



ORGANIC
COATINGS LIMITED
(AN ISO 9001 COMPANY)

40th ANNUAL REPORT
2004 - 2005



40th ANNUAL REPORT**BOARD OF DIRECTORS**

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

REGISTERED OFFICE

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

CONTENTS

	Pages
Board of Directors	03
Notice	04 - 06
Directors' Report	07 - 10
Management Discussion & Analysis	11
Report on Corporate Governance	12 - 18
Auditor's Report	19 - 21
Balance Sheet	22
Profit & Loss Account	23
Schedules to the Accounts	24 - 28
Notes to Accounts	29 - 34
Balance Sheet Abstract & Business Profile	35
Cash Flow Statement	36
Attendance Slip/ Proxy Form	37

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

**40th Annual General Meeting will be held on
Saturday, the 13th August 2005 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 400 059.**

REGISTRAR & TRANSFER AGENT

MCS Limited, Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11, M. I. D. C., Andheri (East),
Mumbai 400 093.

Tel : 2821 5235 Fax : 2835 0456

Website: www.mcsind.com Email : mcsmum@vsnl.com

ORGANIC COATINGS LIMITED

NOTICE

Notice is hereby given that the 40th 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 13th August, 2005 at 4.00 p.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account of the Company for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Manoj V. Mehta, who retires by rotation and being eligible, offers himself for re-appointment .
3. To appoint a Director in place of Mr. Abhay R.Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and fix their remuneration.

Special Business:

5. 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 Clause 49 of the Listing Agreement with Stock Exchange, the Company be and is hereby approve payment of sitting fees to the directors for attending meetings of the Board of Directors and Committees thereof, as may be decided by the Board of Directors from time to time, within the limits prescribed under provisions of Section 309, 310 and other applicable provisions if any, of the Companies Act, 1956 and the Rules made thereunder and any modifications thereof”.

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

“RESOLVED THAT pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors to borrow any sums or sums of money from time to time, with or without security and on such terms and conditions as the Board may think fit notwithstanding that the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the total amount so borrowed by the Board of Directors shall not exceed the sum of Rs 25 Crores (Rupees Twenty five Crores only).

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, expedient and usual to give effect to this resolution”.

7. Draft Ordinary Resolution (to be passed through Postal Ballot pursuant to section 192A of the Companies Act, 1956)

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

“RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors for creation of such mortgages, charges and hypothecations by the Company as may be necessary on such of the assets of the Company both present and future, in such manner as the Board may be required to provide in favour of the Company's Banks, Financial institutions, or any other lending institutions for securing the monies borrowed and/or to be borrowed from them”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, expedient and usual to give effect to this resolution”.

By order of the Board of Directors.
For Organic Coatings Ltd.,
Sudhir R. Shah
Company Secretary

Date : 04-06-2005
Place : Mumbai

40th ANNUAL REPORT**NOTES :**

1. 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.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members / Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. The Register of Members and the Share Transfer Books of the Company will be closed from 3-8-2005 to 13-8-2005 both days inclusive, for the purpose of the Annual General Meeting.
8. Explanatory statement under section 173 (2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto.
9. With regard to the Item No. 7 of the notice, shareholders are requested to send their assent or dissent in writing to the scrutinizer at the registered office of the Company by Postal Ballot Form in a self addressed Postage prepaid envelope dispatched simultaneously with this notice.

The postal ballot form duly completed and signed should be forwarded to the registered office of the Company so as to reach the Company not later than the close of working hours on 9th August, 2005

There shall be one postal ballot for every folio irrespective of the number of joint holders in respect thereof.

The postal ballot shall not be exercised by proxy.

In accordance with the company's (passing of Resolutions by the Postal Ballot) Rules 2001, postal ballot(s) received after 9th August, 2005 shall be treated as if the reply from the shareholders has not been received. The same shall not be considered.

Incomplete, unsigned or incorrectly ticked Postal Ballot forms shall be rejected.

The scrutinizer and our Chairman's decision on the validity of Postal Ballot shall be final.

PROCEDURE TO BE FOLLOWED FOR CONDUCTING BUSINESS THROUGH POSTAL BALLOT:

The Company has appointed Mr. Uday Soman of Soman Uday & Co., Chartered Accountants as scrutinizer who is in the opinion of the Board can conduct the Postal Ballots voting process in a fair and transparent manner as scrutinizer.

The scrutinizer will be in a position for 33 days from the date of posting the Postal Ballot Forms and will submit his final approval on or before 13th August, 2005.

The scrutinizer will be available at the registered office of the Company for the purpose of ascertaining the requisite majority and all other papers related to the Postal Ballots will be under his safe custody till the Chairman considers, approves and signs the minutes of the meeting.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item 5**

Rule 10 B of the Companies (Central Government 's) General Rules & Forms, 1956 permits payment of sitting fees up to Rs 10,000 per meeting for attending meetings of the Board of Directors or a Committee thereof, in case of companies with a paid up share capital and free reserves of less than Rs 10 crores or turnover of less than Rs 50 crores.

Your company is in compliance of the above criteria and is therefore, permitted to pay sitting fees upto Rs 10,000 per meeting of the Board of Directors or a Committee thereof.

ORGANIC COATINGS LIMITED

Accordingly your company is presently paying sitting fees of Rs 10,000 per meeting to non-executive independent directors for attending meetings of the Board of Directors and its Committees viz Audit Committee, Shareholders Committee and Remuneration Committee.

Securities & Exchange Board of India, has by its circular dated 29th October, 2004 revised Clause 49 of the Listing Agreement pertaining to corporate governance. Revised Clause 49 inter-alia provides that all fees/ compensation paid to non-executive directors including independent directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in a general meeting.

Your directors recommend the resolution for approval of the members.

The following non-executive independent directors are deemed to be interested ;

- a) Justice S. C. Pratap
- b) Mr V. B. Trivedi
- c) Mr. A.S. Mehendale

Item 6

Under the provision of Section 293(1) (d) of the Companies Act, 1956 the Board of Directors of a public company cannot except with the consent of the shareholders in the general meeting, borrow (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves of the Company. At present the Company is having working facilities and term loan facilities from its banker viz. Bank of Maharashtra are within the limits. However the Company is now approaching for higher credit limits from banks and also based on the future financial needs and business exigencies will have to approach financial institutions/other lending institutions or persons which may exceed the said limits prescribed under section 293 (1) (d) of the Act. In view of this it is proposed to authorize the Board of Directors to borrow any sums or sums of money from time to time, with or without security and on such terms and conditions as the Board may think fit notwithstanding that the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the total amount so borrowed by the Board of Directors shall not exceed the sum of Rs. 25 Crores.

Your directors recommend the resolution for approval of the members.

None of the directors of the Company is interested or concerned in the said resolution.

Item 7

Under the provision of Section 293(1)(a) of the Companies Act, 1956 the Board of Directors of a public company cannot except with the consent of the shareholders in the general meeting sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company. Presently the Company has created mortgage on land, building and hypothecation of plant & machinery, stock in trade and book debts in favour of Company's bankers viz. Bank of Maharashtra for securing credit facilities and term loan granted to the Company. The securities created and/or to be created in favour of Company's bank, financial institutions, mutual funds and others in future as may be required by way of Mortgages/Hypothecations/charges of the Company's assets both, movable and immovable, present and future, for securing the monies borrowed and/or to be borrowed in future may be regarded as disposal of undertaking, which requires consent of the shareholders pursuant to Section 293(1) (a) of the Companies Act, 1956 as proposed in the resolution.

As per Section 192 A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the approval of members is required through postal ballot.

Your directors recommend the resolution for approval of the members.

None of the directors of the Company is interested or concerned in the said resolution.

By order of the Board of Directors
For Organic Coatings Ltd.,
Sudhir R. Shah
Company Secretary

Date : 04-06-2005

Place : Mumbai

40th ANNUAL REPORT**DIRECTORS' REPORT TO THE MEMBERS**

Dear Members,

Your Directors have pleasure in presenting their Report together with Audited Accounts for the year ended 31st March, 2005.

Financial Results

	(Rs.)	
	2004 - 2005	2003 - 2004
Profit before Depreciation and Tax	50,00,235	83,83,441
Depreciation	53,15,045	46,37,769
Profit (Loss) for the year	(3,14,810)	37,45,672
Prior year's Income Tax Adjustment	(1,66,044)	(65,196)
Less : Provision for Taxation		
Current	(4,465)	1,51,419
Deferred	22,305	5,42,072
Add: Reserve for Doubtful Debts written back	4,00,000	
Depreciation of earlier years written back	4,13,312	
Refund of Income Tax	2,87,430	
	<hr/>	<hr/>
Surplus available for appropriation	6,37,728	29,86,985
Previous Year's balance	27,91,543	4,558
Reserve for doubtful debts	—	2,00,000
	<hr/>	<hr/>
Balance carried forward	34,29,271	27,91,543

Dividend

In view of the loss for the year, no dividend is recommended for the year under review.

Operations

During the year the Company achieved a turnover of Rs. 26.20 Crores as compared to Rs. 21.01 crores in the previous year. The operating profit before depreciation and taxation for the year under review was higher at Rs. 114 Lacs compared to Rs. 87 Lacs in the previous year.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 your directors confirm that:

- in the preparation of the annual accounts for the year ended 31st March, 2005, 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, 2005 and of the loss for the year ended on that date;
- 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 for year ended 31st March, 2005 have been prepared on a going concern basis.

Directors

Mr. Manoj V. Mehta and Mr. Abhay R. Shah retire by rotation and being eligible offer themselves for re-appointment.

ORGANIC COATINGS LIMITED

Corporate Governance

As per Listing Agreement with the Stock Exchange, your Company has complied with all the mandatory recommendations in this behalf. A report on Corporate Governance is attached to this 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 Exchange 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 employee 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, Chartered Accountants retire as Auditors at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The members are requested to consider re-appointing them as Auditors and to fix their remuneration.

Acknowledgements

The Board of Directors would like to place on record its thanks and gratitude for the valuable support received from the Company's Bankers, viz. Bank of Maharashtra, Suppliers, Customers and most importantly our shareholders, workers and staff members.

For and on behalf of the Board
For Organic Coatings Limited

R. K. Shah
Chairman & Managing Director

Place : Mumbai

Date : 04.06.05

40th ANNUAL REPORT**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, 2005	Year ended 31 st March, 2004
A. Power and Fuel Consumption		
1 Electricity		
(a) Purchased Unit	9,14,700	8,94,600
Total Amount (Rs.)	41,65,679	41,28,642
Rate / Unit (Rs.)	4.55	4.62
(b) Own Generated Units	792	836
Total Amount (Rs.)	12,070	22,863
Rate / Unit (Rs.)	15.24	27.35
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	2.51	3.64

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.

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) Offset Duct Fresh Four Colour Process Inks
 - b) High speed Coldset Web Process Inks for printing speed of 72000 IPH
 - c) UV Inks for CD have been developed
 - d) UV Inks & Coatings for PVC using newer raw material with improved performance

ORGANIC COATINGS LIMITED

- e) Water-based anchor coat for non-absorbent surface to improve the acceptance of UV Ink resulting in improved adhesion.
- 2 Benefits derived as a result of the above R&D :
- a) Received bulk export order of Duct Fresh Four Colour Process Inks.
3. Future plan of action :
- a) Eco-friendly sheetfed process inks
 b) Security Inks
 c) Ink Jet Inks
 d) UV Flexo Inks
 e) Improved rheological properties
 f) Replacement of the imported raw material with indigenous products.
4. Expenditure on R&D
- | | |
|--|------------------------|
| (i) Capital | Rs. 1,92,643.00 |
| (ii) Recurring | Rs. <u>47,429.00</u> |
| (iii) Total | Rs. <u>2,40,072.00</u> |
| (iv) Total R&D expenditure as a percentage of total turnover | 0.09% |
5. Technology absorption, adaptation and innovation:
- i) Efforts in brief, made towards Technology absorption, adaption and innovation
- Continual improvement in the quality of the product using indigenous raw materials by replacing imported material is cost effectiveness and competitive market
- ii) Benefits derived as a result of the above efforts eg. product improvement, cost reduction, product development, import substitution, etc.
- Product improvement (product upgradation) with cost reduction.
- C. Foreign Exchange earned & used
- The company has earned Rs. 2,35,32,407/- in Foreign Exchange & used Rs. 5,88,95,478/- of Foreign Exchange.