KANSAI NEROLAC PAINTS LIMITED

94th Annual Report 2014



Customer Engagement

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CUSTOMER ENGAGEMENT

Taking forward last year's theme of customer connect, this year, the focus of the Company was to leverage and convert this connect established with its customers and Influencers into a deeper customer engagement.

In addition, the Company started commercial supplies from Phase 2 of its new state of the art Hosur factory. This facility has now been approved by most Industrial customers; with this, supplies have commenced for Automotive, Performance Coatings and Powder coatings customers. The Company has also strengthened its R&D facility at its plants by opening another satellite R&D facility at its Hosur plant. All these have helped the Company engage even more strongly with its Industrial customers.

For the Auto refinish customers, the Company commissioned a state-of-the-art training centre at Bawal, Haryana for imparting training on correct usage and application of the KNPL Refinish range.

The Company continued its strategic investments in Information Technology (IT) and use of the same for better service for its customers. The Company continued to leverage the various IT solutions that it has to offer customers more and up to date information through its CRM (Customer Relationship Management) and call centre facilities. The sales team was equipped with better quality of information through analytical tools and dashboards so that they can have a meaningful discussion with the customer. The CRM software is being upgraded to the latest Customer 360 version which will help the Company be future ready and more engaged with its customers and Influencers.

Through regular customer feedback and interaction, the Company strengthened its Depot operations and Logistics with a view to improve Customer service. Transparency and speed was built into the development pipeline and problem resolution process so that the customer gets updated information. The call centre initiative started last year was consolidated.

Painter Loyalty program called Nerolac Preferred Painter (NPP) was further strengthened and in addition a dedicated call centre was set up for Influencers like painters. To engage with Influencers like Architects the Company has launched a program called Archedge.

The Company also engaged with consumers through a host of Digital initiatives over social media platforms like Facebook, YouTube amongst others. KNPL has also leveraged crowd sourcing to get consumer ideas on creation of radio advertisement. With initiatives like these KNPL tries to bring involvement of consumers in the product and brand. In addition, the Company also launched many initiatives like Paint smart workshop, nHance Mobile App and a Welcome Home DVD amongst others.

In order to ensure that its sales force remains aligned and engaged with the customer, the Company has also made huge investments in training and competence building of its sales team through a range of training and development programs.

All these are investments which the Company believes will help keep it engaged with its current and future customers.

DIRECTORS

Dr J. J. IRANI	(Chairman)
D. M. KOTHARI	(Vice Chairman)
H. M. BHARUKA	(Managing Director)
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. 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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KANSAI NEROLAC PAINTS LIMITED

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

NOTICE

NOTICE is hereby given that the Ninety-fourth Annual General Meeting of KANSAI NEROLAC PAINTS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Kala Ghoda, Mumbai 400 001 on Friday, 20th June, 2014 at 3.00 p.m. (S.T.) 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, 2014 including audited Balance Sheet as at 31st March, 2014 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.

3. 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 Section 152 and other applicable provisions, if any, of the Companies Act, 2013, the vacancy caused by the retiring Director, Dr. J. J. Irani (holding DIN 00311104), who has not sought re-appointment, be not filled in at this meeting or at any adjournment thereof."

4. To appoint a Director in place of Mr. H. Nishibayashi (holding DIN 03169150), 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 subject to ratification by the Shareholders at every Annual General Meeting, B S R & Co. LLP, Chartered Accountants (Registration No. 101248W) be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this 94th Annual General Meeting until the conclusion of the 99th Annual General Meeting of the Company and that their remuneration be fixed by the Audit Committee".

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

   "RESOLVED that in accordance with the provisions of Section 148 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the remuneration of the Cost Auditor, N. I. Mehta & Co., Cost Accountants, for the year ending 31st March, 2015, be and is hereby determined as recommended by the Audit Committee and approved by the Board of Directors."

SPECIAL BUSINESS:

7. 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 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. D. M. Kothari (holding DIN 00516431), Director of the Company who retires by rotation at the Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years from the date of this Annual General Meeting."

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2014

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. A person can act as proxy on behalf of members not exceeding fifty 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 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. The Board of Directors has recommended for consideration of the Members a dividend of ₹ 11 (110 %) per equity share of the nominal value of ₹ 10 each for the year ended 31st March, 2014.

3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to Items No. 3, 5, 6 and 7 is annexed hereto.

4. The Register of Members and the Share Transfer books of the Company will remain closed from Friday, 13th June, 2014, to Thursday, 19th June, 2014 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

5. 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 94th 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 e-mail 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. For members who have not registered their e-mail address, physical copies of the Annual Report are being sent in the permitted mode.

6. The shareholders who are holding shares in demat form and have not yet registered their e-mail IDs, are requested to register their e-mail IDs with their Depository Participant 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 IDs to the RTA sending an e-mail at sharepro@shareproservices.com. The Annual Report of the Company would also be made available on the Company's website www.nerolac.com.

7. **E-Voting:**

   In compliance with Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its Shareholders with facility to exercise their right to vote at the 94th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

   The Company has signed an agreement with CDSL for facilitating e-voting to enable the Shareholders to cast their vote electronically.

   Process for E-Voting –

   i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com

   ii) Now, click on **"Shareholders"** tab to cast your votes.

   iii) Select the Electronic Voting Sequence Number "EVSN" along with **"Kansai Nerolac Paints Limited"** from the drop down menu and click on "SUBMIT" for voting.

   iv) Now, fill up the following details in the appropriate boxes:

User – ID	For shareholders holding shares in Demat Form: (a) For NSDL: 8 Character DP ID followed by 8 Digits Client ID (b) For CDSL: 16 digits beneficiary ID For Shareholders holding shares in Physical Form: Folio Number registered with the Company.
Password*	(1) For shareholders receiving Annual Report through e-mail, Password along with EVSN and User ID will be provided by CDSL for e-voting purpose. (2) For shareholders receiving physical copies of Annual Report, the Password along with EVSN and User ID is mentioned in the Admission Slip.
PAN**	Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department.

   * If you are holding shares in Demat form and had logged on to www.evotingindia.com and have

cast your vote earlier for EVSN of any company, then your existing User Id and Password are to be used.

** Shareholders who have not updated their PAN with the Company/Depository Participants are requested to use Default Character as mentioned below. After entering these details appropriately, click on "SUBMIT".

Default Character: **NEROLAC123** (for Shareholders not having PAN).

v) Shareholders holding shares in physical form will have to use the User ID, Password and PAN/ Default character to vote on resolutions for a particular EVSN only and would be taken directly to the voting screen.

vi) After logging in, Demat shareholders will have to mandatorily change their password. The new password has to be eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character like **@, # , $, % , ^ , & , *.** This password can be used by Demat holders for all future voting on resolutions of companies in which they are eligible for vote, provided that the company has opted 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. Physical shareholders will be provided with a fresh password for every e-voting.

vii) You can also update your mobile no. and email id in the user profile details of the folio which may be used for sending communication(s) regarding e-voting system in future. The same may be used in case the member forgets the password and it needs to be reset.

viii) Now you are ready for e-voting as Cast Vote page opens.

ix) On the voting page, you will see Resolution Description with the options of `YES/NO' for voting for each of the resolution. Enter the number of shares (which represents number of votes) under YES/NO. The total number of votes in YES and NO taken together should not exceed the total shareholding. A member need not use all his/her votes.

x) Security holders can also view the e-voting Notice and Resolution details by clicking on the Resolution File Link.

xi) Cast your vote by selecting appropriate option and click on "SUBMIT" and also "CONFIRM" when prompted.

xii) Once you have voted on the resolution, you will not be allowed to modify your vote.

xiii) In case you have any queries or issues regarding e-voting, please contact the Company or Registrar & Share Transfer Agent or send mail to helpdesk.evoting@cdslindia.com or investor@nerolac.com

xiv) Voting can be exercised only by the shareholder or his/her duly constituted attorney or, in case of bodies corporate, the duly authorized person.

xv) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPEG format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote through e-mail at chokshiragini@gmail.com with a copy marked to helpdesk.evoting@cdslindia.com without which the vote shall not be treated as valid. The relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) should be mailed before the voting period ends.

xvi) **E-voting period will commence from Saturday, 14th June, 2014 at 10:01 hrs. and will end on Monday, 16th June, 2014 at 18:00 hrs. During this period shareholders of the Company, holding shares either in physical form or in dematerialised form as on the cutoff date of 16th May, 2014, may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter.**

xvii) Mrs. Ragini Chokshi, Partner of Ragini Chokshi & Co., Practicing Company Secretary, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner. The Scrutinizer shall within a period not exceeding 3 (three) working days from the conclusion of the e-voting period unblock the votes in the presence of at least 2 (two) witnesses not in the employment of the Company and make a Scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

xviii) The Results shall be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's report shall be placed on the Company's website www.nerolac.com and on the website of CDSL within 2(two) working days of the passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.

Annexure to Notice

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

ITEM NO. 3

Dr. J. J. Irani retires by rotation at this Annual General Meeting and is eligible for re-appointment. However he has informed the Board that he does not seek re-appointment. The Board does not propose to fill the vacancy at this meeting or any adjournment thereof.

Hence, as required under Section 152 of the Companies Act, 2013, resolution at item no. 3 is proposed not to fill up the vacancy caused by the retirement of Dr. J. J. Irani.

Dr. J. J. Irani joined the Board of Directors on 29th October, 2002 and has been the Chairman of the Company since 16th July, 2003. The Board has placed on record its sincere appreciation and gratitude for the very valuable and outstanding contribution made by Dr. Irani during his association with the Company as a Director and then as the Chairman.

ITEM NO. 5

B S R & Co. LLP, Chartered Accountants (Registration No. 101248W) have been the statutory auditors of the Company since their appointment for the first time at the Annual General Meeting of the Company on 29th June, 2009. In accordance with Section 139 (1) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, B S R & Co. are eligible to be appointed as the statutory auditors for a term of 5 years at this Annual General Meeting. Hence the Resolution at Item No. 5 of the Notice.

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

ITEM NO. 6

N. I. Mehta & Co., Cost Accountants, were the Cost Auditors of the Company to audit its cost accounting records relating to synthetic resins, paints and varnishes for the year 2013- 2014. In connection with the Cost Audit for the year ending 31st March, 2015, N. I. Mehta & Co, have conveyed their willingness to act as cost auditor of the Company. In terms of Section 148 (3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration for the Cost Auditor as recommended by the Audit Committee and approved by the Board of Directors is required to be ratified by the shareholders. Hence the Resolution at Item No. 6 of the Notice.

None of the Directors and the Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 6.

ITEM NO. 7

Mr. D. M. Kothari is the Vice-Chairman and a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company on 1st April, 1973.

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

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

Mr. Kothari hold 1084 equity shares in the Company.

Mr. Kothari retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and

any other applicable provisions of the Companies Act, 2013, Mr. Kothari being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of five consecutive years from the date of this Annual General Meeting.

In the opinion of the Board, Mr. Kothari fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company. A copy of the draft letter for appointment of Mr. Kothari as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Kothari as an Independent Director. Accordingly, the Board recommends the Resolution in relation to appointment of Mr. Kothari as an Independent Director, for the approval of the shareholders of the Company.

Except Mr. Kothari, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 7.

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

Name of the Director seeking appointment/ re-appointment	Shares held as on 31.3.2014 (Own or held by/ for other persons on beneficial basis)
(1) Mr. D. M. Kothari	1084
(2) Mr. H. Nishibayashi	Nil*

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

For and on behalf of the Board

J. J. IRANI
Chairman

Mumbai, 30th April, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 94th Annual Report and the Audited Accounts for the year ended 31st March, 2014.

1. Financial Highlights

	1st April, 2013 to 31st March, 2014	1st April, 2012 to 31st March, 2013
	₹ in Million	₹ in Million
Sales & Operating Revenue	**37390.18**	33756.49
Net Sales/Income from operations (Net of excise and discounts)	**31543.54**	28566.19
Other Income	**103.31**	163.17
Profit before Interest, Depreciation, Tax and Appropriation	**3724.18**	3524.15
Interest	**4.51**	0.16
Depreciation	**649.76**	471.07
Profit Before Exceptional Item	**3069.91**	3052.92
Exceptional Item (Reversal of excess depreciation in respect of earlier years)	**—**	1,149.25
Profit Before Tax	**3069.91**	4202.17
Tax	**1004.20**	1280.35
Profit After Tax	**2065.71**	2921.82
Balance brought forward from previous year	**8149.65**	6213.57
Balance available for appropriations	**10215.36**	9135.39
Appropriations:		
Proposed Dividend	**592.81**	592.81
Tax on proposed dividend	**100.75**	100.75
General Reserve	**206.57**	292.18
Balance retained in Profit and Loss Account	**9315.23**	8149.65
	10215.36	9135.39

2. Dividend

The Directors recommend for consideration of the Members a dividend of ₹ 11 (110 %) per equity share of the nominal value of ₹ 10 each for the year ended 31st March, 2014 as against ₹ 11.00 per equity share (110%) paid last year.