



COATES OF INDIA LIMITED



Annual Report 2002



Report Junction

Coates of India Ltd.

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COATES OF INDIA LIMITED

Notice

NOTICE is hereby given that the Fiftyfifth Annual General Meeting of the Members of Coates of India Limited will be held at the Williamson Magor Hall in the premises of The Bengal Chamber of Commerce & Industry, Royal Exchange, No. 6, Netaji Subhas Road, Kolkata 700 001, on Wednesday, 25th June, 2003, at 3.00 p.m. to transact the following business :

1. To receive and consider the Profit & Loss Account for the financial year ended 31st December, 2002, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr R B Putatunda, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr D Banerjee, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr H Tanemura, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following resolutions:

AS ORDINARY RESOLUTIONS :

7. RESOLVED THAT consent be and is hereby accorded to the modification in the terms of remuneration payable to Dr P K Dutt, Managing Director, as set out in the Appendix to this Notice and which shall also form part of the minutes of the meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or proper, from time to time, which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company.

8. RESOLVED THAT consent be and is hereby accorded to the modification in the terms of remuneration payable to Mr B S Kampani, Wholetime Director, as set out in the Appendix to this Notice and which shall also form part of the minutes of the meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or proper, from time to time, which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company.

AS SPECIAL RESOLUTIONS :

9. RESOLVED THAT consent be and is hereby accorded to the payment of remuneration by way of commission not exceeding 1 (one) per cent of the net profit of the Company, determined in the manner laid down in the Companies Act, 1956, to Resident Indian Directors, other than a Managing Director or a Wholetime Director of the Company, for a period of five years commencing from the financial year starting on 1st January, 2004, such commission being divided among the Directors entitled thereto, in such proportion and manner as the Board may from time to time determine, and in the absence of such determination, equally.
10. RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956 (the Act) the Company hereby approves that the Register of Members, the Index of Members and copies of all Annual Returns, prepared under Section 159 of the Act, together with copies of certificates and documents required to be annexed thereto under Section 161 of the Act, be kept with the Company's newly appointed Share Transfer Agent, M/s C. B. Management Services Pvt. Ltd., P-22 Bondel Road, Kolkata 700 019, instead of being kept at the Registered Office of the Company.

The Register of Members of the Company will remain closed from 17th June, 2003 to 25th June, 2003, both days inclusive.

Registered Office
Transport Depot Road
Kolkata 700 088
Dated 6th March, 2003

By Order of the Board

TIMIR BARAN CHATTERJEE
Vice President & Company Secretary

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company, not less than forty-eight hours before the commencement of the Annual General Meeting, i.e. by 3.00 p.m. on 23rd June, 2003.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business to be transacted at the Annual General Meeting is annexed hereto.
3. Transfer of shares (in physical form) received in order by the Share Department at the Company's Registered Office or at the office of the Company's Registrar and Transfer Agent, by 5.30 p.m. on 16th June, 2003, will be passed for payment of dividend, if declared.
4. The dividend that may be declared at this meeting will be payable to those members (or to their mandatees) whose names are in the Company's Register of Members on 25th June, 2003, subject to the provisions of Section 206A of the Companies Act, 1956. In respect of shares held in electronic form (dematerialised shares), the dividend will be payable to such beneficial owners as per list furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Dividend Warrants will be posted on or before 7th July, 2003.
5. Shareholders holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one single folio.
6. Members, holding shares in physical form, are requested to notify immediately any change in their address/mandate/bank details to the Company, quoting their Folio Number.
7. Members who have not forwarded the details of their bank account number till date, are requested to advise the same to the Company to avoid fraudulent encashment of dividend warrants.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the year ended 31st December, 1995 and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Accordingly, members who have not encashed their dividend warrant(s) so far for the year ended 31st December, 1995, or subsequent years, are requested to make their claim to the Company.
9. Members desirous of making a nomination in respect of their shareholding, as permitted by Section 109A of the Companies Act, 1956, are requested to submit the prescribed Form 2B to the Share Department of the Company.

MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT ALONG WITH THE ENCLOSED ATTENDANCE SLIP DULY FILLED IN.

ADDITIONAL COPIES OF THE ANNUAL REPORT WILL NOT BE MADE AVAILABLE AT THE MEETING.

Information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, relating to the Code of Corporate Governance, regarding Directors seeking re-appointment and appointment.

(Item nos. 3, 4 & 5) :

- Mr R B Putatunda - Born on 31st August, 1937, Mr R B Putatunda graduated in Mechanical Engineering, with First Class Honours, from Jadavpur University, Kolkata. He started his professional career with GKW in 1958 and underwent two years advance training in West Germany in Technology and Management disciplines on a West German Scholarship. On his return in 1962, Mr Putatunda joined Philips India Ltd. During his 35 years with Philips, Mr Putatunda held various positions and in 1988 became a member of the Board of Directors of Philips and retired as Director and Senior Vice President in 1997. Mr Putatunda joined the Board of your Company on 17th November, 2000, which appointment was duly approved by the members at the Annual General Meeting held on 7th June, 2001.
- Mr D Banerjee - Born on 19th February, 1946, Mr D Banerjee, a Chartered Accountant, underwent training with Lovelock & Lewes (now a part of Price Waterhouse Coopers). He started his career with Life Insurance Corporation in 1970 and thereafter, in 1975, joined Hindustan Lever. His tenure with Lever included a two year secondment to Lever Brother, Nigeria. In 1992, Mr Banerjee became the Commercial Director of Unilever Plantations Group. Between 1993 and 1997 he was designated Commercial Officer - Africa and Middle East Group of Unilever, London and retired in July, 2000, as Chairman, Unilever Uganda Ltd. Mr Banerjee joined the Board of your Company on 8th March, 2001, which appointment, was duly approved by the members at the Annual General Meeting held on 7th June, 2001.

Mr H Tanemura - Born on 1st May, 1955, Mr H Tanemura is the Group Marketing Director of DIC Asia Pacific Pte. Ltd., a subsidiary of Dainippon Ink & Chemicals Inc., Japan. Mr Tanemura was inducted in the Board of your Company on 24th April, 2000, which appointment was duly approved by the members at the Annual General Meeting held on 29th May, 2000.

Other Directorships and Committee Memberships held :

Director	Name of Company	Board Position held	Committees of Board	Committee Position held
Mr R B Putatunda	PUNJAB ANAND LAMP INDUSTRIES LTD.	Chairman	Nil	N. A.
	VXL TECHNOLOGIES LTD.	Director	Audit Committee	Member
Mr D Banerjee	NIL	N. A.	N. A.	N. A.
Mr H Tanemura	COATES LORILLEUX PAKISTAN LTD.	Director	NIL	N. A.
	DIC INTERNATIONAL (THAILAND) CO. LTD.	Director	NIL	N. A.

APPENDIX

[Attached to item nos. 7 & 8 of the Notice convening the Fifty fifth Annual General Meeting to be held on 25th June, 2003, and to form part of the minutes of the said meeting.]

MODIFICATION IN TERMS OF REMUNERATION PAYABLE TO MANAGING / WHOLETIME DIRECTORS

DESCRIPTION	Dr P K Dutt (Managing Director)	Mr B. S. Kampani (Wholetime Director)
1 SALARY Pay Scale Annual Increment to commence from	Rs 80,000/- per month Rs 80,000 - 5,000 - 105,000 1st April, 2002	Rs 40,000/- per month Rs 40,000 - 4,000 - 56,000 1st April, 2002
2 COMMISSION (Computed as per Sec 309(5) of the Companies Act, 1956) Maximum Commission Permissible	1% of the net profit of the Company. 100% of the Annual Salary	1% of the net profit of the Company. 50% of the Annual Salary
3 PERFORMANCE BONUS To commence from	Not exceeding 50% of the Salary, payable annually, for each financial year, as may be determined by the Remuneration Committee and finally approved by the Board. 1st January, 2003	Not exceeding 50% of the Salary, payable annually, for each financial year, as may be determined by the Remuneration Committee and finally approved by the Board. 1st January, 2003
4 PERQUISITES (see note below) Annual ceiling for specified perquisites Effective date of enhancement	Rs 1,250,000 1st April, 2002	Rs 675,000 1st April, 2002

5. MINIMUM REMUNERATION :

Notwithstanding anything contained hereinabove, where in any financial year during the currency of tenure of the appointment/s, in the event of the Company having no profit or its profit is inadequate, the Board of Directors may determine the remuneration payable to each of the managerial personnel within the limits stated in Section II of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time, and other applicable provisions of the Companies Act, 1956.

6. TOTAL REMUNERATION :

The total remuneration payable to Dr P K Dutt and Mr B S Kampani shall not exceed, in aggregate, 10% of the net profit calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

7. SITTING FEES :

Dr P K Dutt and Mr B S Kampani shall not receive any sitting fees for attending meetings of the Board or any Committee thereof.

Notes on Perquisites:

- (a) In addition to the aforesaid Salary, Commission and Performance Bonus, Dr P K Dutt and Mr B S Kampani shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water, furnishing, club fees, medical insurance, personal accident insurance, medical reimbursement and leave travel concession for self, wife and dependent children, tax borne by the Company on non-monetary perquisites payable and all other perquisites in accordance with the Rules of the Company, as may be determined by the Board from time to time, such perquisites being restricted to Rs 1,250,000 per annum in the case of Dr P K Dutt and Rs. 675,000 per annum in the case of Mr B S Kampani.

For purposes of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

- (b) The following, however, shall not be included in the computation of perquisites for the purpose of calculating the said ceiling, as aforesaid:
- i) Provision for use of company car for official duties and telephone at residence (including payment for local calls and long distance official calls);
 - ii) Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the remuneration and Company's contribution to Gratuity Fund as actuarially determined or up to such other limit as may be prescribed under the Income Tax Act, 1961, and Rules made thereunder for this purpose;
 - iii) Encashment of unavailed leave, as per the Rules of the Company, at the time of retirement/cessation of service.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.**Item Nos. 7 & 8**

As already intimated to the members by the Circular dated 15th January, 2003, the Board of Directors at its meeting held on the same day, on the recommendation of the Remuneration Committee of the Company, has decided, subject to the approval of the members, to modify the terms of remuneration of Dr P K Dutt, Managing Director, and Mr B S Kampani, Wholetime Director, as set out in the Appendix to the Notice convening this meeting.

At the Annual General Meeting held on 7th June, 2001, the members had approved the re-appointment of and remuneration payable to Dr P K Dutt as Managing Director for a period of five years with effect from 26th July, 2001, as contained in the Appendix to the Notice convening the said Annual General Meeting.

The Members of the Company at the Annual General Meeting held on 24th April, 2002, had approved the appointment of and remuneration payable to Mr B S Kampani as Wholetime Director for a period of five years with effect from 30th October, 2001, as contained in the Appendix to the Notice convening the said meeting.

Having regard to the responsibilities discharged by the Managing Director and the Wholetime Director, the qualifications, experience and past track record of the respective incumbents, the scale and complexities of your Company's business and the level of remuneration prevalent in the country for comparable situations, the Board, on the recommendation of the Remuneration Committee, has proposed to pay Performance Bonus to the Managing Director and the Wholetime Director, as enumerated in the Appendix to the Notice convening the meeting.

Also, consequent to the introduction of Finance Act, 2002, the Remuneration Committee, at its meeting held on 15th January, 2003, had recommended to the Board, subject to the approval of the members and necessary statutory compliance, to absorb the tax payable on certain non-monetary part of perquisites, payable to the Managing Director and Wholetime Director.

The Board had agreed in principle to accept the recommendations of the Remuneration Committee of the Board and deemed it expedient to modify the existing terms of remuneration payable to the Managing Director and Wholetime Director by specifically including under Perquisites the tax borne by the Company on certain non-monetary perquisites paid to the incumbents and also empowering the Board to determine, from time to time, the perquisites payable to the respective Directors and also to enhance the limit of perquisites currently payable to Dr P K Dutt from Rs 750,000 to Rs 1,250,000 and to Mr B S Kampani from Rs 653,100 to Rs 675,000, with effect from 1st April, 2002. Such modification in the terms of the remuneration of Dr P K Dutt and Mr B S Kampani is subject to the approval of the members at the General Meeting.

Except for the introduction of Performance Bonus and modification in respect of Perquisites payable, as specified in the Appendix to this Notice, all other terms and conditions relating to the remuneration payable to Dr P K Dutt and Mr B S Kampani, as already approved by the members, remain unaltered.

Dr P K Dutt is B.Sc., M.Tech. (Chemical Engineering & Chemical Technology) and obtained his Doctorate (Ph.D.) in Polymer Chemistry. He joined the Company on 1.8.1970 as a Chemist. During his association with Coates spanning over three decades, Dr Dutt rose steadily in the hierarchy. In September 1980, Dr Dutt's services were lent to the parent Company in U.K. where he worked as Executive Assistant to Group Managing Director till March, 1982. From April that year, he was deputed to Coates Brothers (West Africa) Ltd, Nigeria, initially as Techno-Commercial Manager and subsequently as Managing Director. On his return, Dr Dutt joined the Board of Coates of India in May, 1984, and was designated Assistant Managing Director with effect from 1.1.1987. Dr Dutt was appointed Managing Director of the Company on 26.7.1991.

Mr B S Kampani, who holds a Degree in Physics (Honours) from St. Xavier's College, Kolkata, and a PGDBM from XLRI, Jamshedpur, joined Coates of India in August, 1973. Before joining the Company Mr Kampani worked as Marketing Assistant in Vazir Glass Works, Mumbai. Joining Coates as a Management Trainee, Mr Kampani became Manager - Metal Coatings in 1979 for Western Region, and then Sales Manager, Western Region. In 1986, Mr Kampani was promoted as General Manager, Western Region, and in 1990 became Director (Commercial) Inks, W.R.. Mr Kampani, a member of the Company's Management Committee, is instrumental in

market expansion of the Company's products and his marketing skill and abilities have greatly aided the Company's on-going operations. Mr Kampani does not hold Directorship in any other companies.

Dr P K Dutt and Mr B S Kampani may be deemed to be concerned or interested in the respective resolutions. No other Director has any interest or concern in the said resolutions.

Item No. 9

The Resident Indian Non-Executive Directors of the Company are paid remuneration by way of commission not exceeding 1% of the net profits, computed in the manner laid down by the Companies Act, 1956 as approved by the members and the Central Government.

The members, at the AGM held on 29.04.98, had accorded their approval to such payment of commission by the Company for a period of five years commencing from financial year 1.1.1999 which was also duly approved by the Department of Company Affairs, Government of India. Since the approval of the members and Central Government is valid till 31st December, 2003, consent of the members is sought for payment of such commission for a further period of five years commencing on 1st January, 2004. It may be noted that Article 106(3) of the Articles of Association of the Company permits payment of such commission by the Company.

Messers J N Sapru, B M Varma, R B Putatunda and D Banerjee may be deemed to be interested or concerned in the proposed Resolution to the extent of the remuneration that may become payable to them. No other Director is interested or concerned in the Special Resolution.

Item No. 10

Share registration work was being handled in-house by the Company since 1986. With the introduction of Dematerialisation of Shares in 2000, the Company had appointed M/s AXC Computers Pvt. Ltd., Kolkata as the R & T Agent - only for the purpose of electronic connectivity with NSDL and CDSL. Transactions relating to physical shares, however, continued to be handled in-house by the Company. The Securities and Exchange Board of India (SEBI), vide Depository and Custodial Division - Circular No. 15 dated 27.12.2002, has issued a directive to all listed companies which stipulates that entire work related to share registry in terms of both physical and electronic mode should henceforth be maintained at a single point i.e either in-house or through a R & T Agent. Pursuant to the directive of SEBI, the Board, after due consideration, has decided to appoint M/s C.B. Management Services Pvt. Ltd., P-22 Bondel Road, Kolkata 700 019 as the Registrar and Transfer Agent of the Company, handling both physical and dematerialised shares.

Approval of the members is sought in terms of Section 163 of the Companies Act, 1956 (Act) for keeping the Company's Register of Members and other Returns, books, certificates and documents pertaining thereto in the office of the newly appointed R & T Agent. As required under Section 163 of the Act, a copy of the proposed resolution as set out in the notice convening the Annual General Meeting is being filed with the Registrar of Companies, West Bengal.

None of the Directors of the Company is concerned or interested in the said Special Resolution.

The Board recommends adoption of the above Resolutions as proposed.

Registered Office :
Transport Depot Road
Kolkata 700 088
Dated 6th March, 2003

By Order of the Board

TIMIR BARAN CHATTERJEE
Vice President & Company Secretary

**COATES OF INDIA LIMITED**

Registered Office : Transport Depot Road, Kolkata 700 088

ATTENDANCE SLIP**55th Annual General Meeting, 25th June, 2003, at 3.00 p.m.**

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Name of the Member

Folio/D.P. & Client I.D. No.

No. of Shares held

I hereby record my presence at the 55TH ANNUAL GENERAL MEETING of the Company at the premises of THE BENGAL CHAMBER OF COMMERCE & INDUSTRY, 6, Netaji Subhas Road, Kolkata 700 001.

Signature of the Shareholder or the Proxy attending the Meeting	
If Member, please sign below	If Proxy, please sign below

.....TEAR OFF HERE.....

PROXY FORM**COATES OF INDIA LIMITED**

Registered Office: Transport Depot Road, Kolkata 700 088

Folio/D.P. & Client I.D. No. :

I/We

of

being a member(s) of Coates of India Limited, hereby appoint

..... of

or failing him of

or failing him of

as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty fifth Annual General Meeting of the Company to be held on the twentyfifth day of June, 2003, and at any adjournment thereof.

As witness my/our hand(s) this day of 2003

Affix
30 paise
Revenue
Stamp

NOTE: The Proxy Form must be deposited at the Registered Office of the Company, Transport Depot Road, Kolkata 700 088, not less than 48 hours before the time for holding the meeting.

Board of Directors

Jagdish Narain Sapru - *Chairman*
 Bodi Singh Kampani* - *Wholetime Director*
 Kazuo Kudo
 Hisato Tanemura
 Babulal Madhavji Varma

Dr Prabir Kumar Dutt* - *Managing Director*
 Dipak Banerjee
 Rasendu Bhushan Putatunda
 Naoki Tsuji

* Executive Director

Timir Baran Chatterjee - *Vice President & Company Secretary*

Board Committees

Audit Committee

D Banerjee - *Chairman*
 R B Putatunda
 H Tanemura
 B M Varma

Shareholders/Investors Grievance Committee

J N Sapru - *Chairman*
 Dr P K Dutt
 B S Kampani

Administrative Committee

J N Sapru
 Dr P K Dutt
 B S Kampani
 D Banerjee
 R B Putatunda
 B M Varma

Remuneration Committee

J N Sapru - *Chairman*
 D Banerjee
 N Tsuji

Management Committee

Dr P K Dutt
 B K Basu
 S Bhaumik
 T B Chatterjee
 A Mukhopadhyaya

B S Kampani
 J L Basu
 A D Chatterjee
 R G Ganguly
 N R Sharma

A Puri

Auditors

Lovelock & Lewes

Bankers

Bank of Baroda
 Standard Chartered Bank
 State Bank of India
 The Hongkong & Shanghai Banking Corporation Limited

Registered Office

Transport Depot Road
 Kolkata 700 088