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Asian Paints Limited,
6A, Shantinagar,
Santacruz (East),
Mumbai - 400 055.
www.asianpaints.com

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Asian Paints Limited
Annual Report 2005-2006



Interior Wall Paints



Exterior Wall Paints



Wood and Metal Paints



Wood Finishes



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BOARD OF DIRECTORS



ASHWIN CHOKSI
Chairman



ASHWIN DANI
Vice Chairman &
Managing Director



ABHAY VAKIL
Managing Director



Mahendra Choksi



Amar Vakil



Hasit Dani



Dipankar Basu



Ms. Tarjani Vakil



Mahendra Shah



Deepak Satwalekar



R A Shah



Dr. S Sivaram

Jayesh Merchant

Company Secretary

Shah & Co. Chartered
Accountants

Auditors

CHAIRMAN'S LETTER



Dear Shareholders,

The Indian economy is surging ahead. And the good thing about this resurgence is that it is being led almost entirely by consumption, which means that this growth is here to stay. Such an environment is conducive to business as a whole. It's not surprising then that the manufacturing sector is trotting along at a healthy growth rate of 8%. The exuberance sweeping across the country has enabled us to sell over 300 million litres of paint in this year, helping our Indian paint business register the fastest sales growth in the last decade at 19.3%. Thanks to this, the group has crossed the Rs. 3,000 crore turnover mark - a significant milestone for the Company.

Backed by strong domestic demand and a growing economy, group sales grew by 17.4% to Rs. 30,210 million and profit after tax grew by 21.9% to Rs. 2,121 million. On the sales front, once again your Company has witnessed a steady performance by all its three business units i.e. decorative, industrial and international business.

The Decorative business unit - the largest in our business performed well enabling us reach the milestone of grossing the highest paint sales growth in the last decade. While the business unit has expanded its range for the economy segment, it further strengthened its position in the emulsion segment in both exterior and interior emulsions. This business unit continues with its strategy of pricing aggression to drive volume growth, gain market share and maintain operating margins. Our endeavour to continuously provide the best to our consumers has translated into a concurrent effort to step up the pace of our marketing initiatives. In many areas, we are seen as pioneers bringing about desired changes in our industry and bringing in new trends. Asian Paints Home Solutions, for instance, is now in ten cities

across the country and has set an industry benchmark in giving customers a delightful painting experience. Royale Play - our special effect finish - has provided our consumers with an innovative range of finishes for their homes. All these initiatives have ensured that we continue to strengthen our leadership position in the market and in the consumers' mind.

The Industrial business in India has for the third consecutive year grown in excess of 20%. The growing infrastructure sector and new capacities being set up in the country augur well for industrial coatings and we expect this strong performance to continue for this business unit. To cater to this strong growth, we have set up two new manufacturing facilities; one has been recently commissioned for powder coatings at Baddi, Himachal Pradesh, and the second will be commissioned in 2006-07 in Taloja, Maharashtra, which will be exclusively for industrial coatings. With the commissioning of these two plants, we will not only be able to cater to the strong growth but also expect profitability of the business to improve.

For the International business unit, sales registered satisfactory growth while margins were under pressure affecting the profitability. The two main regions which impacted its performance are the South Asia and South East Asia region. The other three operating regions - South Pacific, Middle East and the Caribbean region have performed well in terms of sales as well as profits. Our strategy for the International business is being reviewed constantly in order to maximise value. We will evaluate the international business on an ongoing basis.

Overall input prices still remain a cause for concern. While for the decorative business, the increase in crude prices have been offset by the decline in other raw material prices; for the industrial and international businesses, rising input prices have impacted the margins.

Looking ahead, the Decorative business in India looks well on track to exploit the consumption story which has become the key driver of the Indian economy. We expect the Industrial business to continue on its growth trajectory. With manufacturing facilities now in place for industrial coatings, it is expected that profitability of the business will improve. In last few years for the domestic business, we have built sufficient scale and equipped ourselves to meet any challenge posed to us by competition and are also geared to meet the changing needs of our consumers. The focus for International business would be to drive profitable growth. Material prices are expected to be buoyant in this year and efforts will continue to reduce the impact on margins through product price increases to the extent possible and cost optimisation in all areas.

I am confident that these measures will propel us to greater heights. Your Company has completed sixty years since its incorporation. We have travelled quite a distance in these years – from being minnows to a position of dominance not only in India but in many other countries. Your Company will always strive to identify with our customer's needs and shall forever be a company that empowers employees. We will for all time remain committed to growth, good governance and consistently enhancing shareholder value.

I thank you for your continued support over all these years which has helped the Company reach a strong position in the industry.

With regards,

Yours sincerely,

Ashwin Choksi

Ashwin Choksi

HIGHLIGHTS

The Board of Directors has recommended a **dividend** of 100% for the year 2005-06 with a payout ratio of 58.6%. In addition, on the occasion of the **60th year of incorporation** of the Company, the Board of Directors has recommended a one-time **special dividend** of 25%

Net Sales and operating income grew by 18.7% from Rs 19,546 million (US \$ 438 million*) in 2004-05 to Rs 23,192 million (US \$ 520 million) in 2005-06

Paints Volume sales crossed 300,000 MT/KL in 2005-06

Net Profit before Extraordinary Item increased by 24% from Rs 1,777 million (US \$ 40 million) in 2004-05 to Rs 2,204 million (US \$ 49 million) in 2005-06

Return on Average Network is 31.3% for 2005-06 as against 31.4% for the year 2004-05

GROUP

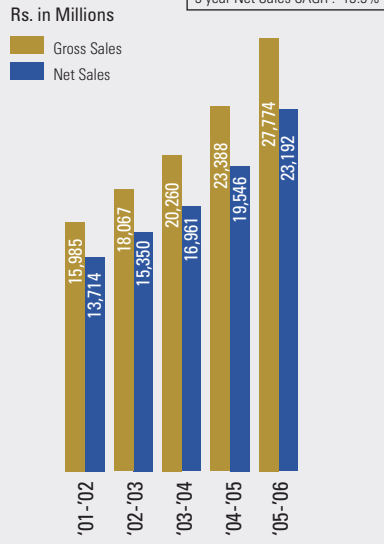
Net Sales and operating income of the group grew by 17.4% from Rs 25,739 million (US \$ 577 million*) in 2004-05 to Rs 30,210 million (US \$ 677 million) in 2005-06

Net Profit to shareholders after minority share grew by 21.9% from Rs 1,741 million (US \$ 39 million) in 2004-05 to Rs 2,121 million (US \$ 48 million) in 2005-06

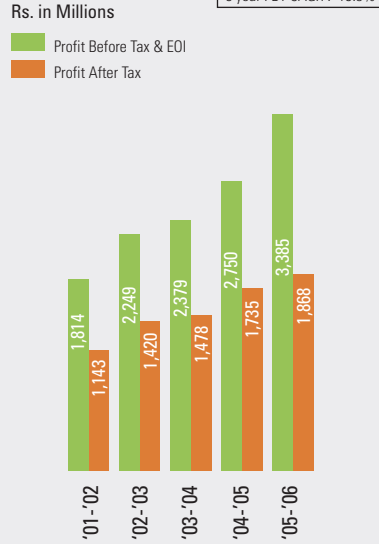
Return on Average Network has increased from 31.7% in 2004-05 to 35.0% in 2005-06

* 1 US \$ = Rs 44.62 as on March 31, 2006

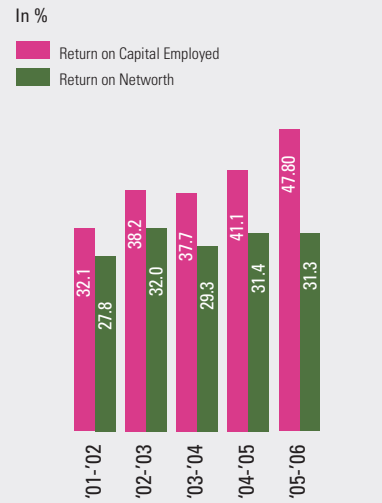
GROSS SALES & NET SALES



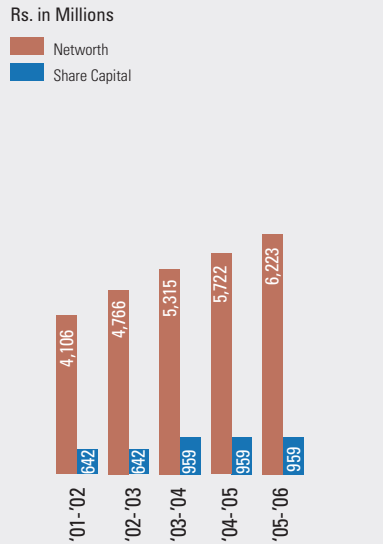
PROFIT BEFORE TAX & PROFIT AFTER TAX



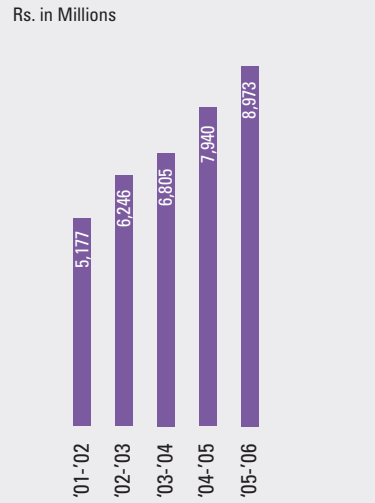
RETURN ON CAPITAL EMPLOYED & RETURN ON NETWORTH

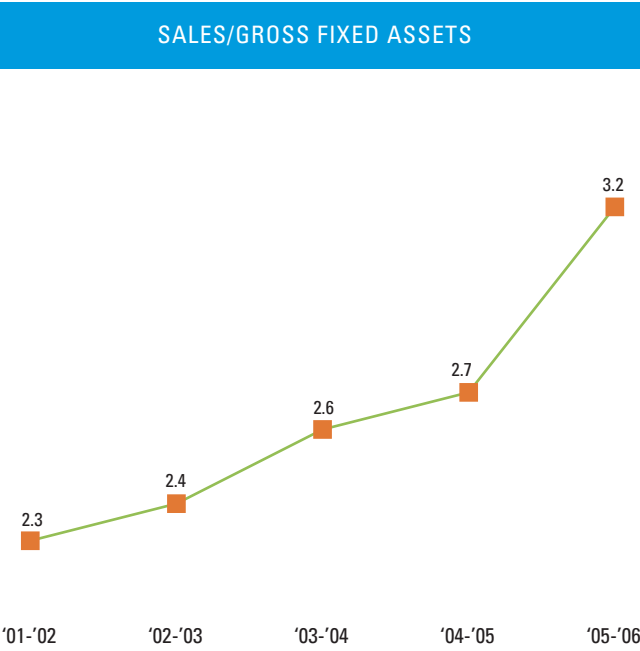
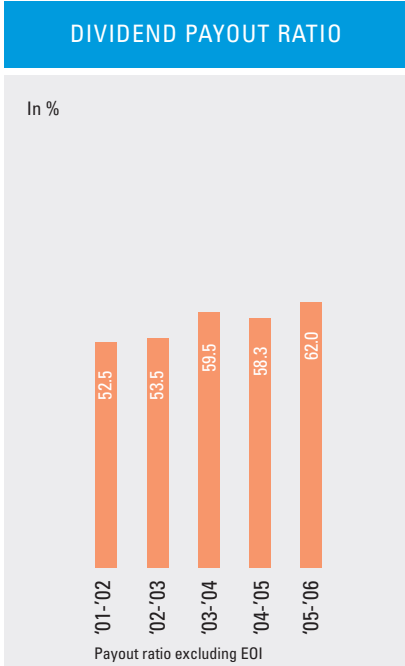


NETWORTH & SHARE CAPITAL



REVENUE TO EXCHEQUER

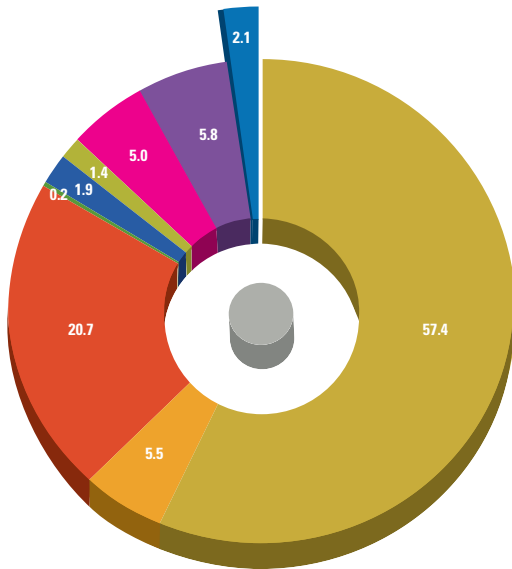




DISTRIBUTION OF INCOME

In %

- MATERIAL COST
- EMPLOYEE REMUNERATION
- OTHER EXPENSES
- INTEREST
- DEPRECIATION
- EXTRAORDINARY ITEM
- INCOME TAX
- DIVIDEND & DIV. TAX
- RETAINED EARNINGS



NEW INITIATIVES

A display of our new products, innovations and initiatives in Indian and International markets.



X113
Red

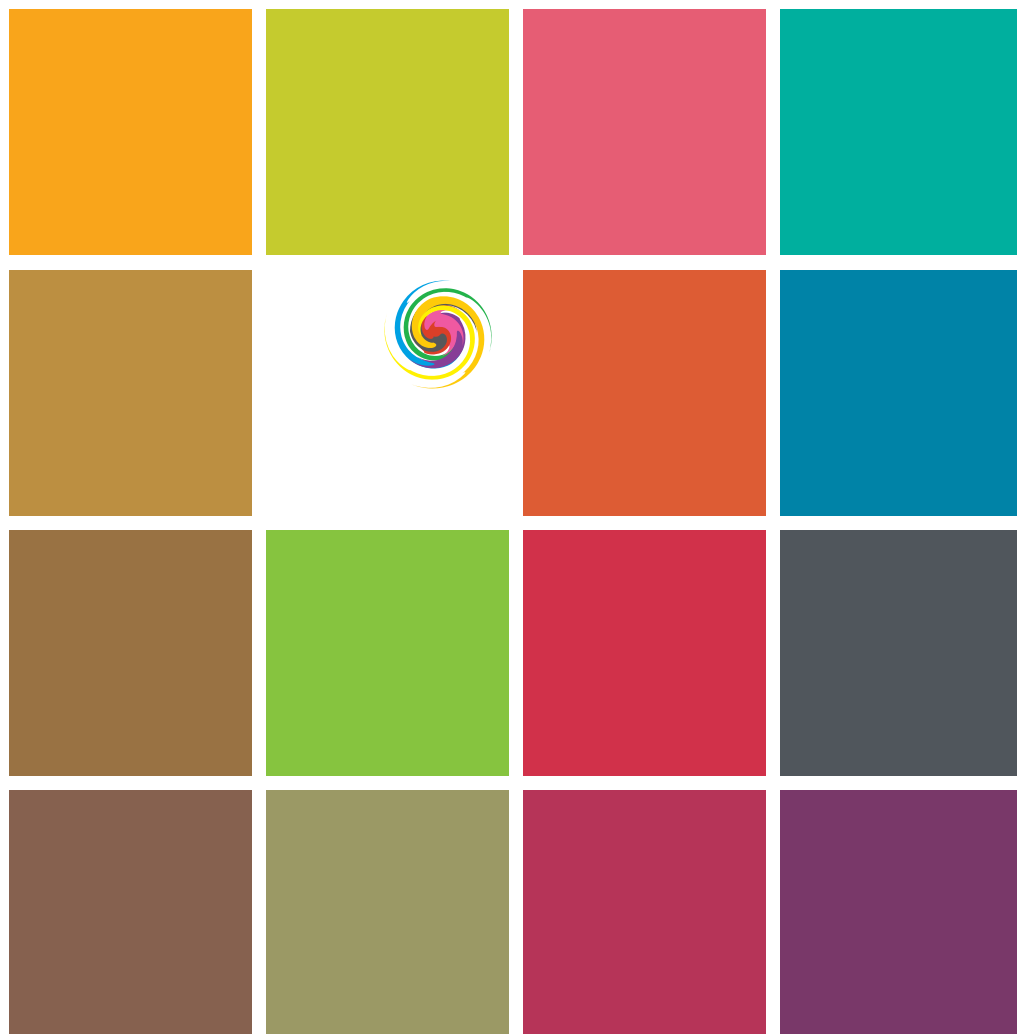
X138
Cape Rose

X139
Violet Saga

X140
Violet Paradise

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COLOUR NEXT
THE TRENDS OF 2006

This year saw the launch of much awaited colour research in the form of Colour Next – The trends of 2006. This research fills the gap about how colour preferences emerge in different kinds of spaces, finally coming to be recognized as 'trends'. This research came up with a definitive understanding of trends in the area of colour in the Indian context. The final result was a collection of 15 trend shades that we believe we shall see all around us in the coming year.



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ROYALE
PLAY ▶
SPECIAL EFFECTS PAINT

We launched Royale Play Special Effects Paint that gives wall paint a whole new meaning. Now our consumer can give walls not just colour but dimension and texture too. This takes wall décor to the next level and brings walls alive in a manner not seen before. It is available in 6 attractive effects: Sponging, Ragging, Brushing, Spatuala, Combing and Colourwash.

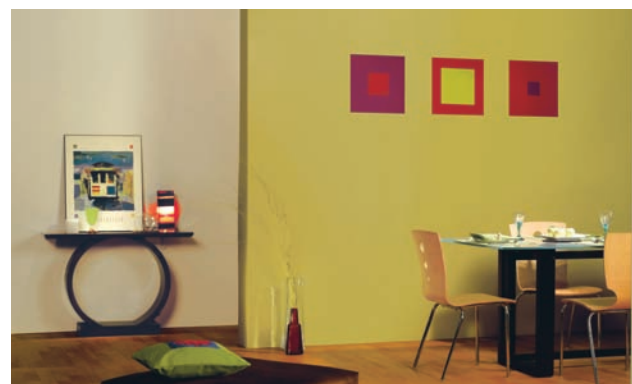


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WALL FASHION

SIGNATURE PAINT STYLES FOR YOUR HOME

Asian Paints launched **Wall Fashion – Signature Paint Styles for Your Home**. This collection helps consumers come up with innumerable ideas on how they can break out of the usual ceiling-to-floor coat of a single shade. The consumer gets ideas on how every wall surface can be transformed into a designer wall.

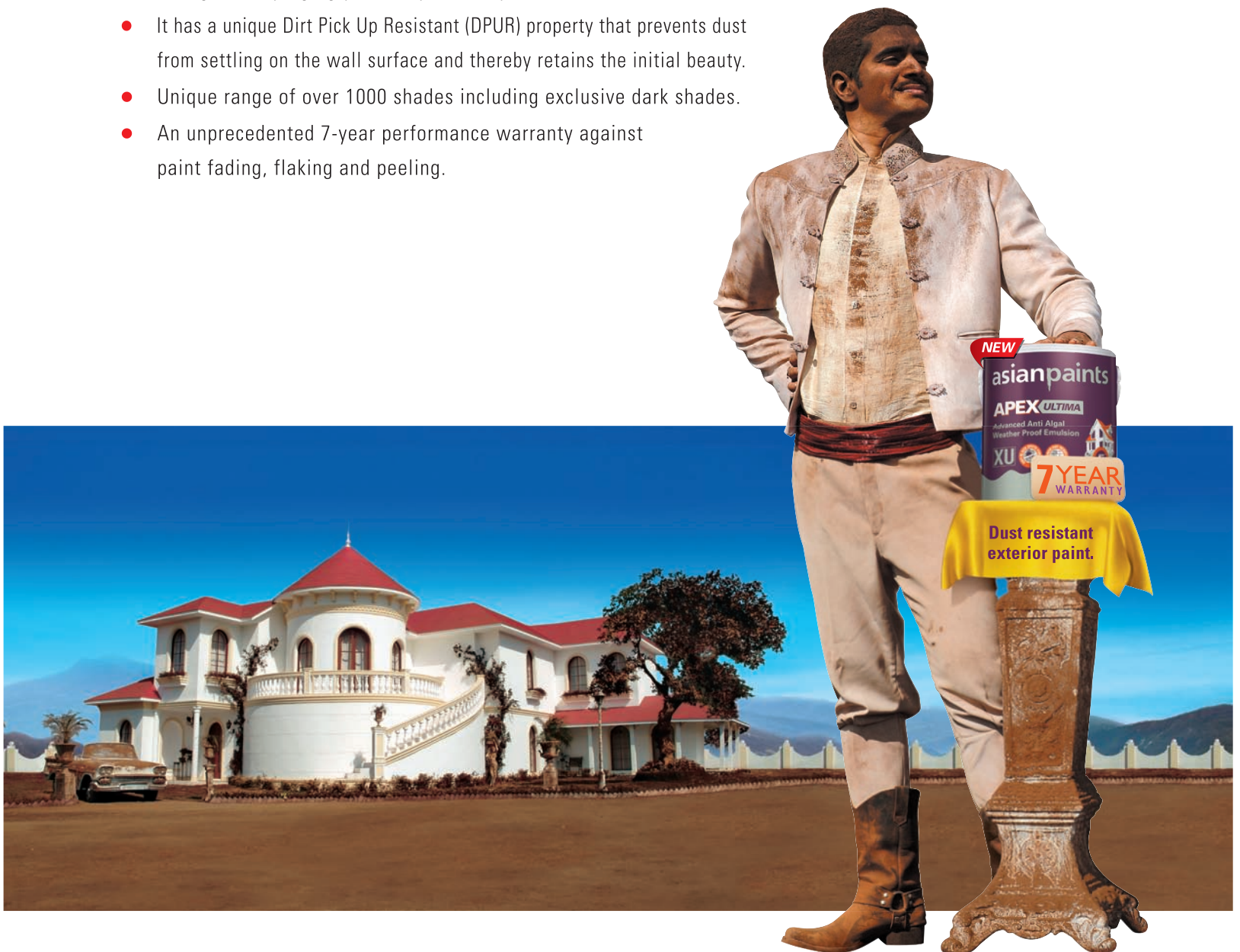


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APEX ULTIMA
The ultimate exterior paint

We added another winner in our product portfolio with the launch of Apex Ultima exterior wall emulsion. It's specially formulated to protect exterior walls from extreme weather conditions, keeping them beautiful for years to come. The product has been created after extensive research and testing across different climate conditions across the country.

Its unique features include:

- It has an Advanced Anti Algal Formula, which prevents the formation of Algae, keeping ugly black spots away.
- It has a unique Dirt Pick Up Resistant (DPUR) property that prevents dust from settling on the wall surface and thereby retains the initial beauty.
- Unique range of over 1000 shades including exclusive dark shades.
- An unprecedented 7-year performance warranty against paint fading, flaking and peeling.





The Utsav brand aims to provide products that deliver superior value to the consumer seeking a painting solution within a limited budget. Last year, the Utsav range was enhanced and now offers a complete range of products to the entry level paint consumer. Now the brand offers distempers, enamels, stainers, exterior paints and primers under its fold - all of which offer enhanced durability and performance compared to locally made unbranded paints.



ADVERTISING

The year gone by saw some charming advertising campaigns for some of our products. A little brother and sister use their imagination and some 'cuting-shutting' to tell stories about the colours of the walls around them. Some celebrities told us, how some things in life deserve a Royale wall. And then, how the *Chotey Nawab Sahib* discovers the walls of his mansion are more awe inspiring than the annual bravery stunt he performs for the villagers' benefit, in the communication for Apex Ultima.

How green is your valley?

Har rang kuch kehna hai
asianpaints
Har ghar kuch kehna hai

Is it as green as an Indian jungle? Is it like a rain-washed meadow? Or is it a tea garden in bloom? Paint your wall green and let your imagination go wild. Call Asian Paints Home Solutions on 1409256137 or log on to www.asianpaints.com and see where colour can take you. Photo credit: © iStockphoto.com

How deep is your blue wall?

Har rang kuch kehna hai
asianpaints
Har ghar kuch kehna hai

Is it as deep as the ocean? As high as the sky? As wide as the sea? As bright as the moonlit sky? A blue wall can colour your imagination. Call Asian Paints Home Solutions on 1409256137 or log on to www.asianpaints.com and see what colour can do for you. Photo credit: © iStockphoto.com

Why not make every day a Sunday?

Har rang kuch kehna hai
asianpaints
Har ghar kuch kehna hai

When under less stress? When everything is bright and is also a shade? When weekends mean all year? Paint your wall yellow and let your imagination go wild. Call Asian Paints Home Solutions on 1409256137 or log on to www.asianpaints.com and see where colour can take you. Photo credit: © iStockphoto.com

Asian Paints Corporate ad

Directors spend days looking for the perfect location. Maybe they should visit my home sometime.

Introducing the all-new Royale with PERFECT FINISH™

Walls of a home become perfect with the all-new Royale Luxury Emulsion. A technologically advanced paint that offers PERFECT FINISH™. It gives your wall advantages like smoother finish, perfect shade and color, colour-fading with breakthrough features like stain resistance, greater strength and anti-fungal properties. All of which make the wall in your home look stunning.

Perfect Sheen
Smoother Finish
Stain Resistant
Anti-Fungal

asianpaints | ROYALE
Some things in life deserve a Royale wall.

Asian Paints Royale ad

Dust Resistant Exterior Paint

asianpaints
APEX ULTIMA
NEW
7 YEAR WARRANTY

Asian Paints Apex Ultima ad

INTERNATIONAL INITIATIVES

If new products have been the rage in India, international operations are not far behind. A number of new products were launched by overseas subsidiaries.

COLOURWORLD

The Colourworld retail solution is now present in all 21 countries where Asian Paints has manufacturing presence. This has enabled our subsidiaries to gain a competitive edge at the marketplace and given us an identity in markets where we have low market share. The dealer tinting solution has met with initial success in all markets where it has been launched.



Launch of Colourworld in Berger Paints, Bahrain



Launch of Colourworld in Berger Paints, Oman

Fashion Finishes



This is a new range of products pioneered by SCIB Paints, Egypt. This new range of products is now also present in Bahrain. In this current year, this range will be launched in Dubai and Oman. Branded "Xpresions" (except Egypt, where it is called "Décor"), this product range is targeted at high-end consumers and comes in different effects like Metallic, Glaze, Suede, Pear Glaze, etc.

Vintage Finishes

This new range is meant for exterior surfaces. Already launched in UAE, Bahrain and Oman, this range has already created a stir at the market place. This range is available in three different finishes Stucco, Stone Shield and Tartaruga.



Building with Tartaruga Finish



SCIB Chemicals, S.A.E. celebrates 25 years of its inception in Egypt.

INDUSTRIAL PAINTS

In Industrial Coatings, product development thrust has been with a clear view to address the growing high performance coating segment, powder coatings and auto refinish market :

High Performance Coatings

- The APCOGUARD range of tank linings has been strengthened with newer product offering.
- There has been significant work in the APCOGLASS range of glass flake re-enforced high performance coatings which offer superior protection in aggressive industrial and marine environments.
- With India emerging as a major engineering and fabrication hub there has been concerted effort to develop a range of quick drying, reduced dust pick-up products under the brand APCOQUIK.



An Industrial tinting system

Powder Coatings

During the year, Asian Paints Industrial Coatings Ltd. developed innovative and cost effective metallic shades as well as coating finishes with unique hues based on specific customer requirements. Also, an economy range of fast moving shades was developed primarily for the job coater's market to increase presence in this segment.

Auto Refinish Paints

- The BILUX PU range which had been selling mainly in the retail segment till last year was expanded by Asian PPG to ensure that it was seen as a complete solution for the fleet segment as well.
- PPG's global premium fleet offering DELFLEET, was launched towards the end of the financial year and met with good response from users. The product is specifically designed for large area painting and is a first in the Indian fleet market.
- Asian PPG also launched PPG's bodyshop initiative 'Maximum Velocity Programme' (MVP) in southern India for car dealerships using DELTRON GRS. The MVP programme aims at studying and improving work practices at the customer's end.



Tanks painted with high performance coatings

CORPORATE SOCIAL RESPONSIBILITY

Total Water Management Centre has been built at Bhandup, Mumbai

- To bring in awareness and to propagate the concept of "Total Water Management" for the benefit of the common man.

The TWM Centre ensures

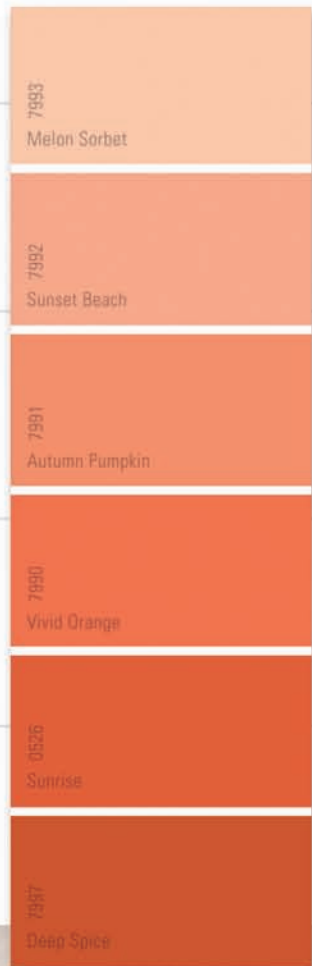
- Holistic approach to Water Management.
- Educate interested parties on the concept of Water Management & provide them perspective on water issues.
- Help to understand modalities of implementing Water Conservation Projects in all types of building structures.
- Technical expertise will be given at no cost.

The Total Water Management Centre at Bhandup is the first of its kind in the country and is open for general public. The concept of Water Management is explained with working models that can be easily understood by everyone. It also has a library for Books, Case Studies, Success Stories, Installation Cost, Calculations on Rain Water Harvesting Potential, etc. Visiting public can register at our website and also avail the technical expertise on the subject that is available free of cost.



Municipal Commissioner Mr. Johnny Joseph inaugurating the TWM Centre

DIRECTORS' REPORT



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 60th Annual Report of your Company and the audited accounts for the financial year ended 31st March, 2006.

FINANCIAL RESULTS

(Rs. in millions)

	APL			AP Group Consolidated		
	2005-06	2004-05	Gr %	2005-06	2004-05	Gr %
GROSS SALES	27,774	23,388	18.8%	35,100	29,515	18.9%
Operating Profit	3,878	3,254	19.2%	4,237	3,675	15.3%
Less: Interest	38	28		114	108	
Less: Depreciation/Amortisation/Impairment	455	476		606	614	
Add: Profit / (Loss) from associate	—	—		(9)	2	
Profit before EOI , Goodwill and Tax	3,385	2,750	23.1%	3,507	2,955	18.7%
Less: Extraordinary item (EOI)	336	42				
Less: Goodwill Impairment/Amortisation	—	—		76	77	
Profit before Tax	3,049	2,708	12.6%	3,431	2,878	19.2%
Less: Provision for Current, fringe benefit and deferred Tax	1,171	970		1,323	1,061	
Profit after Tax	1,878	1,738	8.0%	2,109	1,818	16.0%
Add/(Less) : Prior period items	(10)	(3)		(10)	(5)	
Net profit after prior period items	1,868	1,735	7.7%	2,098	1,813	15.8%
Less: Minority Interest	—	—		(23)	72	
Attributable to shareholders of the Company	1,868	1,735	7.7%	2,121	1,741	21.9%
Add : Balance brought forward from the previous year	1,000	820		1,000	820	
DISPOSABLE PROFIT	2,868	2,555		3,121	2,561	
That the Directors recommend for appropriation as under:						
Dividend - Interim	432	384		432	384	
- Final	528	528		528	528	
- One time special	240			240		
Tax on Dividend	168	125		171	130	
Transfer to General Reserve	401	518		651	520	
Balance carried to Balance Sheet	1,100	1,000		1,100	1,000	

RESULTS OF OPERATIONS

Total revenue increased to Rs. 23,192 million from Rs. 19,546 million in the previous year – a growth of 18.7%. The operating profit increased by 19.2%, from Rs. 3,254 million to Rs. 3,878 million. The profit after tax and extraordinary item (being provision for diminution in value of long term investments) increased to Rs. 1,868 million from Rs. 1,735 million, representing a growth of 7.7%.

The consolidated sales and operating income increased to Rs. 30,210 million from Rs. 25,739 million – a growth of 17.4%. Net profit after minority interest for the group increased to Rs. 2,121 million from Rs. 1,741 million, representing a growth of 21.9%.

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

CONSOLIDATED ACCOUNTS

Your Company, under Section 212(8) of the Companies Act, 1956 has been exempted from the provisions of Section 212(1) and 212(3) of the Companies Act, 1956 in respect of attaching the financial statements of the subsidiary companies in India and abroad, both direct and indirect, to the balance sheet of the Company for the financial year 2005-2006. Shareholders desirous of obtaining the annual report and the financial statements of the subsidiary companies may obtain the same upon request. However, a statement of summarised financials of all the subsidiaries is attached along with the consolidated financial statements of your Company. Pursuant to Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by your Company include the financial information of all its subsidiaries.

DIVIDEND

An interim dividend of Rs. 4.50 per equity share (45%) was paid in November, 2005. Your Directors recommend a final dividend of Rs. 5.50 per equity share (55%). In addition, your Directors also recommend payment of Rs. 2.50 per equity share (25%) as a one-time special dividend on the occasion

of the 60th year of the incorporation of your Company. The total dividend (including the interim dividend and the one time special dividend) for the financial year 2005-2006 comes to Rs. 12.50 per equity share (125%) as against Rs. 9.50 per equity share (95%) paid for the previous year.

The register of members and share transfer books will remain closed from 19th June, 2006 to 26th June, 2006, both days inclusive. The Annual General Meeting of the Company has been scheduled for 26th June, 2006.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 400.64 million to the general reserve. An amount of Rs. 1,100 million is proposed to be retained in the profit and loss account.

SUBSIDIARIES

ASIAN PAINTS INDUSTRIAL COATINGS LIMITED

Asian Paints Industrial Coatings Limited (APICL), a wholly owned subsidiary of your Company, reported Profit Before Tax of Rs. 5.71 million for the financial year ended 31st March, 2006 as compared to Rs. 9.97 million for the financial year ended 31st March, 2005. The reduction is primarily on account of reduction in gross margins as a result of increase in material costs.

During 2004-2005, APICL had acquired land in Baddi near Himachal Pradesh by acquiring 100% Equity in Surya Powder Coating Ltd. (SPCL) for setting up the second powder coating facility in order to cater to the increase in demand. During the year 2005-2006, a scheme of merger of SPCL with APICL was put up to the Hon'ble High Courts of Mumbai and Punjab & Haryana for approval which have approved the merger.

The powder coating facility set up at Baddi commenced commercial production on 18th April, 2006. With the existing manufacturing facility at Sarigam, Gujarat and the new facility located at Baddi, Himachal Pradesh, APICL is well placed to service the Western and the Northern markets which constitute the bulk of the powder coatings demand.

TECHNICAL INSTRUMENTS MANUFACTURERS (INDIA) LIMITED

Technical Instruments Manufacturers (India) Limited (TIM), a wholly owned subsidiary of your Company, owns the building which houses your Company's Corporate Office. It has no income except the rent it receives from your Company.

During the financial year 2005-06, your Company granted a loan of Rs. 100 million to TIM for acquiring a land admeasuring to 24,308 sq.mts at Thane, Maharashtra for setting up a research and development facility for your Company.

JOINT VENTURE WITH PPG INDUSTRIES, INC. – ASIAN PPG INDUSTRIES LIMITED

Asian PPG Industries Limited (APPG) a 50:50 joint venture between your Company and PPG Industries, USA, caters to the demand in the automotive and industrial paint segment. APPG is a supplier to almost every 2-wheeler maker in India and has a significant position in this market. The joint venture witnessed good year of performance. There was an increase of 17.7% in Sales and 6.16% in Profits After Tax for the current financial year as compared to the previous financial year. The joint venture Company also declared an interim dividend of Re. 1.40 per equity share on 31st March, 2006.

OVERSEAS SUBSIDIARIES

During the year 2005, the sales of the international operations grew by 11% to touch Rs. 5,500 million (US \$ 124.70 million). For the year under review, the revenue from paint sales of Berger International Limited (BIL), a subsidiary of your Company listed on the Singapore Stock Exchange, increased by 6.5% to S\$ 118.11 million (equivalent to Rs. 3,140.39 million). Without considering the exchange rate impact and the divestment in Malta in 2004, paint sales have grown by 9.3%. BIL has incurred a loss of S\$ 5.5 million (equivalent to Rs. 146.24 million) for the year under review as compared to profit of S\$ 2.2 million (equivalent to Rs. 58.94 million) for the previous year due to higher material cost, higher provision for tax for prior years and higher share of loss from the associate company. The South East Asia region underperformed in terms of operating profit and is the major contributor to the loss reported by international operations.

Another subsidiary of your Company, SCIB Chemical, S.A.E., Egypt has done well and has reported a profit of US \$ 0.98 million (equivalent to Rs. 43.22 million) against a profit of US \$ 0.25 million (equivalent to Rs. 11.32 million) of last year.

Your Company has made a provision of Rs. 336 million 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. This item has been treated as an extraordinary 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 networth of its overseas subsidiaries. Asian Paints (International) Limited and its subsidiary, Berger International Limited, have also provided for impairment of their long term investments in certain subsidiaries in the current year.

The Management's Discussion and Analysis has further dealt with the international business.

INDUSTRIAL COATINGS PLANT

In the last annual report, it was mentioned that your Company was setting up a greenfield industrial coatings manufacturing facility at Taloja, Maharashtra, to meet increase in industrial coatings demand and enhance the servicing capability of your Company. Construction of the manufacturing facility has been on schedule and your Company plans to commission the first phase of the plant towards the end of the third quarter of the current financial year. The first phase having a capacity of 14,000 KL per annum will be increased to 30,000 KL in a phased manner.

CORPORATE GOVERNANCE

Your Company continues to comply with the requirements of the Listing Agreement entered into with the stock exchanges where your Company's shares are listed. Pursuant to the amended Clause 49 which came into effect from 31st December, 2005, your Company has laid down risk identification, risk assessment and risk minimisation procedures pertaining to key areas of your Company's operations and the same shall be reviewed periodically by

the Board of Directors. Your Company has also adopted a Code of Conduct for its Board Members and Senior Management Personnel and the same has been posted on your Company's website. All the Directors and the Senior Management Personnel of your Company have affirmed compliance with the said Code of Conduct.

The Management Discussion and Analysis and the report on Corporate Governance are included as a part of the Directors' Report.

A certificate from the Auditors of the Company regarding compliance with the conditions 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 2005-2006 and there are no outstanding fixed deposits from the public as on 31st March, 2006.

SALES TAX DEFEREMENT BENEFIT

Your Company was availing sales tax benefit at Patancheru plant for the expanded capacity under Target 2000 scheme, for which eligibility certificate had been granted for Rs. 407.01 million. A sum of Rs. 43.41 million has been availed during the year and with this, the total amount of deferment availed upto January, 2006 is Rs. 407.01 million. With this, your Company has completed the maximum limit available for deferment.

Your Company also continues to avail sales tax deferment benefit for the expanded capacity at Kasna plant for which eligibility certificate for Rs. 381.58 million has been received. A sum of Rs. 40.53 million has been availed during the year and with this, the total amount of deferment availed upto 31st March, 2006 is Rs. 135.96 million. Also, an amount of Rs. 11.28 million pertaining to deferment availed for the year 1999-2000 was repaid as per the terms of the deferment scheme.

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.

SAFETY AND ENVIRONMENT

Your Company is committed to employing highest safety and environmental standards in all its plants. The four paint plants were submitted for audit by the British Safety Council, which awarded all plants the five star rating and also the "Sword of Honor". Sriperumbudur plant will be submitted for audit during the course of the year 2006-07. The Company's four paint plants and the two chemical plants have the ISO 14001 certification for the environment management standards. Your Company has been making proactive efforts in the area of environmental management and has taken the lead in spreading awareness and helping implementation of rain water harvesting projects in Mumbai.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of expenditure and earnings in foreign currencies are given in Notes 'B' -13 and 'B' - 14, respectively of Schedule 'M' to the financial statements.

CHANGE OF NAME

Your Company had proposed to change its name to Asian Paints Limited in line with its global ambitions. Approval of the shareholders for the said change of name by way of a Special Resolution in accordance with Section 21 of the Companies Act, 1956, was obtained through postal ballot under Section 192A of the Companies Act, 1956 during the financial year 2005-06. Your Company has also received a fresh Certificate of Incorporation from the Registrar of Companies, Mumbai, dated 12th July, 2005.

PERSONNEL

Your Company has made a systematic and substantial investment in training and development of its workforce during the financial year 2005-06. During the year 2005-06, the three year productivity agreement was negotiated and settled at the Patancheru Plant while the same is on the verge

of settlement at the Bhandup Plant. The industrial relations continue to be cordial and peaceful.

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 shareholders 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

Your Company's Director, Dr. S Sivaram, was honored with the prestigious "Padmashree Award" by the Government of India in recognition of his contribution to Science & Technology on January 26, 2006. Your Company is proud of his achievements and continues to seek inspiration from his knowledge and expertise.

As per Article 131 read with Article 133 of the Articles of Association of the Company, Mr. Amar Vakil, Mr. R. A. Shah

and Dr. S. Sivaram retire by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Appropriate resolutions for their re-appointment are being placed before you for your approval at the ensuing Annual General Meeting. The brief resume of the aforesaid Directors, their Directorship in other Companies and other information have been detailed in the Corporate Governance Section of this report. Your Directors recommend their re-appointment as Directors of your Company.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee of the Board of Directors of the Company has been reconstituted by the Board of Directors of the Company at its meeting held on 10th May, 2006. Mr. Hasit Dani, Non-Executive Director has been appointed as a member of the Share Transfer Committee. The Corporate Governance section of this report contains the details in this regard.

AUDITORS

The Company's auditors, M/s. Shah & Co., Chartered Accountants, retire and are eligible for reappointment. Your Directors recommend their reappointment for the ensuing year.

COST AUDITOR

The Company has received the approval of the Central Government for appointment of Shri Damji Keshavji Visariya as Cost Auditor to conduct the audit of the cost records of your Company for the financial year 2005-2006.

APPRECIATION

Your Directors wish to place on record their appreciation of the contribution made by employees at all levels to the continued growth and prosperity of your Company. Your Directors also wish to place on record their appreciation of banks and other financial institutions, shareholders, dealers and consumers for their continued support.

For and on behalf of the Board

Ashwin Choksi

Ashwin Choksi
Chairman

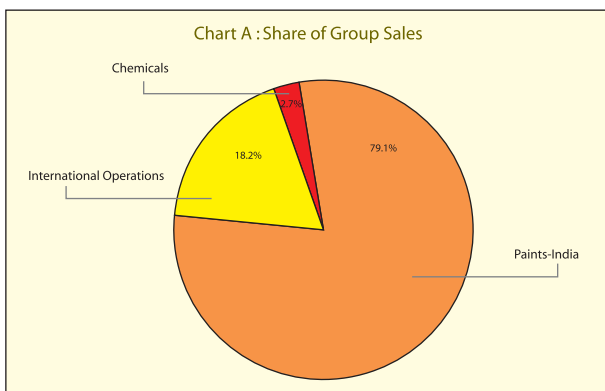
Mumbai : 10th May, 2006

MANAGEMENT DISCUSSION & ANALYSIS

The Indian economy continued on its strong growth path during 2005-06. The current optimism and perception of a brighter future is being reflected in all major indicators of the economy. All core sectors have performed well. Manufacturing growth has been robust at around 9%. Capital goods, consumer goods, construction, cement, automobiles have all witnessed good growth during the year 2005-06. Accordingly, the Indian economy is expected to record GDP growth over 8% for Financial Year 2005-06, making it once again one of the fastest growing economies in the world.

Your Company's international business has also been impacted by the overall global economy, especially in the regions of your Company's operations. The world economy grew at a moderate rate as it was impacted by volatility in oil prices and firming up of interest rates. This has resulted in an increase in cost of raw materials putting pressure on operating margins.

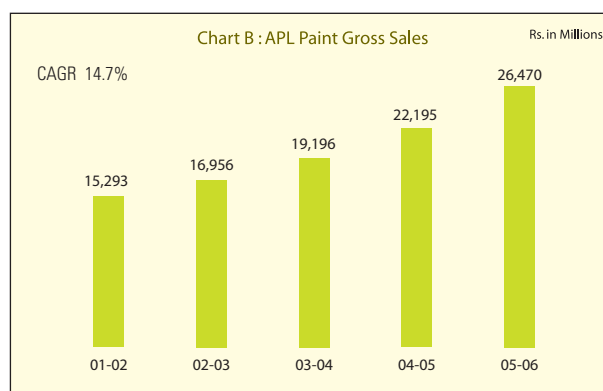
Your Company has benefited from the buoyant economic growth in the country and this is reflected in its financial performance during the year under review. The same is dealt with under Financials.



Products and Markets

Paints

Your Company's paint business in India consists of Decorative and Industrial Coatings. In 2005-06, these accounted for 79.1% of the group sales. It is estimated that the local market for all paints including cement paints and other powder products manufactured by all companies big and small would have been around Rs. 95 billion in 2005-06. The paint industry is estimated to have grown by 15% in volume terms in 2005-06.



DECORATIVE PAINTS

Decorative paints account for over 75% of the overall paint market in India. In this segment, your Company has been a leader for almost four decades. Decorative paints include wall finishes for interior and exterior use, enamels, wood finishes and ancillary products such as primers, putties, etc. Early estimates place the overall decorative paints market growth including the small and medium scale sectors in India at about 13-14% in volume equivalent to about 17-18% in value. Turnover in value increased ahead of volume on account of price increases in the second half of 2004-05 due to sharp rise in prices of materials during that period.

During 2005-06, prices of materials were almost flat throughout the year with a small dip towards the end of the year. Availability of materials too was good throughout the year.

On the whole, market conditions were good but there were substantial variations from quarter to quarter. The off-take in the first quarter was very high in several states where Value Added Tax (VAT) was introduced from 1st April, 2005. Dealers brought their inventories back to normal levels after a sharp reduction in fourth quarter of the previous financial year. The second and third quarter were a little disappointing on account of the very heavy and prolonged rains which impacted demand during the Diwali season period, especially in the Northern and Western parts of India. The fourth quarter then witnessed a very robust growth ending the financial year on a positive note. VAT has now been introduced in all states except in Uttar Pradesh and Tamil Nadu. Even though several states switched to the VAT regime from 1st April, 2006, impact on demand in these states was minimal as tax rates did not change significantly. The Company is expected to benefit once the remaining two states also switch over to the VAT regime.

In keeping with your Company's strong commitment to growth, your Company continued to move strongly on several fronts. Pricing was kept competitive. Your Company had increased prices by small amounts in June and November 2005; after the dip in material costs as mentioned above, your Company effected a reduction in prices of some emulsion paints in January, 2006. Your Company has continued to launch new products that provide consumers with a larger choice at every price point. In the exterior paints segment, Apex Ultima with its novel warranty scheme was taken countrywide. Ace Supreme, a high-end version of Ace exterior emulsion was introduced in selected markets and variants were launched for different segments. The Utsav economy range of products

was widened with several new introductions that have enabled us to provide solutions for customers seeking economy products, especially in rural areas. Your Company continues to aggressively increase ColourWorld installations. Your Company has today close to 7000 ColourWorlds across the country. Increasingly, these are being installed even in small towns enabling us to bring to consumers in such towns the benefit of very large range of shades in a very wide product range. The economies of scale that your Company has secured make these installations more and more attractive to even small dealers.

Your Company's complete paint solution for customers Asian Paints Home Solutions (APHS) continues to do well and has been extended to Coimbatore and Kochi. This is in addition to Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad and Pune where APHS was available earlier. The service continues to add to the strength of the Asian Paints brand.

Manufacturing Capacity

The Sriperumbudur plant commenced production in January 2005. Production was successfully ramped up such that the production was in excess of 25,000 KL in its first full year. It successfully met all cost and efficiency targets. Its capacity has been further raised to 50,000 KL per annum so as to effectively meet the growing requirements for emulsions paints that are manufactured at the plant.

In the older plants, your Company has been able to successfully sweat our existing assets and thereby postpone significant capital expenditure. Your Company has now available 300,150 tons of capacity in the five paint manufacturing plants

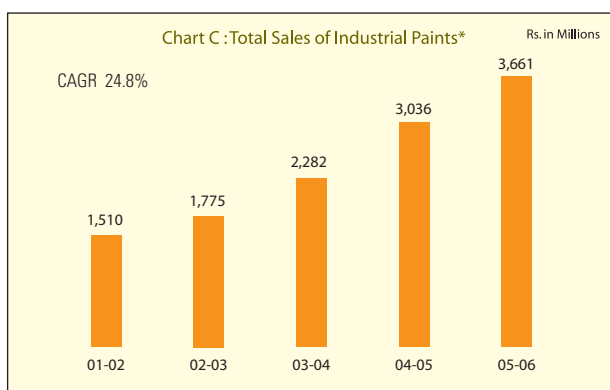
INDUSTRIAL COATINGS

Industrial coatings segment continues to grow at a higher rate than decorative coatings, led by the growth in automotive

original equipment sector, powder coatings and protective coatings.

Industrial coatings are classified into automotive and non-automotive coatings. The automotive coating segments are catered to by the joint venture Asian PPG Industries Ltd. The non-automotive coatings segments are catered to by your Company and its wholly subsidiary company Asian Paints Industrial Coatings Ltd. (APICL). While APICL services the powder coatings segment, your Company caters to the remaining non-auto industrial coatings segments. The segments that your Company presently cater to are – the protective coatings segment, the floor coatings segment, the general industrial liquid paints segment and the road marking segment. Your Company is the second largest player in the industrial coatings segment.

With the automobile industry continuing on its growth trajectory, albeit at a slower rate, the white goods manufacturers registering a good growth and with increased investment in building capacities across the country, your Company's overall performance in industrial coatings has been satisfactory. The group's total local sales of industrial coatings grew by 22%.



* includes 100% sales of Asian PPG Industries Ltd.

Automotive Coatings

Asian PPG Industries Limited

After two years of rapid expansion, growth in the passenger vehicle industry slowed down to a single digit level to 8% during the year 2005-06. Production of medium and heavy commercial vehicles went up by a mere 2%, while light commercial vehicles registered a robust growth at 24%. The two-wheeler segment performed well registering a growth of 16.4% over the previous year.

Across the board, customers relentlessly continued to cut consumption of coatings per vehicle through productivity improvement measures. Customers also sought to manage costs through aggressively leveraging the competition amongst coatings suppliers. Despite this, Asian PPG Industries Limited (APPG) performed well and outpaced industry growth of automotive coatings. APPG registered sales growth of 17.7% from Rs. 2,377 million to Rs. 2,798 million.

Both the original equipment and the refinish segments performed well. New customers were added in all segments. Major improvements were effected in appearance, quality and durability of products offered to customers. APPG has consistently worked to increase the ability of its customers to provide enhanced value to vehicle buyers. This in turn has enabled the Company to improve its market standing, year after year. Bilux, APPG's economy PU offering in the refinish market saw yet another year of impressive growth making it the largest selling brand in its category.

For the financial year 2006-07, the growth rate of the automobile industry is expected to be similar to that in the previous year. APPG is well placed to take advantage of the growth in the auto market and it continues to remain optimistic about the longer term prospects of the Company.

Non-Auto Industrial Coatings

The market for the non-auto industrial coating segments wherein your Company and its wholly owned subsidiary, Asian Paints Industrial Coatings Limited (APICL) operate is estimated to have grown by around 14% by value during 2005-2006.

Your Company has consolidated its position as the second largest player in the protective coatings business and has estimated to be close to the leadership position in the road markings segment. Sales in the floor coatings segment which your Company had entered into in the year 2004-05 have grown manifold as compared to the previous corresponding financial year. Your Company has been able to establish its presence in this segment and is now a player to reckon with. It is planned to further aggressively grow in this segment in the coming year.

The powder coatings business too grew well above the market growth during the year. During the year, several new powder coating products based on technology from your Company's collaborator Protech Chemicals Limited were developed. Market development efforts are underway to upgrade consumers to these high end products and new areas of applications are being continuously explored.

With increasing investments in the core segments and on infrastructure, your Company expects the demand for all the non-auto industrial segments that it operates into remain buoyant in the near future. Private sector participation in segments like refineries, petrochemicals, power, ports etc., the key growth drivers for protective coatings demand will sustain the demand in this segment. The balanced presence across all the channels such as the dealer channel, engineering and painting contractors channel and the original equipment manufacturers places your Company in a sound position to exploit opportunities emerging in the protective

coatings segment. Easy availability of loans at relatively low interest rates has seen the demand for white goods and other consumer durables grow. This augurs well for the demand for powder coatings and your Company envisages good growth in powder coatings primarily due to the demand from the large original equipment and architectural segments. The Government's commitment to improving the road infrastructure will see demand for road markings and other road safety products grow. It is planned to upgrade this market with introduction of new technology products.

Manufacturing Capacity

Progress at the greenfield industrial liquid paints manufacturing facility being set up at Taloja, Maharashtra has been on schedule and it is planned to commission the first phase of the plant towards the end of the third quarter of the year 2006-07. The first phase will have a capacity of 14,000 KL per annum which will be expanded to 30,000 KL in the second phase. This facility will help your Company to significantly augment its manufacturing capabilities of industrial paints resulting in improved service levels.

Construction work has been completed at the powder coatings plant being set up at Baddi, Himachal Pradesh. The plant with an initial capacity of 1,200 MT has commenced commercial production on 18th April, 2006. Civil construction in the first phase has been designed to enable production of 3,000 MT. With the existing manufacturing facility at Sarigam, Gujarat and the new facility located at Baddi, Himachal Pradesh, APICL is well placed to service the Western and the Northern markets which constitute the bulk of the powder coatings demand.

CHEMICALS

Your Company also has chemicals businesses consisting of Phthalic Anhydride and Pentaerythritol manufactured at

Ankleshwar, Gujarat and Cuddalore, Tamil Nadu, respectively. These units were set up as backward integration initiatives in the 1990s and are not seen as growth drivers for the Company and are managed purely for value.

During the year 2005-06, approximately 42% of your Company's chemical production was consumed in-house and the balance was sold in the open market. Sale of chemicals in the open market grew by 8.6% during the year 2005-06. However, the profitability of these businesses declined marginally over the previous year mainly due to lower realisation in pentaerythritol due to severe competition from international players. The phthalic business performed well with profits improving marginally over the year 2004-05. With the reduction in import duty on phthalic anhydride from 15% to 12.5% in the Union Budget 2006-07 without any change in the duty of the raw material, margins are likely to be under pressure due to competition from international players.

INTERNATIONAL BUSINESS UNIT

The focus of the International Business unit has been on strengthening the group's presence in various markets by expanding the dealer network, increasing the number of dealer tinting systems, launching new products, penetrating new export markets, conducting market research to fine tune marketing strategies, strengthening sales teams, improving service levels and minimising price increases to improve market share.

Sustained and profitable growth of your Company's international operations is dependent on building and motivating a winning team that constantly drives innovation and change in an increasingly competitive global market place. The focus during the year has been on augmenting manpower to support growth plans and to strengthen human resource development efforts.

To compete successfully in the market place, it is essential to exploit information technology and derive competitive advantage. Microsoft Navision, an Enterprise Resource Planning software, has been installed at most of the overseas subsidiaries and provides consistent, timely and accurate information and enables quicker decision making and better control.

To improve operational efficiency in the areas of safety, inventory planning, house keeping, environment management, material losses and manpower productivity an initiative called TOP (Top Operating Performance) has been launched. 14 units have taken up this program and are implementing one or more of the aforesaid initiatives.

Financial Performance – International Business

During the year under review, the volume of paint sold has increased by 20% to 76.9 million litres and the revenue from paint sales has increased by 13% to Rs 5,163 million. Adjusted for the exchange rate impact, the value growth would have been 16%. The performance of the Middle East has been exceptional; Caribbean and South Pacific have been good, South Asia and South East Asia region performance has been below average especially in terms of profitability.

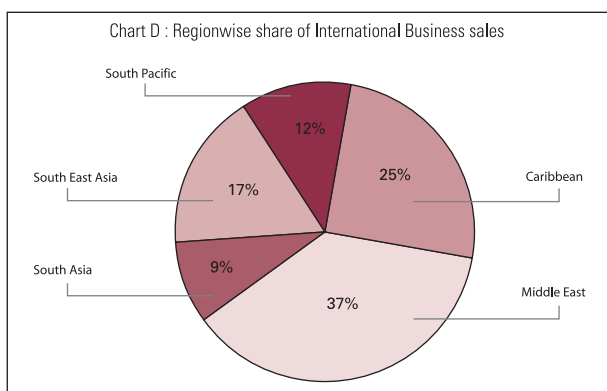
Cost of raw materials, as a percentage to revenue has increased during the year due to a sharp increase in material prices and the difficulty in increasing prices due to competitive pressure in some markets. The impact of higher material prices has been partly neutralised by improved efficiency in sourcing, material usage and research and development efforts to optimise the cost of products. Strict control has been exercised on capital and overhead expenditure.

The profitability of international operations has been impacted by the following factors:

- higher material cost which could not be fully passed on.
- higher income tax charge of Rs. 25 million arising out of a notice for additional assessment for the years 2000 to 2004 received by Berger International Limited (BIL), your Company's Singapore based subsidiary. An appeal has been filed against the same and the outcome of the appeal is awaited. BIL has also provided for an additional tax liability of Rs. 20 million for the year 2005 and 2006 as a matter of abundant caution.
- higher share of loss from the associate company in Philippines.

Some of the subsidiaries in the South East Asia and South Asia regions have accumulated losses. Your Company has reviewed the carrying value of its investments in these subsidiaries and has made necessary provision for impairment in the value of such investments. The management will continue to evaluate the performance of its overseas subsidiaries.

As mentioned in the last annual report, your Company operates in five regions across the world i.e., Caribbean, Middle East, South Asia, South East Asia and South Pacific.



Caribbean Region

During the year under review, the volume of paint sold in the region is 8.5 million litres and the growth rate has been flat. The revenue from paint sales has increased by 2% to Rs. 1,359 million. The region has been severely impacted by unprecedented hurricanes that have particularly impacted the performance of the subsidiary in Jamaica, the largest subsidiary in terms of paint sales. Installation of additional dealer tinting systems, launch of an exterior emulsion and implementation of operational efficiency initiatives helped the region to reduce the impact of hurricanes.

Middle East Region

The oil economies of the Middle East region continued to perform well driven by the high prices of crude oil and a boom in the construction sector. During the year under review, the volume increased by 33% to 47.7 million litres and the revenue from paint sales has increased by 24% to Rs. 1,981 million. The subsidiary in Egypt has done well.

Your Company has strengthened its position in the decorative retail, project segments and exports in this region. Steps have been taken to augment capacity to meet the sales requirements in this region.

South Asia Region

During the year under review the volume of paint sold in the region increased by 20% to 6.8 million litres and revenue increased by 18% to Rs. 471 million.

The performance of the Nepal and Sri Lankan units, despite the adverse political situation and difficult market conditions, has been satisfactory. Sales have increased significantly in Bangladesh unit and your Company is taking all steps to turn the unit around.

South East Asia Region

During the year under review, the volume of paint sold in the

region declined by 3% to 10.5 million litres and the revenue from paint sales has increased by 10% to Rs. 766 million.

The unit in Singapore has made profit and has done well in the protective and marine coating segments. The other units in the region viz., China, Malaysia, Thailand, Myanmar and Hong Kong have suffered losses. The associate Company in Philippines has also incurred a loss. These units are under close monitoring and steps are being taken to improve their performance.

South Pacific Region

During the year under review, the volume of paint sold in the region reduced by 4% to 4.2 million litres and the revenue from paint sales has increased by 7% to Rs. 660 million.

Fiji, the largest unit in the region has performed satisfactorily and the revenue from paint sales has increased significantly. All the other units have also performed satisfactorily during the year.

SAFETY HEALTH AND ENVIRONMENT

A. Safety at Asian Paints' Plants

In keeping with your Company's commitment to safety in the plants, the four older plants were again submitted for audit by the British Safety Council, which awarded all plants the five star rating and also the "Sword of Honor". Sriperumbudur plant will be submitted for audit during the current financial year. Your Company is focusing its efforts in improving risk assessment capability in the plants, so as to further improve safety standards.

B. Environmental Initiatives

Your Company's efforts in the area of "Waste Minimization" through waste reduction at source and resource conservation continue further. The plants

reduced further waste generated by implementing new material handling systems, superior cleaning systems and number of small projects to cut out waste. Rainwater harvesting schemes are in operation in all plants including the Sriperumbudur plant and residential colonies. Groundwater recharging schemes have already been implemented. On the whole, these steps have enabled your Company to reduce further wastes in the plants; these steps are not only environment friendly but make sound economic sense.

HUMAN RESOURCES

Systematic and substantial investment in training and development, continuance of productivity improvement efforts and an employee satisfaction survey are some of the highlights of human resources development activities during the year.

The well organised training and development activity was taken to a higher level by focusing on development program for the senior managers of your Company. In addition to inputs at the best institutions (including reputed foreign institutes), coaching was offered to a group of managers. Investment in building mission critical skills remain the thrust of all our training activity.

During the year productivity agreements were negotiated at the factories, some of them are bold experiments that will pay off well at ageing plants. The industrial relations continue to be cordial.

For the second time in the last six years, your Company has tied up with a professional agency to design and conduct an employee satisfaction survey. The results have been recently received and a steering committee of senior managers has been formed to chalk out an action plan to address the issues arising out of the survey.

CORPORATE SOCIAL RESPONSIBILITY

As intimated in last year's report, your Company approaches Corporate Social Responsibility from the perspective of being a responsible corporate citizen. In the area of health care, your Company continues to operate Mobile Medicare Units around Patancheru and Kasma plants and has extended the scheme to the area of Sriperumbudur plant in collaboration with Help Age India, an NGO.

In the Mumbai plant, your Company has installed a Total Water Management centre to educate interested citizens on concepts of water management. It explains modalities of implementing various water conservation projects for all types of building structures. It also displays working models on Rain Water Harvesting and provides expertise at no cost.

INFORMATION TECHNOLOGY

In the year under review, your Company has further leveraged its existing investments in information technology and launched initiatives in a few new areas.

Most of your Company's international units have migrated to the use of a new Enterprise Resource Planning system. The implementation has improved the accuracy and timeliness of transaction data capture and will help your Company focus on improving efficiencies.

Your Company's foray into the services business has been well received in the market and is growing at a healthy rate. Consequently, there was a need for your Company to implement robust and consistent customer facing processes. To facilitate the same, your Company is revamping the Customer Relationship Management system to help track and improve interactions resulting in increased customer satisfaction.

Creation and retention of knowledge is critical to improve the competitiveness of your Company. Thus, your Company

launched two initiatives in this area. In the first instance, the implementation of a state-of-art Product Life Cycle Management System will help shorten product development times by incorporating international best practices and efficient knowledge capture and reuse. In the second initiative, your Company has invested in an enterprise grade collaboration platform to improve employee productivity.

A business continuity planning exercise has been initiated to put into place infrastructure and processes to reduce potential loss on account of unplanned business interruptions. As a first step, your Company has commissioned a disaster recovery infrastructure for its critical transaction and reporting systems.

Your Company will continue to innovate and derive even greater benefits by using information technology as a business enabler.

RESEARCH & DEVELOPMENT

Your Company has made systematic and substantial investment in the Research and Development (R&D) field, for developing new products and reducing cost by re-engineering formulations. It has also endeavored upgrading the products and processes to improve Environmental and Safety concerns. Your Company's focus during the financial year 2005-06 remained on identification of alternate and new raw materials and vendors in order to enable product development, quality improvement, cost benefits, supply chain flexibility and crisis management.

During the financial year 2005-06, your Company granted a loan of Rs. 100 million to its wholly owned subsidiary, Technical Instruments Manufacturers (India) Ltd., for acquiring a land at Thane, Maharashtra, for setting up a research and development facility for your Company.

FINANCIALS

Operating revenues: Net sales and operating income of the standalone entity increased to Rs. 23,192 million from Rs. 19,546 million showing a growth of 18.7%. This is driven mainly on account of good paint volume sales growth of 13.8% and price revisions effected during the year. For the group, net sales and operating income shows an increase of 17.4% to Rs. 30,210 million.

Operating profit (PBDIT): The standalone company has been able to maintain its operating profit margins at 16.7% of net sales and operating income while that for the consolidated entity has reduced from 14.3% to 14.0%.

Profit before tax and extraordinary items (PBT): PBT for the year 2005-06 at Rs. 3,385 million show an increase of 23.1% over the previous year's profit before tax of Rs. 2,750 million. This is on account of healthy top line growth as well as lower depreciation due to revision in useful life of assets carried out in the previous year. On a consolidated basis, profit before tax and impairment of goodwill at Rs. 3,507 million shows an increase of 18.7% over the previous year.

Extraordinary item: The extraordinary item in the standalone accounts of 2005-06 of Rs. 336 million relates to provision for diminution in the value of long term investment in Asian Paints (International) Ltd., based on the management's assessment of the fair value of the investment.

Net profit (PAT): PAT for the standalone entity in 2005-06 stands at Rs. 1,868 million as against Rs. 1,735 million for the previous year, showing an increase of 7.7%. The net profit has grown by 24% without considering

extraordinary item. The net profit margin (excluding extraordinary item) at 9.5% shows an improvement of 40 basis points over the previous year. PAT after minority interest for the group stands at Rs. 2,121 million, an increase of 21.9% over the corresponding figure of Rs. 1,741 million in the previous year.

Working capital management: The Company continues to exhibit tight control on its working capital employment. The net core working capital turnover for the year has improved to 10 times from 9.7 times in the previous year.

KEY FINANCIAL RATIOS

	APL (Standalone)		AP Group (Consolidated)	
	2005-06	2004-05	2005-06	2004-05
PBDIT/Sales	16.7%	16.6%	14.0%	14.3%
PBT before EOI/Sales	14.6%	14.1%	11.6%	11.5%
PAT/Sales	8.1%	8.9%	7.0%	6.8%
Net sales/Total assets	3.1	2.8	3.0	2.8
Return on avg. Capital Employed	47.8%	41.4%	38.0%	35.5%
Return on avg. Net Worth	31.3%	31.4%	35.0%	31.7%
EPS (After EOI) (Rs.)	19.47	18.09	22.12	18.15
Debt : Equity	0.15	0.15	0.37	0.38
PBIT/Interest	89	101	32	28

RISKS AND OUTLOOK

Your Company is optimistic of its performance in 2006-07. The Government's renewed thrust on infrastructure and the housing sector will continue to help the paint industry. If the monsoons are normal, your Company expects the rural economy to perform well. The last two years of good monsoons have brought stability and growth for the rural economy. For the industrial coatings segment, increasing investments in the development of core infrastructure, increasing industrialisation and growing needs for consumer durables and automobiles augur well for the continued growth of this segment. However, for the automotive coatings

segment, it might witness reduced growth due to the slowdown estimated for auto manufacturers. However, your Company is confident that it will grow above the industry average due to its forays in fast growing areas like powder coatings, road markings etc.

Your Company is evaluating its international business on an ongoing basis. Efforts are being made to turnaround the loss making units. Your Company will not hesitate to exit from the markets which are considered to be unviable in the long term even though it may impact the profitability in the year of exit.

Your Company continues to see two risks that can affect its performance. If input costs continue to rise, pressure on operating margins can intensify. Secondly, if, as a result of adverse political, economic or natural conditions, the economies of countries where your Company has a significant presence do not perform well, the performance of the international business can be affected. These risks are continuously kept in view in managing the Company's overall operations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company is committed to ensuring a comprehensive internal control structure across its operations to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition. Your Company has well defined independent procedures to execute financial transactions. Your Company's internal audit department continuously monitors the adequacy of internal control processes across the business units and ensure compliance with regulatory requirements as well as internal policies. The internal audit also ensures that internal controls and checks and balances in the system are adequate and up-to-date. Internal audits are undertaken on a continuous basis covering

both domestic and international operations with specific focus on processes, risk based audit and compliances. A summary of audit observations and the 'action taken reports' are placed before the Audit Committee at least four times during the year.

CAUTIONARY STATEMENT

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

FIVE YEAR REVIEW

(Rs. in millions except for per share data, number of employees and ratios)

RESULTS FOR THE FINANCIAL YEAR	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
REVENUE ACCOUNT					
Gross Sales	27,774.2	23,388.4	20,259.5	18,066.6	15,984.5
Net Sales and Operating Income	23,191.6	19,545.6	16,960.9	15,350.1	13,714.4
Growth Rates (%)	18.65	15.24	10.49	11.93	11.20
Materials Consumed	13,517.4	11,284.4	9,436.0	8,071.2	7,274.5
% to Net Sales	58.29	57.73	55.63	52.58	53.04
Overheads	6,155.0	5,323.3	4,829.6	4,587.7	4,176.8
% to Net Sales	26.54	27.24	28.47	29.89	30.46
Operating Profit	3,878.5	3,253.90	2,912.15	2,817.2	2,407.8
Interest Charges	38.3	27.5	52.7	83.5	145.8
Depreciation	455.3	476.1	480.1	485.2	447.9
Profit Before Tax and Extraordinary item	3,384.9	2,750.3	2,379.4	2,248.5	1,814.1
% to Net Sales	14.60	14.07	14.02	14.65	13.23
Extraordinary item	(336.0)	(42.3)	(68.1)	-	-
Profit Before Tax and after Extraordinary item	3,048.9	2,708.0	2,311.3	2,248.5	1,814.1
% to Net Sales	13.15	13.85	13.62	14.65	13.23
Profit After Tax	1,878.0	1,738.2	1,475.8	1,433.7	1,153.3
Prior period items	(10.2)	(3.3)	2.1	(13.6)	(10.2)
Profit After Tax and prior period items	1,867.8	1,734.8	1,477.9	1,420.1	1,143.1
Return on average net worth (RONW) (%) *	31.27	31.43	29.32	32.01	27.82
CAPITAL ACCOUNT					
Share Capital	959.2	959.2	959.2	641.9	641.9
Reserves and Surplus	5,263.6	4,763.0	4,356.2	4,124.3	3,463.7
Deferred Tax Liability (Net)	284.7	305.4	486.6	581.6	611.8
Loan Funds	910.8	882.4	704.7	1,036.2	1,107.7
Fixed Assets	3,246.9	3,195.1	3,444.3	3,662.4	3,895.0
Investments	2,745.5	2,584.3	2,424.9	1,476.9	633.4
Net Current Assets	1,426.0	1,130.6	637.5	1,244.58	1,296.7
Debt-Equity Ratio	0.15:1	0.15:1	0.13:1	0.22:1	0.27:1
Market Capitalisation	61,777.1	37,514.2	29,135.6	21,187.8	21,056.2
PER SHARE DATA					
Earnings Per Share (Rs.)	** 19.5	** 18.1	** #15.4	#14.8	17.8
Dividend (%)	@ 125	95.0	\$ 85	110.0	90.0
Book Value (Rs.)	64.9	59.7	\$ 55.4	74.3	64.0
OTHER INFORMATION					
Number of Employees	3,681	3,550	3,356	3,327	3,188

* RONW is calculated after provision for impairment on fixed assets in 2004-2005

** EPS calculated on net profit after extraordinary item (Refer Note B - 29 in Schedule 'M')

EPS is calculated after adjusting for Bonus issue and the reduction of capital on account of merger of Pentasia Investments Limited in accordance with Accounting Standard (AS 20) - Earnings Per Share

@ Includes one-time special dividend of 25%

\$ On increased capital

ANNEXURE TO DIRECTORS' REPORT

FORM A

Disclosure of particulars with respect to Conservation of Energy :

	2005-06	2004-05
A. Power and fuel consumption :		
1. Electricity :		
a) Purchased -		
Units ('000 KWH)	24,532	23,594
Total Amount (Rs. in million)	105	101
Rate/unit (Rs.)	4.29	4.29
b) Own Generation :		
Through Diesel Generator -		
Units ('000 KWH)	2,659	2,074
Units per ltr. of diesel oil	3.55	3.47
Cost/unit (Rs.)	8.43	7.04
Natural Gas -		
Units ('000 KWH)	7,136	7,040
Units per cubic nm	3.30	3.25
Cost/Unit (Rs.)	3.29	3.12
2. Coal :		
(Steam coal used in Boiler to generate steam for the process)*		
Quantity (in MTs)	17,022	15,210
Total cost (Rs. in million)	43	40
Average Rate/MT (Rs.)	2,525	2,648
* includes Leco/Raw Lignite expressed in equivalent tons of coal		
3. Diesel :		
Quantity (in KL)	1,178	1,170
Total cost (Rs. in million)	37	30
Average rate/KL (Rs.)	31.53	26.03
4. Furnace Oil :		
Quantity (in MTs)	904	957
Total amount (Rs. in million)	16	15
Average rate/Kg. (Rs.)	17.46	15.88
5. Natural Gas :		
Quantity (in cubic nm.)	2,890	3,045
Total amount (Rs. in million)	26	28
Average rate/cubic nm. (Rs.)	8.97	9.13

B. Consumption per unit of production

	Electricity (KWH/Ton/KL)		Furnace Oil (Ton/KL)		Natural Gas (Ton/KL)		Coal (Ton)		Diesel (Ton/KL)	
	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05
Paints, Enamels and Varnishes (including Synthetic Resins for captive use)	91	91	52	55	36	36	-	-	31	33
Phthalic Anhydride	3*	36	-	-	58	68	-	-	-	-
Pentae-rythritol	940	916	7	12	-	-	4	3	-	-

* During 2005-06, the power consumption was significantly less as the plant operated without any interruption throughout the year.

FORM B

Disclosure of particulars with respect to Technology Absorption :

Research and Development (R & D)

- Specific area in which R&D is carried out by the Company :
 - Development of new products related to surface coatings and intermediates.
 - Value engineering and improving formulation efficiency of existing products.
 - Upgradation of products and processes to reduce environmental and safety concerns.
 - Identification of alternate and new raw materials and vendors enabling product development, quality improvement, cost benefits, supply chain flexibility and crisis management.
 - Development of analytical test methods, characterisation techniques and application techniques essential for product development, bench marking, process control and customer services.
- Benefits derived as a result of above R&D :
 - AP Exterior Wall putty and water based premium Semigloss Enamel developed and launched for the identified market/customers.
 - Utsav range extended by introducing Utsav metal primer redoxide and Utsav water thinnable primer.
 - Wood finishes range extended by developing acrylic wood filler and solvent based weather exterior wood stainer.
 - Development of kids range of products and high gloss non yellowing enamel.
 - Bright and deep shade range offer in Apex exterior emulsion through tinting system.
 - Introduced Stain Resistance in Premium Emulsion as 'Asian Paints Premium Emulsion with StainGuard'.
 - Electrostatic dissipative epoxy tank lining system for interior of petroleum storage tank for refineries developed.
 - Two pack water based epoxy primer and topcoat for masonry walls developed for industrial applications. Product commercialised under the name 'Apcoflor WFP 150 and Apcoflor WEF 200'.
 - Solvent free epoxy clear sealer suitable for application on damp/humid concrete floors developed. Product commercialised under the name 'Apcoflor MFP 140'.
 - Self levelling 3 mm epoxy screed and self levelling topcoat (2-4 mm) developed for concrete application.
 - Capability building and faster characterisation to enhance products and Technology Development by installing of new spectral chromatograph and film characterization technique.

- xii) Various new products introduced in the international market such as all in one emulsion paint in Egypt; Berger high gloss non yellowing enamel, Salt inhibitive concrete sealer, Methylene chloride free paint remover in Jamaica, Exterior elastomeric paint in Singapore, Ultrapremium acrylic gloss and low sheen in Fiji.
3. Further plan of action :
Company will continue efforts towards development of new products/product systems for domestic and international market meeting the requirements of customer needs, society and continuously improve quality, cost, availability and environment.
4. Expenditure on R & D during the year is as follows :

		(Rs. in Millions)	
		2005-06	2004-05
a) Capital		31.99	17.33
b) Recurring		108.55	96.36
		140.54	113.69
Total R & D Expenditure as a percentage of turnover		0.60%	0.58%

Technology absorption, adaptation and innovation :
All developments were done indigenously.

Foreign exchange earnings and outgo:

Exports primarily consist of material exported to overseas subsidiaries of the Company and Pentaerythritol exports to customers. Materials exported to overseas subsidiaries include raw materials, resins and tinting colorants. Going forward, the exports will primarily be tinting colorants as the overseas subsidiaries are focusing their activities towards increasing the number of tinting machines. The exports of other raw materials to subsidiaries is unlikely to see any increase going forward as the raw material purchases are being directed through group level tie up with suppliers and strategic sourcing by the units both of which are purchased directly from the suppliers.

In 2005 new export opportunities for finished goods were pursued in Africa. Encouraging response has been received for some industrial coating for which orders have been received and supplies will be made in 2006.

Details of earnings and expenditure in foreign currency have been given separately under Note B – 13 and 14 in Schedule 'M' Notes to accounts.

For and on Behalf of the Board

Ashwin Choksi

Ashwin Choksi
Chairman

Mumbai
10th May, 2006

REPORT ON CORPORATE GOVERNANCE

A. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Your Company has always endeavored to implement and maintain high standards of Corporate Governance norms, some of which were in practice even before they were mandated by legislation. Transparency, honesty, efficiency, accountability, complete and timely disclosures to stakeholders have been the key pillars of your Company. These pillars will continue to strengthen your Company in years to come.

Corporate Governance, today, has come to acquire an increasingly important place in the corporate sector which deals not only with creating wealth for the stakeholders but also with other governance related issues. Several committees set up by regulatory authorities have come out with reports on Corporate Governance issues, which have been articulated in the revised Clause 49 of the Listing Agreement issued by the Securities Exchange Board of India (SEBI), which came into effect on 31 December, 2005.

Your Company has adopted a Code of Conduct for its Board of Directors and senior management personnel which is adhered to in all earnest and has also laid down the risk identification, risk assessment and risk minimisation procedure(s) pertaining to key areas of Company's business which will help the management and the Board to take prudent strategic decisions at the right time. This chapter, along with chapters on Management Discussion and Analysis and Additional Shareholders' Information, constitutes Asian Paints' compliance with Clause 49 of the listing agreement. Your Company believes that Corporate Governance is an ongoing process and ensures commitment

to pursue high standards of Corporate Governance in times to come.

B. BOARD OF DIRECTORS :

Composition :

The directorate of your Company has an optimum combination of Executive and Non-Executive Directors. It comprises of three (3) Executive Directors and nine (9) Non-Executive Directors, out of whom six (6) are Independent Directors. Except for the Executive Directors of the Company, all Directors are liable to retire by rotation and are eligible for reappointment.

Number of Board Meetings :

Your Company's Board of Directors meet once in every three months during a financial year and the dates of such meetings are tentatively pre-determined at the end of each financial year. In addition to this, the Board Meetings are convened as and when they are necessary. The maximum gap between two Board Meetings does not exceed four months as stipulated by the Clause 49 of the Listing Agreement with the Stock Exchange(s).

The Board of Directors of your Company met seven (7) times during the financial year ended 31 March, 2006. These meetings were held on 11 May, 2005, 28 July, 2005, 29 September, 2005, 26 October, 2005, 31 January, 2006, 20 March, 2006 and 29 March, 2006.

The composition, the number of meetings attended and the directorships in other companies, of the Board of Directors as on 31 March, 2006 is given in Table 1.

Table 1 : Details about Asian Paints' Board of Directors

Name of Director	Nature of Directorship	Date of joining the Board	Attendance		Directorship in other Companies (*)	Membership and Chairmanship of the Committees of the Board of Companies (**)	
			At the Board Meetings	At the last AGM		Committee Member	Committee Chairman
Ashwin Choksi	Executive Chairman/Promoter	18.12.2003 (***)	7	Yes	2	2	1
Ashwin Dani	Executive Vice-Chairman/Managing Director/Promoter	18.12.2003 (***)	7	Yes	6	4	2
Abhay Vakil	Managing Director/Promoter	18.12.2003 (***)	7	Yes	3	3	-
Mahendra Choksi	Non-executive/Promoter	27.11.1992	6	Yes	4	3	-
Amar Vakil	Non-executive/Promoter	01.10.1995	6	No	3	-	-
Hasit Dani	Non-executive/Promoter	23.07.2001	7	Yes	3	1	-
Tarjani Vakil	Non-executive/Independent	01.12.1998	7	Yes	5	6	4
Dipankar Basu	Non-executive/Independent	15.04.2000	6	Yes	7	6	2
Deepak Satwalekar	Non-executive/Independent	30.05.2000	6	Yes	9	3	2
R.A. Shah	Non-executive/Independent	07.04.2001	5	Yes	14	8	4
S.Sivaram	Non-executive/Independent	07.04.2001	2	No	3	1	-
Mahendra Shah	Non-executive/Independent	06.06.2001	7	Yes	4	2	1

Note :

* Excludes directorship in Asian Paints Limited. Also excludes directorship in Indian Private Limited Companies, Foreign Companies and Alternate Directorships. As per the disclosure(s) received from the Directors, the Directors do not hold directorship in more than 15 Companies.

** For the purpose of considering the limit of the committee memberships and chairmanships of a Director, the Audit Committee and the Shareholders' Grievance Committee of public listed committees alone has been considered. As per disclosure(s) received from the Directors, the Directors do not hold Memberships in more than 10 Committees and Chairmanship in more than 5 Committees.

*** The Executive Directors are appointed under a service contract which is renewable after five years of appointment, as governed by the agreement(s) entered into with Company.

CORPORATE GOVERNANCE

Information supplied to the Board :

Agenda Papers are circulated to the Members of the Board well in advance of the Board Meeting containing all the important and adequate information for facilitating deliberation at the meeting. Where it is not practicable to attach or send relevant documents alongwith Agenda, the same are tabled at the meeting. Following information *inter-alia* is supplied to the Board as a part of the Agenda Papers :

- Annual budgets, operating plans and budgets, capital budgets,
- Quarterly, half yearly and annual results of the Company and its operating divisions or business segments along with the consolidated results of the group,
- Minutes of meetings of the audit committee and other committee(s) of the Board,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences,
- Any materially significant effluent or pollution problems,
- Any materially relevant defaults in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Significant labour problems and their proposed solutions,
- Significant initiatives and developments on the human resource and industrial relations fronts,
- Sale of a material nature of investments, subsidiaries and assets, which are not in the normal course of business,
- Investment of funds of the Company,
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement,
- Status on legal cases,
- Non compliance of any statutory nature of listing requirements,
- Proposals for investments, divestments, loans, guarantees, mergers and acquisitions,
- Approval of related party transactions,
- Review of compliance reports of all laws applicable to the Company,
- Review of the minutes of the meetings of the Board of Directors of unlisted subsidiary companies and statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies,
- Reviewing periodically the risk assessment and minimization procedures and to ensure that executive management controls risk through means of properly defined framework; and
- Review of the disclosures made by the senior management personnel as to all material financial and commercial transactions, where they have personal interest.

Directors with materially significant, pecuniary or business relationship with the Company :

As required under Accounting Standard 18 (AS-18) transactions with related parties are furnished under Schedule 'M' of the Notes to the Accounts. There are no transactions of material nature with the Promoter Directors or their relatives etc., that may have a potential conflict with the interest of the Company.

Disclosures have also been received from the Directors and Senior Managerial Personnel relating to the financial transactions in which they or their relatives may have a personal interest. However, none of these transactions have a potential conflict with the interest of the Company at large.

The shareholding of the Non-executive/Independent Directors of the Company as on 31 March, 2006 is given in Table 2.

CORPORATE GOVERNANCE

Table 2 : Shareholding of the Non-executive Directors

Name of the Director	Nature of Directorship	No. of Shares held *	Percentage to the paid-up capital
Mahendra Choksi	Non-executive/Promoter	1,79,401	0.187
Amar Vakil	Non-executive/Promoter	10,35,966	1.080
Hasit Dani	Non-executive/Promoter	5,16,960	0.539
Tarjani Vakil	Non-executive/Independent	Nil	Nil
Dipankar Basu	Non-executive/Independent	Nil	Nil
Deepak Satwalekar	Non-executive/Independent	Nil	Nil
R.A. Shah	Non-executive/Independent	1,809	0.002
S. Sivaram	Non-executive/Independent	Nil	Nil
Mahendra Shah	Non-executive/Independent	Nil	Nil
Total		17,34,136	1.808

* As per the declarations made to the Company by the Directors as to the shares held in their own name.

CEO/CFO Certification

As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. Ashwin Choksi, Chairman and Mr. Jayesh Merchant, Vice President - Corporate Finance & Company Secretary was placed before the Board of Directors at their meeting held on 10 May, 2006.

Committee(s) of the Directors

C. AUDIT COMMITTEE :

The primary objective of the Audit Committee of the Board of Directors of your Company is to discharge responsibilities relating to accounting and reporting of financial practices adopted by the Company and its subsidiaries, surveillance of the internal controls as well as accounting and audit activities. The Audit Committee of your Company comprises of 3 (Three) Non-Executive/Independent Directors. The members of the Audit Committee as on 31 March, 2006 are Ms. Tarjani Vakil (Chairperson), Mr. Dipankar Basu and Mr. Mahendra Shah.

The terms of reference of the Audit Committee *inter-alia* includes the following :

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, fixing of audit fees and approving payments for any other service.
3. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the
4. Reviewing with management quarterly and half-yearly financial statements before submission to the Board for approval.
5. Reviewing with the management performance of statutory and internal auditors.
6. Reviewing adequacy of internal audit systems and the internal audit department including the structure, staffing, reporting structure and frequency of internal audit.
7. Discussion with the internal auditors on any significant findings and follow up thereon.
8. Reviewing the Company's financial and risk management policies.
9. Reviewing the internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Board's report as per Section 217(2AA) of the Companies Act, 1956;

b. Changes in the Accounting policies and practices and the reasons for the same, major accounting entries and significant adjustments made in the financial statements arising out of audit findings;

c. Compliance with listing and other legal requirements relating to financial statements;

d. Disclosure of any related party transactions; and

e. Qualifications in the draft audit report, if any.

CORPORATE GOVERNANCE

11. Reviewing reports furnished by the internal auditors and statutory auditors and ensuring suitable follow up thereon.
12. Looking into reasons for substantial defaults in payment to the depositors, debenture holders, shareholders and creditors.
13. Reviewing of the Cost Accounting records of the Company's products.

Apart from the above, the Audit Committee also reviews the Management Discussion and Analysis of financial condition and results of operations, statements of significant related party transactions, and the financial statements and investments made by the unlisted subsidiary companies. The Audit Committee has also reviewed the appointment and terms of remuneration of the Chief Internal Auditor of the Company during the year ended 31 March, 2006.

The Audit Committee of the Board of Directors of the Company met seven (7) times during the financial year ended 31 March, 2006. These meetings of the Audit Committee were held on 25 April, 2005, 9 May, 2005, 26 July, 2005, 25 October, 2005, 16 December, 2005, 28 January, 2006 and 28 March, 2006 during the financial year ended 31 March, 2006.

The details of the number of meetings held and attended by the members of the Audit Committee are given in Table 3.

Table 3 : Details about Audit Committee meetings

Name of the Committee Member	No. of Meetings	
	Held during the year	Attended during the year
Tarjani Vakil (Chairperson)	7	7
Mahendra Shah	7	7
Dipankar Basu	7	7

The Executive Chairman of the Company, Vice President - Corporate Finance & Company Secretary, Financial Controller, Accounts Manager, Statutory Auditor(s) and Chief Internal Auditor also attend Audit Committee meetings. The Company Secretary acts as Secretary to the Committee. Ms. Tarjani Vakil, Chairperson of the Audit Committee, attended the last Annual General Meeting of the Company held on 27 June, 2005.

The composition, procedures, role, powers and the terms of reference of the Audit Committee meet the requirements as stipulated under Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement.

D. REMUNERATION COMMITTEE :

The Remuneration Committee of the Board of Directors of the Company reviews and recommends the remuneration payable to the Executive Directors to the Board of Directors

of the Company. The Remuneration Committee comprises of 3 (Three) Non-Executive/Independent Directors. The members of the Committee as on 31 March, 2006 are Mr. Dipankar Basu (Chairman), Ms. Tarjani Vakil, and Mr. Deepak Satwalekar.

The terms of reference of the Remuneration Committee are as follows :

1. To review and recommend to the Board, the salaries, commission, other benefits, service agreements and employment conditions of Executive Directors.
2. To review the remuneration policies and practices relating to senior management personnel of the Company.
3. To approve the selection, appointment and remuneration of relatives of Directors for holding an office of profit pursuant to Section 314 of the Companies Act, 1956.

The Remuneration Committee of the Board of Directors of the Company met two (2) times during the financial year ended 31 March, 2006. The details of the meetings of the Remuneration Committee held and attended by the members during the year financial year ended 31 March, 2006 are given in Table 4.

Table 4 : Details about Remuneration Committee meetings

Name of the Committee Member	No. of Meetings	
	Held during the year	Attended during the year
Dipankar Basu (Chairman)	2	2
Tarjani Vakil	2	2
Deepak Satwalekar	2	2

Remuneration Policy

The remuneration policy of the Company is purely performance driven which is assessed on a periodical basis as against the benchmarked achievements. The Company endeavours to attract, retain, develop and motivate a high performance workforce.

Details of the remuneration paid to the Directors of the Company are as follows:

The remuneration structure of the three Executive Directors is based on the performance of the Company as well as commensurate to industry standards. The terms of employment as well as the remuneration payable to the Executive Directors as governed by the agreements entered into by the Executive Directors with Company are approved by the Board of Directors as well as the shareholders. The Executive Directors hold their position under a renewable service contract for a period of five years from 18 December, 2003, which can be terminated by six months notice on either side.

The remuneration paid to the Executive Directors is approved and recommended by the Remuneration Committee to the Board of Directors of the Company. Their remuneration structure comprises of salary, house rent allowance, commission payable, perquisites, etc.

The Non-Executive/Independent Directors of the Company play an important role by sharing their insight, knowledge and varied experience in order to bring effectiveness to the decision making process of the Board. The criteria for making payments to the Non-Executive Directors is based on their contribution to the overall growth of the Company as well as the time they commit to the Company, within the parameters set by the shareholders and subject to the provisions of the Companies Act, 1956.

The Non-Executive/Independent Directors are paid commission on an annualized basis which is determined as

a percentage to the profits (as determined under Section 349 and 350 of the Companies Act, 1956) of the Company. The shareholders at their meeting held on 28 June, 2004, had approved payment of commission to the Non-executive/Independent Directors not exceeding one percent of the net profits as determined in accordance with the Companies Act, 1956. Apart, from commission the Non-Executive Directors are also paid sitting fees of Rs. 10,000 per meeting, for attending the meeting(s) of the Board of Directors and Committees thereof, except for attending the meeting(s) of the Share Transfer Committee. The Company has not granted any Stock Options to any of its Directors.

Details of the remuneration paid to the Directors of the Company and their relationship with each other are given in Table 5.

Table 5 : Details about Remuneration paid to the Directors and their relationship with each other (Figures in Rs.)

Name of the Director	Relationship with each other	Salary	HRA	Perquisites*	Sitting Fees	Commission	Total
Ashwin Choksi	Brother of Mahendra Choksi	22,12,500	8,85,000	28,46,212	-	70,00,000	1,29,43,712
Ashwin Dani	Father of Hasit Dani	22,12,500	8,85,000	29,40,188	-	70,00,000	1,30,37,688
Abhay Vakil	Brother of Amar Vakil	22,12,500	8,85,000	29,40,188	-	70,00,000	1,30,37,688
Mahendra Choksi	Brother of Ashwin Choksi	-	-	-	70,000	5,00,000	5,70,000
Amar Vakil	Brother of Abhay Vakil	-	-	-	60,000	5,00,000	5,60,000
Hasit Dani	Son of Ashwin Dani	-	-	-	80,000	5,00,000	5,80,000
Tarjani Vakil	-	-	-	-	1,60,000	6,00,000	7,60,000
Dipankar Basu	-	-	-	-	1,50,000	6,00,000	7,50,000
Deepak Satwalekar	-	-	-	-	80,000	5,00,000	5,80,000
R.A. Shah	-	-	-	-	50,000	5,00,000	5,50,000
S. Sivaram	-	-	-	-	20,000	2,00,000	2,20,000
Mahendra Shah	-	-	-	-	1,50,000	6,00,000	7,50,000

Note :

* Perquisites include Company's contribution to provident and superannuation fund, medical and leave travel allowance etc., as well as monetary value of perquisites as per Income Tax rules.

Four relatives of the Directors of the Company, hold office of profit in the Company pursuant to Section 314 of the Companies Act, 1956. Mr. Jalaj Dani, son of Mr. Ashwin Dani, Vice Chairman & Managing Director, holds the position of the President – International Business Unit and had drawn a gross remuneration of Rs. 49,61,290/- p.a., during the financial year 2005-2006. Mr. Manish Choksi, son of Mr. Mahendra Choksi, Non-Executive Director, holds the position of Chief – Corporate Strategy & CIO and had drawn a gross remuneration of Rs. 49,63,305/- p.a., during the financial year 2005-2006. Ms. Nehal Vakil, daughter of Mr. Abhay Vakil, Managing Director, holds the position of a Finance Executive and had drawn a gross remuneration of Rs. 9,74,255/- p.a., during the financial year 2005-2006. Mr. Malav Dani, son of Mr. Ashwin Dani, Vice Chairman & Managing Director, was appointed as the Manager – Quality Support on 27 June, 2005 and was paid a gross remuneration of Rs. 8,86,308/-

p.a., during the financial year 2005-2006. The appointment of Mr. Malav Dani and revision in remuneration of Mr. Jalaj Dani, Mr. Manish Choksi and Ms. Nehal Vakil was approved by the shareholders at the Annual General Meeting held on 27 June, 2005 as well as the Central Government.

E. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Board has constituted the Shareholders/Investor Grievance Committee, comprising of Mr. Mahendra Shah (Chairman), Mr. Abhay Vakil, Mr. Mahendra Choksi, and Mr. Hasit Dani. The Chairman of the Committee is a Non-Executive/Independent Director.

The Committee met on 13 February, 2006 during the financial year ended 31 March, 2006, to review the investor complaints and redress their grievances. The details as to the meeting held and the attendance record of the members are given in Table 6.

CORPORATE GOVERNANCE

Table 6 : Details about Shareholders/investors grievance committee meeting

Name of the Committee Member	No. of Meetings	
	Held during the year	Attended during the year
Mahendra Shah (Chairman)	1	1
Abhay Vakil	1	1
Mahendra Choksi	1	1
Hasit Dani	1	1

The terms of reference of the Committee include the following :

- To specifically look into complaints received from the shareholders of the Company.
- To oversee the performance of the Registrar and Transfer Agent of the Company.
- To recommend measures for all overall improvement in the quality of services to the investors.

Mr. Jayesh Merchant, Vice President - Corporate Finance & Company Secretary is the Compliance Officer of the Company as per the Listing Agreement and guidelines and regulations issued by the Securities Exchange Board of India (SEBI).

Details pertaining to the number of complaints received and resolved and the status thereof during the financial year ended 31 March, 2006 are given in Table 7.

Table 7 : Details about number of complaints received and resolved and the status thereof

Nature of complaints	Received	Replied
Non receipt of Share Certificates lodged for transfer	4	4
Non receipt of Dividend warrants	20	20
Non receipt Share Certificate lodged for split/Bonus shares	2	2
Letters from SEBI/ Stock Exchanges	9	9
Others/miscellaneous	14	14
Total	49	49

The Company has resolved all the complaints as at the end of financial year 31 March, 2006, to the satisfaction of the shareholders and no complaints are pending for redressal except where they are constrained by dispute or legal impediments. Certain Court cases are pending in the Courts/ Consumer Forums, relating to disputes over the titles to the shares of the Company in which either the Company has been made a party or necessary intimation thereof has been received by the Company.

F. SHARE TRANSFER COMMITTEE :

The Share Transfer Committee of the Board of Directors of the Company was reconstituted by the Board at their meeting held on 10 May, 2006. The said Committee as at the date of the report comprises of Mr. Abhay Vakil (Chairman), Mr. Ashwin Dani, Mr. Mahendra Choksi and Mr. Hasit Dani.

The constitution of the Share Transfer Committee of the Board of the Directors of the Company before and after its reconstitution is given in Table 8.

Table 8 : Constitution of the Share Transfer Committee before and after its reconstitution

Members of the Committee before reconstitution	Members of the Committee after reconstitution
Abhay Vakil (Chairman)	Abhay Vakil (Chairman)
Ashwin Dani	Ashwin Dani
Mahendra Choksi	Mahendra Choksi
	Hasit Dani

The Share Transfer Committee, constituted by the Board has been delegated powers to administer the following :

- To effect transfer of shares;
- To effect transmission or deletion of shares;
- To issue duplicate share certificates as and when required;
- To approve the register of members as on the record date(s) and/or book closure dates for receiving dividends and other corporate benefits; and
- To review correspondence with the shareholders vis-à-vis legal cases and take appropriate decisions in that regard.

The Committee, in accordance with Clause 49 (IV) (G), attends to the share transfer and other formalities once in a fortnight and has met 25 times during the financial year 2005-2006.

G. GENERAL BODY MEETINGS :

The venue and the time of the last three Annual General Meetings of the Company are as follows :

Year	Location	Meeting Date	Time	No. of Special Resolutions set out at the AGMs
2004-05	Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.	27th June, 2005	3.00 p.m	7
2003-04	Yashwantrao Chavan, Pratisthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosle Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021.	28 June, 2004	3.00 p.m	2
2002-03	Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.	18th July, 2003	10.30 a.m	9

CORPORATE GOVERNANCE

All special resolutions set out in the notices for the last three AGMs were passed by the shareholders at the respective meetings with requisite majority.

During the period from 1 April, 2005 to 31 March, 2006, no resolutions were passed through postal ballot. However, a special resolution for change of name of the Company from Asian Paints (India) Limited to Asian Paints Limited was passed through postal ballot pursuant to Section 192A of the Companies Act, 1956 during the financial year 2005-2006.

The particulars of postal ballot voting held are as follows :

	Assent	Dissent
Number of Votes	68737063	28075
Percentage	99%	0.04%

Mr. H. N. Shah was appointed as the scrutinizer for conducting the postal ballot who had submitted his report dated 25 May, 2005 to Mr. Ashwin Choksi, Chairman of the Company. He had then declared the resolution as passed with requisite majority on 30 May, 2005.

H. DISCLOSURES :

1. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large :

The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large. All transactions were carried out on an arms length basis and were not prejudicial to the interest of the Company.

2. Details of non-compliance by the company, penalties and strictures imposed on the Company by the Stock Exchange(s) or SEBI or any statutory authority, on any matter related to capital markets, during the last three years :

The Company has complied with all the requirements of the Stock Exchange(s) or Securities Exchange Board of India on matters related to Capital Markets, as applicable from time to time. There were no penalties imposed or strictures passed against the Company by the statutory authorities in this regard.

3. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement :

Your Company has complied with all the mandatory requirements of the revised Clause 49 of the Listing Agreement. Following is the status of the compliance with the Non-Mandatory requirements of the Clause 49 of the Listing Agreement :

1. The Company has constituted a Remuneration Committee comprising of Non-Executive/ Independent Directors.

2. Half-yearly results of the Company are sent to the household of all shareholders.

4. Code of Conduct for the Board of Directors and senior management personnel.

Your Company has laid down a code of conduct for all the Board Members and senior management personnel of the Company. The code of conduct has been posted on the website of the Company. All Board members and the senior management personnel have affirmed their compliance with the said code of conduct for the financial year ended 31 March, 2006. The declaration to this effect signed by Mr. Ashwin Choksi, Chairman of the Company forms part of the report.

5. Code of Conduct for Prevention of Insider Trading.

Pursuant to the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading with effect from June, 2002. Mr. Jayesh Merchant, Vice President - Corporate Finance & Company Secretary is the Compliance Officer. The said code is applicable to all the Directors, senior management personnel and such other designated employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company. As per the said code, the Directors, their relatives, senior management personnel, designated employees etc. are restricted in dealing in the shares of the Company during certain periods known as "Quiet Period". The said code is in line with the Model Code prescribed under SEBI (Prohibition of Insider Trading), Regulations, 1992.

6. Management Discussion and Analysis.

This annual report has a detailed section on Management Discussion and Analysis.

I. MEANS OF COMMUNICATION :

The quarterly results of Company are published in all India editions of Business Standard and Mumbai editions of Free Press Journal and Navshakti. The results of the Company are also put up on the Company's corporate website: www.asianpaints.com. The Company's official news releases and presentations made to the institutional investors and analysts are also available on the Company's website. All important information pertaining to the Company is also mentioned in the Annual Report of the Company containing *inter-alia* Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and the Corporate Governance Section which is circulated to the members and others entitled thereto for each financial year. The Annual Report, quarterly results, shareholding pattern etc. are posted on the website: www.sebidifar.nic.in , pursuant to Clause 51 of the Listing Agreement.

CORPORATE GOVERNANCE

J. DISCLOSURES REGARDING RE-APPOINTMENT OF DIRECTORS :

As per the Companies Act, 1956, at least two-thirds of the Board should consist of retiring Directors. Of these, one-third are required to retire every year. Nine out of twelve Directors of the Company are retiring Directors.

Following are the details of the Directors retiring by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV)(E)(ii) :

1. Mr. Amar Vakil

Date of birth	11th August, 1952
Qualification	B.S.
Date of joining the Board	1st October, 1995

Mr. Amar Vakil holds a degree in B.S. from Rensselaer Polytechnic, U.S.A. Immediately after his graduation, he joined Resins and Plastics Limited in 1974 and worked in various positions till he retired as Managing Director due to his ill health. Mr. Amar Vakil has in-depth knowledge of production and marketing of resins. Mr. Amar Vakil was also closely associated with various trade bodies. He was the Hon. Secretary of the Colour Society for two years and was one of the founder members of Indian Resin Manufacturers Association. He was also interested in the activities of Indian Paint Association, Indian Small Scale Paint Association and Indian Foundrymen.

Details as to his shareholding in the Company either in his own name or in the name of others and having beneficial interest in the shares held by others, as on 31 March, 2006, are as follows :

Category	Number of Shares	Percentage to paid-up capital
Own name	10,35,966	1.080
Held in the name of other persons/companies and having beneficial interest in such shares	48,28,776	5.034
Total	58,64,742	6.114

2. Mr. R. A. Shah

Date of birth	7th July, 1931
Qualification	B.A, L.L.B.
Date of joining the Board	7th April, 2001

Mr. R. A. Shah is a Solicitor and Senior Partner of M/s. Crawford Bayley & Co., a renowned law firm based in Mumbai. He specializes in a broad spectrum of Corporate Laws in general, with special focus on Foreign Investments, Joint Ventures, Technology and License Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, Anti Trust Laws, Company Law and

Taxation. Mr. R. A. Shah holds directorships in several distinguished companies. He is a Member of the Managing Committee of Bombay Chamber of Commerce, Indo German Chamber of Commerce, and he is also a Member of the Committee for Revision of SEBI Takeover Code.

Details as to his shareholding in the Company either in his own name or in the name of others and having beneficial interest in the shares held by others are as follows :

Category	Number of Shares	Percentage to paid-up capital
Own name	1809	0.002
Held in the name of other persons/companies and having beneficial interest in such shares	964	0.001
Total	2773	0.003

3. Dr. S. Sivaram

Date of birth	4th November, 1946
Qualification	B.Sc., M.Sc., Ph.D.
Date of joining the Board	7th April, 2001

Dr. S. Sivaram is a scientist of repute - his research interests being 'Polymer Synthesis'. In a career spanning achievements in the field of 'Polymer Synthesis', he has been felicitated in recognition of his invaluable contribution, with several awards and honours. He was bestowed with 'Padmashri' award in January 2006 for his outstanding contribution in the field of science and technology. He is the Hon. Secretary of Society of Polymer Science, India and also member of the (1) Executive Editorial Board, Polymer International, Society of Chemical Industry, The United Kingdom (2) Editorial Board, Designed Monomers and Polymers, VSP International Science Publishers, The Netherlands (3) Editorial Board, J. Macromolecular Science, Chemistry, Marcel-Dekker, New York, USA (4) Editorial Board, International Journal of Polymeric Materials, Gordon and Breach Publishers, New York, USA and other Institutions of repute.

Dr. S. Sivaram does not own any shares of the Company in his own name or in the name of others and having beneficial interest.

K. CERTIFICATE BY THE STATUTORY AUDITORS AS TO COMPLIANCE OF THE CONDITIONS OF CORPORATE GOVERNANCE :

The certificate given by the Statutory Auditors of the Company as to the compliance of the condition of Corporate Governance pursuant to Clause 49(VII)(1) of the Listing Agreement is annexed to the Corporate Governance report and forms part of the report.

ADDITIONAL SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Date : Monday, 26 June, 2006.

Venue : Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.

Time : 3.00 p.m.

Financial calendar

Financial year : 1 April to 31 March

For the year ended 31 March 2006, results were announced on :

- 28 July 2005 : First quarter
- 26 October 2005 : Half yearly
- 31 January 2006 : Third quarter
- 10 May 2006 : Fourth quarter and annual

For the year ending 31 March 2007, results will be announced :

- on or around 28 July 2006 : First quarter
- on or around 25 October 2006: Half yearly
- on or around 22 January 2007: Third quarter
- on or around 10 May 2007 : Fourth quarter and annual

Book Closure

The dates of book closure are from 19 June, 2006 to 26 June, 2006, inclusive of both days.

Dividend

An interim dividend of Rs. 4.50 per share (45 per cent dividend) was declared on 26 October, 2005 and paid on 4 November, 2005. A final dividend of Rs. 5.50 (55 per cent dividend) per share and a one-time special dividend of Rs. 2.50 (25 per cent dividend) per share on the occasion of the 60th year of the incorporation of the Company has been recommended on 10 May, 2006 and subject to the approval from the shareholders at the AGM, will be paid after 26 June, 2006 as follows:

1. to those members whose names appear on the Company's register of members, after giving effect to all valid share transfers in physical form lodged on or before 17 June, 2006.
2. in respect of shares held in electronic form, to those members whose names appear in the statement of beneficial ownership furnished by NSDL and CDSL as at the closing hours of 16 June, 2006.

The details of dividend declared and paid by the Company are given in Table 1.

Table 1 : Details about dividend during the last five years

Financial Year	Percentage	Payout (Rs. in millions)
2000-2001	70	450
2001-2002	90	578
2002-2003	110	706
2003-2004	85*	816
2004-2005	95*	912
2005-2006 (Interim)	45*	432

* On increased capital

Listing

The Company's shares are listed on :

- **Bombay Stock Exchange Limited (BSE)**
Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai 400 023.
- **National Stock Exchange of India Limited (NSE)**
Exchange Plaza, 5th Floor, Plot No. C/1 "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

The Company has paid the listing fees for the financial year 2005-2006 to the Stock Exchange(s) on which Company's shares are listed. SEBI had issued a circular No. MRD/DoP/SE/DEP/CIR dated 28 January, 2005, stating that issuer Companies are required to pay custodial fees to the depositories with effect from 1 April, 2005. Accordingly, the Company has paid custodial fees for the year 2005-2006 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The stock exchange codes assigned to your Company's shares at these stock exchanges are given in Table 2.

Table 2 : Stock exchange codes

Stock exchange	Code
BSE	500820
NSE	ASIANPAINT

Stock Data

The monthly high and low prices and volumes of your Company's shares at Bombay Stock Exchange Limited (BSE) for the year ended 31 March, 2006 are given in Table 3.

ADDITIONAL SHAREHOLDERS' INFORMATION

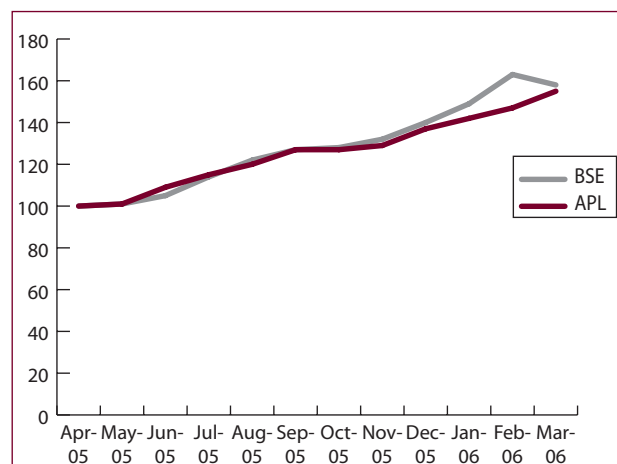
Table 3 : High, low and volumes of Asian Paints' shares for 2005-2006

Month	High (Rupees)	Low (Rupees)	Volume (No. of shares)
April 2005	401.00	362.20	276069
May	405.00	368.10	650728
June	418.00	384.25	491064
July	463.90	410.00	272574
August	489.75	455.00	862668
September	520.00	467.00	1372073
October	532.80	465.00	4124925
November	546.45	492.05	891753
December	583.90	526.00	1325843
January 2006	650.00	571.25	546517
February	790.00	612.00	747405
March	696.00	630.10	444231

Note : High and low are in rupees per traded share. Volume is the total monthly volume of trade in Asian Paints shares on BSE.

Chart A shows the comparison of your Company's share price movement vis-à-vis the movement of the BSE Sensex.

Chart A : Asian Paints share performance versus the sensex for 2005-2006



Note : Both Asian Paints share prices and the BSE Sensex have been indexed to 100 as on 1 April 2005.

The performance of the Company's share price as at the beginning and end of the financial 2005-2006 is given in Table 4.

Table 4 : Performance of the Company's share price (In Rs.)

	BSE	NSE
Price as on 1 April, 2005	395.00	395.00
Price as on 31 March, 2006	656.40	646.05
Change	+ 261.40	+ 251.05
	+ 66.18%	+ 63.56%

Share transfer system

The Board of Directors has delegated the power to attend to the share transfer matters to the Share Transfer Committee. As on 10 May, 2006, the committee comprises of Mr. Abhay Vakil (Chairman), Mr. Ashwin Dani, Mr. Mahendra Choksi, and Mr. Hasit Dani. The Committee ordinarily meets once every fortnight.

Distribution of Shareholder holdings

The distribution pattern of shareholding of your Company as on 31 March, 2006 by ownership and size class, respectively, is given in Table 5.

Table 5 : Distribution of shareholding by ownership

Category	No. of Shares held	% of Shareholding
A) Promoter's holding		
1. Promoters :		
- Indian promoters	41906118	43.69
- Persons acting in concert	3395898	3.54
Sub-Total	45302016	47.23
B) Non-promoters holding		
2. Institutional Investors		
a) Mutual Funds and UTI	1217728	1.27
b) Banks, Financial Institutions, Insurance Companies (Central/ State Govt./ Institutions/Non-Government Institutions)	10517996	10.96
c) FII's	19305977	20.13
Sub-Total	31041701	32.36
3. Others		
a) Private Corporate Bodies	1916054	2.00
b) Indian Public	15640332	16.31
c) NRIs/OCBs	2019676	2.10
Sub-Total	19576062	20.41
Grand Total	95919779	100.00

ADDITIONAL SHAREHOLDERS' INFORMATION

Distribution of shareholding of the Company by number of shares held is given in Table 6.

Table 6 : Distribution of shareholding by number of shares held

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% of share holding
Less than 100	24103	49.37	743549	0.78
101-200	5715	11.71	856912	0.89
201-500	10090	20.67	3606735	3.76
501-2000	7418	15.19	7034691	7.33
2001-5000	914	1.87	2903184	3.03
5001-10000	231	0.47	1697939	1.77
10001 and above	349	0.72	79076769	82.44
Total	48820	100.00	95919779	100.00

De-materialisation of shares

As on 31 March, 2006, 68.99% (as on 31 March, 2005 : 63.55%) of the total shares of the Company have been dematerialised as given in Table 7.

Table 7 : Details about Company's dematerialised shares

Number of shares	% of total shares	Number of shareholders	% of total shareholders
66183616	68.99%	31679	64.88%

Shareholders, who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic/ dematerialised form. For any clarification, assistance or information, please contact the

Registrar and Transfer Agent of the Company. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Securities Limited (CDSL). The International Security Identification Number (ISIN) allocated to the Company by NSDL and CDSL is INE021A01018.

The break up of shares in physical and demat form as on 31 March, 2006 is given in Table 8.

Table 8 : Number of shares in physical and demat form as on 31 March, 2006

	No. of Shares	Percentage of total shares
Physical Segment	29736163	31.01
Demat Segment		
NSDL	65348658	68.13
CDSL	834958	0.86
Total	95919779	100.00

Outstanding GDRs/ADRs/Warrants/Convertible Instruments and their impact on equity

The Company does not have any outstanding GDRs/ADRs/Warrants/Convertible Instruments as on 31 March, 2006.

Details of public funding obtained in the last three years

Your Company has not obtained any public funding in the last three years.

Other Information

History of IPO/Bonus Issue/Allotment of shares of the Company is given in Table 9.

Table 9 : Build up of Asian Paints' share capital

Type of issue	Year of issue	Ratio	No. of shares	Total cumulative shares (No.)
Paid up Capital (Pre-IPO)	1982	-	-	3500000
IPO	1982	-	1685185	5185185
Bonus issue	1985	3:5	3111111	8296296
Bonus issue	1987	1:2	4148148	12444444
Bonus issue	1992	3:5	7466666	19911110
Bonus issue	1996	1:1	19911110	39822220
Issue of shares pursuant to merger with Pentasia Chemicals Limited	1996	1:25	294000	40116220
Bonus issue	2000	3:5	24069732	64185952
Bonus issue	2003	1:2	32092976	96278928
Cancellation of shares pursuant to merger of Pentasia Investments Limited with the Company	2003		359149	95919779
Total paid up capital as on 31 March, 2006				95919779

ADDITIONAL SHAREHOLDERS' INFORMATION

The top ten shareholders of the Company in the non-promoter category as on 31 March, 2006 are given in Table 10.

Table 10 : Top ten shareholders

Name	No. of Shares	Percentage to paid-up capital
Life Insurance Corporation of India	8846288	9.2
Genesis Indian Investment Company Limited	5566283	5.8
Smallcap World Fund Inc.	3150461	3.3
Aberdeen Asset Managers Limited	2757764	2.9
Universities Superannuation Scheme Limited	1908200	1.9
The Master Trust Bank of Japan Limited	1221845	1.3
Variable Insurance Products Fund III - Mid Cap	880007	0.9
New World Fund Inc.	652779	0.7
General Insurance Corporation of India	588530	0.6
The New India Assurance Company Limited	486006	0.5

Secretarial Audit Report

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit Report to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, *inter alia*, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialise form (held with NSDL and CDSL) and total number of shares in physical form.

Electronic Clearing Scheme (ECS) for dividend

The Reserve Bank of India (RBI) has provided an Electronic Clearing Scheme (ECS) to the investors as an option to receive dividend directly through their bank accounts rather than receiving the same in the form of Dividend Warrants. Under this option, an investor's bank account is directly credited and intimation thereof is sent by the Company to the shareholder.

This service not only protects a shareholder against fraudulent interception and encashment of dividend

warrants but also eliminates dependence on the postal system, loss/damage of dividend warrants in transit and correspondence relating to revalidation/issue of duplicate warrants.

Shareholders holding shares in physical form

Investors who would like to avail this facility and are holding shares in physical form may send in their ECS Mandate Form, duly filled in to the Company's Registrar and Transfer Agent, Sharepro Services (India) Private Limited, Satam Estate, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099 or Sharepro Services (India) Private Limited, 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021. The ECS mandate form is given at the end of the annual report. The ECS Mandate instruction should be under the signature of the shareholder(s) as per the specimen signature records lodged with the Company.

Shareholders holding shares in electronic/demat form

Investors holding shares in demat or electronic form may send in their ECS mandate to the concerned Depository Participant (DP) directly, in the format prescribed by the DP. Pursuant to the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company or the Registrar and Transfer Agent cannot make any change in such records received from the Depository.

Nomination facility

Pursuant to the provision of Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of the shares held by them. Members holding shares in physical form and desirous of making a nomination are requested to send their requests in Form 2B (A format is given at the end of the annual report), to the Company's Registrar and Transfer Agent, Sharepro Services (India) Private Limited, Satam Estate, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099 or Sharepro Services (India) Private Limited, 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

Unpaid/Unclaimed dividend

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to the Investor Education and Protection Fund.

The due dates for transfer to IEPF of dividend remaining unclaimed/unpaid since 1998-1999 are given in Table 11.

ADDITIONAL SHAREHOLDERS' INFORMATION

Table 11 : Due dates for transfer of dividend unclaimed to IEPF

Financial Year	Unclaimed dividend amount as on 31.03.2006 (Rs.)	Due date for transfer to IEPF
1998-1999 Final	6,30,303	14.08.2006
1999-2000 1st Interim	6,87,278	28.11.2006
1999-2000 2nd Interim	9,42,114	29.04.2007
2000-2001 Interim	7,92,945	22.11.2007
2000-2001 Final	14,91,489	27.09.2008
2001-2002 Interim	13,70,234	29.11.2008
2001-2002 Final	18,12,046	25.08.2009
2002-2003 Interim	15,04,364	22.11.2009
2002-2003 Final	24,91,489	17.08.2010
2003-2004 Interim	17,01,806	29.11.2010
2003-2004 Final	21,32,290	27.07.2011
2004-2005 Interim	22,69,340	26.11.2011
2004-2005 Final	27,52,204	26.07.2012
2005-2006 Interim	28,12,729	25.11.2012
Total	2,33,90,631	

Registrar & Transfer Agent

Sharepro Services (India) Pvt. Ltd. is the Registrar & Transfer Agent of the Company.

Shareholders, beneficial owners and depository participants (DPs) are requested to send/deliver the documents/ correspondence relating to the Company's share transfer activity etc. to Sharepro Services (India) Pvt. Ltd., Registrar and Share Transfer Agent of the Company at the following addresses :

SHAREPRO SERVICES (INDIA) PVT. LTD.

Unit : Asian Paints Limited

Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.
Tel.No. 2821 5168, 2832 9828, 2821 5991, 2834 7719, 2834 8218
Fax No. 2837 5646
Email : sharepro@vsnl.com

SHAREPRO SERVICES (INDIA) PVT. LTD.

Unit : Asian Paints Limited

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021.
Tel. No : 2288 1568, 2288 1569, 2282 5163, 2288 4527
Fax No. 2282 5484
Email : sharepro_services@roltanet.com

For the benefit of shareholders, documents will also continue to be accepted at the following office of the Company :

ASIAN PAINTS LIMITED

6A Shantinagar, Santacruz (E)
Mumbai - 400 055
Email : investor.relations@asianpaints.com

Members are requested to quote their e-mail address, telephone number and full address for prompt reply to their communication.

Website (www.asianpaints.com)

The Company's website provides for the benefit of shareholders, information on topics such as transfer and transmission of shares, equity history, dematerialisation, nomination, change of address, loss of share certificates and the Company's performance and dividend policy.

Plant locations

Paint Plants :

Lal Bahadur Shastri Marg, Bhandup, Mumbai 400 078, Maharashtra.

Plot No. 2602, GIDC Industrial Area, Ankleshwar 393 002, Gujarat.

Plot Nos. 50-55, Industrial Development Area, Phase II, Patancheru 502 309
Dist. Medak, Andhra Pradesh.

A-1, UPSIDC Industrial Area, Kasna - II, Kasna Village, Tehsil Sikandarabad, Dist. Bulandshahr 203 207, Uttar Pradesh.

SIPCOT Industrial Park, Plot No. E6-F13, Sriperumbudur 602 105, Kancheepuram District, Tamil Nadu.

Phthalic Plant :

Plot No.2702, GIDC Industrial Area, Ankleshwar 393 002, Gujarat.

Penta Plant :

B5-B10, Sipcot Industrial Complex, Cuddalore 607 005, Tamil Nadu.

Registered Office :

Asian Paints Limited
6A, Shantinagar, Santacruz (East), Mumbai 400 055.
Tel : +91-(0)22-3981 8000
Fax : +91-(0)22-3981 8888

asianpaints

AUDITORS' REPORT ON CORPORATE GOVERNANCE TO THE MEMBERS OF ASIAN PAINTS LIMITED

We have examined the compliance of conditions of Corporate Governance by Asian Paints Limited for the year ended 31st March, 2006 as stipulated in clause 49 of the Listing Agreement entered into with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

AUDITORS' REPORT TO THE MEMBERS OF ASIAN PAINTS LIMITED

We have audited the attached Balance Sheet of ASIAN PAINTS LIMITED as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.

Further to our comments in the Annexure referred to in paragraph 3 above, we state that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.

- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of Companies Act, 1956.
- (e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and as per the information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and the Cash Flow Statement read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF ASIAN PAINTS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2006

1. (a) The Company has maintained proper records showing full particulars including quantitative details and location of the Fixed Assets.
- (b) There is a regular program of physical verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the year.
- (c) The Company has not disposed of substantial part of fixed assets during the year.
2. (a) Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of stocks followed by the management are adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not accepted any loans during the year from the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
In view of clause 4 (iii)(a) of the Companies (Auditor's Report) Order, 2003, clause 4 (iii)(b, c & d) are not applicable to the Company.
- (b) The Company has not granted any loans during the year to the parties covered in the register maintained under section 301 of the Companies Act, 1956.
In view of clause 4 (iii)(e) of the Companies (Auditor's Report) Order, 2003, clause 4 (iii)(f & g) are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, packing materials, plant and machinery, equipment and other assets and with regard to sale of goods and services. There is no major weakness in the internal control procedures.
5. (a) The particulars of all contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been properly entered in the register maintained under section 301 of the Act.
- (b) In our opinion, and according to the information and explanations given to us, the contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market price.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts and other records maintained by the Company in respect of paints, resins and pentaerythritol where pursuant to the rules made by the Central Government, the maintenance of cost records have been prescribed under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that *prima facie* the prescribed accounts and records have been maintained.
9. (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues with the appropriate authorities.
- (b) Following dues are not deposited on account of disputes pending at various forums.

Name of the Statute	Nature of dues	Financial Year	Amount (Rs. In Millions)	Forum where dispute is pending
Sales Tax	Assessment Dues	F.Y. 1993-94 to F.Y. 1995-96 and F.Y. 1997-98 to F.Y. 2002-03	45.60	First Appellate level
		F.Y. 1995-96 and F.Y. 1998-99 to F.Y. 2001-02	6.67	Second Appellate level
		F.Y. 1997-98 to 1998-99	65.00	High Court
		F.Y. 1991-92, F.Y. 1993-94 to F.Y. 1996-97 and F.Y. 2000-01 to 2004-05	10.04	Tribunal
		Total (A)	127.31	
Excise Central Excise Act 1944	Dispute relating to Cenvat Credit	F.Y. 2004-05	0.21	Adjudication level
		F.Y. 1986-87 to F.Y. 1990-91, F.Y. 1992-93 to F.Y. 1995-96 and F.Y. 1997-98 to 1999-2000, 2005-06	11.20	First Appellate level
		F.Y. 1993-94, F.Y. 1996-97 to F.Y. 1997-98 and F.Y. 1999-2000	4.02	Second Appellate level
		F.Y. 1987-88 F.Y. 2004-05	0.55 0.56	High Court Tribunal

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF ASIAN PAINTS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2006

Name of the Statute	Nature of dues	Financial Year	Amount (Rs. in Millions)	Forum where dispute is pending
	Dispute relating to Excise Duty	F.Y. 2003-04 and F.Y. 2004-05	6.79	Adjudication level
		F.Y. 1986-87 to F.Y. 1988-89, F.Y. 1992-93 to F.Y. 1993-94, F.Y. 1995-96, F.Y. 1996-97 to F.Y. 1997-98, F.Y. 1999-2000 and F.Y. 2005-06	35.08	First Appellate level
		F.Y. 2000-01, F.Y. 2002-03 and 2005-06	3.52	Second Appellate level
		F.Y. 1986-87 and F.Y. 2003-04	0.71	Tribunal
	Dispute relating to Service Tax	F.Y. 2003-04 and F.Y. 2004-05	5.94	Adjudication level
	Total (B)		68.59	
Income Tax		A.Y. 2000-01 and A.Y. 2002-03	58.94	First Appellate level
	Total (C)		58.94	
	Grand Total		254.84	

10. The Company has not incurred cash loss in the current year and in the immediately preceding financial year and there are no accumulated losses in the balance sheet as on 31st March, 2006.
11. The Company has not defaulted during the year in repayment of dues to any financial institutions, banks or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. As the Company is not a chit fund, nidhi, mutual benefit fund or society the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. As the Company is not dealing or trading in shares, securities, debentures and other investments, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
15. The Company has given certain guarantees on behalf of its dealers and subsidiaries as mentioned in note B-3 of Schedule 'M' of the accounts. In our opinion based on the information and explanations received, the terms and conditions of these guarantees are not prejudicial to the interest of the company.
16. The Company has not taken any term loans during the year.
17. According to the information and explanations received, the Company has not applied short term borrowings for long term use.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. As per the information and explanation given to us, no material fraud on or by the Company has been noticed during the year.

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

(Rs. in Millions)

	Schedules		As at 31.03.2006	As at 31.03.2005
FUNDS EMPLOYED				
Shareholders' Funds				
Share Capital	A	959.20		959.20
Reserves and Surplus	B	5,263.64		4,763.00
			6,222.84	5,722.20
Loan Funds				
Secured Loans	C	318.79		330.51
Unsecured Loans		592.05		551.90
			910.84	882.41
Deferred Tax Liability (Net) (Refer Note B - 26 in Schedule 'M')			284.68	305.38
Total			7,418.36	6,909.99
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	D	7,361.39		7,127.04
Less : Depreciation/Amortisation/Impairment		4,357.09		4,014.73
Net Block		3,004.30		3,112.31
Add : Capital Work in Progress		242.59		82.78
			3,246.89	3,195.09
Investments	E		2,745.51	2,584.27
Current Assets, Loans and Advances				
Interest accrued on investments	F	-		0.03
Inventories		3,487.86		3,307.89
Sundry debtors		1,851.09		1,489.63
Cash and Bank Balances		283.87		257.28
Other receivables		214.24		190.12
Loans and Advances		980.68		727.25
Advance payment of Taxes (Net of provision for tax)		16.58		-
		6,834.32		5,972.20
Less : Current Liabilities and Provisions	G			
Current Liabilities		4,335.49		3,924.86
Provisions		1,072.87		916.71
		5,408.36		4,841.57
Net Current Assets			1,425.96	1,130.63
Total			7,418.36	6,909.99
Notes	M			

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman
Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Millions)

	Schedules	Year 2005 - 2006	Year 2004 - 2005
INCOME			
Sales and operating income (Net of discounts)	H	26,785.46	22,553.86
Less: Excise (Refer Note B - 15 in Schedule 'M')		3,593.91	3,008.30
Sales and operating income (Net of discounts and excise)		23,191.55	19,545.56
Other income	I	359.26	316.14
		23,550.81	19,861.70
EXPENDITURE			
Materials Consumed	J	13,517.35	11,284.45
Employees' remuneration and benefits	K	1,289.76	1,179.30
Manufacturing, administrative, selling and distribution expenses	L	4,865.24	4,144.05
		19,672.35	16,607.80
PROFIT BEFORE INTEREST, DEPRECIATION, EXTRAORDINARY ITEM AND TAX		3,878.46	3,253.90
Less : Interest (Refer Note B - 18 in Schedule 'M')		38.31	27.54
Less : Depreciation/Amortisation/Impairment	D	455.28	476.05
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM		3,384.87	2,750.31
Less : Extraordinary item (Refer Note B - 24 in Schedule 'M')		336.00	42.31
PROFIT BEFORE TAX		3,048.87	2,708.00
Less : Provision for Taxation			
Current Tax		1,141.00	988.00
Deferred Tax (Refer note B - 26 in Schedule 'M')		(20.70)	(18.16)
Fringe Benefit Tax		50.52	-
PROFIT AFTER TAX AND BEFORE PRIOR PERIOD ITEMS		1,878.05	1,738.16
Add/(Less) : Prior period items		(10.25)	(3.34)
PROFIT AFTER TAX		1,867.80	1,734.82
Add : Balance brought forward from previous year		1,000.00	820.00
DISPOSABLE PROFIT		2,867.80	2,554.82
DISPOSAL OF ABOVE PROFIT			
Dividend on Equity shares:			
- Interim dividend		431.64	383.69
- Final dividend		527.56	527.56
- One-time special dividend		239.80	-
Tax on Dividend		168.16	125.36
Transfer to General Reserve		400.64	518.21
Balance carried to Balance Sheet		1,100.00	1,000.00
		2,867.80	2,554.82
Earnings per share (Rs.) Basic and diluted - Before Extraordinary item		22.98	18.53
Earnings per share (Rs.) Basic and diluted - After Extraordinary item (Face value of Rs. 10/- each) (Refer Note B - 29 in Schedule 'M')		19.47	18.09
Notes	M		

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman
Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Millions)

	2005-2006	2004-2005
A. Cash Flow from Operating Activities		
Profit before prior period item, tax and after extraordinary item	3,048.87	2,708.00
Adjustments for :		
Depreciation	455.28	476.05
Interest income	(14.33)	(7.68)
Dividend income	(75.90)	(93.78)
Interest expense	38.31	27.54
Prior Period items	(10.25)	(3.34)
Extraordinary item	336.00	42.31
Loss/(Profit) on Sale of long term investments	—	(0.50)
Loss/(Profit) on Sale of short term investments	(3.48)	(23.90)
Loss/(Profit) on Sale of Assets	0.94	(27.44)
Operating Profit before working capital changes	3,775.44	3,097.26
Adjustments for :		
Trade Receivables	(361.46)	(110.43)
Other Receivables	(129.43)	(46.06)
Inventories	(179.98)	(1,192.99)
Trade and Other Payables	427.13	670.25
Cash generated from Operations	3,531.71	2,418.03
Income Tax paid net of refund	(1,344.85)	(853.56)
Net Cash generated from Operating Activities	2,186.86	1,564.47
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(542.58)	(774.52)
Sale of Fixed Assets	18.32	138.47
Loans to subsidiaries (Net of repayments)	(133.69)	8.67
Purchase of Investments	(493.99)	(299.62)
Sale of Investments	28.63	93.88
Interest received	8.24	8.54
Dividend received	55.42	93.78
Net Cash used in Investing Activities	(1,059.66)	(730.80)
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	72.66	134.86
Proceeds from short term borrowings	—	223.80
Repayment of long term borrowings	(3.45)	(90.16)
Repayment of short term borrowings	(40.97)	(86.92)
Interest Paid	(38.59)	(29.29)
Dividend and Dividend tax paid	(1,090.26)	(974.21)
Net Cash used in Financing Activities	(1,100.61)	(821.92)
D. Net Increase In Cash	26.59	11.75
Cash and cash equivalent as on 01.04.2005	257.28	245.53
Cash and cash equivalent as on 31.03.2006	283.87	257.28

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman

Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		As at 31.03.2006	As at 31.03.2005
SCHEDULE A : SHARE CAPITAL			
Authorised			
99,500,000	Equity Shares of Rs.10/- each	995.00	995.00
50,000	1% Redeemable Cumulative Preference shares of Rs. 100/- each	5.00	5.00
		1,000.00	1,000.00
Issued and Subscribed			
95,919,779	Equity Shares of Rs. 10/- each fully paid		
	a) 93,989,940 Bonus Shares of Rs. 10/- each fully paid up issued on capitalisation of Share premium account (Rs. 21.91 million) and General Reserves (Rs. 917.98 million)		
	b) 294,000 shares of Rs. 10/- each issued as fully paid up pursuant to the Scheme of Rehabilitation / Amalgamation of Pentasia Chemicals Ltd., without payment received in cash.	959.20	959.20
		959.20	959.20
SCHEDULE B : RESERVES AND SURPLUS			
Capital Reserve		0.01	0.01
Capital Redemption Reserve		5.00	5.00
General Reserve			
	As per last Balance Sheet	3,757.99	3,488.70
	Add : Transfer from Profit and Loss Account	400.64	518.21
	Add : Transfer from Debenture Redemption Reserve	—	42.50
	Less : Provision for impairment of fixed assets as on 1st April, 2004 (Refer Note B - 19 in Schedule 'M')	—	(454.45)
	Add : Reduction in deferred tax liability on impairment of assets (Refer Note B - 19 in Schedule 'M')	—	163.03
		4,158.63	3,757.99
Debenture Redemption Reserve			
	As per last Balance Sheet	—	42.50
	Less : Transfer to General Reserve	—	(42.50)
		—	—
Profit and Loss Account		1,100.00	1,000.00
		5,263.64	4,763.00

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	As at 31.03.2006	As at 31.03.2005
SCHEDULE C : SECURED AND UNSECURED LOANS		
Secured Loans		
Long Term :		
Loans and advances		
Financial Institution (Sales tax deferment scheme - State of Uttar Pradesh) (Note No. 1)	135.96	106.71
Short Term :		
Loans and advances from banks		
Cash Credit Accounts (Note No. 2)	182.83	223.80
	<u>318.79</u>	<u>330.51</u>
Unsecured Loans		
Long Term :		
Trade deposits - Interest free	185.04	188.30
Sales tax deferment - State of Andhra Pradesh (Note No. 3)	407.01	363.60
	<u>592.05</u>	<u>551.90</u>
Notes :		
(1) Interest free Term loan from the Pradeshiya Industrial Corporation of U.P. Ltd., (PICUP) under Sales Tax Deferment scheme of U.P. is secured by a first charge on the Company's immovable properties pertaining to the paint plant at Kasna and by way of hypothecation of all movable properties at the above location.	135.96	106.71
Amount repayable within one year.	—	11.18
(2) Secured by hypothecation of inventories, book debts and other current assets.	182.83	223.80
(3) Sales tax deferment - State of Andhra Pradesh represents interest free loan availed under the Sales Tax deferment scheme of the Government of Andhra Pradesh.	407.01	363.60
Amount repayable within one year.	—	—

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. in Millions)													
	Gross Block				Depreciation/Amortisation				Impairment			Net Block		
	As at 1.4.2005	Additions during the year	Deductions and/or transfers	As at 31.3.2006	Upto 31.3.2005	During the year	Deductions and/or transfers	Upto 31.3.2006	Upto 1.4.2005 (Refer note B-19 Schedule 'M')	Additions/ Reversals	Deductions and/or transfers	Upto 31.3.2006	As at 31.3.2006	As at 31.3.2005
Tangible Assets :														
Freehold Land	40.34	19.61	—	59.95	—	—	—	—	—	—	—	59.95	40.34	40.34
Leasehold Land	81.19	—	—	81.19	6.24	0.85	—	7.09	—	—	—	74.10	74.95	74.95
Buildings	1,309.33	32.61	5.34	1,336.60	285.05	38.22	1.80	321.47	—	—	—	1,015.13	1,024.28	1,024.28
Plant and Machinery	4,098.53	247.04	99.05	4,246.52	2336.27	285.49	56.65	2,565.11	178.65	1.14	30.97	148.82	1,532.59	1,583.61
Scientific Research:														
Equipment	90.68	15.77	2.07	104.38	61.60	7.63	1.08	68.15	5.96	—	0.97	4.99	31.24	23.12
Buildings	14.88	16.22	—	31.10	4.80	0.85	—	5.65	—	—	—	25.45	10.08	10.08
Furnitures and Office Equipment	206.92	9.78	11.96	204.74	130.37	20.66	7.43	143.60	21.63	—	3.00	18.63	42.51	54.92
Vehicles	35.12	1.54	4.67	31.99	26.33	3.95	3.80	26.47	—	—	—	—	5.52	8.79
Assets given under Operating Lease :														
Tinting systems	987.41	2.81	9.07	981.15	495.48	61.43	4.73	552.19	248.21	—	2.49	245.72	183.24	243.72
Intangible Assets :														
Trademark	119.24	—	—	119.24	81.41	23.85	—	105.26	—	—	—	—	13.98	37.83
Software - License Fees	143.40	21.13	—	164.53	132.73	11.21	—	143.94	—	—	—	—	20.59	10.67
Total	7,127.04	366.51	132.16	7,361.39	3,560.28	454.14	75.49	3,938.93	454.45	1.14	37.43	418.16	3,004.30	3,112.31
Previous year	6,511.93	748.40	133.29	7,127.04	3,106.49	476.05	22.27	3,560.28	454.45	—	—	454.45	3,112.31	3,405.44

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		Nos.	Face value (Rs.)	As at 31.03.2006	As at 31.03.2005
SCHEDULE E : INVESTMENTS					
Long Term Investments					
Unquoted					
(i)	In Government Securities				
	National Savings Certificates, Indira Vikas Patra and Defence Certificates deposited with Government authorities. (National Saving Certificate sold during the year Rs 10,000/-)			0.04	0.05
(ii)	Trade Investments (Preference Shares)				
(a)	9% Preference shares of Multi-tech Plast Containers Ltd. (2,510,000 Preference shares redeemed during the year)	—	10/- (2,510,000)	—	25.10
(b)	5.75% Preference shares of Clear Plastics Ltd. (5,000,000 Preference shares allotted during the year)	5,000,000	10/-	50.00	—
(iii)	Trade Investments (Fully paid Equity shares)				
(a)	Asian PPG Industries Ltd.	14,625,000	10/-	146.25	146.25
(b)	Patancheru Enviro-tech Ltd.	12,900	10/-	0.13	0.13
(c)	SIPCOT Common Utilities Ltd.	2,830	100/-	0.28	0.28
(d)	Bharuch Eco-Acqua Infrastructure Ltd. (43,480 allotted during the year)	478,270	10/- (434,790)	4.78	4.35
				151.44	151.01
(iv)	Other investments				
(a)	Contribution to Gujarat Venture Capital Fund - 1990 (7% amounting to Rs. 35,000/- redeemed during the year)			0.05	0.09
(b)	Equity shares of Mark Auto Industries Ltd.	62,500	10/-	5.00	5.00
				5.05	5.09
(v)	Subsidiary Companies				
(a)	Equity shares of Technical Instruments Manufacturers (India) Ltd.	5,000	100/-	181.85	181.85
(b)	Equity shares of Asian Paints Industrial Coatings Ltd.	9,000,000	10/-	90.00	90.00
(c)	Ordinary Shares of Asian Paints (International) Ltd., Mauritius. (650,000 shares allotted during the year) Less : Provision for diminution in value (Refer Note B - 24 in Schedule 'M')	25,595,444 (24,945,444)	US \$1 1,213.21		1,184.79
					—
				877.21	1,184.79
(d)	Equity shares of Asian Paints (Nepal) Pvt. Ltd., Nepal	1,084,770	NRs 10/-	1.24	1.24
				1,150.30	1,457.88
Total Long Term Unquoted Investments				1,356.83	1,639.13
Quoted (Fully Paid Equity shares)					
(i)	Trade Investments				
	ICI (India) Ltd.	3,760,783	10/-	772.46	772.46
(ii)	Other Investments				
	Housing Development Finance Corporation Ltd.	93,000	10/-	1.24	1.24
	Apcotex Industries Limited	3,418	10/-	0.11	0.11
Total Long Term Quoted Investments				773.81	773.81
Total Long Term Investments				2,130.64	2,412.94

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	Nos.	Face value (Rs.)	(Rs. in Millions)		
			As at 31.03.2006	As at 31.03.2005	
Short Term Investments (Unquoted)					
Birla Cash Plus Institutional Premium Plan Dividend - Growth (1,996,477.315 units sold during the year)		(1,996,477.315)	10/-	—	20.01
JM Fixed Maturity Plan - Dividend Option (15,131,481.727 units sold during the year)		(15,131,481.727)	10/-	—	151.32
DSP Merrill Lynch Liquidity Fund - Daily Dividend		11,261,190.024	10/-	112.72	—
Kotak FMP Series XVI Dividend		10,092,581.483	10/-	100.93	—
Reliance Fixed Maturity Qtr Plan III Series II Div		10,000,000.000	10/-	100.00	—
UTI Fixed Maturity Plan (Q FMP 0106)		10,073,039.377	10/-	100.73	—
ABN Amro Fixed Term Plan Series 2 Regular Dividend		10,049,387.653	10/-	100.49	—
Birla Fixed Term Plan - Series H - Growth		10,000,000.000	10/-	100.00	—
Total Short Term Investments				614.87	171.33
Total Investments				2,745.51	2,584.27
Aggregate market value of Long term Quoted Investments				1,582.48	924.99

Notes :

- Figures in brackets indicate that of previous year.
- The following investments were purchased and sold during the year :

	Nos.	Face Value (Rs.)	Purchase Cost (Rs. in Millions)
Units in Mutual Funds			
(1) Birla Cash Plus - Institutional Premium Plan Dividend	89,152,427.939	10.00	893.26
(2) Birla Cash Plus - Institutional Premium Plan Growth	18,981,944.117	10.00	200.00
(3) DSP Merrill Lynch Liquidity Fund - Daily Dividend	23,980,135.233	10.00	240.04
(4) Grindlays Cash Fund - Super Inst Plan C - Daily Dividend	30,045,133.435	10.00	300.45
(5) HDFC Cash Management Fund - Savings Plan - Growth	3,598,623.886	10.00	50.00
(6) HDFC Cash Mgt Fund - Savings Plan - Daily Dividend Reinvestment	4,701,943.589	10.00	50.01
(7) HSBC Cash Fund - Institutional Plus - Dividend	27,026,840.691	10.00	270.42
(8) HSBC Cash Fund - Institutional Plus - Growth	17,225,016.483	10.00	180.00
(9) JM Fixed Maturity Plan - QSA5 - Dividend Option	48,169.372	10.00	0.48
(10) LIC MF Fmp Series 1 - 6 Months Dividend Plan	10,251,306.763	10.00	102.51
(11) Prudential ICICI Liquid Plan Institutional Plus-Dividend	57,473,226.640	10.00	681.14
(12) Prudential ICICI Liquid Plan Institutional Plus-Growth	9,682,065.231	10.00	160.00
(13) Reliance Fixed Maturity F - Mly Plan V - Series II Dividend	10,037,300.000	10.00	100.37
(14) Reliance Fixed Maturity F - Mly Plan VIII - Series II Dividend	5,020,785.690	10.00	50.21
(15) Reliance Fixed Maturity Fund - Monthly Plan II-Series II	15,058,500.000	10.00	150.59
(16) Reliance Fixed Maturity Qtr Plan II - Series II Dividend	10,119,160.410	10.00	101.19
(17) Reliance Fixed Maturity Qtr Plan III - Series II Dividend	89,431.560	10.00	0.89
(18) SBI Magnum Institutional Income Fund - Savings-Dividend	327,315,476.086	10.00	3,283.79
(19) SBI Magnum Institutional Income Fund - Savings-Growth	24,297,106.197	10.00	260.00
(20) Standard Chartered Liquidity Manager - Daily Dividend	21,089,532.515	10.00	210.92
(21) Tata Liquid Super High Investment Fund - Appreciation	155,628.011	1,000.00	190.00
(22) Tata Liquid Super High Investment Fund - Daily Dividend	784,592.530	1,000.00	874.43
(23) UTI Liquid Cash Plan Institutional-Daily Income Option	257,849.833	1,000.00	262.00
(24) UTI Money Market Fund - Daily Dividend Option	16,652,072.444	10.00	290.18

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		As at 31.03.2006	As at 31.03.2005
SCHEDULE F : CURRENT ASSETS, LOANS AND ADVANCES			
CURRENT ASSETS			
(i)	Interest accrued on investments	—	0.03
(ii)	Inventories - valued and certified by the Management		
(a)	Raw materials	1,079.68	832.66
(b)	Packing materials	213.56	283.76
(c)	Finished goods	1,911.89	1,918.12
(d)	Work-in-process	193.98	202.42
(e)	Stores, spares and fuel	83.22	65.30
(f)	Other traded items	5.53	5.63
		3,487.86	3,307.89
(iii)	Sundry debtors (Unsecured)		
(a)	Outstanding for more than six months :		
	Considered good	34.89	21.45
	Considered doubtful	35.17	32.89
		70.06	54.34
	Less : Provision for doubtful debts	35.17	32.89
		34.89	21.44
(b)	Other debts (considered good)	1,816.20	1,468.19
		1,851.09	1,489.63
(iv)	Cash and Bank Balances		
(a)	Cash on hand	1.87	1.66
(b)	Balances with Scheduled Banks :		
(i)	Current Accounts	279.87	253.00
(ii)	Term Deposits	2.13	2.62
		283.87	257.28
(v)	Other Receivables	214.24	190.12
LOANS AND ADVANCES			
(i)	Wholly owned subsidiaries		
(a)	Interest bearing loan (previous year interest free) - unsecured and considered good		
	Asian Paints Industrial Coatings Ltd.	127.50	60.00
	(Maximum outstanding during the year Rs. 127.50 million Previous year Rs. 60.00 million)		
(b)	Interest free loan - unsecured and considered good		
	Technical Instruments Manufacturers (India) Ltd.	143.21	77.02
	(Maximum outstanding during the year Rs. 143.21 million. Previous year Rs. 77.02 million)		
		270.71	137.02
(ii)	Other Loans and Advances :		
	Unsecured and considered good		
(a)	Balances with Customs, Central Excise etc.	170.61	141.77
(b)	Sundry deposits	108.71	105.41
(c)	Advances/claims recoverable in cash or in kind	282.80	241.97
(d)	Advances to employees	7.65	4.10
(e)	Share application money	—	28.43
(f)	Advances against capital expenditure	58.74	42.48
(g)	Amount due from subsidiaries	81.46	26.07
		709.97	590.23
		980.68	727.25
(iii)	Advance payment of taxes (Net of provision for tax)	16.58	—
		6,834.32	5,972.20

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		As at 31.03.2006	As at 31.03.2005
SCHEDULE G : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
(i)	Acceptances	1,180.12	1,109.63
(ii)	Sundry creditors		
	- Trade	1,356.29	1,342.72
	- Others	480.58	334.75
	(Out of the above, the total outstanding dues to small scale industrial undertakings are Rs. 127.89 million - Previous year Rs. 48.53 million) (Refer Note B - 23 in Schedule 'M')	1,836.87	1,677.47
		3,016.99	2,787.10
(iii)	Investor Education and Protection Fund *		
	(a) Unpaid/Unclaimed dividend	23.39	19.92
	(b) Unpaid/Unclaimed matured deposits	0.58	0.78
	(c) Unclaimed interest	0.18	0.31
	(d) Unclaimed amount of sale proceeds of fractional coupons of bonus shares	0.40	0.41
		24.55	21.42
(iv)	Interest accrued but not due	—	0.15
(v)	Other liabilities (Including Rs. 26.67 million due to Directors. Previous year Rs. 17.80 million)	1,293.95	1,116.19
		4,335.49	3,924.86
* There is no amount due and outstanding to be paid to the Investor Education and Protection Fund as at 31st March, 2006. These amounts shall be paid to the fund as and when they become due.			
Provisions			
(i)	Proposed Dividend	767.36	527.56
(ii)	Provision for tax on Proposed Dividend	107.62	73.99
(iii)	Provision for tax (Net of advance tax)	—	136.75
(iv)	Provision for Leave encashment	156.40	126.42
(v)	Other provisions	41.49	51.99
		1,072.87	916.71
		5,408.36	4,841.57

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	Year 2005-2006	Year 2004-2005
SCHEDULE H : SALES & OPERATING INCOME		
Sales :		
Home Market	27,981.40	23,533.64
Exports	133.81	138.52
	<u>28,115.21</u>	<u>23,672.16</u>
Less : Goods returned	341.00	283.79
Turnover (Refer Note B - 8 in Schedule 'M')	27,774.21	23,388.37
Less : Discounts	1,222.02	1,073.05
Sales (Net of discounts)	26,552.19	22,315.32
Processing charges	102.42	69.80
Lease Rent	79.31	127.89
Revenue from Home Solutions operations	51.54	40.85
	<u>26,785.46</u>	<u>22,553.86</u>
SCHEDULE I : OTHER INCOME		
Interest (Refer Note B - 21 in Schedule 'M') (TDS Rs. 1.02 million - Previous year Rs. 0.68 million)	14.33	7.68
Claims received	8.40	3.41
Dividends from subsidiary companies (TDS Rs. 0.15 million - Previous year Rs. 0.27 million)	3.05	5.42
Dividend from long term investments		
- Trade	43.42	78.52
- Others	1.66	1.32
Dividend from short term investments	27.77	8.52
Royalty (TDS Rs. 6.89 million - Previous year Rs. 4.22 million)	63.09	34.59
Sundry balances written back (Net) (Refer Note B - 20 in Schedule 'M')	22.18	13.84
Profit on sale of long term investments (net)	—	0.50
Profit on sale of short term investments (net)	3.48	23.90
Profit on sale of assets (net)	—	27.44
Exchange difference (net)	—	0.89
Miscellaneous income (Refer note B - 22 in Schedule 'M')	171.88	110.11
	<u>359.26</u>	<u>316.14</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		Year 2005-2006	Year 2004-2005
SCHEDULE J : MATERIALS CONSUMED			
Raw Materials Consumed			
Opening Stock	832.66		517.14
Add : Purchases and expenses	10,898.15		9,752.73
	<u>11,730.81</u>		<u>10,269.87</u>
Less : Closing Stock	1,079.68		832.67
		10,651.13	9,437.20
Packing Materials Consumed			
Opening Stock	283.76		164.24
Add : Purchases and expenses	2,259.88		2,154.61
	<u>2,543.64</u>		<u>2,318.85</u>
Less : Closing Stock	213.56		283.76
		2,330.08	2,035.09
Purchase of Paints for resale (Quantity 12,770 MT - Previous year 10,231 MT)		239.85	182.70
Cost of other goods sold		<u>282.72</u>	<u>242.66</u>
		13,503.78	11,897.65
Decrease / (Increase) in stock of finished and semi-finished goods			
Opening Stock	2,120.54		1,376.93
Closing Stock	<u>2,105.86</u>		<u>2,120.54</u>
		14.68	(743.61)
(Decrease)/ Increase in Excise duty on stock of finished goods (Refer note B - 15 in Schedule 'M')		(1.11)	130.41
		<u>13,517.35</u>	<u>11,284.45</u>
SCHEDULE K : EMPLOYEES' REMUNERATION AND BENEFITS			
Salaries, wages, allowances, commission and provisions for bonus and accrued leave salary			
		1,101.93	974.54
Staff welfare expenses		75.29	64.40
Contribution to Provident Fund, Gratuity and Superannuation funds		<u>112.54</u>	<u>140.36</u>
		1,289.76	1,179.30

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		Year 2005-2006	Year 2004-2005
SCHEDULE L : MANUFACTURING, ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES			
Stores and spares		134.56	100.00
Power and fuel		273.00	254.38
Processing charges		144.83	133.28
Freight and handling charges		1,001.74	836.88
Repairs and maintenance:			
Buildings	19.88		18.26
Machinery	50.23		41.88
Other assets	99.31		99.01
		169.42	159.15
Rent		183.89	171.73
Rates and taxes		143.97	147.37
Insurance		31.14	33.41
Advertisement and sales promotional expenses		909.73	699.17
Cash and payment performance discount		1,089.91	908.88
Printing, stationery and communication expenses		133.76	121.30
Travelling expenses		171.61	133.79
Commission on sales		14.21	10.35
Donations		9.82	9.03
Loss on sale of assets (net)		0.94	—
Miscellaneous expenses		218.65	237.16
Commission to Non executive Directors		4.50	4.24
Directors' sitting fees		0.81	1.06
Bad and doubtful debts		12.01	9.27
Auditors' remuneration		4.17	4.52
Financial charges		43.31	38.23
Exchange difference (net)		11.69	—
Information technology expenses		62.40	63.87
Legal and professional expenses		53.62	25.02
Training and recruitment expenses		41.55	41.96
		4,865.24	4,144.05

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOLLOWED IN THE COMPILATION OF ACCOUNTS

1. Basis for preparation of financial statements

The financial statements are prepared in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards specified by the Institute of Chartered Accountants of India under Section 211(3C) of the Companies Act, 1956.

2. Method of Accounting

The Company is following accrual basis of accounting.

3. Fixed Assets

- a) The 'Gross Block' of fixed assets is shown at the cost of acquisition, which includes taxes, duties (net of tax credits as applicable) and other identifiable direct expenses. Interest on borrowed funds attributable to the qualifying assets up to the period such assets are put to use, is included in the cost.
- b) Know-how related to plans, designs and drawings of buildings or plant and machinery is capitalised under relevant asset heads.
- c) Depreciation on tinting systems except computers leased to dealers is provided under Straight Line Method over the estimated useful life of nine years as per technical evaluation. Depreciation on computers given on lease is provided under Straight Line Method and at rates specified under Schedule XIV to the Companies Act, 1956.
- d) Leasehold land is amortised over the period of lease.
- e) Depreciation on all other fixed assets is provided under Straight Line Method and at rates specified under Schedule XIV to the Companies Act, 1956 except for the following classes of fixed assets, where the depreciation is provided under Straight Line Method based on estimated useful life of the assets as under:

Information Technology Assets	:	4 years
Scientific Research Equipment	:	8 years
Furniture and Fixtures	:	8 years
Office Equipment and Vehicles	:	5 years

- f) Intangible Assets
 - i. User licence fees for major software are amortised over a period of four years.
 - ii. Trade Mark is amortised over a period of five years.
- g) At balance sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An assessment is also done at each balance sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the profit and loss statement.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any,) on Straight Line basis over its remaining useful life.

4. Revenue Recognition

Sale of products is recognised when the risks and rewards of ownership are passed on to the customers, which is on despatch of goods. Sales are stated gross of excise duty as well as net of excise duty; excise duty being the amount included in the amount of gross turnover. The excise duty related to the difference between the closing stock and opening stock of finished goods is recognised separately as part of 'Materials Consumed'. Sales are stated exclusive of VAT/sales tax.

SCHEDULES FORMING PART OF THE ACCOUNTS

Processing income is recognised upon rendition of the services.

Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

5. Lease Accounting

The Company has provided tinting systems to dealers on an operating lease basis. The Company has also taken some assets such as cars, computers and systems hardware on an operating lease basis. Lease rentals are accounted on accrual basis in accordance with the respective lease agreements and any variation thereof.

6. Inventory

- a) Inventories are valued at the lower of cost and net realisable value. Damaged, unserviceable and inert stocks are suitably depreciated.
- b) In case of raw materials, packing materials, stores, spares and consumables, the cost includes duties and taxes (net of CENVAT, wherever applicable) and is arrived at on weighted average cost basis.
- c) Cost of finished goods and work-in-process includes the cost of raw materials, packing materials, an appropriate share of fixed and variable production overheads, excise duty as applicable and other costs incurred in bringing the inventories to their present location and condition.
- d) The cost of traded goods is arrived at on a weighted average basis.

7. Investments

Short term investments are carried at the lower of cost and fair value computed category wise. Long term investments are carried at cost. Provision for diminution in the value of long term investments is made only if such a decline is not temporary in the opinion of the management.

8. Transactions in Foreign Exchange

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transactions. In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Transactions outstanding at year end are translated at exchange rates prevailing at the year end and the profit/loss so determined is recognised in the Profit and Loss Account.

9. Sundry Debtors

Sundry debtors are stated after writing off debts considered as bad. Adequate provision is made for debts considered doubtful. Discounts due, yet to be quantified at the customer level are included under the head 'Current Liabilities and Provisions'.

10. Employees' Retirement Benefits

Company's contribution to Provident and Superannuation funds and Pension is charged to Profit and Loss Account on accrual basis. Liability for Gratuity and Leave encashment benefits are charged to Profit and Loss Account on the basis of actuarial valuation.

11. Research and Development

- a) Capital expenditure is shown separately under respective heads of fixed assets.
- b) Revenue expenses including depreciation are included under the respective heads of expenses.

12. Provision for Taxation

Provision for current tax is computed as per 'Total Income' returnable under the Income Tax Act, 1961 taking into account available deductions and exemptions. Deferred tax is recognised for all timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Proposed Dividend

Dividend proposed by the Board of Directors is provided for in the accounts, pending approval at the Annual General Meeting.

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	2005-2006	2004-2005
B. NOTES :		
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	317.72	86.94
2. Letters of Credit and Bank guarantees issued by bankers and outstanding as on 31st March, 2006.	210.07	362.73
3. Contingent liabilities:		
a. Guarantee given on behalf of Company's dealers in respect of loans granted to them by a bank for acquiring dealer tinting systems	309.62	279.56
b. Corporate guarantees issued by the Company to certain banks on behalf of some of its subsidiaries	864.52	879.17
c. Claims against the Company not acknowledged as debts :		
i. Tax matters in dispute under appeal	369.22	231.60
ii. Others	11.49	11.01
4. The Company has issued non-contractual letters of comfort/support to banks on behalf of some of its subsidiaries from time to time, and also a letter of financial support to the board of a subsidiary. The financial support/comfort based on such letters is limited to Rs. 1,219.66 millions as on 31st March, 2006.		
5. Auditors' remuneration		
Statutory audit fee	2.15	1.85
Tax audit fees	0.45	0.40
Certification fees	1.15	1.60
Out of pocket expenses	0.25	0.38
Cost audit fees	0.15	0.07
Branch audit fees	0.00	0.07
In addition, an associate firm of the statutory auditor's firm has been paid Rs. 0.19 million for taxation services during the year (Previous year Rs. 0.15 million).		
6. (a) Computation of Profit for the year ended 31st March, 2006 under section 349 of the Companies Act, 1956.		
Net Profit as per Profit and Loss Account	1,867.80	1,734.82
Add : Provision for current and fringe benefit tax	1,191.52	988.00
Provision for deferred tax	(20.70)	(18.16)
Loss on sale of assets (net)	0.94	—
Extraordinary item (Refer Note 24).	336.00	42.31
Less : Surplus on sale of long term Investments (net)	—	0.50
Surplus on sale of short term investments (net)	3.48	23.90
Profit on sale of assets (net)	—	27.44
Profit under Section 349 of the Companies Act, 1956	3,372.08	2,695.13
Add : Managerial remuneration	44.33	35.72
Profit under Section 198 of the Companies Act, 1956	3,416.41	2,730.85
Commission to non-executive directors :		
Subject to a ceiling of 1% of profit as computed above:	34.16	27.31
Commission actually paid:	4.50	4.24
Remuneration to Whole-time directors :		
Subject to a ceiling of 10% of profit as computed above:	341.64	273.09
Total remuneration actually paid:	39.02	30.42
(b) Details of managerial remuneration under Section 198 of the Companies Act, 1956		
Salaries and allowances	9.29	7.88
Commission to Executive Directors (Restricted to 2% of the profit as computed under section 349 in aggregate to all three Executive Directors. Previous year 0.17% of the profit as computed under section 349).	21.00	13.80
Contribution to Provident and Superannuation funds	6.83	5.24
Perquisites	1.90	3.50
Sitting Fees to Non-Executive Directors	0.81	1.06
Commission to Non-Executive Directors	4.50	4.24
	44.33	35.72

The above remuneration does not include contribution to gratuity fund and leave encashment as this contribution is a lump sum amount based on actuarial valuation.

The Company depreciates certain fixed assets at higher rates of depreciation based on estimated useful lives which are lower or equal to the implicit estimated useful lives prescribed by Schedule XIV of the Companies Act, 1956. The above higher value of depreciation has been considered as deduction for the computation of managerial remuneration in (a) above.

SCHEDULES FORMING PART OF THE ACCOUNTS

7. Production :

	Unit	Location	Installed Capacity ⁽¹⁾		Production	
			As at 31st March, 2006	As at 31st March, 2005	2005-2006	2004-2005
(a) Paints, enamels, varnishes and blacks	MT/KL	In-house ⁽²⁾	300150	300150	241903 ⁽³⁾	220284 ⁽³⁾
		Contract Manufacture/ Purchase	—	—	77564	71776
(b) Synthetic Resins (Mainly for captive consumption)	MT	In-house ⁽²⁾	77880	77880	55460 ⁽⁴⁾	53941 ⁽⁴⁾
(c) Phthalic Anhydride	MT	Ankleshwar	24000	24000	23041 ⁽⁵⁾	22183 ⁽⁵⁾
(d) Pentaerythritol	MT	Cuddalore	3000	3000	4860 ⁽⁶⁾	4430 ⁽⁶⁾
(e) Sodium Formate	MT	Cuddalore	1800	1800	2742	2505
(f) Formaldehyde (50%) ⁽⁷⁾	MT	Cuddalore	13500	13500	11690	10598

(1) Installed capacities are as certified by the management.

(2) Manufacturing plants at Mumbai, Ankleshwar, Patancheru, Kasna and Sriperumbudur.

(3) Includes 7617 MT (Previous year 6958 MT) of products processed for third party.

(4) Includes 2590 MT (Previous year 2142 MT) of resins processed for third party.

(5) Includes 9087 MT (Previous year 9166 MT) Phthalic Anhydride transferred to paint plants for captive consumption.

(6) Includes 2840 MT (Previous year 2926 MT) Pentaerythritol transferred to paint plants for captive consumption.

(7) Mainly for internal consumption in the manufacture of Pentaerythritol.

8. Stocks and Turnover:

	Unit	Opening Stock		Closing Stock		Turnover *	
		Qty.	Value (Rs. in millions)	Qty.	Value (Rs. in millions)	Qty.	Value (Rs. in millions)
a. Paints, enamels, varnishes and blacks	MT/KL	31004 (21353)	1858.02 (1148.67)	29312 (31004)	1834.80 (1858.02)	313213 (275252)	26470.20 (22194.59)
b. Phthalic Anhydride	MT	411 (102)	20.23 (4.14)	655 (411)	35.46 (20.23)	13711 (12709)	743.63 (674.00)
c. Pentaerythritol	MT	421 (930)	35.93 (61.23)	472 (421)	34.59 (35.93)	1968 (1936)	164.52 (172.68)
d. Sodium Formate	MT	220 (6)	3.54 (0.09)	277 (220)	4.38 (3.54)	2684 (2088)	42.01 (37.70)
e. Formaldehyde	MT	51 (191)	0.40 (1.98)	387 (51)	2.66 (0.40)	235 (315)	2.77 (3.03)
f. Others (Refer Note (ii) below)		—	—	—	—	—	351.08 (306.37)
Total			1918.12 (1216.11)		1911.89 (1918.12)		27774.21 (23388.37)

* Includes sale of materials processed outside, resale of finished paints and dealer tinting systems purchased.

i. Figures in brackets are for the previous year.

ii. This comprises of resins, machinery spares, stationery items, plant and machinery, dealer tinting systems and other miscellaneous items.

SCHEDULES FORMING PART OF THE ACCOUNTS

9. Raw materials consumed :

	Unit	2005-2006		2004-2005	
		Qty.	Value (Rs. in millions)	Qty.	Value (Rs. in millions)
a. Pigments, Extenders, Minerals etc.	MT	144,122	3,398.72	130,994	3,089.28
b. Additives	MT	16,720	1,458.62	14,983	1,265.27
c. Solvents	MT KL }	5,301 54,685 }	1,708.85	5,295 52,902 }	1,383.4
d. Resins	MT	13,508	773.38	7,157	450.72
e. Oils	MT	23,399	929.23	22,865	1,038.53
f. Ortho Xylene	MT	25,604	958.01	23,632	887.16
g. Methanol	MT	7,038	109.40	6,659	111.55
h. Acetaldehyde	MT	1,888	71.71	1,741	64.45
i. Monomers	MT	9,272	773.19	9,551	763.42
j. Others	MT	14,313	470.02	13,442	383.42
			10,651.13		9,437.20

10. CIF value of direct imports :

	2005-2006 (Rs. in millions)	2004-2005 (Rs. in millions)
a. Raw materials	1,960.85	1,426.71
b. Packing materials	19.32	29.60
c. Stores and spares	30.58	34.27
d. Capital goods	31.38	54.19

11. Value of imported and indigenous raw materials and spares consumed and percentage of each to total consumption :

	2005-2006		2004-2005	
	(Rs. in millions)	% to Total	(Rs. in millions)	% to Total
a. Raw materials :				
Direct imports	2,216.62	20.81	1,737.49	18.41
Others (Including value of consumption of imported raw materials purchased through indigenous sources)	8,434.51	79.19	7,699.71	81.59
	<u>10,651.13</u>	<u>100.00</u>	<u>9,437.20</u>	<u>100.00</u>
b. Stores and spares :				
Direct imports	47.37	35.20	27.65	27.65
Others	87.19	64.80	72.35	72.35
	<u>134.56</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

12. Net dividend remitted in foreign currency :

	2005-2006			2004-2005		
	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (Rs. in millions)	Number of Non-resident Shareholders	Number of Equity Shares held	Dividend remitted (Rs. in millions)
Final Dividend 2003-2004	—	—	—	19	87,031	0.44
Interim Dividend 2004-2005	—	—	—	18	35,431	0.14
Final Dividend 2004-2005	18	35,431	0.19	—	—	—
Interim Dividend 2005-2006	18	35,431	0.16	—	—	—

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs.in Millions)

13. Expenditure in foreign currency :

	2005-2006	2004-2005
a. Annual maintenance for software	13.85	8.31
b. Procurement of software	6.43	-
c. Professional fees	12.27	1.47
d. Shade cards and other sales promotional items	21.63	15.40
e. Travelling and training expenses	9.06	8.86
f. Others	6.30	4.92
	69.54	38.96

14. Earnings in foreign currency :

(Rs.in Millions)

	2005-2006	2004-2005
a. Export of own products at FOB value	125.06	102.08
b. Export of traded goods at FOB value	2.31	2.15
c. Royalty	41.46	18.16
d. Other receipts including recoveries from subsidiaries	35.07	9.42
	203.90	131.81

15. Hitherto, the Company had been reporting sales net of excise duty expense incurred on production of finished goods. Pursuant to draft Accounting Standard Interpretation (ASI) 14 (Revised) "Disclosure of Revenue from Sales Transactions" issued by the Institute of Chartered Accountants of India, the excise duty expense has now been bifurcated into two components: excise duty expense relating to sales is reduced from Gross Sales and the balance amount relating to the difference between the closing stock and opening stock of finished goods is disclosed separately as part of 'Materials Consumed' in Schedule 'J'. The same has no impact on the profits of the Company.

16. Sundry debtors include Rs. 11.65 million (Previous year Rs. 27.44 million) due from subsidiary companies.

17. Revenue expenses amounting to Rs. 108.55 million on Research and Development have been included under the respective heads of expenses (Previous year - Rs. 96.36 million).

18. Interest expense includes :

(Rs.in Millions)

	2005-2006	2004-2005
On Debentures and other fixed loans	0.10	4.13
On Bill discounting	29.42	20.73
Other Interest	8.79	2.68
	38.31	27.54

19. Pursuant to Accounting Standard (AS 28) – Impairment of Assets issued by the Institute of Chartered Accountants of India effective 1st April, 2004, the company made an assessment as at 1st April, 2004 for any indication of impairment in the carrying amount of the Company's fixed assets and determined impairment loss on certain fixed assets. As required by AS 28, the impairment loss as at 1st April, 2004 was adjusted against opening balance of revenue reserves net of deferred tax credit, being the impairment loss relating to prior periods.

20. Sundry balances write back (net) includes write back of provisions made in the earlier years towards statutory and other liabilities which have been determined to be no longer required in the current financial year.

21. Interest income includes Rs. NIL (Previous year Rs.1.53 million) from non-trade investments. Interest income for the year ended 31st March, 2006 includes Rs. 6.12 million (Previous year Rs. Nil) received on account of completion/disposal of various tax assessments/appeals.

22. Miscellaneous income includes refund of taxes paid in earlier years under sales tax laws amounting to Rs. 19.30 million on completion of assessments.

23. The amount due to Small Scale Industrial undertakings (SSIs) is furnished under the relevant head, on the basis of information available with the Company regarding small scale industry status of the suppliers. There are no amounts outstanding to such suppliers which are due for more than 30 days beyond the agreed credit period.

SCHEDULES FORMING PART OF THE ACCOUNTS

24. A provision for diminution in the value of long term investment in the Company's wholly owned subsidiary, Asian Paints (International) Ltd., Mauritius, has been made for Rs 336.00 million based on management's assessment of the fair value of the investment. The same is recognised in the Profit and Loss Account as an extraordinary item. Deferred tax asset on the above provision is not recognised.

The extraordinary item for the previous year related to loss on disposal of investment in its subsidiary Asian Paints (Mauritius) Limited, net of diminution in the value of the said investment recognised in earlier year.

25. Pursuant to the Accounting Standard (AS 29) – Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March, 2006 is as follows :

(Rs. in Millions)

	*Provision for Excise ⁽¹⁾		Provision for Leave Encashment ⁽²⁾		Provision for Bad and Doubtful Debts ⁽³⁾		Provision for Diminution in the Value of Investment ⁽⁴⁾	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Opening Balance	51.99	59.96	126.42	123.69	32.89	38.97	—	68.06
Additions	—	0.56	29.98	2.73	12.52	9.45	336.00	—
Utilisation	—	—	—	—	5.99	8.52	—	68.06
Reversals	10.50	8.53	—	—	4.25	7.01	—	—
Closing Balance	41.49	51.99	156.40	126.42	35.17	32.89	336.00	—

* Provision for Excise has been grouped under the head 'other provisions' of Schedule 'G'.

⁽¹⁾ Excise provision is towards matters disputed at various appellate levels.

⁽²⁾ Provision is based on actuarial valuation.

⁽³⁾ Provision is made for the debts that are outstanding for more than one year.

⁽⁴⁾ Provision for diminution in the value of investment is based on management's assessment of the fair value of long term investment.

26. The Company has recognised deferred tax arising on account of timing differences, being the difference between the taxable income and accounting income, that originates in one period and is capable of reversal in one or more subsequent period(s) in compliance with Accounting Standard (AS 22) - Accounting for Taxes on Income issued by Institute of Chartered Accountants of India.

The major components of deferred tax assets/(liabilities) arising on account of timing differences as at 31st March, 2006 are as follows :

(Rs. in Millions)

	As at 31st March, 2006	As at 31st March, 2005
Deferred tax Assets/(Liabilities)		
Difference between the Written Down Value of assets as per books of accounts and Income Tax Act, 1961.	(370.57)	(397.17)
Expenses allowed for tax purpose on payment basis	53.92	58.16
Provision for doubtful debts	11.84	11.07
Voluntary Retirement Scheme (VRS) expenditure debited to Profit and Loss Account but allowed in Income tax over five years	3.38	4.80
Capital Losses carried forward under the Income Tax Act, 1961	16.75	17.76
Net Deferred Tax Asset/(Liability)	(284.68)	(305.38)
Deferred tax benefit/(expense) for the year	20.70	18.16

27. I. Pursuant to Accounting Standard (AS-19) – Leases issued by the Institute of Chartered Accountants of India, the following information is given :

- a. The Company has provided tinting systems to its dealers on an operating lease basis. The lease period varies between nine and ten years. Lease rentals are payable monthly. A refundable security deposit is collected at the time of signing the agreement. The equipment shall be used only to tint products of the lessor.

SCHEDULES FORMING PART OF THE ACCOUNTS

- b. Future minimum lease rentals receivable as at 31st March, 2006 as per the lease agreements:

(Rs. in Millions)

	2005-2006	2004-2005
i) Not later than one year	18.11	80.42
ii) Later than one year and not later than five years	16.31	27.51
iii) Later than five years	0.17	0.30
Total	34.59	108.23

The information pertaining to future minimum lease rentals receivable is based on the lease agreements entered into between the Company and the dealers and variation made thereto. Lease rentals are reviewed periodically taking into account prevailing market conditions.

- c) Total amount of contingent rents recognised as income - NIL.
d) The initial direct cost relating to acquisition of tinting system is capitalised.
e) The information on gross amount of leased assets, depreciation and impairment is given in Schedule 'D' to the Balance Sheet.
- II. a) The Company has taken certain assets such as cars, computers and systems hardware on an operating lease basis for a period of 48 (forty eight) months. The lease rentals are payable by the Company on a monthly and quarterly basis, respectively.

- b) Future minimum lease rentals payable as at 31st March, 2006 as per the lease agreements:

(Rs. in Millions)

	2005-2006	2004-2005
i) Not later than one year	29.00	30.09
ii) Later than one year and not later than five years	23.74	36.13
iii) Later than five years	—	—
Total	52.74	66.22

- c) Lease payments recognised in the Profit and Loss Account for the period are Rs. 34.52 million (Previous year Rs. 29.22 million).

28. Pursuant to Accounting Standard (AS-27) - Financial Reporting of Interests in Joint Venture, the disclosures relating to the Joint Venture viz., Asian PPG Industries Limited (hereinafter referred to as JV) are as follows:

- a) The proportion of interest of the Company in the JV is by way of equal equity participation with PPG Industries Inc., U.S.A.
b) The aggregate amount of assets, liabilities, income and expenses related to the Company's interests in the JV as at 31st March, 2006 is as follows :

(Rs. in Millions)

	2005-2006	2004-2005
i) Assets	681.45	563.73
ii) Liabilities	234.62	197.26
iii) Income	1,203.31	1,025.74
iv) Expenses	1,099.59	927.59

- c) The Company's share of capital commitments of the JV as at 31st March, 2006 is Rs. 0.37 million (Previous year Rs. 2.54 million).
d) The Company's share of contingent liabilities of the JV as at 31st March, 2006 is Rs. 21.17 million (Previous year Rs.1.32 million).
e) No contingent liabilities and capital commitments have been incurred as at 31st March, 2006 in relation to the Company's interests in the JV along with the other venturer (Previous year Rs. Nil).

29. Earnings Per Share :

	2005-2006	2004-2005
a) Basic and diluted earnings per share before extraordinary item in rupees (Face value – Rs. 10/- per share)	22.98	18.53
b) Basic and diluted earnings per share after extraordinary item in rupees (Face value – Rs. 10/- per share)	19.47	18.09
c) Profit after tax and prior period items but before extraordinary item as per Profit & Loss Account (Rs. in million)	2,203.80	1,777.13
d) Profit after tax, prior period items and extraordinary item as per Profit & Loss Account (Rs. in million)	1,867.80	1,734.82
e) Weighted average number of equity shares outstanding	95,919,779	95,919,779

SCHEDULES FORMING PART OF THE ACCOUNTS

30. Information on related party transactions as required by Accounting Standard – 18 for the year ended 31st March, 2006.

(Rs. in Millions)

Particulars	Joint Venture		Subsidiaries		Key Management Personnel		Relatives of Key Management Personnel*		Companies Controlled by Directors/Relatives		Employee benefit plans where control exists		Others	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Processing of goods (Income)	96.38	64.84	6.04	4.96										
Sale of goods	108.62	91.67	71.65	71.25					18.17	7.15				
Purchase of goods	11.72	10.87							356.91	260.65				
Processing of goods (Expense)									114.73	138.58				
Consignment sales	0.01	0.03												
Royalty received	11.73	9.91	51.36	24.69										
Consultancy expenses									0.39	1.59				
Other recoveries	59.08	48.57	25.18	6.85					0.14	0.14				
Interest received on loan given			3.90	—					—	0.06				
Purchase of investments									50.00	—				
Sale of investments									25.10	3.00				
Equity contribution			28.43	98.87										
Share application			—	28.43										
Loan given			145.00	8.80										
Repayment of loan given			11.32	17.47					—	13.00				
Rent paid			19.50	19.50										
Remuneration					39.02	29.84	11.79	6.60						
Commission to Non-Executive Directors							1.50	1.20						
Sitting fees paid to Non-Executive Directors							0.21	0.33						
Sitting fees received (from subsidiaries for nominee Directors)			1.59	1.68										
Other services - receipts			2.98	—										
Other miscellaneous expenses									5.60	—				
Donation													4.50	1.20
Sales of assets			—	7.14										
Dividend received	20.48	29.25	3.05	5.42					—	2.26				
Contributions during the year											175.00	197.99		
Provision for doubtful debts			0.32	—										
Outstanding as on 31st March, 2006 :														
Loans	—	—	270.71	137.02	—	—	—	—	—	—	—	—	—	—
Deposits accepted	0.65	0.65	—	—	—	—	—	—	0.10	0.10	—	—	—	—
Other receivables/ (payables)	34.12	26.74	92.79	53.51	(26.67)	(14.20)	(0.15)	(1.20)	(17.83)	(15.33)	(46.13)	(53.23)	—	—

Corporate guarantee issued by the Company on behalf of some its subsidiaries was Rs. 864.52 million as at 31st March, 2006 (Previous year Rs. 879.17 million).

The Company has issued non-contractual letters of comfort/support to banks on behalf of some of its subsidiaries from time to time, and also a letter of financial support to the board of a subsidiary. The financial support/comfort based on such letters is limited to Rs. 1,219.66 millions as on 31st March, 2006.

* Under the employment of the Company pursuant to the necessary approvals from the shareholders and the Central Govt. under section 314 of the Companies Act, 1956.

SCHEDULES FORMING PART OF THE ACCOUNTS

a) Joint Venture: Asian PPG Industries Ltd.

b) Subsidiaries :

Direct Subsidiaries :

Asian Paints (Nepal) Pvt. Limited

Asian Paints (International) Limited

Asian Paints Industrial Coatings Limited

Technical Instruments Manufacturers (India) Limited

During the year Surya Powder Coatings Limited (Formerly known as Surya Gelcaps Limited) was merged with Asian Paints Industrial Coatings Limited.

Subsidiaries of the wholly owned subsidiary, Asian Paints (International) Limited, Mauritius:

Asian Paints (South Pacific) Holdings Limited

Asian Paints (South Pacific) Limited

Asian Paints (Tonga) Limited

Asian Paints (S.I.) Limited

Asian Paints (Vanuatu) Limited

Asian Paints (Queensland) Limited

Asian Paints (Lanka) Limited

Asian Paints (Bangladesh) Limited

Asian Paints (Middle East) LLC

SCIB Chemical, S.A.E., Egypt

Berger International Limited, Singapore

Subsidiary of Asian Paints (South Pacific) Limited :

Taubmans Paints (Fiji) Limited

Subsidiary of Taubmans Paint (Fiji) Limited :

Samoa Paints Limited

Subsidiary of Asian Paints (Lanka) Limited :

Asian Paints Distributors (Pvt.) Limited (Under Voluntary Liquidation)

Subsidiaries of Berger International Limited, Singapore :

Berger Paints Singapore Pte. Ltd.

Berger International Sdn Bhd.

Berger Building Services (Singapore) Pte. Ltd.

Berger Paints Manufacturing Ltd.

Berger Paints (Thailand) Ltd.

Berger Paints (Hong Kong) Ltd.

Berger Paints (China) Co. Ltd. formerly known as

Universal Paints Limited.

Berger Paints (Ningbo) Co. Ltd.

Enterprise Paints Limited

Lewis Berger (Overseas Holdings) Ltd.

Subsidiary of Berger Building Services (Singapore) Pte Ltd. : Berger Contractor (Singapore) Pte. Ltd.

Subsidiary of Enterprise Paints Limited :

Nirvana Investments Ltd.

Subsidiary of Nirvana Investments Ltd. :

Berger Paints Emirates Ltd.

Subsidiaries of Lewis Berger (Overseas Holdings) Ltd. :

Berger Paints Jamaica Ltd.

Berger Paints Barbados Ltd.

Berger Paints Trinidad Ltd.

Subsidiary of Universal Paints Limited :

Berger Paints Bahrain W.L.L.

Associate Company :

Dutch Boy Philippines Inc.

c) Key management personnel :

Name of the Director

Ashwin Choksi

Ashwin Dani

Abhay Vakil

Designation

Chairman

Vice Chairman & Managing Director

Managing Director

d) Relatives of key management personnel :

Directors :

Mahendra Choksi

Amar Vakil

Hasit Dani

Designation

Non-Executive Director

Non-Executive Director

Non-Executive Director

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SCHEDULES FORMING PART OF THE ACCOUNTS

Employees :

Jalaj Dani	Malav Dani
Manish Choksi	Nehal Vakil

e) Companies controlled by directors/relatives :

AR Intertect Design Pvt. Ltd.	Geetanjali Trading & Investments Ltd.	Ricinash Oil Mill Ltd.
Ashwin Holdings Pvt. Ltd.	Gujarat Organics Ltd.	Rita Choksi Holdings Pvt. Ltd.
Asteroids Trading and Investments Pvt. Ltd.	Himanshu Holdings Pvt. Ltd.	Rupen Investments and Industries Pvt. Ltd.
Castle Investments and Industries Pvt. Ltd.	Hi-tech Plast Ltd.	S.C. Dani Research Foundation Ltd.
Centaurus Trading and Investments Pvt. Ltd.	Jalaj Trading and Investments Pvt. Ltd.	Sadavani Investments and Trading Co. Pvt. Ltd.
Clear Plastic Limited	Jaldhar Investments and Trading Co. Pvt. Ltd.	Sanjivani Chemicals Ltd.
Coating Specialties (India) Ltd.	Jatayu Investments Ltd.	Sapan Investments Pvt. Ltd.
Dani Capital and Investments Pvt. Ltd.	Kalica Paper Industries Pvt. Ltd.	Satyadhama Investments & Trading Co. Pvt. Ltd.
Dani Enterprises Pvt. Ltd.	Lambodar Investments & Trading Co. Ltd.	Sudhanva Investments and Trading Co. Pvt. Ltd.
Dani Finance and Investments Co. Pvt. Ltd.	Lyon Investments and Industries Pvt. Ltd.	Suprasad Investments & Trading Co. Ltd.
Dani Finlease Ltd.	Murahar Investments and Trading Co. Ltd.	Suptaswar Investments and Trading Co. Ltd.
Dani Holdings & Trading Co. Pvt. Ltd.	Navbharat Packaging Industries Ltd.	Tru Trading and Investments Pvt. Ltd.
Dani Securities Ltd.	Nehal Trading and Investments Pvt. Ltd.	Unnati Trading and Investments Pvt. Ltd.
Dani Trading and Investments Ltd.	Omega Properties Pvt. Ltd.	Urvashi Holding Pvt. Ltd.
Doli Trading and Investments Pvt. Ltd.	Pragati Chemicals Ltd.	Vikatmev Containers Ltd.
Elcid Investments Ltd.	Rangmeet Investments Ltd.	
ELF Trading and Chemical Mfg. Co. Ltd.	Resins and Plastics Ltd.	

During the year, Multitech Plast Containers Limited. a company controlled by certain directors/relatives was merged with Hitech Plast Limited.

f) Employee Benefit Funds where control exists :

Asian Paints Office Provident Fund	Asian Paints Factory Employees' Provident Fund
Asian Paints Management Cadres' Superannuation Scheme	Asian Paints (India) Limited Employees' Gratuity Fund

g) Other entities over which there is a significant control :

Asian Paints Charitable Trust.

SCHEDULES FORMING PART OF THE ACCOUNTS

31. Segment Information for the year ended 31st March, 2006:

(Rs in Millions)

	2005-2006			2004-2005		
	Paints	Others*	Total	Paints	Others*	Total
Revenue						
Net sales						
External	22,378.89	812.66	23,191.55	18,797.40	748.16	19,545.56
Inter-Segment	—	604.42	604.42	—	600.28	600.28
Other Income	169.42	39.03	208.45	99.50	31.56	131.06
Total Revenue	22,548.31	1,456.11	24,004.42	18,896.90	1,380.00	20,276.90
Result						
Segment result	3,560.26	119.62	3,679.88	2,915.22	121.57	3,036.79
Unallocated Corporate expenses			(407.51)			(444.00)
Operating Profit			3,272.37			2,592.79
Interest Expenses			(38.31)			(27.54)
Interest Income			4.70			4.60
Dividends			72.83			93.78
Profit/(Loss) on sale of long term investments			—			0.50
Profit/(Loss) on sale of short term investments			3.48			23.90
Profit on sale of assets			—			32.10
Miscellaneous Income			56.97			30.18
Sundry balance written back			12.83			—
Extraordinary item			(336.00)			(42.31)
Income taxes			(1,170.82)			(969.84)
Net Profit			1,878.05			1,738.16
Other Information						
Segment assets	8,918.41	645.18	9,563.59	7,785.29	691.69	8,476.98
Unallocated corporate assets			3,576.08			3,227.69
Total assets (after impairment loss)			13,139.67			11,704.67
Segment liabilities	4,552.51	145.41	4,697.92	3,696.30	245.94	3,942.24
Unallocated corporate liabilities			2,218.91			2,040.23
Total liabilities			6,916.83			5,982.47
Capital Expenditure	308.11	13.96	322.07	699.43	22.18	721.61
Unallocated corporate capital expenditure			44.44			26.79
Total			366.51			748.40
Depreciation/Impairment	399.22	34.38	433.60	387.36	36.04	423.40
Unallocated corporate depreciation/impairment			21.68			52.64
Total			455.28			476.04

* Others include Company's business units manufacturing Phthalic Anhydride and Pentaerythritol.

32. Previous year's figures have been regrouped, wherever necessary.

Signatures to Schedules A to M

As per our report of even date	For and on behalf of the Board			
For Shah & Co. Chartered Accountants	Ashwin Choksi Chairman	Ashwin Dani Vice Chairman & Managing Director	Dipankar Basu Director	Mahendra Shah Director
H. N. Shah Partner Membership No. 8152	Jayesh Merchant Vice President - Corporate Finance & Company Secretary			
Mumbai 10th May, 2006	Mumbai 10th May, 2006			

STATEMENT

PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital Raised During the Year (Amount - Rs. in Thousands)

Public Issue Cancellation of Shares Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount - Rs. in Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves and Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments

Net Current Assets Deferred Revenue Expenditure

Accumulated Losses

IV. Performance of Company (Amount - Rs. in Thousands)

Turnover Total Expenditure

+ - Profit/(Loss) Before Tax + - Profit/(Loss) After Tax

(Please tick appropriate box + for profit, - for loss)

Earnings Per Share (Rs.)

Dividend Rate %

V. Generic Names of three Principal Products/Services of the Company (As per Monetary Terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

CONSOLIDATED
FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ASIAN PAINTS LIMITED GROUP ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ASIAN PAINTS LIMITED AND ITS SUBSIDIARIES

We have audited the attached consolidated Balance Sheet of Asian Paints Limited group as at 31st March 2006, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Asian Paints Limited's management and have been prepared by the management on the basis of the separate financial statements and other financial information regarding its subsidiaries. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries mentioned in Annexure to this report whose total assets and total revenues are mentioned in the annexure to this report except Asian Paints Industrial Coatings Limited and Technical Instruments Manufacturers (India) Limited whose accounts are audited by us. The financial statements of other subsidiaries other than those mentioned above have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS-21) - Consolidated Financial Statements, (AS-23) Accounting for Investments in Associates in Consolidated Financial Statements and (AS-27) Financial reporting of interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

Based on our audit of financial statements of Asian Paints Limited and on consideration of reports of other auditors of subsidiaries, included in the consolidated financial statements read with Notes 4 and 5, of Schedule M part B, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

In the case of consolidated Balance Sheet, of the state of affairs of Asian Paints Limited group as at 31st March 2006;

In the case of consolidated Profit and Loss Account, of the profit for the year ended on that date;

and

in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

ANNEXURE

The subsidiary companies considered in the consolidated financial statements are:

Direct Subsidiaries:

(Rs. in Millions)

Name of the Company	Financial Year	Total Assets	Total Revenues
Asian Paints (Nepal) Private Limited	14th Jan-13th Jan	121.86	183.77
Asian Paints (International) Limited	Jan-Dec	4,158.95	5,364.66
Asian Paints Industrial Coatings Limited	Apr-Mar		
During the year, Surya Powder Coating Limited, (formerly known as Surya Gelcaps Limited) was merged with Asian Paints Industrial Coatings Limited with effect from 1.4.2005			
Technical Instruments Manufacturers (India) Limited	Apr-Mar		

Indirect Subsidiaries:

<u>i) Subsidiaries of wholly owned subsidiary, Asian Paints (International) Limited, Mauritius</u>	<u>Accounting period</u>
Asian Paints (South Pacific) Holdings Limited	Jan-Dec
Asian Paints (South Pacific) Limited	Jan-Dec
Asian Paints (Tonga) Limited	Jan-Dec
Asian Paints (S.I.) Limited	Jan-Dec
Asian Paints (Vanuatu) Limited	Jan-Dec
Asian Paints (Queensland) Limited	Jan-Dec
Asian Paints (Lanka) Limited	Jan-Dec
Asian Paints (Bangladesh) Limited	Jan-Dec
Asian Paints (Middle East) LLC	Jan-Dec
SCIB Chemical, S.A.E., Egypt	Jan-Dec
Berger International Limited, Singapore	Jan-Dec
ii) Subsidiary of Asian Paints (South Pacific) Limited:	
Taubmans Paints (Fiji) Limited	Jan-Dec
iii) Subsidiary of Taubmans Paint (Fiji) Limited:	
Samoa Paints Limited	Jan-Dec
iv) Subsidiary of Asian Paints Lanka Limited:	
Asian Paints Distributors (Private) Limited (In Voluntary Liquidation)	Jan-Dec
v) Subsidiaries of Berger International Limited, Singapore	<u>Accounting period</u>
Berger Paints Singapore Pte Limited.	Jan-Dec
Berger Building Services (Singapore) Pte. Limited.	Jan-Dec
Berger International Sdn Bhd.	Jan-Dec
Berger Paints (Thailand) Limited.	Jan-Dec
Berger Paints Manufacturing Limited.	Jan-Dec
Berger Paints (China) Limited. (formerly known as Berger Paints (Ningbo) Limited.)	Jan-Dec
Berger Paints (Hong Kong) Limited.	Jan-Dec
Enterprise Paints Limited	Jan-Dec
Universal Paints Limited.	Jan-Dec
Lewis Berger (Overseas Holdings) Limited.	Jan-Dec
vi) Subsidiary of Berger Building Services (Singapore) Pte Limited.	
Berger Contractor (Singapore) Pte. Limited.,	Jan-Dec
vii) Subsidiary of Enterprise Paints Limited:	
Nirvana Investments Limited.,	Jan-Dec
viii) Subsidiary of Nirvana Investments Ltd.	
Berger Paints Emirates Limited.	Jan - Dec
ix) Subsidiaries of Lewis Berger (Overseas Holdings) Ltd.:	
Berger Paints Jamaica Limited.,	Jan - Dec
Berger Paints Trinidad Limited.,	Jan - Dec
Berger Paints Barbados Limited.,	Jan - Dec
x) Subsidiary of Universal Paints Limited:	
Berger Paints Bahrain W.L.L.,	Jan - Dec

Joint Venture:

The Joint Venture unit considered in the consolidated financial statements is Asian PPG Industries Limited, a joint venture between the parent company and PPG Industries Inc., U.S.A. wherein the parent company has equal equity participation.

Associate Company:

Dutch Boy Philippines, Inc., wherein one of the indirect subsidiaries i.e. Berger International Limited is holding 30% equity interest.

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

(Rs. in Millions)

	Schedules	As at 31.03.2006	As at 31.03.2005
FUNDS EMPLOYED			
SHAREHOLDERS' FUNDS			
Share Capital	A	959.20	959.20
Reserves and Surplus	B	5,480.89	4,690.13
Capital Reserve on consolidation		22.42	22.42
		6,462.51	5,671.75
Loan Funds	C		
Secured Loans		1,127.06	982.64
Unsecured Loans		1,485.72	1,412.40
		2,612.78	2,395.04
Deferred Tax Liability (Net) (Refer Note B-15 in Schedule 'M')		340.71	353.37
Minority Interest		600.30	638.53
Total		10,016.30	9,058.69
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	9,765.59	9,354.94
Less: Depreciation/Amortisation/Impairment		5,584.44	5,090.97
Net Block		4,181.15	4,263.97
Capital Work in Progress		337.40	105.58
		4,518.55	4,369.55
Investments	E	1,640.58	1,138.36
Current Assets, Loans and Advances			
Interest accrued on investments	F	—	0.03
Inventories		4,888.66	4,545.44
Sundry debtors		3,475.22	2,958.67
Cash and Bank Balances		734.08	608.19
Other receivables		432.38	163.93
Loans and Advances		745.18	800.31
		10,275.52	9,076.57
Retirement benefit assets (Refer Note B - 5 (v) in Schedule 'M')		178.85	152.10
Less: Current Liabilities and Provisions	G		
Current Liabilities		5,870.88	5,005.99
Provisions		1,175.00	1,172.03
		7,045.88	6,178.02
Net Current Assets		3,408.49	3,050.65
Goodwill on consolidation		448.68	500.13
Total		10,016.30	9,058.69
Notes	M		

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman
Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Millions)

	Schedules	Year 2005 - 2006	Year 2004 - 2005
INCOME			
Sales and operating income (Net of discounts)	H	34,135.84	28,966.96
Less: Excise (Refer Note B - 9 in Schedule 'M')		3,925.49	3,228.32
Sales and operating income (Net of discounts and excise)		30,210.35	25,738.64
Other income	I	320.25	323.69
		30,530.60	26,062.33
EXPENDITURE			
Materials Consumed	J	17,921.01	15,026.30
Employees' remuneration and benefits	K	2,233.25	2,015.52
Manufacturing, administrative, selling and distribution expenses	L	6,139.21	5,345.50
		26,293.47	22,387.32
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			
Less : Interest		4,237.13	3,675.01
Less : Depreciation/Amortisation/Impairment	D	114.28	108.15
Add : Profit/(Loss) from Associate Company		606.16	613.60
		(9.31)	2.18
PROFIT BEFORE TAX AND IMPAIRMENT OF GOODWILL			
Less : Amortisation/Impairment of Goodwill (Refer note B - 6 in Schedule 'M')		3,507.38	2,955.44
PROFIT BEFORE TAX AFTER IMPAIRMENT OF GOODWILL			
Less : Provision for Taxation		76.00	77.10
Current Tax		3,431.38	2,878.34
Deferred Tax (Refer Note B-15 in Schedule 'M')		1,242.50	1,078.98
Tax of associate company		(17.75)	(18.86)
Fringe benefit tax		(4.20)	0.70
Tax for earlier years		54.39	-
		47.92	-
PROFIT AFTER TAX BEFORE PRIOR PERIOD ITEMS			
Add/(Less) : Prior period items (Net)		2,108.52	1,817.52
PROFIT AFTER TAX AND PRIOR PERIOD ITEMS			
Less : Minority Interest		(10.29)	(4.98)
		2,098.23	1,812.54
ATTRIBUTABLE TO SHAREHOLDERS			
Add : Balance brought forward from previous year		(23.25)	71.63
DISPOSABLE PROFIT			
DISPOSAL OF ABOVE PROFIT			
Dividend to shareholders of parent company		2,121.48	1,740.91
Equity Shares - Interim		1,000.00	820.00
- Final		3,121.48	2,560.91
- One-time special dividend			
Tax on Dividend		431.64	383.69
Transfer to General Reserve		527.56	527.56
Balance carried to Balance Sheet		239.80	-
		171.03	130.01
		651.45	519.65
		1,100.00	1,000.00
		3,121.48	2,560.91
Earnings per share (Rs.) Basic and diluted - (Face value of Rs. 10/- each) (Refer Note B- 16 in Schedule 'M')		22.12	18.15
Notes	M		

As per our report of even date

For Shah & Co.
Chartered AccountantsH. N. Shah
Partner
Membership No. 8152Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
ChairmanJayesh Merchant
Vice President -
Corporate Finance &
Company SecretaryMumbai
10th May, 2006Ashwin Dani
Vice Chairman &
Managing DirectorDipankar Basu
DirectorMahendra Shah
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Millions)

	2005 - 2006	2004 - 2005
A. Cash Flow from Operating Activities:		
Net Profit before taxation and prior period items	3,431.38	2,878.34
Adjustment for:		
Impairment of Goodwill	76.00	77.10
Depreciation/Amortisation/Impairment	606.16	613.60
Prior period adjustment	(10.29)	(4.98)
Profit on sale of investments	(3.58)	(24.51)
(Profit)/Loss on disposal of subsidiaries	-	1.88
Other assets written off	0.79	-
Share of (profit)/loss of associate	9.31	(2.18)
(Profit)/loss on disposal of assets	(2.17)	(29.95)
Contribution for retirement benefit	(19.62)	(33.10)
Retirement benefit expense	(0.11)	-
Interest Expense	114.29	108.15
Interest Income	(17.54)	(10.42)
Dividend Income	(58.10)	(62.52)
Operating Profit before working capital	4,126.52	3,511.41
(Increase)/Decrease in stocks	(343.22)	(1,385.59)
(Increase)/Decrease in trade and other receivables	(636.71)	(345.44)
(Decrease)/Increase in payables and accruals	113.30	287.40
Cash generated from Operations	3,259.89	2,067.78
Income tax paid (net of refund)	(1,473.12)	(957.47)
Net cash generated from operating Activities	1,786.77	1,110.31
B. Cash Flows from Investing activities		
Purchase of Fixed Assets	(867.18)	(966.95)
Proceeds from sale of Fixed Assets	39.93	242.79
Purchase of Investment	(797.16)	(269.71)
Sale of Investment	298.48	168.76
Interest received	17.57	11.26
Dividend received	58.10	62.52
Cash inflow/(outflow) on disposal of subsidiaries	-	12.83
Net cash used in Investing activities	(1,250.26)	(738.50)
C. Cash Flows from Financing Activities		
Repayment of long term loans	(333.70)	(156.29)
Repayment of short term loans	-	(1.23)
Short term loans availed	56.73	-
Long term loans availed	494.70	880.57
Interest paid	(114.29)	(109.88)
Dividend paid (including dividend paid to Minority)	(519.16)	(1,031.65)
Net cash used in Financing Activities	(415.72)	(418.48)
Adjustment on consolidation	-	(8.41)
Net effect of exchange rates	5.10	(34.73)
D. Net (Decrease)/Increase in Cash and Cash Equivalents	125.89	(89.81)
Cash and Cash Equivalents as on 31st March, 2005	608.19	698.00
Cash and Cash Equivalents as on 31st March, 2006	734.08	608.19

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman

Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	As at 31.03.2006	As at 31.03.2005
SCHEDULE A : SHARE CAPITAL		
Authorised		
99,500,000 Equity Shares of Rs. 10/- each	995.00	995.00
50,000 11% Redeemable Cumulative Preference shares of Rs. 100/- each	5.00	5.00
	1,000.00	1,000.00
Issued and Subscribed		
95,919,779 Equity Shares of Rs. 10/- each fully paid up :		
a) 93,989,940 Bonus Shares of Rs. 10/- each fully paid issued on capitalisation of Share premium Account (Rs. 21.91 million) and General Reserves (Rs. 917.98 million).		
b) 294,000 shares of Rs. 10/- each issued as fully paid up pursuant to the Scheme of Rehabilitation/Amalgamation of Pentasia Chemicals Ltd., without payments received in cash.	959.20	959.20
	959.20	959.20
SCHEDULE B : RESERVES AND SURPLUS		
Capital Reserve	0.01	0.01
Capital Redemption Reserve	53.74	53.74
General Reserve		
As per last Balance Sheet	3,725.17	3,431.46
Add : Transfer from Profit and Loss Account	651.45	519.65
Add : Transfer from Debenture Redemption Reserve	-	42.50
Add : Realised on disposal of a subsidiary transferred from Foreign Currency Translation Reserve	-	19.50
Add : Reclassification of capital reserve on acquisition.	19.84	-
Add : Adjustments on consolidation	-	3.48
Less : Transitional provision on implementation of International Financial reporting standards by one of the subsidiaries.	(5.74)	-
Less : Provision for impairment of fixed assets as on 1st April, 2004 (Refer Note B - 14 of Schedule 'M')	-	(454.45)
Add : Reduction in the deferred tax liability on impairment of assets (Refer Note B - 14 of Schedule 'M')	-	163.03
	4,390.72	3,725.17
Foreign Currency Translation Reserve		
As per last Balance Sheet	(88.79)	(34.56)
Add : Currency translation during the year	25.21	(34.73)
Less : Realised on disposal of subsidiary transferred to General Reserve	-	(19.50)
	(63.58)	(88.79)
Debenture Redemption Reserve		
As per last Balance Sheet	-	42.50
Less : Transfer to General Reserve	-	(42.50)
	-	-
Profit and Loss Account	1,100.00	1,000.00
	5,480.89	4,690.13

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	Asat 31.03.2006	Asat 31.03.2005
SCHEDULE C : SECURED AND UNSECURED LOANS		
Secured Loans		
Long Term :		
From Banks & Financial Institutions (Note No. 1)	461.82	374.13
Short Term :		
Loans and advances from banks		
Cash Credit Accounts (Note No. 2)	665.24	608.51
	1,127.06	982.64
Unsecured Loans		
Long Term :		
Trade Deposits - Interest free	185.91	189.14
Other Loans (Note No. 3)	1,299.81	1,223.26
	1,485.72	1,412.40
Notes :		
(1) (a) Interest free term loan from the Pradeshiya Industrial Corporation of U.P. Ltd. (PICUP) under Sales Tax Deferment Scheme of Government of U.P. is secured by a first charge of the Company's immovable properties pertaining to the paint plant at Kasna and by way of hypothecation of all movable properties at the above location.	135.96	106.71
(b) Secured either by fixed/floating charge on the assets of various subsidiaries.	325.86	267.42
	461.82	374.13
(2) Secured by hypothecation of inventories, book debts and other current assets.	665.24	608.51
(3) Other Loans represent :		
(a) Interest free loan availed under the sales tax deferment Scheme of the Government of Andhra Pradesh by parent Company.	407.01	363.60
(b) Loans availed by various subsidiaries based on Guarantees/Letters of comfort from the parent Company.	880.60	840.08
(b) Finance Leases of subsidiaries. (Refer Note B - 17 (III) (b) of Schedule 'M')	12.20	19.58
	1,299.81	1,223.26

SCHEDULES FORMING PART OF THE ACCOUNTS

Particulars	Gross Block				Depreciation/Amortisation			Impairment		Net Block			
	As at 1,04,2005	Translation Additions during the year	Deductions during the year	Adjustment* during the year	As at 31,03,2005	Translation difference	During the year adjustment	Deduction/ Adjustment*	During the year Adjustment	Upto 1,04,2005	Upto 31,03,2006	As at 31,03,2006	As at 31,03,2005
Tangible Assets :													
Land - Owned	138.03	2.49	19.60	0.72	0.25	(0.01)	0.09	-	-	-	-	159.08	137.79
Land - Lease hold	249.38	3.15	-	-	106.14	2.29	5.47	-	-	-	-	138.63	143.24
Buildings - Owned	1,721.63	6.40	39.35	5.64	352.13	3.51	47.31	2.07	-	-	-	1,360.85	1,369.49
Leasehold Buildings	342.49	13.55	22.63	1.23	128.17	4.53	13.72	-	20.67	20.67	20.67	210.34	214.32
Plant and Machinery	4,962.27	19.42	367.93	113.42	2,889.85	13.47	353.00	62.80	1.14	178.65	148.82	1,893.86	1,893.77
Scientific Research :													
Equipment	90.68	-	15.77	2.07	61.60	-	7.63	1.08	-	5.96	4.99	31.24	23.12
Buildings	14.88	-	16.22	-	4.80	-	0.85	-	-	-	-	25.45	10.08
Furnitures and Fixtures	377.49	3.34	23.85	19.75	250.38	2.21	32.98	8.70	-	2.163	18.63	89.41	105.48
Office Equipment	1.30	-	0.48	0.15	0.38	-	0.08	0.05	-	-	-	1.23	0.92
Vehicles	1,34.50	0.28	6.23	16.12	94.53	0.49	14.16	15.15	-	-	-	30.41	39.97
Assets acquired on financial lease -													
Plant & Machinery	9.78	0.42	-	-	6.01	0.23	0.72	0.49	-	-	-	3.74	3.77
Vehicles	20.05	0.07	0.60	5.60	9.14	0.11	2.86	3.65	-	-	-	6.67	10.91
Assets given under operating lease	998.53	(0.16)	2.81	11.80	500.08	(0.06)	63.34	7.30	-	248.21	245.72	187.60	250.25
Intangible Assets	293.94	(2.23)	26.34	-	233.06	0.21	4.215	-	-	-	-	42.63	60.88
Total	9,354.94	46.72	541.82	176.49	4,636.52	26.98	584.35	101.28	0.96	454.45	438.83	4,181.15	4,263.97

* Adjustment on implementation of IFRS in certain subsidiaries

SCHEDULES FORMING PART OF THE ACCOUNTS

			(Rs. in Millions)	
			As at 31.03.2006	As at 31.03.2005
Nos.	Face Value (Rs.) (Unless specified otherwise)			
SCHEDULE E : INVESTMENTS				
Long Term Investments				
Unquoted				
(i) In Government Securities				
	National Savings Certificates, Indira Vikas Patra and Defence Certificates deposited with Government authorities (National Savings Certificates sold during the year Rs. 10,000/-).		0.04	0.05
(ii) Trade Investments (Preference Shares)				
(a)	9% Preference shares of Multi-tech Plast Containers Ltd. (2,510,000 Preference shares redeemed during the year)	– 2,510,000	10/- –	25.10
(b)	5.75% Preference Shares of Clear Plastics Ltd. (5,000,000 Preference shares allotted during the year)	5,000,000	10/- 50.00	–
(iii) Trade Investments (Fully paid Equity shares)				
(a)	Patancheru Enviro-tech Ltd.	12,900	10/- 0.13	0.13
(b)	SIPCOT Common Utilities Ltd.	2,830	100/- 0.28	0.28
(c)	Bharuch Eco-Acqua Infrastructure Ltd. (43,480 shares allotted during the year)	478,270	10/- 4.78	4.35
(d)	Apco Coatings (NZ) Ltd.	23,500	1 NZ 0.72	0.72
(e)	Danish for Wood Less: Provision for diminution in the value of investments	2500	10LE 0.18 0.18	–
(f)	Master Builders Technologies Egypt Less : Provision for diminution in the value of investments	500	10LE 0.04 0.04	0.04
(g)	Master Builders Technologies	125	10LE 0.01	0.01
(h)	Misr Quena	1,000	10LE 0.07	0.07
(i)	Den Braven	500	10LE 0.04	0.04
			56.03	30.74
(iv) Other investments				
(a)	Contribution to Gujarat Venture Capital Fund - 1990 (7% amounting to Rs. 35,000/- redeemed during the year).		0.05	0.09
(b)	Equity shares of Mark Auto Industries Ltd.	62,500	10/- 5.00	5.00
(v)	Dutch Boy Phillipines, Inc. (Including share of profit) (Refer Note B-10 in Schedule 'M')	427,500	100/- (in Peso) 58.93	58.96
			63.98	64.05
Total long term unquoted investments			120.05	94.84

SCHEDULES FORMING PART OF THE ACCOUNTS

			(Rs. in Millions)	
	Nos.	Face Value (Rs.)	As at 31.03.2006	As at 31.03.2005
Quoted (Fully Paid Equity Shares)				
(i) Trade Investments				
ICI (India) Ltd.	3,760,783	10/-	772.46	772.46
(ii) Other Investments				
Housing Development Finance Corporation Ltd.	93,000	10/-	1.24	1.24
Apcotex Industries Limited	3,418	10/-	0.11	0.11
Total long term quoted investments			773.81	773.81
Total long term investments			893.86	868.65
Short Term Investments (Unquoted)				
Birla Cash Plus Institutional Premium Plan - Dividend Growth (1,996,477.315 units sold during the year)	1,996,477.315	10/-	-	20.01
JM Fixed Maturity Plan - Dividend Option acquired during the year (15,131,481.727 units sold during the year)	15,131,481.727	10/-	-	151.32
Birla FMP Qtrly series 1 - Plan A : Dividend Payout (3,699,029.008 units sold during the year)	3,699,029.008	10/-	-	37.01
Birla FMP Qtrly series 2 - Plan A : Dividend Payout (999,412.044 units sold during the year)	999,412.044	10/-	-	10.00
Birla FMP Qtrly series 3 - Plan A : Dividend Payout (5,129,887.603 units sold during the year)	5,129,887.603	10/-	-	51.37
UTI Fixed Maturity Plan - QFMP (02/6) Dividend Reinvestment (5,500,000 units purchased during the year)	5,500,000.000	10/-	56.42	-
LIC MF FMP Series 1-6 Months Growth Plan (5,500,000 units purchased during the year)	5,500,000.000	10/-	55.41	-
UTI MF Quarterly FMP Dividend Plan (2,002,100 units purchased during the year)	2,002,100.000	10/-	20.02	-
DSP Merrill Lynch Liquidity Fund - Daily Dividend - acquired during the year (11,261,190.024 units purchased during the year)	11,261,190.024	10/-	112.72	-
Kotak FMP Series XVI Dividend (10,092,581.483 units purchased during the year)	10,092,581.483	10/-	100.93	-
Reliance Fixed Maturity Qtr Plan III Series II Div (10,000,000 units purchased during the year)	10,000,000.000	10/-	100.00	-
UTI Fixed Maturity Plan (Qfmp0106) (10,073,039.377 units purchased during the year)	10,073,039.377	10/-	100.73	-
ABN Amro Fixed Term Plan Series 2 Regular Dividend (10,049,387.653 units purchased during the year)	10,049,387.653	10/-	100.49	-
Birla Fixed Term Plan - Series H - Growth (10,000,000 units purchased during the year)	10,000,000.000	10/-	100.00	-
Total short term investments			746.72	269.71
Total Investments			1,640.58	1,138.36
Aggregate market value of Quoted Investments :				
Long term Quoted Investments			1,582.48	924.99

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		As at 31.03.2006	As at 31.03.2005
SCHEDULE F : CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets			
(i)	Interest accrued on investments	–	0.03
(ii)	Inventories - valued and certified by the Management		
(a)	Raw and packing materials	2,071.65	1,849.22
(b)	Finished goods	2,496.83	2,379.26
(c)	Work-in-process	229.21	237.50
(d)	Stores, spares and fuel and other traded goods	90.97	79.46
		<u>4,888.66</u>	<u>4,545.44</u>
(iii)	Sundry debtors (Unsecured)		
(a)	Outstanding for more than six months		
	Considered good	174.07	246.65
	Considered doubtful	487.71	427.29
		<u>661.78</u>	<u>673.94</u>
	Less : Provision for doubtful debts	487.71	427.29
		<u>174.07</u>	<u>246.65</u>
(b)	Other debts (considered good)	3,301.15	2,712.02
		<u>3,475.22</u>	<u>2,958.67</u>
(iv)	Cash and Bank Balances		
(a)	Cash on hand	9.85	9.21
(b)	Balances with Banks:		
(i)	Current Accounts	567.20	480.81
(ii)	Cash Credit Accounts	–	–
(ii)	Term Deposits	157.03	118.17
		<u>734.08</u>	<u>608.19</u>
(v)	Other Receivables	432.38	163.93
Loans and Advances			
(i)	Loans and Advances :		
	Unsecured and considered good		
(a)	Balances with Customs, Central Excise etc.	175.75	145.59
(b)	Sundry deposits	112.05	134.12
(c)	Advances/claims recoverable in cash or in kind	308.97	302.69
(d)	Advances to employees	8.39	17.15
(e)	Advances against Capital expenditure	136.29	42.76
(f)	Others	2.89	157.27
(g)	Prepaid expenses	0.85	0.73
		<u>745.18</u>	<u>800.31</u>
		10,275.52	9,076.57

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

		As at 31.03.2006	As at 31.03.2005
SCHEDULE G : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
(i)	Acceptances	1,227.48	1,141.74
(ii)	Sundry creditors		
	– Trade	2,266.92	2,018.73
	– Others	1,029.38	926.35
		<u>3,296.30</u>	<u>2,945.08</u>
		4,523.78	4,086.82
(iii)	(a) Unpaid/unclaimed dividend	23.39	19.92
	(b) Unpaid/unclaimed matured deposits	0.58	0.78
	(c) Unclaimed interest	0.18	0.31
		<u>24.15</u>	<u>21.01</u>
(iv)	Interest accrued but not due	–	0.19
(v)	Other liabilities	1,322.95	897.97
		<u>5,870.88</u>	<u>5,005.99</u>
Provisions			
(i)	Proposed dividend	767.36	527.56
(ii)	Provision for tax on dividend	107.62	73.99
(iii)	Provision for taxation (net of advance taxes paid)	52.22	177.28
(iv)	Provision for leave encashment	158.09	127.78
(v)	Other provisions	89.71	265.42
		<u>1,175.00</u>	<u>1,172.03</u>
		7,045.88	6,178.02

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	Year 31.03.2006	Year 31.03.2005
SCHEDULE H : SALES AND OPERATING INCOME		
Sales :		
Revenue from sales	35,571.34	29,825.13
Less : Goods returned	471.69	310.25
Turnover	35,099.65	29,514.88
Less : Discounts	1,463.61	1,127.47
Sales (net of discounts)	33,636.04	28,387.41
Processing charges	96.38	69.88
Lease Rent	79.98	130.79
Revenue from Home Solutions operations	51.54	40.85
Revenue from painting and other services	271.90	338.03
	34,135.84	28,966.96
SCHEDULE I : OTHER INCOME		
Interest received	17.54	10.42
Claims received	8.64	3.68
Dividends	58.10	62.52
Royalty	22.44	21.91
Profit on sale of subsidiaries (Refer Note - B 12 in Schedule 'M')	-	14.22
Sundry balances written back (net)	25.01	17.15
Profit on sale of investments	3.58	24.51
Profit on sale of assets (net)	2.17	30.01
Exchange difference (net)	-	2.71
Miscellaneous income	182.77	136.56
	320.25	323.69

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

SCHEDULE J : MATERIALS CONSUMED

Raw and Packing Materials Consumed:

	Year 31.03.2006	Year 31.03.2005
Opening Stock	1,849.21	1,240.54
Add : Purchases and expenses	17,511.22	15,370.79
	<u>19,360.43</u>	<u>16,611.33</u>
Less : Closing Stock	2,071.65	1,849.22
	17,288.78	14,762.11
Purchase of Paints for resale	453.81	623.95
Cost of other goods sold	282.72	247.31
	<u>18,025.31</u>	<u>15,633.37</u>
Decrease/(Increase) in finished and semi-finished stock		
Opening Stock	2,616.80	1,877.31
Closing Stock	2,726.04	2,617.80
	(109.24)	(740.49)
Increase/(Decrease) in Excise duty on stock of finished goods	4.94	133.42
	<u>17,921.01</u>	<u>15,026.30</u>

SCHEDULE K : EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, wages, allowances, commission and provisions for bonus and accrued leave salary	1,945.44	1,791.97
Staff welfare expenses	146.57	79.21
Contribution to Provident Fund, Gratuity and other funds	141.24	144.34
	<u>2,233.25</u>	<u>2,015.52</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Millions)

	Year 2005-2006	Year 2004-2005
SCHEDULE L : MANUFACTURING, ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES		
Stores and spares	211.86	159.55
Power and fuel	314.59	290.23
Processing charges	202.52	208.61
Freight and handling charges	1,149.25	942.40
Repairs and maintenance:		
Buildings	28.99	27.53
Machinery	69.79	61.90
Other assets	130.32	115.83
	229.10	205.26
Rent	221.99	198.31
Rates and taxes	172.64	163.14
Insurance	59.23	71.03
Advertisement and sales promotional expenses	1,180.23	956.05
Cash and payment performance discount	1,095.55	908.88
Printing, stationery and communication expenses	195.40	174.65
Travelling expenses	275.34	208.77
Commission on sales	26.60	162.03
Donations	11.17	10.58
Loss on sale of assets	-	0.06
Miscellaneous expenses	689.69	603.16
Commission to Non-executive Directors	5.24	4.28
Directors' fees	0.81	1.06
Bad and doubtful debts	63.85	44.67
Auditors' remuneration	19.42	16.24
Loss on sale of subsidiary (Refer Note - B 12 in Schedule 'M')	-	16.10
Exchange difference (net)	14.73	0.44
	6,139.21	5,345.50

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE M: NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and comply with the Accounting Standard (AS 21) - Consolidated Financial Statements, Accounting Standard (AS 23) - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS 27) - Financial Reporting of interests in Joint Venture issued by the Institute of Chartered Accountants of India.

2. Method of Accounting

The financial statements have been prepared on accrual basis.

3. Fixed Assets

The 'Gross Block' of fixed assets is shown at the cost of acquisition, which includes taxes, duties (net of tax credits, as applicable) and other identifiable direct expenses. Interest on borrowed funds attributable to the qualifying assets upto the period such assets are put to use is included in the cost.

Know-how related to plans, designs and drawings of buildings or plant and machinery is capitalised under relevant asset heads.

The depreciation on fixed assets is provided on Written Down Value/Straight Line methods as the case may be and at rates permissible under applicable local laws or at such rates so as to write off the value of assets over their useful life.

Leasehold land is amortised over the period of the lease.

Intangible assets are capitalised and amortised on straight line basis over their estimated useful life.

At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment of the carrying amount of the Group's fixed assets. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of asset exceeds its recoverable amount.

An assessment is also done at each Balance Sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the profit and loss statement.

After recognition of an impairment loss or reversal of an impairment loss as applicable, the depreciation charge for the asset is adjusted in future periods to allocate the asset's carrying amount, less its residual value (if any), over its remaining useful life.

4. Goodwill

Until the financial year ended 31st March, 2005, goodwill on consolidation was amortised over a period of ten years. From financial year ended 31st March, 2006 onwards, the carrying value of goodwill as at each Balance Sheet date is tested for impairment. An impairment loss is recognised whenever the carrying value of goodwill exceeds its recoverable amount.

5. Revenue Recognition

Sale of products is recognised when the risks and rewards of ownership are passed on to the customers, which is on despatch of goods. Sales are stated gross of excise duty as well as net of excise duty; excise duty being the amount included in the amount of gross turnover. The excise duty related to the difference between the closing stock and opening stock of finished goods is recognised separately as part of 'Materials Consumed'. Sales are stated exclusive of sales tax/VAT.

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the Balance Sheet date determined by services performed to date as a percentage of total services.

Processing income is recognised upon rendition of the services.

Dividend income is recognised when the right to receive the dividend is unconditional at the Balance Sheet date.

SCHEDULES FORMING PART OF THE ACCOUNTS

6. Lease Accounting

In respect of operating leases, lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

In respect of assets obtained on finance leases, assets are recognised at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. The excess of lease payments over the recorded lease obligations are treated as finance charges which are allocated to each lease term so as to produce a constant rate of charge on the remaining balance of the obligations. The assets are depreciated as owned depreciable assets.

In respect of assets provided on finance leases, amounts due from lessees are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

7. Inventory

Inventories are valued at the lower of cost and net realisable value. Damaged, unserviceable and inert stocks are suitably depreciated.

In case of raw materials, packing materials, stores, spares and consumables, the cost includes duties and taxes (net of tax credits as applicable) and is arrived at on weighted average cost basis. In respect of the joint venture, stores, spares and consumables are charged to revenue at the time of procurement.

The finished goods and work-in-process cost includes the cost of raw materials, packing materials (if applicable), an appropriate share of fixed and variable production overheads, duties (if applicable) and other costs incurred in bringing the inventories to their present location and condition. Traded goods are valued at cost.

8. Investments

Short term investments are carried at the lower of cost and fair value computed category wise. Long term investments are carried at cost. Cost is arrived at by applying specific identification method. Provision for diminution in the value of long term investments is made only, if such a decline is not temporary in the opinion of the management.

9. Transactions in Foreign Exchange

Transactions in foreign currency are recorded at the original rates of exchange in force at the time of transaction date. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising on realisation/payments of foreign exchange are accounted in the year of actual realisation/payment. The values of fixed assets acquired through foreign currency loans are adjusted at the end of each financial year by any change in liability arising out of expressing the outstanding foreign currency loans at the closing rates of exchange prevailing at the date of Balance Sheet.

In case of forward contracts, the exchange difference between the forward rate and the exchange rate at the date of transaction is recognised as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets, in which case such differences are adjusted in the carrying amount of the respective fixed assets.

10. Translation of Foreign Currency Statements

In translating the financial statements of foreign entities for incorporation in the consolidated financial statements, the assets and liabilities are translated at the exchange rate prevailing at the balance sheet date of respective subsidiaries, and the income and expense items are translated at the average rates of exchange for the year. The resulting exchange differences are classified as foreign currency translation reserve.

11. Sundry Debtors

Sundry debtors are stated after writing off debts considered as bad. Adequate provision is made for debts considered doubtful. Bad debts are written off during the period in which they are identified. Discounts due, yet to be quantified at the customer level are included under the head 'Current Liabilities and Other Provisions'.

12. Employees' Retirement Benefits

In respect of the holding company, contribution to provident fund, superannuation fund and pension is charged to Profit and Loss Account on accrual basis. Liability for gratuity and leave encashment benefits are charged to Profit and Loss Account on the basis of actuarial valuation.

In respect of some of the subsidiaries –

SCHEDULES FORMING PART OF THE ACCOUNTS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the company's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

13. Research and Development

Capital expenditure is shown separately under respective heads of fixed assets. Revenue expenses including depreciation are included under the respective heads of expenses.

14. Taxes on Income

Provision for current tax is computed as per 'Total Income' returnable under the applicable laws taking into account available deductions and exemptions.

Deferred tax is recognised for all timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

15. Proposed Dividend

Dividend proposed by the Board of Directors is provided for in the accounts, pending approval at the Annual General Meeting.

(Rs. in Millions)

B. NOTES:

1. Estimated amount of contracts remaining to be executed on capital account and not provided for
2. Letters of credit issued by bankers and outstanding as at the Balance Sheet date
3. **Contingent liabilities:**
 - (i) Guarantees given -
 - a) to a bank on behalf of Company's dealers in respect of loans granted to them by a bank for acquiring dealer tinting systems
 - b) to others
 - (ii) Claims against the Company not acknowledged as debts
 - a) Tax matters in dispute under appeal
 - b) Others

	2005-2006	2004-2005
	318.09	117.64
	219.96	491.87
	309.62	279.56
	67.25	42.42
	382.81	234.28
	11.49	17.68

- (iii) Berger International Limited and its subsidiary, Berger Paints Trinidad Limited, are engaged in litigation initiated by its former Regional Managing Director. The Company upon discontinuing his services has paid him compensation as per his contract of employment and the same has been charged to income statement. This matter is subject to Trinidad and Tobago's High Court Action No. 3085 of 2003. Based on the information presently available, the likely outcome of this trial cannot be determined with any reasonable certainty. Therefore, no further provision has been made in these financial statements for this matter.

SCHEDULES FORMING PART OF THE ACCOUNTS

4. Details of Subsidiaries and Joint Venture:

Subsidiaries:

The subsidiary companies considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	% of voting power	Financial Year
Direct Subsidiaries:			
Asian Paints (Nepal) Pvt. Limited	Nepal	51%	14th Jan-13th Jan
Asian Paints (International) Limited	Mauritius	100%	Jan-Dec
Asian Paints Industrial Coatings Limited	India	100%	Apr-Mar
During the year, Surya Powder Coatings Limited (Formerly known as Surya Gelcaps Limited) was merged with Asian Paints Industrial Coatings Limited with effect from 1st April, 2005.			
Technical Instruments Manufacturers (India) Limited	India	100%	Apr-Mar

Indirect Subsidiaries:

	Country of Incorporation	% holding	Accounting period
i) Subsidiaries of the wholly owned subsidiary, Asian Paints (International) Limited, Mauritius			
Asian Paints (South Pacific) Holdings Limited	Vanuatu	100%	Jan-Dec
Asian Paints (South Pacific) Limited	Fiji Islands	51%	Jan-Dec
Asian Paints (Tonga) Limited	Kingdom of Tonga	51%	Jan-Dec
Asian Paints (S.I.) Limited	Solomon Islands	75%	Jan-Dec
Asian Paints (Vanuatu) Limited	Republic of Vanuatu	60%	Jan-Dec
Asian Paints (Queensland) Limited	Australia	88.57%	Jan-Dec
Asian Paints (Lanka) Limited	Sri Lanka	98.20%	Jan-Dec
Asian Paints (Bangladesh) Limited	Bangladesh	79.27%	Jan-Dec
Asian Paints (Middle East) LLC	Sultanate of Oman	49%	Jan-Dec
SCIB Chemical, S.A.E., Egypt	Egypt	60%	Jan-Dec
Berger International Limited, Singapore	Singapore	50.10%	Jan-Dec
ii) Subsidiary of Asian Paints (South Pacific) Limited:			
Taubmans Paints (Fiji) Limited	Fiji Islands	100%	Jan-Dec
iii) Subsidiary of Taubmans Paints (Fiji) Limited:			
Samoa Paints Limited	Samoa	80%	Jan-Dec
iv) Subsidiary of Asian Paints (Lanka) Limited:			
Asian Paints Distributors (Pvt.) Limited (Under Voluntary Liquidation)	Sri Lanka	100%	Jan-Dec

SCHEDULES FORMING PART OF THE ACCOUNTS

	Country of Incorporation	% holding	Accounting period
v) Subsidiaries of Berger International Limited, Singapore :			
Berger Paints Singapore Pte. Limited	Singapore	100%	Jan - Dec
Berger Building Services (Singapore) Pte. Limited	Singapore	100%	Jan - Dec
Berger International Sdn Bhd.	Malaysia	100%	Jan - Dec
Berger Paints (Thailand) Limited	Thailand	83.7%	Jan - Dec
Berger Paints Manufacturing Limited	Myanmar	60%	Jan - Dec
Berger Paints (China) Limited, (Formerly known as Berger Paints (Ningbo) Limited)	People's Republic of China	100%	Jan - Dec
Berger Paints (Hong Kong) Limited	Hongkong	100%	Jan - Dec
Enterprise Paints Limited	Isle of Man, U.K.	100%	Jan - Dec
Universal Paints Limited	Isle of Man, U.K.	100%	Jan - Dec
Lewis Berger (Overseas Holdings) Limited	U.K.	100%	Jan - Dec
vi) Subsidiary of Berger Building Services (Singapore) Pte. Limited :			
Berger Contractor (Singapore) Pte. Limited	Singapore	100%	Jan - Dec
vii) Subsidiary of Enterprise Paints Limited:			
Nirvana Investments Limited	Isle of Man, U.K.	100%	Jan - Dec
viii) Subsidiary of Nirvana Investments Limited:			
Berger Paints Emirates Limited	U.A.E.	100%	Jan - Dec
ix) Subsidiaries of Lewis Berger (Overseas Holdings) Limited:			
Berger Paints Jamaica Limited	Jamaica	51%	Jan - Dec
Berger Paints Trinidad Limited	Trinidad	70%	Jan - Dec
Berger Paints Barbados Limited	Barbados	100%	Jan - Dec
x) Subsidiary of Universal Paints Limited:			
Berger Paints Bahrain W.L.L.	Bahrain	100%	Jan - Dec

Joint Venture:

Asian PPG Industries Limited, a joint venture between the parent company and PPG Industries Inc., U.S.A., wherein the parent company has 50% equity participation.

Associate Company:

Dutch Boy Philippines, Inc., wherein one of the subsidiaries viz. Berger International Limited is holding 30% equity interest.

SCHEDULES FORMING PART OF THE ACCOUNTS

5. Principles of consolidation:

- i) The consolidated financial statements are based on the audited financial statements of the subsidiaries for their respective financial years. In respect of indirect subsidiaries of Asian Paints (International) Limited, the audited consolidated financial statements of Asian Paints (International) Limited have been considered for the purpose of consolidation.
 - ii) The financial statements of the parent company and its subsidiaries have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. The results of subsidiaries acquired or disposed off during the year are included in the consolidated profit and loss account from the effective date of acquisition or upto the effective date of disposal, as appropriate. All significant intra group balances and transactions have been eliminated on consolidation. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post – acquisition increase in the relevant reserves of the subsidiaries.
 - iii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the parent company's financial statements.
 - iv) Minority interest in the net income and net assets of the consolidated financial statements are computed and shown separately. Losses applicable to minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group.
 - v) Certain subsidiaries operate a defined benefit plans scheme. These plans are salary defined benefits plan and are fully funded. The assets of the fund are held separately from those of the subsidiaries in an independently administered fund. The plans are funded by payments from employees and the subsidiaries based on the recommendations of independent qualified actuaries. These plans are valued by independent actuaries every one to three years using the projected unit credit method. The actuarial valuation was carried out by the respective subsidiaries on 28th December, 2005, 6th January, 2006 and 9th January, 2006.
6. Until the financial year ended 31st March, 2005, goodwill on consolidation was amortised over a period of ten years. As at the current balance sheet date, the unamortised carrying value of goodwill has been tested for impairment. Accordingly, an amount of Rs. 76 million is provided in the current financial year as impairment in the value of Goodwill as against an amount of Rs. 77.10 million of amortisation in the previous year.
 7. The shareholders of one of the subsidiaries, SCIB Chemical, S.A.E. have resolved in an Extraordinary General Assembly meeting to reduce the issued and fully paid capital against the Company's retained losses which amounted to Rs 93.99 million as on 31.12.2005. Further it was resolved to make the reduction by proportionally reducing the number of shares. The said reduction has no impact on the Group's consolidated financial statements.
 8. The Hon'ble High Court of Punjab & Haryana at Chandigarh had, by its order dated 9th February, 2006 sanctioned the scheme of arrangement under Sections 391 and 394 and such other applicable provisions of the Companies Act, 1956 for amalgamation of Asian Paints Industrial Coatings Limited's (APICL's) wholly owned subsidiary Surya Powder Coating Limited with APICL. The appointed date of merger was 1st April, 2005. The said merger has no impact on the Group's consolidated financial statements.
 9. Hitherto, the group had been reporting Sales net of excise duty expense incurred on production of finished goods. Pursuant to draft Accounting Standard Interpretation (ASI) 14 (Revised) "Disclosure of Revenue from Sales Transactions" issued by the Institute of Chartered Accountants of India, the excise duty expense has now been bifurcated into two components: excise duty expense relating to sales is reduced from gross sales and the balance amount relating to the difference between the closing stock and opening stock of finished goods is disclosed separately as part of 'Materials Consumed' in Schedule 'J'. The same has no impact on the profits of the group.

SCHEDULES FORMING PART OF THE ACCOUNTS

10. The investment in Dutch Boy Philippines Inc., where Berger International Limited, Singapore holds 30% has been accounted for under equity method of accounting as under:

	(Rs. in Millions)	
	2005-2006	2004-05
Opening Balance of investment	58.96	64.24
Add : Share of profit /(loss)	(9.31)	2.18
Less : Share of taxation	4.20	(0.70)
Less : Exchange difference	5.08	(6.76)
Closing balance of investment	58.93	58.96

11. As required under Accounting Standard (AS 27) - Financial Reporting of Interests in Joint Venture, the audited financial statements of Asian PPG Industries Limited (hereinafter referred to as JV), the Joint Venture between the parent company and PPG Industries Inc., U.S.A. have been consolidated using proportionate consolidation method.
- The financial year of the JV is April to March. The parent company's share of each of the assets, liabilities, income and expenses of JV have been included in the consolidated financial statements.
 - The parent company's share of capital commitments in the JV as at 31st March, 2006 is Rs. 0.37 million (Previous year Rs. 2.54 million). (Included in Note B - 1 in Schedule 'M').
 - The parent company's share of contingent liabilities of the JV as at 31st March, 2006 is Rs. 21.17 million (Previous year Rs. 1.32 million).
 - No contingent liabilities and capital commitments have been incurred as at 31st March, 2006 in relation to the parent company's interests in the JV along with the other venturer. (Previous year Rs. Nil)
12. The Group had no acquisitions or disposals in the current financial year. Details of acquisitions and disposals in the previous financial year are as follows:
- the Group disposed its stake in a subsidiary, Berger Paints (Malta) Limited on 12th May, 2004. The net assets on date of disposal were Rs. 34.18 million and the gain on disposal was Rs. 14.22 million. The net cash inflow on disposal was Rs. 12.64 million.
 - the Group disposed its stake in a subsidiary, Asian Paints (Mauritius) Limited on 30th March, 2005. The net assets on date of disposal were Rs. 16.85 million and the loss on disposal was Rs. 16.10 million. The net cash inflow on disposal was Rs. 0.52 million.
 - Asian Paints Industrial Coatings Limited, a subsidiary of Asian Paints Limited acquired a 100% stake in Surya Powder Coating Limited on 25th October, 2004. The net assets on the date of acquisition were Rs. 0.47 million and the goodwill on acquisition was Rs. 0.43 million. The net cash outflow on acquisition was Rs. 0.33 million.
13. One of the subsidiaries, Berger International Limited (BIL), Singapore has received a notice for additional tax assessment from Singapore taxation authorities for the assessment years 2000 to 2004. BIL has filed an appeal against the same and the outcome of the appeal is awaited. The substantive issues contained in the above referred notice are also applicable to the assessment years 2005 and 2006 and therefore, as a matter of abundant caution, the Group has provided for a total estimated additional tax liability of Rs. 45.20 million, pending the disposal of the appeal.
14. Pursuant to Accounting Standard (AS-28) – Impairment of Assets issued by the Institute of Chartered Accountants of India effective 1st April, 2004, the parent company made an assessment as at 1st April, 2004 for any indication of impairment in the carrying amount of the Company's fixed assets and determined impairment loss on certain fixed assets. As required by AS-28, the impairment loss as at 1st April, 2004 was adjusted against opening balance of revenue reserves net of deferred tax credit, being the impairment loss relating to prior periods.

SCHEDULES FORMING PART OF THE ACCOUNTS

15. The group recognises deferred tax arising on account of timing differences, being the difference between the taxable income and accounting income, that originates in one period and is capable of reversal in one or more subsequent periods in compliance with the applicable accounting standards.

The major components of Deferred tax assets/(liabilities) arising on account of timing differences as at 31st March, 2006 are as follows:

	(Rs. in Millions)	
	As at 31.03.2006	As at 31.03.2005
Deferred tax Liabilities		
Difference between the Written Down Value of assets as per books of accounts and Income Tax	(379.04)	(406.27)
Accelerated Capital Allowances and Unremitted income	(26.88)	(20.71)
Deferred tax liability on account of income on retirement assets	(49.32)	(48.24)
Preconstruction interest capitalised in accounts, Deductions for the same claimed in Income Tax over a period of 5 years	(7.07)	(6.00)
Total	(462.31)	(481.22)
Deferred tax Assets		
Expenses allowed for tax purpose on payment basis	55.46	58.64
Provision for doubtful debts	14.70	13.73
Expenditure debited to Profit and Loss Account but allowed in Income tax over a larger period	3.38	5.73
Losses carried forward under Income Tax	48.06	49.75
Total	121.60	127.85
Net Deferred Tax Asset / (Liability)	(340.71)	(353.37)
Deferred Tax benefit / (expense) for the year	17.75	18.86

16. Earnings Per Share:

- a. Basic and diluted earnings per share in rupees
(Face value - Rs. 10/- per share)
- b. Profit after tax as per Profit & Loss A/c (Rs. in million)
- c. Weighted average number of equity shares outstanding

	2005-2006	2004-2005
a.	22.12	18.15
b.	2121.48	1740.91
c.	95,919,779	95,919,779

17. Pursuant to the Accounting Standard (AS-19) – Leases issued by the Institute of Chartered Accountants of India, the following information is given :

- I.
 - a) The parent company has provided tinting systems to its dealers on an operating lease basis. The lease period varies between nine to ten years. The lease rentals are payable monthly. A refundable security deposit is collected at the time of signing the agreement. The equipment shall be used only to tint the products of the lessor. The initial direct cost relating to acquisition of tinting system is capitalised.
 - b) In addition, the Joint Venture has given certain 'mixing racks' on non-cancellable operating lease to its dealers. Initial direct costs are recognised as expenses in the Profit and Loss Account.

SCHEDULES FORMING PART OF THE ACCOUNTS

- c) Certain subsidiaries provide tinting systems to their dealers on an operating lease basis. The lease normally ranges for a 5 year period. A security deposit is collected at the time of signing the agreement.
- d) Future minimum lease rentals receivable as at 31st March, 2006 as per the lease agreements:

(Rs. in Millions)

	2005-2006	2004-2005
i) Not later than one year	18.05	81.50
ii) Later than one year and not later than five years	16.16	28.89
iii) Later than five years	0.17	0.30
Total	34.38	110.69

The information pertaining to future minimum lease rentals receivable is based on the lease agreements entered into between the respective companies and the dealers and variation made thereto in the current year. The lease rentals are reviewed periodically taking into account prevailing market conditions.

- e) Total amount of contingent rents recognised as income – Rs. NIL.
- f) The information on gross amount of leased assets and depreciation is given in Schedule 'D' to the Balance Sheet.
- II. a) The parent Company has taken cars, computers and other systems hardware on an operating lease basis for a period of 48 (forty eight) months. The lease rentals are payable by the Parent Company on a monthly and quarterly basis respectively.
- b) In addition, the Joint Venture has entered into an arrangement to obtain computer equipments, mixing racks etc, on non-cancellable operating lease for thirty six months. As per the lease agreement the Joint Venture does not have an option to purchase the assets.
- c) In addition, certain overseas subsidiaries have also taken certain assets on operating lease.
- d) Future minimum lease rentals payable as at 31st March, 2006 as per the lease agreements:

(Rs. in Millions)

	2005-2006	2004-2005
i) Not later than one year	81.37	33.73
ii) Later than one year and not later than five years	49.32	39.37
iii) Later than five years	30.19	–
Total	160.88	73.10

- e) Operating Lease payments recognised in the profit and loss account for the period is Rs. 74.39 million (previous year Rs. 33.15 million).
- f) Total amount of contingent rents recognised as expense – Rs. NIL.
- III. a) Certain subsidiaries have taken property, plant and equipment on finance lease which effectively transferred to the respective subsidiaries substantially all of the risks and benefits incidental to the ownership.
- b) Future minimum lease rentals payable as at 31st March, 2006 as per the lease agreements:

(Rs. In Millions)

		2005-06			2004-05		
		Minimum lease payments	Finance charge allocated to future periods	Present value	Minimum lease payments	Finance charge allocated to future periods	Present value
i)	Not later than one year	5.48	0.66	4.82	7.92	1.23	6.69
ii)	Later than one year and not later than five years	8.05	0.83	7.22	13.28	1.48	11.80
iii)	Later than five years	0.19	0.03	0.16	1.20	0.11	1.09
	Total	13.72	1.52	12.20	22.40	2.82	19.58

- c) The information on gross amount of leased assets and depreciation is given in Schedule 'D' to the Balance Sheet.

SCHEDULES FORMING PART OF THE ACCOUNTS

18. Information on related party transactions as required by Accounting Standard – 18 for the year ended 31st March, 2006 :

(Rs. in Millions)

Particulars	Key Management Personnel		Relatives of Key Management Personnel(*)		Companies Controlled by Directors/Relatives		Employee benefit plans where control exists		Others	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Processing of goods (Expense)					114.73	138.58				
Sale of goods					18.17	62.67				
Purchase of goods					399.40	274.76				
Royalty Paid					26.65	28.41				
Consultancy Expenses					0.39	1.59				
Other recoveries					0.14	0.14				
Interest on Loan					-	0.06				
Interest paid						6.67				
Sale of Investments					25.10	3.00				
Repayment of loan given					-	13.00				
Purchase of Investments					50.00	-				
Remuneration	90.44	56.34	11.79	6.60						
Commission to Non-executive Directors	-	0.40	1.50	1.20						
Sitting Fees Paid to Non-executive Directors	-	0.07	0.21	0.33						
Dividend Paid					-	14.63				
Other services					1.80	3.50				
Retainership fee and other reimbursements	-	1.83								
Fixed Deposits repaid	-	0.15								
Other Miscellaneous Expenses					5.60	-				
Donation									4.50	1.20
Dividend received					-	2.26				
Contributions during the year							175.00	197.99		
Outstanding as on 31st March, 2006:										
Deposits accepted					0.10	0.10	-	-	-	-
Other receivables/ (payables)	(26.67)	(14.20)	(0.15)	(1.20)	(22.30)	(15.33)	(46.13)	(53.23)	-	-

* Under the employment of the Company pursuant to the necessary approvals from the shareholders and the Central Govt. under section 314 of the Companies Act, 1956.

1. Key Management Personnel :

Directors of Parent Company: Mr. Ashwin Choksi, Chairman, Mr. Ashwin Dani, Vice Chairman & Managing Director and Mr. Abhay Vakil, Managing Director.

Directors/key management personnel of subsidiaries/joint venture:

Mr. V. S. Ram, Mr. Jagdish Acharya, Mr. J. N. Shahani, Mr. I. K. Jaiswal, Mr. Amitav Sur (retired on 28.02.2006), Mr. Warren McDonald and Mr. A. S. Sundaresan.

2. Relatives of Key Management Personnel: Mr. Jalaj Dani*, Mr. Manish Choksi, Ms. Nehal Vakil, Mr. Malav Dani, Mr. Mahendra Choksi, Non-Executive Director, Mr. Amar Vakil, Non-Executive Director and Mr. Hasit Dani, Non-Executive Director.

* Mr. Jalaj Dani, a relative of Parent Company's Vice Chairman & Managing Director is also Chairman of Berger International Limited and Director on most of the subsidiary companies.

SCHEDULES FORMING PART OF THE ACCOUNTS

3. a) Companies over which the Directors have significant influence or control :

AR Intertect Design Pvt. Ltd.	Geetanjali Trading & Investments Ltd.	Ricinash Oil Mill Ltd.
Ashwin Holdings Pvt. Ltd.	Gujarat Organics Ltd.	Rita Choksi Holdings Pvt. Ltd.
Asteroids Trading and Investments Pvt. Ltd.	Himanshu Holdings Pvt. Ltd.	Rupen Investments and Industries Pvt. Ltd.
Castle Investments and Industries Pvt. Ltd.	Hi-tech Plast Ltd.	S.C. Dani Research Foundation Ltd.
Centaurus Trading and Investments Pvt. Ltd.	Jalaj Trading and Investments Pvt. Ltd.	Sadavani Investments and Trading Co. Pvt. Ltd.
Clear Plastic Limited	Jaldhar Investments and Trading Co. Pvt. Ltd.	Sanjivani Chemicals Ltd.
Coating Specialties (India) Ltd.	Jatayu Investments Ltd.	Sapan Investments Pvt. Ltd.
Dani Capital and Investments Pvt. Ltd.	Kalica Paper Industries Pvt. Ltd.	Satyadhama Investments & Trading Co. Pvt. Ltd.
Dani Enterprises Pvt. Ltd.	Lambodar Investments & Trading Co. Ltd.	Sudhanva Investments and Trading Co. Pvt. Ltd.
Dani Finance and Investments Co. Pvt. Ltd.	Lyon Investments and Industries Pvt. Ltd.	Suprasad Investments & Trading Co. Ltd.
Dani Finlease Ltd.	Murahar Investments and Trading Co. Ltd.	Suptaswar Investments and Trading Co. Ltd.
Dani Holdings & Trading Co. Pvt. Ltd.	Navbharat Packaging Industries Ltd.	Tru Trading and Investments Pvt. Ltd.
Dani Securities Ltd.	Nehal Trading and Investments Pvt. Ltd.	Unnati Trading and Investments Pvt. Ltd.
Dani Trading and Investments Ltd.	Omega Properties Pvt. Ltd.	Urvashi Holding Pvt. Ltd.
Doli Trading and Investments Pvt. Ltd.	Pragati Chemicals Ltd.	Vikatmev Containers Ltd.
Elcid Investments Ltd.	Rangmeet Investments Ltd.	
ELF Trading and Chemical Mfg. Co. Ltd.	Resins and Plastics Ltd.	

b) Associates, promoters and affiliates of subsidiary companies/joint venture:

LKP Hardware, Solomon Islands	AI - Hassan Group, Oman
Sultan Bin Sulayem, UAE	Port Vila Hardware
ABM Santo	Rene Ah Pow
PPG Industries, Inc.	Dutch Boy Philippines Incorporated
Ariza Holdings Limited	

4. Employee Benefit Funds where control exists:

Asian Paints Office Provident Fund, Asian Paints Factory Employees' Provident Fund, Asian Paints Management Cadres' Superannuation Scheme, Asian Paints (India) Limited Employees' Gratuity Fund.

5. Other entities over which there is a significant control:

Asian Paints Charitable Trust.

SCHEDULES FORMING PART OF THE ACCOUNTS

19. Segment Information for the Year ended 31st March, 2006 :

- i) Primary segment information :
Business Segment :

(Rs. in Millions)

	2005-2006			2004-2005		
	Paints	Others*	Total	Paints	Others*	Total
Revenue						
External Sales (Net)	29,397.69	812.66	30,210.35	24,990.48	748.16	25,738.64
Inter-Segment Sales		604.42	604.42		600.28	600.28
Other Income	142.86	39.02	181.88	127.91	31.56	159.47
Total Revenue	29,540.55	1,456.10	30,996.65	25,118.39	1,380.00	26,498.39
Result						
Segment result	3,774.78	119.62	3,894.40	3,207.34	121.57	3,328.91
Unallocated Corporate expenses			487.09			506.64
Operating Profit			3,407.31			2,822.27
Interest Expenses			(114.29)			(108.15)
Interest Income			17.54			10.42
Dividends			58.10			62.52
Profit/(Loss) on sale of investments			3.58			24.51
Profit/(Loss) on sale of fixed assets			2.17			29.95
Profit/(Loss) on sale of Subsidiaries			-			(1.88)
Miscellaneous Income			56.97			38.70
Income taxes			(1,322.86)			(1,060.82)
Net Profit before prior period items			2,108.52			1,817.52
Other Information						
Segment assets	13,748.48	645.18	14,393.66	12,068.72	691.69	12,760.41
Unallocated corporate assets			2,668.53			2,476.30
Total assets			17,062.19			15,236.71
Segment liabilities	4,852.06	145.40	4,997.46	4,994.89	245.94	5,240.83
Unallocated corporate liabilities			5,602.21			4,324.13
Total liabilities			10,599.68			9,564.96
Capital expenditure	483.42	13.96	497.38	885.72	22.18	907.90
Unallocated corporate capital expenditure			44.44			26.79
Total			541.82			934.69
Depreciation/Impairment	548.08	34.38	582.46	522.91	36.04	558.95
Unallocated corporate depreciation\ Impairment			23.70			54.65
Total			606.16			613.60
Unallocated corporate non cash expense other than depreciation			76.00			77.10
Total			76.00			77.10

* Others include the parent company's business units manufacturing Phthalic Anhydride and Pentaerythritol.

SCHEDULES FORMING PART OF THE ACCOUNTS

- ii) Secondary segment information:
Geographical Segment:

(Rs. in Millions)

	2005-2006			2004-2005		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Segment revenue	24,982.16	5,548.44	30,530.60	21,036.52	5,025.81	26,062.33
Carrying cost of segment assets	12,442.06	4,620.13	17,062.19	10,912.37	4,324.34	15,236.71
Additions to fixed and intangible assets	362.18	179.64	541.82	763.96	170.73	934.69

20 Previous year's figures have been regrouped, wherever necessary.

Signatures to Schedules A to M

As per our report of even date

For Shah & Co.
Chartered Accountants

H. N. Shah
Partner
Membership No. 8152

Mumbai
10th May, 2006

For and on behalf of the Board

Ashwin Choksi
Chairman

Ashwin Dani
Vice Chairman &
Managing Director

Jayesh Merchant
Vice President -
Corporate Finance &
Company Secretary

Mumbai
10th May, 2006

Dipankar Basu
Director

Mahendra Shah
Director

SUMMARY OF FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES PURSUANT TO THE APPROVAL UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956.

All Figures in INR Millions

Subsidiary Name	Currency	Accounting period	Capital		Reserves		Total Liabilities		Total Assets		Sales		Other Income		Profit before Tax		Tax provision		Profit after Tax		Dividend		
			Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
Asian Paints (Bangladesh) Ltd.	Taka	Jan to Dec	132.83	93.77	(139.24)	(99.63)	175.24	196.85	168.83	190.98	130.85	111.13	1.08	0.18	(51.27)	(40.16)	(0.82)	(0.83)	(51.27)	(40.16)	-	-	
Asian Paints (International) Ltd.	US \$	Jan to Dec	1,156.79	1,090.86	(475.30)	(115.52)	122.52	107.75	804.00	1,083.09	-	-	10.37	9.88	(346.52)	(120.69)	(0.82)	(0.83)	(347.34)	(121.52)	-	-	
Asian Paints (Middle East) LLC	Oman OR	Jan to Dec	731.6	708.3	(45.09)	(54.64)	150.72	146.07	178.79	162.26	200.22	141.81	1.35	1.31	11.17	4.70	(0.82)	(0.83)	11.17	4.70	-	-	
Asian Paints (Nepal) Pvt. Ltd.	Nepal Rs.	14th Jan to 13th Jan	1385	1347	61.23	61.29	46.79	54.13	121.86	128.89	181.25	148.35	2.52	2.21	15.02	8.43	(6.13)	(4.96)	8.89	3.47	10.43	12.38	
Asian Paints (Queensland) Pty Ltd.	Aus \$	Jan to Dec	7853	8119	(60.79)	(46.02)	113.54	108.86	131.29	144.03	150.19	187.77	0.65	0.47	(13.26)	(6.63)	3.31	(1.61)	(9.95)	(5.02)	-	-	
Asian Paints (S.L.) Ltd.	SLS	Jan to Dec	414	325	58.02	50.61	10.32	3.33	72.48	57.70	48.98	37.58	0.82	0.05	8.45	4.04	(1.48)	(0.09)	6.97	3.95	4.93	3.76	
Asian Paints (South Pacific) Fijii Ltd.	Fiji \$	Jan to Dec	11.09	11.38	223.01	222.43	76.04	48.90	310.15	282.70	271.44	91.91	9.14	26.28	31.88	(8.21)	20.62	(5.66)	(8.21)	20.62	23.67	14.41	13.69
Asian Paints (Tonga) Ltd.	STop	Jan to Dec	2.68	2.73	48.15	47.49	2.32	1.26	53.15	51.48	28.55	25.97	0.96	0.46	1.38	0.03	0.19	1.90	1.57	1.93	-	-	-
Asian Paints (Vanuatu) Ltd.	Vatu	Jan to Dec	12.60	12.80	18.10	16.47	12.07	12.44	42.77	41.71	40.11	34.39	0.01	0.01	2.60	2.70	(2.69)	(3.37)	3.02	6.60	0.64	-	-
Asian Paints Industrial Coatings Ltd.	INR	Apr to Mar	9000	9000	3.37	0.35	236.19	329.56	329.56	222.70	390.22	288.41	0.44	0.50	5.71	9.97	(2.69)	(3.37)	3.02	6.60	-	-	
Asian Paints (Lanka) Ltd.	SL Rs.	Jan to Dec	148.35	139.98	(109.51)	(86.45)	142.13	125.39	180.98	176.92	189.48	163.46	2.15	2.74	(15.33)	(9.49)	(2.69)	(3.37)	(15.33)	(9.49)	-	-	
Asian Paints South Pacific Holdings Ltd.	US \$	Jan to Dec	57.97	54.99	13.96	8.93	1.87	1.63	73.80	65.56	-	-	7.58	10.42	5.74	6.30	-	-	5.74	6.30	1.13	1.12	
Berger Building Services (Singapore) Pte Ltd.	SG\$	Jan to Dec	2714	2671	(27.50)	(29.70)	0.59	3.26	0.23	0.27	-	-	2.74	2.74	2.67	(0.11)	-	-	2.67	(0.11)	-	-	
Berger Contractor (Singapore) Pte Ltd.	SG\$	Jan to Dec	122.12	120.20	(122.91)	(121.78)	0.80	1.58	0.02	-	-	-	1.32	1.32	1.14	(0.35)	(0.33)	(0.33)	0.81	(0.35)	-	-	
Berger International Ltd.	SG\$	Jan to Dec	704.93	693.84	(677.00)	(240.24)	1,071.41	978.62	1,099.34	1,452.22	-	-	117.58	204.39	(456.51)	(229.19)	(56.25)	(8.20)	(492.76)	(237.39)	-	-	
Berger International Sdn. Bhd.	MYR (Malaysia)	Jan to Dec	286.75	276.72	(366.27)	(294.41)	221.77	165.43	142.25	147.74	169.76	171.76	0.10	0.03	(60.12)	(34.50)	(6.01)	(3.17)	(60.12)	(34.50)	-	-	
Berger Paints (Hong Kong) Ltd.	HK\$	Jan to Dec	9.91	9.56	(2.41)	0.79	5.37	4.83	12.88	15.18	45.38	36.89	0.05	-	(31.77)	(0.61)	-	-	(31.77)	(0.61)	-	-	
Berger Paints (Ningbo) Co. Ltd.	CNY	Jan to Dec	282.13	266.40	(271.15)	(189.27)	140.11	72.58	151.09	149.71	56.28	22.51	-	-	(68.73)	(27.78)	-	-	(68.73)	(27.78)	-	-	
Berger Paints (Thailand) Ltd.	THB	Jan to Dec	55.19	55.95	(61.12)	(6.86)	194.81	135.87	188.88	184.96	214.46	200.33	1.20	1.16	(54.73)	0.71	-	-	(54.73)	0.71	-	-	
Berger Paints Bahrain W.L.L.	BHD	Jan to Dec	50.22	48.49	182.46	191.04	126.54	111.29	359.22	350.82	382.86	342.67	3.77	2.21	59.85	68.33	3.27	2.58	59.85	68.33	74.98	45.44	
Berger Paints Barbados Ltd.	Barbados \$	Jan to Dec	43.46	41.15	124.52	112.26	85.39	83.25	253.37	236.66	266.17	237.48	2.36	1.90	8.14	0.48	3.27	2.58	11.41	3.06	5.60	5.60	
Berger Paints Emirates Ltd.	AED	Jan to Dec	12.31	11.91	(143.80)	(115.48)	630.84	522.06	499.34	418.49	711.42	630.98	4.54	3.54	(24.04)	(31.34)	-	-	(24.04)	(31.34)	-	-	
Berger Paints Jamaica Ltd.	Jamaican \$	Jan to Dec	100.15	76.75	202.53	222.82	229.38	190.39	532.05	489.96	835.34	817.30	0.71	1.33	69.50	77.77	(22.71)	(28.31)	46.79	49.46	30.70	25.31	
Berger Paints Manufacturing Ltd.	Kyrt	Jan to Dec	0.02	0.87	(0.00)	10.28	0.92	32.95	0.93	44.10	0.39	22.56	0.00	0.13	(0.23)	(3.86)	(0.01)	(0.91)	(0.23)	(3.86)	-	-	
Berger Paints Singapore Pte Ltd.	SG\$	Jan to Dec	-	388.44	-	(92.71)	-	101.48	-	197.21	-	498.48	-	44.48	-	50.09	-	(0.91)	-	50.09	-	-	
Berger Paints Trinidad Ltd.	Trinidad \$	Jan to Dec	43.04	41.52	173.62	162.68	99.51	89.66	316.17	293.86	277.41	280.64	1.09	1.86	6.69	6.17	2.11	(3.57)	8.81	2.60	6.28	6.34	
Enterprise Paints Ltd.	GBP	Jan to Dec	11.32	12.26	(2.70)	(4.93)	49.64	6.13	58.25	13.46	-	-	1.93	1.93	1.93	-	-	-	1.93	-	-	-	
Lewis Berger Overseas Holdings Ltd.	GBP	Jan to Dec	145.43	157.55	201.74	185.94	59.57	28.56	406.74	372.05	0.04	-	-	-	47.87	28.53	(0.81)	(5.14)	31.35	23.39	-	-	
Nivona Investments Ltd.	GBP	Jan to Dec	0.00	0.00	(1.13)	(1.23)	6.90	7.48	5.77	6.25	-	-	-	-	-	-	-	-	-	-	-	-	
Samoan Paints Ltd.	WST \$ (Samoa)	Jan to Dec	1.52	1.45	22.79	21.94	7.27	4.76	31.58	28.14	34.74	33.26	1.30	1.12	8.06	7.90	(2.33)	(2.33)	5.74	5.55	-	-	
SCIB Chemicals S.A.E.	Egypt pound	Jan to Dec	238.05	224.13	(49.66)	(89.83)	273.26	237.37	461.64	371.68	816.27	495.79	5.75	1.37	46.36	11.60	(1.95)	(1.95)	44.40	11.60	-	-	
Taubmans Paints Fijii Ltd.	Fiji \$	Jan to Dec	4.15	4.26	48.62	46.64	17.35	15.77	70.12	66.67	86.18	77.82	6.08	7.31	12.53	10.63	(4.08)	(3.95)	8.44	6.68	5.25	4.25	
Technical Instrument Manufacturers (India) Ltd.	INR	Jan to Dec	0.50	0.50	43.80	33.63	150.32	83.11	194.63	117.25	-	-	19.60	19.61	13.76	13.77	(3.59)	(3.51)	10.17	10.26	-	-	
Universal Paints Ltd.	GBP	Jan to Dec	33.38	36.16	48.53	(2.42)	-	-	81.91	33.75	-	-	84.59	12.01	84.76	11.48	-	-	84.76	11.48	-	-	
Surya Powder Coating Limited	INR	Apr to Mar	-	0.50	-	-	-	8.09	-	8.59	-	-	-	-	-	-	-	-	-	-	-	-	

Notes:

1. Under voluntary liquidation
During the year Surya Powder Coatings Limited (Formerly known as Surya Gelpops Ltd.) was merged with Surya Powder Coatings Limited
Asian Paints Industrial Coatings Limited with effect from 1 April, 2005
2. Capital, Reserves, Total Assets and Total Liabilities have been translated at the rates prevailing at the end of the respective financial years.
3. Sales, Other Income, Profit before tax, Provision for tax, Profit after tax and proposed dividend have been translated at average rates prevailing during the respective financial years.

asianpaints

Asian Paints Limited

Registered Office : 6 A, Shanti Nagar, Santacruz (E), Mumbai - 400 055.

PAYMENT OF DIVIDEND THROUGH ELECTRONIC CLEARING SERVICE (ECS)

Securities and Exchange Board of India (SEBI) has made it mandatory for all the companies to use the bank account details furnished by the investors for distributing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and bank details are available. In the absence of ECS facility, the companies are required to print the bank account details, if available, on the payment instrument, for the distribution of dividends to the investors.

Salient features of the scheme :

● Instant Credit

This facility provides instant credit of dividend amount to your bank account electronically at no cost. **ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.**

● Coverage

ECS through RBI clearing is presently available at Mumbai, New Delhi, Kolkata, Chennai, Ahmedabad, Bangalore, Hyderabad, Kanpur, Nagpur, Jaipur, Chandigarh, Patna, Bhubaneswar, Guwahati and Thiruvananthapuram.

● Procedure for Credit

Under this facility, the amount of dividend payable to you would be directly credited to your bank account. Your bank branch will credit your account and indicate the credit entry as 'ECS transaction' in your passbook/ statement of account.

In case ECS facility is not made available to you by the Company/their Bankers at a particular centre the dividend amount due to you would be remitted by means of a dividend warrant which would be posted to your address with the particulars of the bank branch and account number furnished by you duly incorporated on it.

If you wish to avail of this facility and hold shares in physical form, kindly fill in the Form printed overleaf and return the same alongwith a xerox copy of the cheque pertaining to the Bank Account where you would like the amount to be credited to the following address :

Sharepro Services (India) Pvt. Ltd.,
Unit : **Asian Paints Limited**,
Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai 400 099.
Tel.No.2821 5168,2832 9828

Please send the same to the above mentioned address to enable us to credit the future dividend entitlements to your account through ECS.

This arrangement is subject to the RBI guidelines issued from time to time.

Bank particulars to be incorporated on warrants

If you do not wish to opt for ECS facility, we request you to provide us your bank details for printing the same on the dividend warrants which will be mailed to you in future, in the space provided overleaf. In case you have already furnished these particulars and if there is any change/correction in the same, kindly fill up the required details.

In case you have dematerialised your shares and hold shares in electronic form, kindly convey necessary bank details to your Depository Participant.

All queries to be addressed to the Company's Registrar & Transfer Agent :

SHAREPRO SERVICES (INDIA) PVT.LTD.

Unit : Asian Paints Limited

Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (E), Mumbai 400 099.
Tel.No.2821 5168,2832 9828,
2821 5991,2834 7719,2834 8218
Fax No.2837 5646
Email : sharepro@vsnl.com

SHAREPRO SERVICES (INDIA) PVT.LTD.

Unit : Asian Paints Limited

912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai 400 021.
Tel.No :2288 1568,2288 1569,
2282 5163,2288 4527
Fax No.2282 5484
Email : sharepro_services@roltanet.com

E-mail id	
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Telephone No.:	STD Code	Tel. No.

Sharepro Services (India) Pvt. Ltd.,
Unit : **Asian Paints Limited**,
Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (E),
Mumbai 400 099.

Dear Sirs,

I request you to register the bank details against my account as given below:

FOLIO NO. :
NAME(S) OF THE HOLDERS :
NAME & ADDRESS OF THE BANK BRANCH :
ACCOUNT TYPE : SAVINGS CURRENT CASH CREDIT
ACCOUNT NO. :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(PLEASE TICK FOR THE FACILITY YOU OPT)

- Mail the warrant directly to the bank.
- Mail the warrant at my registered address with the bank particulars incorporated.
- 3* Directly credit to the account through Electronic Clearing System (ECS).

* **If opted for ECS, kindly provide the following information :**

9 DIGIT CODE NUMBER OF THE BANK AND BRANCH AS
APPEARING ON THE MICR CHEQUE ISSUED BY THE BANK

--	--	--	--	--	--	--	--	--

LEDGER FOLIO NO. (IF ANY) OF YOUR ACCOUNT

(in case if you have opted for ECS, affix photocopy of your cheque here)

I hereby declare that the particulars given are correct and complete. If the payment transaction through ECS is delayed or not effected at all for any reasons, I would not hold the Company or the Registrar & Transfer Agent responsible.

Date : _____

Signature

FORM 2B

(See rules 4 CCC and 5 D)

NOMINATION FORM

(To be filled in by individual applying singly or jointly)

I/We, _____ the holder(s) of Equity Shares bearing Folio Number _____ and accruals thereon of **Asian Paints Limited** wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my/our death.

Name and Address of the nominee

Name : _____

Address : _____

Pincode : _____

Date of Birth* : _____

(to be furnished in case
the nominee is minor)

Signature of Nominee
(Optional)

*The nominee is a minor whose guardian is –
Name and address of the guardian _____

Signature(s) of Holder(s)

Signature : _____
(1st Holder)

Signature : _____
(1st Joint Holder, if any)

Name : _____

Name : _____

Address : _____

Address : _____

Date : _____

Date : _____

Signature of two witnesses

	Name and Address	Signature and date
1.	_____	_____
2.	_____	_____

Instructions :

1. The nomination can be made by individuals only applying/holding shares /on their own behalf singly or jointly upto two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the securities are held jointly, all joint holders will sign the nomination form.
2. A minor can be nominated by holders of shares/and in that event the name and address of the Guardian shall be given by the holders.
3. The nominee shall not be a trust, society, body corporate, partnership firm, karta of Hindu Undivided Family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis, provided RBI approval granted to the nominee is registered with the Company.
4. Nomination shall stand rescinded upon transfer of shares.
5. Transfer of shares/in favour of a nominee and repayment of amount of deposits to nominee shall be valid discharge by a Company against the legal heir.

FOR OFFICE USE ONLY

Nomination Regn. No. : _____

Checked by : _____

Date of Registration : _____

Signature : _____

INSTRUCTIONS

1. Nomination per Folio

Nomination for only one folio can be made on this Form. In case you have many folios, then you may take a photocopy of this Form and nominate separately.

2. Signatures

The sole/joint holders should sign as per the specimen signature recorded with the Company. Otherwise, the Form is liable to be rejected.

3. Change in Composition of the Account

Nomination stand rescinded upon transfer of shares. Whenever the shares in the given folio are transferred/transposed/transmitted/dematerialised/amalgamated with some other folio, then this nomination stands void. A new Nomination Form will have to be filled in by the person(s) in whose name(s) the shares have been transferred/transposed/transmitted/amalgamated.

4. Electronic Holding

The nomination given in the Form would be considered for the physical holding only. In case securities are held in electronic form, then the holder(s) have to approach the Depository Participant for registering their nomination.

5. Accruals and Acquisitions

Once a nomination is registered by a Company for a given folio, the same is valid for all future accruals and acquisitions made by the holder(s) in that folio unless notified to the contrary by the holder(s).

6. Validity of Nomination

The nomination made through Form 2B will be considered valid and recognised by the Company if the nomination made by the holder(s) of the shares/is registered with the Company before the death of the holder(s) of the shares.

7. Entitlement of Nominee

The nominee will be entitled to all the rights in the shares of the Company only in the event of death of the Sole/all holders in the account. The nominee will be required to approach the Company for transmitting the securities in his/her name and will be required to produce the death certificate of the holder(s), the share certificates and proof of identity as required by the Company.

8. Date of Execution

Kindly note that nomination being a legal document should be dated by the nominator and the witnesses certifying that the Form has been signed by the nominator in their presence. Furthermore the date of execution on the Nomination Form should match with the date of witnesses witnessing the document.

All queries to be addressed to the Company's Registrar & Transfer Agent :

SHAREPRO SERVICES (INDIA) PVT.LTD.

Unit: Asian Paints Limited

Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
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Tel. No. 2821 5168, 2832 9828,
2821 5991, 2834 7719, 2834 8218
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PRODUCT PORTFOLIO