



ORGANIC

COATINGS LIMITED

34th ANNUAL REPORT
1998-99

ORGANIC COATINGS LIMITED

BOARD OF DIRECTORS

MR. R. K. SHAH
MR. R. C. SHAH
MR. V. D. MEHTA
MR. A. R. SHAH
MR. M. V. MEHTA
MR. AJAY R. SHAH
JUSTICE S. C. PRATAP (Retd.)
MR. A. N. PATIL
MR. K. YOSHIKAWA
MR. A. S. MEHENDALE
MR. V. B. TRIVEDI

Chairman & Managing Director

Whole-time Directors

COMPANY SECRETARY

MR. R. S. SHROFF

REGISTERED OFFICE

Akal Co-op. Hsg. Scty. Ltd.,
Bldg. No. A/2, Flat No. 1
Bamanpuri Village, J. B. Nagar
Andheri (East), Mumbai - 400 059.

FACTORY

S. V. Road
Ghodbunder Village
Post Mira
Dist. Thane - 401104.

DELHI DEPOT

A-15, Naraina Industrial Area,
Phase II,
New Delhi-110 028.

BANKERS

Bank of Maharashtra
S. P. Road Branch
Mumbai - 400 004.

LEGAL ADVISORS

Manilal Kher Ambalal & Co.

AUDITORS

Paranjape & Paranjape
Chartered Accountants

REGISTRARS & TRANSFER AGENTS

Delta Services (I) Pvt. Ltd.,
B - 1/003, Lok Bharti
Marol Maroshi Road
Andheri (East)
Mumbai - 400 059.

34th ANNUAL REPORT**NOTICE**

Notice is hereby given that the 34th Annual General Meeting of the Members of **ORGANIC COATINGS LIMITED** will be held on Tuesday the 28th September, 1999 at 4:30 p.m. at Vishal Hall, Vishal Shopping Centre, Andheri - Kurla Road, Mumbai 400 069 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as on 31st March, 1999 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. Yoshikawa who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R. C. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. D. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:
 "RESOLVED THAT Mr. A. S. Mehendale, who was appointed as an 'Additional Director' of the Company by the Board of Directors and who holds office up to the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member, proposing him as a candidate for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:
 "RESOLVED THAT Mr. Vikram Trivedi, who was appointed as an 'Additional Director' of the Company by the Board of Directors and who holds office up to the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member, proposing him as a candidate for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:
 "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and 314 read with Schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. R.K. Shah as Chairman & Managing Director of the Company for a period of 5 years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. R.K. Shah placed before this meeting and duly initialled by Mr. R.S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved.
 "RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time".
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:
 "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and 311 read with schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. R. C. Shah as Whole-Time Director, designated as Executive Director, of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. R. C. Shah placed before this meeting and duly initialled by Mr. R. S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved".
 "RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:
 "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and 314 read with Schedule XIII any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. V.D. Mehta as whole time Director, designated as Executive Director, of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. V.D. Mehta placed before this meeting and duly initialled by Mr. R.S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved".
 "RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."

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11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:
- "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and 314 read with Schedule XIII any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Abhay R. Shah as whole time Director, designated as Executive Director, of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. Abhay R. Shah placed before this meeting and duly initialed by Mr. R.S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved".
- "RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.
- "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."
12. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:
- "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and 314 read with Schedule XIII any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Manoj V. Mehta as whole time Director, designated as Executive Director, of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. Manoj V. Mehta placed before this meeting and duly initialed by Mr. R.S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved".
- "RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.
- "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."
13. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:
- "RESOLVED FURTHER THAT in supersession of the Special Resolution passed at the 33rd Annual General Meeting of the Company held on 19th September, 1998 and in accordance with the provisions of Section 198, 269, 309, 311 and 314 read with Schedule XIII any other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Ajay R. Shah as whole time Director, designated as Executive Director, of the Company for a period of five years with effect from 1st October, 1999 on the terms and conditions set out in the draft agreement to be entered into between the Company and Mr. Ajay R. Shah placed before this meeting and duly initialed by Mr. R.S. Shroff, Company Secretary, for the purpose of identification which agreement is hereby specifically approved".
- "RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year, the remuneration payable shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time.
- "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution."
14. **Amendment to Articles of Association of the Company.**
- To consider and if thought fit to pass the following resolution with or without modifications as a SPECIAL RESOLUTION :
- "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactments thereof, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as follows:

- A) Replace the existing Article 159 with the following:
- Board may appoint Managing Director or Managing Director(s) or Whole Time Director
- Subject to the Provisions of Section 267, 268, 269, 309, 310, 311, 316 and 317 and other applicable provisions if any of the ACT and of these Articles, the Directors may from time to time appoint one or more of their body to be Managing Director or Managing Director(s) (in which expression shall be included a Joint Managing Director) of the Company for such term not exceeding 5 years at a time as they may think fit to manage the affairs and business of the Company and may from time to time (subject to the provisions of any contract between them and the Company) remove or dismiss him or them from office or appoint another or others in his or their place or places.
- B) After article 169 of the Articles of Association of the company add a new article 169 A as under :
- Vice-Chairman
- The Directors may appoint from among themselves one or more Directors as Vice Chairman of the Board of Directors

By Order of the Board of Directors,

R. S. Shroff
Company Secretary

Registered Office :
Akai Co-op Housing Society Limited,
Building No. A/2, Flat No.1,
J. B. Nagar, Andheri (E) Mumbai 400 059
Dated : 18th August, 1999

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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.
2. The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the meeting.
3. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11:00 a.m. to 1:00 p.m. upto the date of the Annual General Meeting.
4. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. Shareholders seeking any information with regard to Accounts are requested to write to the Company at an early date as to enable the Management to keep the information ready.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 15/9/99 to 27/9/99 (both days inclusive).
7. As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies of the Annual Report to the meeting.
8. Members who have not encashed their Dividend Warrants for the financial year ended 31st March, 1996 are requested to approach the Company for revalidation / obtaining duplicate Dividend Warrant.

The logo for Report Junction, featuring the word "Report" in a light blue font, a yellow diamond shape with a black arrow pointing upwards and to the right, and the word "junction.com" in a light blue font, all enclosed within a light green rounded rectangular border.

ORGANIC COATINGS LIMITED**DIRECTORS' REPORT**

Ladies & Gentlemen,

The Directors have pleasure in presenting the 34th Annual Report along with the Audited Statement of Accounts and Auditors' Report for the year ended 31st March, 1999.

The Year In Retrospect

During the year the Company achieved a turnover of Rs. 13.44 Crores as compared to Rs. 12.30 crores in the previous year showing an increase of 9.3%. The export sales were Rs. 16.33 lakhs as compared to Rs. 43.17 lakhs last year. The year's operations resulted in a profit of Rs. 29.27 lakhs as against loss of Rs. 34.73 lakhs last year, after providing depreciation of Rs. 41.48 lakhs (Previous year 38.06 lakhs) and Income Tax of Rs. 3.55 lakhs (Previous year Nil).

FINANCIAL RESULTS:

	Rs.	Rs.
	1998-99	1997-98
Profit before Depreciation and Tax	74,29,423	3,33,259
Depreciation	41,47,608	38,06,049
Provision for Tax	3,55,000	NIL
Profit/(Loss) for the year	29,26,815	(34,72,790)
Prior year's Income Tax Adjustment	1,20,295	(82,973)
Previous year's balance	29,74,248	65,30,011
Profit available for Appropriation	57,80,768	29,74,248
Balance carried forward	57,80,768	29,74,248

DIVIDEND

In order to conserve the financial resources of the Company, the Directors have decided not to recommend any dividend this year.

BUSINESS OPERATIONS

Over the years the Company has found that the Solvent Inks Division was not giving profits and was a drag on its operations. Therefore, the Board of Directors have decided to close down the Solvent Inks Division and to concentrate on UV Inks and Water Based Inks and Varnishes.

The Board of Directors are glad to report that during the year the Company achieved ISO 9001 certification from TÜV CERT certification Body of Rheinisch-Westfälischer for Total Quality Management. This is indeed a milestone in the history of the Company and the Directors are hopeful that the Company's products will now have ready acceptability with this Quality Certification.

Although at the macro level there are signs of an incipient economic recovery, the Printing Ink Industry is still facing stagnancy and sluggish business conditions. The Company's sales are, therefore not very encouraging. The Board of Directors are taking stringent steps of cost reduction and maximum utilisation of available resources in order to maintain the profitability in current year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. Yoshikawa, Mr. R. C. Shah and Mr. V. D. Mehta retire by rotation and are eligible for reappointment. During the year Mr. Vikram Trivedi and Mr. A. S. Mehendale were appointed as Additional Directors and will hold office upto the date of forth coming Annual General Meeting.

The Board of Directors at their meeting held on 18th August, 1999 have re-appointed

Mr. R. K. Shah	as Chairman & Managing Director
Mr. R. C. Shah	as Executive Director
Mr. V. D. Mehta	as Executive Director
Mr. A. R. Shah	as Executive Director
Mr. M. V. Mehta	as Executive Director
Mr. Ajay R. Shah	as Executive Director

for a period of 5 years from 1st October, 1999 and have fixed their remuneration in accordance with the provisions of Schedule XIII of the Companies Act, 1956. The resolutions for their appointment will be submitted to share holders for their approval at the forth coming Annual General Meeting of the Company.

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The Company has not accepted any deposit from the public during the year.

INDUSTRIAL RELATIONS

The Company is happy to have extremely cordial industrial relations with the workers and the staff. During the year, a three year wage agreement was signed with the Workers' Union covering wages, bonus and other allowances.

Y2K Compliance

The Company has been actively working on the Y2K hardware / software problem and has already made significant progress in this area. The Company has initiated a series of prudent and reasonable steps to minimize the risk of exposure to Y2K problem and remedial process will be completed by 30th November, 1999. The total cost of ensuring Y2K compliance has not yet been quantified and is not expected to be significant.

DISCLOSURE OF PARTICULARS

Information as required under Section 217(1)(E) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 relation to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is given in Annexure 'A' forming part of this report.

PARTICULARS OF EMPLOYEES

None of the employees is covered under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s. Paranjpe and Paranjpe, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment as Auditors and to fix their remuneration. Certificate has been received to the effect that the appointments, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

THANKS

The Board of Directors would like to place on record their thanks and gratitude for the valuable support received from Maharashtra State Financial Corporation, Company's Bankers - Bank of Maharashtra, Suppliers, Customers and most importantly our share holders.

By Order of the Board of Directors

Place : Mumbai

Date : August 18, 1999

R. K. Shah

Chairman & Managing Director

ORGANIC COATINGS LIMITED**EXPLANATORY STATEMENT****AS REQUIRED BY****SECTION 173 OF THE COMPANIES ACT, 1956**

The following explanatory statement sets out as required by Section 173 of the Companies Act, 1956, the material facts relating to the Special Business under Item nos. 6 to 14 referred to in the notice dated 18/8/99

ITEM NO. 6 & 7

The Board of Directors at its meeting held on 19th September 1998 had appointed Mr. A. S. Mehendale and Mr. Vikram Trivedi as Additional Directors of the Company. In terms of Section 260 of the Companies Act, 1956 and Article No. 137 of the Articles of Association of the Company, they hold office only till the date of this Annual General Meeting. The Company has received notices in writing from the Members pursuant to Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- proposing candidature of Mr. A. S. Mehendale and Mr. Vikram Trivedi as the Directors of the Company at the ensuing Annual General Meeting. The Directors recommend the resolutions for the acceptance of the Members.

Mr. A. S. Mehendale and Mr. Vikram Trivedi may be regarded as concerned or interested in the respective resolution concerning their appointment. No other Director of the Company is interested in the resolutions.

ITEM NO. 8 TO 13

The Board of Directors at its meeting held on 18/8/99 have re-appointed the following for a period of 5 years with effect from 1/10/99

Mr. R. K. Shah	-	Chairman & Managing Director
Mr. R. C. Shah	-	Executive Director
Mr. V. D. Mehta	-	Executive Director
Mr. Abhay R. Shah	-	Executive Director
Mr. Manoj V. Mehta	-	Executive Director
Mr. Ajay R. Shah	-	Executive Director

The terms and conditions as to Salary, Annual Increments, Bonus etc. are set out in the draft of the Agreements proposed to be entered into between the Company and the respective Whole Time Directors and interalia, contain the following terms and conditions :

The Chairman & Managing Director and the other Whole Time Directors shall, subject to the supervision and control of the Board of Directors of the Company, manage the Business and Affairs of the Company.

Period of Employment

5 years with effect from 1st October, 1999.

Remuneration payable to each of them.

i. Salary

Name	Designation	Salary per month
R. K. Shah	Chairman & Managing Director	31000.00
R. C. Shah	Executive Director	29000.00
V. D. Mehta	Executive Director	30000.00
Abhay R. Shah	Executive Director	17500.00
Manoj V. Mehta	Executive Director	17500.00
Ajay R. Shah	Executive Director	12000.00

Basic salary is inclusive of dearness allowance and all other allowances not specified herein.

ii. Annual Increments

The Chairman & Managing Director and all other Whole Time Directors will be given minimum annual increment of 5% of basic salary. However, the Board of Directors will have discretion to consider merit based higher annual increment taking into account the Company's performance and subject to the ceiling of 10% of the basic salary. The annual increment will be effective from 1st April, 2000.

iii. Bonus

Annual bonus of an amount equal to one month's basic salary. However, the Board of Directors will have discretion to consider higher bonus subject to the ceiling of 20% of the annual basic salary.

iv. Perquisites

House rent allowance : House rent allowance at 60% of basic salary.

Medical Reimbursement : Reimbursement of all medical expenses actually incurred for self and family subject to a ceiling of one month's basic salary. "Family" will mean his wife and his dependant minor children.

Leave Travel Allowance : Reimbursement of actual leave travel expenses once in a year for himself and family to any destination in India by air / road not exceeding one month's basic salary.

Clubs : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

Personal Accident Insurance : The Personal accident insurance of an amount the annual premium of which shall not exceed Rs.4000/

Car : The Company will provide a car for official use.

Telephone : Provision of telephone at residence and mobile for local calls and long distance official calls. Personal long distance calls shall be billed by the Company and debited to the Director's account.