



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

**41th ANNUAL REPORT  
2005 - 2006**

**ORGANIC COATINGS LIMITED****BOARD OF DIRECTORS**

<b>MR. R. K. SHAH</b>	Chairman & Managing Director
<b>MR. ABHAY R. SHAH</b>	Joint Managing Director
<b>MR. AJAY R. SHAH</b>	Whole Time Director
<b>MR. MANOJ V. MEHTA</b>	Whole Time Director
<b>JUSTICE S. C. PRATAP (RETD.)</b>	Director
<b>MR. V. B. TRIVEDI</b>	Director
<b>MR. A. S. MEHENDALE</b>	Director
<b>MR. VILAS K. SHAH</b>	Director (w.e.f. 20/12/05)

**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.

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**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.

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**41<sup>st</sup> Annual General Meeting will be held on  
Saturday, the 23<sup>rd</sup> September 2006 at 4.00 p.m.  
at Vishal Hall, Vishal Shopping Centre,  
Andheri - Kurla Road,  
Near Andheri Railway Station,  
Andheri (East), Mumbai 400 069.**

**Soman Uday & Co.,**  
Chartered Accountants

**REGISTRAR & TRANSFER AGENT**

Intime Spectrum Registry Ltd.  
C/13, Pannalal Silk Mills Compound,  
L.B.S.Marg, Bhandup (West), Mumbai 400 078.  
Tel : 2596 3838  
Fax : 2594 6969

**41th ANNUAL REPORT****NOTICE**

**Notice** is hereby given that the 41st Annual General Meeting of Organic Coatings Ltd. will be held at Vishal Hall, Vishal Shopping Centre, Andheri - Kurla Road, Near Andheri Railway Station, Andheri (East), Mumbai 400 069 on Saturday, the 23rd September, 2006 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, 2006 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. A. S Mehendale, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vikram B. Trivedi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ajay R. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

**Special Business :****6. Appointment of Mr. Vilas K. Shah as a Director of the Company.**

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

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Vilas K. Shah, who was appointed as an additional and non executive independent director of the Company who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing annual general meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a director of the Company, liable to retire by rotation “.

**7. Change of Place of Keeping Register of Members etc at New Registrar & Transfer Agent.**

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

“RESOLVED THAT in accordance with the provisions of Section 163 and all other applicable provisions, if any, of the Companies Act, 1956, the register of members, the index of members and all copies of annual returns prepared under sections 159 and 160 of the said Act together with the copies of certificates and documents required to be annexed thereto under sections 160 and 161 shall be kept in the office of INTIME SPECTRUM REGISTRY LIMITED, C-13 Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078, SEBI registered Share Transfer Agent appointed in accordance with SEBI (Registrar to an Issue and Share Transfer Agent) Rules, 1993 effective from 1st August, 2006“.

**By Order of the Board of Directors**

**Sudhir R. Shah**  
Company Secretary

Date : 24<sup>th</sup> June, 2006

Registered Office  
Flat No.1, Bldg. No. A/2,  
Akai Co-operative Housing Society Ltd.,  
J. B. Nagar, Andheri (East),  
Mumbai - 400 059.

**ORGANIC COATINGS LIMITED****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 12/09/06 to 23/09/06 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. The details pertaining to the directors, seeking re-appointment and appointment, required to be provided pursuant to Clause 49 of the Listing Agreement are furnished in the statement on Corporate Governance published elsewhere in this report.
10. The business of our registrar and share transfer agent viz. MCS Ltd. has been taken over by Intime Spectrum Registry Limited and the cut off date has been set as 31<sup>st</sup> July, 2006 and effective date of switch over as 1<sup>st</sup> August, 2006. The members of the Company are advised to take note of the change and address all communications in relation to the shares of the company to Intime Spectrum Registry Ltd., C/13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (W), Mumbai – 400078, Tel. No. 2596 3838 Fax No. 2594 6969.

**41th ANNUAL REPORT****EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item 6**

Mr. Vilas K Shah was appointed as an additional and non-executive independent director of the Company by the Board of Directors on 20<sup>th</sup> December, 2005. He holds office upto the date of the forthcoming annual general meeting pursuant to Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company.

Mr. Vilas K Shah is M.Com. LL.B (Gen.) and is also a Fellow Member of the Institute of Chartered Accountants of India. Mr Vilas K Shah is a Proprietor of Vilas K. Shah & Co., Chartered Accountants. He has to his credit wide experience in the field of taxation and management consultancy services.

The Board is of the view that Mr. Vilas K Shah's enriched knowledge and experience will be of immense benefit and value to the Company. The board therefore recommends his appointment to the shareholders.

Apart from Mr. Vilas K Shah, no other director is interested or concerned in this resolution.

**Item 7**

In terms of the provision of Section 163 (1) of the Companies Act, 1956, the Company is required to keep the register of members, the index of members and all copies of annual returns prepared under sections 159 and 160 of the said Act together with the copies of certificates and documents required to be annexed thereto under Sections 160 and 161 of the said Act, at the registered office of the Company. Provided that such registers, indexes, returns and copies of certificates and documents or any or more of them may, instead of being kept at the registered office of the Company, be kept at any other place within the city, town or village in which the registered office is situated, if such other place has been approved for this purpose by a special resolution passed by the Company in general meeting and the Registrar of Companies has been given in advance a copy of the proposed special resolution. The said documents/registers etc are kept at the office of MCS Ltd at Sri Venkatesh Bhavan, Plot No. 27, Road No 11, MIDC Area, Andheri (East) Mumbai 400 093 in terms of the special resolution passed by the shareholders of the Company at its annual general meeting held on 28<sup>th</sup> August, 2004. The business of our existing registrar and share transfer agent viz. MCS Ltd. has been taken over by Intime Spectrum Registry Limited and effective from 1<sup>st</sup> August, 2006 Intime Spectrum Registry Limited will act as registrar and share transfer agent of the Company as per the understanding reached with them. Intime Spectrum Registry Limited has adequate infrastructure facility and professional team to handle the work related to registrar and share transfer agent. The board therefore recommends the resolution set forth in Item No. 7 for above for approval of the Shareholders.

No director is in any way concerned or interested in the Resolution.

**By Order of the Board of Directors**  
**Sudhir R. Shah**  
**Company Secretary**

Date : 24<sup>th</sup> June 2006

Registered Office  
 Flat No.1, Bldg. No. A/2,  
 Akal Co-operative Housing Society Ltd.,  
 J. B. Nagar, Andheri (E), Mumbai - 400 059.

**ORGANIC COATINGS LIMITED****DIRECTORS' REPORT**

TO THE MEMBERS,

Your directors have pleasure in presenting their annual report together with audited statement of accounts of the Company for the year ended 31st March, 2006.

**1) Financial Results**

	(Rs.)	
	2005 - 06	2004 - 05
Profit before Depreciation and Tax	1,74,92,499	50,00,235
Depreciation	50,50,571	53,15,045
Profit (Loss) for the year	1,24,41,928	(3,14,810)
Prior year's Income Tax Adjustment	—	(1,66,044)
Less : Provision for Taxation		
Current	21,07,592	(4,465)
Deferred	13,87,844	22,305
Fringe Benefit Tax	6,65,000	NIL
Add: Reserve for Doubtful Debts written back	NIL	4,00,000
Depreciation of earlier years written back	25,65,211	4,13,312
Refund of Income Tax	NIL	2,87,430
Profit after tax	1,08,46,703	6,37,728
Previous Year's balance b/f	34,29,271	27,91,543
Less: Transfer to General Reserve	48,55,000	NIL
Balance carried forward	94,20,974	34,29,271

**2) Dividend**

In order to conserve the financial resources for long term needs of the Company, the Directors do not recommend any dividend for the year under report.

**3) Operations**

During the year the Company achieved a gross turnover of Rs. 33.03 Crores as compared to Rs. 26.20 crores in the previous year. The operating profit before depreciation and taxation for the year under review was higher at Rs. 174.92 Lacs as against Rs. 50.00 Lacs in the previous year.

**4) Share Capital**

During the year under report:

- The authorized share capital of the Company was increased from Rs. 6,00,00,000 divided into 60,00,000 Equity Shares of Rs. 10/- each to Rs. 10,00,00,000 divided into 1,00,00,000 Equity Shares of Rs. 10/- each as approved by the shareholders at the extra ordinary general meeting held on 20.09.05.
- The board of directors had issued and allotted 10,00,000 Equity Shares of the face value of Rs. 10/- each at a price of Rs. 33/- per equity share aggregating to Rs. 3,30,00,000/- on a preferential basis pursuant to the provisions of section 81(1A) of the Companies Act, 1956 and guidelines for preferential issue contained in Chapter XIII of SEBI (Disclosure & Investor Protection) Guidelines 2000 as approved by the shareholders at the extra ordinary general meeting held on 20.09.05. In view of this the paid up capital stands increased by Rs. 1.00 Crore and the share premium account by Rs. 2.20 Crore.

**5) Directors' Responsibility Statement**

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

- i) in the preparation of the annual accounts for the year ended 31.03.06, the applicable accounting standards have been followed;
- ii) 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 2006 and of the profit for the year ended on that date;
- iii) 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;
- iv) the annual accounts for year ended 31st March, 2006, have been prepared on a going concern basis.

The above statements have been noted by the Audit Committee at its meeting held on 24th June, 2006.

**6) Directors**

Mr. A.S.Mehendale, Mr. Vikram Trivedi and Mr. Ajay R. Shah retire by rotation and being eligible offer themselves for re-appointment at the ensuing annual general meeting.

During the year, Mr. Vilas K. Shah has been appointed as an Additional Non-Executive and Independent Director on 20.12.05. Pursuant to section 260 of the Companies Act, 1956, he holds the office until the date of the forthcoming Annual General Meeting and being eligible offers himself for appointment as a Director of the Company. The Company has received notice in writing from a member proposing the candidature of Mr. Vilas K. Shah for the office of the director of the Company along with requisite deposit. Resolution seeking approval of the shareholders for his appointment has been incorporated in the notice of the forthcoming annual general meeting.

A brief resume of the director(s) retiring by rotation / seeking appointment at the ensuing annual general meeting, nature of their experience in the specific functional areas, names of companies in which they hold directorship and / or membership/ chairmanship of Committees of the board as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange are given in the section of corporate governance, elsewhere in the annual report.

**7) Corporate Governance Report and Management Discussion and Analysis Statement**

The report on Corporate Governance including Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement with Stock Exchange, forms part of the Annual Report is annexed.

A certificate of the auditors of the Company Soman Uday & Co. Chartered Accountants, confirming compliance of the conditions of corporate governance as stipulated in Clause 49 is annexed.

**8) Fixed Deposits**

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

**9) Industrial Relations**

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

**10) Conservation of energy, technology absorption, foreign exchange earnings and outgo**

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.



**ORGANIC COATINGS LIMITED****11) Particulars of 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.

**12) 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 reappointing them as Auditors and to fix their remuneration.

**13) Award received**

The Company was awarded the second prize of the best Industrial Safety Performance Award Competition for the year 2005 in the medium scale chemical sector organized by Thane Manufacturers' Association and Directorate of Industrial Safety & Health. The presentation ceremony was held on 17.04.06 and the award was presented at the hands of Mr. Nandkumar Jantre, I.A.S. Collector & District Magistrate, Thane.

**14) Acknowledgements**

Your directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review.

Your directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers, staff and workers.

On behalf of the Board of Directors

**R. K. Shah**

Chairman & Managing Director

Place : Mumbai

Date : 24th June, 2006

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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 <sup>st</sup> March 2006	Year ended 31 <sup>st</sup> March 2005
A. Power and Fuel Consumption		
1 Electricity		
(a) Purchased Unit	9,29,088	9,14,700
Total Amount (Rs.)	58,16,189	53,01,334
Rate / Unit (Rs.)	6.26	5.80
(b) Own Generated Units	844	792
Total Amount (Rs.)	19,629	8,629
Rate / Unit (Rs.)	23.26	10.90
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	2.84	3.18

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:
- 1) Eco-friendly four colour offset process inks.
  - 2) Security inks.
  - 3) Ink jet inks for wide format outdoor application.

**ORGANIC COATINGS LIMITED**

## 2. Benefits derived as a result of the above R&amp;D:

- 1) Received regular orders for eco-friendly inks.
- 2) Solvent-based wide format inks have got very good market potential and the sales are expected to rise substantially.

## 3. Future plan of action:

- 1) Development of ink jet inks for wide format indoor application and SOHO (Small Office Home Office) printers.
- 2) Development of water-based economical overprint varnishes.

## 4. Expenditure on R&amp;D

(i) Capital Rs.	540074.00
(ii) Recurring Rs.	<u>70807.00</u>
(iii) Total Rs.	<u>610881.00</u>
(iv) Total R&D expenditure as a percentage of total turnover	0.18

## 5. Technology absorption, adaptation, and innovation:

## i) Efforts in brief, made towards Technology absorption, adaption and innnovation

- 1) In the field of paste inks, major efforts have been put in increasing the productivity by installing new machines with higher capacity.
- 2) Continual improvement in the products by replacing imported raw materials with indigenous products with cost effectiveness.

## ii) Benefits derived as a result of the above efforts eg. product improvement, cost reduction, product development, import substitution, etc.

- 1) Product improvement (product upgradation) with cost reduction using indigenous raw materials with subsequent saving in foreign exchange.

## C. Foreign Exchange earned &amp; used

The company has earned Rs. 1,37,81,959/- in Foreign Exchange & used Rs. 4,54,05,812/- of Foreign Exchange.