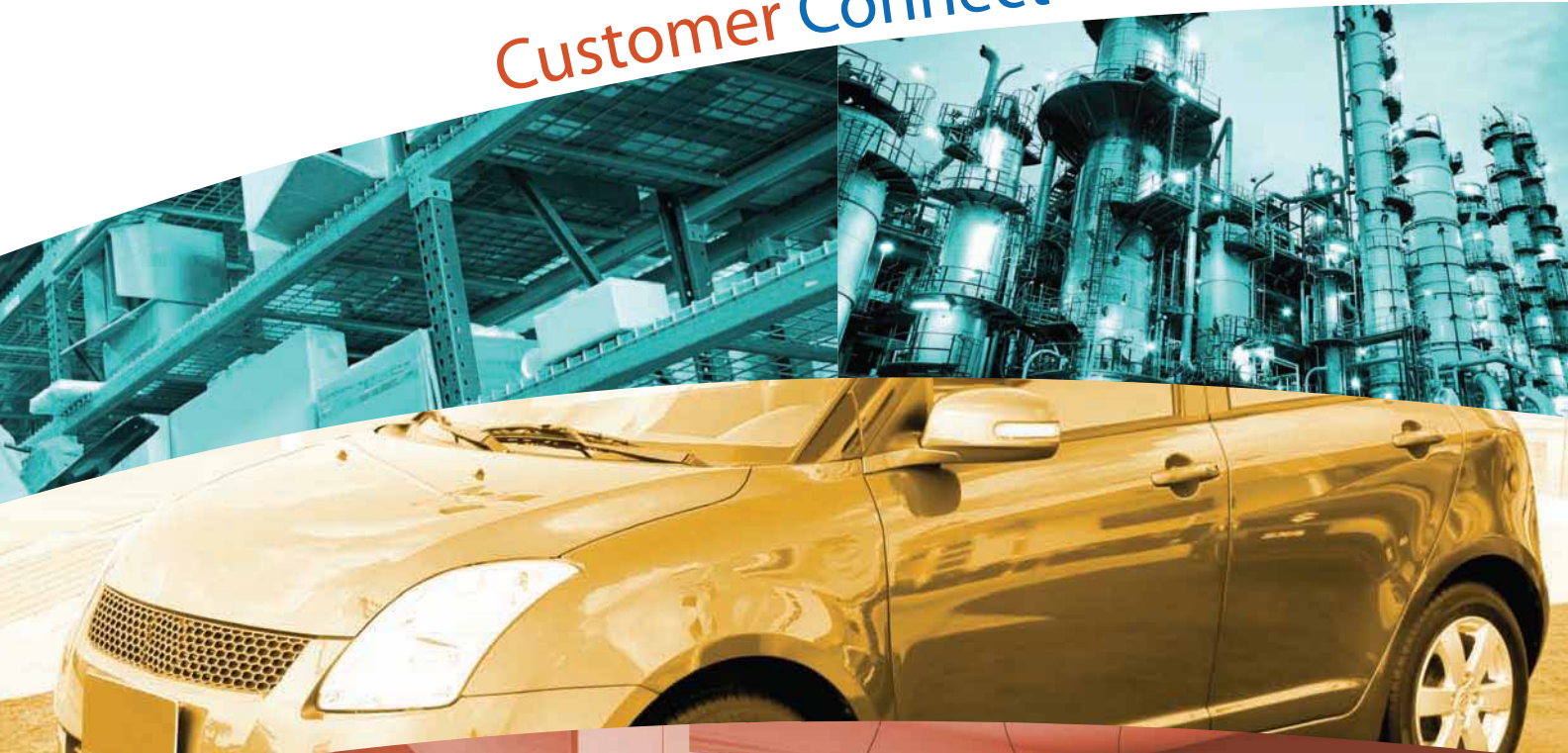


Customer Connect



**24 Hr
Call Centre**



CRM





CUSTOMER CONNECT

Since its inception, Kansai Nerolac Paints Ltd (KNPL) has always been a customer centric organisation. From providing vibrant colours for beautification to being a trusted business partner who provides products of unsurpassed quality adding value to its customers the commitment has remained consistent. KNPL has always considered the customer at the heart and core of its operations. KNPL believes that the success and growth, that it has achieved over the years has been possible only because of the customer connect.

Over the years with advancements in technology new frontiers have been opened. KNPL has believed in leveraging this technology to find new ways of satisfying the customer needs captured through the "voice of the customer" to develop new and innovative products for its customers. It was through feedback of our valuable customers that KNPL could pioneer award winning low-VOC, lead free paints or energy saving solutions for its customers.

The advancements in Information Technology along with the Internet and Mobile have opened new avenues to deepen this connect with customers and consumers. Keeping with the times marketing has moved to newer platforms from the traditional print and television communication.

KNPL has been at the forefront in leveraging the power of Information Technology as a tool to deepen the impact towards its customer. Over the years technologies like ERP, Analytics, Business Communication Manager, CRM, Supply Chain optimization, Warehouse management amongst many such technologies have helped KNPL become more efficient and effective, all for the delight of our customers.

Through the active use of Facebook, Twitter and Pinterest, KNP has found new ways of having dialogues with its customers and consumers at large. Active use of CRM has helped provide a 360 degree view of the customer within the organization besides helping the organization find new channels to offer service to the customer. The call center operations using the Business Communication Manager has helped the customer have a greater access to the organization beyond the salesperson.

Hence, the theme for this year's annual report "Customer Connect".



DIRECTORS

Dr J. J. IRANI (CHAIRMAN)
D. M. KOTHARI (VICE CHAIRMAN)
H. M. BHARUKA (MANAGING DIRECTOR)
H. ISHINO
P. P. SHAH
N. N. TATA
P. D. CHAUDHARI (WHOLETIME DIRECTOR)
Y. TAKAHASHI
H. NISHIBAYASHI
M. TANAKA

COMPANY SECRETARY

G. T. GOVINDARAJAN

BANKERS

- UNION BANK OF INDIA
- STANDARD CHARTERED BANK
- 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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NOTICE

NOTICE is hereby given that the Ninety-third Annual General Meeting of the Shareholders of KANSAI NEROLAC PAINTS LIMITED will be held at the Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020 on Tuesday, 18th June, 2013, at 3.30 p.m. (S.T.) to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013 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. P. P. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. N. Tata, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Y. Takahashi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Masaru Tanaka, 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 notices 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.

Special Business:

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

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. H.M. Bharuka as the Managing Director of the Company for a period of five years commencing from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Bharuka placed before this meeting and initialled by the Chairman for the purpose of identification.

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

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

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. P. D. Chaudhari as a Whole-time Director of the Company for a period of five years commencing from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Chaudhari placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter



into an Agreement on behalf of the Company with Mr. Chaudhari, in terms of the aforesaid draft Agreement."

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

"RESOLVED that pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the payment of commission to the Non-Executive Directors of the Company, being Directors other than the Managing Director and Wholetime Director(s), not exceeding in the aggregate one percent per annum, or such other limit as may be prescribed under the Companies Act, 1956, of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956, for each of the five financial years of the Company commencing from 1st April, 2013, the quantum, proportion and manner of such payment and

distribution to be as the Board of Directors may from time to time determine."

For and on behalf of the Board

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

J.J. IRANI
Chairman

Dated: 4th May, 2013

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Items No. 6, 8, 9 and 10 is annexed hereto.



Annexure to Notice

Explanatory statement under Section 173 of the Companies Act, 1956

Item No. 6

Mr. Masaru Tanaka was appointed as an Additional Director of the Company on 4th May, 2013. Pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 113 of the Articles of Association of the Company, Mr. Tanaka holds office only upto the date of the forthcoming Annual General Meeting.

Notices in writing have been received from some Shareholders of the Company, pursuant to Section 257 of the Act, signifying their intention to propose Mr. Tanaka 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 ₹ 500 with the Company which shall be refunded if Mr. Tanaka is elected as a Director.

Mr. Tanaka, aged 56 years – is the Managing Executive Officer of Kansai Paint Co. Ltd., Japan. Mr. Tanaka graduated from the Department of Applied Chemistry, Department of Engineering, Doshisha University, Japan. The services of Mr. Tanaka will be very useful to the Company. The Directors, therefore, recommend that he be appointed as a Director of the Company.

Mr. Tanaka is interested in the resolution at Item No. 6 of the accompanying Notice since it relates to his own appointment. Mr. H. Ishino, Mr. Y. Takahashi and Mr. H. Nishibayashi are nominees of Kansai Paint Co. Ltd., Japan and accordingly, may be deemed to be concerned or interested in the Resolution. None of the other Directors is in anyway concerned or interested in the Resolution.

Item No. 8

At the 88th Annual General Meeting of the Company held on 24th June, 2008, the Shareholders had approved the appointment of Mr. H. M. Bharuka as the Managing Director of the Company for a period of five years commencing from 1st April, 2008 and ending on 31st March, 2013 (both days inclusive).

The Board of Directors of the Company has, on 22nd March, 2013, re-appointed Mr. Bharuka as the Managing Director of the Company for a period of five years commencing

from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive) on the revised remuneration and perquisites to be paid or granted to him as set out in the draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No. 8 of the Notice. The Board of Directors has considered it necessary to revise the terms of remuneration and perquisites payable to Mr. Bharuka from 1st April, 2013, in view of the commendable performance of the Company during the tenure of Mr. Bharuka as the Managing Director of the Company.

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

The re-appointment of Mr. Bharuka as the Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Sections 198, 269 and 309 of the Companies Act, 1956. Hence the Resolution at Item No. 8 of the Notice.

Mr. Bharuka, aged 52, B.Com., A.I.C.W.A., with a varied experience of around 33 years, joined the Company on 1st October, 1985. Mr. Bharuka was appointed on the Board of Directors on 1st April, 1999, and was Deputy Managing Director, prior to his appointment as the Managing Director from April 1, 2001. He is now being re-appointed as the Managing Director for a period of five years commencing from 1st April, 2013 upto 31st March, 2018 (both days inclusive).

The material terms of the draft Agreement referred to in the Resolution at Item No. 8 are as follows:

1. The re-appointment of Mr. Bharuka as the Managing Director of the Company shall be for a period of five years commencing from 1st April, 2013, and ending on 31st March, 2018 (both days inclusive), subject to the same being previously determined as provided for in the Agreement.
2. Mr. Bharuka's position and designation shall be Managing Director.



3. Mr. Bharuka shall have the day-to-day management of the Company, subject to the superintendence, control and direction of the Board of Directors.
4. Mr. Bharuka shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company and conform to and comply with the directions and regulations of the Company and all such orders and directions as may from time to time be given by the Board of Directors of the Company.
5. Mr. Bharuka shall not have the powers to make calls on shares and to issue debentures.
6. Mr. Bharuka shall have the following powers, subject to the prior sanction of, and such restriction imposed by the Board:
 - (a) To invest the funds of the Company in Government Securities, Municipal bonds and bonds issued by statutory corporations and public authorities, whether Indian or foreign, debentures, preference shares and equity shares of any private, public and/or Government Companies registered in India or elsewhere; call deposits or fixed deposits with companies, banks and other institutions;
 - (b) To borrow money otherwise than on debentures for the purpose of the business of the Company;
 - (c) To accept call deposits and/or fixed deposits;
 - (d) To sell any of the assets or investments of the Company;
 - (e) To purchase assets for the Company;
 - (f) To appoint or engage staff and terminate their employment.
7. Remuneration: Mr. Bharuka shall be entitled to the following emoluments, benefits, perquisites, subject to the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956:
 - (a) Salary: ₹ 6,50,000 per month. Increments, subject to the limit laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956, will be decided upon from time to time by the Board each year and will be merit based and take into account the Company's performance.
 - (b) Commission: Subject to the overall ceiling in Section 198 and Section 309 of the Companies

Act, 1956, Mr. Bharuka will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.

- (c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
- (d) Leave Travel Allowance: 10% of annual salary.
- (e) Other Perquisites and Allowances:
 - (i) Mr. Bharuka shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.
 - (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.
 - (iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's contribution to Superannuation Fund shall be at 15% of Salary.

Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company, encashment of leave during the term of employment in accordance with the rules of the Company and/or at the end of the tenure, reimbursement of expenses incurred for travelling, boarding and lodging including for the spouse during business trips, provision for use of the Company's car for official duties and for personal purpose, provision of telephone at residence (including payment for local calls and long distance official calls), payment of club membership fees for the Company's business, reimbursement of medical expenses, reimbursement of telephone, internet



and petrol expenses, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

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

8. Mr. Bharuka shall not be paid any sitting fees for attending the meetings of the Board of Directors or committees thereof.
9. Mr. Bharuka shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of Company's business.
10. Mr. Bharuka will be granted Privilege leave, Sick leave and Casual leave in accordance with the rules and regulations of the Company.
11. Mr. Bharuka shall not for the period of 5 (five) years from the date of re-appointment, whether the employment runs through the full period of five years from the date of re-appointment or is terminated by the Company or Mr. Bharuka anytime during the term of this Agreement for whatever reason, directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company or do any deed, matter or thing so as to solicit the custom of the clients of the Company or offer to provide any services to such clients otherwise than through the Company. It shall however be permissible for Mr. Bharuka, with the previous written sanction of the Board to hold any directorship/s or share/s of any other company or companies and the holding of such permitted directorships or shares shall not be deemed a contravention of this clause.
12. Mr. Bharuka shall not, so long as he functions as the Managing Director of the Company, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government.

13. Mr. Bharuka shall not during the term of this Agreement and for all times thereafter, divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
14. Mr. Bharuka's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be Director of the Company.
15. In the event there is no breach of the terms of the Agreement by Mr. Bharuka, but the Company exercises its discretion to terminate his services during the term of this Agreement, without assigning any reason therefor, then and in that event, Mr. Bharuka shall be paid a compensation, in accordance with Section 318 of the Companies Act, 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.

During the tenure of Mr. Bharuka with the Company, the Company has achieved substantial growth in turnover and profitability. Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Bharuka as the Managing Director of the Company.

The draft Agreement between the Company and Mr. Bharuka referred to in the Resolution will be open for inspection by the Shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturday.

The above Explanatory Statement concerning the re-appointment of Mr. Bharuka as the Managing Director may be treated as an abstract of the terms of the draft Agreement and the memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Board commends the Resolution for acceptance by the Shareholders.



Mr. Bharuka is interested in the Resolution since it relates to his own appointment. None of the other Directors of the Company is in anyway concerned or interested in the Resolution.

Item No. 9

At the 88th Annual General Meeting of the Company held on 24th June, 2008, the Shareholders had approved the appointment of Mr. P. D. Chaudhari as a Wholtime Director of the Company for a period of five years commencing from 1st May, 2008 and ending on 31st March, 2013 (both days inclusive).

The Board of Directors of the Company has, on 22nd March, 2013, re-appointed Mr. Chaudhari as a Wholtime Director of the Company for a period of five years commencing from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive) on the revised remuneration and perquisites to be paid or granted to him as set out in the draft Agreement between the Company and Mr. Chaudhari referred to in the Resolution at Item No. 9 of the Notice. The Board of Directors has considered it necessary to revise the terms of remuneration and perquisites payable to Mr. Chaudhari from 1st April, 2013, in view of the commendable performance of Mr. Chaudhari during his tenure as a Wholtime Director of the Company.

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

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

Mr. Chaudhari, aged 44, B.E. (Production), MMS, joined the Company on 14th June, 1993 and was Director – Supply Chain, prior to his appointment on the Board as a Wholtime Director since 1st May, 2008.

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

1. The re-appointment of Mr. Chaudhari as a Wholtime Director of the Company shall be for the period commencing from 1st April, 2013 and ending on 31st March, 2018 (both days inclusive), subject to the same being previously determined as provided for in the Agreement.
2. Mr. Chaudhari shall be primarily responsible for and be in charge of Supply Chain and Auto Marketing functions of the Company and shall exercise such powers and perform such duties as may be entrusted to him by the Managing Director and/or the Board of Directors of the Company.
3. Mr. Chaudhari shall report to the Managing Director and shall be responsible for his actions to the Board as well as to the Managing Director. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Chaudhari.
4. Mr. Chaudhari shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavors to promote the interest and welfare of the Company.
5. Remuneration: Mr. Chaudhari shall be entitled to the following emoluments, benefits, perquisites, subject to the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956:
 - (a) Salary: ₹ 2,60,000 per month. Increments, subject to the limit laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956, will be decided upon from time to time by the Board each year and will be merit based and take into account the Company's performance.
 - (b) Commission: Subject to the overall ceiling in Section 198 and Section 309 of the Companies Act, 1956, Mr. Chaudhari will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance: 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance: 10% of annual salary.

