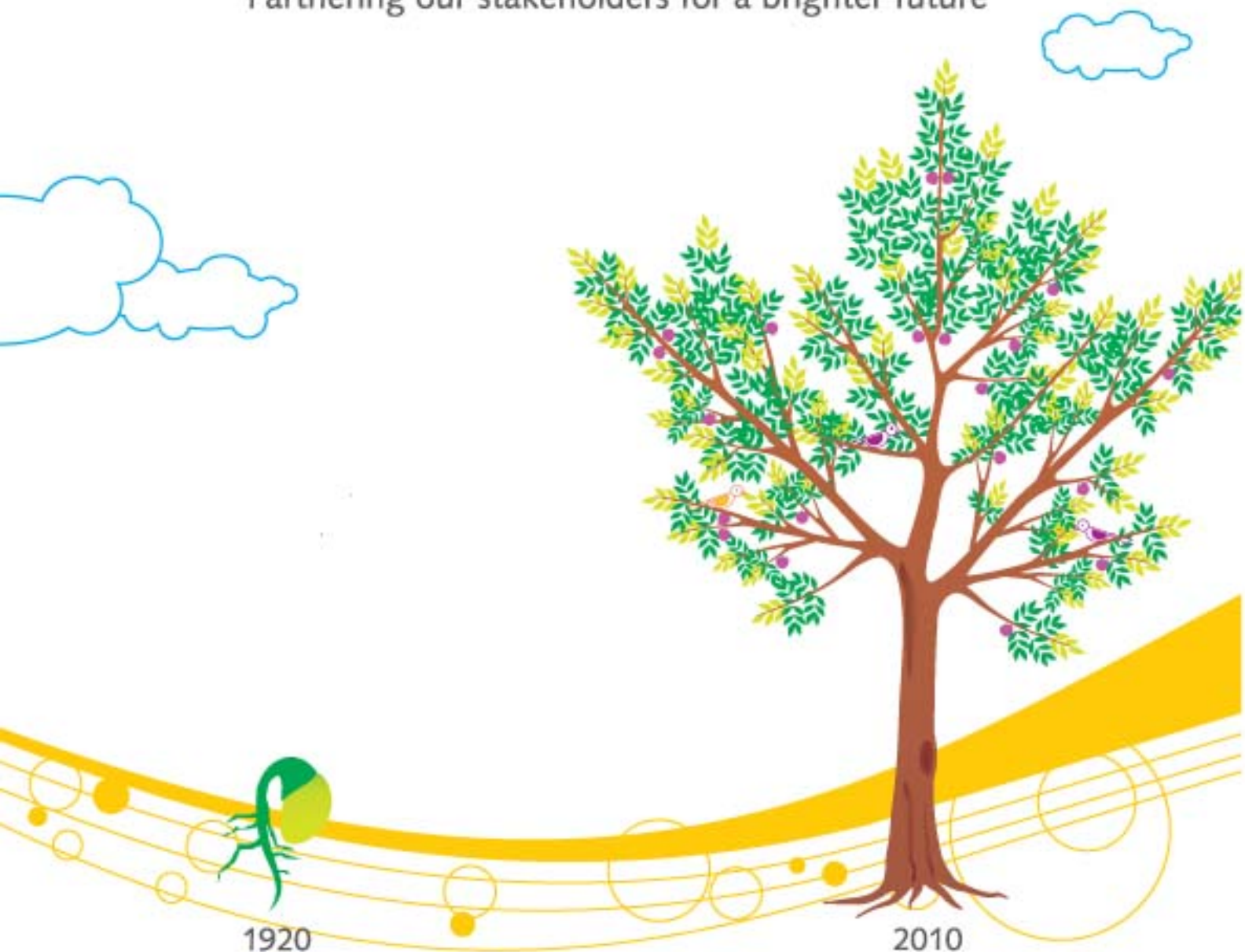




90 years: A growth story.

Partnering our stakeholders for a brighter future



 **KANSAI NEROLAC PAINTS LIMITED**

90TH ANNUAL REPORT 2010

One word remains inseparable from business: Growth!

KNP over the last 9 decades.....

Kansai Nerolac Paints began its journey in the paint industry as Gahagan Paints and Varnish Co. Ltd. in 1920. In 1968 it became a public limited company as Goodlass Nerolac Paints Ltd. In 1983, it entered into a technical collaboration with Kansai Paints Japan. Kansai Paints subsequently acquired an equity stake in 1986. In 1999, Kansai paints, Japan acquired a majority stake in Goodlass Nerolac Paints Ltd. In 2006, it changed its name to Kansai Nerolac Paints Ltd.

Today, Kansai Nerolac is a subsidiary of Kansai Paints Ltd., Japan with a turnover of over 1972 crores. Over the last 9 decades, due to the valuable contribution and faith of all stakeholders, the company has grown from strength to strength and from a single location unit at Lower Parel, Mumbai to 5 state of the art manufacturing facilities spread over India and around 70 Sales Offices and Depots. It does cutting edge research as it has a state of the art R&D facility at its HO at Mumbai. Over the years customers, consumers and trade partners have recognized the Nerolac brand as being a trusted brand of choice.

Kansai Nerolac is India's second largest paint company and a leader in the Industrial Coating segment. It was the first company in the paint industry to offer customers a complete system of paints. Over the years it has worked hard to repose the faith and trust of its customers by bringing to the Indian market world class coating solutions and products to meet the needs of the consumer both in the Industrial and Decorative segment. Some of the notable contributions are bringing sophisticated Automotive Coatings to India in the 80's, the system for bumper painting in the 90's, and in this decade products like 3C-1B system for Automotive paints, Acrylic CED, lead free decorative paints. It has also pioneered numerous value addition initiatives at various customer lines in the form of paint consumption and overall saving to customers over the years.

Kansai Nerolac takes great pride in being a professional organization. It has consistently made a number of strategic investments over the years in people, processes, facilities and systems which ensures that company retains its leadership position in the future also. These have helped KNP in being a profitable company over the years. Recognizing the power of Information Technology, KNP has taken many pioneering initiatives of using IT as a key differentiator along with its product technology to offer significant value to its customers. It is known for its transparency and trust in creating long standing and fruitful partnerships with its vendors and suppliers. It has now embarked on an Industry changing initiative to change the retail experience and make consumers involved in the buying process through the opening of Impressions Style Zone and Nerolac Color Stylers in India.

Kansai has always believed in giving back to society and its stakeholders. It has consistently rewarded its shareholders with good dividends over the years. It has undertaken innovative programmes to create value and a long lasting relationship with key influencers like painters, contractors and architects. It also considers itself as a responsible corporate citizen and has taken a number of pro-active initiatives in the areas of Environment and Social Responsibility.

The efforts of Kansai Nerolac has been recognized over the years in the form of numerous awards like The Best managed company and in the field of corporate Governance, IT, advertising, R&D, Products, customer Awards amongst others.

As we enter the next decade of our existence, we are confident, that in partnership with our stakeholders we will continue on the path of growth and make a difference.



DIRECTORS

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

COMPANY SECRETARY

G.T. GOVINDARAJAN

BANKERS

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

AUDITORS

B S R & CO., MUMBAI

SOLICITORS

KANGA & CO., MUMBAI

REGISTERED OFFICE

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

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KEY HIGHLIGHTS OF THE YEAR

- Nerolac Excel Total wins Product of the year Award'09
- Golden Peacock innovative Product / Service Award
- Frost & Sullivan's 'Silver Certificate Merit Award' for Jainpur Plant



KANSAI NEROLAC PAINTS LIMITED

NOTICE

NOTICE is hereby given that the Ninetieth Annual General Meeting of the Shareholders of KANSAI NEROLAC PAINTS LIMITED will be held at the Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai - 400 020 on Thursday, 17th June, 2010 at 3.30 p.m. (S.T.) to transact the following business:

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. D. M. Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. M. Datta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. P. P. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Yoshikazu Takahashi, who was appointed as an Additional Director of the Company pursuant to Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some Shareholders proposing his candidature for the office of Director.
7. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to authorise the Audit Committee to fix their remuneration.

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

Dated: 3rd May, 2010

For and on behalf of the Board

J. J. IRANI
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The instrument appointing a proxy, in order to be effective, must be duly filled, stamped and signed and must reach the Company at its registered office not less than forty-eight hours before the commencement of the meeting.
2. An explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Item No.6 of the Notice is annexed hereto.

Annexure to Notice

Explanatory statement under Section 173 of the Companies Act, 1956

Item No. 6

Mr. Yoshikazu Takahashi was appointed as an Additional Director of the Company on 26th March, 2010. Pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 113 of the Articles of Association of the Company, Mr. Takahashi holds office only upto the date of the forthcoming Annual General Meeting.

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

Mr. Takahashi, aged 57, is a graduate from Hitotsubashi University and has expertise in the field of Automotive Business Marketing, Dealer Development, Logistics, Corporate Strategy and Planning and General Administration. Mr. Takahashi has had a varied experience working abroad in a number of countries. He joined Kansai Paint Co. Ltd., Japan at the Osaka Head Office in February 2009 and is Senior Manager at their International Business Division. The services of Mr. Takahashi will be very useful to the Company. The Directors, therefore, recommend that he be appointed as a Director of the Company.

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

Mr. H. Ishino and Mr. Y. Tajiri, Directors of the Company, are nominees of Kansai Paint Co. Ltd., Japan and accordingly, may be deemed to be concerned or interested in the Resolution at Item No.6 of the Notice. None of the other Directors' is in anyway concerned or interested in the Resolution.

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

Name of Director seeking appointment/ re-appointment	Shares held as on 31.3.2010 (Own or held by/ for other persons on a beneficial basis)
(1) Mr. D.M. Kothari	1485
(2) Mr. S.M. Datta	Nil
(3) Mr. P.P. Shah	Nil
(4) Mr. Y. Takahashi	Nil*

* Mr. Y. Takahashi is a Nominee of Kansai Paint Co. Ltd., Japan, the promoter Company. He does not hold any share in his personal capacity.

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

Dated: 3rd May, 2010

For and on behalf of the Board

J. J. IRANI
Chairman

Directors' Report

Dear Members,

Your Directors' are pleased to present the 90th Annual Report and the Audited Accounts for the year ended 31st March, 2010.

1. Financial Highlights

	1st April, 2009 to 31st March, 2010 Rs. in lacs	1st April, 2008 to 31st March, 2009 Rs. in lacs
Gross Sales.....	197170.53	166373.85
Net Sales/ Income from operations (Net of excise and discounts)	170638.36	137451.92
Other Income.....	2038.21	2219.50
Profit before Interest, Depreciation, Tax and Appropriation.....	28406.91	17963.20
Interest.....	119.99	183.80
Depreciation.....	4425.98	3760.50
Profit Before Tax.....	23860.94	14018.90
Tax.....	7310.89	4160.00
Profit After Tax.....	16550.05	9858.90
Balance brought forward from previous year	27143.88	22053.93
Balance available for appropriations.....	<u>43693.93</u>	<u>31912.83</u>
Appropriations:		
Proposed Dividend.....	4041.89	3233.52
Tax on Proposed Dividend.....	671.31	549.54
General Reserve.....	1660.00	985.89
Balance retained in Profit and Loss Account.....	<u>37320.73</u>	<u>27143.88</u>
	<u>43693.93</u>	<u>31912.83</u>



2. Dividend

The Directors' recommend for consideration of the Members a dividend of Rs. 15.00 (150%) per equity share of the nominal value of Rs. 10 each for the year ended 31st March, 2010 as against Rs. 12.00 per equity share (120%) paid last year.

3. Bonus Shares

The Directors' have recommended, subject to the approval of the Shareholders and such other approvals as may be required, an issue of Bonus Shares in the proportion of one New Equity Share for every one Equity Share held on a Record Date to be advised later. The approval of the Shareholders for the proposed issue of Bonus Shares is being sought by means of postal ballot.

4. New manufacturing facility at Hosur

During the last quarter of the year, commercial production commenced at the Company's green-field state-of-the-art paint manufacturing facility at Hosur.



Hosur manufacturing facility



5. Management Discussion & Analysis

(A) About the Company



Kansai Nerolac Paints Ltd. (KNPL), a subsidiary of Kansai Paint, Japan was established in the year 1920. It is the second largest coating company in India and the market leader in Industrial Coatings. In the 90th year in the paint business, Nerolac is a well known brand with a strong recall proposition.

The journey through these 9 decades has been momentous for KNPL. From its humble beginnings in 1920, it has grown to be a leader in the Paint Industry thanks to the support and patronage of its shareholders, customers, vendors and employees.

Over the last 9 decades, KNPL has been a front runner in the paint industry bringing in numerous innovations and technologies to the Indian market that have added significant value to its esteemed customers and has also ensured technology leadership within the Industry. KNPL has numerous firsts to its credit, like the introduction of Automotive Coatings in India, introduction of bumper coatings for the automotive industry as well as numerous innovations in automotive coatings which have contributed to the aesthetic appeal and technology offering to consumers. In decorative also Nerolac has often taken the lead in bringing new consumer products and concepts to the market over the years.

KNPL operates through 69 sales locations and 5 factories. KNPL's manufacturing operations are spread across India at state of the art factories located in Bawal in Haryana, Lote in Maharashtra, Jainpur in UP, Chennai