



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

**38th ANNUAL REPORT
2002 - 2003**

BOARD OF DIRECTORS

MR. R. K. SHAH	<i>Chairman & Managing Director</i>
MR. ABHAY R. SHAH	<i>Joint Managing Director</i>
MR. AJAY R. SHAH	<i>Whole Time Director</i>
MR. MANOJ V. MEHTA	<i>Whole Time Director</i>
JUSTICE S. C. PRATAP (RETD.)	<i>Director</i>
MR. V. B. TRIVEDI	<i>Director</i>
MR. A. S. MEHENDALE	<i>Director</i>
MR. V. D. MEHTA	<i>Director</i>
MR. K. D. GADGIL	<i>Company Secretary</i>

REGISTERED OFFICE

Akal Co-op. Hsg. Socy. 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 - 401 104.

BANKERS

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

LEGAL ADVISORS

Manilal Kher Ambalal & Co.

AUDITORS

Soman Uday & Co.,
Chartered Accountants

REGISTRARS & TRANSFER AGENT

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

38th Annual General Meeting will be held on Saturday, the 26th July 2003 at 4.00 p.m. at the Company's Registered Office at Akal Co-op. Housing Society Ltd., Flat No. 1 Bldg. A-2, J.B. Nagar, Andheri (East), Mumbai - 400 093.

Contents

	Page
Board of Directors	02
Notice	03 - 05
Directors' Report	06 - 09
Management Discussion & Analysis	10
Report on Corporate Governance	11 - 16
Auditor's Report	17 - 19
Balance Sheet	20
Profit & Loss Account	21
Schedules to the Accounts	22 - 26
Notes to Accounts	27 - 32
Balance Sheet Abstract & Business Profile	33
Cash Flow Statement	34
Attendance Slip/ Proxy Form	35

ORGANIC COATINGS LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty Eighth 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, July 26, 2003 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 2003 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Abhay R. Shah, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Mr. A. S. Mehendale, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Mr. Vikram B. Trivedi, who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint auditors and 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. V. D. Mehta, who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, under section 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, 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 a **Special Resolution**:-

"RESOLVED THAT the Company hereby grants its approval and consent under section 314 of the Companies Act, 1956 to the appointment of Mr. V. D. Mehta, himself a director and a relative of Mr. Manoj V. Mehta, who is a Director of the Company, as Technical Advisor to the Company on a remuneration of Rs. 9,000 per month and that the directors be and they hereby are authorised to grant from time to time Mr. V. D. Mehta such increase as the directors may in their discretion think fit but, so that his remuneration shall not exceed Rs.10,000/- per month".

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 applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the 'Delisting Guidelines') and subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactments thereof for the time being in force], the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof constituted by the Board) the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Stock Exchanges at Ahmedabad and Pune.

By order of the Board

K. D. Gadgil
Company Secretary.

Date : 14-06-2003
Place : Mumbai.

NOTES:-

1. The Register of Members and the Share Transfer Books of the Company will be closed from 21-07-2003 to 26-07-2003, 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 unpaid dividend for the year 1995-96 is due for transfer to the Investor Education and Protection Fund on expiry of seven years from the date of declaration pursuant to the provisions of Section 205C of the Companies Act, 1956. Those members who have not claimed the same are requested to write to the Company for the same on or before 5th November 2003.
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

K. D. Gadgil
Company Secretary.

Date : 14-06-2003

Place : Mumbai.

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

Mr. V. D. Mehta joined the Board of the Company on 1-02-2003 as an Additional Director and as per provisions of section 260 of the Companies Act, 1956 he holds office as a Director upto the date of this Annual General Meeting. The Company has received a Notice from a member along with deposit of Rs.500/- signifying his intention to propose Mr. V. D. Mehta as a Director.

The Board of Directors recommend the passing of the resolution. None of the directors except Mr. V. D. Mehta and his son Mr. Manoj V. Mehta are in any way concerned or interested in the resolution.

Item No. 7

Consequent upon the resignation of Mr. V. D. Mehta as Whole Time Director, the Board of Directors felt that he should be continued on the Board as a Director. Besides the Board also felt that the Company should continue to receive the benefit of his technical expertise and accordingly retained him as a Technical Advisor. This amounts to a Director holding a place of profit in the Company which requires approval of the members by way of a Special Resolution u/s. 314 of the Companies Act, 1956. Even though the remuneration of Rs.9000/- per month being paid to him with effect from 1st February 2003 is below the threshold limit of Rs.10000/- per month which the Board is empowered to approve on its own, consent of the members to this payment is being sought as a matter of abundant precaution. The Board recommend passing of the resolution to the members:

None of the directors except Mr. V. D. Mehta and his son Mr. Manoj V. Mehta are interested in or otherwise concerned with this resolution.

Item No. 8

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") incorporating among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any other person from the Stock Exchanges.

ORGANIC COATINGS LIMITED

Presently, the Company's equity shares are listed on the following three Stock Exchanges:

1. The Stock Exchange, Mumbai
2. The Pune Stock Exchange Ltd.
3. The Stock Exchange, Ahmedabad

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the trading in the Company's equity shares on Ahmedabad and Pune Stock Exchanges is negligible if not nil.

The Company's equity shares are one of the scrips which the Securities and Exchange Board of the India (SEBI) has specified for settlement only in dematerialised form by all investors, since 30th April, 2001. It is also observed that the listing fee paid to Stock Exchanges other than BSE is disproportionately high compared to the extremely low trading volumes of the Company's securities on those Exchanges. The Company has proposed this resolution, which will enable it to delist its equity shares at any time in future from the following Stock Exchanges:

1. The Stock Exchange, Ahmedabad
2. The Pune Stock Exchange Ltd.

The Company's equity shares will continue to be listed on the Stock Exchange, Mumbai after the proposed delisting.

Your Directors commend the Special Resolution for members' approval.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

By order of the Board of Directors

K. D. Gadgil
Company Secretary.

Date: 14-06-2003
Place: Mumbai

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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 2003.

THE YEAR IN RETROSPECT

During the year the Company achieved a turnover of Rs.16.99 crores as compared to Rs.13.82 crores in the previous year.

FINANCIAL RESULTS

(Rs.)

	2002-03	2001-02
Profit before Depreciation and Tax	61,46,911	22,89,130
Depreciation	33,69,382	32,06,738
Profit (Loss) for the year	27,77,529	(9,17,608)
Prior year's Income Tax Adjustment	6,450	18,511
Provision for Tax	10,01,067	9,771
Previous Year's balance	14,22,462	23,68,352
Reserve for doubtful debts	2,00,000	Nil
Transfer to General Reserve	30,00,816	Nil
Profit available for Appropriation	4,558	14,22,462
Balance carried forward	4,558	14,22,462

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 2003 and the profit and loss account for the year ended 31st March 2003;
- 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. V. D. Mehta resigned as a Whole Time Director of the Company for health reasons with effect from 31st January 2003 but was pleased to continue on the Board as a Director with effect from 01-02-2003. The directors are pleased to record their appreciation for the contribution made by Mr. V. D. Mehta in the conduct of the Company's affairs throughout his tenure as a Whole Time Director and hope that his continued presence on the Board would enable the Company to avail of his advice and guidance, especially in technical matters.

Mr. Abhay R. Shah, Mr. A. S. Mehendale and Mr. Vikram B. Trivedi retire by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

In accordance with the report on Corporate Governance, by the Kumar Managalam 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. Also a certificate of the auditors of your company regarding compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is enclosed.

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

The Company does not have any employees whose particulars are required to be disclosed under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s. Soman Uday & Co., who were appointed as Statutory Auditors, and who retire as such at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. Their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and the Company has received a Certificate to that effect from them.

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, viz. Bank of Maharashtra, Suppliers, customers and most importantly our shareholders.

By order of the Board of Directors
Organic Coatings Limited

R. K. Shah
Chairman & Managing Director

Place : Mumbai

Date : 14-06-2003

ORGANIC COATINGS LIMITED**ANNEXURE A
FORM 'A'**

Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	Year ended 31 st March 2003	Year ended 31 st March 2002
A. Power and Fuel Consumption		
1 Electricity		
(a) Purchased Unit	6,63,200	6,38,700
Total Amount (Rs.)	30,78,139	32,34,583
Rate / Unit (Rs.)	4.64	5.06
(b) Own Generated Units	808	540
Total Amount (Rs.)	16,481	7807
Rate / Unit (Rs.)	20.39	14.45
2 Coal	Not Applicable	Not Applicable
3 Furnace Oil + Light Diesel Oil	Not Applicable	Not Applicable
4 Others / Internal Generation	Not Applicable	Not Applicable
5 Consumption per unit of Production	3.94	5.16

Since the Company manufactures several inks and having regard to the records and other books maintained by the Company, it is impracticable to apportion the utilities.

**ANNEXURE A
FORM 'B'****DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH, DEVELOPMENT (R&D) AND
ABSORPTION OF TECHNOLOGY**

- B 1. Specific areas in which R&D carried out by the Company:**
- a) Water-based and UV curing flexo inks for printing labels using nilox rollers upto 900 liner per linear inch.
 - b) High gloss water-based O.P.Coating on gravure solvent-based inks prints in line.
 - c) Pigment concentrates for water-based systems.
 - d) UV S.S.Coatings on matt laminated board.
 - e) UV S.S. Non-yellowing coatings for PVC substrates/PVC prints compatible with solvent-based over spraying lacquer.
 - f) Pearlescent Offset Ink
 - g) Web Hybrid Process Inks for dual purpurpose (Heatset & Coldset)

2. Benefits derived as a result of the above R&D :
 a) Meeting new requirements of market from time to time.
 b) UV and Water-based matt coatings giving contrast effects against the gloss coating.
 c) Web Hybrid Process Inks for dual purpose will help customers to control inventory.
3. Future plan of action :
 a) Hybrid wet offset UV Inks for coated stock;
 b) High conc. high performance transparent inks on metallised polyester.
 c) Water-based flexo inks for treated LDPE/HDPE.
 d) Duct fresh sheetfed offset process inks for all types of papers.
4. Expenditure on R&D :
 (i) Capital Rs. 8,31,847.00
 (ii) Recurring Rs. 29,813.00
 (iii) Total Rs. 8,61,660.00
 (iv) Total R&D expenditure as a percentage of total turnover 0.51%
5. Technology absorption, adaptation, and innovation :
 i) Efforts in brief, made towards Technology absorption, adaption and innnovation
 Extensive research work has helped in developing web hybrid inks and pearlescent inks which have been well accepted by the market. In-house developments of pigment concentrates and incorporation of the same in high performance water-based inks has helped in printing very fine screen work using anilox rollers upto 900 lines per linear inch.
- ii) Benefits derived as a result of the above efforts eg. product improvement, cost reduction, product development, import substitution etc.
 Use of indigenous materials in the formulation of water-based inks has helped in overall cost reduction.
 Continous improvement in quality and cost reduction in sheetfed heatset and coldset web process inks.
- C. Foreign Exchange earned & used
 The company has earned Rs. 54,54,700 in Foreign Exchange & used Rs. 3,30,78,882 of Foreign Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS :**Sales :**

Current financial year witnessed healthy growth of 22% in turnover as compared to negative growth last year. Export turnover increased from Rs.38.75 lacs to Rs.54.55 lacs.

Technical Development :

Company has undertaken a project for development of water-based flexo inks, uv radiation curing ink with assistance from Department of Scientific & Industrial Research. The work of development is almost over and your company hopes to start commercial production during current financial year.

Labour Relations :

Company has consistently good relations with workers. We have concluded agreement with Union for 3 years.

ISO Certification :

Company has been awarded EN ISO 9001:2000/IS ISO 9000:2000 Certificate. The Company is planning to achieve ISO 14000 environment related Certification.

PROSPECTS FOR CURRENT FINANCIAL YEAR :

With the concentrated efforts by marketing department, Company was able to achieve higher turnover. Realising that the current trend of order position is better than last year and in order to improve production capacity and to achieve economy of scale, company has imported new triple roll mill from Switzerland. Mill was commissioned within 4 days from receipt in factory and has started commercial production. With the trend of turnover in first 3 months your company is hopeful of improving the turnover and profitability by 10%.

INTEREST COST :

With better management of finances the interest paid on CC account was Rs. 36.63 lacs as compared to Rs. 40.61 lacs in the previous year. Reduction in rate of interest by Bank of Maharashtra has also contributed in reducing the interest cost.

CAUTIONERY NOTE:

Certain statements in above report may be forward looking and are stated as required by the legislation in force. The actual result may be affected by many factors. (Force majeure) that may be different from what directors/management envisage in terms of future performance and outlook.