



We've turned **green**
with pride.

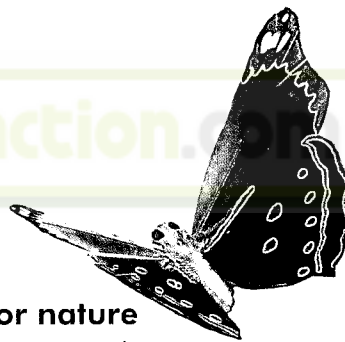


KANSAI NEROLAC PAINTS LIMITED

88TH ANNUAL REPORT 2007-08

Report

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Product Stewardship-Lead free Paints that care for nature

Product stewardship is a concept whereby environment protection centres on the product itself, and everyone involved in the lifespan of the product takes the responsibility to reduce its adverse impact on the environment. Product stewardship is achieved when the product is designed, produced, sold or disposed, assuming responsibility for the product's environmental and social costs through out the product life cycle. This may be achieved, in part, by redesigning products to use fewer harmful substances and to be more durable, recognizing the fact that Lead and other heavy metals in decorative paint formulations are a health hazard, more so when scraping lead based paint improperly can increase the hazard to people by spreading even more lead dust around the house. Lead dust can form when lead-based paint is dry scraped, dry sanded or heated.

Kansai Nerolac Paints (KNP) has been proactively working to eliminate the usage of heavy metals from its paint formulations, though there has been no legislation banning the use of these toxins in paint formulations. While our passenger vehicle coatings formulations were already lead free, the work on removing lead from the decorative range was on. Gradually, product by product, we have been making all our decorative range formulations also lead free. We are proud to announce that the entire range of decorative products (barring economy range of Goody synthetic enamels, which are generally used for industrial application), now have been made lead free. The use of alternative raw materials did hit the Company on cost, but the programme was carried forward, without compromising on quality, in the larger public interest.

88TH ANNUAL REPORT

2007 – 2008

DIRECTORS :

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

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 : A. F. FERGUSON & CO., MUMBAI

SOLICITORS : KANGA & CO., MUMBAI

REGISTERED OFFICE :

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

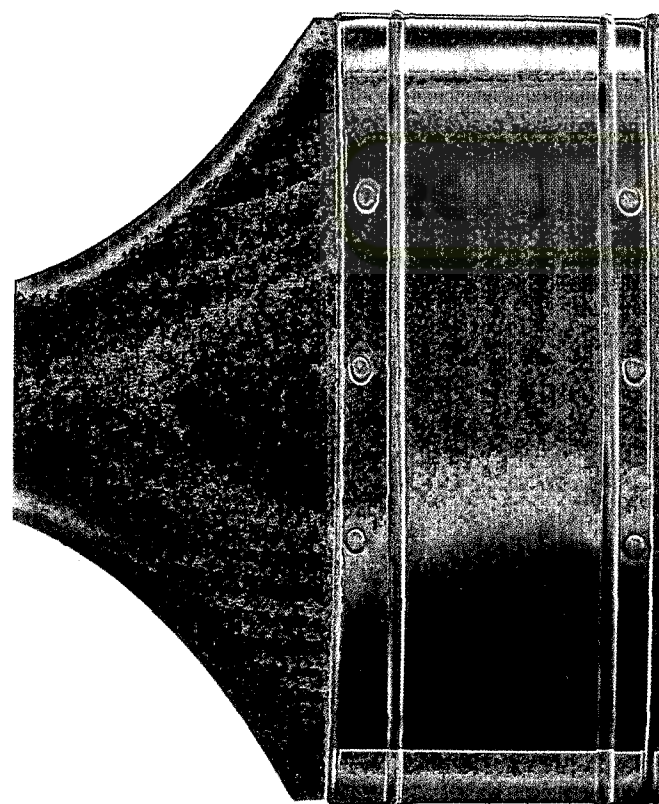
FACTORIES :

B1, B2, JAINPUR INDUSTRIAL ESTATE, KANPUR DEHAT, KANPUR, U.P.
 F/2, MIDC, LOTE PARSHURAM, TALUKA KHED,
 DISTRICT RATNAGIRI, MAHARASHTRA
 142, TIRUPORUR ROAD, PERUNGUDI, CHENNAI, TAMIL NADU.
 36, SECTOR – 7, HSIDC IGS, BAWAL, DISTRICT REWARI, HARYANA.



KANSAI NEROLAC PAINTS LIMITED

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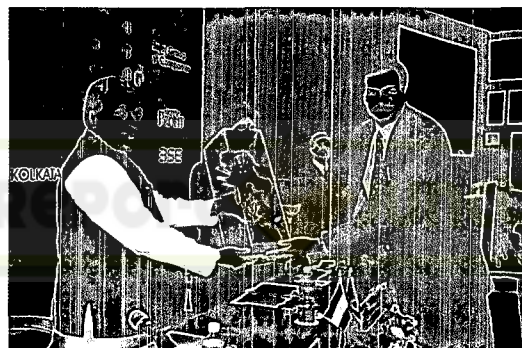


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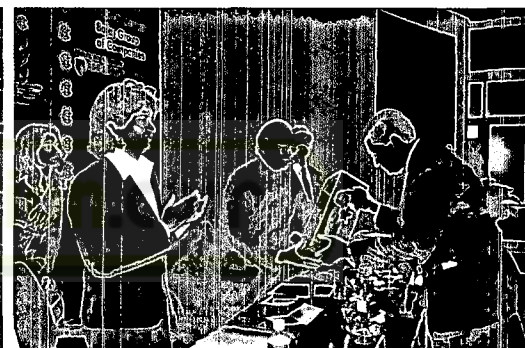
KEY HIGHLIGHTS OF THE YEAR

ICSI National Award for Excellence in Corporate Governance - 2007

Kansai Nerolac Paints Ltd. (KNP) has been winning awards for Corporate Governance in the past as well, but this year the honour bestowed by the Institute of Company Secretaries of India, the National Award for Excellence in Corporate Governance, acted as an icing on the cake. At the function held on 26th November 2007, at Kolkata, Union Minister for Corporate Affairs, Shri Prem Chand Gupta conferred this Award in recognition of the Company's creative and contributive capabilities, relationship with major stakeholders in delivering value, future vision and sustainability. The Company was appreciated for its open culture, professional approach and transparency in operations. We have a strong value system that serves as a guiding force for exhibiting internal and external behavior, thus enabling us to incorporate Corporate Governance as part of our culture. With around 38 entries that were shortlisted, KNP got this top ranking position. Our Company Secretary also received the trophy from the former Chief Justice of India, Hon'ble Justice Shri V. N. Khare. It has indeed been an honour for us to win this coveted Award that recognizes and approves of the values we stand for. The National Award has been established by ICSI, which is a leader in development of professionals specializing in Corporate Governance. They yearn to develop high caliber professionals ensuring effective management and proactive research techniques for the interest of all the stakeholders, thus contributing to public good.



Mr. H. M. Bharuka, MD receiving the Award from Shri Prem Chand Gupta



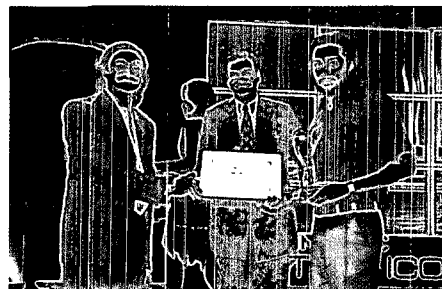
Mr. G. T. Govindarajan, CS receiving trophy from Hon'ble Justice Shri V. N. Khare

Nerolac Style Icon Awards-AIDA

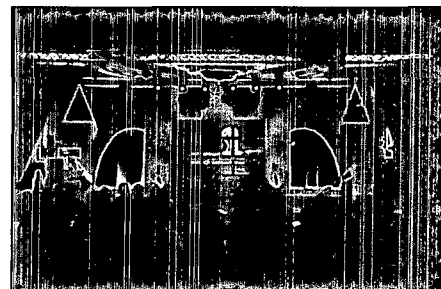
Architects & Interior Designers have always been the key influencers for our business. To this effect, the Company decided to create a platform to interact with them, thus creating a positive disposition of our brands. As an initiative towards this project, we have institutionalized annual awards for professionals and architecture students. The Nerolac Style Icon Awards were rolled out in 2007. The Award is a platform for professionals and amateurs to showcase their work and celebrate excellence in Architecture & interior designs. To build in credibility we roped in Ernst & Young to monitor the entire process. The Award function was held on 13th of October, 2007 at Taj Lake End, which was well attended by architects' & Interior Designers' fraternity.



Lighting of Lamp at Nerolac Style Icon Award Function



Award winner along with Mr. C. Prabhu, Chief Guest and Mr. H. M. Bharuka, MD



Glimpse of the Style Icon Award Function

Impressions Style Zones

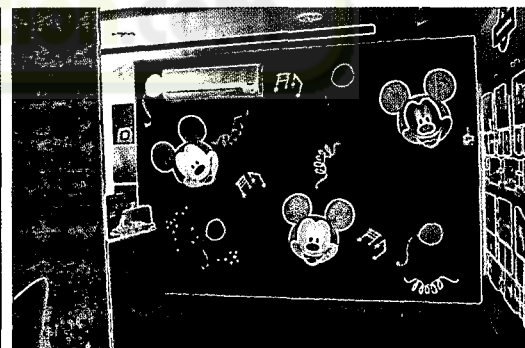
Looking into the low involvement of the consumers in paint buying process, primarily on account of missing appropriate retail experience and customers not getting the opportunity to touch and feel the product and finish, KNP decided to set up Experience centers where the customers and influencers can actually get an opportunity to see colours, colour schemes, colour combinations, designer finishes. Initially an experience centre was set up at the Company's head office. This concept was subsequently extended to franchise stores at Chennai and Hyderabad markets in South. Learning through this pilot run in South will firm up base for taking the concept forward in other parts. The franchise stores are well supported by Nerolac Home Stylers Service, whereby specially trained painters carry out the painting jobs professionally, under the supervision of our technicians.



Impressions Style Zone Franchise Store at Chennai



Interiors of Impressions Style Zone



Interiors of Impressions Style Zone
with Disney Emulsion design on walls

Technical Innovations

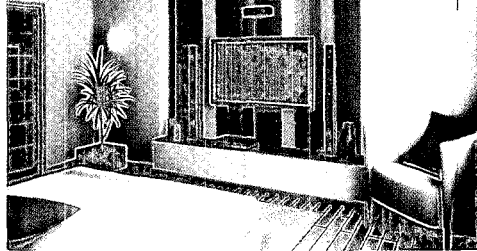
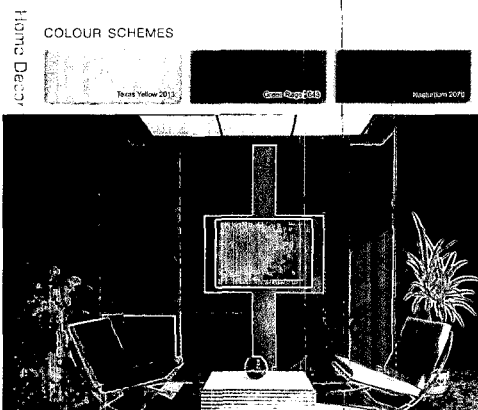
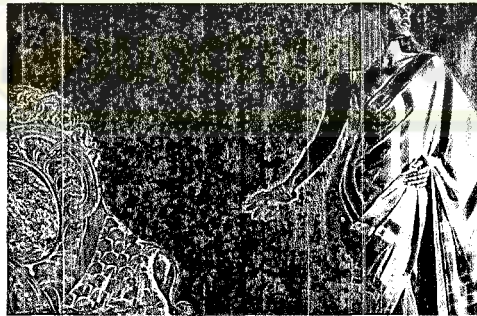
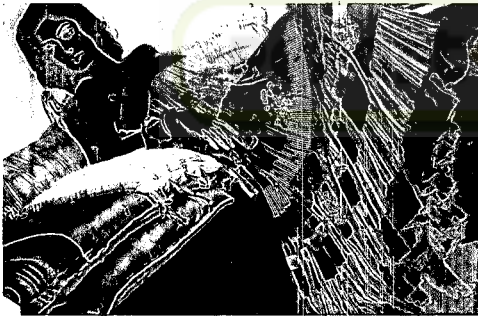
In continuation with the environmental protection policy, new products have been introduced. The new generation Cathodic Electro Deposition is capable to be baked at lower temperature, and emitting low Volatile Organic Compounds (VOC) levels, thus saving energy and resulting in environment protection. Similarly introduction of liquid surface conditioner in pretreatment process of OEM has resulted in significant reduction in effluent quantity and saving of natural resources, by reduction in the consumption of water. Work is at an advanced stage for the development of higher solids Top Coat, which will also help in reduction in VOC levels. KNP has been a pioneer in introducing unique and innovative products, both in industrial and decorative business, and will continue to trudge on this path of growth.

Nerolac Spring Summer Colours 2008 - wall colours inspired by Fashion

KNP has been a pioneer in inspiring consumers to experiment colours in their homes. We have always believed that home is an extension of the personality and as one decorates using accessories we tend to do the same for our homes. It, therefore, comes as no big surprise that home colours are almost always influenced by the colours of fashion.

The phrase, 'home fashion' conjures images of homes changing their colours every season, revamped decor, impressive interiors and impressed guests. All of this sounds expensive, but when it comes to paint, it is very much possible. Paint is an economical tool, while being one of the most useful ways to completely revamp the style of a home. It was this notion that lead us to believe that there can indeed be a seasonal coat of paint for every home, much like fashion, which propagates seasonal wardrobes. Such a thought lead us to Manish Malhotra, arguably the most popular fashion designer, for editing the booklet published to share the concept - wall colours inspired by fashion.

Manish Malhotra says, "I believe that colour is the most important aspect of design - the single element that adds dimension to the concept. The transition from fashion to homes came quite naturally to me, or rather it is just an extension of what I have been doing as a fashion designer too. Adorning the home is all about expressing the essential factor or mood which would harmonize or enhance how you already feel or choose to feel. I feel colours communicate that best. I see Spring Summer 2008 as a time for Renewal. Renewal of the Self will naturally extend to the renewal of one's environment and relationships and aspirations- the renewal of one's vows and commitment to life."



COLOUR SCHEMES



Manufacturing Excellence

In the year 2004-05, the Company started this journey of Manufacturing Excellence at all the factory locations. The Company has achieved many improvements and learnt new ways of resolving the problems during this journey. More heartening is the fact that all the plants have successfully sustained the improvement achieved through Manufacturing Excellence initiative and it has now become a way of life. While last year we initiated deployment of the Supply Chain Vision and Mission using X matrix methodology, this year the process of X matrix has been deployed through out Supply Chain, to achieve Goals/Objectives. The reviews are adequately supported by periodic audit system. Under the umbrella of Total Productive Maintenance (TPM), various initiatives have been taken at plants to show visible improvements in the areas like Productivity, Quality, Cost, Delivery, Safety and Morale of people. The initiatives taken are under broad areas like Process care where persistent efforts are taken to ensure improvements through Standardization, Documentation, Adherence and Optimization of processes and reduction/elimination of Non Value Added processes/activities. Many initiatives are continuously being taken for better Energy Management, employing renewable resources. Asset care is another area where improvements have been driven through Equipment Ownership, improving overall Equipment Effectiveness. In People care the main aim is to move from traditional Function based approach to Process based approach and to drive higher level of ownership. To support Process and Quality improvement initiatives, key employees are continuously trained with various problem solving tools with a special focus on "Total Employee Involvement" in all the initiatives. Kaizen scheme is effectively used to engage people in small but continual improvements. In order to spread the competitiveness across the plants, the Company has successfully initiated the "Best Factory" competition. In this fascinating competitive environment the Company's Lote plant has already achieved the status of level 2 certification of TPM journey. Jainpur and Bawal will quickly attain the same status.



Works Manager, Jainpur receiving Best Factory award from the Chairman, Dr. J. J. Irani



KANSAI NEROLAC PAINTS LIMITED

NOTICE

NOTICE is hereby given that the Eighty-eighth 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, 24th June, 2008 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, 2008 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. H. Ishino, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Noel N. Tata, 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 a Director in place of Mr. Pravin D. Chaudhari, 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.
8. 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:

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. 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) 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."

Kansai Nerolac Paints Limited • Annual Report 2007-2008

10. 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. Pravin D. Chaudhari as a Wholtime Director of the Company for the period commencing from 1st May, 2008 and ending on 31st March, 2013 (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.”

11. 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 Wholtime 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, 2008, the quantum, proportion and manner of such payment and distribution to be as the Board of Directors may from time to time determine.”

Registered Office:

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

For and on behalf of the Board

J. J. IRANI
Chairman

Dated: 30th April, 2008

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, 7, 9, 10 and 11 is annexed hereto.