



**ORGANIC
COATINGS LIMITED**

(AN ISO 9001 COMPANY)

**47th ANNUAL REPORT
2011 - 2012**

BOARD OF DIRECTORS

MR. SUDHIR A. SATHE	CHAIRMAN (INDEPENDENT DIRECTOR)
MR. R. K. SHAH	VICE CHAIRMAN & MANAGING DIRECTOR
MR. VINAY S. JOG	INDEPENDENT DIRECTOR W.E.F. 15/05/12
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.)	INDEPENDENT DIRECTOR (UP TO 30/03/2012)
MR. VILAS K. SHAH	INDEPENDENT DIRECTOR (UP TO 25/08/2012)
MR. VIMAL C. MEHRA	MANAGING DIRECTOR (UP TO 30/09/2012)

MR. SUDHIR R. SHAH
Company Secretary

REGISTERED OFFICE

Plot No. 31, Vimal Pushpa,
Tarun Bharat Society, Chakala,
Andheri (East), Mumbai – 400 099.

Email for investors' grievances :
organiccoatingsltd@organiccoatingsltd.com

FACTORIES

1. S. V. Road,
Ghodbunder Village,
Post : Mira Road,
Dist. Thane – 401 104.
2. Block No. 395, 437, 450
Umraya Village, Taluka Padra
Dist. Vadodara, Gujarat - 391 440

BANKERS

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

LEGAL ADVISORS

Manilal Kher Ambalal & Co.

SOMAN UDAY & CO.

Chartered Accountants

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
C/13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (W), Mumbai – 400 078.
Tel : 2596 3838 Fax : 2594 6969

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47th Annual General Meeting will be held on Friday, the 21st December, 2012 at 4.00 p.m. at Emerald Hall, 2nd Floor, Hotel Parle International, Near Vile Parle Station, Vile Parle (East), Mumbai – 400 057.

NOTICE

Notice is hereby given that the 47th Annual General Meeting of Organic Coatings Limited will be held at Emerald Hall, 2nd Floor, Hotel Parle International, Near Vile Parle Station, Vile Parle (East), Mumbai – 400 057 on Friday, the 21st December, 2012 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, 2012 and the statement of Profit & Loss 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. Sudhir A. Sathe, 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 M/s. Uday Soman & Co. (ICAI Firm Registration No. 110352W) as auditors and fix their remuneration.

By Order of the Board of Directors

Date: October 10, 2012

Registered Office :
Plot No. 31, Vimal Pushpa,
Tarun Bharat Society,
Chakala, Andheri (East),
Mumbai – 400 099.

Sudhir R. Shah
Company Secretary

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 DPID 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 17th December, 2012 to 21st December, 2012 both days inclusive.
8. The relevant details in respect of the Directors, seeking re-appointments required to be provided pursuant to Clause 49 of the Listing Agreement are annexed hereto.

9. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their Income Tax Permanent Account Number (PAN) card to the company / RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/transferee of shares (including joint holders) in physical form are requested to furnish a certified copy of their PAN Card to the company / RTA while transacting in the securities market including transfer, transmission or any other corporate action.

10. Service of documents through Email – “Green Initiative in the Corporate Governance”

Ministry of Corporate Affairs (“MCA”) has taken “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued Circulars No. 17/2011 dt. 21.04.2011 & 18/2011 dated 29.04.2011 stating that service of notices, documents including annual reports can be sent by e-mail to its members. Accordingly the company proposes to send documents like Shareholders Meeting Notice / other notices, audited financial statements, directors’ report, auditors’ report or any other document, to its members in electronic form at the email address provided by them and/or made available to the Company by their Depositories.

Members who have not yet registered their email id (including those who wish to change their already registered email id) may get the same registered/updated either with their Depositories or by writing to the company, by filling & sending the letter attached with the Annual Report.

Details of Directors seeking reappointments at the Annual General Meeting pursuant to Clause 49 of the Listing Agreement

Name of the Director	Mr. Sudhir A. Sathe	Mr. Abhay R. Shah
Date of Birth	19/09/1936	13/07/1966
Date of Appointment	17/02/2010	01/10/1994
Expertise in specific functional areas	Personnel matters and industrial relations	Marketing and production planning.
Qualifications	1) M.A.Sociology 2) Dip. S.S.A. (Personnel Management) Tata Institute of Social Sciences	B.Sc
No. of shares held in Organic Coatings Ltd.	NIL	2,58,850 (3.37%)
Directorship in other Companies	1) Exedy India Ltd. 2) Omnitech Petroleum Ltd.	NIL

Membership of Committees in other Public Limited Companies:

Name of the Director	Mr. Sudhir A. Sathe	Mr. Abhay R. Shah
Audit Committee	NIL	NIL
Shareholders’ / Investors’ Grievance	NIL	NIL

DIRECTORS' REPORT**TO THE MEMBERS OF ORGANIC COATINGS LIMITED**

Your directors have pleasure in presenting their annual report together with audited statement of accounts of the Company for the year ended 31st March, 2012.

1) Financial Results

	2011 – 12	(₹ In Lacs) 2010 - 11
(Loss) Profit before finance cost, depreciation and tax	(188.22)	319.55
Less: Finance cost	384.55	230.55
	-----	-----
(Loss) Profit before depreciation and tax	(572.77)	89.00
Less: Depreciation	185.47	124.25
	-----	-----
(Loss) / Profit for the year before tax	(758.24)	(35.25)
Less: Provision for taxation		
Deferred	(110.40)	(13.74)
Add / (Less): Prior year's Income Tax	(1.61)	0.98
	-----	-----
(Loss) / Profit after tax	(646.23)	(22.49)
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2) Dividend

In view of the loss for the year ended 31st March, 2012, the Directors do not recommend any dividend for the year under report.

3) Presentation of financial results

Pursuant to Notification dated 28th February, 2011 issued by the Ministry of Corporate Affairs, the format for disclosure of financial statement prescribed under Schedule VI to the Companies Act, 1956 has been substantially revised. The financial results of the Company for the year ended 31st March, 2012 have therefore been disclosed as per the revised Schedule VI. Previous year's figures also been restated to conform with the current year's presentation.

4) Extension of time for holding Annual General Meeting

In terms of Section 166 read with Section 210 of the Companies Act, 1956 the Ministry of Corporate Affairs, Department of Company Affairs, Office of the Registrar of Companies, Maharashtra, Mumbai has granted extension of time for holding Annual General Meeting for three months.

5) Operations

During the year under report, your Company achieved a net turnover of ₹ 6121.27 Lacs as compared to ₹ 6442.68 Lacs in the previous year resulting in decrease of about 5%. The operations of the company has resulted into loss of ₹188.22 before finance cost, depreciation and taxation for the year under review as against the profit of ₹ 319.55 Lacs in the previous year. The net loss for the year after finance cost, depreciation and taxation was ₹ 646.23 Lacs as against loss of ₹ 22.49 Lacs in the previous year.

As reported in the last year the Company has commenced the commercial production at its Vadodara Plant in July 2011. The said plant is semi-automated which results into saving in manpower cost, electricity cost, low wastage and zero octroi. This would have contributed towards profitability of the Company during the last financial year. However, the demand for the printing ink manufactured by the Company did not grow correspondingly as expected resulting into under utilization of Company's productive capacity. This coupled with increased burden of interest on additional borrowings taken for Vadodara Plant has resulted into above mentioned loss.

The Company is exploring the possibility of identifying the customer's of international repute for exporting Company's product in bulk which would result into positive growth both in terms of turnover and profit during the current year on materialization of the export orders.

6) Directors' Responsibility Statement

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

- i) in the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently and judgments 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, 2012 and of the loss 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, 2012, have been prepared on a going concern basis.

The above statements have been noted by the Audit Committee at its meeting held on 10th October, 2012.

7) Directors

Mr. Sudhir A. Sathe and Mr. Abhay R. Shah retire by rotation and being eligible offer themselves for re-appointment at the ensuing annual general meeting.

Justice S. C. Pratap and Mr. Vilas K. Shah have resigned as Directors and Independent Directors of the Company effective from 30th March, 2012 and 25th August, 2012 respectively and the Directors have placed on record the appreciation of the services rendered by them during their association with the Company.

Mr. Vimal Mehra has resigned as a Director & Managing Director of the Company w.e.f. 30th September, 2012 and the Board of Directors has accepted the same.

Mr. Vinay S. Jog has been appointed as an Independent Director of the Company w.e.f. 15th May, 2012 to fill the casual vacancy caused by the resignation of Justice S.C.Pratap, Independent Director of the Company.

8) 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.

9) Fixed Deposits

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

10) Industrial Relations

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

11) 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.

12) 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.

13) 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.

14) Cost Auditors

The Ministry of Corporate Affairs (MCA) has introduced The Companies (Cost Audit Report) Rules 2011 vide its Notification No. GSR430(E) dated 03/06/2011. These rules make it mandatory for certain industries to appoint Cost Auditor within 90 days of the commencement of the financial year. In compliance thereof board of directors has appointed M/s. U.R.Bagade & Co. as a Cost Auditor for auditing Company's Cost Accounts for the year ended 31st March, 2012.

15) Acknowledgements

Your directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, Bank of Maharashtra, 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

Vice Chairman & Managing Director

Place : Mumbai

Date : October 10, 2012

Abhay R. Shah

Joint Managing Director

ANNEXURE A

FORM 'A'

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo-Companies
(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	Year ended 31st March, 2012	Year ended 31st March, 2011
A. Power Consumption		
1 Electricity		
(a) Purchased Unit	20,14,302	21,13,164
Total Amount (₹)	1,51,43,530	1,39,36,505
Rate / Unit (₹)	7.52	6.59
(b) Own Generated Units	23	43
Total Amount (₹)	18,195	32,291
Rate / Unit (₹)	791.09	750.95
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 (₹)	4.52	3.24

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:

We are in development of highest quality products for the following application:

- Development work of speciality inks to impart security features in packaging jobs.
- Water-based heat sealing coatings.
- Low odour. UV Coatings for food packaging.

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

We have successfully launched VOC free inks. These inks have been commercially accepted and continuous growth is seen in the business.

3. Future plan of action:

The new plant in Baroda is now totally operational and giving us additional capacity. Discussions are on with major consumers for booking the total capacity. The year 2012-13 should see better operating results due to total capacity utilization of Baroda Plant.

4. Expenditure on R&D

(i) Capital	₹ 20,83,330
(ii) Recurring	₹ 38, 810
(iii) Total	<u>₹ 21,22,140</u>

(iv) Total R&D expenditure as a percentage of total turnover of 0.35%

5. Technology absorption, adaptation and innovation:

Due to strengthening of US, a need was felt to develop local vendors for major raw materials. The R&D Department worked hand in glove with local manufacturer to develop certain pigments, resins and additives, meeting the technical requirement as well as easy availability at short notice.

B. Foreign Exchange earned & used

The company has earned ₹ 336.84 Lacs in Foreign Exchange & used ₹ 1013.52 Lacs of Foreign Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement, a Report on Management Discussion and Analysis is given below:

Industry Structure and Development and Challenges:

The Indian economy, which recorded a growth rate of 8.6% during financial year 2010-11, started showing softening indicators in second half of financial year 2010-11. This was mainly due to inflationary pressures and continued anti-inflationary monetary stance taken by Reserve Bank of India. During the current year, the inflation continued to remain at higher levels with headline Wholesale Price Index (WPI) staying at above 9% during April - November 2011 and moderated to 6.9% by end March 2012. On foreign exchange front, higher crude oil prices, lower net capital inflows and lower export growth in the last 6 months of the year due to worsening global economic scenario, adversely affected the Indian currency. The rate of index of industrial growth (IIP) decelerated from 8.2% in financial year 2010-11 to 2.8% in the current year. Due to these factors India's growth rate is estimated to be lower at 6.9% during financial year 2011-12.

The financial year 2011-12 was among the most challenging years on the macro economy front. The policy and governance environment impacted the economic scenario. Persistent inflation resulted in the regulator raising the policy rates leading to a higher interest rate environment. The global environment remained weak for most part of the year with many European nations sinking into recession, US showing muted growth and even China witnessing a slowdown from its consistent growth over the past decade.

All these factors contributed towards an industrial slowdown. The year in view continue to face tremendous volatility in terms of raw material pricing as well as availability. Ink industry in the past year did get one price increase from their customers and are negotiating for one more as of now.

The growth of the industry did not meet the expectations due to recession in economy worldwide. The demand for the printing ink manufactured by the Company did not grow correspondingly as expected resulting into under utilization of Company's productive capacity. This increased burden of interest on additional borrowings taken for Vadodara Plant are the real challenges in the coming years to bring the Company into profitable venture.

Resources:

The company's Working Capital Facilities with Bank of Maharashtra was ₹ 2400.00 Lacs.

Opportunities & Threats:

Our Vadodara Plant with its cost efficiencies will give us opportunity to aggressively enter the business of publication inks which are of high volume and the same is pursued.

The continuous increase in the interest rate due to inflationary trend in the country is going to cost additional burden to the company with regard to interest. With the increase in business it would again mean need of more funds. The vicious circle of increase in interest cost coupled with increase in business will have to be handled appropriately. All companies will have to think outside the box to ensure cheaper means of finance or good cash flow management.

Segmentwise or productwise performance:

The Company has one segment and one product, hence furnishing of the information for segmentwise or productwise performance is not applicable.

Outlook, Risks and Concerns:

The outlook for the Company's working would improve with the measures taken by the Management to reduce the input cost at all levels. The Company is also exploring the possibility of identifying the customer's of international repute for exporting Company's product in bulk which would result into positive growth both in terms of turnover and profit during the current year on materialization of the export orders.

As indicated in the last year's report the biggest risk affecting our businesses is continuous increase in the

prices of raw material. Since we deal with large publishing house, the cost increase cannot be passed on to the customers immediately and hence the interim period leads to erosion of profit.

Internal control systems and their adequacy:

The Company has carried out an internal audit covering all key areas and has in place adequate internal controls.

Financial performance:

Organic Coatings Ltd's (OCL's) net turnover for the financial year ended 31st March, 2012 has decreased by over 5% to ₹ 6120.54 Lacs from ₹ 6442.67 Lacs in the previous year. The Company's operation has resulted into loss of ₹ 188.22 Lacs before finance cost, Depreciation and Tax as against profit of ₹ 319.55 Lacs in the previous year.

Interest expenses for the year increased to ₹ 384.55 Lacs from ₹ 230.55 Lacs in the previous year due to additional borrowings taken for Vadodara Plant.

Depreciation was at ₹ 185.47 Lacs as against ₹ 124.25 Lacs in the previous year.

Provision for taxation during the year was ₹ (110.40) Lacs (Deferred Tax) as against ₹ (13.74) Lacs (deferred tax) in the previous year.

Net loss for the year was ₹ 646.23 Lacs as against net Loss of ₹ 22.49 Lacs in the previous year.

The Company's net worth as on 31st March, 2012 stood at ₹ 1067.82 Lacs against ₹ 1714.04 Lacs in the last year.

Material developments in human resources/internal relations front including number of people employed:

The employee strength of the Company as on 31st March, 2012 was 143. The Company enjoys harmonious relationship with its employees and workmen.

Cautionary note:

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