



***ORGANIC
COATINGS LIMITED***
(AN ISO 9001 COMPANY)

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***37th ANNUAL REPORT
2001 - 2002***

BOARD OF DIRECTORS

| | |
|-------------------------------------|---|
| MR. R. K. SHAH | <i>Chairman & Managing Director</i> |
| MR. V. D. MEHTA | <i>Vice Chairman</i> |
| MR. ABHAY R. SHAH | <i>Jt. Managing Director</i> |
| MR. AJAY R. SHAH | <i>Whole - time Director</i> |
| MR. M. V. MEHTA | <i>Whole - time Director</i> |
| JUSTICS S. C. PRATAP (RETD.) | <i>Director</i> |
| MR. V. B. TRIVEDI | <i>Director</i> |
| MR. A. S. MEHENDALE | <i>Director</i> |
| MR. K. Y. YOSHIKAWA | <i>Director</i> |

| | |
|-------------------------|--------------------------|
| MR. K. D. GADGIL | <i>Company Secretary</i> |
|-------------------------|--------------------------|

REGISTERED OFFICE

Akai 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 - 401 1004.

BANKERS

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

LEGAL ADVISORS

Manilal Kher Ambalal & Co.

AUDIORS

Paranjape & Paranjape
Chartered Accountants

REGISTRATS & TRANSFER AGENT

Delta Services (I) Pvt. Ltd.
Proto Prima Chambers, 2nd Floor,
Near Lawrence Health Chamber,
Suren Road, Chakala, Andheri (East),
Mumbai - 400 093.

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37th ANNUAL REPORT**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty Seventh Annual General Meeting of Organic Coatings Ltd. will be held at the Registered Office of the Company at Flat No.1, Bldg., No. A/2, Akal Co-operative Housing Society Ltd., J. B. Nagar, Andheri (E), Mumbai 400 059 on Saturday the 27th July 2002 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2002 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Ajay R. Shah, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Mr. Manoj V. Mehta, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Mr. K. Y. Yoshikawa, who retires by rotation and though eligible does not offer himself for re-appointment.
5. To appoint auditors and fix their remuneration

SPECIAL BUSINESS**6. Revision in the terms of remuneration of Mr. Abhay R. Shah, Whole Time Director.**

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

"RESOLVED THAT in partial modification of Resolution No. 11 passed at the Annual General Meeting held on 28/09/1999 for appointment and terms of remuneration of Mr. Abhay R. Shah, Whole Time Director of the Company and in accordance with the provisions of Section 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, the Company approves the variation in the terms of remuneration and perquisites of Mr. Abhay R. Shah, Whole Time Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year) w.e.f. 1st April 2002 for the remainder of the term of his contract as set out in the draft supplemental agreement submitted to this meeting and signed by a Director for the purpose of identification, which agreement is hereby specially sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions thereof in such manner as may be agreed to between the Board of Directors and Mr. Abhay R. Shah."

7. Revision in the terms of remuneration of Mr. R. K. Shah, Chairman & Managing Director.

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 read with Schedule XIII of the Companies Act, 1956 as amended from time to time and other applicable provisions if any of the said Act, the approval of the Company be and is hereby accorded to the variation in the perquisites payable / allowable to Mr. R. K. Shah, Chairman & Managing Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year) for the remainder of the term of his contract w.e.f. 1st April 2002 as set out in the Explanatory Statement."

8. Revision in the terms of remuneration of Mr. Ajay R. Shah, Whole Time Director.

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 read with Schedule XIII of the Companies Act, 1956 as amended from time to time and other applicable provisions if any of the said Act, the approval of the Company be and is hereby accorded to the variation in the perquisites payable / allowable to Mr. Ajay R. Shah, Whole Time Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year) for the remainder of the term of his contract w.e.f. 1st April 2002 as set out in the Explanatory Statement."

ORGANIC COATINGS LIMITED

9. Revision in the terms of remuneration of Mr. V. D. Mehta, Whole Time Director.

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 read with Schedule XIII of the Companies Act, 1956 as amended from time to time and other applicable provisions if any of the said Act, the approval of the Company be and is hereby accorded to the variation in the perquisites payable / allowable to Mr. V. D. Mehta, Whole Time Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year) for the remainder of the term of his contract w.e.f. 1st April 2002 as set out in the Explanatory Statement."

10. Revision in the terms of remuneration of Mr. Manoj V. Mehta, Whole Time Director.

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 read with Schedule XIII of the Companies Act, 1956 as amended from time to time and other applicable provisions if any of the said Act, the approval of the Company be and is hereby accorded to the variation in the perquisites payable / allowable to Mr. Manoj V. Mehta, Whole Time Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year) for the remainder of the term of his contract w.e.f. 1st April 2002 as set out in the Explanatory Statement."

By order of the Board
For Organic Coatings Limited

K. D. Gadgil
Company Secretary.

Date : 30-05-2002

Place : Mumbai.

Notes :-

1. The Register of Members and the Share Transfer Books of the Company will be closed from 15-07-2002 to 27-07-2002, both days inclusive, for the purpose of the Annual General Meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
4. The time limit for transfer of Unpaid Dividend has been enhanced from 3 years effective October 31, 1998 as per Section 205C inserted by clause 12 of the Companies Act, 1999. The same will be transferred to the "Investor Education and Protection Fund" on the expiry of seven years from the date of declaration of dividend.
5. Explanatory statement under section 173 (2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto.

By order of the Board
Organic Coatings Limited

K. D. Gadgil
Company Secretary.

Date : 30-05-2002

Place : Mumbai.

37th ANNUAL REPORT**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.6**

At the Annual General Meeting of the Company held on 28/09/1999, the members had approved of the appointment of Mr. Abhay R. Shah as Whole Time Director of the Company on such remuneration as was specified in the Explanatory Statement annexed to the Notice of the said Meeting. With a view to bringing the remuneration of Mr. Abhay R. Shah in line with his increased responsibilities, the Board of Directors at their meeting held on 30-05-2002 increased his remuneration and perquisites as under w.e.f. 1st April 2002 for the balance period of his present term, i.e. upto 30-09-2004:

| | From | To |
|------------------------------|----------|----------|
| Basic Salary (Rs. per month) | 19,753/- | 32,500/- |
| House Rent (Rs. per month) | 11,852/- | 18,500/- |
| | ----- | ----- |
| | 31,605/- | 51,000/- |
| | ===== | ===== |

He will also be reimbursed electricity bill subject to the following limit:

Rs. 5,000/- per month or actual electricity bill whichever is less but not exceeding Rs. 60,000/- per annum.

All other terms and conditions of the appointment of Mr. Abhay R. Shah, as approved earlier by the members, will remain unchanged.

The resolution for the revision in the remuneration of Mr. Abhay R. Shah is commended for acceptance by the members.

This increase is within the limits prescribed under Schedule XIII of the Companies Act, 1956 but requires approval of the members at the General Meeting.

None of the directors except Mr. Abhay R. Shah, his father Mr. R. K. Shah and his brother Mr. Ajay R. Shah are deemed to be interested or concerned with this resolution.

The draft supplemental agreement between the Company and Mr. Abhay R. Shah is available for inspection at the Registered Office of the Company between 11.00 a.m to 1.00 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr. Abhay R. Shah pursuant to Section 302 of the Companies Act, 1956.

Item No. 7

At the Annual General Meeting of the Company held on 28/09/1999 the members had approved of the appointment of Mr. R. K. Shah, as Chairman & Managing Director of the Company for a period of five years commencing 1st October 1999 on such remuneration as was specified in the Explanatory Statement annexed to the Notice of the said meeting.

The Board of Directors, at their meeting held on 30-05-2002 have increased the perquisites payable to Mr. R. K. Shah as follows with effect from 1st April 2002:

Rs.5,000/- per month or actual monthly electricity bill whichever is less but not exceeding Rs.60,000/- per annum he is occupying the premises alone.

If he sharing the same accommodation with Mr. Ajay R. Shah, the reimbursement to be restricted to Rs.5,000/- plus 10% of the salary of Mr. Ajay R. Shah per month or actual monthly electricity bill whichever is less.

All other terms and conditions of the appointment of Mr. R. K. Shah as approved earlier by the members, will remain unchanged.

The resolution for this increase in perquisites is commended for acceptance by the members.

This increase is within the limits prescribed under Schedule XIII of the Companies Act, 1956 but requires approval of the members at the General Meeting.

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None of the directors except Mr. R. K Shah as well as his sons Mr. Ajay R. Shah and Mr. Abhay R. Shah, are deemed to be interested or concerned with this resolution.

The draft supplemental agreement between the Company and Mr. R.K. Shah is available for inspection at the Registered Office of the Company between 11.00 a.m to 1.00 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr. R. K. Shah pursuant to Section 302 of the Companies Act, 1956.

Item No.8

At the Annual General Meeting of the Company held on 28/09/1999 the members had approved of the appointment of Mr. Ajay R. Shah, as Whole Time Director of the Company for a period of five years commencing 1st October 1999 on such remuneration as was specified in the Explanatory Statement annexed to the Notice of the said meeting.

The Board of Directors, at their meeting held on 30-05-2002 have increased the perquisites payable to Mr. Ajay R. Shah as follows with effect from 1st April 2002:

- 10% of his salary or actual monthly electricity bill whichever is less if he is occupying the premises alone.
- If he sharing the same accommodation with Mr. R. K. Shah, the reimbursement to be restricted to 10% of his own salary plus Rs.5,000/- or actual monthly electricity bill whichever is less.

All other terms and conditions of the appointment of Mr. Ajay R. Shah as approved earlier by the members, will remain unchanged.

The resolution for this increase in perquisites is commended for acceptance by the members.

This increase is within the limits prescribed under Schedule XIII of the Companies Act, 1956 but requires approval of the members at the General Meeting.

None of the directors except Mr. Ajay R. Shah, his father Mr. R. K. Shah and his brother Mr. Abhay R. Shah are deemed to be interested or concerned with this resolution.

The draft supplemental agreement between the Company and Mr. Ajay R. Shah is available for inspection at the Registered Office of the Company between 11.00 a.m to 1.00 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr. Ajay R. Shah pursuant to Section 302 of the Companies Act, 1956.

Item No. 9

At the Annual General Meeting of the Company held on 28/09/1999, the members had approved of the appointment of Mr. V. D. Mehta, as Whole Time Director of the Company for a period of five years commencing 1st October 1999 on such remuneration as was specified in the Explanatory Statement annexed to the Notice of the said meeting.

The Board of Directors, at their meeting held on 30-05-2002, have increased the perquisites payable to Mr. V. D. Mehta as follows with effect from 1st April 2002:

- Rs.5,000/- per month or actual monthly electricity bill whichever is less but not exceeding Rs.60,000/- per annum if he is occupying the premises alone .
- If he sharing the same accommodation with Mr. Manoj V. Mehta, the reimbursement to be restricted to Rs.5,000/- plus 10% of the salary of Mr. Manoj V. Mehta per month or actual monthly electricity bill whichever is less.

All other terms and conditions of the appointment of Mr. V. D. Mehta as approved earlier by the members, will remain unchanged.

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The resolution for this increase in perquisites is commended for acceptance by the members.

This increase is within the limits prescribed under Schedule XIII of the Companies Act, 1956 but requires approval of the members at the General Meeting.

None of the directors except Mr. V.D. Mehta as well as his son Mr. Manoj V. Mehta, are deemed to be interested or concerned with this resolution.

The draft supplemental agreement between the Company and Mr. V. D. Mehta is available for inspection at the Registered Office of the Company between 11.00 a.m to 1.00 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr. V. D. Mehta pursuant to Section 302 of the Companies Act, 1956.

Item No. 10

At the Annual General Meeting of the Company held on 28/09/1999, the members had approved of the appointment of Mr. Manoj V. Mehta, as Whole Time Director of the Company for a period of five years commencing 1st October 1999 on such remuneration as was specified in the Explanatory Statement annexed to the Notice of the said meeting.

The Board of Directors, at their meeting held on 30-05-2002, have increased the perquisites payable to Mr. Manoj V. Mehta as follows with effect from 1st April 2002:

- 10% of his salary or actual monthly electricity bill whichever is less if he is occupying the premises alone.
- If he sharing the same accommodation with Mr. V. D. Mehta, the reimbursement to be restricted to 10% of his own salary plus Rs.5,000/- or actual monthly electricity bill whichever is less.

All other terms and conditions of the appointment of Mr. Manoj V. Mehta, as approved earlier by the members, will remain unchanged.

The resolution for this increase in perquisites is commended for acceptance by the members.

This increase is within the limits prescribed under Schedule XIII of the Companies Act, 1956 but requires approval of the members at the General Meeting.

None of the directors except Mr. Manoj V. Mehta and his father Mr. V. D. Mehta are deemed to be interested or concerned with this resolution.

The draft supplemental agreement between the Company and Mr. Manoj V. Mehta is available for inspection at the Registered Office of the Company between 11.00 a.m to 1.00 p.m. on any working day of the Company.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr. Manoj V. Mehta pursuant to Section 302 of the Companies Act, 1956.

By order of the Board of Directors
For Organic Coatings Limited

K. D. Gadgil
Company Secretary.

Date : 30-05-2002
Place : Mumbai.

ORGANIC COATINGS LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting the report and the statement of accounts for the year ended 31st March 2002.

THE YEAR IN RETROSPECT

During the year the Company achieved a turnover of Rs.13.78 crores as compared to Rs.14.59 crores in the previous which shows marginal loss as against profit in last year. The export sales were Rs.48.00 lakhs as compared to Rs. 14.83 lakhs last year.

FINANCIAL RESULTS

| | (Rs.) 2001-02 | (Rs.) 2000-01 |
|------------------------------------|--------------------|------------------|
| Profit before Depreciation and Tax | 22,89,130 | 39,28,505 |
| Depreciation | 32,06,738 | 35,71,208 |
| Provision for Tax | NIL | 31,500 |
| Profit (Loss) for the year | (9,17,608) | 3,25,797 |
| Prior year's Income Tax Adjustment | 18,511 | 1,30,721 |
| Previous Year's balance | 23,68,352 | 21,78,526 |
| Profit available for Appropriation | 14,22,462 | 23,68,352 |
| Balance carried forward | 14,22,462 | 23,68,352 |

DIVIDEND

The Directors regret their inability to declare any dividend for the year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made that 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 ended 31st March 2002 and the profit and loss account for the year ended 31st March 2002;
- 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

Mr. R. C. Shah relinquished office as a Director of the Company w.e.f. 1st April 2002 after a meritorious and long service of 34 years with the Company for health reasons. The Directors wish to place on record their appreciation for the contributions made by Mr. R. C. Shah to the progress of the Company throughout his tenure as a Director of the Company.

Mr. Ajay R. Shah, Mr. K.Y. Yoshikawa and Mr. Manoj V. Mehta retire by rotation, and except Mr. Yoshikawa, others being eligible offer themselves for re-appointment.

37th ANNUAL REPORT**CORPORATE GOVERNANCE**

In accordance with the report on Corporate Governance by the Kumar Mangalam Birla Committee and amendments to the listing agreement, your Company has complied with all mandatory recommendations. A report on Corporate Governance is provided elsewhere in this Annual Report.

DEPOSITS

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

INDUSTRIAL RELATIONS

The Company is happy to have extremely cordial industrial relations with the workers and the staff.

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 relating to conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is given in Annexure 'A' forming part of this report.

EMPLOYEES

Particulars of the employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) rules, 1975 are given in Annexure 'B' to this report.

AUDITORS

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

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record its 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
For Organic Coatings Limited

Place : Mumbai
Date : 30-05-2002

R. K. Shah
Chairman & Managing Director