorative business.

Green Belt Program-2015

PROJECT IDEA BRAINSTORMING SESSION 5 th JUNE	IDEA MAPPING TO KEY CPL LOSSES	IDEA PRIORITIZATION	
			
THEORY SESSION		WASTE MAPPING GAME	
<p style="text-align: center; font-weight: bold; font-size: small;">GREEN BELT TRAINING 12th & 13th JUNE Define-Measure-Analyze*</p>			
LIVE MSA STUDY	PROJECT CHARTER CREATION	PROCESS MAPPING	FISH BONE ANALYSIS
			

This year a slew of initiatives were taken up in manufacturing under various themes like internal capacity creation, batch cycle time optimization, and waste reduction, thereby allowing the Company to meet changing consumer demands and expectations timely.

All these initiatives have enabled the organization to improve key metrics in the areas of delivery performance, loss of sale and customer service.

For servicing unique and diverse requirements of a nationwide customer base, KNPL has developed efficient inventory and logistics management competencies. This has enabled the Company to complete orders on schedule, maintain product and service quality, and achieve faster turnaround time, ultimately leading to a high customer retention rate.



Manthan – Kaizen Competition

This year there was an increased focus on innovative people engagement practices (Kaizen) along with strategic cost reduction initiatives, which led to productivity improvement and operating cost reduction. Also, by using efficient material processing systems comprising of latest technologies and better controls, material yield losses were also reduced.

[N] INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

With an aim to monitor and control day-to-day operations at KNPL, the Company has set up internal control systems for regular tracking and reporting. These systems also monitor compliance to various rules and regulations, and adherence to policy requirements.

In order to strengthen the system of Internal Control and provide board of directors with an added ability to oversee internal controls, Internal Financial Control (IFC) system was put in place in accordance with the requirements of Section 134(5) (e) of Companies Act 2013. Systems of Internal Control were implemented, considering the framework suggested in Guidance Note on Audit of Internal Financial Controls over the Financial Reporting issued by The Institute of Chartered Accountants of India, to address its operational and financial risk.

Ministry of Corporate Affairs has prescribed the roadmap for the implementation of IFRS in India. Being a listed entity, KNPL is covered under Phase 1 which means the Company would have to prepare its Financial Statements in accordance with IFRS (known as Ind AS) for the financial year beginning with 1st April, 2016. The Company has completed GAAP analysis, updated its IT system accordingly and stands ready for IFRS reporting.

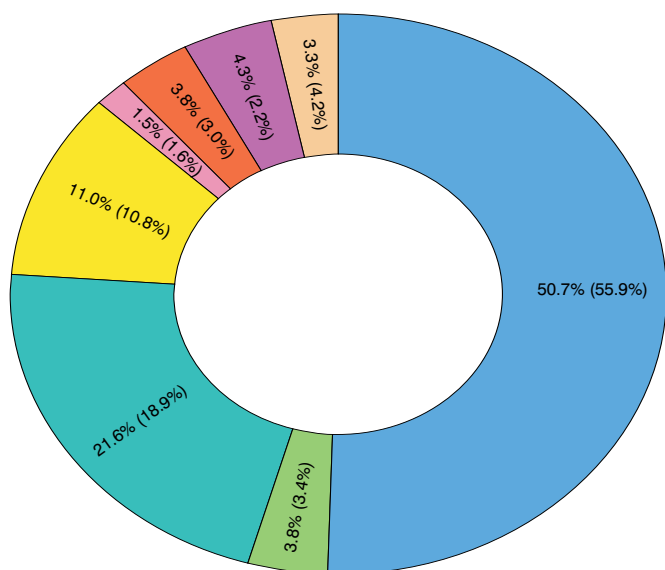
The Company's Control Efficiency Index (CEI) was improved substantially this year by horizontal deployment of industry best practices. The Company put in place control measures that are benchmarked against global standards of efficient control mechanisms.

In order to perform online tracking of the Company's regulatory compliances, Legatrix and Roznama Compliance systems were implemented. These systems allow the Company to track its compliance requirements online, thereby enabling stricter adherence to regulations.

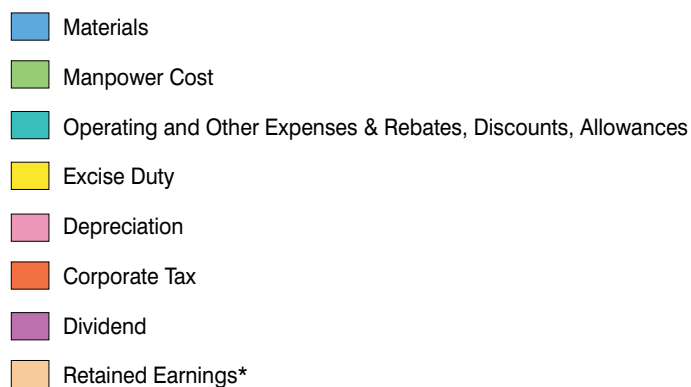
[O] AFFIRMATIVE ACTION

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

DISTRIBUTION OF INCOME



2015-16



* Before exceptional items (net of tax).

Previous year 2014-15 percentage figures are stated in brackets.

[P] FINANCIALS

Sales and Operating revenue for the year aggregated to ₹ 4604.36 Crores reflecting a growth of 9.3% over the previous year.

The Company continued with its initiatives to reduce procurement cost. Various operational cost reduction initiatives were also undertaken. These measures helped to improve the bottom line.

Depreciation for the year is ₹ 67.79 Crores as against ₹ 67.69 Crores in the previous year.

Interest cost was nil.

Normal Other Income was higher at ₹ 24.84 Crores as compared to ₹ 21.79 crores of the previous year mainly on account of increase in dividend on current investments.

Profit Before Depreciation, Interest and Tax (PBDIT), excluding Normal Other Income, for the year is higher at ₹ 572.32 Crores compared to ₹ 444.82 Crores reflecting a growth of 28.7%. Profit Before Tax (PBT) (Normal) for the year is ₹ 529.37 crores as compared to ₹ 398.90 Crores of the previous year which is a growth of 32.7% over previous year.

During the year, the Company sold its land at Perungudi, Chennai resulting in gain of ₹ 535.34 Crores. PBT growth including this gain is at 266.9%.

The Company spent ₹ 5.29 Crores towards Corporate Social Responsibility compared to ₹ 4.51 Crores in the previous year. The expenditure was reduced from the profit for the year, consequent to the issuance of 'Guidance Note on accounting for expenditure on Corporate Social Responsibility Activities', issued by the Institute of Chartered Accountants of India on 15th May, 2015.

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

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

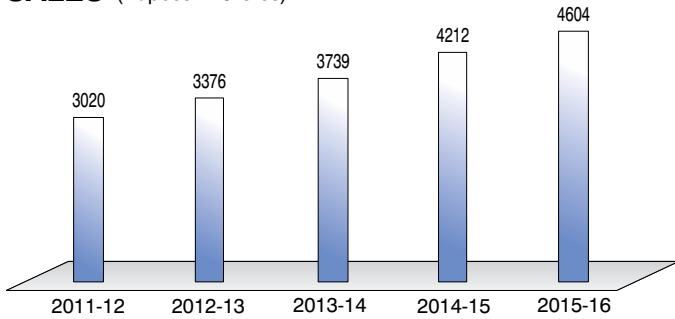
There has been no change in the nature of business during the year.

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

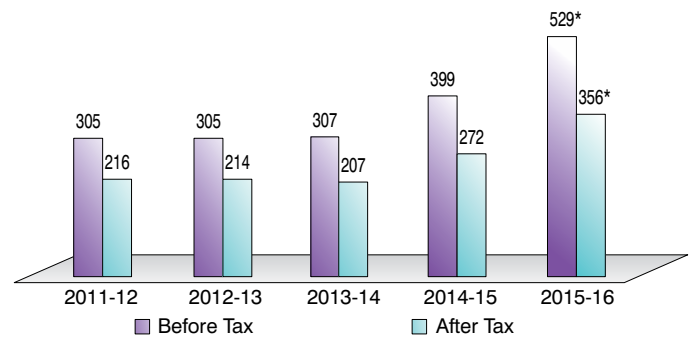
Cautionary Statement

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

SALES (Rupees in Crores)



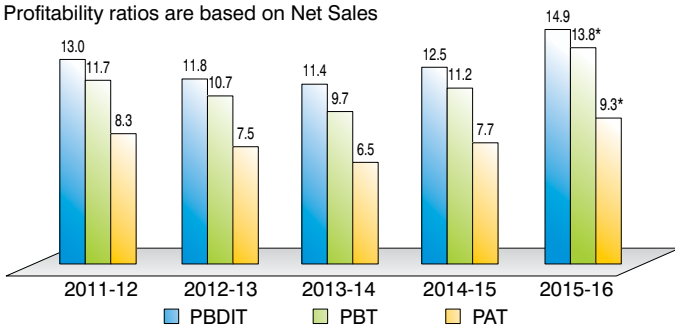
PROFIT (Rupees in Crores)



*Before exceptional item (Net of Tax)

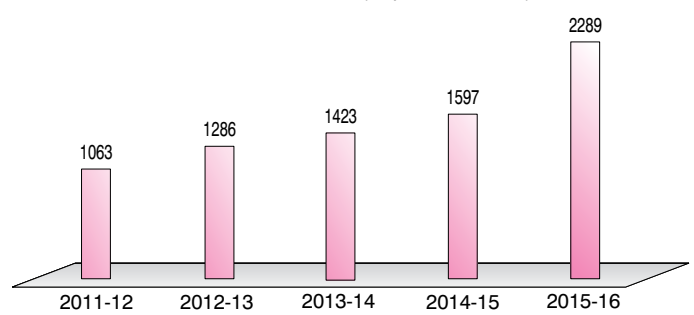
PROFITABILITY (%)

Profitability ratios are based on Net Sales



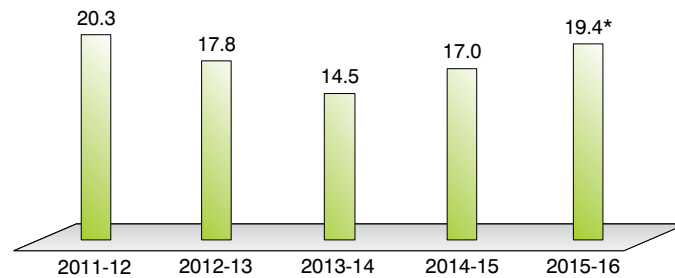
*Before exceptional item (Net of Tax)

SHAREHOLDERS' FUNDS (Rupees in Crores)



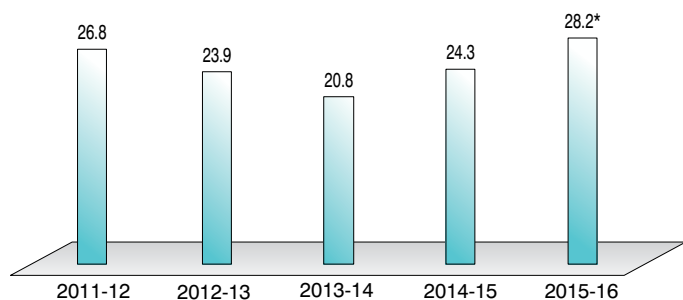
RETURN ON NET WORTH (%)

(Profit After Tax divided by Shareholders' Funds)



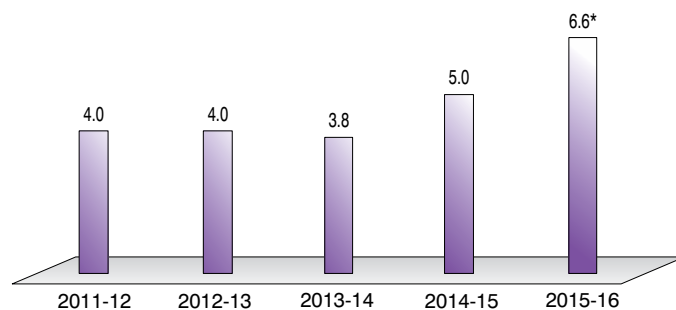
*Before exceptional item (Net of Tax)

RETURN ON CAPITAL EMPLOYED (%)



*Before exceptional item (Net of Tax)

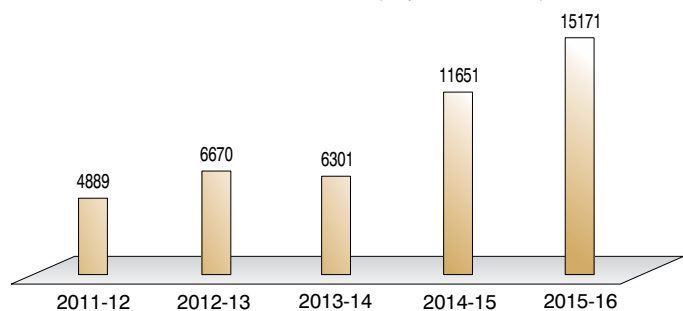
EARNINGS PER SHARE (EPS) (Rupees)



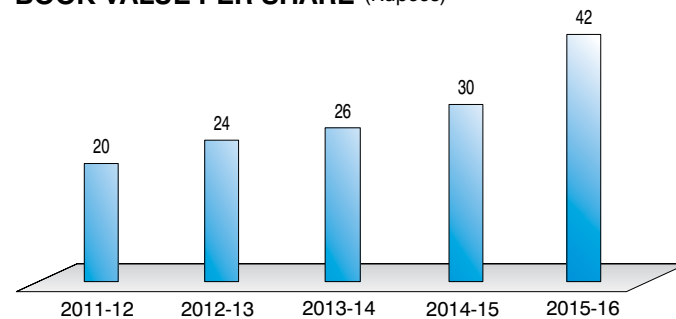
*Before exceptional item (Net of Tax)

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

MARKET CAPITALISATION (Rupees in Crores)

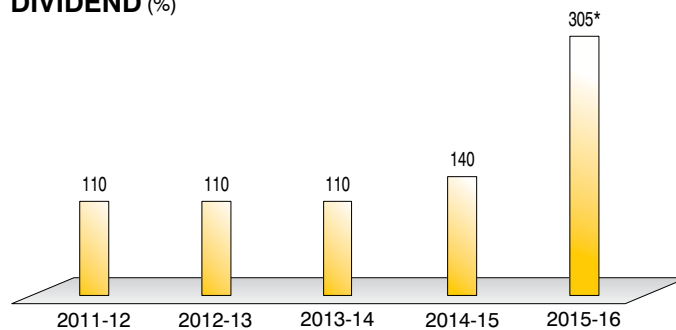


BOOK VALUE PER SHARE (Rupees)



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

DIVIDEND (%)



*Includes special dividend of 125%

4. Unclaimed Dividend

During the year, dividend amounting to ₹ 4.71 lacs that had not been claimed by the shareholders for the year ended 31st March, 2008, 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, 2016, dividend amounting to ₹ 64.35 lacs has not been claimed by shareholders of the Company. Shareholders are required to lodge their claims with the Registrar, TSR Darashaw Ltd., for unclaimed dividend. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on 3rd July, 2015 (date of the last Annual General Meeting) on the website of the Company, www.nerolac.com. The same is also available on the website of the Ministry of Corporate Affairs, www.mca.gov.in.

5. Collaboration

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

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

6. Subsidiary in Nepal

For the financial year ended 31st March, 2016, the Net Turnover of Kansai Paints Nepal Pvt. Ltd. increased to ₹ 40.08 Crores as compared to ₹ 39.36 crores for the financial year ended 31st March, 2015.

Continuous turmoil, post the earthquake has resulted in overall shrinkage of market in Nepal. Profit before Tax has declined to ₹ 4.22 Crores as compared to ₹ 4.60 Crores last year. Profit after Tax has declined to ₹ 3.18 Crores as compared to ₹ 3.52 Crores last year.

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

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

7. Joint Venture in Sri Lanka

As informed earlier, the Company has entered into a Joint Venture agreement with Capital Holdings Maharaja Pvt. Ltd., Sri Lanka, in the form of a company named Kansai Paints Lanka Pvt. Ltd. The construction of factory in Sri Lanka under the Joint Venture is as per schedule. It is expected to be completed by September 2016. All other activities to start the business have been lined up.

8. Sale of land at Perungudi, Chennai

In the process of shifting of its manufacturing operations from Perungudi, Chennai to Saykha in Gujarat, during the year, the Company has sold its factory land and building in Perungudi for a total consideration of ₹ 537.86 Crores. Proceeds from monetization of assets of Perungudi plant will be utilized for setting up plant at Saykha.

The Company has made a profit of ₹ 535.34 Crores from the sale transaction, which is disclosed as an exceptional item in the Statement of Profit and Loss forming part of this Annual Report.

9. New Projects

The Company has been continuously investing in expanding its manufacturing footprint to serve customer demand. The Company undertook a comprehensive review of its manufacturing capacities and has started setting up of a paint manufacturing unit at Saykha Industrial Estate in Gujarat having capacity of 42000 MT per year at an estimated cost of ₹ 350 Crores.

Also, in order to cater to increasing demand in the Northern part of the country, the Company has initiated a project at Goindwal Sahib near Amritsar in Punjab having capacity of 38000 MT per year at an estimated cost of ₹ 180 Crores.

Similarly, in a move to boost its R&D capabilities, the Company will set up a Global R & D Centre at Vashi, Navi Mumbai at an estimated cost of ₹ 40 Crores to develop innovative product offerings.

10. Cost Audit

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

11. Directors

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

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

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

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

Mr. H. M. Bharuka, Managing Director, is a member of the Global Steering Committee of Kansai Paint Co. Ltd., Japan, the holding company. Mr. H. M. Bharuka received a remuneration of ₹ 58.75 lacs during the year as a member of the Global Steering Committee.

12. Key Managerial Personnel

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

13. Board Evaluation

The evaluation of all the Directors and the Board as a whole was conducted based on the criteria and frame work adopted by the Board. The evaluation process has been explained in the Report on Corporate Governance in this Annual Report. The Board noted the

evaluation results that were collated and presented to the Board.

14. Remuneration Policy

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

- The Company, while constituting the Board shall draw members from diverse fields such as finance, law, management, architecture, technical, marketing, manufacturing, corporate governance, operations or other disciplines related to the Company's business. There shall be no discrimination on the basis of gender, while determining the Board composition.
- A director shall be a person of integrity, who possesses relevant expertise and experience. He shall uphold ethical standards of integrity and probity and act objectively and constructively. He shall exercise his responsibilities in a bona-fide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.
- An Independent director should meet the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, concerning independence of directors. The Company shall also obtain certification of independence from the Independent Director in accordance with the Companies Act, 2013.
- The objective of the policy is to have a compensation framework that will reward and retain talent.
- The remuneration will be such as to ensure that the correlation of remuneration to performance is clear and meets appropriate performance benchmarks.
- Remuneration to Key Managerial Personnel, Senior Management and other employees will involve a balance between fixed and variable pay reflecting short and long term performance objectives of the employees in line with the working of the Company and its goals.
- For Directors, the Performance Pay will be linked to achievement of Business Plan.
- For Heads of Department, the Performance Pay will be linked to achievement of functional plan which is

derived from the business plan. The functional plan includes both, short-term and long-term objectives.

- The above will take into consideration industry performance, customer performance and overall economic environment.
- For other management personnel, the Performance Pay will be linked to achievement of individual set objectives and part of this will also be linked to overall company performance.

15. Risk Management Policy

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

The Risk Management Framework comprises of Risk Management Committee and the Risk Officers. The Risk Management Committee consists of the Management Committee and the Chief Risk Officer of the Company. The Managing Director, the Executive Director and the functional heads constitute the Risk Management Committee. The Company Secretary is the Chief Risk Officer. The Risk Officers have been appointed by the functional heads and represent the various functions. The Board of Directors and the Audit Committee review the effectiveness of the Risk Management framework and provide advice to the Risk Management Committee at regular intervals.

The functions of the Risk Management Committee includes preparation of Company-wide framework for Risk Management, fixing roles and responsibilities, communicating the Risk Management objective, allocating resources, drawing action plan, determining criteria for defining major and minor risks, deciding strategies for escalated major risk areas, updating Company-wide Risk register and preparing MIS report for review of Audit Committee.

The Risk Management Framework aims to:

- (a) address our Company's strategies, operations and compliances and provide a unified and comprehensive perspective;
- (b) establish the risk appetite;

- (c) be simplistic and intuitive to facilitate a speedy and appropriate identification of potential and actual risks and its communication;
- (d) seek escalation of the identified risk events to the appropriate persons to enable a timely and satisfactory risk response;
- (e) reduce surprises and losses, foresee opportunities and improve deployment of resources;
- (f) develop a mechanism to manage risks.

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

16. Corporate Social Responsibility

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

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

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

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

Date of Meeting	Members Present at the Meeting
27-08-2015	Mr. D.M. Kothari Mr. H.M. Bharuka Mr. N.N. Tata
10-03-2016	Mr. D.M. Kothari Mr. H.M. Bharuka Mrs. Brinda Somaya

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

17. Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

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

18. Related Party Transactions

All transactions entered into with the Related Parties in terms of Section 2(76) and Section 188 of the Companies Act, 2013 read with Regulation 2 (zc) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no Material Related Party transactions during the year. Thus disclosure in Form AOC-2 is not required.

19. Audit Committee

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

20. Whistle Blower Policy

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

21. Prevention of Sexual Harassment at workplace

The Company has adopted a policy with the name "Policy on Appropriate Social Conduct at Workplace".

The policy is applicable for all employees of the organization, which includes corporate office, branches, depots and manufacturing locations etc.

The policy is applicable to non-employees as well i.e. business associates, vendors, trainees etc.

A Complaints Committee has also been set up to redress complaints received on sexual harassment as well as other forms of verbal, physical, written or visual harassment.

During the financial year under review, the Company has not received any complaints of sexual harassment.

22. Change in Registrar and Share Transfer Agent

The Company has terminated the services of Sharepro Services (India) Pvt. Ltd. (Sharepro) as its Registrar & Share Transfer Agent with effect from the close of business on 30th April, 2016, pursuant to certain irregularities discovered at Sharepro with respect to the share related operations and dividend encashment activities and in furtherance of SEBI Order No. WTM/ RKA/MIRSD2/41/2016 dated March 22, 2016 advising companies who are clients of Sharepro to shift their share transfer activities from Sharepro. The details of the aforesaid irregularities and the treatment of the same in the Accounts is provided in Note 34 of the Notes to the Financial Statements forming part of this Annual Report.

The Company has appointed TSR Darashaw Ltd. having its address at 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400011 as its Registrar & Share Transfer Agent with effect from May 1, 2016.

23. Corporate Governance

As required by Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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.

24. General Shareholder Information

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

25. Particulars regarding Employees Remuneration

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

26. Directors' Responsibility Statement

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

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

27. Energy, Technology Absorption & Foreign Exchange

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure-3 to this Report .

28. Extract of Annual Return

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

29. Statutory Auditors

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

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

30. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company had appointed M/s Ragini Chokshi & Co., Practicing Company Secretaries, as the Secretarial Auditor of the Company for the year 2015-16 to conduct secretarial audit and to ensure compliance by the Company with various Acts applicable to the Company. The Secretarial Audit Report for the financial year 2015-16 issued by M/s Ragini Chokshi & Co., is annexed to this Report as Annexure-5. There are no qualifications or adverse remarks in their Report.

31. Acknowledgements

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

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

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 27th April, 2016

Annexure 1 to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.** : Given separately as a part of this Report.
Weblink: <https://www.nerolac.com/financial/policies>
2. **Composition of the CSR Committee** : Mr. D. M. Kothari, *Vice Chairman (Independent Director)*
Mr. H. M. Bharuka, *Managing Director*
Mr. N. N. Tata, *(Independent Director)*
Mrs. Brinda Somaya, *(Independent Director)*
3. **Average net profit of the Company for the last three financial years** : ₹ 339.61 Crores
4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)** : ₹ 6.79 Crores
5. **Details of CSR spend for the financial year :**
 - a. Total amount spent for the financial year : ₹ 5.29 Crores
 - b. Amount unspent : ₹ 1.50 Crores
 - c. Manner in which the amount spent during the financial year is as given separately in this Report.

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

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

H. M. Bharuka
Managing Director

D. M. Kothari
Chairman of the CSR Committee

Mumbai, 27th April, 2016

Outline of CSR Policy

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

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

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

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

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

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

PROGRAM WISE CSR DETAILS 2015-16

Sr. No.	CSR Project/Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)	
A.	1.	Basic Training in Painting to the unemployed youth in partnership with SBI	Livelihood & Skill Enhancement Program	Odisha, Bihar, Jharkhand, Maharashtra	30.00	19.17	19.17	19.17
	2.	Advanced open Training in Painting	Livelihood Enhancement Program	In various states such as M.P., Kerala, A.P., Karnataka, Punjab	270.00	306.07	306.07	306.07
	Sub-total				300.00	325.24	325.24	325.24
B.	1.	Toilet Modification and Cleanliness drive at Dadar (Central) Station	Preventive Health Care & Sanitation	HO	35.00	0.00*	0.00*	0.00*
	2.	Construction of Toilets and Urinals in school	Preventive Health Care & Sanitation	Bawal	6.00	1.75	1.75	1.75
	3.	Health Camps for villagers	Preventive Health Care & Sanitation	Jainpur	3.00	2.99	2.99	2.99
	4.	Health Camp & Eye check up for villagers	Preventive Health Care & Sanitation	Bawal	3.00	2.16	2.16	2.16
	5.	Eye check up and distribution of spectacles	Preventive Health Care & Sanitation	Hosur	1.00	0.76	0.76	0.76
	6.	Health camps near Depots	Preventive Health Care & Sanitation	In 38 cities, such as Ahmedabad, Bhopal, Ranchi, Srinagar, Sambalpur, Patna, Lucknow, Jaipur etc.	33.00	32.29	32.29	32.29
	7.	Free Eye Surgeries and running of Hospital	Preventive Health Care & Sanitation	Sankara Nethralaya-Chennai and South India	25.00	25.00	25.00	25.00
	8.	Jeevan Jyoti, The Healing Touch Project	Preventive Health Care & Sanitation	Dr. Hedgewar Rughalaya, Aurangabad, Maharashtra	25.00	25.00	25.00	25.00
	Sub-total				131.00	89.95	89.95	89.95
C.	1.	Road Repair in Plant nearby vicinity	Rural Development/ Community Development	Jainpur	75.00	62.63	62.63	62.63
	2.	Bus shelter in Gunade village	Rural Development/ Community Development	Lote	3.00	1.25	1.25	1.25
	3.	Paver Blocks in the village	Rural Development/ Community Development	Hosur	10.00	9.18	9.18	9.18
	4.	Bus shelter	Rural Development/ Community Development	Hosur	10.00	2.64	2.64	2.64
	5.	Drinking water facility in School	Rural Development/ Community Development	Bawal	2.00	2.07	2.07	2.07
	6.	Bus shelter	Rural Development/ Community Development	Bawal	0.00	0.52	0.52	0.52
	7.	Integrated Rural Development Project	Rural Development/ Community Development	Bhansali Trust, Mumbai- All over India	25.00	25.00	25.00	25.00
	Sub-total				125.00	103.29	103.29	103.29

PROGRAM WISE CSR DETAILS 2015-16

	Sr. No.	CSR Project/Activity	Sector in which Project is covered	Location of Projects / Programs	Amount Outlay (Budget) Project or Program Wise (₹ in Lacs)	Actual Amount Spent on the Projects or Programs (₹ in Lacs)	Cumulative Expenditure Upto the Reporting Period (₹ in Lacs)	Actual Amount Spent : Direct or through Agency (₹ in Lacs)
D.	1.	Creative workshop for Students with NGO	Promoting Education	Bawal	6.00	1.35	1.35	1.35
	2.	Renovation of Learning centre, Chaupal	Promoting Education	Bawal	6.00	1.04	1.04	1.04
	3.	Construction of Class Room	Promoting Education	Hosur	12.00	3.95	3.95	3.95
		Sub-total			24.00	6.34	6.34	6.34
E.	1.	Developing Area in and around Dadar Station (Central)	Ensuring Environmental Sustainability	HO	80.50	0.00	0.00	0.00
	2.	Green belt development off the highway and approach road to the Jainpur Plant.	Ensuring Environmental Sustainability	Jainpur	1.50	2.31	2.31	2.31
	3.	Lawn development and Painting work in Bawal village	Ensuring Environmental Sustainability	Bawal	1.00	1.39	1.39	1.39
	Sub-total			83.00	3.70	3.70	3.70	
F.	1.	Painting 3 Ghats in Varanasi	Protection of Heritage Monuments	Varanasi	5.00	0.00	0.00	0.00
	2.	Painting of Dakshineswar Temple	Protection of Heritage Monuments	Kolkata	13.00	0.00	0.00	0.00
		Sub-total			18.00	0.00	0.00	0.00
	Total			681.00	528.52	528.52	528.52	

* Advance of ₹ 15 lacs given for the work is not considered as expenditure.

Implementing Agencies for CSR activities:

- 1 Sankara Nethralaya, Chennai
- 2 Dr. Hedgewar Rugnalaya, Aurangabad, Maharashtra
- 3 Bhansali Trust, Mumbai
- 4 Nebulla Agencies
- 5 State Bank of India – through its Rural Self-Employment Training Institutes
- 6 Smile Foundation
- 7 Gulati Health Care (Bawal)
- 8 Sachetan Society for Research, Education & Training (Bawal)
- 9 Narayana Hospital & Research Centre (Jainpur)

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

- (i) The ratio of the remuneration of each Director to the Median Remuneration of the Employees of the Company for the Financial Year 2015-16 and
- (ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year.

(₹ in Lacs)

Sr. No.	Name of Director / KMP and Designation	Remuneration of Director / KMP for Financial Year 2015-16	Percentage increase in Remuneration for the Financial Year 2015-16	Ratio of Remuneration of each Director / KMP to the Median Remuneration of Employees
1.	Dr. J. J. Irani Chairman (Upto June 20, 2014) (Non-Executive and Independent Director)	5.00	#	#
2.	Mr. P. P. Shah Chairman (From June 20, 2014) (Non-Executive and Independent Director)	36.20	120.73	9.80
3.	Mr. D. M. Kothari Vice Chairman (Non-Executive and Independent Director)	51.40	100.78	13.92
4.	Mr. H. M. Bharuka Managing Director	461.80	12.45	125.15
5.	Mr. P. D. Chaudhari Whole-time Director	154.76	8.92	41.94
6.	Mr. N. N. Tata (Non-Executive and Independent Director)	31.00	133.08	8.39
7.	Mr. M. Tanaka Non-Executive Director	*	*	*
8.	Mr. H. Furukawa Non-Executive Director	*	*	*
9.	Mr. S. Asatsuma Non-Executive Director	*	*	*
10.	Mrs. Brinda Somaya (Non-Executive and Independent Director)	10.60	#	2.87
11.	Mr. P. D. Pai Chief Financial Officer	63.80	15.72	17.27
12.	Mr. G. T. Govindarajan Company Secretary	39.78	17.35	10.77

Remuneration for the purpose of the computation above is considered as the income earned during the financial year 2015-16 which is reflected in the Income-tax Computation Sheet as "Gross Income" (inclusive of perquisites).

Dr. J. J. Irani and Mrs. Brinda Somaya were Directors only for part of the financial year 2014-15. Commission was paid to Dr. J. J. Irani and Mrs. Somaya for the financial year 2014-15 in the financial year 2015-16.

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

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- (iii) The Median Remuneration of Employees (MRE) of the Company is ₹ 3,69,360 for the Financial Year 2015-16. The MRE for the year increased by 7.12% compared to the previous financial year.
- (iv) The number of permanent employees on the rolls of the Company is 2566 for the year ended March 31, 2016.
- (v) Sales and Operating income for the year ended March 31, 2016 increased by 9.3% and Profit Before Tax (Normal, before Exceptional Item) was higher by 32.7% as compared to the previous year. Average increase in employees' remuneration was 11.03%. Overall increase in remuneration is in line with the performance of the Company.
- (vi) The remuneration of the Key Managerial Personnel (KMP) of the Company and the percentage increase in the remuneration of KMP during 2015-16 is as given in (i) and (ii) above. The performance of the Company is as stated in (v) above.
- (vii) The Market Capitalisation as on March 31, 2016 was ₹ 15,170.59 Crores as compared to ₹ 11,651.44 Crores as on March 31, 2015. Price Earning Ratio of the Company is 42.65 as on March 31, 2016 as against 42.90 as on March 31, 2015. Percentage increase in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer is 13304.76% after considering adjustment for Stock Split and Bonuses till date. (The Company came out with a Rights Issue of Shares in 1996).
- (viii) Average percentage increase made in the salaries of employees other than the managerial personnel in the last Financial Year was 11.67%. The percentage increase in salary of managerial staff was 10.19%. The increase in remuneration is determined based on the performance by the employees of the Company.
- (ix) The remuneration of each of the Key Managerial Personnel is given in (i) and (ii) above. The performance of the Company, in comparison, is stated in (v) above.
- (x) The key parameters of variable component of remuneration availed by the Whole-time Directors are the Company's performance and performance / track record of the Whole-time Directors, financial results and profitability of the Company. The key parameters of variable component of remuneration availed by Non-Executive Directors, inter-alia, includes number of Board and Committee Meetings attended and individual contribution thereat.
- (xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year – Not Applicable.
- (xii) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

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

Sr. No.	Name	Designation / Nature of Duties	Remuneration (₹)	Qualification	Experience (in years)	Date of Commencement of Employment	Age (in years)	Last Employment Held	
								Name of the Employer	Designation held
(A) Employed throughout the Financial Year under review and in receipt of remuneration for the Financial Year in the aggregate of not less than ₹ 60,00,000 per annum.									
1.	Mr. H. M. Bharuka	Managing Director	5,00,11,526	B.Com., AICWA	35	01.10.1985	55	Rohit Pulp and Paper Mills Ltd.	Manager – Costing
2.	Mr. P. D. Chaudhari	Executive Director – Auto Division & Supply Chain	1,63,75,724	B.E., MMS	23	14.06.1993	47	Bharat Bijlee Ltd.	Graduate Apprentice
3.	Mr. Anuj Jain	Director – Sales & Marketing	1,01,45,200	B.Sc., MMS (Mktg.)	23	04.06.1990	47	First Employment	–
4.	Mr. Abhijit M. Nattoo	Vice President – Supply Chain	82,19,057	B.E. – Chemical	23	05.03.2009	46	Asian Paints Ltd.	Sr. Manager – Plant Engg.
5.	Mr. M. G. Mehrotra	Vice President – Technical	74,65,627	M.Sc., Dip. in Paint Tech.	35	28.10.1983	57	Asian Paints (I) Ltd.	Jr. Chemist
6.	Mr. J. S. Gonsalves	Vice President – Corporate Planning & IT	69,59,137	B.E. (Production), MMS	22	01.06.1994	45	Gleitlager India Ltd.	Trainee Superintendent
7.	Mr. Sudhir Rane	Vice President – Industrial Coatings	68,77,977	B.Sc., MMS (Mktg.)	24	16.06.1992	48	First Employment	–
8.	Mr. P. D. Pai	Vice President – Finance	66,74,897	B.Com., ACA	32	06.11.1989	53	K. S. Aiyer & Co.	Sr. Audit Assistant
(B) Employed for the part of the Financial Year under review and in receipt of remuneration at the rate of not less than ₹ 5,00,000/- per month									
1.	Mr. Sudeep Kolte	Vice President – Sales & Marketing	38,22,810	B.E. (Mech.), Post Graduate Diploma in Business Management	18	01.07.2014	44	Shell India Markets Pvt. Ltd.	Regional VP

Notes:

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

For and on behalf of the Board

Mumbai, 27th April, 2016

P. P. Shah
Chairman

Annexure 3 to the Board's Report

(A) Conservation of Energy

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

- We underwent exhaustive Energy Audit at Hosur through Bureau of Energy Efficiency (BEE) certified Energy Auditors and based on implementation of recommendations, we have achieved Energy savings of ₹ 70 Lacs in FY15-16.
- We underwent exhaustive Energy Audit at Jainpur through BEE certified Energy Auditors and based on implementation of recommendations, we have achieved Energy savings of ₹ 69 Lacs in FY15-16.
- Installation of Energy efficient Screw Chillers at Lote in Q3 FY15-16, thereby achieving benchmark cost of Chilling generation at ₹ 8.4/TR (tons of refrigeration) and hence accruing a savings of ₹ 16 Lacs till date.
- Compressed Air surveys w.r.t leakage detection and arresting the leaks thereby achieving benchmark cost of Compressed air generation at ₹ 1.53/CFM (cubic feet per minute).
- Heat loss reduction in the steam and Thermic Fluid system through effective insulation and monitoring surface temperatures at regular intervals.
- Power sourcing through Electricity trading under “Indian Energy Exchange” (IEX) Power trading platform under regulations governed by Central Electricity Regulatory Commission (CERC) initiated.
- Mapping of Utility efficiencies and operational costs across Manufacturing locations, deriving benchmarks and initiated actions for closure of gaps thereby optimizing Energy costs.
- Automated operational controls implemented on our Paint processing Mixers/Premixers thereby ensuring standard running hours and optimizing our Energy costs.

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

- As part of our GREEN INITIATIVES, road map prepared for migrating towards SOLAR power by installation of Power Plants across locations. Initial Technical Feasibility study has thrown a potential of 2100 Kilo Watts (KW) through SOLAR power.
- Phase wise migration towards Renewable power through SOLA tubes installation on Metal sheet roof tops-shifted additional 5.5 KW Grid load on SOLAR at our LOTE Plant.
- As part of our GREEN INITIATIVES, road map prepared for migrating towards thermal Energy generation on Solid fuel thereby reducing our dependency on fossil fuels. Potential savings of ₹ 35 Lacs/annum and HSD reduction around 18 KL/month.
- As part of our GREEN INITIATIVES, technical feasibility of POWER SOURCING through GROUP CAPTIVE through Wind Farms evaluated at our Hosur Plant. Potential saving opportunities of ₹ 84 Lacs/annum.
- Sourcing Power to the tune of 30 Lac units/annum in FY15-16 through Wind wheeling. This way we have reduced dependency on grid and migrated towards power sourcing through Wind turbines.
- Installed battery operated SOLAR lighting to meet our street light loads, thereby reducing our dependency on Grid power. Total around 25 KW load optimized through this initiative.
- Non chemical water treatment equipment installed on our Cooling Towers, which prevents deposition of hard water scale in the heat transfer areas, with a water savings of 2.5 M3/day

(iii) Capital investment on energy conservation initiatives Financial Year 15-16: ₹ 2.35 Crores.

(B) Technology Absorption

- (i) The efforts made towards technology absorption:
- Development of new products for automotive industry
 - New product development for industrial floor
 - Localization of intermediates for automotive coating
 - Development of polyester resin for powder coating application
 - Import substitution of raw materials
 - Joint projects with vendor for mutual benefit.
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution:
- Gasoline resistant clear coat for two wheeler industry
 - Improved conductivity of conductive primer
 - Nerolac pearls premium acrylic interior emulsion
 - Super durable polyester resin for powder coating.
- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

Sr. No.	a. Details of Technology imported	b. Year of Import
1.	High Solid Metallic Base Coat	2013-14
2.	Mar resistance Clear Coat	2014-15
3.	Direct to Metal 1K Anticorrosive Coating	2014-15
4.	Monocoat metallic base coats successfully absorbed for two wheeler industry	2015-16

c. Whether the technology has been fully absorbed: Yes

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

(C) Expenditure incurred on R & D

	(₹ in Crores)	
	2015-2016	2014-2015
(a) Capital	3.55	0.30
(b) Recurring	19.08	17.02
(c) Total	22.63	17.32

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

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

For and on behalf of the Board

P. P. Shah
Chairman

Mumbai, 27th April, 2016

Annexure 4 to the Board's Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2016

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

I. REGISTRATION AND OTHER DETAILS:

- (i) CIN : L24202MH1920PLC000825
- (ii) Registration Date : 2nd September, 1920
- (iii) Name of the Company : Kansai Nerolac Paints Limited
- (iv) Category / Sub-Category of the Company : Public Company / Limited by Shares.
- (v) Address of the Registered office and contact details : 'Nerolac House', Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013
Ph. 22-24934001 • Fax: 22-24973704
Website: www.nerolac.com
- (vi) Whether listed company : Yes
- (vii) Name, Address and Contact details of Registrar and Transfer Agent : **Upto 30th April, 2016:**
Sharepro Services (India) Pvt. Ltd.
Samhita Warehousing Complex, Plot No. 13AB, 2nd Floor,
Sakinaka Telephone Exchange Lane,
Off Andheri-Kurla Road, Sakinaka, Andheri (E),
Mumbai-400 072
From 1st May, 2016:
TSR Darashaw Limited
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011
Tel.: +91 22 65568484 • Fax: 91 22 66568494
E-mail: csg-unit@tsrdarashaw.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN / GLN	PAN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	Kansai Paint Co. Ltd., Japan 6-14, Imabashi 2 – Chome, Chuo-Ku, Osaka 541-8523, Japan.	1400-01-048243	AADCK0435B	Holding	73.12	2(46)
2	Kansai Paints Nepal Pvt. Ltd. Adarsh Nagar, Ward No. 13, Birganj, Nepal-44301.	20268/059/60	—	Subsidiary	68.00	2(87)
3	Kansai Paints Lanka (Private) Ltd. No. 146, Dawson Street, Colombo-02.	PV 107458	—	Subsidiary	60.00	2(87)

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

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	—	—	—	—	—	—	—	—	—
b) Central Govt	—	—	—	—	—	—	—	—	—
c) State Govt(s)	—	—	—	—	—	—	—	—	—
d) Bodies Corp.	—	—	—	—	—	—	—	—	—
e) Banks/FI	—	—	—	—	—	—	—	—	—
f) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (1):-	—	—	—	—	—	—	—	—	—
(2) Foreign									
a) NRIs-Individuals	—	—	—	—	—	—	—	—	—
b) Other-Individuals	—	—	—	—	—	—	—	—	—
c) Bodies Corp.	37,32,97,600	0	37,32,97,600	69.27	39,40,69,919	0	39,40,69,919	73.12	3.85
d) Banks/FI	—	—	—	—	—	—	—	—	—
e) Any Other	—	—	—	—	—	—	—	—	—
Sub-total (A) (2):-	37,32,97,600	0	37,32,97,600	69.27	39,40,69,919	0	39,40,69,919	73.12	3.85
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	37,32,97,600	0	37,32,97,600	69.27	39,40,69,919	0	39,40,69,919	73.12	3.85
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	1,44,62,497	13,980	1,44,76,477	2.69	1,60,57,948	13,980	1,60,71,928	2.98	0.30
b) Banks/FI	2,92,280	0	2,92,280	0.05	2,64,417	0	2,64,417	0.05	-0.01
c) Central Govt	—	—	—	—	—	—	—	—	—
d) State Govt(s)	—	—	—	—	—	—	—	—	—
e) Venture Capital Funds	—	—	—	—	—	—	—	—	—
f) Insurance Companies	1,66,04,750	0	1,66,04,750	3.08	1,49,46,579	0	1,49,46,579	2.77	-0.31
g) FIs	5,22,14,826	0	5,22,14,826	9.69	2,09,70,539	0	2,09,70,539	3.89	-5.80
h) Foreign Venture Capital Funds	—	—	—	—	—	—	—	—	—
i) Others (Foreign Portfolio-Corpn.)	9,80,963	0	9,80,963	0.18	2,23,14,035	0	2,23,14,035	4.14	3.96
Sub-total (B)(1):-	8,45,55,316	13,980	8,45,69,296	15.69	7,45,53,518	13,980	7,45,67,498	13.84	-1.86
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	3,56,04,595	50,790	3,56,55,385	6.62	2,51,41,328	50,790	2,51,92,118	4.67	-1.94
ii) Overseas	—	—	—	—	—	—	—	—	—
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	3,05,77,418	54,45,240	3,60,22,658	6.68	3,11,16,574	43,30,630	3,54,47,204	6.58	-0.11
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	77,19,770	3,02,840	80,22,610	1.49	77,65,650	3,02,840	80,68,490	1.50	0.01
c) Others (specify)									
Non Resident Indians	8,13,851	23,720	8,37,571	0.16	10,29,455	22,400	10,51,855	0.20	0.04
Overseas Corporate Bodies	—	—	—	—	—	—	—	—	—
Foreign Nationals	—	—	—	—	—	—	—	—	—
Clearing Members	—	—	—	—	—	—	—	—	—
Trusts	1,91,090	0	1,91,090	0.04	1,88,715	0	1,88,715	0.04	0.00
Foreign Bodies	—	—	—	—	—	—	—	—	—
Unclaimed Suspense Account	3,23,510	0	3,23,510	0.06	3,18,810	0	3,18,810	0.06	0.00
NBFC's	—	—	—	—	15,111	—	15,111	—	—
Sub-total (B)(2):-	7,52,30,234	58,22,590	8,10,52,824	15.04	6,55,75,643	47,06,660	7,02,82,303	13.04	-2.00
Total Public Shareholding (B) = (B)(1) + (B)(2)	15,97,85,550	58,36,570	16,56,22,120	30.73	14,01,29,161	47,20,640	14,48,49,801	26.88	0.00
C. Shares held by Custodian for GDRs & ADRs	—	—	—	—	—	—	—	—	—
Grand Total (A+B+C)	53,30,83,150	58,36,570	53,89,19,720	100.00	53,41,99,080	47,20,640	53,89,19,720	100.00	0.00

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(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1.	Kansai Paint Co. Ltd.	37,32,97,600	69.27	39,40,69,919	73.12	–	3.85
	Total	37,32,97,600	69.27	39,40,69,919	73.12	–	3.85

(iii) Change in Promoters' Shareholding

Sl. No.	Shareholder's Name	No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	Kansai Paint Co. Ltd.							
	At the beginning of the year	37,32,97,600	69.27	01.04.15			37,32,97,600	69.27
				31.12.15	550	Purchase	37,32,98,150	69.27
				04.01.16	10,75,000	Purchase	37,43,73,150	69.47
				05.01.16	22,01,033	Purchase	37,65,74,183	69.88
				07.01.16	16,03,892	Purchase	37,81,78,075	70.17
				29.01.16	66,000	Purchase	37,82,44,075	70.19
				01.02.16	42,500	Purchase	37,82,86,575	70.19
				02.02.16	52,000	Purchase	37,83,38,575	70.20
				02.02.16	28,000	Purchase	37,83,66,575	70.21
				03.02.16	90,000	Purchase	37,84,56,575	70.23
				03.02.16	65,000	Purchase	37,85,21,575	70.24
				04.02.16	1,36,000	Purchase	37,86,57,575	70.26
				05.02.16	1,50,736	Purchase	37,88,08,311	70.29
				08.02.16	42,000	Purchase	37,88,50,311	70.30
				09.02.16	21,131	Purchase	37,88,71,442	70.30
				10.02.16	1,097	Purchase	37,88,72,539	70.30
				11.02.16	8,69,376	Purchase	37,97,41,915	70.46
				12.02.16	25,34,386	Purchase	38,22,76,301	70.93
				15.02.16	1,10,395	Purchase	38,23,86,696	70.95
				15.02.16	7,413	Purchase	38,23,94,109	70.96
				16.02.16	7,30,000	Purchase	38,31,24,109	71.09
				17.02.16	15,000	Purchase	38,31,39,109	71.09
				18.02.16	7,500	Purchase	38,31,46,609	71.10
				19.02.16	6,500	Purchase	38,31,53,109	71.10
				23.02.16	48,199	Purchase	38,32,01,308	71.11
				24.02.16	5,06,618	Purchase	38,37,07,926	71.20
				25.02.16	4,88,269	Purchase	38,41,96,195	71.29
				25.02.16	19,600	Purchase	38,42,15,795	71.29
				29.02.16	12,405	Purchase	38,42,28,200	71.30
				01.03.16	21,39,407	Purchase	38,63,67,607	71.69
				03.03.16	25,00,000	Purchase	38,88,67,607	72.16

Sl. No.	Shareholder's Name	No. of Shares at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				04.03.16	14,41,330	Purchase	39,03,08,937	72.42
				10.03.16	36,787	Purchase	39,03,45,724	72.43
				11.03.16	2,01,000	Purchase	39,05,46,724	72.47
				16.03.16	71,000	Purchase	39,06,17,724	72.48
				17.03.16	1,30,000	Purchase	39,07,47,724	72.51
				18.03.16	2,35,015	Purchase	39,09,82,739	72.55
				21.03.16	81,000	Purchase	39,10,63,739	72.56
				22.03.16	3,65,000	Purchase	39,14,28,739	72.63
				23.03.16	6,11,020	Purchase	39,20,39,759	72.75
				28.03.16	72,829	Purchase	39,21,12,588	72.76
				29.03.16	10,26,535	Purchase	39,31,39,123	72.95
				29.03.16	9,30,796	Purchase	39,40,69,919	73.12
	At the end of the year	39,40,69,919	73.12	31.03.16	—	—	39,40,69,919	73.12

Note: All Shares purchased by the Promoter during the year were on the floor of the Stock Exchange

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

Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders							
1.	ICICI Prudential Life Insurance Company Ltd	2,53,31,570	4.70	01.04.2015				
				10.04.2015	-1,20,950	Sale	2,52,10,620	4.68
				10.07.2015	-12,23,041	Sale	2,39,87,579	4.45
				17.07.2015	-1,90,271	Sale	2,37,97,308	4.42
				28.08.2015	-1,01,255	Sale	2,36,96,053	4.40
				04.09.2015	-9,000	Sale	2,36,87,053	4.40
				11.09.2015	-81,100	Sale	2,36,05,953	4.38
				23.10.2015	-15,000	Sale	2,35,90,953	4.38
				30.10.2015	-4,77,000	Sale	2,31,13,953	4.29
				11.12.2015	-7,67,000	Sale	2,23,46,953	4.15
				31.12.2015	-43,500	Sale	2,23,03,453	4.14
				08.01.2016	-19,41,400	Sale	2,03,62,053	3.78
				04.03.2016	-30,48,674	Sale	1,73,13,379	3.21
				11.03.2016	-10,230	Sale	1,73,03,149	3.21
				18.03.2016	-19,402	Sale	1,72,83,747	3.21
		1,63,27,747	3.03	31.03.2016	-9,56,000	Sale	1,63,27,747	3.03
2.	Aberdeen Asset Management - Asia Limited	3,14,19,056	5.83	01.04.2015				
				10.04.2015	-8,49,526	Sale	3,05,69,530	5.67
				17.04.2015	-19,739	Sale	3,05,49,791	5.67
				24.04.2015	-3,78,414	Sale	3,01,71,377	5.60
				08.05.2015	-55,501	Sale	3,01,15,876	5.59
				15.05.2015	-2,58,012	Sale	2,98,57,864	5.54

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Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
	For each of the Top Ten Shareholders			22.05.2015	-1,11,008	Sale	2,97,46,856	5.52
				29.05.2015	-2,78,256	Sale	2,94,68,600	5.47
				05.06.2015	-2,80,148	Sale	2,91,88,452	5.42
				24.07.2015	-46,288	Sale	2,91,42,164	5.41
				31.07.2015	-5,29,499	Sale	2,86,12,665	5.31
				07.08.2015	-6,27,413	Sale	2,79,85,252	5.19
				14.08.2015	-2,75,316	Sale	2,77,09,936	5.14
				21.08.2015	-10,75,484	Sale	2,66,34,452	4.94
				28.08.2015	-30,000	Sale	2,66,04,452	4.94
				04.09.2015	-49,956	Sale	2,65,54,496	4.93
				11.09.2015	-6,569	Sale	2,65,47,927	4.93
				18.09.2015	-82,402	Sale	2,64,65,525	4.91
				25.09.2015	-6,87,598	Sale	2,57,77,927	4.78
				30.09.2015	-74,376	Sale	2,57,03,551	4.77
				09.10.2015	-97,455	Sale	2,56,06,096	4.75
				16.10.2015	-3,94,615	Sale	2,52,11,481	4.68
				23.10.2015	-2,91,055	Sale	2,49,20,426	4.62
				30.10.2015	-4,31,492	Sale	2,44,88,934	4.54
				06.11.2015	-14,375	Sale	2,44,74,559	4.54
				20.11.2015	-1,15,397	Sale	2,43,59,162	4.52
				27.11.2015	-6,82,207	Sale	2,36,76,955	4.39
				04.12.2015	-2,17,793	Sale	2,34,59,162	4.35
				11.12.2015	-6,30,000	Sale	2,28,29,162	4.24
				18.12.2015	-3,30,000	Sale	2,24,99,162	4.17
				25.12.2015	-1,15,849	Sale	2,23,83,313	4.15
				31.12.2015	-14,151	Sale	2,23,69,162	4.15
				08.01.2016	-9,55,000	Sale	2,14,14,162	3.97
				15.01.2016	-34,138	Sale	2,13,80,024	3.97
				22.01.2016	-4,82,362	Sale	2,08,97,662	3.88
				29.01.2016	-9,97,709	Sale	1,98,99,953	3.69
				05.02.2016	-2,47,291	Sale	1,96,52,662	3.65
				12.02.2016	-7,92,700	Sale	1,88,59,962	3.50
				19.02.2016	-8,60,000	Sale	1,79,99,962	3.34
				26.02.2016	1,500	Purchase	1,80,01,462	3.34
				04.03.2016	-2,049	Sale	1,79,99,413	3.34
				18.03.2016	-2,00,000	Sale	1,77,99,413	3.30
		1,77,99,413	3.30	31.03.2016	—	—	1,77,99,413	3.30
3.	The New India Assurance Company Limited	64,69,530	1.20	01.04.2015				
				04.03.2016	-26,895	Sale	64,42,635	1.20
				11.03.2016	-32,154	Sale	64,10,481	1.19
				18.03.2016	-93,572	Sale	63,16,909	1.17
				25.03.2016	-42,308	Sale	62,74,601	1.16
		62,69,530	1.16	31.03.2016	-5,071	Sale	62,69,530	1.16

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Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
4.	The Oriental Insurance Company Limited	61,10,990	1.13	01.04.2015				
				17.04.2015	-19,289	Sale	60,91,701	1.13
				19.06.2015	-54,683	Sale	60,37,018	1.12
				26.06.2015	-20,000	Sale	60,17,018	1.12
				04.09.2015	-23,784	Sale	59,93,234	1.11
				11.09.2015	-15,000	Sale	59,78,234	1.11
				25.09.2015	-10,000	Sale	59,68,234	1.11
				30.09.2015	-851	Sale	59,67,383	1.11
				09.10.2015	-45,868	Sale	59,21,515	1.10
				16.10.2015	-60,032	Sale	58,61,483	1.09
				23.10.2015	-56,776	Sale	58,04,707	1.08
				30.10.2015	-41,046	Sale	57,63,661	1.07
				06.11.2015	-32,673	Sale	57,30,988	1.06
				13.11.2015	-11,503	Sale	57,19,485	1.06
				20.11.2015	-61,388	Sale	56,58,097	1.05
				27.11.2015	-40,498	Sale	56,17,599	1.04
				18.12.2015	-60,349	Sale	55,57,250	1.03
				25.12.2015	-44,651	Sale	55,12,599	1.02
				31.12.2015	-60,000	Sale	54,52,599	1.01
				08.01.2016	-15,000	Sale	54,37,599	1.01
				15.01.2016	-7,654	Sale	54,29,945	1.01
				12.02.2016	-4,895	Sale	54,25,050	1.01
				19.02.2016	-1,497	Sale	54,23,553	1.01
				26.02.2016	-18,814	Sale	54,04,739	1.00
				04.03.2016	-86,831	Sale	53,17,908	0.99
				11.03.2016	-37,071	Sale	52,80,837	0.98
				18.03.2016	-79,689	Sale	52,01,148	0.97
				25.03.2016	-31,142	Sale	51,70,006	0.96
		51,04,949	0.95	31.03.2016	-65,057	Sale	51,04,949	0.95
5.	General Insurance Corporation of India	34,42,000	0.64	01.04.2015				
				10.07.2015	-20,000	Sale	34,22,000	0.63
				17.07.2015	-22,000	Sale	34,00,000	0.63
				15.01.2016	-130	Sale	33,99,870	0.63
				26.02.2016	-50,000	Sale	33,49,870	0.62
		33,49,870	0.62	31.03.2016	—	—	33,49,870	0.62
6.	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life MNC Fund	8,01,050	0.15	01.04.2015				
				21.08.2015	10,00,000	Purchase	18,01,050	0.33
				29.01.2016	9,50,000	Purchase	27,51,050	0.51
				05.02.2016	78,900	Purchase	28,29,950	0.53
		28,29,950	0.53	31.03.2016	—	—	28,29,950	0.53

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Sl. No.	Shareholder's Name	Shareholding at the beginning (01-04-15) / end of the year (31-03-16)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
7.	Goldman Sachs India Fund Limited	41,53,970	0.77	01.04.2015				
				24.04.2015	2,68,047	Purchase	44,22,017	0.82
				05.06.2015	1,95,560	Purchase	46,17,577	0.86
				26.06.2015	1,13,363	Purchase	47,30,940	0.88
				31.07.2015	2,49,010	Purchase	49,79,950	0.92
				19.02.2016	-12,05,966	Sale	37,73,984	0.70
				11.03.2016	-14,43,832	Sale	23,30,152	0.43
		23,30,152	0.43	31.03.2016	—	—	23,30,152	0.43
8.	Carnegie Indienfond	19,91,530	0.37	01.04.2015 / 31.03.2016	—	—	19,91,530	0.37
9.	SBI Magnum Global Fund	17,00,000	0.32	01.04.2015				
				23.10.2015	2,00,000	Purchase	19,00,000	0.35
		19,00,000	0.35	31.03.2016	—	—	19,00,000	0.35
10.	The Scottish Oriental Smaller Companies Trust plc	22,40,580	0.42	01.04.2015				
				16.10.2015	-48,210	Sale	21,92,370	0.41
				26.02.2016	-3,02,821	Sale	18,89,549	0.35
		18,89,549	0.35	31.03.2016	—	—	18,89,549	0.35

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
1.	Mr. D. M. Kothari				
	At the beginning of the year	840	0.00015	840	0.00015
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	—	—	—	—
	At the end of the year	840	0.00015	840	0.00015
2.	Mr. P. D. Chaudhari				
	At the beginning of the year	200	0.00003	200	0.00003
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	—	—	—	—
	At the end of the year	200	0.00003	200	0.00003

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

(₹ in Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	0.90	40.60	—	41.50
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	0.90	40.60	—	41.50
Change in Indebtedness during the financial year				
• Addition	—	0.11	—	0.11
• Reduction	—	—	—	—
Net Change	—	0.11	—	0.11
Indebtedness at the end of the financial year				
(i) Principal Amount	0.90	40.71	—	41.61
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	0.90	40.71	—	41.61

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

Sl. No.	Particulars of Remuneration	Name of the MD / WTD / Manager		Total Amount (₹ in Lacs)
		H. M. Bharuka	P. D. Chaudhari	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	243.20	89.43	332.63
	(b) Value of Perquisites u/s.17(2) of the Income-tax Act, 1961	15.60	5.33	20.93
	(c) Profits in lieu of Salary u/s.17(3) of the Income-tax Act, 1961	0.00	0.00	0.00
2.	Stock Option	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00
4.	Commission			
	— as % of Profit	203.00	60.00	263.00
	— others (specify)	0.00	0.00	0.00
5.	Others, please specify	—	—	—
	Total (A)	461.80	154.76	616.56
	Ceiling as per the Act	2,660.75	2,660.75	5,321.50

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B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹ in Lacs)
		P. P. Shah	D. M. Kothari	N. N. Tata	B. Somaya	J. J. Irani	
1.	Independent Directors						
	Fee for Attending Board/Committee Meetings	1.20	1.40	1.00	0.60	—	4.20
	Commission	35.00	50.00	30.00	10.00	5.00	130.0
	Others, specify	—	—	—	—	—	—
	Total (1)	36.20	51.40	31.00	10.60	5.00	134.20
2.	Other Non-Executive Directors						
	Fee for Attending Board/Committee Meetings	—	—	—	—	—	—
	Commission	—	—	—	—	—	—
	Others, specify	—	—	—	—	—	—
	Total (2)	—	—	—	—	—	—
	Total B= 1+2	36.20	51.40	31.00	10.60	5.00	134.20
	Total Managerial Remuneration (A)+(B)						750.76
	Overall Ceiling as per the Act						5,853.65

C. Remuneration To Key Managerial Personnel other than Managing Director / Manager / Whole-time Director:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (₹ in Lacs)
		Company Secretary	CFO	
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	38.71	62.37	101.08
	b) Value of Perquisites u/s. 17(2) of the Income-tax Act, 1961	1.08	1.43	2.51
	c) Profits in lieu of Salary u/s.17(3) of the Income-tax Act, 1961	—	—	—
2.	Stock Option		—	—
3.	Sweat Equity	—	—	—
4.	Commission			
	— as % of Profit	—	—	—
	— others (specify)	—	—	—
5.	Others, please specify	—	—	—
	Total	39.79	63.80	103.59

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES:

There were no penalties, punishments, compounding of offences for the year ended March 31, 2016.

For and on behalf of the Board

Mumbai, 27th April, 2016

P. P. Shah
Chairman

Annexure 5 to the Board's Report

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

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

To
The Members
Kansai Nerolac Paints Limited

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended March 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, presently (Prohibition of Insider Trading) Regulations 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the Audit Period), presently (Share Based Employees Benefits) Regulations 2014;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
 - h. The Securities and Exchange Board of India (Buyback of Securities Regulations, 1998 (Not applicable to the Company during the Audit Period).

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

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

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

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

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India
- (b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and the Listing Agreements entered into by the Company with Stock Exchanges.

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

We further report that:

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

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

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

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

For Ragini Chokshi & Co.

Mrs. Ragini Chokshi
(Partner)

Place: Mumbai

C.P. NO. 1436

Date: April 25, 2016.

FCS NO. 2390

REPORT ON CORPORATE GOVERNANCE

Pursuant to Schedule V(C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a report on Corporate Governance is given below:

1. Company's philosophy on Code of Governance

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

2. Board of Directors

The strength of Board as on 31st March, 2016 is nine Directors. The Board comprises of Executive and Non-Executive Directors. The Managing Director and a Whole-time Director are the two Executive Directors. There are seven Non-Executive Directors, of which four Directors, including the Chairman, are Independent Directors. The Board also consists of one Woman Independent Director. The number of Independent Directors on the Board is in conformity with the requirement of Regulation 17(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Three Non-Executive Directors namely, Mr. M. Tanaka, Mr. H. Furukawa and Mr. S. Asatsuma are nominees of Kansai Paint Co. Ltd., Japan, Promoter Company.

Five Board Meetings were held during the year ended 31st March, 2016, i.e. on 8th May, 2015, 30th July, 2015, 23rd October, 2015, 25th January, 2016 and 10th March, 2016.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Mr. P. P. Shah	Chairman (Non-Executive and Independent Director)	5	Yes
Mr. D. M. Kothari	Vice Chairman (Non-Executive and Independent Director)	5	Yes
Mr. H. M. Bharuka	Managing Director	5	Yes
Mr. N. N. Tata	Non-Executive and Independent Director	4	No
Mr. P. D. Chaudhari	Whole-time Director	5	Yes
Mr. M. Tanaka	Non-Executive Director	4	No
Mr. H. Furukawa	Non-Executive Director	5	No
Mrs. B. Somaya	Non-Executive and Independent Director	4	Yes
Mr. S. Asatsuma	Non-Executive Director	4	Yes

Every Director currently on the Board of the Company has personally attended at least one Board / Committee of Directors' Meeting in the financial year 2015-16.

Certificates have also been obtained from the Independent Directors confirming their position as Independent Directors on the Board of the Company in accordance with Section 149 of the Companies Act, 2013 read with Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Name of the Director	No. of Directorships	No. of Audit Committees and Stakeholders' Relationship Committees* in which Chairman / Member	
		Chairman	Member
Mr. P. P. Shah	8	Nil	7
Mr. D. M. Kothari	Nil	Nil	Nil
Mr. H. M. Bharuka	Nil	Nil	Nil
Mr. N. N. Tata	6	1	1
Mr. P. D. Chaudhari	Nil	Nil	Nil
Mr. M. Tanaka	Nil	Nil	Nil
Mr. H. Furukawa	Nil	Nil	Nil
Mrs. Brinda Somaya	Nil	Nil	Nil
Mr. S. Asatsuma	Nil	Nil	Nil

* As per Regulation 26(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations as on 31st March, 2016.

In terms of Schedule V(C)(2)(e) and Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, none of the Directors are related to each other.

Disclosure of Shareholding of Non-Executive Directors:

Name of the Director	Shares held as on 31.3.2016 (Own or held by/for other persons on a beneficial basis)
Mr. P. P. Shah	Nil
Mr. D. M. Kothari	840
Mr. N. N. Tata	Nil
Mr. M. Tanaka #	Nil**
Mr. H. Furukawa	Nil**
Mrs. Brinda Somaya	Nil
Mr. S. Asatsuma	Nil**

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

Director seeking re-appointment at this Annual General Meeting.

Orientation of newly elected directors and updation strategy

Newly elected directors are given a presentation on the functioning of the Company. Every quarter, reports of the various departments of the Company are circulated among all the directors. These reports give specific particulars of the respective departments. Apart from this, the directors are intimated of the changes as and when they happen. All the functional heads are present at the Audit Committee Meeting of the Company held every quarter. Presentations are also made to the Board of Directors by the functional heads. This ensures that the functional heads can apprise all the directors about the developments in their specific areas.

Access to information

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

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

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

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

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

Code of Conduct for Board of Directors and Senior Management

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of Senior Management. The Code has also been posted on the Company's website at www.nerolac.com. All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2016. The Annual Report contains a declaration to this effect signed by the Managing Director who is the Chief Executive Officer.

3. Audit Committee

The Audit Committee acts in accordance with the terms of reference specified by the Board which includes the recommendation for appointment, remuneration and terms of appointment of auditors of the Company, review and monitor the auditor's independence and performance and effectiveness of the audit process, examination of the financial statements and the auditor's report thereon, approval or any subsequent modification of transactions of the Company with related parties, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the Company wherever it is necessary, evaluation of internal financial controls and risk management systems, monitoring the end use of funds raised through public offers and related matters.

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

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

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

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

There were four meetings of the Audit Committee during the year ended 31st March, 2016, i.e. on 8th May, 2015, 30th July, 2015, 23rd October, 2015 and 25th January, 2016.

Name of the Director	Number of Audit Committee Meetings attended during the year ended 31st March, 2016
Mr. P. P. Shah	4
Mr. D. M. Kothari	4
Mr. N. N. Tata	3

Besides this, another meeting of the Audit Committee was held on 27th April, 2016 at which meeting the Audited Annual Accounts for the year ended 31st March, 2016, were placed before the Committee for consideration.

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

The Internal Auditors report directly to the Audit Committee.

4. Nomination & Remuneration Committee

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

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

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

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

Mr. D. M. Kothari was present at the Annual General Meeting held on 3rd July, 2015.

There were 2 meetings of the Committee during the year ended 31st March, 2016, i.e. on 8th May, 2015 and 23rd October, 2015.

Name of the Director	Number of Nomination & Remuneration Committee Meetings attended during the year ended 31st March, 2016
Mr. D. M. Kothari	2
Mr. P. P. Shah	2
Mr. N. N. Tata	2

Besides this, another meeting of the Committee was held on 27th April, 2016 to determine the remuneration to be paid to Executive Directors and Commission to be paid to Non-Executive Directors.

5. Remuneration of Directors

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

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

Remuneration Policy:

A. Remuneration to Whole-time Directors:

- The remuneration paid to Whole-time Directors is subject to the limits laid down under Section 197 and Schedule V to the Companies Act, 2013, and in accordance with the terms of appointment approved by the Shareholders of the Company. The remuneration of the Whole-time Directors is determined by the Nomination & Remuneration Committee based on factors such as the Company's performance and performance/track record of the Whole-time Directors. The remuneration consists of Salary, Commission, Company's contribution to Provident Fund and Superannuation Fund, House Rent Allowance (HRA), Leave Travel Allowance (LTA) and other perquisites and allowances in accordance with the rules of the Company, applicable from time to time.
- The Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

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

The details of remuneration (including perquisites and allowances) paid during the year ended 31st March, 2016 are as follows:

(₹ in lacs)

Break-up of Remuneration	Mr. H. M. Bharuka (Managing Director)	Mr. P. D. Chaudhari (Whole-time Director)
<u>Fixed Component</u>		
Salary	108.00	39.60
Company's contribution to Provident Fund and Superannuation Fund (on Salary)	29.16	10.69
HRA, LTA and other perquisites	135.00	49.50
	272.16	99.79
<u>Variable Component</u>		
Commission	203.00	60.00
Company's contribution to Provident Fund (on Commission)	24.36	7.20
	227.36	67.20
Total	499.52	166.99

Note:

Remuneration excludes provision for commission and related contribution to Provident Fund thereon for the current year but includes commission and such related contribution thereon for the previous year paid in the current year, where the Director was a Whole-time Director during the previous year ended 31st March, 2015.

B. Remuneration to Non-Executive Directors

The Non-Executive Directors are paid commission within the ceiling of 1% of net profits of the Company as specified in Section 197 of the Companies Act, 2013, in accordance with the approval granted by the Shareholders for payment of commission to the Non-Executive Directors. The commission payable to Non-Executive Directors is decided by the Board, based on a number of factors including number of Board and Committee meetings attended, individual contribution thereat etc.

The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board or Committee thereof within the limits prescribed under the Companies Act as approved by the Shareholders of the Company.

Apart from the commission and sitting fees paid by the Company, the Non-Executive Directors, in their individual capacity, did not have any pecuniary relationship or transactions with the Company during the financial year 2015-16.

The details of payments made to Non-Executive Directors during the year ended 31st March, 2016 are as under:
(₹ in lacs)

Name of the Director	Sitting Fees					Commission @	Total
	Board Meeting	Audit Committee Meeting	N&RC* Meeting	CSR Committee Meeting	Independent Directors Meeting		
Dr. J. J. Irani#	—	—	—	—	—	5.00	5.00
Mr. P. P. Shah	0.50	0.40	0.20	—	0.10	35.00	36.20
Mr. D. M. Kothari	0.50	0.40	0.20	0.20	0.10	50.00	51.40
Mr. N. N. Tata	0.40	0.30	0.20	0.10	—	30.00	31.00
Mrs. Brinda Somaya	0.40	—	—	0.10	0.10	10.00	10.60

* N&RC: Nomination & Remuneration Committee.

@ Commission paid during the year 2015-16 was for the year ended 31st March, 2015.

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

C. Remuneration to Key Managerial Personnel and other employees

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

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

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

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

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

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

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

Independent Directors:

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

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

Separate meeting of Independent Directors:

In accordance with the provisions of Schedule IV of the Companies Act, 2013, a separate meeting of the Independent Directors was held during the year on March 10, 2016 without the attendance of Non-Independent Directors and members of management, inter alia to:

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

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

Notes on Directors seeking appointment/re-appointment as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**Mr. P. D. Chaudhari**

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

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

Mr. Chaudhari holds 200 equity shares in the Company.

Mr. Chaudhari is not a director or member of the committee of the board of any other listed entity.

Mr. M. Tanaka

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

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

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

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

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

Mr. Tanaka is not a director or member of the committee of the board of any other listed entity.

6. Stakeholders' Relationship Committee

In our Company, the Stakeholders' Grievance Committee is known by the name of Stakeholders' Relationship Committee.

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

Mr. D. M. Kothari, a Non-Executive Independent Director, is the Chairman of the Stakeholders' Relationship Committee. Mr. D. M. Kothari, Chairman of the Committee was present at the Annual General Meeting.

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

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

Nature of Complaint	Received	Cleared
Non-receipt of Dividend Warrant	0	0
Non-receipt of Share Certificates	0	0
SEBI/Stock Exchange Letter/ROC	2	2
Miscellaneous	0	0
Total	2	2

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

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

7. General Body Meetings:

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

	Date and Time	Venue
95th AGM	3rd July, 2015, at 3.00 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400 001.
94th AGM	20th June, 2014, at 3.00 p.m.	M. C. Ghia Hall, Kala Ghoda, Mumbai – 400 001.
93rd AGM	18th June, 2013, at 3.30 p.m.	Walchand Hirachand Hall, IMC, Mumbai – 400 020.

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- (ii) One Special Resolution for payment of commission to Non-Executive Directors was passed in the 93rd AGM out of previous three AGMs.
- (iii) No Postal Ballot was conducted last year.
- (iv) No Special Resolution is proposed to be conducted through Postal Ballot.
- (v) Postal Ballot whenever conducted will be carried out as per the procedure mentioned in Rule 22 of Companies (Management and Administration) Rules, 2014, including any amendment thereof.

8. Means of Communication

- (i) Quarterly Results:
The quarterly results are published in accordance with the requirements of the Listing Agreement of the BSE and the NSE.
- (ii) Newspaper in which results are normally published:
The Economic Times and The Maharashtra Times. Results could also get published in any other reputed newspaper such as the Financial Express / Loksatta or the Business Standard / Tarun Bharat.
- (iii) Any website, where displayed:
www.nerolac.com
- (iv) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts:
Relevant information is displayed on the website.
As the financial results of the Company are published in the Newspapers and press release issued in newspapers and also displayed on the Company's website, a separately half yearly declaration of financial performance is not sent to each household of shareholders.

9. General Shareholder Information

- (i) AGM Date, Time and Venue:
Wednesday, 22nd June, 2016 at 11.00 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai – 400001.
- (ii) Financial Calendar:

– Financial reporting for the quarter ending 30th June, 2016	: April-March
– Financial reporting for the quarter ending 30th September, 2016	: End July, 2016
– Financial reporting for the quarter ending 31st December, 2016	: End October, 2016
– Financial reporting for the year ending 31st March, 2017	: End January, 2017
– Annual General Meeting for the year ending 31st March, 2017	: End April, 2017
– Annual General Meeting for the year ending 31st March, 2017	: End June, 2017
- (iii) Dates of Book Closure:
Thursday, June 16, 2016 to Wednesday, June 22, 2016 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
- (iv) Dividend Payment Date:
On or after 27th June, 2016.
Dividend, when declared, will be payable on or after 27th June, 2016 to those members whose names are registered as such in the Register of Members of the Company as on June 15, 2016 and to the Beneficiary holders as per the beneficiary list as on June 15, 2016 provided by the NSDL and CDSL.
- (v) Listing on Stock Exchanges:
The Company's Equity Shares are listed on the BSE and the NSE.
The annual listing fees of the BSE and the NSE have been paid.

(vi) Stock Code:

Stock Exchange	Code
BSE	500165
NSE	KANSAINER

Demat – ISIN Number for NSDL & CDSL : INE531A01024

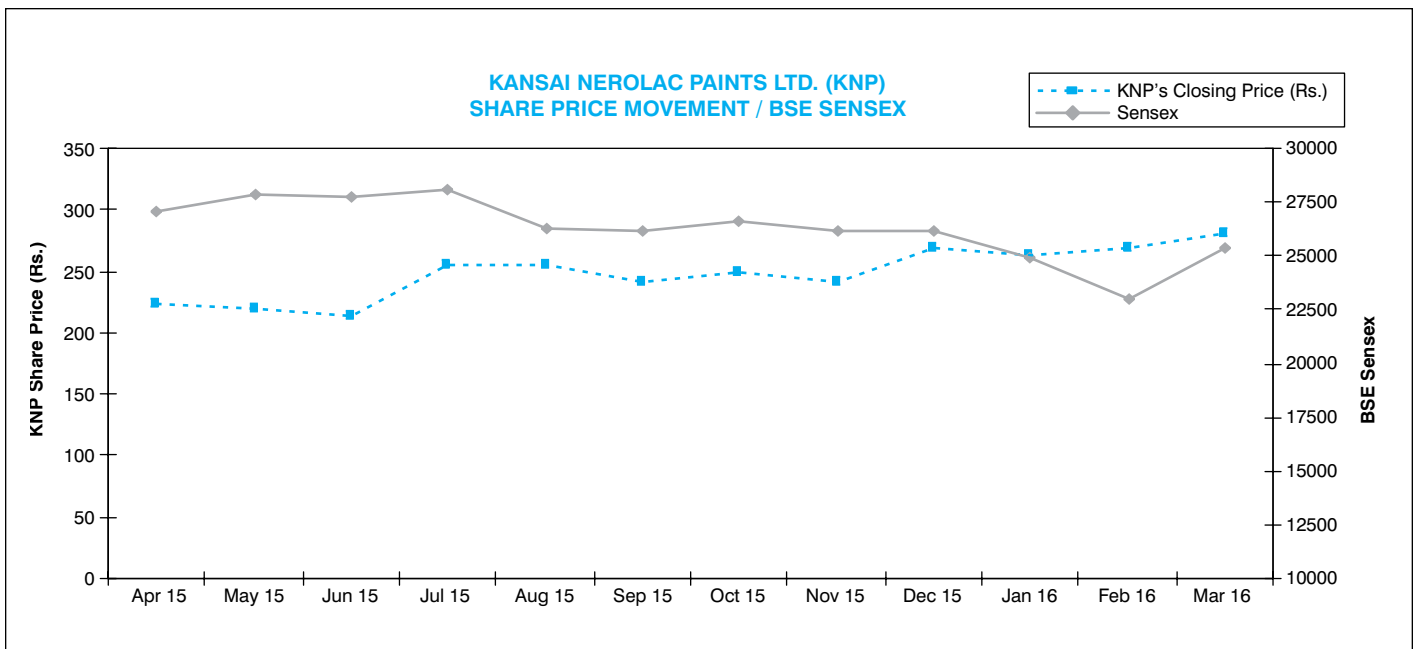
(vii) Market Price Data: High, Low during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

High/Low of market price of the Company's shares traded on the BSE during the year ended 31st March, 2016 is furnished below:

Month	High (Rs.)	Low (Rs.)
April 2015	252.55	196.10
May 2015	234.00	209.50
June 2015	227.00	201.00
July 2015	268.10	214.75
August 2015	263.55	207.00
September 2015	263.60	225.10
October 2015	265.00	234.00
November 2015	254.40	238.95
December 2015	271.50	235.00
January 2016	299.35	250.80
February 2016	292.45	258.00
March 2016	297.90	268.00

Stock Performance

Month	KNP's Closing Price on BSE (Rs.)	Sensex
April 2015	222.75	27,011.31
May 2015	220.05	27,828.44
June 2015	214.40	27,780.83
July 2015	255.35	28,114.56
August 2015	255.85	26,283.09
September 2015	240.55	26,154.83
October 2015	248.40	26,656.83
November 2015	242.20	26,145.67
December 2015	269.65	26,117.54
January 2016	263.00	24,870.69
February 2016	268.20	23,002.00
March 2016	281.50	25,341.86



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(viii) The securities of the Company have never been suspended from trading.

(ix) Registrar and Share Transfer Agents:

Upto April 30, 2016

Sharepro Services (India) Pvt. Ltd.

Office:

Samhita Warehousing Complex, Plot No. 13AB,

Off Andheri-Kurla Road,

Sakinaka, Andheri (East), Mumbai – 400 072.

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

Investor Relations Centre:

912, Raheja Centre, Free Press Journal Road,

Nariman Point, Mumbai – 400 021.

Tel. No.: 22881563, 22881568

E-mail: sharepro@shareproservices.com

From May 1, 2016:

TSR Darashaw Ltd.

6-10, Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011.

Tel. No.: +91 22 66568484

Fax No.: 91 22 66568494

E-mail: csg-unit@tsrdarashaw.com

(x) Share Transfer System:

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

(xi) Distribution of Shareholding as on 31st March, 2016:

No. of Equity Shares held	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
Upto 500	17,472	74.80	20,06,526	0.38
501 to 1000	1,539	6.59	12,69,404	0.24
1001 to 2000	1,227	5.26	19,46,086	0.36
2001 to 3000	515	2.20	13,17,301	0.24
3001 to 4000	468	2.00	16,50,570	0.31
4001 to 5000	269	1.15	12,60,463	0.23
5001 to 10000	736	3.15	55,73,894	1.03
10001 and above	1,132	4.85	52,38,95,476	97.21
Grand Total	23,358	100.00	53,89,19,720	100.00

Geographical Distribution of Shareholders as on 31st March, 2016

Location	No. of Folios	% to number of Folios	No. of Shares	% to number of Shares
OUTSIDE INDIA				
Foreign Collaborator (Kansai Paint Company Limited)	1	0.01	39,40,69,919	73.12
FIIIs, NRIs, OCBs, Foreign Portfolio – Corp.	752	3.22	4,43,36,429	8.23
IN INDIA				
Mumbai	7,772	33.27	7,42,06,550	13.77
New Delhi	1,193	5.11	92,96,723	1.72
Ahmedabad	1,054	4.51	16,48,422	0.31
Bangalore	1,230	5.27	19,62,641	0.36
Pune	1,167	5.00	20,79,226	0.39
Kolkata	960	4.11	25,83,526	0.48
Chennai	1,011	4.33	7,37,297	0.14
Hyderabad	577	2.47	6,08,971	0.11
Surat	309	1.32	3,97,176	0.07
Vadodara	321	1.37	3,62,644	0.07
Jaipur	216	0.92	3,14,432	0.06
Others	6,795	29.09	63,15,764	1.17
TOTAL	23,358	100.00	53,89,19,720	100.00

Categories of Shareholders as on 31st March, 2016

	Category	No. of Shares held	Percentage of Shareholding
A.	Promoters' Holding		
1.	Promoters		
	Indian Promoters	Nil	Nil
	Foreign Promoters (Kansai Paint Co. Ltd., Japan)	39,40,69,919	73.12
2.	Persons acting in concert	Nil	Nil
	Sub-Total (A)	39,40,69,919	73.12
B.	Non-Promoters' Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	1,60,71,928	2.98
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	1,52,10,996	2.82
c.	Others (Foreign Portfolio – Corp.)	1,74,40,714	3.24
d.	Foreign Institutional Investors (FIIIs)	2,58,43,860	4.80
	Sub-Total (i)	7,45,67,498	13.84
4.	Others		
	Private Corporate Bodies	2,51,92,118	4.67
	Indian Public	4,35,15,694	8.07
	NBFCs	15,111	0.00
	NRIs/OCBs	10,51,855	0.20
	Any Other (Trusts)	1,88,715	0.04
	Unclaimed Suspense Account	3,18,810	0.06
	Sub-Total (ii)	7,02,82,303	13.04
	Sub-Total (B) = (i) + (ii)	14,48,49,801	26.88
	Grand Total (A) + (B)	53,89,19,720	100.00

(xii) Dematerialisation of Shareholding and liquidity:

99.12% of the paid-up share capital had been dematerialised, as at 31st March, 2016.

Particulars of trading on the Company's shares for the Financial year 2015-16:

Stock Exchange	No. of Trades	No. of Shares
BSE	1,64,949	1,24,74,981
NSE	10,05,065	6,77,92,653

The particulars of Promoter holding as against Non-Promoter holding in the Company is given in (xi) of "General Shareholder Information" of this Corporate Governance Report.

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

Not Issued.

(xiv) Commodity price risk or foreign exchange risk and hedging activities:

Commodity Risk

There are several raw materials which are directly driven by crude oil. These are monitored on regular basis using pricing trends and forecast from internationally reputed news agencies. Appropriate coverage is taken on rising trends and inventory is cut in declining trends. Wherever direct co-relation exists, cost sheet is monitored to calculate delta changes and accordingly purchase prices are decided. For metal related buying, price indices such as LME are used to check on trends. Additionally, import data is tracked to compare average import prices and buying prices. Accordingly, appropriate actions are taken to minimise commodity risks.

Foreign Exchange Risk

To control and minimise exchange risk, the Company has documented Forex Policy according to which currency forecast is received from various banks and consultants on regular basis. Additionally regular meetings are also done with banks and important data announcements such as unemployment data, G 7 meetings, Non-farm payroll, RBI announcements etc. is watched carefully. Coverage of currency – approximately 80% payments are in USD and approximately 15% in Yen. Normally we try and cover 30%-40% open market exposure depending upon movement of currencies and forward premium. Also, supplier credit terms are decided time to time looking to current forex rates and volatility. Option strategies are evaluated periodically.

(xv) Plant Locations:

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

1. Lote Parshuram, Ratnagiri, Maharashtra
2. Jainpur, Kanpur Dehat, U.P.
3. Bawal, Haryana
4. Hosur, Tamil Nadu

(xvi) Address for correspondence:

TSR Darashaw Ltd.

6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011.

Tel. No.: +91 22 66568484

Fax No.: 91 22 66568494

E-mail: csg-unit@tsrdarashaw.com

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

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

Tel. No.: + 91 22 24992796, 24992807

E-mail ID for Investor Grievances:

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

10. Disclosures:**(i) Related Party Transactions**

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations during the financial year were in the ordinary course of business and on arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with the related parties during the financial year that may have potential conflict with the interests of the Company at large.

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

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

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

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

No personnel has been denied access to the Audit Committee.

(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause. Details of any non-compliance of any requirement of corporate governance report:

All the mandatory requirements have been complied with as stated in this report on Corporate Governance. There is no non-compliance with any requirement of corporate governance report of sub-para (2) to (10) of the Corporate Governance report as given in Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The disclosures of the compliance with Corporate Governance requirements specified in Regulation 17 to 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), have been made in this Corporate Governance report. Details required under clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the said Regulations are displayed on the website of the Company at www.nerolac.com.

The non-mandatory requirements as stipulated in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations have been adopted to the extent and in the manner as stated under the appropriate headings in the Report on Corporate Governance.

(v) Material Subsidiaries: The Company does not have a material subsidiary as defined under Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations. The Policy for determining material subsidiaries is posted on the website of the Company at www.nerolac.com/Financial/Policies.

- (vi) Disclosure of commodity price risks and commodity hedging activities:
This has been discussed under point no 9 (xiv) of this Corporate Governance Report.
- (vii) CEO/CFO Certification:
A certification from the CEO and CFO as specified in Part B of Schedule II in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations was placed before the Board Meeting held on 27th April, 2016 to approve the Audited Annual Accounts for the year ended 31st March, 2016.
- (viii) Risk Management: The Company has a Risk Management Framework in place, the details of which are provided in the Board's report.
- (ix) Unclaimed Dividend:
Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividend upto 56th Dividend for the year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in Form No. II to the aforesaid authority.

Pursuant to Section 205A read with 205C of the Companies Act, 1956, unclaimed dividends for the year ended 31st March, 1995 to 31st March, 2008 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.

Disclosure with respect to demat suspense account/unclaimed suspense account as required under Schedule 5(F) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

	Particulars	No. of Shareholders	No. of Equity Shares
a)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2015.	177	3,23,510 Equity Shares of ₹ 1 each.
b)	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year.	3	4700 Equity Shares of ₹ 1 each
c)	Number of shareholders to whom the shares were transferred from the Unclaimed Suspense Account during the year.	3	4700 Equity Shares of ₹ 1 each
d)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31st March, 2016.	174	3,18,810 Equity Shares of ₹ 1 each

- e) It is hereby confirmed that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

For and on behalf of the Board

Mumbai, 27th April, 2016

P. P. SHAH
Chairman

DECLARATION

As required under Schedule V(D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and the Senior Management for the year ended 31st March, 2016.

For Kansai Nerolac Paints Limited

H. M. Bharuka
Managing Director

Mumbai, 27th April, 2016

Certificate of Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of Kansai Nerolac Paints Limited

We have examined the compliance of conditions of corporate governance by Kansai Nerolac Paints Limited (“the Company”) for the year ended on 31 March 2016 as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the Company with Stock Exchanges.

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

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the Company with Stock Exchanges.

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

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

Sadashiv Shetty
Partner
Membership No: 048648

Mumbai
27th April, 2016

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

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Kansai Nerolac Paints Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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

Auditors' Responsibility

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinions

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

KANSAI NEROLAC PAINTS LIMITED
INDEPENDENT AUDITORS' REPORT (continued)

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraphs 3 and 4 of the Order.

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

- (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the Directors as on 31 March 2016 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2016 from being appointed as a Director in terms of sub-section (2) of Section 164 of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in the Annexure B; and
- (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - 1. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26 to the financial statements;
 - 2. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - 3. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2016.

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

Sadashiv Shetty
Partner
Membership No.: 048648

Mumbai, 27th April 2016

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which the fixed assets are verified by the management according to a phased programme designed to cover all the items over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the policy, the Company has physically verified certain fixed assets during the year and we are informed that no discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 10 to the standalone financial statements, are held in the name of the Company.
- (ii) The inventory, other than stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. In respect of stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraphs 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, and based on the legal opinion obtained by the Company, the Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of Section 186 of the Act in respect of the loans given and investments made.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the products manufactured/services rendered by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

KANSAI NEROLAC PAINTS LIMITED**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016** (continued)

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise and Value added tax as at 31 March 2016, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

(₹ in crores)

Name of Act	Nature of Due	Amount	Period to which amount relates	Forum where dispute is pending
Sales Tax and Value Added Tax	Tax, Penalty and Interest	0.01	1980-81	Commissioner
		0.01	1991-92	Commissioner
		0.60	1995-96 to 2009-10	Commissioner
		0.51	1995-96 to 2009-10	Appellate Authorities and Tribunal
The Central Excise Act, 1944	Tax, Penalty and Interest	0.83	1994-95 to 2000-01	Commissioner
		0.26	2000-01 to 2014-15	Appellate Authorities and Tribunal
The Finance Act, 1994	Tax, Penalty and Interest	6.39	2011-12 to 2014-15	Appellate Authorities and Tribunal

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the government. The Company did not have any outstanding dues to its bankers, financial institutions and debenture holders during the year.
- (ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and has not obtained any term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (xi) In our opinion and according to the information and explanations given to us, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act where applicable and the details of such related party transactions have been disclosed in the financial statements as required by Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016 (continued)

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**

Chartered Accountants

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

Sadashiv Shetty

Partner

Membership No.: 048648

Mumbai, 27th April 2016

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of the Company as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016 (continued)

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**

Chartered Accountants

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

Sadashiv Shetty

Partner

Membership No.: 048648

Mumbai, 27th April 2016

KANSAI NEROLAC PAINTS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2016

₹ in Crores

	Note	As at 31st March, 2016	As at 31st March, 2015
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	53.89	53.89
Reserves and Surplus	3	2235.27	1542.93
		2289.16	1596.82
Non-current Liabilities			
Long-term Borrowings	4	28.79	41.50
Deferred Tax Liabilities (Net)	5	84.13	75.15
Long-term Provisions	6	16.90	25.49
		129.82	142.14
Current Liabilities			
Trade Payables	7	—	—
Payables to Micro and Small Enterprises		—	—
Payables to Others		400.04	322.40
		400.04	322.40
Other Current Liabilities	8	244.14	185.40
Short-term Provisions	9	206.21	96.60
		850.39	604.40
Total		3269.37	2343.36
Assets			
Non-current Assets			
Fixed Assets	10		
Tangible Assets		926.04	902.56
Intangible Assets		0.52	2.44
Capital Work-in-progress		41.95	43.94
		968.51	948.94
Non-current Investments	11	43.89	33.10
Long-term Loans and Advances	13	72.91	66.74
		1085.31	1048.78
Current Assets			
Current Investments	12	498.61	182.48
Inventories	14	571.71	541.67
Trade Receivables	15	524.62	496.34
Cash and Bank Balances	16	477.89	34.05
Short-term Loans and Advances	17	90.30	19.97
Other Current Assets	18	20.93	20.07
		2184.06	1294.58
Total		3269.37	2343.36

Significant Accounting Policies

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

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

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

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 27th April, 2016

G.T. GOVINDARAJAN P.D. PAI

Company Secretary CFO

For and on behalf of the Board of Directors

P.P. SHAH *Chairman* DIN 00066242

D.M. KOTHARI *Vice Chairman* DIN 00516431

H.M. BHARUKA *Managing Director* DIN 00306084

N.N. TATA *Director* DIN 00024713

P.D. CHAUDHARI *Wholetime Director* DIN 02171823

BRINDA SOMAYA *Director* DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

₹ in Crores

	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
Revenue from Operations			
Sale of Products.....	19	4326.28	3989.91
Less: Excise Duty.....		506.99	457.50
Sale of Products (Net).....		3819.29	3532.41
Other Operating Revenues.....	20	10.93	16.65
Revenue from Operations		3830.22	3549.06
Other Income	21	24.84	21.79
Total Revenue		3855.06	3570.85
Expenses			
Cost of Materials Consumed.....	22	2187.33	2145.76
Purchases of Stock-in-trade.....		174.84	156.65
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	23	(13.81)	62.03
Employee Benefits Expense	24	177.65	143.30
Finance Cost.....		–	0.02
Depreciation and Amortisation Expenses	10	67.79	67.69
Other Expenses	25	731.89	596.50
Total Expenses		3325.69	3171.95
Profit Before Exceptional Item and Tax		529.37	398.90
Profit on sale of Fixed Asset (Refer Note 35).....		535.34	–
Profit Before Tax		1064.71	398.90
Tax Expense			
Current Tax.....		225.40	116.73
Less : MAT Credit Entitlements		(60.77)	–
		164.63	116.73
Deferred Tax.....		8.98	10.50
Total Tax Expense ..		173.61	127.23
Profit After Tax		891.10	271.67
Earnings per Equity Share before Exceptional Items (net of tax) (in ₹)			
Basic and Diluted	28	6.60	5.04
Earnings per Equity Share after Exceptional Items (net of tax) (in ₹)			
Basic and Diluted		16.54	5.04

Significant Accounting Policies

1

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

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

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

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 27th April, 2016

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2016

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Cash Flow from Operating Activities		
Net Profit Before Tax	1064.71	398.90
Adjustments for:		
Depreciation and Amortisation Expenses.....	67.79	67.69
Unrealised Foreign Exchange Loss / (Gain)	(1.96)	(0.32)
Provision for Tangible Assets Written Back.....	(0.07)	(0.09)
Profit on Sale of Fixed Assets (Net).....	—	(0.94)
Profit on Sale of Investments (Net)	(3.73)	(3.96)
Interest Expenditure.....	—	0.02
Interest Income	(2.85)	(2.84)
Dividend Income	(15.66)	(4.33)
Profit on Sale of Fixed Asset (Refer Note 35).....	(535.34)	—
Amount Spent towards Corporate Social Responsibility Activities (Refer Note 33).....	—	(4.51)
	<u>(491.82)</u>	<u>50.72</u>
Operating Profit Before Working Capital Changes	572.89	449.62
(Increase) / Decrease in Trade and Other Receivables.....	(31.54)	(38.00)
(Increase) / Decrease in Inventories	(30.04)	103.99
Increase / (Decrease) in Trade Payables, Liabilities and Provisions (Short-term and Long-term)	126.78	(92.35)
	<u>65.20</u>	<u>(26.36)</u>
Cash Generated from Operations	638.09	423.26
Direct Taxes Paid (Net of Refunds)	(248.50)	(120.77)
Net Cash from Operating Activities	389.59	302.49
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances).....	(87.34)	(91.67)
Proceeds from Sale of Fixed Assets	537.93	1.42
Purchase of Investments.....	(15372.31)	(4162.75)
Proceeds from Sale / Redemption of Investments	15049.12	4007.60
Interest Received	2.24	2.33
Dividend Received	15.66	4.33
Net Cash from / (used) in Investing Activities	145.30	(238.74)
Cash Flow from Financing Activities		
Repayment of Borrowings	0.11	(15.30)
Interest Paid	—	(0.02)
Dividend Paid	(75.45)	(59.28)
Tax on Proposed Dividend	(15.78)	(10.07)
Net Cash used in Financing Activities	(91.12)	(84.67)
Net Increase / (Decrease) in Cash and Cash Equivalents ..	443.77	(20.92)

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2016 (contd.)

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Cash and Cash Equivalents at beginning of the year, the components being:		
Cash on hand.....	0.10	0.08
Cheques on hand.....	22.47	15.82
Balances with Banks.....	10.91	38.50
	33.48	54.40
Cash and Cash Equivalents at end of the year, the components being:		
Cash on hand.....	0.06	0.10
Cheques on hand.....	18.61	22.47
Balances with Banks.....	458.58	10.91
	477.25	33.48
Net Increase / (Decrease) as disclosed above.....	443.77	(20.92)

Note: Figures in brackets are outflows / deductions.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

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

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 27th April, 2016

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

(I) Basis of Accounting

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

(II) Use of Estimates

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

(III) Classification of Assets and Liabilities

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

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

(IV) Operating Cycle

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

(V) Fixed Assets

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

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

(V) Fixed Assets (contd.)

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

(VI) Investments

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

(VII) Inventories

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

(VIII) Provisions and Contingent Liabilities

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

(VIII) Provisions and Contingent Liabilities (contd.)

- (b) Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company.
- (c) When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(IX) Revenue Recognition

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

(X) Employee Benefits

(a) Short-term Employee Benefits:

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

(b) Post-Employment Benefits:

(i) Provident and Family Pension Fund

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

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

(ii) Superannuation

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

(iii) Gratuity

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies (contd.)

(X) Employee Benefits (contd.)

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

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

(XI) Foreign Currency Transactions

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

(XII) Accounting for Derivatives

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

(XIII) Taxation

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

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

(XIV) Leases

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

(XV) Cash and Cash Equivalents

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 2: Share Capital

	As at 31st March, 2016		₹ in Crores As at 31st March, 2015	
1. Authorised Share Capital (₹ in Crores).....		60		60
Par Value per Share (₹)		1		1
Number of Equity Shares		60,00,00,000		60,00,00,000
2. Issued, Subscribed and Fully Paid-up (₹ in Crores)		53.89		53.89
Par Value per Share (₹)		1		1
Number of Equity Shares		53,89,19,720		53,89,19,720
3. Details of Shareholders holding more than 5% of shares:				
		No. of		No. of
	%	Shares	%	Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	73.12	39,40,69,919	69.27	37,32,97,600
Others:				
Aberdeen Asset Management Asia Ltd.....	3.30	1,77,99,413	5.83	3,14,19,056
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.		2,69,45,986		2,69,45,986
5. The Company has issued one Class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the at the commencement of the year		53,89,19,720		5,38,91,972
Issued during the year*.....		—		48,50,27,748
Number of shares at the end of the year		53,89,19,720		53,89,19,720

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

Note 3: Reserves and Surplus

a. Capital Reserve – at the commencement and at the end of the year ..		0.30		0.30
b. Securities Premium Reserve – at the commencement and at the end of the year.....		12.56		12.56
c. General Reserve:				
At the commencement of the year.....		452.09		424.92
Add: Transfer from Statement of Profit and Loss		35.58		27.17
		487.67		452.09
d. Surplus (Profit and Loss balance):				
Opening Balance		1077.98		931.52
Add: Profit for the year		891.10		271.67
Less: Proposed Dividend*.....		164.37		75.45
Less: Tax on Proposed Dividend.....		34.39		15.78
Less: Transfer to General Reserve.....		35.58		27.17
Less: Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013 (Refer Note 33)		—		4.51
Less: Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives [Refer Significant Accounting Policies Note 1(V)(c) and Note 10]		—		3.49
Add: Deferred tax impact on the above.....		—		1.19
		1734.74		1077.98
		2235.27		1542.93

* The Directors have recommended a dividend of 305%, including special dividend of 125%, (₹ 3.05 per share) compared to 140% (₹ 1.40 per share) last year.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 4: Long-term Borrowings

Deferred Payment Liabilities

	As at 31st March, 2016	As at 31st March, 2015
a. Secured Sales Tax Deferral Loan..... (Secured by a charge on the fixed assets of the factory at Jainpur) Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection. Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ 0.90 Crores (2014-2015 ₹ Nil) is disclosed under 'Other Current Liabilities' - Refer Note 8]	—	0.90
b. Unsecured Sales Tax Deferral Loan..... Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in five annual installments from the reporting date. Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 11.92 Crores (2014-2015 ₹ Nil) is disclosed under 'Other Current Liabilities' - Refer Note 8].	28.79	40.60
	28.79	41.50

Note 5: Deferred Tax Liabilities (Net)

Deferred Tax Liabilities:

Depreciation and Amortisation.....	92.59	82.50
Deferred Tax Assets:		
Items Covered Under Section 43B of Income-tax Act, 1961	4.85	5.22
Provision for Diminution in Value of Fixed Assets	0.12	0.14
Voluntary Retirement Compensation	0.60	0.90
Allowance for Bad and Doubtful Debts	2.89	1.09
	8.46	7.35
Deferred Tax Liabilities (Net)	84.13	75.15

Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 31)	4.05	3.28
Provision for Income Taxes (Net of Advances).....	4.72	13.50
Provision for Fringe Benefit Taxes (Net of Advances)	0.36	0.36
Provision for Indirect Taxes*:		
Opening Balance	8.35	11.79
Add: Provision during the year.....	—	2.02
Less: Utilisation / Reversal during the year.....	0.58	5.46
	7.77	8.35
	16.90	25.49

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2014-2015 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 7: Trade Payables

	As at 31st March, 2016	As at 31st March, 2015
Trade Payables		
Payables to Micro and Small Enterprises*	—	—
Payables to Others	400.04	322.40
	400.04	322.40

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

Note 8: Other Current Liabilities

Current Maturities of Long-term Debt (Refer Note 4)	12.82	—
Unpaid Dividends*	0.64	0.57
Trade Deposits	47.74	40.22
Capital Creditors	7.86	6.92
Accrual of Expenses	142.94	107.31
Other Statutory Obligations \$	26.76	25.61
Trade Receivables with Credit Balance	5.38	4.77
	244.14	185.40

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

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

Note 9: Short-term Provisions

Provision for Compensated Absences (Refer Note 31)	1.60	1.30
Provision for Gratuity (Refer Note 31)	4.70	2.32
Provision for Income Taxes (Net of Advances)	—	—
Provision for Warranty*:		
Opening Balance	1.75	1.75
Add: Provision during the year	—	—
Less: Utilisation / Reversal during the year	0.60	—
	1.15	1.75
Proposed Dividend	164.37	75.45
Tax on Proposed Dividend	34.39	15.78
	206.21	96.60

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 10: Fixed Assets

₹ in Crores

Description	Gross Block				Accumulated Depreciation/ Amortisation				Net Block	
	As at 31st March, 2015	Additions	Deductions	As at 31st March, 2016	As at 31st March, 2015	Additions	Deductions	Adjustment#	As at 31st March, 2016	As at 31st March, 2016
I. Tangible Assets:										
Freehold Land	9.09 (9.09)	18.30 (—)	0.02 (—)	27.37 (9.09)	— (—)	— (—)	— (—)	— (—)	— (—)	27.37 (9.09)
Leasehold Land	22.36 (22.36)	24.42 (—)	— (—)	46.78 (22.36)	1.77 (1.54)	0.40 (0.23)	— (—)	— (—)	2.17 (1.77)	44.61 (20.59)
Buildings	432.58 (420.42)	0.65 (12.31)	6.22 (0.15)	427.01 (432.58)	75.36 (62.65)	12.91 (12.76)	3.70 (0.05)	— (—)	84.57 (75.36)	342.44 (357.22)
Plant and Equipment	659.69 (638.29)	15.57 (24.00)	0.17 (2.60)	675.09 (659.69)	211.41 (184.57)	28.65 (28.54)	0.17 (2.27)	— (0.57)	239.89 (211.41)	435.20 (448.28)
Furniture and Fixtures.....	45.21 (38.99)	2.94 (6.75)	0.14 (0.53)	48.01 (45.21)	33.33 (26.52)	3.93 (6.12)	0.14 (0.53)	— (1.22)	37.12 (33.33)	10.89 (11.88)
Vehicles	1.23 (1.23)	— (0.07)	0.07 (0.07)	1.16 (1.23)	0.40 (0.34)	0.10 (0.11)	0.02 (0.05)	— (—)	0.48 (0.40)	0.68 (0.83)
Office Equipment	8.74 (8.20)	0.48 (0.54)	— (—)	9.22 (8.74)	6.64 (3.76)	0.96 (1.23)	— (—)	— (1.65)	7.60 (6.64)	1.62 (2.10)
Assets for Scientific Research*	16.28 (16.49)	3.55 (0.30)	— (0.51)	19.83 (16.28)	9.14 (8.71)	0.91 (0.87)	— (0.49)	— (0.05)	10.05 (9.14)	9.78 (7.14)
Assets given on lease	191.38 (168.57)	25.96 (23.02)	— (0.21)	217.34 (191.38)	145.54 (130.18)	18.01 (15.56)	— (0.20)	— (—)	163.55 (145.54)	53.79 (45.84)
Total	1386.56 (1323.64)	91.87 (66.99)	6.62 (4.07)	1471.81 (1386.56)	483.59 (418.27)	65.87 (65.42)	4.03 (3.59)	— (3.49)	545.43 (483.59)	926.38 (902.97)
Less: Provision for Write Down in Value of Tangible Assets										0.34 (0.41)
Total Tangible Assets										926.04 (902.56)
II. Intangible Assets:										
Computer Software.....	12.78 (12.78)	— (—)	— (—)	12.78 (12.78)	10.34 (8.07)	1.92 (2.27)	— (—)	— (—)	12.26 (10.34)	0.52 (2.44)
III. Capital Work-in-progress										41.95 (43.94)
Total Fixed Assets.....	1399.34 (1336.42)	91.87 (66.99)	6.62 (4.07)	1484.59 (1399.34)	493.93 (426.34)	67.79 (67.69)	4.03 (3.59)	— (3.49)	557.69 (493.93)	968.51 (948.94)

* Net block includes Buildings ₹ 0.37 Crores (2014-2015 ₹ 0.38 Crores), Plant and Equipment ₹ 9.25 Crores (2014-2015 ₹ 6.72 Crores) and Furniture and Fixtures ₹ 0.16 Crores (2014-2015 ₹ 0.04 Crores).

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

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

Note 10.1:

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

- (a) (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 217.34 Crores (2014-2015 ₹ 191.38 Crores) and ₹ 163.55 Crores (2014-2015 ₹ 145.54 Crores) respectively.
- (ii) Depreciation recognised in the Statement of Profit and Loss is ₹ 18.01 Crores (2014-2015 ₹ 15.56 Crores)
- (b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2016	₹ in Crores As at 31st March, 2015
Note 11: Non-current Investments		
Non Current Investments		
Long Term Investments (At cost, fully paid-up)		
A. Trade (Unquoted) – Equity Shares:		
Subsidiary Company		
Kansai Paints Nepal Pvt. Ltd.* 8,84,000 Equity Shares of face value NPR 100 each (8,84,000 Equity Shares of face value NPR 100 each)	7.87	7.87
Kansai Paints Lanka (Private) Ltd.* 60,00,000 Equity Shares of face value LKR 10 each	2.76	—
B. Other than Trade (Unquoted unless otherwise stated):		
Shares, Debentures and Bonds		
(a) Equity Shares:		
National Thermal Power Corporation Ltd. (Quoted) 40,524, Equity Shares of ₹ 10 each (40,524, Equity Shares of ₹ 10 each)	0.25	0.25
(b) Debentures and Bonds:		
1. Indian Railway Finance Corporation Ltd. (Quoted) 1,000, 6.30% Tax-Free Bonds of ₹ 100000 each (1,000, 6.30% Tax-Free Bonds of ₹ 100000 each)	10.00	10.00
2. Indian Railway Finance Corporation Ltd. (Quoted) 1,000, 6.32% Tax-Free Bonds of ₹ 100000 each (1,000, 6.32% Tax-Free Bonds of ₹ 100000 each)	10.00	10.00
3. National Highway Authority of India (Quoted) 24,724, 8.20% Tax-Free Bonds of ₹ 1000 each (24,724, 8.20% Tax-Free Bonds of ₹ 1000 each)	2.47	2.47
4. Power Finance Corporation Ltd. (Quoted) 14,239, 8.20% Tax-Free Bonds of ₹ 1000 each (14,239, 8.20% Tax-Free Bonds of ₹ 1000 each)	1.42	1.42
5. Indian Railway Finance Corporation Ltd. (Quoted) 10,875, 8.15% Tax-Free Bonds of ₹ 1000 each (10,875, 8.15% Tax-Free Bonds of ₹ 1000 each)	1.09	1.09
6. National Highway Authority of India (Quoted) 57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each.....	5.72	—
7. National Highway Authority of India (Quoted) 23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each.....	2.31	—
Total Non-current Investments (a + b).....	<u>43.89</u>	<u>33.10</u>
Aggregate amount of quoted investments [Market value ₹ 33.96 Crores (2014-2015 ₹ 25.75 Crores)].....	33.26	25.23
Aggregate amount of unquoted investments	10.63	7.87
	<u>43.89</u>	<u>33.10</u>

* Investments are within limit of Section 186 of the Companies Act, 2013.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 12: Current Investments

Current Investments (At lower of cost and market value)

(i) Mutual Funds (Unquoted)

(a) Dividend Option:

	As at 31st March, 2016	₹ in Crores As at 31st March, 2015
1. ICICI Prudential FMP Series 1,00,00,000 Units of ₹ 10 each	10.00	—
2. ICICI Production Interval Fund Quarterly Interval Nil units of ₹ 10 each [49,11,350 Units of ₹ 10 each]	—	5.00
3. Kotak Quarterly Interval Plan Series 6 Nil units of ₹ 10 each [2,49,99,953 Units (and 125 fractions) of ₹ 10 each]	—	25.00
4. Reliance Quarterly Interval Fund Series II 2,99,58,657 Units (and 053 fractions) of ₹ 10 each	30.00	—
5. UTI - Fixed Income Interval Fund - III 2,49,64,051 Units (and 765 fractions) of ₹ 10 each	25.00	—
Mutual Fund (Dividend Option)	<u>65.00</u>	<u>30.00</u>

(b) Growth Option:

1. Axis Banking Debt Fund Nil units of ₹ 1,000 each [15,719 Units (and 683 fractions) of ₹ 1,000 each]	—	2.01
2. BNP Paribas Overnight Fund 3,18,827 Units (and 583 fractions) of ₹ 1,000 each	74.00	—
3. HDFC FRIF STP WP 1,27,31,085 Units (and 326 fractions) of ₹ 10 each	33.15	—
4. ICICI Prudential Savings Fund 22,04,383 Units (and 566 fractions) of ₹ 100 each	50.44	—
5. JP Morgan India Treasury Fund Nil units of ₹ 10 each [1,37,44,662 Units (and 300 fractions) of ₹ 10 each]	—	25.28
6. JP Morgan India Liquid Fund Nil units of ₹ 10 each [3,08,78,771 Units (and 676 fractions) of ₹ 10 each]	—	56.05
7. JM MIP Fund 1,05,65,632 Units (and 339 fractions) of ₹ 10 each	25.22	—
8. Kotak Low Duration Fund 2,77,235 Units (and 061 fractions) of ₹ 1,000 each	51.21	—
9. Reliance Medium Term Fund 3,21,03,552 Units (and 367 fractions) of ₹ 10 each	100.00	—
10. Reliance Fixed Horizon Fund XXX Series 9 2,90,00,000 Units of ₹ 10 each	29.00	—
11. Reliance Quarterly Interval Fund Series III 40,30,535 Units (and 336 fractions) of ₹ 10 each	5.00	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 12: Current Investments (contd.)

Current Investments (At lower of cost and market value)

(i) Mutual Funds (Unquoted) (contd.)

(b) Growth Option: (contd.)

	As at 31st March, 2016	₹ in Crores As at 31st March, 2015
12. Religare Invesco Liquid Fund Nil units of ₹ 1,000 each [83,166 Units (and 705 fractions) of ₹ 1,000 each]	—	16.00
13. Religare Invesco Short Term Fund Nil units of ₹ 1,000 each [53,799 Units (and 848 fractions) of ₹ 1,000 each]	—	9.96
14. Sundaram Ultra Short Term Fund Nil units of ₹ 10 each [1,71,64,275 Units (and 652 fractions) of ₹ 10 each]	—	33.09
15. Sundaram Income Plus Nil units of ₹ 10 each [49,17,503 Units (and 412 fractions) of ₹ 10 each]	—	10.09
16. Sundaram Ultra Short Term Fund 1,92,44,798 Units (and 849 fractions) of ₹ 10 each	40.25	—
17. UTI Banking & PSU Debt Fund 2,09,63,635 Units (and 201 fractions) of ₹ 10 each	25.34	—
Mutual Fund (Growth Option).....	433.61	152.48
Total Current Investment (a + b).....	498.61	182.48

Note 13: Long-term Loans and Advances

Unsecured and Considered Good

Capital Advances.....	25.68	27.28
Security Deposits.....	10.26	10.06
Income Tax Paid (Net of Provision).....	36.32	22.00
Trade Advances	0.65	1.02
Loan to Subsidiary – Kansai Paints Nepal Pvt. Ltd.*	—	6.38
	72.91	66.74

* The Company has provided working capital loan to its subsidiary company, in which director of the Company is a director, which carries an interest of 8% p.a. Maximum amount outstanding during the year – ₹ 6.38 Crores (2014-2015 ₹ 6.38 Crores). This loan is within the limit of Section 186 of the Companies Act, 2013.

Note 14: Inventories

Valued at the lower of cost and net realisable value

Raw Materials.....	153.49	145.05
Packing Materials	7.05	7.41
Work-in-progress	46.29	48.49
Finished Goods	344.14	321.17
Stock-in-trade (in respect of goods acquired for trading).....	17.89	17.13
Stores and Spares Parts	2.85	2.42
	571.71	541.67

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 15: Trade Receivables

Overdue for a Period Exceeding Six Months:
 Secured, Considered Good
 Unsecured, Considered Good
 Doubtful

As at 31st March, 2016
—
1.54
8.34
9.88
8.34
1.54
—
523.08
—
523.08
523.08
524.62

As at 31st March, 2015
—
4.10
3.21
7.31
3.21
4.10
—
492.24
—
492.24
492.24
496.34

Less: Provision for Bad and Doubtful Debts ...

Other Receivables:

Secured, Considered Good
 Unsecured, Considered Good*
 Doubtful

Less: Provision for Bad and Doubtful Debts

* Includes ₹ 2.66 Crores (2014-2015 ₹ 3.98 Crores) receivable from Kansai Paints Nepal Pvt. Ltd. subsidiary company, in which director of the Company is a director

Note 16: Cash and Bank Balances

Cash and Cash Equivalents:

Cash on hand
 Cheques on hand
 Balances with Banks

0.06
18.61
458.58
477.25
0.64
477.89

0.10
22.47
10.91
33.48
0.57
34.05

Other Bank Balances:

Unpaid Dividend Accounts

Note 17: Short-term Loans and Advances

Unsecured, Considered Good

MAT Credit Entitlements
 Trade Advances
 Prepaid Expenses
 Loan to Subsidiary – Kansai Paints Nepal Pvt. Ltd.*
 Other Advances \$.....

60.77
13.71
7.06
6.38
2.38
90.30

—
8.22
8.85
—
2.90
19.97

* The Company has provided working capital loan to its subsidiary company, in which director of the Company is a director, which carries an interest of 8% p.a. Maximum amount outstanding during the year – ₹ 6.38 Crores. This loan is within the limit of Section 186 of the Companies Act, 2013.

\$ Includes ₹ 0.98 Crores (2014-2015 ₹ 1.17 Crores) receivable from Kansai Paints Co., Ltd, Japan

Note 18: Other Current Assets

Interest Accrued on Loans and Investments*
 Balances with Indirect Tax Authorities
 Security Deposits
 Insurance Claims Receivable

2.53
14.29
4.11
—
20.93

1.92
12.31
3.59
2.25
20.07

* Includes ₹ 1.66 Crores (2014-2015 ₹ 1.15 Crores) receivable from Kansai Paints Nepal Pvt. Ltd. subsidiary company, in which director of the Company is a director

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Year ended 31st March, 2016	Year ended 31st March, 2015
₹ in Crores		
Note 19: Sale of Products		
Sales	4593.43	4194.99
Less: Rebates	267.15	205.08
	<u>4326.28</u>	<u>3989.91</u>
Note 19.1: Details of Sales		
Paints	4326.28	3989.91
Note 19.2: Earnings in Foreign Exchange		
FOB Value of Exports.....	1.10	0.67
Recovery of Freight and Other Charges on Exports	0.05	0.03
Note 20: Other Operating Revenues		
Sale of Scrap.....	9.70	9.38
Insurance Claims Received.....	—	1.17
Indirect Tax Settlement / Reversal.....	0.66	5.45
Other Operating Income.....	0.57	0.65
	<u>10.93</u>	<u>16.65</u>
Note 21: Other Income		
Dividend Received		
Current Investments.....	15.66	4.33
Long-term Investments	—	—
	<u>15.66</u>	<u>4.33</u>
Interest on Loans and Investments	2.85	2.84
Profit on Sale of Investments		
Current Investments.....	3.85	3.96
Long-term Investments	—	—
	<u>3.85</u>	<u>3.96</u>
Profit on Sale of Fixed Assets	0.02	0.94
Foreign Exchange Gain (Net).....	—	9.64
Insurance Claims Received.....	2.39	—
Miscellaneous Income.....	0.07	0.08
	<u>24.84</u>	<u>21.79</u>
Note 22: Cost of Materials Consumed		
Raw Material Consumed		
Opening Stock	145.05	184.44
Add: Purchase	1942.46	1866.01
Less: Sales	2.95	5.52
Less: Closing Stock.....	153.49	145.05
	<u>1931.07</u>	<u>1899.88</u>
Packing Material Consumed		
Opening Stock	7.41	7.70
Add: Purchase	255.90	245.59
Less: Closing Stock.....	7.05	7.41
	<u>256.26</u>	<u>245.88</u>
	<u>2187.33*</u>	<u>2145.76*</u>

* Includes ₹ 1.61 Crores (2014-2015 ₹ 1.60 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 22.1: CIF Value of Import

	Year ended 31st March, 2016	Year ended 31st March, 2015
Raw Materials	797.69	587.68
Stores and Spares Parts	1.12	1.66
Finished Products	24.98	28.91
Capital Goods	2.63	4.08

Note 22.2: Raw Materials Consumed

	Quantity MT	₹ in Crores	Quantity MT	₹ in Crores
Pigments, Extenders and Resins	146114	1038.40	125722	965.53
Organic Acids and Anhydrides	15097	131.24	13551	135.30
Solvents, Oils and Fatty Acids	87741	615.39	79906	670.50
Others	5269	146.04		128.55
		<u>1931.07</u>		<u>1899.88</u>
of which:	%		%	
Imported	46	897.01	40	750.70
Indigenous	54	1034.06	60	1149.18
	<u>100</u>	<u>1931.07</u>	<u>100</u>	<u>1899.88</u>

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

Opening Stock				
Finished Goods	321.17		377.93	
Work-in-progress	48.49		60.94	
Stock-in-trade (in respect of goods acquired for trading)	17.13		12.44	
		<u>386.79</u>		451.31
Less: Closing Stock				
Finished Goods	344.14		321.17	
Work-in-progress	46.29		48.49	
Stock-in-trade (in respect of goods acquired for trading)	17.89		17.13	
		<u>408.32</u>		386.79
Add: Excise Duty Related to the Difference Between the Closing Stock and Opening Stock of Finished Goods		7.72		(2.49)
		<u>(13.81)</u>		<u>62.03</u>

Note 24: Employee Benefits Expense

Salaries and Wages	151.09	125.69
Contribution to Provident and Other Funds (Refer Note 31)	17.42	10.05
Staff Welfare Expense	9.14	7.56
	<u>177.65*</u>	<u>143.30*</u>

* Includes ₹ 12.75 Crores (2014-2015 ₹ 11.50 Crores)
expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 25: Other Expenses

	Year ended 31st March, 2016	Year ended 31st March, 2015
Consumption of Stores and Spare Parts.....	19.33	17.64
Power and Fuel	69.43	65.22
Repairs to Buildings	0.30	1.31
Repairs to Machinery	8.42	10.98
Freight and Forwarding Charges.....	168.56	150.50
Advertisement and Sales Promotion.....	228.92	146.56
Rent.....	21.70	18.45
Rates and Taxes.....	3.13	4.43
Insurance	3.09	2.61
Cash Discount.....	91.69	81.62
Miscellaneous Expenses	117.32	97.18
	731.89*	596.50*

* Includes ₹ 3.82 Crores (2014-2015 ₹ 3.05 Crores) expenditure incurred on Research and Developments

Note 25.1: Stores and Spares Parts Consumed

	%	₹ in Crores	%	₹ in Crores
Imported.....	7	1.33	13	2.37
Indigenous.....	93	18.00	87	15.27
	100	19.33	100	17.64

Note 25.2: Payments to Auditors'

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

As Auditor

Statutory Audit	0.22	0.20
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results.....	0.18	0.16

In Other Capacity

Certification.....	0.15	0.12
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Reimbursements of Expenses

0.04	0.02
0.63	0.54

Note 25.3: Research and Development Expenses

Revenue Expenditure on Research and Development recognised in Statement of Profit and Loss is [including depreciation and amortisation expenses ₹ 0.91 Crores (2014-2015 ₹ 0.87 Crores)]

19.08	17.02
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KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Note 25.4: Expenditure in Foreign Currencies		
Foreign Travel.....	0.15	0.25
Royalties	13.14	13.22
Professional and Technical Fees.....	0.56	0.57
Others	0.56	0.35
	14.41	14.39
Note 25.5: Operating Lease Expenses		
Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.		
Lease payments recognised in Statement of Profit and Loss.....	0.50	0.46
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year.....	0.40	0.41
Later than one year and not later than five years.....	0.56	0.42
Later than five years.....	—	—
Note 26: Contingent Liabilities and Commitments (to the extent not provided for)		
Claims against the Company not acknowledged as debt:		
Corporate guarantee given to HDFC Bank for employee loans.....	1.41	1.41
Service Tax	4.44	3.22
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).....	80.89	3.68
<p>The Company has made adequate provisions in the accounts for claims against the Company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 4.44 Crores (2014-2015 ₹ 3.22 Crores) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit shown in Notes 26. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Company's operation and financial position.</p>		
Note 27: Remittance in Foreign Currency		
Remittance in foreign currency on account of dividend to a non-resident shareholder:		
Final dividend on 3,73,29,760 equity shares for 2014-2015 (3,73,29,760 equity shares for 2013-2014).....	52.26	41.06

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

₹ in Crores

Note 28: Earnings Per Equity Share

	Year ended 31st March, 2016	Year ended 31st March, 2015
Numerator: Profit before Exceptional Items (Net of Tax) (₹ in Crores)	355.76	271.67
Numerator: Profit after Exceptional Items (Net of Tax) (₹ in Crores)	891.10	271.67
Denominator: Weighted average number of Equity Shares	53,89,19,720	53,89,19,720
Basic and Diluted Earnings per Equity Share before Exceptional Items (net of tax) (in ₹)	6.60	5.04
Basic and Diluted Earnings per Equity Share after Exceptional Items (net of tax) (in ₹)..	16.54	5.04
Face Value per share (₹)	1	1

Note 29: Derivative Instruments

(A) Following are the outstanding Forward Foreign Exchange Contracts entered into by the Company:

	Currency	Amount in Foreign Currency in Crores	Buy / Sell	Cross Currency
As on 31st March, 2016:	USD	0.06	Buy	INR

There were no outstanding Forward Foreign Exchange Contracts as on 31st March, 2015.

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:

	Currency	Year ended 31st March, 2016 in Crores		Year ended 31st March, 2015 in Crores	
		Foreign Currency	INR	Foreign Currency	INR
Amounts Payable in Foreign Currency:	CHF	—	0.23	—	0.02
	EUR	0.05	3.80	—	0.28
	JPY	19.92	11.76	23.41	12.35
	USD	1.10	74.66	0.77	48.27
Advance payment in Foreign Currency for supplies:	CHF	0.01	0.53	—	0.07
	EUR	0.02	1.29	—	0.33
	JPY	7.37	4.39	1.39	0.73
	USD	0.08	5.32	0.11	7.11

Note 30: Related Party Disclosures

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

Holding Company	: Kansai Paint Co., Ltd., Japan
Subsidiary Companies	: Kansai Paints Nepal Pvt. Ltd. Kansai Paints Lanka (Private) Ltd. (w.e.f. 30-07-2015)

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

Fellow Subsidiary Companies	: Kansai Paint Philippines Inc. Kansai Paint Asia Pacific SDN.BHD. Kansai Paints Europe Ltd.
Key Management Personnel (As per Accounting Standard – 18)	: Mr. H. M. Bharuka, Managing Director Mr. P. D. Chaudhari, Wholetime Director

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

(ii) Transactions with Related Parties:

₹ in Crores

Nature of Transaction	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Management Personnel	Total
Royalty Expense					
– Kansai Paint Co., Ltd., Japan	13.14 (12.29)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	13.14 (12.29)
Dividend Paid					
– Kansai Paint Co., Ltd., Japan	52.26 (41.06)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	52.26 (41.06)
Technical Fees Including Reimbursement of Expenses					
– Kansai Paint Co., Ltd., Japan	0.96 (0.50)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.96 (0.50)
– Kansai Paint Asia Pacific SDN.BHD.	N.A. (N.A.)	N.A. (N.A.)	0.05 (0.04)	N.A. (N.A.)	0.05 (0.04)
Sale of Goods					
– Kansai Paint Philippines Inc.	N.A. (N.A.)	N.A. (N.A.)	1.08 (0.70)	N.A. (N.A.)	1.08 (0.70)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	— (0.80)	N.A. (N.A.)	N.A. (N.A.)	— (0.80)
Sale of Raw Materials					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	— (2.16)	N.A. (N.A.)	N.A. (N.A.)	— (2.16)
Interest Income					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.51 (0.51)	N.A. (N.A.)	N.A. (N.A.)	0.51 (0.51)
Royalty Income					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.34 (0.39)	N.A. (N.A.)	N.A. (N.A.)	0.34 (0.39)
Reimbursement of Expenses Paid					
– Kansai Paints Europe Ltd.	N.A. (N.A.)	N.A. (N.A.)	— (0.02)	N.A. (N.A.)	— (0.02)
Reimbursement of Expenses Receivable					
– Kansai Paint Co., Ltd., Japan	0.98 (1.17)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.98 (1.17)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	0.54 (0.50)	N.A. (N.A.)	N.A. (N.A.)	0.54 (0.50)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 30: Related Party Disclosures (contd.)

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

₹ in Crores					
Nature of Transaction	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Management Personnel	Total
Remuneration					
– Mr. H. M. Bharuka, Managing Director*	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	5.00 (4.45)	5.00 (4.45)
– Mr. P. D. Chaudhari, Wholetime Director*	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	1.63 (1.54)	1.63 (1.54)
Equity Investment					
– Kansai Paints Lanka (Private) Ltd.	N.A. (N.A.)	2.76 (–)	N.A. (N.A.)	N.A. (N.A.)	2.76 (–)
(iii) Amounts Outstanding at the Year End :					
Receivable as at Year End					
– Kansai Paint Co., Ltd., Japan	0.98 (1.17)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.98 (1.17)
– Kansai Paint Philippines Inc.	N.A. (N.A.)	N.A. (N.A.)	0.34 (0.36)	N.A. (N.A.)	0.34 (0.36)
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	2.66 (3.98)	N.A. (N.A.)	N.A. (N.A.)	2.66 (3.98)
Receivable towards Loan and Interest					
– Kansai Paints Nepal Pvt. Ltd.	N.A. (N.A.)	8.04 (7.53)	N.A. (N.A.)	N.A. (N.A.)	8.04 (7.53)
Payable as at Year End					
– Kansai Paint Co., Ltd., Japan	0.41 (0.07)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.41 (0.07)
– Kansai Paint Asia Pacific SDN.BHD.	N.A. (N.A.)	N.A. (N.A.)	0.01 (–)	N.A. (N.A.)	0.01 (–)

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

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

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits

A. Defined Contribution Plan:

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

	Year ended 31st March, 2016	₹ in Crores Year ended 31st March, 2015
Employer's Contribution to Regional Provident Fund Commissioner	1.12	1.11
Employer's Contribution to Family Pension Fund	2.48	1.87
Employer's Contribution to Superannuation Fund	3.63	2.46

B. Defined Benefit Plan:

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

The Company has contributed ₹ 1.61 Crores (2014-2015 ₹ 1.48 Crores) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has accordingly provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the Guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

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

	₹ in Crores				
	As at 31st March				
	2016	2015	2014	2013	2012
Plan Assets at the Year End, at Fair Value	44.05	40.79	38.84	37.50	36.14
Present Value of Benefit Obligation at the Year End.....	42.78	39.51	37.29	36.64	35.46
Asset Recognised in the Balance Sheet.....	Nil	Nil	Nil	Nil	Nil

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

	₹ in Crores				
	As at 31st March				
	2016	2015	2014	2013	2012
Discount Rate (%).....	7.90	7.80	9.10	8.00	8.50
Guaranteed Interest Rate (%).....	8.80	8.75	8.75	8.50	8.25
Expected Average Remaining Working Lives of Employees (Years)	6.40	6.40	6.19	7.35	8.23

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

	% of each to total Plan Assets	
	As at 31st March, 2016	As at 31st March, 2015
Bonds & Securities of Central Government and State Government ..	34.81	28.20
Bonds & Securities of Public Sector Undertakings	22.57	25.42
Special Deposits with Banks	41.94	46.38
Mutual Fund Investments	0.68	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded):

	As at 31st March, 2016	As at 31st March, 2015
₹ in Crores		
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the Beginning of the Year	15.13	12.94
Interest Cost	1.20	1.01
Current Service Cost	1.95	1.65
Benefits Paid	(1.67)	(2.13)
Net Actuarial (Surplus) / Deficit	7.55	1.66
Present Value of Defined Benefit Obligation as at the end of the year	<u>24.16</u>	<u>15.13</u>
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the beginning of the year	12.81	10.21
Expected Return on Plan Assets	1.23	1.03
Net Actuarial Gain / (Loss)	0.01	0.69
Employer's Contribution	6.50	3.01
Benefits Paid	(1.10)	(2.13)
Fair Value of Plan Assets as at the end of the year	<u>19.45</u>	<u>12.81</u>
The Company expects to contribute ₹ 4.71 Crores to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India	100%	100%
Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets / (Liabilities) Recognised in the Balance Sheet:		
Present Value of Defined Benefit Obligation	(24.16)	(15.13)
Fair Value of Plan Assets	19.45	12.81
Net Assets / (Liabilities) Recognised in Balance Sheet	<u>(4.71)</u>	<u>(2.32)</u>

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 31: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded) (contd.)

	As at 31st March, 2016	As at 31st March, 2015
₹ in Crores		
iv. Components of Employer's Expenses:		
Current Service Cost	1.95	1.65
Interest Cost.....	1.20	1.01
Expected Return on Plan Assets	(1.23)	(1.03)
Net Actuarial (Gain) / Loss.....	7.54	0.97
Total Expenses / (Income) recognised in the Statement of Profit and Loss in Employee Benefits Expense	9.46	2.60
v. Actuarial Assumptions:		
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Discount Rate	7.90%	7.80%
Expected Rate of Return on Plan Assets	9.21%	9.50%
Salary Escalation	7.50%	7.50%
vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.		
b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.		
c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.		
vii. Net Assets / (Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:		

Particulars	Gratuity (Funded) ₹ in Crores				
	As at 31st March				
	2016	2015	2014	2013	2012
1. Present Value of Defined Benefit Obligation.....	(24.16)	(15.13)	(12.94)	(12.12)	(11.94)
2. Fair Value of Plan Assets	19.45	12.81	10.21	11.29	11.82
3. Funded Status [Surplus / (Deficit)].....	(4.71)	(2.32)	(2.73)	(0.83)	(0.13)
4. Net Asset / (Liability)	(4.71)	(2.32)	(2.73)	(0.83)	(0.13)
5. Experience Adjustment Arising on:					
a. Plan Liabilities [Loss / (Gain)]	7.55	1.66	2.95	0.08	0.51
b. Plan Assets [Loss / (Gain)]	(0.01)	(0.69)	(1.42)	(0.24)	(0.16)

viii. The above information is certified by the actuary.

(c) Compensated Absences:

The increase in provision for compensated absences for the year is ₹ 1.07 Crores (2014-2015 ₹ 0.18 Crores)

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 32: Segment Reporting

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

Note 33: Corporate Social Responsibilities

During the year, the Company has spent ₹ 5.29 Crores (2014-2015 ₹ 4.51 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities). ₹ 4.51 Crores spent during the previous year towards CSR Activities was recorded as an appropriation of profit in Statement of Assets and Liabilities in accordance with the 'FAQ on Provisions of Corporate Social Responsibilities under Section 135 of the Companies Act, 2013 and Rules thereon', issued by the 'Institute of Chartered Accountants of India (ICAI). However, consequent to the issuance of 'Guidance Note on accounting for expenditure on Corporate Social Responsibility Activities', issued by ICAI on 15th May, 2015, ₹ 5.29 Crores spent during the year ended 31st March, 2016 on CSR Activities has been charged to Statement of Profit and Loss.

(a) Gross amount required to be spent by the Company during the year ₹ 6.79 Crores.

(b) Amount spent during the year on:

		In cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of any asset	—	—	—
(ii)	On purposes other than (i) above	5.29	—	5.29

Note 34:

During the year, management has detected some cases of fraudulent transfer of shares and wrongful payment of dividend by the Company's Registrar and Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. Based on the current status of investigation conducted by the management, through Company's internal auditors, the estimated amount involved in the fraud as at balance sheet date is ₹ 1.28 Crores and provision for the same is made in the Statement of Profit and Loss. Further adjustments, if any required, would be considered by the Company on completion of the investigation.

Note 35:

On 30th March, 2016, the Company has sold its Perungudi Fixed Assets for a consideration of ₹ 537.86 Crores. The Profit of ₹ 535.34 Crores is disclosed as an exceptional item in the Statement of Profit and Loss. The Company has executed the Deed of Indemnity with the purchaser to indemnify the purchaser against any future claims based on the terms and conditions set forth in the Deed of Indemnity. The Company does not expect Future Claims to have material impact on Financial Statements. These fixed assets were classified as 'Assets held for Sale' in the previous year.

As per our attached report of even date

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

SADASHIV SHETTY
Partner
 Membership No. 048648
 G.T. GOVINDARAJAN
Company Secretary
 P.D. PAI
CFO

Mumbai, 27th April, 2016

For and on behalf of the Board of Directors

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

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

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

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

PART "A" : Subsidiaries

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

	As at / For the Year Ended 31st March, 2016	As at / For the Year Ended 31st March, 2015
		₹ in Crores
Reporting Currency	NPR	NPR
Exchange rate as on last date of the relevant Financial Year	1 NPR = 0.61 INR	1 NPR = 0.61 INR
Share Capital	7.99	7.93
Reserves and Surplus	10.45	7.27
Total Assets	46.21	46.73
Total Liabilities	27.75	31.53
Investments	Nil	Nil
Turnover (Net)	40.08	39.36
Profit before Tax	4.22	4.60
Provision for Tax	1.04	1.08
Profit after Tax	3.18	3.52
Proposed Dividend	Nil	Nil
% of Shareholding	68%	68%

Notes:

1. The assets and liabilities are translated at the exchange rate prevailing at the Balance Sheet date, and income and expense items are translated at average rates of exchange for the year.
2. The reporting period of subsidiary is same as that of the holding company i.e. 1st April, 2015 to 31st March, 2016.
3. Name of subsidiaries which are yet to commence operations – Kansai Paints Lanka (Private) Limited.
4. Name of subsidiaries which have been liquidated or sold during the year — Nil

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

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

Mumbai, 27th April, 2016

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kansai Nerolac Paints Limited ('the Holding Company') and its subsidiary Kansai Paints Nepal Private Limited (the Holding Company and its subsidiary are together referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2016 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (particularly Accounting Standard 21 – Consolidated Financial Statements). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company.

Auditor's Responsibility

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

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of the report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group as at 31 March, 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other matters

We have not audited the financial statements of Kansai Paints Nepal Private Limited, a subsidiary of the Company, included in the consolidated financial statements, which constitute assets of ₹ 46.21 crores as at 31 March 2016 and total revenues of ₹ 42.28 crores and net cash flows of ₹ 0.21 crores for the year then ended, as considered in the consolidated

KANSAI NEROLAC PAINTS LIMITED
INDEPENDENT AUDITORS' REPORT (Continued)

financial statements. These financial statements have been audited by other auditors whose report has been furnished to us for the purpose of the consolidation, and our opinion on the consolidated financial statements, in so far as it related to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act is based solely on reports of the other auditors.

As more fully explained in Note 1(II) (d) to the consolidated financial statements of the Company, the financial statements of Kansai Paints Lanka Private Limited, a subsidiary of the Company, which constitute assets of ₹ 4.22 crores as at 31 March 2016, revenue of ₹ Nil and net cash flows of ₹ 1.11 crores for the period from 30 July 2015 to 31 March 2016, have not been included in the consolidated financial statements by the Board of Directors of the Holding Company.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by sub-section (3) of Section 143 of the Act, based on our audit and on the consideration of report of the other auditors on the separate financial statements of a subsidiary, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors;
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company are disqualified as on 31 March 2016 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act;
 - (f) The internal financial controls over financial reporting is not applicable to Kansai Paints Nepal Private Limited, overseas subsidiary of the Company. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors, as noted in the 'Other Matters' paragraph:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 27 to the consolidated financial statements;
 - ii. The Holding Company and its subsidiary company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.

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

Sadashiv Shetty
Partner
(Membership No: 048648)

Mumbai, 27th April, 2016

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of Kansai Nerolac Paints Limited (the Holding Company) as of that date.

Management’s Responsibility for Internal Financial Controls

The Holding Company’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

KANSAI NEROLAC PAINTS LIMITED

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT – 31 MARCH 2016 (Continued)

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**

Chartered Accountants

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

Sadashiv Shetty

Partner

(Membership No: 048648)

Mumbai, 27th April, 2016

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

₹ in Crores

	Note	As at 31st March, 2016	As at 31st March, 2015
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	53.89	53.89
Reserves and Surplus	3	<u>2242.01</u>	<u>1547.58</u>
		2295.90	1601.47
		5.97	4.95
Minority Interest			
Non-current Liabilities			
Long-term Borrowings	4	29.44	45.80
Deferred Tax Liabilities (Net)	5	84.41	75.43
Long-term Provisions	6	<u>16.90</u>	<u>25.49</u>
		130.75	146.72
Current Liabilities			
Short-term Borrowings	7	3.69	4.50
Trade Payables	8	—	—
Payables to Micro and Small Enterprises		—	—
Payables to Others		<u>404.29</u>	<u>326.47</u>
		404.29	<u>326.47</u>
Other Current Liabilities	9	251.14	191.78
Short-term Provisions	10	<u>207.06</u>	<u>97.09</u>
		866.18	619.84
Total		<u>3298.80</u>	<u>2372.98</u>
Assets			
Non-current Assets			
Goodwill on Consolidation		2.27	2.27
Fixed Assets	11		
Tangible Assets		934.77	911.64
Intangible Assets		0.54	2.49
Capital Work-in-progress		<u>41.95</u>	<u>43.94</u>
		977.26	<u>958.07</u>
Non-current Investments	12	36.02	25.23
Long-term Loans and Advances	14	<u>73.48</u>	<u>60.36</u>
		1086.76	1043.66
Current Assets			
Current Investments	13	498.61	182.48
Inventories	15	582.72	555.14
Trade Receivables	16	545.51	515.30
Cash and Bank Balances	17	478.51	34.45
Short-term Loans and Advances	18	84.91	20.63
Other Current Assets	19	<u>19.51</u>	<u>19.05</u>
		2209.77	1327.05
Total		<u>3298.80</u>	<u>2372.98</u>
Significant Accounting Policies	1		
The notes referred to above form an integral part of Consolidated Financial Statements			

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

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

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 27th April, 2016

G.T. GOVINDARAJAN

Company Secretary

P.D. PAI

CFO

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

KANSAI NEROLAC PAINTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

₹ in Crores

	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
Revenue from Operations			
Sale of Products.....	20	4366.36	4028.20
Less: Excise Duty.....		506.99	457.50
Sale of Products (Net).....		3859.37	3570.70
Other Operating Revenues.....	21	10.59	16.28
Revenue from Operations		3869.96	3586.98
Other Income	22	25.02	21.53
Total Revenue		3894.98	3608.51
Expenses			
Cost of Materials Consumed.....	23	2205.93	2166.14
Purchases of Stock-in-trade.....		174.87	155.90
Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade	24	(12.62)	62.58
Employee Benefits Expense	25	180.81	146.24
Finance Cost.....		0.54	0.92
Depreciation and Amortisation.....	11	68.36	68.26
Other Expenses	26	743.43	604.97
Total Expenses		3361.32	3205.01
Profit Before Exceptional Item and Tax		533.66	403.50
Profit on sale of Fixed Assets (Refer Note 37)		535.34	—
Profit Before Tax		1069.00	403.50
Tax Expense			
Current Tax.....		226.54	117.83
Less: MAT Credit Entitlements		(60.77)	—
Deferred Tax		165.77	117.83
		8.97	10.48
Total Tax Expense ..		174.74	128.31
Profit After Tax Before Minority Interest		894.26	275.19
Less: Minority Interest		1.02	1.13
Profit After Tax		893.24	274.06
Earnings per Equity Share before Exceptional Items (net of tax) (in ₹)	29		
Basic and Diluted		6.64	5.08
Earnings per Equity Share after Exceptional Items (net of tax) (in ₹)			
Basic and Diluted		16.57	5.08

Significant Accounting Policies..... 1
The notes referred to above form an integral part of Consolidated Financial Statements

As per our attached report of even date

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

SADASHIV SHETTY
Partner

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

 Membership No. 048648
Mumbai, 27th April, 2016

For and on behalf of the Board of Directors

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

KANSAI NEROLAC PAINTS LIMITED
STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2016

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Cash Flow from Operating Activities		
Net Profit Before Tax	1069.00	403.50
Adjustments for:		
Depreciation and Amortisation Expense.....	68.36	68.26
Foreign Exchange Loss/(Gain) Unrealised	(1.96)	(0.32)
Provision for Tangible Assets Written Back	(0.07)	(0.09)
Profit on Sale of Fixed Assets (Net)	(0.18)	(1.13)
Profit on Sale of Investments (Net)	(3.73)	(3.96)
Interest Expenditure.....	0.54	0.92
Interest Income	(2.85)	(2.33)
Dividend Income	(15.66)	(4.33)
Profit on Sale of Fixed Asset (Refer Note 37)	(535.34)	—
Amount Spent towards Corporate Social Responsibility Activities (Refer Note 34)	—	(4.51)
	<u>(490.89)</u>	<u>52.51</u>
Operating Profit Before Working Capital Changes	578.11	456.01
(Increase)/Decrease in Trade and Other Receivables.....	(33.90)	(43.56)
(Increase)/Decrease in Inventories	(27.58)	103.19
Increase/(Decrease) in Trade Payables, Liabilities and Provisions (Short-term and Long-term).....	127.59	(88.86)
	<u>66.11</u>	<u>(29.23)</u>
Cash Generated from Operations	644.22	426.78
Direct Taxes Paid (Net of Refunds)	(249.84)	(122.04)
Net Cash from Operating Activities	394.38	304.74
Cash Flow from Investing Activities		
Purchase of Fixed Assets (including Adjustments on Account of Capital Work-in-progress and Capital Advances)	(88.15)	(92.68)
Sale of Fixed Assets.....	538.70	2.46
Purchase of Investments.....	(15372.31)	(4162.75)
Proceeds from Sale/Redemption of Investments	15049.12	4007.60
Interest Received	2.71	2.36
Dividend Received	15.66	4.33
Net Cash from/(used) in Investing Activities	145.73	(238.68)
Cash Flow from Financing Activities		
Repayment of Borrowings	(4.35)	(16.69)
Interest Paid	(0.54)	(0.92)
Dividend Paid	(75.45)	(59.28)
Tax on Proposed Dividend	(15.78)	(10.08)
Net Cash used in Financing Activities	(96.12)	(86.97)
Net Increase/(Decrease) in Cash and Cash Equivalents...	443.99	(20.91)

KANSAI NEROLAC PAINTS LIMITED

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2016 (contd.)

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Cash and Cash Equivalents at beginning of the year, the components being:		
Cash on hand.....	0.23	0.42
Cheques on hand.....	22.47	15.81
Balances with Banks.....	11.18	38.56
	33.88	54.79
Cash and Cash Equivalents at the end of the year, the components being:		
Cash on hand.....	0.14	0.23
Cheques on hand.....	18.62	22.47
Balances with Banks.....	459.11	11.18
	477.87	33.88
Net Increase/(Decrease) as disclosed above	443.99	(20.91)

Note: Figures in brackets are outflows/deductions.

As per our attached report of even date	For and on behalf of the Board of Directors		
For B S R & Co. LLP	P.P. SHAH	<i>Chairman</i>	DIN 00066242
Chartered Accountants	D.M. KOTHARI	<i>Vice Chairman</i>	DIN 00516431
Firm's Registration No. 101248W/W-100022	H.M. BHARUKA	<i>Managing Director</i>	DIN 00306084
SADASHIV SHETTY	N.N. TATA	<i>Director</i>	DIN 00024713
<i>Partner</i>	G.T. GOVINDARAJAN	P.D. PAI	P.D. CHAUDHARI
Membership No. 048648	<i>Company Secretary</i>	<i>CFO</i>	<i>Wholetime Director</i>
Mumbai, 27th April, 2016	BRINDA SOMAYA	<i>Director</i>	DIN 00358908

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

(I) Basis for Preparation of Consolidated Financial Statements

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

The Financial Statements of the Subsidiary used in the consolidation are drawn upto the same reporting date as that of the Company i.e. for the year from 1st April, 2015 to 31 March, 2016.

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

(II) Principles of Consolidation

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

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

- (a) The Financial Statements of the Company and its Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra-group balances, intra-group transactions and unrealised profits or losses have been fully eliminated.
- (b) "Minority Interest" represents the amount of equity attributable to minority shareholders at the date on which investment in the Subsidiary is made and its share of movements in the equity since the date the parent Subsidiary relationship comes into existence.
- (c) The Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.
- (d) The following Subsidiary Company is excluded from consolidation as it is not significant:

Name of the entity	Relationship	Country of incorporation
Kansai Paints Lanka (Private) Limited	Subsidiary	Sri Lanka

(III) Use of Estimates

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

(IV) Exchange Translation

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

(V) Classification of Assets and Liabilities

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

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(VI) Operating Cycle

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

(VII) Fixed Assets

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

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

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(VII) Fixed Assets (contd.)

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

(VIII) Investments

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

(IX) Inventories

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

(X) Provisions and Contingent Liabilities

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

(XI) Revenue Recognition

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(XI) Revenue Recognition (contd.)

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

(XII) Employee Benefits

(a) Short-Term Employee Benefits

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

(b) Post-employment Benefits

(i) Provident and Family Pension Fund

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

In respect of contribution to the trust set up by the Company, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan in accordance with the Guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits. Any obligation in this respect is measured on the basis of independent actuarial valuation. Actuarial gains and losses are recognised in the Consolidated Statement of Profit and Loss in the period in which they arise.

(ii) Superannuation

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

(iii) Gratuity

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

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

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

Note 1: Summary of Significant Accounting Policies (contd.)**(XIII) Foreign Currency Transactions**

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

(XIV) Accounting for Derivatives

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

(XV) Taxation

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

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the Consolidated Statement of Profit and Loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

(XVI) Leases

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

(XVII) Cash and Cash Equivalents

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 2: Share Capital

	As at 31st March, 2016		As at 31st March, 2015	
1. Authorised Share Capital (₹ in Crores).....		60		60
Par Value per Share (₹)		1		1
Number of Equity Shares		60,00,00,000		60,00,00,000
2. Issued, Subscribed and Fully Paid-up (₹ in Crores)		53.89		53.89
Par Value per Share (₹)		1		1
Number of Equity Shares		53,89,19,720		53,89,19,720
3. Details of Shareholders holding more than 5% of shares:				
		No. of		No. of
	%	Shares	%	Shares
Holding Company:				
Kansai Paint Co., Ltd., Japan	73.12	39,40,69,919	69.27	37,32,97,600
Others:				
Aberdeen Asset Management Asia Ltd.....	3.30	1,77,99,413	5.83	3,14,19,056
4. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date by capitalisation of security premium reserve.....		2,69,45,986		2,69,45,986
5. The Company has issued one class of shares, i.e. equity shares, which enjoys similar rights in respect of voting, payment of dividend and repayment of capital. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.				
6. Reconciliation of the number of shares outstanding:				
Number of shares at the commencement of the year		53,89,19,720		5,38,91,972
Issued during the year*		—		48,50,27,748
Number of shares at the end of the year		53,89,19,720		53,89,19,720
* During the previous year, the Company had sub-divided each Equity Shares of face value of ₹ 10 each to 10 (ten) Equity Shares of ₹ 1 each.				

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 3: Reserves and Surplus

	As at 31st March, 2016	As at 31st March, 2015
a. Capital Reserve – at the commencement and at the end of the year.....	0.30	0.30
b. Securities Premium Reserve – at the commencement and at the end of the year.....	12.56	12.56
c. General Reserve:		
At the commencement of the year	452.09	424.92
Add: Transfer from Consolidated Statement of Profit and Loss.....	35.58	27.17
	487.67	452.09
d. Foreign Currency Translation Reserve		
As per last Balance Sheet.....	(0.08)	0.14
Currency Translation (loss)/gain during the year	(0.05)	(0.22)
	(0.13)	(0.08)
e. Surplus (Profit and Loss balance):		
Opening Balance.....	1082.71	933.86
Add: Profit for the year.....	893.24	274.06
Less: Proposed Dividend*	164.37	75.45
Less: Tax on Proposed Dividend	34.39	15.78
Less: Transfer to General Reserve	35.58	27.17
Less: Amount spent towards Corporate Social Responsibility Activities under Section 135 of the Companies Act, 2013 (Refer Note 34).....	—	4.51
Less: Impact of depreciation pursuant to adoption of useful lives as per Part C of Schedule II of the Companies Act, 2013 and management estimate of useful lives [Refer Significant Accounting Policies Note 1(VII)(c) and Note 11]	—	3.49
Add: Deferred tax impact on the above	—	1.19
	1741.61	1082.71
	2242.01	1547.58

* The Directors have recommended a dividend of 305%, including special dividend of 125%, (₹ 3.05 per share) compared to 140% (₹ 1.40 per share) last year.

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 4: Long-term Borrowings

	As at 31st March, 2016	As at 31st March, 2015
A. Term Loans:		
a. Fixed Term Loans.....	0.61	1.42
Term loans from bank are repayable in 84 equal monthly installments starting from financial year 2010-11 and carries interest of 9.50% p.a. It is secured against Subsidiary's Factory Land and Building at Birta and personal guarantee of Directors of the Subsidiary. [Current maturity of Term loans of ₹ 0.82 Crores (2014-2015 ₹ 0.81 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
b. Auto Loans.....	0.05	0.11
Auto loans from bank are repayable in 60 equal monthly installments starting from financial year 2011-2012 and carries interest of 9.50% p.a. It is secured against underlying vehicles. [Current maturity of Auto loans of ₹ 0.06 Crores (2014-2015 ₹ 0.07 Crores) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
B. Deferred Payment Liabilities:		
a. Secured Sales Tax Deferral Loan	—	0.90
(Secured by a charge on the fixed assets of the factory at Jainpur)		
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Jainpur factory. Sales tax collected each year is repayable after five years from the year of collection.		
Secured Sales Tax Deferral Loan is interest-free. [Current maturity of Secured Sales Tax Deferral Loan of ₹ 0.90 Crores (2014-2015 ₹ Nil) is disclosed under 'Other Current Liabilities' — Refer Note 9]		
b. Unsecured Sales Tax Deferral Loan	28.78	40.60
Package Scheme of Incentive allowed the Company to accumulate the sales tax collected from its customers in respect of goods produced at Lote factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection. Outstanding amount is repayable in five annual installments from the reporting date.		
Unsecured Sales Tax Deferral Loan is interest-free. [Current maturity of Unsecured Sales Tax Deferral Loan of ₹ 11.92 Crores (2014-2015 ₹ Nil) is disclosed under 'Other Current Liabilities' — Refer Note 9].		
C. Working Capital Loan.....	—	2.77
Working capital loan from other shareholders in the Subsidiary are repayable in 60 equal installments starting from financial year 2015-2016 and carries an interest of 8% p.a.		
	<u>29.44</u>	<u>45.80</u>

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 5: Deferred Tax Liabilities (Net)

Deferred Tax Liabilities:

Depreciation and Amortisation	92.92	82.81
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Deferred Tax Asset:

Items Covered Under Section 43B of Income-tax Act, 1961	4.85	5.22
Provision for Diminution in Value of Fixed Assets	0.12	0.14
Voluntary Retirement Compensation	0.60	0.90
Allowance for Bad and Doubtful Debts.....	2.89	1.09
Others	0.05	0.03

	<u>8.51</u>	<u>7.38</u>
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Deferred Tax Liabilities (Net)	<u>84.41</u>	<u>75.43</u>
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Note 6: Long-term Provisions

Provision for Compensated Absences (Refer Note 32).....	4.05	3.28
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Provision for Income Taxes (Net of Advances).....	4.72	13.50
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Provision for Fringe Benefit Taxes (Net of Advances)	0.36	0.36
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Provision for Indirect Taxes*:

Opening Balance	8.35	11.79
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Add: Provision during the year	—	2.02
--------------------------------------	---	------

Less: Utilisation/Reversal during the year	0.58	5.46
--	------	------

	<u>7.77</u>	<u>8.35</u>
--	-------------	-------------

	<u>16.90</u>	<u>25.49</u>
--	--------------	--------------

* With restructuring of the production facilities, the timing of the outflow of provision ₹ 4.66 Crores (2014-2015 ₹ 4.66 Crores) recognised in respect of matters relating to indirect taxes is dependent on the outcome of the settlement with the appropriate authorities.

Note 7: Short-term Borrowings

Working Capital Loans:

(i) From Banks.....	0.74	4.50
---------------------	------	------

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

(ii) From Other Shareholders	2.95	—
------------------------------------	------	---

Working capital loan from other shareholders in the Subsidiary are repayable in 60 equal installments starting from financial year 2015-2016 and carries an interest of 8% p.a.

	<u>3.69</u>	<u>4.50</u>
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Note 8: Trade Payables

Trade Payables

Payables to Micro and Small Enterprise*	—	—
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Payable to Others.....	404.29	326.47
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	<u>404.29</u>	<u>326.47</u>
--	---------------	---------------

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 9: Other Current Liabilities

	As at 31st March, 2016	As at 31st March, 2015
Current Maturities of Long-term Debt (Refer Note 4).....	13.70	0.88
Unpaid Dividends*	0.64	0.57
Trade Deposits	47.74	40.22
Capital Creditors	7.86	6.92
Accrual of Expenses	147.00	111.05
Other Statutory Obligations \$	28.82	27.37
Trade Receivables with Credit Balance	5.38	4.77
	<u>251.14</u>	<u>191.78</u>

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

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

Note 10: Short-term Provisions

Provision for Compensated Absences (Refer Note 32).....	1.60	1.30
Provision for Gratuity (Refer Note 32)	4.79	2.39
Provision for Income Taxes (Net of Advances).....	0.76	0.42
Provision for Warranty*:		
Opening Balance	1.75	1.75
Add: Provision during the year	—	—
Less: Utilisation/reversal during the year	0.60	—
	<u>1.15</u>	<u>1.75</u>
Proposed Dividend.....	164.37	75.45
Tax on Proposed Dividend	34.39	15.78
	<u>207.06</u>	<u>97.09</u>

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

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 11: Fixed Assets

Description	Gross Block				Accumulated Depreciation/Amortisation				Net Block	
	As at 31.03.2015	Addition	Deductions	As at 31.03.2016	As at 31.03.2015	Additions	Deductions	Adjustment #	As at 31.03.2016	As at 31.03.2016
I. Tangible Assets:										
Freehold Land.....	9.32 (9.32)	18.29 (—)	0.02 (—)	27.59 (9.32)	— (—)	— (—)	— (—)	— (—)	— (—)	27.59 (9.32)
Leasehold Land	22.36 (22.36)	24.42 (—)	— (—)	46.78 (22.36)	1.77 (1.54)	0.40 (0.23)	— (—)	— (—)	2.17 (1.77)	44.61 (20.59)
Buildings	438.36 (426.33)	0.68 (12.25)	6.22 (0.22)	432.82 (438.36)	76.25 (63.38)	13.14 (12.93)	3.70 (0.06)	— (—)	85.69 (76.25)	347.13 (362.11)
Plant and Equipment	663.71 (642.40)	15.68 (24.01)	0.17 (2.70)	679.22 (663.71)	212.47 (185.47)	28.82 (28.72)	0.17 (2.29)	— (0.57)	241.12 (212.47)	438.10 (451.24)
Furniture and Fixtures	45.50 (39.29)	2.97 (6.74)	0.14 (0.53)	48.33 (45.50)	33.49 (26.66)	3.97 (6.14)	0.14 (0.53)	— (1.22)	37.32 (33.49)	11.01 (12.01)
Vehicles	2.51 (2.53)	— (0.05)	0.07 (0.07)	2.44 (2.51)	1.20 (1.04)	0.23 (0.21)	0.02 (0.05)	— (—)	1.41 (1.20)	1.03 (1.31)
Office Equipment	8.80 (8.23)	0.48 (0.57)	— (—)	9.28 (8.80)	6.65 (3.77)	0.96 (1.23)	— (—)	— (1.65)	7.61 (6.65)	1.67 (2.15)
Assets for Scientific Research*	16.28 (16.50)	3.55 (0.29)	— (0.51)	19.83 (16.28)	9.14 (8.71)	0.91 (0.87)	— (0.49)	— (0.05)	10.05 (9.14)	9.78 (7.14)
Assets given on lease (Refer Note 11.1)	191.38 (168.58)	25.96 (23.01)	— (0.21)	217.34 (191.38)	145.54 (130.18)	18.01 (15.56)	— (0.20)	— (—)	163.55 (145.54)	53.79 (45.84)
Colourant Machine.....	0.34 (0.27)	0.65 (0.78)	0.59 (0.71)	0.40 (0.34)	— (—)	— (—)	— (—)	— (—)	— (—)	0.40 (0.34)
Total	1398.56 (1335.81)	92.68 (67.70)	7.21 (4.95)	1484.03 (1398.56)	486.51 (420.75)	66.44 (65.89)	4.03 (3.62)	— (3.49)	548.92 (486.51)	935.11 (912.05)
Less: Provision for Write Down in Value of Tangible Assets.....										0.34 (0.41)
Total Tangible Assets.....										934.77 (911.64)
II. Intangible Assets:										
Computer Software.....	12.87 (12.87)	— (—)	— (—)	12.87 (12.87)	10.38 (8.10)	1.95 (2.28)	— (—)	— (—)	12.33 (10.38)	0.54 (2.49)
III. Capital Work-in-progress										41.95 (43.94)
Total Fixed Assets.....	1411.43 (1348.68)	92.68 (67.70)	7.21 (4.95)	1496.90 (1411.43)	496.89 (428.85)	68.39 (68.17)	4.03 (3.62)	— (3.49)	561.25 (496.89)	977.26 (958.07)

* Net block includes Buildings ₹ 0.37 Crores (2014-2015 ₹ 0.38 Crores), Plant and Equipment ₹ 9.25 Crores (2014-2015 ₹ 6.72 Crores) and Furniture and Fixtures ₹ 0.16 Crores (2014-2015 ₹ 0.04 Crores).

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

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

Note 11.1

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

(a) (i) The gross carrying amount and the accumulated depreciation at the Balance Sheet date are ₹ 217.34 Crores (2014-2015 ₹ 191.38 Crores) and ₹ 163.55 Crores (2014-2015 ₹ 145.54 Crores) respectively.

(ii) Depreciation recognised in the Consolidated Statement of Profit and Loss is ₹ 18.01 Crores (2014-2015 ₹ 15.56 Crores).

(b) The lease agreements are generally for a period of three years. However, the corresponding lease rentals may be receivable for a shorter period or may be waived off. The minimum aggregate lease payments to be received in future is considered as ₹ Nil. Accordingly, the disclosure of the present value of minimum lease payments receivable at the Balance Sheet date is not made.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 12: Non-current Investments

	As at 31st March, 2016	As at 31st March, 2015
Non Current Investments		
Long Term Investments (At cost, fully paid-up)		
A. Trade (Unquoted) — Equity Shares:		
Subsidiary Company		
Kansai Paints Lanka (Private) Limited*		
60,00,000, Equity Shares of LKR 10 each	2.76	—
B. Other than Trade (Unquoted unless otherwise stated):		
Shares, Debentures and Bonds		
(a) Equity Shares:		
National Thermal Power Corporation Ltd. (Quoted)		
40,524, Equity Shares of ₹ 10 each		
(40,524, Equity Shares of ₹ 10 each)	0.25	0.25
(b) Debentures and Bonds:		
1. Indian Railway Finance Corporation Ltd. (Quoted)		
1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each		
(1,000, 6.30% Tax-Free Bonds of ₹ 1,00,000 each)	10.00	10.00
2. Indian Railway Finance Corporation Ltd. (Quoted)		
1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each		
(1,000, 6.32% Tax-Free Bonds of ₹ 1,00,000 each)	10.00	10.00
3. National Highway Authority of India (Quoted)		
24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each		
(24,724, 8.20% Tax-Free Bonds of ₹ 1,000 each)	2.47	2.47
4. Power Finance Corporation Ltd. (Quoted)		
14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each		
(14,239, 8.20% Tax-Free Bonds of ₹ 1,000 each)	1.42	1.42
5. Indian Railway Finance Corporation Ltd. (Quoted)		
10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each		
(10,875, 8.15% Tax-Free Bonds of ₹ 1,000 each)	1.09	1.09
6. National Highway Authority of India (Quoted)		
57,140, 7.14% Tax-Free Bonds of ₹ 1,000 each.....	5.72	—
7. National Highway Authority of India (Quoted)		
23,130, 7.39% Tax-Free Bonds of ₹ 1,000 each.....	2.31	—
Total Non Current Investments (a + b).....	36.02	25.23
Aggregate amount of quoted investments		
[Market value ₹ 33.96 Crores (2014-2015 ₹ 25.75 Crores)].....	33.26	25.23
Aggregate amount of unquoted investments	2.76	—
	36.02	25.23

* Investments are within limit of Section 186 of the Companies Act, 2013.

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 13: Current Investments

Current Investments (At lower of cost and market value)

(i) Mutual Funds (Unquoted)

(a) Dividend Option:

	As at 31st March, 2016	As at 31st March, 2015
1. ICICI Prudential FMP Series 1,00,00,000 Units of ₹ 10 each	10.00	—
2. ICICI Production Interval Fund Quarterly Interval Nil Units of ₹ 10 each [49,11,350 Units of ₹ 10 each]	—	5.00
3. Kotak Quarterly Interval Plan Series 6 Nil units of ₹ 10 each [2,49,99,953 Units (and 125 fractions) of ₹ 10 each]	—	25.00
4. Reliance Quarterly Interval Fund Series II 2,99,58,657 Units (and 053 fractions) of ₹ 10 each	30.00	—
5. UTI – Fixed Income Interval Fund – III 2,49,64,051 Units (and 765 fractions) of ₹ 10 each	25.00	—
Mutual Fund (Dividend Option).....	<u>65.00</u>	<u>30.00</u>

(b) Growth Option:

1. Axis Banking Debt Fund Nil units of ₹ 1,000 each [15,719 Units (and 683 fractions) of ₹ 1,000 each]	—	2.01
2. BNP Paribas Overnight Fund 3,18,827 Units (and 583 fractions) of ₹ 1,000 each	74.00	—
3. HDFC FRIF STP WP Direct 1,27,31,085 Units (and 326 fractions) of ₹ 10 each	33.15	—
4. ICICI Prudential Savings Fund 22,04,383 Units (and 566 fractions) of ₹ 100 each	50.44	—
5. JP Morgan India Treasury Fund Nil units of ₹ 10 each [1,37,44,662 Units (and 300 fractions) of ₹ 10 each]	—	25.28
6. JP Morgan India Liquid Fund Nil units of ₹ 10 each [3,08,78,771 Units (and 676 fractions) of ₹ 10 each]	—	56.05
7. JM MIP Fund 1,05,65,632 Units (and 339 fractions) of ₹ 10 each	25.22	—
8. Kotak Low Duration Fund 2,77,235 Units (and 061 fractions) of ₹ 1,000 each	51.21	—
9. Reliance Medium Term Fund 3,21,03,552 Units (and 367 fractions) of ₹ 10 each	100.00	—
10. Reliance Fixed Horizon Fund XXX Series 9 2,90,00,000 Units of ₹ 10 each	29.00	—
11. Reliance Quarterly Interval Fund Series III 40,30,535 Units (and 336 fractions) of ₹ 10 each	5.00	—

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 13: Current Investments (contd.)

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

(i) Mutual Funds (Unquoted) (contd.)

(b) Growth Option: (contd.)

	As at 31st March, 2016	As at 31st March, 2015
12. Religare Invesco Liquid Fund Nil units of ₹ 1,000 each [83,166 Units (and 705 fractions) of ₹ 1,000 each]	—	16.00
13. Religare Invesco Short Term Fund Nil units of ₹ 1,000 each [53,799 Units (and 848 fractions) of ₹ 1,000 each]	—	9.96
14. Sundaram Ultra Short Term Fund Nil units of ₹ 10 each [1,71,64,275 Units (and 652 fractions) of ₹ 10 each]	—	33.09
15. Sundaram Income Plus Nil units of ₹ 10 each [49,17,503 Units (and 412 fractions) of ₹ 10 each]	—	10.09
16. Sundaram Ultra Short Term Fund 1,92,44,798 Units (and 849 fractions) of ₹ 10 each	40.25	—
17. UTI Banking & PSU Debt Fund 2,09,63,635 Units (and 201 fractions) of ₹ 10 each	25.34	—
Mutual Fund (Growth Option)	433.61	152.48
Total Current Investment (a + b)	498.61	182.48

Note 14: Long-term Loans and Advances

Unsecured and Considered Good

Capital Advances	25.68	27.28
Security Deposits	10.28	10.06
Income Tax Paid (Net of Provision)	36.86	22.00
Trade Advances	0.66	1.02
	73.48	60.36

Note 15: Inventories

Valued at the lower of cost and net realisable value

Raw Materials	158.10	150.62
Packing Materials	8.09	8.55
Work-in-progress	46.80	48.80
Finished Goods	348.79	327.21
Stock-in-trade (in respect of goods acquired for trading)	17.89	17.13
Stores and Spare Parts	3.05	2.83
	582.72	555.14

KANSAI NEROLAC PAINTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

Note 16: Trade Receivables

	As at 31st March, 2016	As at 31st March, 2015
Overdue for a Period Exceeding Six Months:		
Secured, Considered Good	—	—
Unsecured, Considered Good	25.29	10.42
Doubtful	8.97	3.40
	<u>34.26</u>	<u>13.82</u>
Less: Provision for Bad and Doubtful Debts	(8.97)	3.40
	<u>25.29</u>	10.42
Other Receivables:		
Secured, Considered Good	—	—
Unsecured, Considered Good	520.22	504.88
Doubtful	—	—
	<u>520.22</u>	<u>504.88</u>
Less: Provision for Bad and Doubtful Debts	—	—
	<u>520.22</u>	504.88
	<u><u>545.51</u></u>	<u><u>515.30</u></u>

Note 17: Cash and Bank Balances

Cash and Cash Equivalents:		
Cash on hand	0.14	0.23
Cheques on hand	18.62	22.47
Balances with Banks.....	459.11	11.18
	<u>477.87</u>	33.88
Other Bank Balances:		
Unpaid Dividend Accounts.....	0.64	0.57
	<u>478.51</u>	<u>34.45</u>

Note 18: Short-term Loans and Advances

Unsecured, Considered Good		
MAT Credit Entitlements	60.77	—
Trade Advances	14.06	8.22
Prepaid Expenses.....	7.18	8.93
Other Advances*	2.90	3.48
* Includes ₹0.98 Crores (2014-2015 ₹1.17 Crores) receivable from Kansai Paints Co., Ltd., Japan		
	<u>84.91</u>	<u>20.63</u>

Note 19: Other Current Assets

Interest Accrued on Loans and Investments	0.91	0.77
Balances with Indirect Tax Authorities	14.48	12.43
Security Deposits.....	4.11	3.60
Insurance Claims Receivable	0.01	2.25
	<u>19.51</u>	<u>19.05</u>

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Note 20: Sale of Products		
Sales.....	4640.30	4235.34
Less: Rebates.....	273.94	207.14
	<u>4366.36</u>	<u>4028.20</u>
Note 20.1: Details of Sales		
Paints.....	4366.36	4028.20
Note 21: Other Operating Revenues		
Sale of Scrap.....	9.70	9.38
Insurance Claims Received.....	—	1.17
Indirect Tax Settlement/Reversal.....	0.66	5.45
Other Operating Income.....	0.23	0.28
	<u>10.59</u>	<u>16.28</u>
Note 22: Other Income		
Dividend Received:		
Current Investments.....	15.66	4.33
Long-term Investments.....	—	—
	<u>15.66</u>	<u>4.33</u>
Interest on Loans and Investments.....	2.85	2.33
Profit on Sale of Investments (Net):		
Current Investments.....	3.85	3.96
Long-term Investments.....	—	—
	<u>3.85</u>	<u>3.96</u>
Profit on Sale of Fixed Assets.....	0.20	1.13
Foreign Exchange Gain (Net).....	—	9.70
Insurance Claims Received.....	2.39	—
Miscellaneous Income.....	0.07	0.08
	<u>25.02</u>	<u>21.53</u>
Note 23: Cost of Materials Consumed		
Raw Material Consumed		
Opening Stock.....	150.62	189.13
Add: Purchase.....	1958.95	1883.43
Less: Sales.....	4.98	5.21
Less: Closing Stock.....	158.10	150.62
	<u>1946.49</u>	<u>1916.73</u>
Packing Material Consumed		
Opening Stock.....	8.55	8.61
Add: Purchase.....	258.98	249.35
Less: Closing Stock.....	8.09	8.55
	<u>259.44</u>	<u>249.41</u>
	<u>2205.93*</u>	<u>2166.14*</u>

* Includes ₹ 1.61 Crores (2014-2015 ₹ 1.60 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

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

	Year ended 31st March, 2016	Year ended 31st March, 2015
Opening Stock		
Finished Goods.....	327.21	384.45
Work-in-progress	48.80	61.42
Stock-in-trade (in respect of goods acquired for trading).....	17.13	12.44
	<u>393.14</u>	458.31
Less: Closing Stock		
Finished Goods.....	348.79	327.21
Work-in-progress	46.80	48.80
Stock-in-trade (in respect of goods acquired for trading).....	17.89	17.13
	<u>413.48</u>	393.14
Add: Excise Duty Related to the Difference between the Closing Stock and Opening Stock of Finished Goods	7.72	(2.59)
	<u>(12.62)</u>	<u>62.58</u>

Note 25: Employee Benefits Expense

Salaries and Wages	153.47	127.86
Contribution to Provident and Other Funds (Refer Note 32)	17.44	10.08
Staff Welfare Expense.....	9.90	8.30
	<u>180.81*</u>	<u>146.24*</u>

* Includes ₹12.75 Crores (2014-2015 ₹11.50 Crores) expenditure incurred on Research and Developments

Note 26: Other Expenses

Consumption of Stores and Spare Parts.....	19.39	17.70
Power and Fuel	69.66	65.41
Repairs to Buildings	0.38	1.34
Repairs to Machinery	8.56	11.12
Freight and Forwarding Charges.....	169.78	151.62
Advertisement and Sales Promotion.....	234.38	149.54
Rent.....	22.25	18.96
Rates and Taxes.....	3.16	4.46
Insurance	3.29	2.81
Cash Discount.....	91.70	81.62
Miscellaneous Expenses.....	120.88	100.39
	<u>743.43*</u>	<u>604.97*</u>

* Includes ₹ 3.82 Crores (2014-2015 ₹ 3.05 Crores) expenditure incurred on Research and Developments

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

	Year ended 31st March, 2016	Year ended 31st March, 2015
Note 26.1: Payments to Auditors'		
Auditors' Remuneration Excluding Service Tax (Included in Miscellaneous Expenses in Note 26)		
As Auditor		
Statutory Audit.....	0.26	0.22
Report under Section 44AB of the Income-tax Act, 1961	0.04	0.04
Limited Review of Quarterly Results	0.18	0.18
In Other Capacity		
Certification	0.15	0.12
Reimbursements of Expenses	0.05	0.02
	0.68	0.58
Note 26.2: Research and Development Expenses		
Revenue Expenditure on Research and Development recognised in Consolidated Statement of Profit and Loss is [including depreciation and amortisation expenses ₹ 0.91 Crores (2014-2015 ₹ 0.87 Crores)]	19.08	17.02
Note 26.3: Expenditure in Foreign Currencies		
Foreign Travel.....	0.15	0.25
Royalties.....	13.14	13.22
Professional and Technical Fees.....	0.56	0.57
Others	0.56	0.35
	14.41	14.39
Note 26.4: Operating Lease Expenses		
Vehicles for use by employees are obtained on operating lease for a lease term of three to five years.		
Lease payments recognised in Consolidated Statement of Profit and Loss	0.50	0.46
Future minimum aggregate lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	0.40	0.41
Later than one year and not later than five years	0.56	0.42
Later than five years	—	—

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

₹ in Crores

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

	Year ended 31st March, 2016	Year ended 31st March, 2015
Claims against the Company not acknowledged as debt:		
Corporate guarantee given to HDFC Bank for employee loans.....	1.41	1.41
Service Tax	4.44	3.22
Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).....	80.89	3.68
The Company has made adequate provisions in the accounts for claims against the company related to direct and indirect taxes matters, except for certain claims not acknowledged as debts, totalling to ₹ 4.44 Crores (2014-2015 ₹ 3.22 Crores) from the Service Tax Authorities, in respect of disallowance of Service Tax Cenvat Credit shown in Notes 27. In addition, the Company is subject to other legal proceedings in respect of other matters arisen in the ordinary course of business. The Company's management is of the opinion that ultimate liability in respect of these litigations shall not exceed the amount provided in books of account, and shall not have any material adverse effect on the Company's operation and financial position.		

Note 28: Remittance in Foreign Currency

Remittance in foreign currency on account of dividend to a non-resident shareholder: Final dividend on 3,73,29,760 equity shares for 2014-2015 (3,73,29,760 equity shares for 2013-2014).....	52.26	41.06
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Note 29: Earnings Per Equity Share

Numerator: Profit before Exceptional Items (net of tax) (₹ in Crores)	357.90	274.06
Numerator: Profit after Exceptional Items (net of tax) (₹ in Crores)	893.24	274.06
Denominator: Weighted average number of Equity Shares	53,89,19,720	53,89,19,720
Basic and Diluted Earnings per Equity Share before Exceptional Items (net of tax) (₹)	6.64	5.08
Basic and Diluted Earnings per Equity Share after Exceptional Items (net of tax) (₹)	16.57	5.08
Face Value per share (₹)	1	1

Note 30: Derivatives Instruments

(A) Following are outstanding Forward Foreign Exchange Contracts entered into by the Company

Currency	Amount in foreign currency	Buy/Sell	Cross Currency
As on 31st March, 2016:			
USD	0.06	Buy	INR

There were no outstanding Forward Foreign Exchange Contracts as on 31st March, 2015.

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:

	Currency	Year ended 31st March, 2016 in Crores		Year ended 31st March, 2015 in Crores	
		Foreign Currency	INR	Foreign Currency	INR
Amounts payable in Foreign Currency:	CHF	—	0.23	—	0.02
	EUR	0.05	3.80	—	0.28
	JPY	19.92	11.76	23.41	12.35
	USD	1.10	74.66	0.77	48.27
Advance payment in Foreign Currency for supplies:	CHF	0.01	0.53	—	0.07
	EUR	0.02	1.29	—	0.33
	JPY	7.37	4.39	1.39	0.73
	USD	0.08	5.32	0.11	7.11

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Related Party Disclosures

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

Holding Company	: Kansai Paint Co., Ltd., Japan
Subsidiary	: Kansai Paints Lanka (Private) Limited (w.e.f. 30th July, 2015)

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

Fellow Subsidiary Companies	: Kansai Paint Philippines Inc. Kansai Paint Asia Pacific SDN. BHD. Kansai Paints Europe Ltd.
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Key Management Personnel (As per Accounting Standard – 18)	: Mr. H. M. Bharuka, Managing Director Mr. P. D. Chaudhari, Wholetime Director
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(ii) Transactions with Related Parties:

₹ in Crores

Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
Royalty Expense					
– Kansai Paint Co., Ltd., Japan	13.14 (12.29)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	13.14 (12.29)
Dividend Paid					
– Kansai Paint Co., Ltd., Japan	52.26 (41.06)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	52.26 (41.06)
Technical Fees Including Reimbursement of Expenses					
– Kansai Paint Co., Ltd., Japan	0.96 (0.50)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	0.96 (0.50)
– Kansai Paint Asia Pacific SDN. BHD.	N.A. (N.A.)	N.A. (N.A.)	0.05 (0.04)	N.A. (N.A.)	0.05 (0.04)
Sale of Goods					
– Kansai Paint Philippines Inc.	N.A. (N.A.)	N.A. (N.A.)	1.08 (0.70)	N.A. (N.A.)	1.08 (0.70)
Reimbursement of Expenses Paid					
– Kansai Paints Europe Ltd.	N.A. (N.A.)	N.A. (N.A.)	— (0.02)	N.A. (N.A.)	— (0.02)

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 31: Related Party Disclosures (contd.)

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

₹ in Crores					
Nature of Transaction	Holding Company	Subsidiary	Fellow Subsidiary Companies	Key Management Personnel	Total
Reimbursement of Expenses Receivable					
– Kansai Paint Co., Ltd., Japan	0.98	N.A.	N.A.	N.A.	0.98
	(1.17)	(N.A.)	(N.A.)	(N.A.)	(1.17)
Remuneration					
– Mr. H. M. Bharuka, Managing Director*	N.A.	N.A.	N.A.	5.00	5.00
	(N.A.)	(N.A.)	(N.A.)	(4.45)	(4.45)
– Mr. P. D. Chaudhari, Wholetime Director*	N.A.	N.A.	N.A.	1.63	1.63
	(N.A.)	(N.A.)	(N.A.)	(1.54)	(1.54)
Equity Investment					
– Kansai Paints Lanka (Private) Limited	N.A.	2.76	N.A.	N.A.	2.76
	(N.A.)	(—)	(N.A.)	(N.A.)	(—)
(iii) Amounts Outstanding at the Year End:					
Receivable as at Year End					
– Kansai Paint Co., Ltd., Japan	0.98	N.A.	N.A.	N.A.	0.98
	(1.17)	(N.A.)	(N.A.)	(N.A.)	(1.17)
– Kansai Paint Philippines Inc.	N.A.	N.A.	0.34	N.A.	0.34
	(N.A.)	(N.A.)	(0.36)	(N.A.)	(0.36)
Payable as at Year End					
– Kansai Paint Co., Ltd., Japan	0.41	N.A.	N.A.	N.A.	0.41
	(0.07)	(N.A.)	(N.A.)	(N.A.)	(0.07)
– Kansai Coatings Malaysia SDN. BHD.	N.A.	N.A.	0.01	N.A.	0.01
	(N.A.)	(N.A.)	(—)	(N.A.)	(—)

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

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

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits

A. Defined Contribution Plan:

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

	Year ended 31st March, 2016	Year ended 31st March, 2015
Employer's Contribution to Regional Provident Fund Commissioner	1.15	1.14
Employer's Contribution to Family Pension Fund	2.48	1.87
Employer's Contribution to Superannuation Fund	3.63	2.46

₹ in Crores

B. Defined Benefit Plan:

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

The Company has contributed ₹ 1.61 Crores (2014-2015 ₹ 1.48 Crores) to the Provident Fund Trust. In view of the issue of final guidance note by the Actuarial Society of India for measurement of provident fund liabilities, the actuary has accordingly provided valuation and other related information for disclosure as required by Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006 read with the Guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India.

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

	As at 31st March			
	2016	2015	2014	2013
Plan Assets at the Year End, at Fair Value.....	44.05	40.79	38.84	37.50
Present Value of Benefit Obligation at the Year End	42.78	39.51	37.29	36.64
Asset Recognised in the Balance Sheet	Nil	Nil	Nil	Nil

₹ in Crores

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

	As at 31st March			
	2016	2015	2014	2013
Discount Rate (%)	7.90	7.80	9.10	8.00
Guaranteed Interest Rate (%)	8.80	8.75	8.75	8.50
Expected Average remaining working lives of employees (years)	6.40	6.40	6.19	7.35

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

	% of each to total Plan Assets	
	As at 31st March, 2016	As at 31st March, 2015
Bonds & Securities of Central Government & State Government	34.81	28.20
Bonds & Securities of Public Sector Undertakings.....	22.57	25.42
Special Deposits with Banks	41.94	46.38
Mutual Fund Investments	0.68	—

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded):

	As at 31st March, 2016	₹ in Crores As at 31st March, 2015
i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at the beginning of the year.....	15.20	12.98
Interest Cost	1.21	1.01
Current Service Cost	1.96	1.66
Benefits Paid.....	(1.67)	(2.13)
Net Actuarial (Surplus)/Deficit	7.54	1.68
Present Value of Defined Benefit Obligation as at the end of the year ...	<u>24.24</u>	<u>15.20</u>
ii. Reconciliation of Fair Value of Plan Assets:		
Fair Value of Plan Assets as at the beginning of the year	12.81	10.21
Expected Return on Plan Assets.....	1.23	1.03
Net Actuarial Gain/(Loss)	0.01	0.69
Employer's Contribution.....	6.50	3.01
Benefits paid.....	(1.10)	(2.13)
Fair Value of Plan Assets as at the end of the year	<u>19.45</u>	<u>12.81</u>
The Company expects to contribute ₹ 4.71 Crores to its Defined Benefit Gratuity Plan during the annual period beginning after the Balance Sheet date.		
The major categories of Plan Assets as a percentage of the fair value of total Plan Assets are as follows:		
Funds maintained with Life Insurance Corporation of India	100%	100%
Note: The Company is unable to obtain the details of major category of plan assets from the insurance company (Life Insurance Corporation of India) and hence the disclosure thereof is not made.		
iii. Net Assets/(Liabilities) Recognised in the Balance Sheet:		
Present Value of Defined Benefit Obligation.....	(24.24)	(15.20)
Fair Value of Plan Assets.....	19.45	12.81
Net Asset/(Liability) Recognised in Balance Sheet.....	<u>(4.79)</u>	<u>(2.39)</u>

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32: Employee Benefits (contd.)

B. Defined Benefit Plan (contd.)

(b) Gratuity (Funded) (contd.)

	As at 31st March, 2016	As at 31st March, 2015
₹ in Crores		
iv. Components of Employer's Expenses:		
Current Service Cost	1.96	1.66
Interest Cost	1.21	1.01
Expected Return on Plan Assets.....	(1.23)	(1.03)
Net Actuarial (Gain)/Loss	7.53	0.99
Total Expenses/(Income) recognised in the Statement of Profit and Loss in Employee Benefits Expense	9.47	2.63
v. Actuarial Assumptions:		
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Discount Rate	7.90%	7.80%
Expected Rate of Return on Plan Assets	9.21%	9.50%
Salary Escalation.....	7.50%	7.50%

- vi. a. The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
- b. The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency and terms of the post-employment benefit obligations.
- c. Expected rate of return on assets is determined based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

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

Particulars	Gratuity (Funded) ₹ in Crores			
	As at 31st March,			
	2016	2015	2014	2013
1. Present Value of Defined Benefit Obligation	(24.24)	(15.20)	(12.99)	(12.13)
2. Fair Value of Plan Assets	19.45	12.81	10.21	11.29
3. Funded Status [Surplus/(Deficit)]	(4.79)	(2.39)	(2.78)	(0.85)
4. Net Asset/(Liability)	(4.79)	(2.39)	(2.78)	(0.85)
5. Experience Adjustment arising on:				
a. Plan Liabilities [Loss/(Gain)]	7.54	1.68	2.97	0.08
b. Plan Assets [Loss/(Gain)]	(0.01)	(0.69)	(1.42)	(0.24)

- viii. The above information is certified by the actuary.

- (c) Compensated Absences:

The increase in provision for compensated absences for the year is ₹ 1.07 Crores (increase in provision 2014-2015 ₹ 0.18 Crores).

Note 33: Segment Reporting

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

KANSAI NEROLAC PAINTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 34: Corporate Social Responsibilities

During the year, the Company has spent ₹ 5.29 Crores (2014-2015 ₹ 4.51 Crores) towards 'Corporate Social Responsibility Activities' (CSR Activities). ₹ 4.51 Crores spent during the previous year towards CSR Activities was recorded as an appropriation of profit in Statement of Assets and Liabilities in accordance with the 'FAQ on Provisions of Corporate Social Responsibilities under section 135 of the Companies Act, 2013 and Rules thereon', issued by the 'Institute of Chartered Accountants of India (ICAI). However, consequent to the issuance of 'Guidance Note on accounting for expenditure on Corporate Social Responsibility Activities, issued by ICAI on 15th May, 2015 ₹ 5.29 Crores spent during the year ended 31st March, 2016 on CSR Activities has been charged to Consolidated Statement of Profit and Loss.

(a) Gross amount required to be spent by the Company during the year ₹ 6.79 Crores.

(b) Amount spent during the year on:

		₹ in Crores		
		In cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	—	—	—
(ii)	On purposes other than (i) above	5.29	—	5.29

Note 35: Disclosure of Additional Information pertaining to the Parent Company, Subsidiary

Name of the Company	Net Assets (Total Assets minus Total Liabilities)		Share in Profit or Loss	
	As % of Consolidated net assets	Net Assets	As % of Consolidated profit or Loss	Profit/(Loss)
Parent Company				
Kansai Nerolac Paints Limited	99.45	2289.16	99.76	891.10
Direct Subsidiary				
Kansai Paints Nepal Private Limited	0.81	18.54	0.36	3.20
Inter Company Elimination	9.15	11.80	—	0.04
Total	99.74	2295.90	100.11	894.26
Add: Minority Interest	0.26	5.97	0.11	1.02
Total	100.00	2301.87	100.00	893.24

Note 36:

During the year, management has detected some cases of fraudulent transfer of shares and wrongful payment of dividend by the Company's Registrar and Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. Based on the current status of investigation conducted by the management, through Company's internal auditors, the estimated amount involved in the fraud as at Balance sheet date is ₹ 1.28 Crores and provision for the same is made in the Consolidated Statement of Profit and Loss. Further adjustments, if any required, would be considered by the Company on completion of the investigation.

Note 37:

On 30th March, 2016, the Company has sold its Perungudi land and building for a consideration of ₹ 537.86 Crores. The Profit of ₹ 535.34 Crores is disclosed as an exceptional item in the Consolidated Statement of Profit and Loss. The Company has executed the Deed of Indemnity with the purchaser to indemnify the purchaser against any future claims based on the terms and conditions set forth in the Deed of Indemnity. The Company does not expect future claims to have material impact on financial statement. These fixed assets were classified as 'Assets held for sale' in the previous year.

As per our attached report of even date

For B S R & Co. LLP

Chartered Accountants

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

SADASHIV SHETTY

Partner

Membership No. 048648

Mumbai, 27th April, 2016

For and on behalf of the Board of Directors

P.P. SHAH

Chairman

DIN 00066242

D.M. KOTHARI

Vice Chairman

DIN 00516431

H.M. BHARUKA

Managing Director

DIN 00306084

N.N. TATA

Director

DIN 00024713

P.D. CHAUDHARI

Wholetime Director

DIN 02171823

BRINDA SOMAYA

Director

DIN 00358908

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

₹ in Crores

Year	Cost of Materials/ Products	Employee Benefits Expense	Other Expenses	Finance Costs	Depreciation and Amortisation Expenses	Tax Expense	Profit after Tax	Total Revenue #	Dividend	Dividend per Share (₹)	Earnings per Share (₹)	Net Worth per Share (₹)
2001-2002	360.40	45.02	126.96	3.73	24.67	10.00	27.36	598.14	11.48	7.50	17.87	136.11
2002-2003	388.78	57.71	133.86	1.65	24.14	16.25	39.84	662.22	13.77	9.00	26.03	149.34
2003-2004	456.76	52.51	148.86	1.32	22.04	30.80	57.96	770.25	19.13	12.50	37.87	173.11
2004-2005	531.55	49.31	161.18	0.77	20.70	45.30	91.96	900.76	29.33	11.50	36.05†	126.78†
2005-2006	610.96	55.92	185.56	0.78	31.78	61.01	138.59	1084.59	51.02*	20.00*	54.40	159.19
2006-2007	778.33	59.57	213.05	0.96	33.56	53.31	107.66	1246.43	30.99	11.50	39.95	189.91@
2007-2008	837.32	69.13	226.75	1.41	39.60	50.60	119.79	1344.60	32.34	12.00	44.46	220.33
2008-2009	899.58	73.30	244.20	1.84	37.61	41.60	98.59	1396.71	32.34	12.00	36.59	242.87
2009-2010	1071.82	75.05	295.83	1.20	44.26	73.11	165.50	1726.77	40.42	15.00	30.71^	286.80
2010-2011	1400.25	91.64	356.34	0.84	49.36	83.15	205.99	2187.56	53.89	10.00**	38.22	170.00+
2011-2012	1740.41	106.94	415.91	0.09	56.35	89.24	215.89	2624.84	59.28	11.00	40.06	197.28
2012-2013	1942.62	118.14	459.76	0.02	47.11	90.80&	214.49&	2872.94	59.28	11.00	39.80&	224.21&
2013-2014	2133.95	135.88	532.10	0.45	64.98	100.42	206.57	3174.35	59.28	1.10~	3.83\$	26.41\$
2014-2015	2364.44	143.30	596.50	0.02	67.69	127.23	271.67	3570.85	75.45	1.40~	5.04\$	29.63\$
2015-2016	2348.36	177.65	731.89	—	67.79	173.61	355.76&	3855.06	164.37	3.05^^	6.60&	32.54&

Net of Rebates & Excise Duty.

† Consequent to the Bonus Issue in 2004-2005.

* Includes Special Interim Dividend of ₹ 8.50 per share.

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

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

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

+ Consequent to the Bonus Issue in 2010-2011.

& Before Exceptional Items (Net of Tax).

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

~ Consequent to the subdivision of Equity Share.

^^ Includes Special Dividend of ₹ 1.25 per share.

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



 **KANSAI NEROLAC PAINTS LIMITED**

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