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directors



ASHWIN CHOKSI



ASHWIN DANI



ABHAY VAKIL



K.B.S. ANAND



MAHENDRA CHOKSI



AMAR VAKIL



Mrs. INA DANI



Ms. TARJANI VAKIL



DIPANKAR BASU



MAHENDRA SHAH



DEEPAK SATWALEKAR



R.A. SHAH



DR. S. SIVARAM



S. RAMADORAI

Board of Directors

ASHWIN CHOKSI
Chairman

ASHWIN DANI
Vice Chairman

ABHAY VAKIL

P.M. MURTY
Managing Director & CEO
(upto 31st March, 2012)

K.B.S. ANAND
Managing Director & CEO
(w.e.f. 1st April, 2012)

MAHENDRA CHOKSI
AMAR VAKIL
Mrs. INA DANI
Ms. TARJANI VAKIL
DIPANKAR BASU
MAHENDRA SHAH
DEEPAK SATWALEKAR
R.A. SHAH
DR. S. SIVARAM
S. RAMADORAI

Chief Financial Officer & Company Secretary

JAYESH MERCHANT

Audit Committee

Ms. TARJANI VAKIL
Chairperson

DIPANKAR BASU
MAHENDRA SHAH

Shareholders / Investors Grievance Committee

MAHENDRA SHAH
Chairman

ABHAY VAKIL
P.M. MURTY
(upto 31st March, 2012)

K.B.S. ANAND
(w.e.f. 1st April, 2012)
MAHENDRA CHOKSI
Mrs. INA DANI

Remuneration Committee

DIPANKAR BASU
Chairman

Ms. TARJANI VAKIL
DEEPAK SATWALEKAR

Share Transfer Committee

ABHAY VAKIL
Chairman

ASHWIN CHOKSI
ASHWIN DANI
JAYESH MERCHANT

Auditors

SHAH & CO.
Chartered Accountants

B S R & ASSOCIATES
Chartered Accountants

chairman's letter

Dear Shareholders,

It is a delight to address you on completion of another eventful and successful year. Over the last few years, volatility and uncertainty have become the "new normal" and the FY 2011-12 has proved to be no different. The concerns in Euro zone and Middle East remain unresolved and the US economy is still not out of the woods. Despite the global volatile environment, consolidated sales of your Company grew by 24.7% and profits registered a growth of 17.3% mainly on the back of buoyant domestic demand. This performance is all the more commendable considering that inflation surged to near double digit levels and GDP came down to 6.9% in India during the year. This could be achieved because of the sustained direction and working as a team at all levels.

Our decorative business in India continued its strong performance with good demand conditions witnessed across regions. Over the years, your Company has continuously invested in expanding its distribution reach and product range and today we have the ability to provide the most diverse and rich product mix to our customers across the country.

Factors like sticky inflation, interest rates and political un-certainties have been a concern for the country during the year. Matters have been further aggravated due to elevated crude prices, weakening rupee and a logjam in policy making, affecting India Inc.'s capex cycle. Thus, although the growth rates were good, sustaining margins was a challenge because of spiraling inflation across key commodities and chemicals like titanium dioxide, monomers, etc. Prices across our product range had to be increased in view of the inflationary pressures. However, despite the price hikes, it was encouraging to witness a fairly robust demand environment.

Your Company has always focused on building strengths for the future and continued to invest in building capabilities. Major thrust areas were identified during FY 2011-12 to secure growth, ensure customer satisfaction and enhance supply chain capabilities for future, using the latest technologies. We will continue to invest our resources in taking these initiatives forward.

Capacity building for the future is well on track. Rohtak plant, which was commissioned in April 2010 with an initial capacity of 150,000 KL per annum, has now been expanded to 200,000 KL per annum. The



seventh decorative paint plant coming up at Khandala in Maharashtra, is well on schedule and we expect to commission it by the fourth quarter of FY 2012-13 with an initial capacity of 300,000 KL per annum. Investments were also made to modernize the field operations by opening new depots and automating the operations at the field locations.

The industrial coatings business of your Company faced a challenging year due to the combined impact of demand slowdown and cost pressures. Your Company's joint venture Asian PPG Industries Ltd. (APPG), which caters to the automotive sector, was hit by deceleration of growth in the automotive industry, as a result of which price increases could not be secured, impacting its

margins. The industrial coatings business might have to face these challenges in the current year as well.

During the previous year, your Company had announced its plan to enhance the long standing relationship with PPG Industries Inc., USA by forming a new 50:50 joint venture for servicing the protective, powder coatings and light industrial coatings market. This new joint venture will start operations once all necessary approvals and clearances are obtained. It will leverage PPG's technology and global customer relationships while continuing to build on your Company's customer base, manufacturing footprint, distribution channels and local relationships.

It was a challenging year for the International Business. Your Company operates in multiple geographies and each of this geography has a challenging business environment. While, good growth was seen in the Asian markets owing to strong domestic demand, the situation continues to be challenging in most of the other geographies. Caribbean is still reeling under slowdown while the Middle East region continues to be affected by political upheavals. While these challenges have hampered growth and margins were under pressure due to inflationary environment, your Company has done well to maintain profitability of the international operations.

Despite all the macro pressures, the domestic consumer spending has remained fairly strong. Rural India has continued to grow on back of the trickle down effect of social sector spending and appreciation and liquidation of latent assets (land, gold etc). These coupled with buoyant agricultural production and increase in minimum support prices have kept the rural consumption strong. Going forward, rural India is expected to continue to provide the much needed support to growth. As the country goes to polls in 2014, with multiple state elections before that, policy makers are expected to support populist schemes and provide liquidity in the hands of voters. With inflation showing signs of easing and growth rates under pressure, RBI has signaled a movement towards soft policy by cutting Cash Reserve Ratio and interest rates. These developments point towards an optimistic outlook on domestic consumer demand in the medium term.

While consumer demand is expected to remain strong, business environment will be volatile and uncertain due to the global and domestic challenges discussed earlier. However, I am confident that your Company will prove its mettle in such a dynamic business environment as we have done in the past.

We have always anticipated changes and adapted ourselves to the environment without compromising on

our core values. Your Company has always believed and practiced high standards of professionalism, integrity and transparency and would continue to do so. It is these values which have shaped the character of your organization and helped in building wealth for all stakeholders.

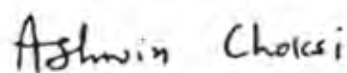
Your Company believes in growth with a human face and continues to remain committed towards various initiatives in the areas of Health Care, Environment and Education under our Corporate Social Responsibility (CSR) program.

For the first time, the founding families of your Company decided to place your Company in the hands of a professional manager by appointing Shri P M Murty its Managing Director & CEO in 2009. I am happy to state that your Company has done really well under his leadership in these last three years as we continued on our journey to deliver growth and create long term value for the shareholders. The Consolidated Net Revenue from Operations have grown from ₹ 5463 crores in FY 2008-09 to ₹ 9632 crores in FY 2011-12 while the profits have grown from ₹ 398 crores to ₹ 989 crores. This demonstrates that family promoters and professionals working together can achieve good results for the shareholders. I take this opportunity to thank Shri P M Murty for his contribution to your Company over the last four decades. We wish him all the best for future and welcome our new Managing Director & CEO Shri K B S Anand. I am confident that your Company will scale new heights under his able leadership.

We have always benchmarked our internal controls and corporate governance practices with the best in the world. As we have continued to grow and develop our businesses, the corporate governance structure of your Company has only got stronger. This has led to a continued support for your Company from all stakeholders including our shareholders, business partners, customers and employees. Going ahead I am confident of this continued support, which I strongly believe to be behind the enviable position that we have achieved over the years.

Warm regards,

Yours sincerely,



Ashwin Choksi

highlights



Standalone

Net Revenue from Operations

Increased by 25.7% to ₹ 7964.2 crores

EBITDA

Increased by 21.2% to ₹ 1493.2 crores

Capacity Expansion

Expansion of Rohtak plant in Haryana by 50,000 KL per annum to 2,00,000 KL per annum

Dividend

The Board of Directors have recommended a final dividend of ₹ 30.5 per share
(Total Dividend for the Year will be ₹ 40 per share)

Group

Net Revenue from Operations

Increased by 24.7% to ₹ 9632.2 crores

EBITDA

Increased by 15.8% to ₹ 1616.2 crores

Consolidated Gross Revenue crosses ₹ 10,000 crores

ten year review (standalone)

(₹ in Crores except per share data, number of employees, number of shareholders and ratios)

RESULTS FOR THE FINANCIAL YEAR	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
REVENUE ACCOUNT										
Gross Revenue	9,064.3	7,202.0	5,753.5	5,003.4	4,062.8	3,360.7	2,777.4	2,338.8	2,025.9	1,806.7
Net Revenue from Operations [^]	7,964.2	6,336.1	5,134.1	4,278.7	3,426.5	2,827.0	2,324.3	1,958.8	1,698.8	1,537.3
Growth Rates (%)	25.7	23.4	20.0	24.9	21.2	21.6	18.7	15.3	10.5	12.1
Materials Cost	4,728.1	3,646.9	2,840.2	2,606.9	1,956.1	1,660.7	1,351.7	1,128.4	943.6	807.1
% to Net Revenue	59.4	57.6	55.3	60.9	57.1	58.7	58.2	57.6	55.5	52.5
Overheads	1,884.3	1,532.0	1,275.0	1,103.8	908.0	736.7	616.5	532.7	482.8	460.1
% to Net Revenue	23.7	24.2	24.8	25.8	26.5	26.1	26.5	27.2	28.4	29.9
Operating Profit (EBITDA)	1,493.2	1,232.2	1,153.7	619.4	615.2	464.3	386.8	325.1	291.4	280.4
Finance Costs	30.8	15.4	13.8	10.4	8.3	6.9	3.8	2.8	5.3	8.4
Depreciation	99.5	94.5	60.7	57.2	43.8	45.4	45.5	47.6	48.0	48.5
Profit Before Tax and Exceptional item	1,362.9	1,122.3	1,079.2	551.8	563.2	412.0	337.5	274.7	238.1	223.5
% to Net Revenue	17.1	17.7	21.0	12.9	16.4	14.6	14.5	14.0	14.0	14.5
Growth Rates (%)	21.4	4.0	95.6	(2.0)	36.7	22.1	22.9	15.4	6.6	23.9
Exceptional item	-	-	25.5	(5.9)	-	-	(33.6)	(4.2)	(6.8)	-
Profit Before Tax and after Exceptional item	1,362.9	1,122.3	1,104.7	545.9	563.2	412.0	303.9	270.5	231.3	223.5
% to Net Revenue	17.1	17.7	21.5	12.8	16.4	14.6	13.1	13.8	13.6	14.5
Profit After Tax	958.4	775.2	774.5	362.4	375.2	272.0	186.8	173.5	147.8	142.0
Return on average capital employed (ROCE) (%)	59.3	62.1	78.2	51.3	60.5	52.9	49.7	44.0	41.2	42.1
Return on average net worth (RONW) (%)	42.9	43.9	58.4	35.8	44.9	39.8	31.3	31.4	29.3	32.0
CAPITAL ACCOUNT										
Share Capital	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	64.2
Reserves and Surplus	2,391.9	1,879.4	1,461.3	998.6	832.6	648.2	526.4	476.3	435.6	412.4
Deferred Tax Liability (Net)	80.8	75.5	47.9	47.9	31.5	22.1	28.5	30.5	48.7	58.2
Borrowings	168.2	65.7	68.6	74.5	94.7	125.7	91.1	88.2	70.5	103.6
Fixed Assets	1,611.9	1,096.9	1,088.2	711.8	539.2	346.5	324.7	319.5	344.4	366.2
Investments@	913.8	1,034.8	703.7	234.8	422.9	334.4	274.6	258.4	242.5	147.7
Debt-Equity Ratio	0.07:1	0.03:1	0.04:1	0.07:1	0.09:1	0.17:1	0.15:1	0.15:1	0.13:1	0.22:1
Market Capitalisation as at 31 st March	31,056	24,238	19,593	7,539	11,510	7,336	6,178	3,751	2,914	2,119
PER SHARE DATA										
Earnings Per Share (₹)	99.9	80.8	*80.7	*37.8	39.1	28.4	*19.5	*18.1	*15.4	*14.8
Dividend (%)	400.0	320.0	270.0	175.0	170.0	130.0	125.0	95.0	**85.0	110.0
Book Value (₹)	259.4	205.9	162.3	114.1	96.8	77.6	64.9	59.7	**55.4	74.3
OTHER INFORMATION										
Number of Employees	4,937	4,640	4,382	4,260	3,924	3,868	3,681	3,550	3,356	3,327
Number of Shareholders	60,537	59,280	48,290	49,074	47,573	49,032	48,820	49,739	53,797	51,457

* EPS calculated on Net Profit after exceptional item

EPS is calculated after adjusting for Bonus issue and the reduction of capital on account of merger of Pentasia Investments Limited in accordance with Accounting Standard (AS 20) - Earnings Per Share

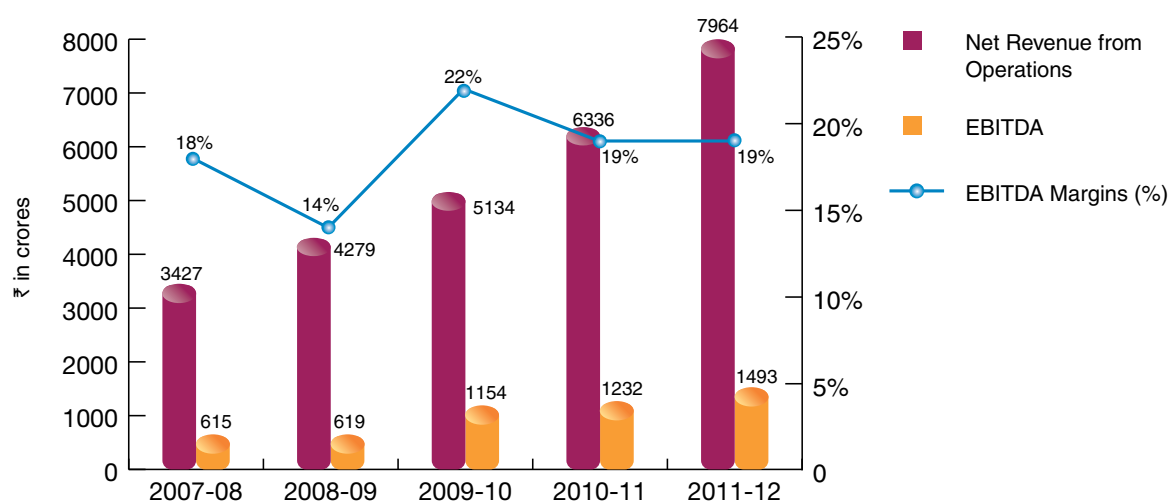
** On increased Capital.

@ Includes Investments in Liquid Mutual Funds which is part of cash and cash equivalents.

^ Figures have been regrouped as per Revised Schedule VI to the Companies Act, 1956.

performance highlights - standalone

Net Revenue from Operations, EBITDA & EBITDA Margins (%)



Profit Before Tax & Profit After Tax

