



NEEMTEK ORGANIC PRODUCTS LIMITED
(FORMERLY ISHWAR TEXTILES LIMITED)

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22ND ANNUAL REPORT
2004-05

**Neemtek Organic Products Limited
(formerly Ishwar Textiles Limited)**

Registered Office

Unit No. 307, Solaris Premises II
Saki Vihar Road
Opposite L & T Gate No. 6
Powai
Andheri (East)
Mumbai 400 072

Board of Directors

Mr. C.Subramaniam
Mr. Prem Rajani
Ms. Salisha Chandra

Auditors

Agarwal Vijay & Associates
Chartered Accountants
503, Jolly Bhavan 1
New Marine Lines
Mumbai 400 020

Registrars

Mondkar Computers Private Limited
21, Shakil Niwas
Mahakali Caves Road
Andheri (East)
Mumbai 400 093

Company Secretary and Chief Financial Officer

K. Venkataramani

**NEEMTEK ORGANIC PRODUCTS LIMITED
(FORMERLY ISHWAR TEXTILES LIMITED)**

Registered Office: Unit No. 307, Solaris Premises II, Saki Vihar Road,
Opposite L & T Gate No. 6, Powai, Andheri (East), Mumbai 400 072

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of Neemtek Organic Products Limited will be held at Sunville Banquet & Conference Rooms (Executive Room), Dr. Annie Besant Road, Worli, Mumbai – 400 030 on Friday, September 16, 2005, at 3.00 p.m to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005 and Profit & Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. C.Subramaniam who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company for the ensuing year and fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Ms. Salisha Chandra, Additional Director of the Company appointed by the Board under Sec. 260 of the Companies Act, 1956, and Articles of Association of the Company, and in respect whose appointment, the Company has received a notice in writing from a member under Sec. 257 of the Companies Act, 1956, proposing her candidature for the office of Director, be and is hereby appointed Director of the Company, liable to retire by rotation”.

5. To consider, and if thought fit, to pass the following resolution, with or without modification(s) as special resolution:

“RESOLVED THAT in accordance with the Articles of Association of the Company, pursuant to Section 81 of the Companies Act, 1956 and all other applicable provisions, if any, of the Companies Act, 1956, provisions of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the RBI, SEBI, and subject to the relevant provisions of the Securities And Exchange Board of India (Employee Stock Option Scheme and

Employee Stock Purchase Scheme) Guidelines, 1999, (hereinafter called 'the Guidelines') [including any statutory modification(s) or re-enactment of the any act or the regulations from time to time being in force] and any other regulations/ guidelines prescribed by any other relevant authority from time to time to the extent applicable for the time being in force and further subject to such other consents, approvals, sanctions and permissions, as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee constituted or to be constituted by the Board including the Remuneration/ Compensation committee to exercise its powers conferred by this Resolution) in its sole discretion, the consent of the Company be and is hereby accorded to the Board to issue, offer and allot upto 85,750 options convertible into equity shares of Rs.10/- each to such of the present and future employees and Directors of the Company (collectively the **Employees**"), exercisable by the Employees to subscribe for the Company's equity shares at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions and thereafter to allot such appropriate securities, as are detailed in the Explanatory Statement relevant to this resolution and annexed to the notice,

RESOLVED FURTHER THAT the Company may formulate NEEMTEK-ESOP 2005 Scheme for the benefit of Employees and the Options may be allotted directly to such employees/ directors or in accordance with the Scheme framed in this behalf on the broad terms and conditions as given in the explanatory statement hereto, through any appropriate mechanism including a trust or other entity which may be set up in any permissible manner for that purpose and that such Scheme may also contain provisions for providing financial assistance to the employees/ trust/ entity to enable the employees/ trust/ entity to acquire, purchase or subscribe to the Options;

"RESOLVED FURTHER THAT subject to the terms stated herein, any equity shares allotted pursuant to this Resolution shall in all respects rank pari passu with the existing equity shares of the Company;

RESOLVED further that the Board be and is hereby authorised to seek listing of such equity shares of face value of Rs.10/- each at all such Stock Exchanges where the equity shares of the Company are already listed.

RESOLVED further that the Board of Directors be and are hereby authorised to determine and frame all other terms and conditions of the issue of the said options convertible into equity shares of Rs.10/- each as the Board may in its discretion deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, regarding issue, offer and allotment, listing of such shares the Board be and is hereby authorised to evolve, decide upon and bring into effect the scheme and to make any modifications, changes, variations, alterations or

revisions in the said scheme or to suspend, withdraw or revive the scheme from time to time, as may be specified by any appropriate authority, and to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary, desirable, usual or proper in relation thereto with the liberty to the Board on behalf of the Company to settle any questions, difficulties or doubts whatsoever may arise with regard to such creation, offer, issue and allotment of shares without requiring the Board to secure any further consent or approval of the members of the Company at a General Meeting.”

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy form has to be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. Register of members and Share Transfer Books will remain closed from September 12, 2005 to September 16, 2005 (both days inclusive).
3. Members/Proxies should bring the Attendance slip filled in for attending the meeting.
4. Shareholders seeking any information with regard to accounts are requested to write to the Company at the earliest to enable the company to keep the information ready.
5. Shareholders are requested to bring their copy of the Annual Report to the meeting.
6. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to item No. 4 & 5 of the notice is annexed.

Report

For and on behalf of the Board

Sd/-

Place: Mumbai

(K.Venkataramani)

Date: August 19, 2005

Company Secretary and Chief Financial Officer

**EXPLANATORY STATEMENT
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND
FORMING PART OF THE NOTICE DATED AUGUST 19, 2005.**

Item No.4

The Board of Directors of the Company appointed Ms. Salisha Chandra as Additional Director of the Company on October 1, 2004. Pursuant to provisions of Sec 260 of the Companies Act, 1956, Ms. Chandra will hold office as Additional Director upto the date of this Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Ms. Chandra as a Director of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956, alongwith the requisite deposit.

Ms. Chandra (aged 30 years) has done her Masters in Business Administration from London Business School and B.Sc. in Information and Decision Science from Carnegie Mellon University. She has worked with JP Morgan, USA from 1996 to 2000 and gained experience in financial services specifically in Risk Management. Later she joined Marakon Associates, London, England as a Senior Consultant from 2002 to 2004. Her induction on the Board of the Company will contribute immensely towards Neemt看's long term growth.

It will be in the interest of the Company that Ms. Chandra is appointed as a Director of the Company.

The Board of Directors of the Company commend this resolution.

Save and except Ms. Chandra, none of the Directors of the Company is, in any way, deemed to be interested in this resolution.

Item No. 5

Disclosures, which are required to be given in terms of Clause 6.2 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and amendments thereto

Employee Stock Option Programmes have been generally recognized as an effective instrument to align the interest of employees with those of the Company they serve. It provides an opportunity to the employees to share in the growth of the Company and to create at the same time long-term wealth in the hands of the employees. Such Stock Option also provides for tax-efficient, performance-linked rewards to employees and serves as an effective means to attract, retain and motivate the talented human resources for the Company.

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive set of regulations for the same known as SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and amendments thereto. (the "**Guidelines**"). The Board of Directors of the Company considered the matter in its meeting held on August 19, 2005, and thought it prudent to take recourse to the aforesaid Guidelines and recommended introduction of Employee Stock Option Scheme (the "**Scheme**") pursuant to which employees/ directors of the Company who comply with certain eligibility criteria would be granted options to subscribe to a specified number of Equity shares and/ or certain other securities of the Company in conformity with the provisions of the Guidelines.

Before any Option is granted or issued under the scheme, the Board will be constituting a Committee of Directors known as "**Compensation Committee**" consisting of a majority of independent Directors for the implementation, administration and superintendence of the scheme. The Compensation Committee will formulate the Scheme on the following mentioned terms and conditions:

- (a) Quantum of option to be granted under an ESOS per employee and in aggregate;
- (b) Conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- (c) Exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- (d) Specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- (e) Right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- (f) Procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues, merger, sale of division and other corporate actions or otherwise;
- (g) Grant, vest and exercise of option in case of employees who are on long leave;
- (h) Procedure for cashless exercise of options;
- (i) Lock-in period, if any, for the shares issued pursuant to exercise of the options;
- (j) Any other related or incidental matters in conformity with the guidelines.

The other salient terms and conditions of the scheme are as under:

(a) Total number of Options to be granted

Total number of Options under this Scheme is 85,750 (*eighty five thousand, seven hundred and fifty*)

(b) Identification of classes of Employees entitled to participate in the Scheme

The Compensation Committee of the Company has formulated the Scheme NEEMTEK-ESOP 2005 pursuant to the Guidelines for issue of Options to present and future employees and Directors of the Company but excluding promoter Directors. However, such employee would be persons who are in full time, regular and continuous service of the Company (for not less than six months) including a director of the Company, whether whole time Director or not shall be eligible to participate in the scheme.

Pursuant to provisions of the Guidelines, an employee who is a promoter or belongs to the promoter group will not be eligible to participate in the scheme and nor a director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the Scheme.

Employees will be granted Option rights based on performance and such other parameters as the Compensation Committee, in its discretion, from time to time, decide in this regard and subject to the Guidelines.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

(c) Requirements of Vesting and Period of Vesting

The Company shall grant these options within the next 24 months from the date of passing of this resolution

(d) Maximum period within which the options shall be vested

The options shall be vested after a period of 12 months from the date of its grant.

(e) Exercise Price or Pricing Formula

The options granted under the plan shall be exercisable at an exercise price, at such times and under such conditions as may be determined by the Compensation

Committee of the Board of Directors from time to time. The exercise price for the grant of options will be the closing price of the Company's Equity Shares quoted at the Stock Exchange, Mumbai (BSE), where the shares of the Company are listed, on the date of grant of option. If the share price is not quoted on the given date, then the share price on the next trading date shall be considered.

(f) Exercise Period and Process of Exercise

The exercise period will commence from the date of vesting of Options and will expire not later than 10 years or such other period as may be decided by the Compensation Committee from time to time. The options will be exercisable by the employees by a written application to the Company in such manner and on execution of such documents as are prescribed by the compensation Committee from time to time.

(g) Appraisal Process for Determining the Eligibility of Employees to the scheme

The appraisal process for determining the eligibility of an employee will be in line with the Company's existing Appraisal System and also as may be determined by the Compensation Committee based on other factors, such as, seniority, length of service, performance records, merit, and such other criteria as that may be considered by the Compensation Committee at its sole discretion.

(h) Maximum Number of options to be Issued per Employee and in Aggregate

The maximum number of options granted per employee will not exceed 2.5% of the paid up equity capital of the company as on the date of the last audited balance sheet. In the present instance it would be 42,875 shares (i.e. 2.5% of the capital of the company as on 31st March, 2005, be issued per employee). The aggregate of all such grants shall not exceed 5% of the paid up equity capital of the company as on the date of the last balance sheet.

(i) A statement to the effect that the Company shall conform to the accounting policies specified in Clause 13.1

It is hereby stated that the Company shall conform to the accounting policies specified in Clause 13.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Company shall use the market value approach or such other method in accordance with SEBI Guidelines to value its Options as may be decided by the Compensation Committee.

(j) Statement

In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' report.

(k) Procedure for Cashless Exercise

The cashless system of exercise of option will be in accordance with the terms as may be formulated by the Compensation Committee. Subject to the provisions of law, the Compensation Committee may arrange for a loan to an employee to pay for the exercise price in respect of the options exercised.

(l) Listing of the Shares

The shares allotted pursuant to the exercise of the option shall be listed on the Stock Exchange, Mumbai (BSE), where the Company's other Equity Shares are listed and necessary applications will be made to those Stock Exchanges in that behalf.

(m) Accounting Policies

The Company will conform to the accounting policies prescribed by the Guidelines.

Section 81(1A) of the Companies Act, 1956, provides inter alia, that whenever, it is proposed to increase the subscribed capital of the Company by the allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in the section unless the shareholders in General Meeting decide otherwise. The consent of shareholders is, therefore, sought to authorise the Board of Directors of the Company (including the committee thereof) to issue the shares in the manner set out in the resolution.

None of the promoter directors of the Company are concerned or interested in the above said resolution, except to the extent of Options or securities that may be offered to them.

For and on behalf of the Board

Sd/-

(K.Venkataramani)

Company Secretary and Chief Financial Officer

Place: Mumbai

Date: August 19, 2005