NOTES ON FINANCIAL RESULTS

- Paint volume sales growth was good both in India and international operations.
- Significant increase in material costs led to increase in the selling prices in the first half of the year.
- Profit Before Tax was impacted by high material costs during the first half of the year. In the third quarter reduction in selling prices to stimulate demand and consumption of inventories carried at higher cost, impacted margins.
- An exceptional item of Rs. 5.9 crores has been provided in the current year, being provision for diminution in the value of long term investment in the subsidiary in Bangladesh, based on management's assessment of the fair value of its investment.
- The exceptional item in the previous year pertained to a loss on disposal of the subsidiary in Australia.

The analysis on the performance of your Company is discussed in the Management Discussion and Analysis report.

CONSOLIDATED ACCOUNTS

Your Company has received a letter from the Ministry of Corporate Affairs (MCA) granting exemption under Section 212(8) of the Companies Act, 1956 from attaching the financial statements of the subsidiary companies in India and abroad, both direct and indirect, to the balance sheet of your Company for the financial year 2008-09. A statement of summarised financials of all subsidiaries of your Company, pursuant to the approval under Section 212(8) of the Companies Act, 1956, forms part of this report. Additional information in respect of the annual report and the financial statements of the subsidiary companies of your Company will be made available to members on request. In accordance with the Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by your Company include financial information of all its subsidiaries.

DIVIDEND

During the financial year 2008-09, your Company declared and paid an interim dividend of Rs. 6.50 per equity share in the month of November, 2008. In addition, your Directors recommend payment of Rs. 11/- per equity share as the final dividend for the financial year ended 31st March, 2009. If approved, the total dividend (interim and final dividend) for the financial year 2008-09 will be Rs.17.50 per equity share; Rs.17/- per equity share was paid as dividend for the previous year.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 135.97 crores to the general reserve. An amount of Rs. 230 crores is proposed to be retained in the profit and loss account.

MANAGEMENT DISCUSSION AND ANALYSIS

These have been unprecedented times for the global economy. The financial meltdown caused by several complex forces that created imbalances in fund flows, asset price bubbles; financial instruments that caused yet other problems has resulted in the most severe financial crisis since the Great Depression. While most developed economies are expected to be in recession in 2009, the vast majority of developing countries are experiencing a sharp reduction in growth from that seen in the period 2002-2007. Central Banks have aggressively cut interest rates to pump-prime economies and governments across the globe have announced large stimulus packages to revive the jammed financial systems. But the financial strains remain acute. A sustained economic recovery will be possible only when the abnormal risk aversion in the financial sector abates and credit begins to flow into the economies.

The impact of this contagion was felt in India as well. The Services sector, especially IT, is facing headwinds from low growth rates and the strong protectionist stance in developed world while export growth has turned negative since October, 2008. After seeing 7.5% plus growth consistently for the past five years, increasing distress from the global crisis along with deteriorating domestic situation has set the stage for a marked slowdown in growth this year. Job losses have been reported across sectors with export units, financial services, airlines and infrastructure taking a major hit. The GDP is estimated to have grown at 6.5% for the financial year 2008-09.

The first half of 2008-09 saw high inflation on the back of a rapid rise in crude prices and other base commodities. However, beginning September 2008, both inflation and growth came down. Inflation at the end of the year was near 0.26% after touching 13.4% in July, 2008. A combination of falling commodity prices and domestic tax cuts (excise, customs and service tax) helped to hasten the decline. The rupee was also extremely volatile and saw heavy depreciation against major currencies, losing more than 20% against the US dollar, during the course of the year.

I. Products and Market

Paints

The year 2008-09 was a very difficult year for the paint industry. A combination of soaring raw material prices and a sharp fall in demand in the third quarter of the year affected the industry. The market for all paints produced by companies in India both big and small is estimated to have grown by about 17 to 18% by value over the previous year, but by less than 10% by volume. The growth for decorative paints would be above 20% by value and industrial paints substantially lower. The volume growth for the industry would be the lowest over the last five years at about 9%. The year was marked by exceptional growth in the first six months followed by a much slower growth in sales during the rest of the year. The third quarter volume growth was negative, but volumes recovered substantially in the fourth quarter. Given the circumstances, your Company has done very well in the year 2008-09.

Decorative Paints

Your Company has been the leader in the Decorative paints segment for over four decades now and this year too, your Company believes it grew faster than its competitors in this segment. As the environment turned out to be far more difficult than anticipated, your Company's response was twofold; continue to invest in the business to build long term strengths and simultaneously, respond proactively to the rapidly changing environment to ensure that growth is strong in the near term.

Effective 1st April 2008, your Company's entire range of Decorative products was made free of lead and other heavy metals. This is a step in making your Company's products fully conform to contemporary standards.

Growth in turnover was ahead of volume on account of price increases as well as changes in the product mix. Emulsion paints for interiors have been growing much faster than distempers over the last decade. This trend continued in the financial year 2008-09. Exterior emulsions too continue to grow much faster than the overall paint demand powered by the Company's leading brands Apex Ultima, Apex and Ace. In both these categories your Company introduced a range of new products which did very well. In Exteriors, the Duracast range of textured finishes, Ultima Metallics and Apex Tile Guard all had successful launches. In interiors, the Royale Play metallics and Stucco, the kids range of Chalkboard, Fluorescent and Glow and Royale Shyne had successful launches and are doing very well. During the later part of the year, your Company tied up with Dupont USA to co-brand the Royale range of Emulsions with Teflon, the product synonymous with toughness and durability.

The year marked another first for the Company. In May, it opened its Signature Store "Colour" at Bandra in Mumbai. A unique experience centre, it was opened to build confidence through education about colour and to de-mystify and remove the hassle from the decorating process. In essence its purpose was 'To provide inspiration to families while they are in the process of designing their dream home by fuelling their spirit of experimentation'. The store is the first of its kind in the world in the Paint category and the response from the end consumer has been phenomenal. Over 17,000 consumers have visited the store in the last ten months and the level of customer delight achieved has been exceptional. Regular weekend training programs have been run for consumers on Colour and Décor.

Your Company continued with its efforts in upgrading the shop ambience of its leading retailers and providing services to their customers and training to their shop personnel. These have been well appreciated by both your Company's retailers and end consumers. Your Company has also commenced introducing a new chain of 'Colour ideas' where retail outlets have been modified to offer a slice of the 'Signature Store' thereby providing the same inspiration to consumers in process of designing their homes. The first two stores have been inaugurated at Hyderabad and Chennai and have met with a very enthusiastic response from consumers. Your Company is now in the process of expanding this network of 'Colour Ideas' across the country.

The expansion of the ColourWorld network continues unabated and today your Company has more than 12,000 ColourWorlds offering a wide range of products and shades to consumers even in many small towns across the length and breadth of India.

Your Company continued to invest in the area of colour with the launch of ColourNext 2009. Several Colour Guides and Décor booklets are available to consumers at retail outlets.

Prices of raw materials increased sharply in the first six months of the year. The impact of rising crude prices as well as the depreciating rupee affected price especially of solvent based products. As a result, your Company increased prices six times till 1st October, 2008. Due to good demand and increase in trade inventories, growth in the first half of the year 2008-09 was excellent. In the last five months of the year, raw material prices fell sharply due to the world wide slowdown. The third quarter was weak and there was poor purchasing by dealers as they responded to low demand and reduced inventory. Your Company responded by lowering prices in November, 2008, December, 2008 and February, 2009. This did affect short term profits due to the consumption of higher priced inventory carried by the Company but helped revive growth. This was reflected in the last quarter performance which was a welcome change after the poor showing in the third quarter. Growth in the paint sale in the fourth quarter was 27.63%. The volume growth achieved would have been considered good in a normal year. The excellent annual performance in the top-line has enabled your Company to do better on profits than would have been the case otherwise.

The capacity of the Sriperumbudur Plant has been raised to 100,000 KL per annum. The Distribution Centres at Kasna Plant and Ankleshwar Plant have been commissioned. With the completion of two additional centres at Sriperumbudur Plant and Patancheru Plant over the next fifteen months, your Company would have modernised its vast distribution system, making it possible to service its 25,000 strong distribution base more effectively with lower levels of inventory.

The work on the erection of the Company's Sixth Decorative Paint plant at Rohtak, Haryana is on schedule with its first phase of 150,000 KL per annum scheduled for commissioning in the first quarter of 2010-11.

Your Company is committed to continually improving its products, expanding its product range and offering its consumers a wide range of products and services at every value proposition. Your Company believes that this along with continuous investment in marketing activities will enable your Company to expand its business and meet the challenge from the leading international paint companies who are now in India. Simultaneously, your Company is continually investing in building manufacturing and distribution resources which would help maintain and improve services to its customers.

Industrial Coatings

Automotive Coatings: Asian PPG Industries Limited

Your Company is engaged in manufacturing of Automotive, Original Equipment Manufacturers (OEM), Refinish and certain other Industrial Coatings through, Asian PPG Industries Limited (APPG), a 50:50 Joint Venture Company between your Company and PPG Industries Inc., USA which was formed in 1997.

During the financial year 2008-09, passenger car sales growth was flat in India. The domestic sales of vehicles fell drastically in the festive season from October to December 2008, due to slowdown in the domestic economic growth, high interest rates and tight liquidity situation. During the year under review, many automobile companies had started to cut production by shutting plants for a few days, in order to avoid inventory build-up. However, most OEMs posted fair growth in the last quarter of the year 2008-09. This growth was aided by the 4% CENVAT reduction in December, 2008 and another 2% in February, 2009, discounts, cheaper financing and higher disbursements by public sector banks.

The year saw a sharp rise in price of raw materials due to the twin impact of rising crude oil prices and appreciation of the US Dollar vis-à-vis the Indian Rupee. Simultaneously, continuing efforts by customers to cut costs limited the scope for improving price realization. This posed a serious challenge to the ability of coating suppliers to sustain margins and manage earnings growth. Cost reduction, better cash management, quality improvement and reduction in development time for new products were the major points of focus for APPG during the year. These initiatives helped APPG arrest the slide in sales and profitability. Total sales fell to Rs. 420.94 crores from Rs. 436.16 crores in the previous year. The Profit After Tax declined to Rs. 15.78 crores for the year ended 31st March, 2009, from Rs. 32.94 crores for the previous year.

Faaber Paints Private Limited, a wholly owned subsidiary of APPG, reported Profit Before Tax of Rs. 0.28 crore this year as compared to Rs. 0.83 crore for the financial year ended 31st March, 2008. The sales remained flat at Rs. 11.05 crores (Rs. 10.98 crores in 2007-08) due to poor market conditions in the second half of the year 2008-09.

APPG's first manufacturing facility was commissioned in March 2008. The installed capacity is 3,200 KL per annum. Your Company is confident that this facility will help provide better service to its customers.

Notwithstanding the subdued market conditions and the intensified competition, your Company believes that the year ahead is a year of great opportunity for APPG. While there may be a temporary slowdown, APPG's strategy of offering better value to its customers by providing superior products and service through upgraded service standards and improved delivery capabilities will help grow APPG's share of the market and meet expectations of its stakeholders.

Non-Auto Industrial Coatings

Your Company operates in the non-auto industrial coatings segment through its Growth Business Unit and a wholly owned subsidiary, Asian Paints Industrial Coatings Limited.

Revenues from the segment of non-auto industrial liquid paints showed satisfactory growth in the first half of the year. There was a marked decline in demand in the second half, due to the overall depressed economic conditions and the difficult credit situation. Industrial projects, maintenance activities and production of engineering goods slowed down during this period. Your Company was able to record value growth in this segment last year inspite of the adverse economic situation.

Your Company exercised the required control over operating expenses and prudently managed working capital and material costs during the year, which saw periods of rapid inflation and deflation in prices.

The industrial liquid paints plant at Taloja received the ISO 9000 certification at the start of the year. This plant today has the capability to manufacture the entire range of products sold in this segment.

Growth in this segment is expected mainly in the second-half of the year 2009-10.

Asian Paints Industrial Coatings Limited

Asian Paints Industrial Coatings Limited (APICL), a wholly owned subsidiary of the Company, is engaged in the manufacture and sales of Powder Coatings.

After several years of high growth, there was a very marginal year-on-year growth in revenue last year. While the first half of the year saw double-digit growth in revenue, demand slowed down significantly in the third quarter. All major segments of OE manufacturers using Powder Coatings experienced a drastic drop in demand during this period. There has been some improvement in demand towards the end of the last quarter. However, at least in the first few months of the year 2009-10, it is not expected that sales of Powder Coatings will grow substantially. Some improvement in demand and sales is expected from the second quarter of the year 2009-10, while prospects for growth will be linked to the overall performance of the economy.

Others

Your Company's other business comprises of plants manufacturing Phthalic Anhydride and Pentaerythritol, located at Ankleshwar (Gujarat) and Cuddalore (Tamil Nadu), respectively. These products are used in the manufacture of alkyd resins as well as several products in other industries. Approximately 50% of the production in the case of both chemicals is used for captive consumption by other plants of your Company and the balance is sold to various customers.

The Phthalic Anhydride business experienced a slump in demand in the third quarter. The businesses of several customers were severely affected by the slow-down in domestic as well as export-led demand. The improvement in demand in the last quarter and careful management of inventories and costs ensured that the business remained profitable during the year 2008-09, though the profits were below expectations.

Demand for Pentaerythritol was up to expectations in the first half of the year. The product-mix produced mitigated the impact of the overall difficult period for business in the third and fourth quarters. Profits from the business were better than those in the previous year, while the growth in profits is attributable mainly to the performance in the earlier part of the year 2008-09.

Technical Instruments Manufacturers (India) Limited

Technical Instruments Manufacturers (India) Limited (TIM) is a 100% subsidiary of your Company. It owns the building which houses your Company's Corporate Office. It has no income except the rent it receives from your Company. The Board of Directors of your Company at their meeting held on 28th March, 2009, approved the merger of TIM with your Company, for which an application and petition has been filed by TIM with the Hon'ble Bombay High Court.

International Business Unit

The group operates in five regions across the world as given herebelow:

Region	Countries
Caribbean	Barbados, Jamaica, Trinidad & Tobago
Middle East	Egypt, Oman, Bahrain & UAE
South Asia	Bangladesh, Nepal & Sri Lanka
East Asia and South East Asia	China, Malaysia, Singapore, Thailand & Hongkong
South Pacific	Fiji, Solomon Islands, Samoa, Tonga & Vanuatu

During the year under review, the focus continued to be on introduction of new products, increasing the number of dealer tinting systems in the market, increasing the product range offered through these systems, expanding the dealer network, increasing exports, sharper focus on the protective and industrial coating segments as well as improving service level to minimize loss of sale due to stock outs.

During the year under review, the volume of paint sold increased by 19.6% to 138,970 KL and the revenue from paint sales increased by 29.5% to Rs. 906 crores. New product sale in volume terms constituted approximately 6.5% of total paint sales of overseas subsidiaries and over 1143 dealer tinting systems have been installed so far in various subsidiaries.

Material prices during the year were volatile. While the first half of the year saw high inflation on the back of a rapid rise in prices of crude oil and other commodities, beginning September, 2008, the world economy took a downturn with inflation coming off. The impact of price increases was neutralized to a large extent by formulation engineering, global sourcing and economies of scale in purchasing and reduction in material losses in manufacturing.

Profit after tax for the overseas operations of the group during the year is Rs 48.0 crores as compared to Rs. 36.7 crores during the previous year.

During the year, Asian Paints (International) Limited, your Company's direct subsidiary, has purchased the balance 49% stake in Asian Paints (Tonga) Limited for a consideration of TOP 646,800 (approx. USD 314,000) making it a wholly owned subsidiary.

Your Company has made a provision of Rs. 5.9 crores towards diminution in value of its long term investment in Asian Paints (International) Limited, a wholly owned subsidiary of your Company, based on the management's assessment of the fair value of its investment in Asian Paints (Bangladesh) Limited. This item has been treated as an exceptional item. Your Company will continue to evaluate its portfolio at the end of every year to test for impairment. The management will continue to take all feasible steps as necessary to enhance the performance and the net worth of its overseas subsidiaries.

The revenue from paint sales of Berger International Limited, subsidiary listed on the Singapore Stock Exchange has increased by 10.2% to S$ 156 million (equivalent to Rs. 483 crores). BIL has earned a profit after tax of S$ 2.8 million (equivalent to Rs 8.7 crores) as compared to S$ 2.2 million (equivalent to Rs. 5.9 crores) during the previous year.

The region wise performance is detailed below:

Caribbean Region

During the year under review, the volume of paint sold in the region has decreased by 3.6 % to 9,256 KL. The global economic meltdown took its toll on the Caribbean economies and also impacted our operations in the region. The revenue from paint sales has increased by 8.7% to Rs. 163.3 crores. PBIT (Profit Before Interest and Tax) for the region has decreased by 19.3% to Rs. 5.7 crores. The subsidiary in Trinidad has made profit as against a loss in the previous year. Steps have been taken to improve the profitability of the unit in Jamaica. The subsidiary in Barbados has performed satisfactorily.

Middle East Region

During the year under review, the volume of paint sold in the region has increased by 24.8% to 100,062 KL and the revenue from paint sales has increased by 45.6% to Rs. 465.1 crores. PBIT has increased by 33.0% to Rs. 56 crores.

The Middle East region is the largest operating region for the group outside India. The region now contributes 51.1% of the sales from overseas operations. All the subsidiaries in the region have performed well. Sales of Egypt, Oman, UAE and Bahrain subsidiaries have grown by 36.4%, 51.3%, 41.1% and 20.4% respectively in local currency. The subsidiaries in Bahrain, Oman and UAE have registered good increase in profit, while the subsidiary in Egypt continues to be the biggest profit contributor in the region.

South Asia Region

During the year under review, the volume of paint sold in the region has increased by 24.0% to 18,047 KL and revenue from paint sales has increased by 38.5% to Rs. 114.8 crores. PBIT for the region has increased by 43.4% to Rs. 8.6 crores.

All subsidiaries in the region have performed well. The Sri Lanka, Bangladesh and Nepal subsidiaries have registered sales growth of 23.3%, 50.6% and 26.8%, respectively in local currency. Expansion of the ColorWorld dealer network and increased influencer interactions through painter-dealer meets has helped all the subsidiaries to achieve healthy sales growth. The subsidiaries in Sri Lanka and Nepal have reported profits while the Bangladesh unit has sharply reduced its losses.

East Asia and South East Asia Region

During the year under review, the economies in the region were severely impacted by the global meltdown. The volume of paint sold in the region has marginally increased by 0.3% to 9,001 KL. However, the revenue from paint sales has increased by 19.3% to Rs. 105.8 crores. Loss before interest and tax has increased to Rs. 6.3 crores from Rs. 3.6 crores during the previous year.

The subsidiary in Singapore has performed satisfactorily and has been profitable. The losses are higher in the subsidiaries in Malaysia, Thailand & Hongkong and lower in China compared to the previous year

South Pacific Region

During the year under review, the volume of paint sold in the region (adjusted for sales of the Australian subsidiary which was divested during the previous year) increased by 4.4 % to 3,070 KL and revenue from paint sales increased by 13.2% to Rs. 62.0 crores. PBIT for the region (excluding Australia) has decreased by 6.2% to Rs 5.4 crores.

The Fiji, Vanuatu and Solomon Islands subsidiaries have registered sales growth of 10%, 18% and 13%, respectively. There is a marginal decline in the sales of the subsidiary in Tonga which has, however, made profit during the year as against a loss in the previous year.

II. SAFETY, HEALTH AND ENVIRONMENT

Your Company continued to focus on improving work place safety and the safety capabilities across all its plants. During the year, all the five decorative paint manufacturing units were audited and certified by the British Safety Council. The Ankleshwar plant of the Company was recognised with a Certificate of Appreciation by the Gujarat Safety Council for one million hours of accident free working.

Your Company undertook waste minimization initiatives in its efforts to conserve resources and protect the environment. Kasna Plant was awarded the Gold Award in the Chemical Sector for outstanding achievement in environmental management by Greentech Foundation. Resource conservation and waste minimization continued to be the key focus areas for your Company during the 2008-2009. This resulted in reduction in specific generation of effluents and solid waste. Also, specific water consumption was further reduced during the year 2008-09.

III. HUMAN RESOURCES

The thrust area for your Company during 2008-09 was to promote coaching within the organisation and integrate it in the overall human resources development agenda. The Results Coaching Systems, Australia is partnering with your Company in developing managers as coaches. A batch of thirty-five managers has now received certification in coaching.

A series of programs were held at all levels in Technology function to promote the work culture of innovation and collaboration and HR processes have been adopted to support this initiative.

During 2008-09 the efforts to reach out to all employees were continued. This has received a very favourable response from employees.

Performance Management System was operational for a full year after its re-launch last year. It has been implemented well.

IV. CORPORATE SOCIAL RESPONSIBILITY

Your Company continues its initiatives in Corporate Social Responsibility through its three core areas: Water Conservation, Care of the Aged and Education. Your Company installed a rainwater harvesting scheme at its manufacturing facility in Bhandup, Mumbai in 2002. It soon replicated the format at its other plants in Ankleshwar, Kasna, Patancheru and Sriperumbudur. Awareness programs were organized on water conservation and Rain Water harvesting through Total Water Management Centre and also free expert advice was provided to interested parties on implementation of Rain Water Harvesting projects.

Your Company has endeavored to work towards the cause of the disadvantaged elderly sections of the communities located in the vicinity of its plants. Camps were organized for cataract surgeries, diabetes detection, dental examination and vaccination and immunization during the year 2008-09. Also, educational tours for the school children from the villages in the vicinity of its plants, providing drinking water to schools, providing walking sticks to the disadvantaged, training teachers on healthcare and hygiene topics and undertaking tree plantation drives were some of the other initiatives undertaken by your Company.

Your Company has always focused on improving infrastructure facilities of schools in the vicinity of its plants. The Ankleshwar plant has been actively spearheading the renovation works of the Shree Gattu Vidyalaya, which will greatly enhance the infrastructure facilities of the school. The plants at Sriperumbudur, Patancheru and Cuddalore are also providing infrastructure support to schools in their locality.

V. INFORMATION TECHNOLOGY

During the financial year 2008-09, your Company has upgraded its key Enterprise Resource Planning (ERP), Supply Chain Planning and Customer Relationship Management (CRM) applications to the latest platform. This has provided the Company the ability to adopt the latest innovations in these areas and also implement workflow based processes to improve the overall effectiveness of these applications.

The investments made in virtualization technology at the data centre in the previous year were continued in this year. Your Company has now completed the migration of all applications to this platform, reducing the requirements of space and power while improving the uptimes and agility of the applications.

In 2008-09 IT applications and tools supporting the new distribution warehouses in Kasna and Ankleshwar with real time integration to other IT systems was completed successfully.

Over the years your Company has implemented systems to complement and enhance business processes and made them available to employees on the move as well as to business partners. With attacks on information assets increasing dramatically, it was felt necessary to improve the systems to safeguard the integrity of your Company's data and protect its information assets. In the current year your Company has enhanced the security systems and processes to achieve the same at the data centre. The same will be extended to the applications and desktops in the coming year.

VI. RESEARCH & DEVELOPMENT

Your Company is executing an integrated strategy for technology development and deployment. The technology function is supporting your Company's strategy around four missions: technology development, development of substantially new products, productivity improvement, and cost reduction. The focus for your Company in the financial year 2008-09 had been to develop technology capabilities to meet the mid-term and long term strategic goals of the organization. They were built on the technology trends and the customers' requirements. Your Company further continues to focus on innovation and collaboration. The strategy of developing platform technologies is beginning to bear fruit. The productivity of the technology function has improved considerably by redirecting resources towards the core R&D activities and by increasing the productivity of the individual scientists.

In keeping with environmental legislation in the developed world, your Company had removed lead and other heavy metal products from all decorative paints. The knowledge developed is being leveraged to your overseas units as well. Going forward, your Company will be focusing on developing products with low volatile organic contents (VOC) in both the water borne and the solvent based products in decorative and industrial paints.

Your Company has also developed contacts with research organizations with whom it has started collaborating in some areas of research so as to accelerate progress. The Company has been successful in attracting competent and committed scientists to strengthen its internal capabilities. This effort will continue. The Technology personnel are now settled in the new state of art R & D Center established at Turbhe, Navi Mumbai.

VII. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has deployed an appropriate mix of automated and manual internal control systems to ensure propriety in the utilization of funds, safeguarding of assets against unauthorized use or disposition, true and fair reporting and compliance with all the applicable regulatory laws and company policies. A state-of-the-art ERP system with tight integration to other applications are designed to adopt best practices and provide real time information for effective decision making, monitoring and control. Your Company has a clearly defined authority manual defining sanctioning limits at each level in the hierarchy for various kinds of expenses. Tight and periodic budgetary control and review mechanisms supplement the preventive controls designed in the system.

Your Company has an in-house internal audit department. To maintain independence, the internal audit function reports directly to the Audit Committee and to the Manging Director & CEO of the Company. The audit plans for the year are approved by the Audit Committee. The internal audit function verifies the adequacy and effectiveness of internal controls from operation, financial and statutory compliance point of view through a blend of process and transactional audits. A summary of significant observations along with any action plan identified by the management is placed periodically before the Audit Committee for review and guidance.

VIII. RISK AND OUTLOOK

The environment today is fraught with risks and uncertainty more than ever before. Adverse impact of global financial turmoil is expected to weaken demand conditions even in the markets where the group operates. The political conditions in these regions would also have an impact on business performance.

Given the linkages with global markets, growth in India will be dependent on how the global scenario unfolds. In tandem with other economies globally, India too has stepped up fiscal efforts to support growth and policy makers have been quite proactive so far with monetary as well as other administrative tools. It would be a big surprise indeed if the massive monetary and fiscal policy support to the economy combined with the measures taken to stabilize the financial system does not to have a significant influence on the course of economic events.

It is hoped that the new Central Government to be formed will accelerate the reforms process and provide the necessary impetus to investment especially in power generation, roads, ports and water supply systems. As important would be the development of Human Resources and investment in basic health and sanitary services. The deterioration of the geopolitical situation in the region is another concern that the country faces. The foreign exchange market and the crude oil prices continue to be volatile. Hence, predicting the future accurately in such uncertain times is near impossible.

However, your Company's Management is optimistic that the Indian economy will recover in the second half of 2009-10 and would be able to achieve a GDP growth of around 5.5% to 6%. The expected growth rate, though lower than what the country has witnessed in the last few years, is still strong enough to sustain consumer demand. Your Company also expects the rural economy to perform well and support paint demand. The market for industrial coatings is expected to be challenging and will depend on performance of sectors like automobiles, consumer durables and the general industrial activity. Some tentative signs of recovery already seem underway and this augurs well for the industry in the coming year.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE

A separate report on Corporate Governance forms part of the Annual Report, pursuant to Clause 49(VII) of the Listing Agreement. Your Company is compliant with the requirements of the Listing Agreement and necessary disclosures have been made in this regard in the Corporate Governance Report. The Management Discussion and Analysis and the report on Corporate Governance are included as a part of the Directors' Report.

A certificate from the Joint Statutory Auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year 2008-09 and there are no outstanding fixed deposits from the public as on 31st March, 2009.

SALES TAX DEFERMENT BENEFIT

Your Company continues to avail sales tax deferment benefit for the expanded capacity at Kasna plant for which eligibility certificate for Rs. 38.2 crores has been received. A sum of Rs 4.1 crores has been availed during the year 2008-09 and with this, the total amount of deferment availed upto 31st March, 2009 is Rs. 27.1 crores.

INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery and liabilities under legislative enactments are adequately insured.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars in respect of conservation of energy and technology absorption by the Company as per Section 217(1)(e) of the Companies Act, 1956, are given as Annexure to this report in Form 'A' and 'B', respectively.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of expenditure and earnings in foreign currencies are given under Schedule 'M' to the financial statements.

PERSONNEL

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, names and other particulars of the employees are required to be set out in the annexure to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Annual Accounts of the Company sent to the shareholders do not contain the said annexure. Any shareholder desirous of obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- In preparation of the annual accounts, the applicable accounting standards have been followed.
- The accounting policies have been selected and applied consistently and the judgments and estimates made, are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

DIRECTORS

During the financial year ended 31st March, 2009, the term of Mr. Ashwin Choksi as Executive Chairman, Mr. Ashwin Dani as Executive Vice-Chairman and Managing Director and Mr. Abhay Vakil as Managing Director expired on 31st March, 2009. The Board of Directors at their meeting held on 5th March, 2009,